

20 June 2022

Email: DianeJules@ethicsboard.org
kamleung@ethicsboard.org

Dear Ms. Diane Jules

RE: EXPOSURE DRAFT (ED) ON THE PROPOSED TECHNOLOGY RELATED PROVISIONS TO THE CODE

1. The South African Institute of Chartered Accountants (SAICA) welcomes the opportunity to make submissions to IESBA on the ED on *Proposed Technology-Related revisions to the Code*.
2. SAICA is South Africa's pre-eminent accountancy body which is widely recognised as one of the world's leading accounting institutes. The Institute provides a wide range of support services to more than 52 000 members who are chartered accountants [CAs(SA)] and associates [AGAs(SA)] who hold positions as chief executive officers, managing directors, board members, business owners, chief financial officers, auditors, and leaders in their spheres of business operation.
3. SAICA adopted the IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) in November 2018 as the SAICA Code of Professional Conduct (the SAICA Code), with certain additional national requirements.
4. The SAICA Code, with its Bylaws, provides the basis for disciplinary action against members and associates.
5. SAICA has consulted its membership in response to the exposure draft.
6. SAICA's comments to the ED are included in the annexures to this letter as follows:
 - (a) **Annexure A:** Specific Comments
 - (b) **Annexure B:** General Comments



7. We would appreciate the opportunity to engage further and to discuss the comments, if required. Please do not hesitate to contact Natasha Soopal at natashias@saica.co.za if you require any further information relating to this submission.

Regards,

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Mpho Mookapele
Chairperson: Ethics Committee

A handwritten signature in black ink, appearing to be 'Natasha Soopal', written over a horizontal line.

Natasha Soopal
Executive: Ethics and Public Sector



ANNEXURE A – SPECIFIC COMMENTS

Technology-related considerations when applying the conceptual framework

Question 1

Do you support the proposals which set out the thought process to be undertaken when considering whether the use of technology by a PA might create a threat to compliance with the fundamental principles in proposed paragraphs 200.6 A2 and 300.6 A2, and why?

8. The profession does not support the current proposal as documented in Section 200.6 A2 and 300.6 A2, as these paragraphs are very critical to the profession in terms of the use of technology. However, it contains insufficient information and guidance for professional accountants.
9. Furthermore paragraphs 200.6 A2 and 300.6 A2 and the bullets that are documented do not align as the bullets do not identify the threat that is being created, except for bullet 5.
10. We recommend that examples of considerations and threats be included separately.

Determining Whether the Reliance on, or Use of, the Output of Technology is Reasonable or Appropriate for the Intended Purpose

Question 2

Do you support the proposed revisions, including the proposed factors to be considered, in relation to determining whether to rely on, or use, the output of technology in proposed paragraphs R220.7, 220.7 A2, R320.10 and 320.10 A2, and why?

11. The profession does not support the proposed addition in its status in paragraph 220.7 A2 as it imposes factors to be considered by professional accountants of which they may not have the necessary skills or competencies and are of a specialized nature such as “whether the technology is established and effective for the purpose intended and whether new technology has been appropriately tested and evaluated for the purpose intended.” This is a particularly difficult task where complex systems have been implemented by the client.
12. The additional considerations prescribed in paragraph 220.7 A2 will require professional accountants to upskill themselves on complex technology processes or hire an expert to be part of the team which will result in increased audit or professional costs. There is a risk that the client will not see the benefit from and therefore they may not approve the increase in fees.



13. Paragraph 220.7 A2 will impact small and medium practices drastically as they have less resources and skills and will be forced to procure the services of information technology experts.
14. We recommended that guidance be included to assist small and medium practices who do not have sufficient resources to consider all aspects included in paragraph 220.7 A2.

Consideration of “Complex Circumstances” When Applying the Conceptual Framework

Question 3

Do you support the proposed application material relating to complex circumstances in proposed paragraphs 120.13 A1 to A3, and why?

15. The profession supports the proposed paragraphs 120.13 A1 to A3, however we strongly recommend that more guidance should be provided to assist the professional accountant to mitigate the challenges arising from complex circumstances.
16. It is further recommended that examples of potential complex circumstances are included.

Question 4

Are you aware of any other considerations, including jurisdiction-specific translation considerations (see paragraph 25¹ of the explanatory memorandum), that may impact the proposed revisions?

17. No, we are not aware of any other considerations that may impact the proposed revisions.

Professional Competence and Due Care

Question 5

Do you support the proposed revisions to explain the skills that professional accountants need in the digital age, and to enhance transparency in proposed paragraph 113.1 A1 and the proposed revisions to paragraph R113.3, respectively?

18. The profession supports the proposed paragraph 113.1 A1 and R113.3, however we do recommend including the format of the communication by the public accountant which should be in writing.



19. Providing information on technology to employing organisations may be difficult for organisations to understand and written communication assists with information being more precise and explicit and provides for records and references for use by the employing organization in the future.

Question 6

Do you agree with the IESBA not to include additional new application material (as illustrated in paragraph 29² of the explanatory memorandum) that would make an explicit reference to standards of professional competence such as the International Education Standards (as implemented through the competency requirements in jurisdictions) in the Code?

20. The profession agrees with the IESBA not to include additional new application material (as illustrated in paragraph 29² of the explanatory memorandum) that would make an explicit reference to standards of professional competence such as the International Education Standards.

Question 7

Do you support (a) the proposed revisions relating to the description of the fundamental principle of confidentiality in paragraphs 114.1 A1 and 114.1 A3; and (b) the proposed Glossary definition of “confidential information?”

21. The profession supports the revision to paragraphs 114.1 A1 and 114.1 A3 which is in line with the Protection of Professional Information Act (POPIA) in South Africa that all SAICA members must comply with.

Question 8

Do you agree that “privacy” should not be explicitly included as a requirement to be observed by professional accountants in the proposed definition of “confidential information” in the Glossary because it is addressed by national laws and regulations which professional accountants are required to comply with under paragraphs R100.7 to 100.7 A1 of the Code (see sub-paragraph 36(c)³ of the explanatory memorandum)?

22. The profession agrees that that “privacy” should not be explicitly included as a requirement to be observed by professional accountants in the proposed definition of “confidential information” in the Glossary. Professional accountants in South Africa must comply with POPIA which addresses privacy.



Independence (Parts 4A and 4B)

Question 9 (a)

Do you support the proposed revisions in paragraphs 400.16 A1, 601.5 A2 and A3 relating to “routine or mechanical” services?

23. The profession supports the revisions of paragraphs 400.16 A1, 601.5 A2 and A3.

Question 9(b)

Do you support the proposed additional proposed examples to clarify the technology-related arrangements that constitute a close business relationship in paragraph 520.3 A2?

24. The profession supports the proposed additional examples.

Question 9(c)

Do you support the proposed revisions to remind professional accountants providing, selling, reselling, or licensing technology to an audit client to apply the NAS provisions in Section 600, including its subsections (see proposed paragraphs 520.7 A1 and 600.6)?

25. The profession supports the proposed revisions to remind professional accountants providing, selling, reselling, or licensing technology to an audit client to apply the NAS provisions in Section 600.

Question 10 (b)

Do you support the prohibition on services in relation to hosting (directly or indirectly) of an audit client’s data, and the operation of an audit client’s network security, business continuity and disaster recovery function because they result in the assumption of a management responsibility (see proposed paragraph 606.3 A1 and related paragraph 606.3 A2)?

26. The profession supports paragraph 606.3 A1 and related paragraph 606.3 A2.

Question 10 (b)

Do you support the withdrawal of the presumption in extant subparagraph 606.4 A2(c) and the addition of “Implementing accounting or financial information reporting software, whether or not it was developed by the firm or a network firm” as an example of an IT systems service that might create a self-review threat in proposed paragraph 606.4 A3?



27. The profession supports the withdrawal and addition in the proposed paragraph 606.4 A3.

Question 10 (c)

Do you support the other examples of IT systems services that might create a self-review threat in proposed paragraph 606.4 A3?

28. The profession supports the examples in paragraph 606.4 A3.

Question 11

Do you support the other proposed changes to the International Independence Standards of the Code, including the proposed changes to Part 4B of the Code?

29. The profession supports the proposed changes to Part 4B of the Code?



Annexure B – General Comments

(a) Guidance and examples

30. The profession acknowledges and appreciates the guidance and examples that have been included in the proposed amendments. The competency framework for many professional accountancy organisations have been updated to include the digital acumen. However, for many professional accountants the complexity of technology remains a challenge. We therefore recommend that sufficient examples and guidance is included in the proposed amendments or in a separate guidance paper to support the professional accountant.

31. Examples make statements clearer, give more information, and decrease the chances that the Code may be incorrectly interpreted in real-life situations whilst guidance will assist professional accountants to find the most effective solution to a problem and to make informed decisions. Therefore, sufficient guidance and examples will assist with reducing the anxiety that is felt by professional accountants on embracing technology and ethics.

(b) Professional accountants and the digital acumen

32. The competency framework of many professional accountancy organisations have been updated with an increased emphasis on the digital competencies. It must be acknowledged that many professional accountants still have a limited or basic understanding on the digital acumen as it was not previously a significant competency in the competency framework, and which is currently being addressed by the accountancy profession.

33. This is a key consideration specifically for small and medium practices where they may have limited staff and resources on information technology which has also been highlighted under the specific comments' annexure of this letter. This may hamper implementation or consideration of some of the revisions in the Code. We recommend that alternative proposals or guidance should be considered to support small and medium practices.