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The Technical Director  
IESBA  
New York

16<sup>th</sup> March, 2016

Dear Sir,

## Comments on exposure draft: Proposed Revisions Pertaining to Safeguards in the Code—Phase 1

Thank you for giving us the opportunity to comment on your Consultation Paper: **Proposed Revisions Pertaining to Safeguards in the Code—Phase 1**. We submit herewith our comments and proposals for your perusal.

### *A. Proposed Revision to the Conceptual Framework*

1. Do respondents support the Board's proposed revisions to the extant Code pertaining to the conceptual framework, including the proposed requirements and application material related to:

- (a) Identifying threats;
- (b) Evaluating threats;
- (c) Addressing threats;
- (d) Re-evaluating threats; and
- (e) The overall assessment.

If not, why not?

#### a. Identifying threats

Yes, we agree. The proposed requirements and application material give a broad scope on how a professional accountant can identify threats to compliance (Paragraph R120.5). It relates threats to compliance with the fundamental principles. As threats to compliance can arise in varied situations, the ED reiterates the importance of a professional accountant exercising professional judgment, being alert to changing circumstances, and taking into account the conclusion that a reasonable and informed third party would come to regarding whether the Accountant has complied with fundamental principles (Paragraph R120.4).

#### b. Evaluating threats

Yes, we agree. In evaluating a threat, it is important for an Accountant to evaluate whether the threat is at an acceptable level. As the ED has defined what an acceptable level is (Paragraph 120.6 A1), it makes it easier for the Accountant to identify threats to compliance.

#### c. Addressing threats

Yes, we agree. Paragraph R120.7, states that an Accountant can either eliminate or reduce threats to an acceptable level. It also points out that not all threats to compliance has safeguards.

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#### **d. Re-evaluating threats**

Yes, we agree. The ED points out the importance of Accountant being alert throughout the professional activity or service in order to determine whether new information has emerged or changes in facts and circumstances have occurred that would change the conclusion reached on threats identified and safeguards put in place. New threats identified have to be evaluated and addressed.

#### **e. The overall assessment**

Yes, we agree. The Accountant shall review identified threats and safeguards put in place to be satisfied that threats to compliance with the fundamental principles have been eliminated or reduced to an acceptable level and no further action is required.

### ***B. Proposed Revised Descriptions of “Reasonable and Informed Third Party” and “Acceptable Level”***

#### **2. Do respondents support the proposed revisions aimed at clarifying the concepts of (a) “reasonable and informed third party;” and (b) “acceptable level” in the Code. If not, why not?**

##### **Comments:**

We agree with the proposed revisions to the “reasonable and informed third party” concepts. This concept is consistent with the provisions of other standards like the requirements to be independent not just in thought but appearance as well.

Of particular interest in this definition is the part that requires the professional to “reasonably have known”. This places the final responsibility in the determination of appropriateness of the safeguards at the door step of the professional involved.

### ***C. Proposed Revised Description of Safeguards***

#### **3. Do respondents support the proposed description of “safeguards?” If not, why not?**

- We agree with the definition as given in the revised code.

#### **4. Do respondents agree with the IESBA’s conclusions that “safeguards created by the profession or legislation,” “safeguards in the work environment,” and “safeguards implemented by the entity” in the extant Code:**

**(a) Do not meet the proposed description of safeguards in this ED?**

**(b) Are better characterized as “conditions, policies and procedures that affect the professional accountant’s identification and potentially the evaluation of threats as discussed in paragraphs 26–28 of this Explanatory Memorandum?”**

##### **If not, why not?**

- a. What we see with the new definition is its attempt to broaden the definition of safeguards and also apply the reasonable third party test. With this in mind, it makes a lot of sense to come to that conclusion where the safeguards created by the profession or legislation,” “safeguards in the work environment,” and “safeguards implemented by the entity” is considered quite narrow in scope and more of a rule based system. The current definition expands the responsibilities of the professionals beyond safeguards created by the profession or legislation,” “safeguards in the work environment,” and “safeguards implemented by the entity” to the reasonable third party test.

- b. We agree with characterising these as conditions, policies and procedures that affect the professional accountant's identification and potentially the evaluation of threats. This makes it a means to an end rather than being used as an end in itself.

***D. Proposals for Professional Accountants in Public Practice***

**5. Do respondents agree with the IESBA's approach to the revisions in proposed Section 300 for professional accountants in public practice? If not, why not and what suggestions for an alternative approach do respondents have that they believe would be more appropriate?**

We agree with the approach. The revisions simplify the code and make requirements more direct and easier for professional accountants to understand. The ED better describes how the conceptual framework applies to professional accountants in public practice and clarifies (1) identifying threats (2)evaluating threats , (3)addressing threats (4) re-evaluating threats and (5) assessing the overall conclusion.

***Conclusion***

We hope the IESBA find this letter helpful in further developing this Exposure draft. We are committed to helping the Board in whatever way we can to build upon the results of this Exposure draft document.

Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Thank you.

Yours faithfully,



Fred N. K. Moore

(Chief Executive Officer)