Ref:769933

16 July 2021

Submitted electronically to kensiong@ethicsboard.org

Mr. K Siong
Senior Technical Director
International Ethics and Standards Board for Accountants (IESBA)
529 Fifth Avenue
New York
NY 10017
USA

Dear Mr Siong

COMMENT LETTER ON THE IESBA'S STAKEHOLDER QUESTIONNAIRE – LONG ASSOCIATION POST-IMPLEMENTATION REVIEW (PHASE 1)

The South African Institute of Chartered Accountants (SAICA) is the home of chartered accountants in South Africa – we currently have approximately 47 000 members globally from various constituencies, including members in public practice, members in business, in the public sector, education and other members. In meeting our objectives, our long-term professional interests are always in line with the public interest and responsible leadership. SAICA is currently the only professional accountancy organisation that has been accredited by the Audit Regulator in South Africa, the Independent Regulatory Board for Auditors (IRBA).

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. The SAICA Code, with its Bylaws, provides the basis for disciplinary action against members and associates.

We thank you for the opportunity to comment on the **Stakeholder Questionnaire - Long Association Post-Implementation Review (Phase 1)**.

Please do not hesitate to contact us should you wish to discuss any of our comments. You are welcome to contact Jeanne Viljoen (jeannev@saica.co.za).

Yours sincerely

Signed electronically

Jeanne Viljoen
Project Director: Practices and Ethics

SAICA'S APPROACH TO RESPOND

1. SAICA established an internal working group that debated the Questionnaire and prepared initial thoughts and inputs pertaining to the questions that have been posed.

2. Further to the internal working group an external working group was also established from members of the SAICA Ethics Committees, specifically in practice.

3. Through other SAICA outreach activities, an invitation was also extended to other SAICA members and associates to participate in the questionnaire.

4. This comment letter encapsulates the results of all SAICA's outreach activities as outlined above.

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5. The SAICA comment letter is structured in the following sections:
   a. Overall Comments
   b. Response to specific questions.

OVERALL COMMENTS

6. SAICA supports the objectives of the IESBA under Phase 1 of the Long Association Post-implementation Review as highlighted in the Stakeholder Questionnaire.

RESPONSE TO SPECIFIC QUESTIONS

7. Our comments are presented in the sequence of the questions as they have been included in the Stakeholder Questionnaire, *Part B relating to National Standard Setters or Professional Accountancy Organisations*. We have responded to all 6 questions.

Questions 1

a) Has a cooling-off period of five years for engagement partners (EPs) on audits of public interest entities (PIEs) been implemented in your jurisdiction in accordance with Section 540 of the Code?
b) If so, were any substantial issues encountered as a result of its implementation?

8. The SAICA Code includes the requirement of Section 540 that require a five year cooling-off period for engagement partners on audits of PIEs.

9. No substantial issues were encountered as a result of the implementation of Section 540.

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Question 2

a) Has a cooling-off period of five or more years for EPs been implemented in your jurisdiction otherwise than by adoption of the Code, e.g., by law or regulation or through a different ethical framework?

b) If so, are there any significant differences between those requirements and the requirements of Section 540? For example, does the cooling-off period apply to EPs on audits of all PIEs or only listed entities?

10. In South Africa the following legislation / regulation apply relating to the rotation of auditors:

a. In terms of the powers granted by Sections 4 and 21 of the *Auditing Profession Act (Act No. 26 of 2005) (the APA)*, the Independent Regulatory Board of Auditors (the IRBA) has published the *IRBA Code of Professional Conduct for Registered Auditors* (the IRBA Code) to establish the fundamental principles of ethical conduct, provide a conceptual framework and includes Independence Standards that assists registered auditors in complying with the ethical requirements of the IRBA Code and meeting their responsibility to act in the public interest. The IRBA Code is aligned with the Code and includes the provision of a five year cooling-off period. The SAICA Code is aligned to both the Code and IRBA Code.

b. Further to that the IRBA implemented a Rule on Mandatory Audit Firm Rotation (MAFR).

The rule states:
In compliance with Section 10(1)(a) of the APA, the IRBA published the rule on MAFR for auditors of all PIEs, as defined in section 290.25 to 290.26 of the amended the IRBA Code.

Requirements

1) An audit firm, including a network firm as defined in the IRBA Code for Registered Auditors, shall not serve as the appointed auditor of a PIE for more than 10 consecutive financial years.

2) Thereafter, the audit firm will only be eligible for reappointment as the auditor after the expiry of at least five financial years.

The requirement is effective for financial years commencing on or after 1 April 2021. Certain transitional provisions are also allowed.

c. In addition Section 92 of the Companies Act 71 of 2008 applicable to all entities, that are required to be audited, requires:

Rotation of auditors

1) The same individual may not serve as the auditor or designated auditor of a company for more than five consecutive financial years.

2) If an individual has served as the auditor or designated auditor of a company for two or more consecutive financial years and then ceases to be the auditor or designated auditor, the individual may not be appointed again as the auditor or designated auditor of that company until after the expiry of at least two further financial years."

11. The above can be summarised as follows:

	The Code	The IRBA Code	MAFR Rule	Companies Act (Section 92(2))
Entity applicable	PIE	PIE	PIE	PIE and non-PIE
Cooling-off period	Five years	Five years	Ten years	Five years
Applicable	Engagement Partner	Engagement Partner	Audit firm	Auditor

Question 3
If the cooling-off period for EPs on audits of PIEs in your jurisdiction is shorter than five years, is this because jurisdiction:

a) Has applied the jurisdictional provision (paragraph R540.19 of the Code)? or
b) Is required to comply with a different regime to address the threats created by long association that permits a cooling-off period that is shorter than five years? If so, please describe the regime.

12. A cooling-off period for engagement partners on audits of public interest entities in South Africa is not shorter than five years as indicted in our response to preceding questions.

Question 4
If your jurisdiction has applied the jurisdictional provision in the Code (paragraph R540.19):

a) What cooling-off period is in effect?
b) Has consideration been given to the implications of the expiry of the jurisdictional provision for audits of financial statements for periods beginning on or after December 15, 2023?

If so, does your jurisdiction intend that a five-year cooling-off period should apply from December 15 2023?

c) What potential issues, if any, are expected to arise from the five-year cooling-off period becoming effective?

13. Although section R540.19 is included in the SAICA Code a five year cooling-off period is applied in South Africa as indicated in paragraph 8 of this document.

Question 5
If your jurisdiction does not intend to adopt a five-year cooling-off period for EPs on audits of PIEs, please set out the rationale for the approach proposed or considered.

For instance:
- Alternative measures are in place to address the threats created by long association and those measures are considered adequate (e.g., mandatory firm rotation). If so, please describe those measures; or

- The circumstances particular to your jurisdiction give rise to issues that outweigh the benefits of implementing a five-year cooling-off period. If so, please describe those circumstances and the public interest considerations leading to that conclusion.

14. As indicated in our response South Africa apply a five-year cooling-off for engagement partners on audits of public interest entities as required in Section 540 of the Code.

Question 6
Are there any other issues or comments that the IESBA should consider under Phase 1 of the LAPIR in relation to the expiry of the jurisdictional provision and the implementation of a five-year cooling-off period for EPs on PIE audits?

15. No further issues or comments to be considered under Phase 1 of the LAPIR in relation to the expiry of the jurisdictional provision and the implementation of a five-year cooling-off period for engagement partners of PIE audits.