



**SAA** | ACCOUNTING  
ACADEMY  
Connect. Partner. Succeed.



# Exploring the IESBA Code

Presenter: **Lettie Janse van Vuuren CA(SA)**

**4 NOVEMBER 2020**

*Exploring the IESBA Code: The International Code of Ethics for Professional Accountants*

*This 2<sup>nd</sup> webinar focuses on The Conceptual Framework, Step 2, Evaluating Threats and The Conceptual Framework, Step 3, Addressing Threats*



# Presenter

## Lettie Janse van Vuuren CA(SA), RA, CBA(SA)

- Lettie joined SA Accounting Academy in November 2017 as Head of Technical. She is a Chartered Accountant, Registered Auditor and Certified Business Accountant.
- She is a **professional trainer and webinar host**, and with her relaxed and humorous presentation style, she is able to hold the attention of an audience. She has a unique ability to communicate with delegates at their respective levels of knowledge and experience. Over the last 20 years, she has trained thousands of partners, managers, trainee accountants and other professionals.
- She is responsible for our MCLU (Monthly Compliance and Legislation Updates).
- She was the Professional Development Manager at SAICA for 4 years and in charge of accrediting new training offices and monitoring existing ones (including the moderation of training offices and trainee assessments).
- Lettie is passionate about improving the efficiency and standardisation at practices. She has extensive experience on a variety of technical and practical topics which she consults on, including: SAICA re-accreditation assistance and preparation, IRBA inspection assistance and preparation, audit file reviews (post-issuance monitoring and EQCR), Quality control implementation, other office-specific manuals, and FASSET skills development facilitation.



# About SAAA

## **Creating opportunities to connect our partners to succeed**

SAAA offers CPD training for accountants, auditors, bookkeepers and tax practitioners. We give you access to professional and technical content that ensures both your knowledge and skills are maintained so you remain professionally competent.

## **The CPD policy is compliant with IFAC IES7**

All training offered by SAAA is recognised for CPD hours by the relevant professional bodies.



# SAAA Rewards

## CPD Subscribers gain access to various rewards

These can be accessed from your profile by logging in and navigating to your [“My Rewards”](#) > [“Find out more”](#) to see the reward partner benefits and claim it.

These rewards include discounts, reduced premiums and free stuff.

# Reward Partners



Acts Online provides legislation, including amendments and regulations, in an intuitive, online format.



Draftworx provides automated drafting and working paper financial software.



EdNVest offers an exciting and unique product that leverages Section 10(1)(q) of the Income Tax Act



InfoDocs Company Secretarial Software.

# Reward Partners



Practice Ignition simplifies onboarding - from engagement letter creation to securing client signatures.



QuickBooks Cloud Accounting Platform: The one place to grow and manage your entire practice.



Join the largest accounting and tax franchise in Southern Africa.

# Webinar Housekeeping

The **Webinar Material** and **Source Documents** will be uploaded to your SAAA profile after the webinar – it's usually a good idea to check the next day.

The **webinar recording** and **presentation** will also be available at the end of the webinar within your SAAA profile.

These can be accessed from your profile by logging in and navigating to your **“My Dashboard”** > **“View Events”** and then clicking on **“Links & Resources”** next to the webinar title.

The webinar is available under the **“Recording(s)”** tab and the **Webinar Material, Source Documents and Presentation** under the **“Files”** tab.



# Claiming CPD Hours

You can claim your CPD hours for this webinar at the end of the webinar within your SAAA profile.

This can be accessed from your profile by logging in and navigating to your [“My Dashboard”](#) > [“View Events”](#) and then clicking on [“Links & Resources”](#) next to the webinar title.

***Complete the [Self-Assessment Questions](#) to qualify for an additional 1 bonus hour of CPD***

The [“Claim My CPD”](#) option is available under the [“CPD”](#) tab. Once claimed you will be able to view and download your certificate.

# Disclaimer

## Disclaimer

Whilst every effort has been made to ensure the accuracy of this presentation and handouts, the presenters / authors, the organisers do not accept any responsibility for any opinions expressed by the presenters / author, contributors or correspondents, nor for the accuracy of any information contained in the handouts.

## Copyright

Copyright of this material rests with SA Accounting Academy (SAAA) and the documentation or any part thereof, may not be reproduced either electronically or in any other means whatsoever without the prior written permission of SAAA.

# Ask Questions

To ask questions and interact during the webinar please use the chat sidebar to the right of the video / presentation on the screen.

Feel free to ask your questions during the webinar in the chat, these will be addressed in the formal Q & A at the end of the presentation.

**Where appropriate, a **Q & A Summary** will be uploaded to your profile as soon as all answers have been documented.**



# WHAT'S ON THE AGENDA?

# Quote

*“It takes less time to do things right than to explain why you did it wrong”*

- Henry Wadsworth Longfellow

# Table of Contents

- Module 1:** Recap (*where did we stop last time?*)
- Module 2:** Instalment 3 = The Conceptual Framework – Step 2, Evaluating Threats
- Module 3:** Instalment 4 = The Conceptual Framework – Step 3, Addressing Threats
- Module 4:** SA Case Studies



# MODULE 1

## RECAP

# Module 1

Module 1 in your Webinar Material contains the basic summary (again):

- Introduction to the Exploring the IESBA Code series
- Structure of the Code
- South African Amendments (SAICA and IRBA)

## **Where did we stop with webinar 1 in this series?**

- We ended with Identifying threats. Today we will focus on **evaluating** and **addressing** those threats.
- *Remember, we examined how professional accountants should first identify threats: Self-Interest, Self-Review, Advocacy, Familiarity, Intimidation – that could impact their ability to comply with the fundamental principles. The next step is to evaluate whether the identified threats are at an acceptable level.*

# Where did we end last time?



Context is important. As part of identifying threats, professional accountants are required to understand the specific facts and circumstances, including any professional activities, interests, and relationships that might compromise compliance with the fundamental principles.



## **MODULE 2**

# **THE CONCEPTUAL FRAMEWORK – STEP 2, EVALUATING THREATS**

# Evaluating Threats

Professional accountants are guided by fundamental principles that help them uphold their responsibility to act in the public interest.

- Any threats to compliance with the fundamental principles must be evaluated.
- In doing so, the accountant is required to use the reasonable and informed third party test in determining whether a threat is at an acceptable level.

***RITP** = The reasonable and informed third party is someone who might not be an accountant but has the knowledge and experience to understand the relevant facts and circumstances and impartially evaluate the appropriateness of the professional accountant's decisions and conclusions.*

# RITP

Reasonable & Informed Third Party





# Evaluating Threats

## **Example of real world scenarios**

- As a Director of Accounting Policy

*Refer to Webinar Material for full details of example*

# Measured @ the 5 Threats

**1 SELF-INTEREST**—Promise of large bonuses could make the Director hesitant to investigate the emails that were uncovered, less objective in evaluating the situation, or less diligent in understanding appropriate anti-bribery laws.

✓ The self-interest threat to integrity, objectivity, professional competence and due care, and professional behavior is **not at an acceptable level**.

**2 SELF-REVIEW**—The Director was not involved in the development of the plan, so there is little threat of him evaluating his own analysis/work.

✓ The self-review threat is **at an acceptable level**.

**3 ADVOCACY**—The Director is not being placed in a position to advocate the company's position. This threat may become more significant if the Director is subsequently asked to "sell" the plan to shareholders or "defend" the plan to tax authorities.

✓ The advocacy threat is **at an acceptable level**.

**4 FAMILIARITY**—The Director may be "too close" to the situation and inclined to agree with the CEO's plan out of implicit trust in the CEO and the company's decision-making processes.

✓ The familiarity threat to integrity, objectivity, professional competence and due care, and professional behavior is **not at an acceptable level**.

**5 INTIMIDATION**—The CEO's "whatever it takes" approach could pressure the Director to just find the "right" answer and approve the plan because jobs and reputations are on the line.

✓ The intimidation threat to integrity, objectivity, professional competence and due care, and professional behavior is **not at an acceptable level**.

# Code Reference

- *The Reasonable and Informed Third Party Test can be found in paragraph 120.5 A4 of the Code*
- *The conceptual framework is set out in Part 1, Section 120 of the Code*
- *Additional provisions that are relevant to applying this framework are set out in Parts 2, 3, 4A and 4B, Sections 200, 300, 400 and 900 respectively*

# MODULE 3

# THE CONCEPTUAL FRAMEWORK – STEP 3, ADDRESSING THREATS



# Addressing Threats

The IESBA Code helps professional accountants (PAs) meet their responsibility to act in the public interest.

- The Code provides a conceptual framework which specifies a **3-step approach** that all PAs are to apply in order to **identify, evaluate** and **address** threats to compliance with the Code's fundamental principles.

*PAs have an ongoing obligation to remain alert for changes in facts and circumstances that might impact the evaluation of the level of threats and the appropriateness of safeguards.*

✓ *If changes arise, the PA must re-evaluate and address that threat.*

# Module 3



If any identified threats are determined to not be at an acceptable level, then the PA must take steps to address them by:

- Eliminating the circumstance, interest or relationship creating the threat;
- Applying safeguards (where available) to reduce the threat to an acceptable level; or
- Declining or ending the specific professional activity or engagement that gives rise to the threat

# Addressing Threats

## **Example of real world scenarios**

- As a Director of Accounting Policy

*Refer to Webinar Material for full details of example*

# Categories of threats

*The following are considered to the threats*

Threat	Details
Self-interest	Promise of large bonuses
Familiarity	Too close to the situation
Intimidation	Find the right answer

# Safeguards

- **Safeguards** are **actions**, individually or in combination, that the professional accountant takes **to** effectively **reduce threats** to compliance with the fundamental principles to an acceptable level

## Possible actions to address threats

- *Involvement of the Board*
- *Consult with external legal counsel*

***Remember: You should always consider what the threat is in before you can decide on appropriate action***



# Code Reference

- *The conceptual framework is set out in Part 1, Section 120 of the Code*
- *Additional provisions that are relevant to applying this framework are set out in Parts 2, 3, 4A and 4B, Sections 200, 300, 400 and 900 respectively*

# MODULE 4

## CASE STUDIES

### *SOUTH AFRICAN SCENARIOS*

# Module 4

## Module 4: South African case studies

The following items are dealt with here:

- IRBA News cases:
  - An audit team member was a beneficiary in a trust that held a significant interest in an audit client. The respondent failed to identify and respond to this independence threat for which no safeguards exist. **Effectively fined R40 000**
  - RA acted as auditor and also carried out regular accounting work in relation to their spouse's attorney trust account. As a result, the respondent breached the independence rules, as set out in the IRBA Code of Conduct. **Fined R100 000**

# QUESTIONS?



# Formal Q&A Session

We will now take a **quick comfort break** before we discuss some questions received during the webinar.

Remember: A Q&A summary will also be uploaded to your profile

If you would like to e-mail a question please use:

[technicalquestions@accountingacademy.co.za](mailto:technicalquestions@accountingacademy.co.za)

E-mail general comments to [info@accountingacademy.co.za](mailto:info@accountingacademy.co.za)



**Thank you for your  
participation!**

SAA | ACCOUNTING  
ACADEMY

Your source for accounting knowledge