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Exploring the IESBA Code

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27 NOVEMBER 2020

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

This 4th webinar focuses on Inducements and Responding to NOCLAR

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.



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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?

Table of Contents

Module 1:	Recap (<i>what have we covered thusfar?</i>)
Module 2:	Instalment 7 = Inducements, including Gifts and Hospitality
Module 3:	Instalment 8 = Responding to Non-Compliance with Laws and Regulations for PAIBs
Module 4:	SA Case Studies

Integrity
is choosing your
thoughts and actions
based on values rather
than personal gain.



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)

What have we covered thusfar in this series?

- **Webinar 1** = Identifying threats (Conceptual framework)
- **Webinar 2** = Evaluating and Addressing threats (Conceptual framework)
- **Webinar 3** = Independence and Conflicts of Interest

MODULE 2

INDUCEMENTS

Inducements

What is an inducement?

= anything that is used to influence another individual's behavior

- Objectivity and Integrity
- Family matters

Where in the Code?

Inducements that violate local laws or regulations
(See NOCLAR provisions)
(Section **260** for PAIBs and Section **360** for PAPPs)

Inducements that are employment incentives based on financial performance
(See Section **240**)

All other inducements, including gifts and hospitality
(see Section **250** for PAIBs and Section **340** for PAPPs)

Inducements occurring in an audit or other assurance setting
(see Sections **420** and Section **906**)



Intentions

Inducements with improper intentions

- Integrity
- Offer may be benign
- Offer may be trivial
- RITP
- Identify, evaluate and address threats
- Safeguards

Example

The CFO of a distillery hired a PA firm to provide tax services. The CFO is thinking about offering the engagement team tickets to an upcoming customer appreciation event, which includes a bottle of limited-release whisky

- ❑ How can a PA determine intentions?
 - Relevant questions to ask...
- ❑ Identify, Evaluate, Address the Threat

*If this were **an assurance engagement**, the gift and hospitality could not be accepted by the PAPP regardless of the CFO's intent, unless the inducement was small enough to be deemed trivial and inconsequential.*

Refer to the Webinar Material for full detail

Code Reference

IESBA Staff has prepared **diagrams** to help PAs analyse Inducements:

- ❑ **Appendix 1** – Inducements offered by or to a Professional Accountant
- ❑ **Appendix 2** – Inducements offered by or to an Immediate or Close Family Member
- ❑ **Appendix 3** – Gifts and Hospitality Offered by an Audit or Assurance Client

These 3 flow-charts are included as part of the source documentation.

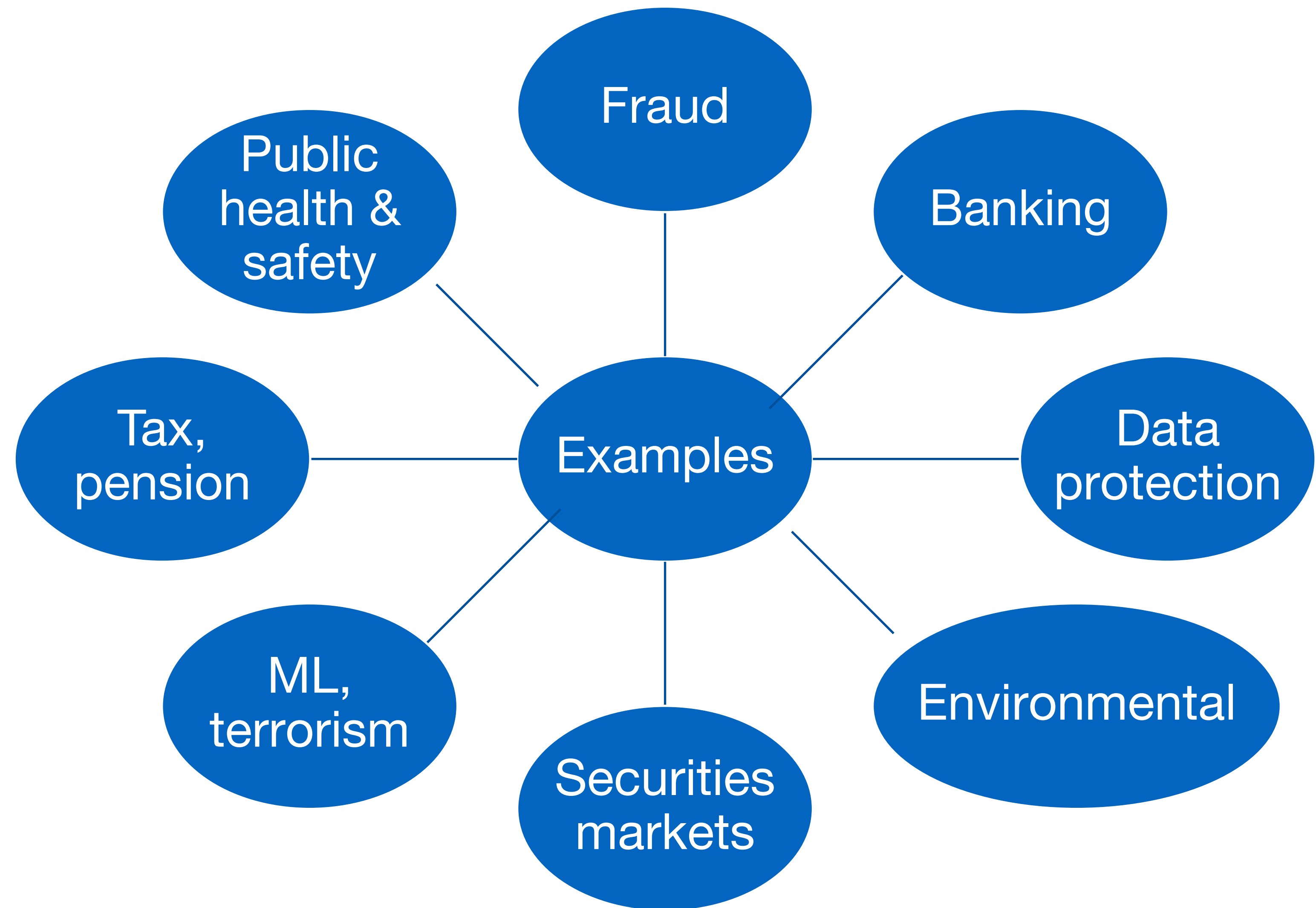
MODULE 3

NOCLAR FOR PAIBs

PAIBs

**When becomes aware
or suspects NOCLAR,
PAIB needs to:**

- Understand and comply with the Code as well as legal and regulatory provisions
- Consider protocols in their organisation



Confidentiality

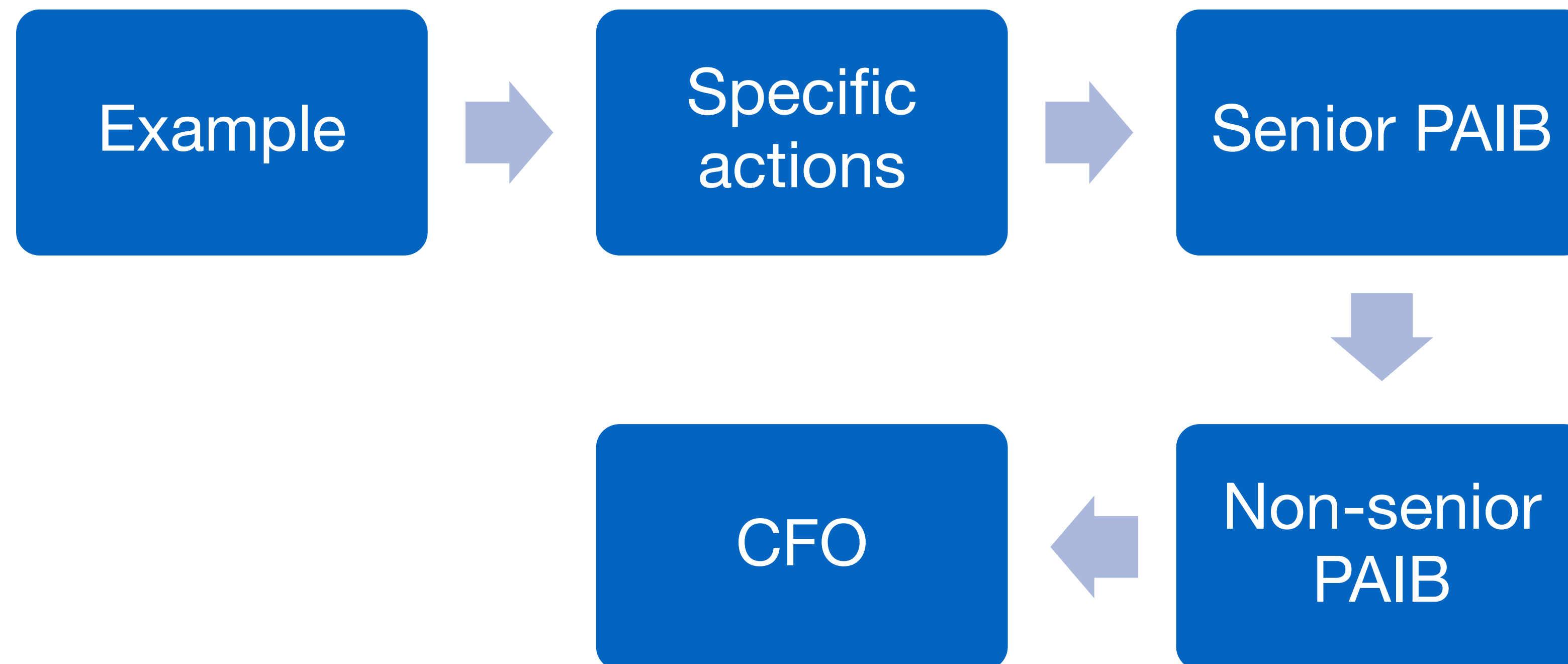
- Disclosure
- In good faith
- Exercise caution

Obligations

- Based on role / seniority
- Senior PAIBS = higher level of obligation

Example

A large international manufacturing company has developed an AI tool to pre-screen candidates for job placements. However, the data being captured by the system is also being sold to a data broker without the knowledge or consent of the interviewees. This is not in compliance with the local jurisdiction's data protection laws. If a PAIB becomes aware of, or suspects, this is occurring or might occur, they have an obligation to take action.



Code Reference

The **NOCLAR** provisions for **PAIBs** are set out in **Section 260**

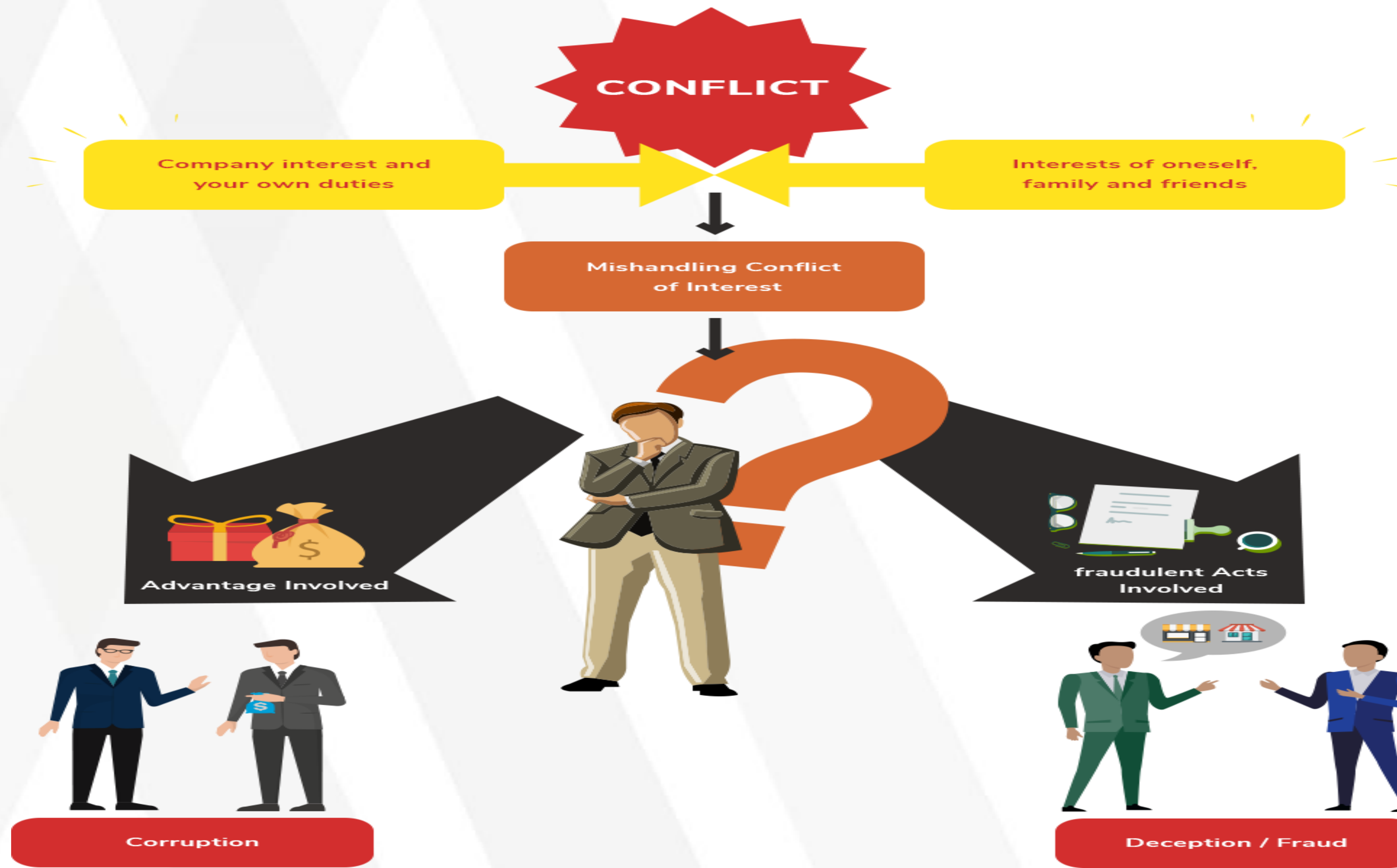
The ***IESBA Support & Resources webpage*** includes helpful guidance for PAIBs, including a NOCLAR Fact Sheet, IESBA Staff Q&As and videos that explain NOCLAR from a variety of perspectives

Also, the IESBA website includes a comprehensive NOCLAR webpage

MODULE 4

EXAMPLE & SOUTH AFRICAN SCENARIOS

Depiction of interpretation



IRBA cases

6 IRBA News cases:

1. A PAYE payment was deferred by a client. The respondent failed to report this matter as a reportable irregularity to the IRBA and also failed to report this matter to those charged with governance of the entity. **Effectively fined R25 000**
2. The respondent in reviewing the audit file failed to detect that the work performed did not appropriately respond to the risk related to procurement in terms of the requirements of International Standards on Auditing. The respondent also failed to disclose non-compliance with legislation regarding procurement in the joint audit report of the entity. **Effectively fined R150 000**
3. The respondent did not identify that advances to a related party entity did not comply with the requirements of the Companies Act and should have been reported as a reportable irregularity to the IRBA. Also, the disclosure on the related party entity in the financial statements was not in terms of IFRS for SMEs. The respondent performed both the accounting and audit work for the company in contravention of the Companies Act. **Effectively fined R75 000**

IRBA cases *(continued)*

6 IRBA News cases (continued):

4. The respondent did not document considerations relating to a possible reportable irregularity and noncompliance with the rules of the Law Society regarding the non-payment by the attorney of the interest received on the trust account. **Effectively fined R40 000**
5. A manager of the audit firm prepared the client's annual financial statements while the firm was engaged to perform the audit. As a result, the respondent breached Section 90(2) of the Companies Act. **Effectively fined R50 000**
6. A consultant of the audit firm prepared the client's annual financial statements while the firm was engaged to perform the audit. The network firm of the audit firm was appointed as the company secretary of the company for the same period that the respondent was engaged to perform the audit of the annual financial statements of the company. As a result, the respondent breached Section 90(2) of the Companies Act. **Effectively fined R40 000**

QUESTIONS?



Formal Q&A Session

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

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participation!**

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