



The South African Institute of Chartered Accountants

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Ethics

13 February 2004

Ms J Munro
IFAC Ethics Committee
14th Floor, 545 Fifth Avenue
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NEW YORK, 10017
United States of America

BY E-MAIL: EDComments@ifac.org

Dear Madam

EXPOSURE DRAFT: PROPOSED REVISION OF CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

We are pleased to have the opportunity to comment on the proposed revision of the International Federation of Accountant's (IFAC's) Code of Ethics.

In principle, we agree with the proposed revision and believe that the lead engagement partner should not participate until a "cooling-off" period of two years has lapsed. This principle is in line with the global trend on partner rotation as well as principles embedded in the International Auditing and Assurance Standards Board's exposure draft on Quality Control.

We do, however, raise a concern with regard to the specific wording used in the revision and the link between the Code of Ethics and the Exposure Draft on Quality Control.

Paragraph 8.151(b) refers to:

"A partner rotating after a pre-defined period should not participate in the assurance engagement until a further period of time, normally two years, has lapsed."

It should be noted that the proposed ISQC 1 and ISA 220 refer to the fact that the lead engagement partner should be rotated off the audit of financial statements of listed entities, and that the firm should establish criteria for evaluating the necessity of rotating the engagement partner for all other audits and reviews as well as assurance and related services engagements.



It is not clear from the proposed revision of the Code if the rotation of the lead partner would or should extend to the lead partner on assurance and related services as well, as stipulated in ISQC 1 and ISA 220. The use of the word “assurance” in section (b) creates the impression that this requirement would extend to assurance and related services, however it is not clear. This conflicts with the first section of paragraph 8.151 where it is stated:

“This threat is particularly relevant in the context of the audit of listed entities ...”

We believe this proposed revision should coincide with the proposed revision of ISQC 1 and ISA 220 to maintain consistency on the principle of partner rotation. The Code should state clearly that the rotation and subsequent “cooling-off” period of the lead engagement partner should apply on audit engagements of listed entities, and that the individual firms should evaluate the necessity of extending this requirement to assurance and related services.

We trust you find this in order.

Yours faithfully

J H Dijkman

PROJECT DIRECTOR: ETHICS AND DISCIPLINE