

18 April 2016

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International Ethics Standards Board for Accountants
529 Fifth Avenue, 6th Floor
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Dear Sirs,

RESPONSE TO THE INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA) EXPOSURE DRAFT (ED) – IMPROVING THE STRUCTURE OF THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS - PHASE 1

In preparation of this comment letter, the Institute of Singapore Chartered Accountants (ISCA) has sought views from its members through a one-month public consultation and discussed the ED with members of the ISCA Ethics Committee.

Generally, we agree with all the suggestions in the ED and do not have significant comments or additional insights, except for the following specific questions:

Refinements to the Code

Question 1: Do you agree with the proposals, or do you have any suggestions for further improvement to the material in the ED, particularly with regard to:

- (a) Understandability, including the usefulness of the Guide to the Code?
- (b) The clarity of the relationship between the requirements and application material?
- (f) The navigability of the Code, including:
 - (i) Numbering and layout of the sections;
 - (ii) Suggestions for future electronic enhancements; and
 - (iii) Suggestions for future tools?

(a) Understandability, Including Usefulness of the Guide

The Guide to the Code includes an introduction to the Code, an overview of the structure of the Code and instructions on how to use the Code. However, it is not clear whether the material in the Guide is authoritative or not. Hence, we would like to recommend that the IESBA provides clarification on this to enhance the Guide's understandability and usefulness.

In addition, the proposed wordings "a regulator" at the end paragraph 10 of the Guide may not have the same meaning as "*the relevant regulator*" in paragraph 100.11 of the extant Code. The latter refers to a specific relevant regulator, while the former could refer to any regulator. Thus, for clarity, we propose that paragraph 10 of the Guide also uses the term "*the relevant regulator*".

(b) Clarity between Requirements and Application Material

Paragraph 5 of the Guide states that application material sections provide *guidance* to assist in complying with the requirements. Intuitively, this means that it is not mandatory to comply with the application material. But we are uncertain if this is indeed the IESBA's intention. It is also unclear whether explanations would be required from the professional accountant if he does not adhere to the application material. Thus, for avoidance of doubt, the IESBA should clarify on the authority of application material sections in the Code.

(f) Navigability of the Code

For ease of reference and quotation, the IESBA could consider using proper numbering reference, such as (a) or (i) instead of bullet points when examples are listed, for instance in paragraph 112.2 A2.

Also, the IESBA could consider adding a header or footer to indicate the main parts of the proposed Code (e.g. "Part C - Professional Accountants in Public Practice") to make it easier to navigate, given that Parts B and C in the extant Code have swapped positions in the proposed Code and the majority of users may not be familiar with the new layout of the proposed Code.

Refinements to the Code

Question 3: Do you believe that the restructuring has changed the meaning of the Code with respect to any particular provisions? If so, please explain and suggest alternative wording.

We noted that the following paragraphs in the proposed Code could have a different meaning from that in the extant Code:

(1) Paragraph 310.7A1 of the proposed Code

We propose to add the phrase “*or reduce it to an acceptable level*” at the end of the first paragraph after “..... to apply safeguards to eliminate the threat”. Safeguards could either eliminate a threat or reduce it to an acceptable level. This will allow the restructured paragraph to be consistent in meaning with that in the extant Code.

(2) Paragraph 330.3 A2 of the proposed Code

We propose to amend the phrase “.....However, *fee quotations* create a threat to professional competence.....” to “.....However, *the level of fees quoted* create a threat to professional competence.....”. The term “*fee quotations*” is more general as it could also relate to the manner in which the fee quotation is given. In this instance, as the concern is with excessively low fees quoted, it may be more appropriate to use “*the level of fees quoted*”, which specifically addresses the quantum of the professional fees in relation to the relevant engagement.

(3) Paragraph R510.10 of the proposed Code

We propose to remove the word “*otherwise*” from the sentence “If a firm..... and the interest would not *otherwise* be permitted to be held under this section.....” such that it reads “If a firm..... and the interest *would not be permitted* to be held under this section.....”. The term “*would not otherwise be permitted*” suggests that there will be some circumstances under which the interests are permissible. On the other hand, “*would not be permitted*” as used in the Extant Code does not give such leeway.

Should you require any further clarification, please feel free to contact Mr Kang Wai Geat, Assistant Director, Technical Advisory and Professional Standards, or Mr Ang Soon Lii, Manager, Technical Advisory and Professional Standards, at ISCA, via email at waigeat.kang@isca.org.sg or soonlii.ang@isca.org.sg respectively.

Yours faithfully,



Mr Titus Kuan
Director
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