

14 August 2014

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International Ethics Board for Accountants  
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Dear Sirs,

**RESPONSE TO THE INTERNATIONAL ETHICS STANDARDS BOARD FOR  
ACCOUNTANTS EXPOSURE DRAFT - PROPOSED CHANGES TO CERTAIN  
PROVISIONS OF THE CODE ADDRESSING NON-ASSURANCE SERVICES FOR  
AUDIT CLIENTS**

The Institute of Singapore Chartered Accountants (ISCA) appreciates the opportunity to comment on the above Exposure Draft (ED) issued by the International Ethics Standards Board for Accountants (IESBA) in May 2014.

To solicit meaningful feedback for this ED, ISCA sought views from its members through a one-month public consultation and discussed the ED with members of the ISCA Ethics Committee.

We are of the view that the proposed changes are of no significant consequence. In addition, IESBA has received feedback that frequent changes to the Code of Ethics for Professional Accountants (the Code) have presented implementation challenges for users of the Code. As such, it may be preferable to defer making any changes in relation to the non-assurance provisions of the Code until such time when these changes could be made in conjunction with other more substantial changes to the Code. This would reduce the burden placed on practitioners since they will be required to update or change their internal guidance and issue internal communications to ensure that their firms' practices are in compliance with the requirements of the revised provisions.

Also, there is no consideration in the ED as to whether there should be alignment of the conditions required for the respective public interest entities (PIE) and non-public interest entities (non-PIE) when allowing non-assurance services to be provided to these entities. Currently, there are separate provisions for PIEs and non-PIEs in the Code. While the risk of a PIE engagement is generally significantly greater than that of a non-PIE engagement, the

principle of upholding independence in both mind and appearance should be applied consistently across both segments. We are of the view that the ED should consider this matter.

Our comments on the specific questions in the ED are as follows.

**Question 1 – Are there any situations that warrant retention of the emergency exceptions pertaining to bookkeeping and taxation services?**

In our view, removing the emergency provisions removes the potential for abuse of the provision as this would eliminate situations where practitioners may be under pressure to invoke the emergency provision to assist the clients to meet deadlines. In addition, even with the removal of the emergency provisions, there is still paragraph 100.11 of the Code which provides the professional accountant some leeway for “unusual circumstances” to be evaluated albeit more restrictive. Hence, we agree with the removal of the emergency exceptions.

**Question 2: Does the change from “significant decisions” to “decisions” when referring to management responsibilities (paragraph 290.162) enhance the clarity of a management responsibility?**

In our view, clarity would not be enhanced regardless of whether the word “significant” is removed or retained. Management is accountable for all decisions made within the entity, significant or otherwise. Even if decisions are made by employees, management is ultimately responsible for them. On this basis, we agree to the proposal to remove the word “significant”.

We further noted that paragraph 291.143 still includes the word “significant”, which is inconsistent with paragraph 291.162. We would like to suggest that the word “significant” be removed in both paragraphs.

**Question 3: Are the examples of management responsibilities in paragraph 290.163 appropriate?**

We noted that “*supervising activities for the purpose of management oversight*” has been added as an example of management responsibility. We are of the view that this duplicates the third bullet point “*Directing, supervising or taking responsibilities for the actions of employees in relation to the employees’ work for the entity*”. Hence, we would suggest that the example of “*supervising activities for the purpose of management oversight*” be removed.

**Question 4: Are there any challenges in understanding and applying the prerequisites set out in paragraph 290.165 for non-assurance services that should be considered?**

While we do not anticipate any challenges, we again do not see the need to remove the word “significant” from “significant judgments” as per our comment to Question 2 above.

**Question 5: Will the enhanced guidance assist engagement teams to better meet the requirement of not assuming a management responsibility?**

Generally it will, except for our comments to Questions 2 and 3 above.

**Question 6: Does the relocation of the guidance pertaining to administrative services into its own subsection provide greater clarity?**

Yes, it does.

**Question 7: Does the proposed guidance on “routine or mechanical” clarify the term, or is additional guidance needed?**

The proposed guidance is useful. However, we would like to suggest deleting the words “such as utility bill” from the second bullet point in paragraph 290.171 in the proposed changes. Given that users are well aware of what a routine transaction constitutes, this example would not enhance clarity to the Code.

Furthermore, we would also like to suggest amending the manner in which the example “*Recording a transaction involving a significant degree of subjectivity, for example the valuation of an asset when the client has determined the amount to be recorded*” is phrased. For better clarity, we suggest that it be re-phrased to “*Recording a transaction for which the client has already determined the amount to be recorded, although the transaction involves a significant degree of subjectivity, for example the valuation of an asset*”.

**Question 8: Is the meaning and identification of source documents sufficiently clear, taking into account documents that may be generated by software?**

Currently, only purchase orders, payroll time records and customer orders are listed as examples of source documents in paragraph 290.167. For additional guidance, it would be good to provide more examples.

**Question 9: Do the changes proposed to Section 291, specifically the additional requirements to proposed paragraph 291.146, enhance the clarity of a management responsibility?**

Yes, they do.

**Question 10: Are the examples of management responsibilities in paragraph 291.144 appropriate?**

Please refer to our comments for Question 3.

**Question 11: Does the relocation of the guidance pertaining to administrative services provide greater clarity?**

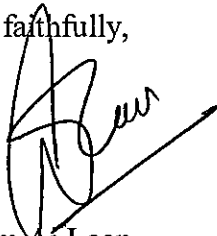
Yes, it does.

### **Other Comments**

We would like to propose to remove the word “generally” from the last sentence of paragraph 290.170 of the Code to enhance its clarity. The word “generally” is superfluous, since there would not be a threat to independence so long as the firm is not assuming a management position.

Should you require any further clarification, please feel free to contact Mr Kang Wai Geat, Deputy Head, Technical Standards Development and Advisory, or Mr Ang Soon Lii, Manager, Technical Standards Development and Advisory, at ISCA via email at [waigeat.kang@isca.org.sg](mailto:waigeat.kang@isca.org.sg) or [soonlii.ang@isca.org.sg](mailto:soonlii.ang@isca.org.sg) respectively.

Yours faithfully,



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