

## **Exposure Draft**

# **Proposed Changes to EP 100 Code of Professional Conduct and Ethics**

Comments are requested by 12 March 2021.

Once issued, the proposed changes are effective as of 31 December 2021.

## **REQUEST FOR COMMENTS**

This Exposure Draft of ISCA was approved for publication in February 2021. This Exposure Draft may be modified in light of comments received before being issued in its final form. Comments should be submitted so as to be received by 12 March 2021, preferably by e-mail. All comments will be considered a matter of public record. Email responses should be sent to [technical@isca.org.sg](mailto:technical@isca.org.sg).

**PROPOSED CHANGES TO EP 100**  
**CODE OF PROFESSIONAL CONDUCT AND ETHICS**  
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# EXPLANATORY MEMORANDUM

## Introduction

1. All members of the Institute of Singapore Chartered Accountants (ISCA) must adhere to the EP 100 *Code of Professional Conduct and Ethics* (the Code or EP 100). EP 100 is modelled after the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA) of the International Federation of Accountants (IFAC).
2. EP 100 also encompasses the SG provisions included in the *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* issued by the Accounting and Corporate Regulatory Authority (ACRA). SG provisions are local adaptations to serve the public interest in Singapore and to conform to Singapore's regulatory environment and statutory requirements.
3. This memorandum provides background to ISCA's Exposure Draft (ED), and an explanation of the proposed changes to EP 100.

## Background

4. EP 100, revised on 14 August 2020 and effective 1 March 2021, is based on the *Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards), 2018 Edition*, published by the IFAC in August 2018.
5. In January 2020, IFAC published the final pronouncement, *Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in International Standard on Assurance Engagements 3000 (Revised)* (Revisions to Part 4B). If adopted, the Code would contain revised sections 900, 920, 921, 922, 923, 924, 940 and 950 within Part 4B of EP 100 and revised Glossary, including Lists of Abbreviations.
6. In October 2020, IFAC published the final pronouncement, *Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants* (Role and Mindset). If adopted, the Code would contain revised sections 100, 110 and 120 within Part 1 of EP 100, revised sections 200 and 220 within Part 2 of EP 100 and revised Glossary.

## Consultation

7. This consultation seeks feedback on the revisions to Part 1, Part 2 and Part 4B of EP 100 in this ED to adopt the final pronouncements on Revisions to Part 4B and Role and Mindset. The key elements of the proposed changes to EP 100 are highlighted in the section that follows below.

## Key Elements of the Proposed Changes to EP 100

8. Revisions to Part 4B of EP 100 seek to align Part 4B with the assurance terms and concepts used in International Standard on Assurance Engagements 3000 (Revised). Key revisions to Part 4B include:
  - Changes in key terminology, including a revised definition of the term "assurance client".
  - Amendments to certain independence requirements in light of the revised assurance client definition.

- Greater clarity as to the parties to an assurance engagement and their roles and responsibilities, and the related independence requirements that apply.
  - Clearer distinction between the types of assurance engagement covered in Part 4A (addressing independence for audit and review engagements) and Part 4B.
9. Revisions to Part 1 and Part 2 of EP 100 reaffirm the responsibility of professional accountants (PAs) to act in the public interest and the fundamental role of the Code in meeting that responsibility. Key revisions to Part 1 include:
- Reinforce aspects of the fundamental principles of integrity, objectivity and professional behaviour.
  - Raise behavioural expectations of all PAs through requiring them to have an inquiring mind as they undertake their professional activities.
  - Emphasize the importance of PAs being aware of the potential influence of bias in their judgments and decisions.
  - Highlight the supportive role that a positive organizational culture can play in promoting ethical conduct and business.

### **Effective Date**

10. The proposed changes to Part 1 and Part 2 of EP 100 in this ED will be effective as of 31 December 2021. Early adoption is permitted.
11. The proposed changes to Part 4B of EP 100 in this ED relating to independence for assurance engagements with respect to underlying subject matter covering periods will be effective for periods beginning on or after 31 December 2021; otherwise, it will be effective as of 31 December 2021. Early adoption is permitted.

### **Useful Resource**

12. The Staff of IESBA has issued Basis for Conclusions which relate to but does not form part of the final pronouncements on Revisions to Part 4B and Role and Mindset. These Basis for Conclusions explain how the IESBA has addressed the significant matters raised on exposure.
13. The Basis for Conclusions relating to *Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in International Standard on Assurance Engagements 3000 (Revised)* issued in January 2020 may be downloaded from the IESBA website using this [link](#).
14. The Basis for Conclusions relating to *Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants* issued in October 2020 may be downloaded from the IESBA website using this [link](#).

# PROPOSED CHANGES TO EP 100

## MARK-UP FROM EXTANT VERSION

### SECTION 100

#### COMPLYING WITH THE CODE

##### Introduction General

100.1-A1 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. ~~A professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employing organisation. Therefore, the Code contains requirements and application material to enable professional accountants to meet their responsibility to act in the public interest.~~

100.2 Confidence in the accountancy profession is a reason why businesses, governments and other organisations involve professional accountants in a broad range of areas, including financial and corporate reporting, assurance and other professional activities. Accountants understand and acknowledge that such confidence is based on the skills and values that accountants bring to the professional activities they undertake, including:

(a) Adherence to ethical principles and professional standards;

(b) Use of business acumen;

(c) Application of expertise on technical and other matters; and

(d) Exercise of professional judgement.

The application of these skills and values enables accountants to provide advice or other output that meets the purpose for which it was provided, and which can be relied upon by the intended users of such output.

100.3 The Code sets out high quality standards of ethical behaviour expected of professional accountants for adoption by professional accountancy organisations which are members of the International Federation of Accountants (IFAC), or for use by such members as a basis for their codes of ethics. The Code may also be used or adopted by those responsible for setting ethics standards for professional accountants in particular sectors or jurisdictions and by firms in developing their ethics and independence policies.

100.4 The Code establishes five fundamental principles to be complied with by all professional accountants. It also includes a conceptual framework that sets out the approach to be taken to identify, evaluate and address threats to compliance with those fundamental principles and, for audits and other assurance engagements, threats to independence. The Code also applies the fundamental principles and the conceptual framework to a range of facts and circumstances that accountants might encounter, whether in business or in public practice.

##### Requirements and Application Material

100.2-5 A1 The requirements in the Code, designated with the letter "R," impose obligations.

100.2-5 A2 Application material, designated with the letter "A," provides context, explanations, suggestions for actions or matters to consider, illustrations and other guidance relevant to a proper understanding of the Code. In particular, the application material is intended to help a professional accountant to understand how to apply the conceptual framework to a particular set of circumstances and to understand and comply with a specific requirement. While such application material does not of itself impose a requirement, consideration of the material is

necessary to the proper application of the requirements of the Code, including application of the conceptual framework.

**R100.36** A professional accountant shall comply with the Code. ~~There might be circumstances where laws or regulations preclude an accountant from complying with certain parts of the Code. In such circumstances, those laws and regulations prevail, and the accountant shall comply with all other parts of the Code.~~

100.6 A1 Upholding the fundamental principles and compliance with the specific requirements of the Code enable professional accountants to meet their responsibility to act in the public interest.

100.6 A2 Complying with the Code includes giving appropriate regard to the aim and intent of the specific requirements.

100.6 A3 Compliance with the requirements of the Code does not mean that professional accountants will have always met their responsibility to act in the public interest. There might be unusual or exceptional circumstances in which an accountant believes that complying with a requirement or requirements of the Code might not be in the public interest or would lead to a disproportionate outcome. In those circumstances, the accountant is encouraged to consult with an appropriate body such as a professional or regulatory body.

100.6 A4 In acting in the public interest, A professional accountant's considers not only the preferences or requirements, responsibility is not exclusively to satisfy the needs of an individual client or employing organisation, but also the interests of other stakeholders when performing professional activities. Therefore, the Code contains requirements and application material to enable professional accountants to meet their responsibility to act in the public interest.

**R100.7** ~~There might be there are circumstances where laws or regulations preclude a professional accountant from complying with certain parts of the Code. In such circumstances, those laws and regulations prevail, and the accountant shall comply with all other parts of the Code.~~

~~100.3-7 A1~~ The principle of professional behaviour requires a professional accountant to comply with relevant laws and regulations. Some jurisdictions might have provisions that differ from or go beyond those set out in the Code. Accountants in those jurisdictions need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation.

~~100.3 A2 A professional accountant might encounter unusual circumstances in which the accountant believes that the result of applying a specific requirement of the Code would be disproportionate or might not be in the public interest. In those circumstances, the accountant is encouraged to consult with a professional or regulatory body.~~

### Breaches of the Code

**R100.48** Paragraphs R400.80 to R400.89 and R900.50 to R900.55 address a breach of *Independence Standards*. A professional accountant who identifies a breach of any other provision of the Code shall evaluate the significance of the breach and its impact on the accountant's ability to comply with the fundamental principles. The accountant shall also:

- (a) Take whatever actions might be available, as soon as possible, to address the consequences of the breach satisfactorily; and
- (b) Determine whether to report the breach to the relevant parties.

100.4-8 A1 Relevant parties to whom such a breach might be reported include those who might have been affected by it, a professional or regulatory body or an oversight authority.

## SECTION 110

### THE FUNDAMENTAL PRINCIPLES

#### General

- 110.1 A1 There are five fundamental principles of ethics for professional accountants:
- (a) Integrity – to be straightforward and honest in all professional and business relationships.
  - (b) Objectivity – ~~to not to compromise exercise~~ professional or business ~~judgements judgement without being compromised by: because of~~
    - (i) ~~B~~ bias;
    - (ii) ~~conflict~~ Conflict of interest; or
    - (iii) ~~undue~~ Undue influence of ~~others~~ or undue reliance on, individuals, organisations, technology or other factors.
  - (c) Professional Competence and Due Care – to:
    - (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation; and
    - (ii) Act diligently and in accordance with applicable technical and professional standards.
  - (d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships.
  - (e) Professional Behaviour – to:
    - (i) ~~e~~ Comply with relevant laws and regulations; ~~and~~
    - (ii) Behave in a manner consistent with the profession's responsibility to act in the public interest in all professional activities and business relationships; and
    - (iii) ~~avoid~~ Avoid any conduct that the professional accountant knows or should know might discredit the profession.
- R110.2** A professional accountant shall comply with each of the fundamental principles.
- 110.2 A1 The fundamental principles of ethics establish the standard of behaviour expected of a professional accountant. The conceptual framework establishes the approach which an accountant is required to apply ~~to assist~~ in complying with those fundamental principles. Subsections 111 to 115 set out requirements and application material related to each of the fundamental principles.
- 110.2 A2 A professional accountant might face a situation in which complying with one fundamental principle conflicts with complying with one or more other fundamental principles. In such a situation, the accountant might consider consulting, on an anonymous basis if necessary, with:
- Others within the firm or employing organisation.
  - Those charged with governance.
  - A professional body.
  - A regulatory body.
  - Legal counsel.
- However, such consultation does not relieve the accountant from the



responsibility to exercise professional judgement to resolve the conflict or, if necessary, and unless prohibited by law or regulation, disassociate from the matter creating the conflict.

- 110.2 A3 The professional accountant is encouraged to document the substance of the issue, the details of any discussions, the decisions made and the rationale for those decisions.

### **SUBSECTION 111 – INTEGRITY**

- R111.1** A professional accountant shall comply with the principle of integrity, which requires an accountant to be straightforward and honest in all professional and business relationships.

- 111.1 A1 Integrity ~~implies~~ involves fair dealing, ~~and~~ truthfulness, and having the strength of character to act appropriately, even when facing pressure to do otherwise or when doing so might create potential adverse personal or organisational consequences.

- 111.1 A2 Acting appropriately involves:

(a) Standing one's ground when confronted by dilemmas and difficult situations; or

(b) Challenging others as and when circumstances warrant, in a manner appropriate to the circumstances.

- R111.2** A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the accountant believes that the information:

- (a) Contains a materially false or misleading statement;
- (b) Contains statements or information provided recklessly; or
- (c) Omits or obscures required information where such omission or obscurity would be misleading.

- 111.2 A1 If a professional accountant provides a modified report in respect of such a report, return, communication or other information, the accountant is not in breach of paragraph R111.2.

- R111.3** When a professional accountant becomes aware of having been associated with information described in paragraph R111.2, the accountant shall take steps to be disassociated from that information.

### **SUBSECTION 112 – OBJECTIVITY**

- R112.1** A professional accountant shall comply with the principle of objectivity, which requires an accountant ~~not to compromise~~ exercise professional or business judgement ~~because of~~ without being compromised by:

(a) ~~bias~~ Bias;

(b) ~~conflict~~ Conflict of interest; or

(c) ~~undue~~ Undue influence of, ~~others or~~ undue reliance on, individuals, organisations, technology or other factors.

- R112.2** A professional accountant shall not undertake a professional activity if a circumstance or relationship unduly influences the accountant's professional judgement regarding that activity.

### **SUBSECTION 113 – PROFESSIONAL COMPETENCE AND DUE CARE**

- R113.1** A professional accountant shall comply with the principle of professional competence and due care, which requires an accountant to:

- (a) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation; and
- (b) Act diligently and in accordance with applicable technical and professional standards.

113.1 A1 Serving clients and employing organisations with professional competence requires the exercise of sound judgement in applying professional knowledge and skill when undertaking professional activities.

113.1 A2 Maintaining professional competence requires a continuing awareness and an understanding of relevant technical, professional, ~~and business~~ and technology-related developments. Continuing professional development enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment.

113.1 A3 Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.

**R113.2** In complying with the principle of professional competence and due care, a professional accountant shall take reasonable steps to ensure that those working in a professional capacity under the accountant's authority have appropriate training and supervision.

**R113.3** Where appropriate, a professional accountant shall make clients, the employing organisation, or other users of the accountant's professional services or activities, aware of the limitations inherent in the services or activities.

#### **SUBSECTION 114 – CONFIDENTIALITY**

**R114.1** A professional accountant shall comply with the principle of confidentiality, which requires an accountant to respect the confidentiality of information acquired as a result of professional and business relationships. An accountant shall:

- (a) Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an immediate or a close family member;
- (b) Maintain confidentiality of information within the firm or employing organisation;
- (c) Maintain confidentiality of information disclosed by a prospective client or employing organisation;
- (d) Not disclose confidential information acquired as a result of professional and business relationships outside the firm or employing organisation without proper and specific authority, unless there is a legal or professional duty or right to disclose;
- (e) Not use confidential information acquired as a result of professional and business relationships for the personal advantage of the accountant or for the advantage of a third party;
- (f) Not use or disclose any confidential information, either acquired or received as a result of a professional or business relationship, after that relationship has ended; and
- (g) Take reasonable steps to ensure that personnel under the accountant's control, and individuals from whom advice and assistance are obtained, respect the accountant's duty of confidentiality.

114.1 A1 Confidentiality serves the public interest because it facilitates the free flow of information from the professional accountant's client or employing organisation to

the accountant in the knowledge that the information will not be disclosed to a third party. Nevertheless, the following are circumstances where professional accountants are or might be required to disclose confidential information or when such disclosure might be appropriate:

- (a) Disclosure is required by law, for example:
  - (i) Production of documents or other provision of evidence in the course of legal proceedings; or
  - (ii) Disclosure to the appropriate public authorities of infringements of the law that come to light;
- (b) Disclosure is permitted by law and is authorised by the client or the employing organisation; and
- (c) There is a professional duty or right to disclose, when not prohibited by law:
  - (i) To comply with the quality review of a professional body;
  - (ii) To respond to an inquiry or investigation by a professional or regulatory body;
  - (iii) To protect the professional interests of a professional accountant in legal proceedings; or
  - (iv) To comply with technical and professional standards, including ethics requirements.

114.1 A2 In deciding whether to disclose confidential information, factors to consider, depending on the circumstances, include:

- Whether the interests of any parties, including third parties whose interests might be affected, could be harmed if the client or employing organisation consents to the disclosure of information by the professional accountant.
- Whether all the relevant information is known and substantiated, to the extent practicable. Factors affecting the decision to disclose include:
  - Unsubstantiated facts.
  - Incomplete information.
  - Unsubstantiated conclusions.
- The proposed type of communication, and to whom it is addressed.
- Whether the parties to whom the communication is addressed are appropriate recipients.

**R114.2** A professional accountant shall continue to comply with the principle of confidentiality even after the end of the relationship between the accountant and a client or employing organisation. When changing employment or acquiring a new client, the accountant is entitled to use prior experience but shall not use or disclose any confidential information acquired or received as a result of a professional or business relationship.

## **SUBSECTION 115 – PROFESSIONAL BEHAVIOUR**

**R115.1** A professional accountant shall comply with the principle of professional behaviour, which requires an accountant to:

- (a) –eComply with relevant laws and regulations ~~and~~;
- (b) Behave in a manner consistent with the profession’s responsibility to act in the public interest in all professional activities and business relationships; and

**(c)** ~~avoid~~ **Avoid** any conduct that the accountant knows or should know might discredit the profession.

A professional accountant shall not knowingly engage in any business, occupation or activity that impairs or might impair the integrity, objectivity or good reputation of the profession, and as a result would be incompatible with the fundamental principles.

115.1 A1 Conduct that might discredit the profession includes conduct that a reasonable and informed third party would be likely to conclude adversely affects the good reputation of the profession.

**R115.2** When undertaking marketing or promotional activities, a professional accountant shall not bring the profession into disrepute. A professional accountant shall be honest and truthful and shall not make:

**(a)** Exaggerated claims for the services offered by, or the qualifications or experience of, the accountant; or

**(b)** Disparaging references or unsubstantiated comparisons to the work of others.

115.2 A1 If a professional accountant is in doubt about whether a form of advertising or marketing is appropriate, the accountant is encouraged to consult with the relevant professional body.

## SECTION 120

### THE CONCEPTUAL FRAMEWORK

#### Introduction

- 120.1 The circumstances in which professional accountants operate might create threats to compliance with the fundamental principles. Section 120 sets out requirements and application material, including a conceptual framework, to assist accountants in complying with the fundamental principles and meeting their responsibility to act in the public interest. Such requirements and application material accommodate the wide range of facts and circumstances, including the various professional activities, interests and relationships, that create threats to compliance with the fundamental principles. In addition, they deter accountants from concluding that a situation is permitted solely because that situation is not specifically prohibited by the Code.
- 120.2 The conceptual framework specifies an approach for a professional accountant to:
- (a) Identify threats to compliance with the fundamental principles;
  - (b) Evaluate the threats identified; and
  - (c) Address the threats by eliminating or reducing them to an acceptable level.

#### Requirements and Application Material

##### General

- R120.3** The professional accountant shall apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles set out in Section 110.
- 120.3 A1 Additional requirements and application material that are relevant to the application of the conceptual framework are set out in:
- (a) Part 2 – *Professional Accountants in Business*;
  - (b) Part 3 – *Professional Accountants in Public Practice*; and
  - (c) *Independence Standards*, as follows:
    - (i) Part 4A – *Independence for Audit and Review Engagements*; and
    - (ii) Part 4B – *Independence for Assurance Engagements Other than Audit and Review Engagements*.
- R120.4** When dealing with an ethics issue, the professional accountant shall consider the context in which the issue has arisen or might arise. Where an individual who is a professional accountant in public practice is performing professional activities pursuant to the accountant's relationship with the firm, whether as a contractor, employee or owner, the individual shall comply with the provisions in Part 2 that apply to these circumstances.
- R120.5** When applying the conceptual framework, the professional accountant shall:
- (a) Have an inquiring mind;
  - (b) Exercise professional judgement; and
  - ~~(b) Remain alert for new information and to changes in facts and circumstances; and~~
  - (c) Use the reasonable and informed third party test described in paragraph 120.5 A4A6.

### Having an Inquiring Mind

120.5 A21 An inquiring mind is a prerequisite to obtaining an understanding of known facts and circumstances is a prerequisite to necessary for the proper application of the conceptual framework. Determining the actions necessary to obtain this understanding and coming to a conclusion about whether the fundamental principles have been complied with also require the exercise of professional judgement. Having an inquiring mind involves:

(a) Considering the source, relevance and sufficiency of information obtained, taking into account the nature, scope and outputs of the professional activity being undertaken; and

(b) Being open and alert to a need for further investigation or other action.

120.5 A2 When considering the source, relevance and sufficiency of information obtained, the professional accountant might consider, among other matters, whether:

- New information has emerged or there have been changes in facts and circumstances.
- The information or its source might be influenced by bias or self-interest.
- There is reason to be concerned that potentially relevant information might be missing from the facts and circumstances known to the accountant.
- There is an inconsistency between the known facts and circumstances and the accountant's expectations.
- The information provides a reasonable basis on which to reach a conclusion.
- There might be other reasonable conclusions that could be reached from the available information obtained.

120.5 A3 Paragraph R120.5 requires all professional accountants to have an inquiring mind when identifying, evaluating and addressing threats to the fundamental principles. This prerequisite for applying the conceptual framework applies to all accountants regardless of the professional activity undertaken. Under auditing, review and other assurance standards, including those issued by the IAASB, accountants are also required to exercise professional scepticism, which includes a critical assessment of evidence.

### Exercising Professional Judgement

120.5 A1A4 Professional judgement involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, including taking into account the nature and scope of the particular professional activities, and the interests and relationships involved.

120.5 A5 In relation to undertaking professional activities, the exercise of professional judgement is required when the professional accountant applies the conceptual framework in order to make informed decisions about the courses of actions available, and to determine whether such decisions are appropriate in the circumstances. In making this determination, the accountant might consider matters such as whether:

~~120.5 A2~~ ~~An understanding of known facts and circumstances is a prerequisite to the proper application of the conceptual framework. Determining the actions necessary to obtain this understanding and coming to a conclusion about whether the fundamental principles have been complied with also require the exercise of professional judgement.~~

~~120.5 A3~~ ~~In exercising professional judgement to obtain this understanding, the professional accountant might consider, among other matters, whether:~~

- ~~• There is reason to be concerned that potentially relevant information might be missing from the facts and circumstances known to the accountant.~~
- ~~• There is an inconsistency between the known facts and circumstances and the accountant's expectations.~~
- The accountant's expertise and experience are sufficient to reach a conclusion.
- There is a need to consult with others with relevant expertise or experience.
- ~~• The information provides a reasonable basis on which to reach a conclusion.~~
- The accountant's own preconception or bias might be affecting the accountant's exercise of professional judgement.
- ~~• There might be other reasonable conclusions that could be reached from the available information.~~

### *Reasonable and Informed Third Party*

120.5 ~~A4~~**A6** The reasonable and informed third party test is a consideration by the professional accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time the conclusions are made. The reasonable and informed third party does not need to be an accountant, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the accountant's conclusions in an impartial manner.

### **Identifying Threats**

**R120.6** The professional accountant shall identify threats to compliance with the fundamental principles.

120.6 A1 An understanding of the facts and circumstances, including any professional activities, interests and relationships that might compromise compliance with the fundamental principles, is a prerequisite to the professional accountant's identification of threats to such compliance. The existence of certain conditions, policies and procedures established by the profession, legislation, regulation, the firm, or the employing organisation that can enhance the accountant acting ethically might also help identify threats to compliance with the fundamental principles. Paragraph 120.8 A2 includes general examples of such conditions, policies and procedures which are also factors that are relevant in evaluating the level of threats.

120.6 A2 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. It is not possible to define every situation that creates threats. In addition, the nature of engagements and work assignments might differ and, consequently, different types of threats might be created.

120.6 A3 Threats to compliance with the fundamental principles fall into one or more of the following categories:

- (a) Self-interest threat – the threat that a financial or other interest will inappropriately influence a professional accountant's judgement or behaviour;
- (b) Self-review threat – the threat that a professional accountant will not appropriately evaluate the results of a previous judgement made ~~by~~ by or an activity performed by the accountant ~~by~~ by or by another individual within the accountant's firm or employing organisation, on which the accountant will

rely when forming a judgement as part of performing a current activity;

- (c) Advocacy threat – the threat that a professional accountant will promote a client’s or employing organisation’s position to the point that the accountant’s objectivity is compromised;
- (d) Familiarity threat – the threat that due to a long or close relationship with a client, or employing organisation, a professional accountant will be too sympathetic to their interests or too accepting of their work; and
- (e) Intimidation threat – the threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the accountant.

120.6 A4 A circumstance might create more than one threat, and a threat might affect compliance with more than one fundamental principle.

### **Evaluating Threats**

**R120.7** When the professional accountant identifies a threat to compliance with the fundamental principles, the accountant shall evaluate whether such a threat is at an acceptable level.

#### *Acceptable Level*

120.7 A1 An acceptable level is a level at which a professional accountant using the reasonable and informed third party test would likely conclude that the accountant complies with the fundamental principles.

#### *Factors Relevant in Evaluating the Level of Threats*

120.8 A1 The consideration of qualitative as well as quantitative factors is relevant in the professional accountant’s evaluation of threats, as is the combined effect of multiple threats, if applicable.

120.8 A2 The existence of conditions, policies and procedures described in paragraph 120.6 A1 might also be factors that are relevant in evaluating the level of threats to compliance with the fundamental principles. Examples of such conditions, policies and procedures include:

- Corporate governance requirements.
- Educational, training and experience requirements for the profession.
- Effective complaint systems which enable the professional accountant and the general public to draw attention to unethical behaviour.
- An explicitly stated duty to report breaches of ethics requirements.
- Professional or regulatory monitoring and disciplinary procedures.

#### *Consideration of New Information or Changes in Facts and Circumstances*

**R120.9** If the professional accountant becomes aware of new information or changes in facts and circumstances that might impact whether a threat has been eliminated or reduced to an acceptable level, the accountant shall re-evaluate and address that threat accordingly.

120.9 A1 Remaining alert throughout the professional activity assists the professional accountant in determining whether new information has emerged or changes in facts and circumstances have occurred that:

- (a) Impact the level of a threat; or
- (b) Affect the accountant’s conclusions about whether safeguards applied continue to be appropriate to address identified threats.

120.9 A2 If new information results in the identification of a new threat, the professional accountant is required to evaluate and, as appropriate, address this threat. (Ref:



Paras. R120.7 and R120.10).

## Addressing Threats

**R120.10** If the professional accountant determines that the identified threats to compliance with the fundamental principles are not at an acceptable level, the accountant shall address the threats by eliminating them or reducing them to an acceptable level. The accountant shall do so by:

- (a) Eliminating the circumstances, including interests or relationships, that are creating the threats;
- (b) Applying safeguards, where available and capable of being applied, to reduce the threats to an acceptable level; or
- (c) Declining or ending the specific professional activity.

### *Actions to Eliminate Threats*

120.10 A1 Depending on the facts and circumstances, a threat might be addressed by eliminating the circumstance creating the threat. However, there are some situations in which threats can only be addressed by declining or ending the specific professional activity. This is because the circumstances that created the threats cannot be eliminated and safeguards are not capable of being applied to reduce the threat to an acceptable level.

### *Safeguards*

120.10 A2 Safeguards are actions, individually or in combination, that the professional accountant takes that effectively reduce threats to compliance with the fundamental principles to an acceptable level.

### *Consideration of Significant Judgements Made and Overall Conclusions Reached*

**R120.11** The professional accountant shall form an overall conclusion about whether the actions that the accountant takes, or intends to take, to address the threats created will eliminate those threats or reduce them to an acceptable level. In forming the overall conclusion, the accountant shall:

- (a) Review any significant judgements made or conclusions reached; and
- (b) Use the reasonable and informed third party test.

## **Other Considerations when Applying the Conceptual Framework**

### Bias

120.12 A1 Conscious or unconscious bias affects the exercise of professional judgement when identifying, evaluating and addressing threats to compliance with the fundamental principles.

120.12 A2 Examples of potential bias to be aware of when exercising professional judgement include:

- Anchoring bias, which is a tendency to use an initial piece of information as an anchor against which subsequent information is inadequately assessed.
- Automation bias, which is a tendency to favor output generated from automated systems, even when human reasoning or contradictory information raises questions as to whether such output is reliable or fit for purpose.
- Availability bias, which is a tendency to place more weight on events or experiences that immediately come to mind or are readily available than on those that are not.
- Confirmation bias, which is a tendency to place more weight on information that corroborates an existing belief than information that contradicts or casts

doubt on that belief.

- Groupthink, which is a tendency for a group of individuals to discourage individual creativity and responsibility and as a result reach a decision without critical reasoning or consideration of alternatives.
- Overconfidence bias, which is a tendency to overestimate one's own ability to make accurate assessments of risk or other judgements or decisions.
- Representation bias, which is a tendency to base an understanding on a pattern of experiences, events or beliefs that is assumed to be representative.
- Selective perception, which is a tendency for a person's expectations to influence how the person views a particular matter or person.

120.12 A3 Actions that might mitigate the effect of bias include:

- Seeking advice from experts to obtain additional input.
- Consulting with others to ensure appropriate challenge as part of the evaluation process.
- Receiving training related to the identification of bias as part of professional development.

### Organisational Culture

120.13 A1 The effective application of the conceptual framework by a professional accountant is enhanced when the importance of ethical values that align with the fundamental principles and other provisions set out in the Code is promoted through the internal culture of the accountant's organisation.

120.13 A2 The promotion of an ethical culture within an organisation is most effective when:

- Leaders and those in managerial roles promote the importance of, and hold themselves and others accountable for demonstrating, the ethical values of the organisation;
- Appropriate education and training programs, management processes, and performance evaluation and reward criteria that promote an ethical culture are in place;
- Effective policies and procedures are in place to encourage and protect those who report actual or suspected illegal or unethical behaviour, including whistle-blowers; and
- The organisation adheres to ethical values in its dealings with third parties.

120.13 A3 Professional accountants are expected to encourage and promote an ethics-based culture in their organisation, taking into account their position and seniority.

## **Considerations for Audits, Reviews, ~~and Other Assurance~~ and Related Services Engagements**

### Firm Culture

120.14 A1 ISQM 1 sets out requirements and application material relating to firm culture in the context of a firm's responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements.

### *Independence*

120.1~~52~~ A1 Professional accountants in public practice are required by *Independence Standards* to be independent when performing audits, reviews, or other assurance engagements. Independence is linked to the fundamental principles of

objectivity and integrity. It comprises:

- (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.
- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's or an audit or assurance team member's integrity, objectivity or professional scepticism has been compromised.

120.42-15 A2 *Independence Standards* set out requirements and application material on how to apply the conceptual framework to maintain independence when performing audits, reviews or other assurance engagements. Professional accountants and firms are required to comply with these standards in order to be independent when conducting such engagements. The conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles applies in the same way to compliance with independence requirements. The categories of threats to compliance with the fundamental principles described in paragraph 120.6 A3 are also the categories of threats to compliance with independence requirements.

### *Professional Scepticism*

120.43-16 A1 Under auditing, review and other assurance standards, including those issued by ISCA, professional accountants in public practice are required to exercise professional scepticism when planning and performing audits, reviews and other assurance engagements. Professional scepticism and the fundamental principles that are described in Section 110 are inter-related concepts.

120.43-16 A2 In an audit of financial statements, compliance with the fundamental principles, individually and collectively, supports the exercise of professional scepticism, as shown in the following examples:

- *Integrity* requires the professional accountant to be straightforward and honest. For example, the accountant complies with the principle of integrity by:
  - o ~~(a)~~ Being straightforward and honest when raising concerns about a position taken by a client; ~~and~~
  - o ~~(b)~~ Pursuing inquiries about inconsistent information and seeking further audit evidence to address concerns about statements that might be materially false or misleading in order to make informed decisions about the appropriate course of action in the circumstances.
  - o Having the strength of character to act appropriately, even when facing pressure to do otherwise or when doing so might create potential adverse personal or organisational consequences. Acting appropriately involves:
    - (a) Standing one's ground when confronted by dilemmas and difficult situations; or
    - (b) Challenging others as and when circumstances warrant, in a manner appropriate to the circumstances.

In doing so, the accountant demonstrates the critical assessment of audit evidence that contributes to the exercise of professional scepticism.

- Objectivity requires the professional accountant ~~not to compromise exercise~~ professional or business judgement ~~because of~~ without being compromised by:

(a) ~~bias~~Bias;

(b) ~~e~~Conflict of interest; or

(c) ~~the u~~Undue influence of, ~~others~~or undue reliance on, individuals, organisations, technology or other factors.

For example, the accountant complies with the principle of objectivity by:

- (a) Recognising circumstances or relationships such as familiarity with the client, that might compromise the accountant's professional or business judgement; and
- (b) Considering the impact of such circumstances and relationships on the accountant's judgement when evaluating the sufficiency and appropriateness of audit evidence related to a matter material to the client's financial statements.

In doing so, the accountant behaves in a manner that contributes to the exercise of professional scepticism.

- *Professional competence* and due care requires the professional accountant to have professional knowledge and skill at the level required to ensure the provision of competent professional service, and to act diligently in accordance with applicable standards, laws and regulations. For example, the accountant complies with the principle of professional competence and due care by:

- (a) Applying knowledge that is relevant to a particular client's industry and business activities in order to properly identify risks of material misstatement;
- (b) Designing and performing appropriate audit procedures; and
- (c) Applying relevant knowledge when critically assessing whether audit evidence is sufficient and appropriate in the circumstances.

In doing so, the accountant behaves in a manner that contributes to the exercise of professional scepticism.

## SECTION 200

### APPLYING THE CONCEPTUAL FRAMEWORK – PROFESSIONAL ACCOUNTANTS IN BUSINESS

...

#### Requirements and Application Material

##### General

...

200.5 A3 The more senior the position of a professional accountant, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organisation. To the extent that they are able to do so, taking into account their position and seniority in the organisation, accountants are expected to encourage and promote an ethics-based culture in the organisation in accordance with paragraph 120.13 A3. Examples of actions that might be taken include the introduction, implementation and oversight of:

- Ethics education and training programs.
- Management processes and performance evaluation and reward criteria that promote an ethical culture.
- Ethics and whistle-blowing policies.
- Policies and procedures designed to prevent non-compliance with laws and regulations.

...

[Other paragraphs of extant Section 200 remain unchanged.]

## SECTION 220

### PREPARATION AND PRESENTATION OF INFORMATION

...

#### Requirements and Application Material

##### General

...

- R220.4** When preparing or presenting information, a professional accountant shall:
- (a) Prepare or present the information in accordance with a relevant reporting framework, where applicable;
  - (b) Prepare or present the information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately;
  - (c) Exercise professional judgement to:
    - (i) Represent the facts accurately and completely in all material respects;
    - (ii) Describe clearly the true nature of business transactions or activities; and
    - (iii) Classify and record information in a timely and proper manner; ~~and~~
  - (d) Not omit anything with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately~~;~~;
  - (e) Avoid undue influence of, or undue reliance on, individuals, organisations or technology; and
  - (f) Be aware of the risk of bias.

...

#### Relying on the Work of Others

- R220.7** A professional accountant who intends to rely on the work of ~~others~~other individuals, either internal or external to the employing organisation, or other organisations shall exercise professional judgement to determine what steps to take, if any, in order to fulfill the responsibilities set out in paragraph R220.4.

...

[Other paragraphs of extant Section 220 remain unchanged.]

## SECTION 900

# APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

## Introduction

### General

900.1 This Part applies to assurance engagements other than audit engagements and review engagements ~~(referred to as “assurance engagements” in this Part)~~. Examples of such engagements include:

- ~~• An audit of specific elements, accounts or items of a financial statement.~~
- Performance assurance on an entity company's key performance indicators.
- Assurance on an entity's compliance with law or regulation.
- Assurance on performance criteria, such as value for money, achieved by a public sector body.
- Assurance on the effectiveness of an entity's system of internal control.
- Assurance on an entity's greenhouse gas statement.
- An audit of specific elements, accounts or items of a financial statement.

900.2 In this Part, the term “professional accountant” refers to individual professional accountants in public practice and their firms.

900.3 SSQC 1 requires a firm to establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements maintain independence where required by relevant ethics standards. In addition, Singapore Standards on Assurance Engagements (SSAEs) and SSAs establish responsibilities for engagement partners and engagement teams at the level of the engagement. The allocation of responsibilities within a firm will depend on its size, structure and organisation. Many of the provisions of Part 4B do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to “firm” for ease of reference. Firms assign responsibility for a particular action to an individual or a group of individuals (such as an assurance team) in accordance with SSQC 1. ~~In addition~~Additionally, an individual professional accountant remains responsible for compliance with any provisions that apply to that accountant's activities, interests or relationships.

900.4 Independence is linked to the principles of objectivity and integrity. It comprises:

- (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.
- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's or an assurance team member's integrity, objectivity or professional scepticism has been compromised.

In this Part, references to an individual or firm being “independent” mean that the individual or firm has complied with the provisions of this Part.

900.5 When performing assurance engagements, the Code requires firms to comply with the fundamental principles and be independent. This Part sets out specific requirements and application material on how to apply the conceptual framework

to maintain independence when performing assurance engagements other than audit or review such engagements. The conceptual framework set out in Section 120 applies to independence as it does to the fundamental principles set out in Section 110.

- 900.6 This Part describes:
- (a) Facts and circumstances, including professional activities, interests and relationships, that create or might create threats to independence;
  - (b) Potential actions, including safeguards, that might be appropriate to address any such threats; and
  - (c) Some situations where the threats cannot be eliminated or there can be no safeguards to reduce the threats to an acceptable level.

### Description of ~~Other~~ Assurance Engagements

900.7 ~~Assurance engagements are designed to enhance intended users' degree of confidence about the outcome of the evaluation or measurement of a subject matter against criteria. In an assurance engagement, the firm aims to obtain sufficient appropriate evidence in order to~~ expresses a conclusion designed to enhance the degree of confidence of the intended users (other than the responsible party) ~~about the outcome subject matter information of the evaluation or measurement of a subject matter against criteria. The Singapore Framework for Assurance Engagements (Assurance Framework)SSAE 3000 (Revised) describes the elements and objectives of an assurance engagement conducted under that Standard, and the Singapore Framework for Assurance Engagements (Assurance Framework) and identifies engagements to which SSAEs apply. For~~ provides a general description of the elements and objectives of an assurance engagements, refer to the Assurance Framework. An assurance engagement might either be an attestation engagement or a direct engagement.

900.8 In this Part, the term 'assurance engagement' refers to assurance engagements other than audit engagements or review engagements.The outcome of the evaluation or measurement of a subject matter is the information that results from applying the criteria to the subject matter. The term "subject matter information" is used to mean the outcome of the evaluation or measurement of a subject matter. For example, the Assurance Framework states that an assertion about the effectiveness of internal control (subject matter information) results from applying a framework for evaluating the effectiveness of internal control, such as COSO or CoCo (criteria), to internal control, a process (subject matter).

900.9 ~~Assurance engagements might be assertion-based or direct reporting. In either case, they involve three separate parties: a firm, a responsible party and intended users.~~

900.10 ~~In an assertion-based assurance engagement, the evaluation or measurement of the subject matter is performed by the responsible party. The subject matter information is in the form of an assertion by the responsible party that is made available to the intended users.~~

900.11 ~~In a direct reporting assurance engagement, the firm:~~

- (a) ~~Directly performs the evaluation or measurement of the subject matter; or~~
- (b) ~~Obtains a representation from the responsible party that has performed the evaluation or measurement that is not available to the intended users. The subject matter information is provided to the intended users in the assurance report.~~

### Reports that Include a Restriction on Use and Distribution

900.429 An assurance report might include a restriction on use and distribution. If it does



and the conditions set out in Section 990 are met, then the independence requirements in this Part may be modified as provided in Section 990.

## Audit and Review Engagements

900.103 Independence standards for audit and review engagements are set out in Part 4A – *Independence for Audit and Review Engagements*. If a firm performs both an assurance engagement and an audit or review engagement for the same client, the requirements in Part 4A continue to apply to the firm, a network firm and the audit or review team members.

## Requirements and Application Material

### General

**R900.4411** A firm performing an assurance engagement shall be independent of the assurance client.

900.11 A1 For the purposes of this Part, the assurance client in an assurance engagement is the responsible party and also, in an attestation engagement, the party taking responsibility for the subject matter information (who might be the same as the responsible party).

900.11 A2 The roles of the parties involved in an assurance engagement might differ and affect the application of the independence provisions in this Part. In the majority of attestation engagements, the responsible party and the party taking responsibility for the subject matter information are the same. This includes those circumstances where the responsible party involves another party to measure or evaluate the underlying subject matter against the criteria (the measurer or evaluator) where the responsible party takes responsibility for the subject matter information as well as the underlying subject matter. However, the responsible party or the engaging party might appoint another party to prepare the subject matter information on the basis that this party is to take responsibility for the subject matter information. In this circumstance, the responsible party and the party responsible for the subject matter information are both assurance clients for the purposes of this Part.

900.11 A3 In addition to the responsible party and, in an attestation engagement, the party taking responsibility for the subject matter information, there might be other parties in relation to the engagement. For example, there might be a separate engaging party or a party who is a measurer or evaluator other than the party taking responsibility for the subject matter information. In these circumstances, applying the conceptual framework requires the professional accountant to identify and evaluate threats to the fundamental principles created by any interests or relationships with such parties, including whether any conflicts of interest might exist as described in Section 310.

**R900.4512** A firm shall apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence in relation to an assurance engagement.

### Multiple Responsible Parties and Parties Taking Responsibility for the Subject Matter Information

900.13 A1 In some assurance engagements, whether an attestation engagement or direct engagement, there might be several responsible parties or, in an attestation engagement, several parties taking responsibility for the subject matter information. In determining whether it is necessary to apply the provisions in this Part to each individual responsible party or each individual party taking responsibility for the subject matter information in such engagements, the firm may take into account certain matters. These matters include whether an interest or relationship between the firm, or an assurance team member, and a particular

responsible party or party taking responsibility for the subject matter information would create a threat to independence that is not trivial and inconsequential in the context of the subject matter information. This determination will take into account factors such as:

- (a) The materiality of the underlying subject matter or subject matter information for which the particular party is responsible in the context of the overall assurance engagement.
- (b) The degree of public interest associated with the assurance engagement.

If the firm determines that the threat created by any such interest or relationship with a particular party would be trivial and inconsequential, it might not be necessary to apply all of the provisions of this section to that party.

## **Network ~~firms~~Firms**

**R900.14** When a firm knows or has reason to believe that interests and relationships of a network firm create a threat to the firm's independence, the firm shall evaluate and address any such threat.

900.14 A1 Network firms are discussed in paragraphs 400.50 A1 to 400.54 A1.

## **Related Entities**

**R900.17** When the assurance team knows or has reason to believe that a relationship or circumstance involving a related entity of the assurance client is relevant to the evaluation of the firm's independence from the client, the assurance team shall include that related entity when identifying, evaluating and addressing threats to independence.

## **Types of Assurance Engagements**

### *Assertion-based Assurance Engagements*

**R900.18** —When performing an assertion-based assurance engagement:

- ~~(a) The assurance team members and the firm shall be independent of the assurance client (the party responsible for the subject matter information, and which might be responsible for the subject matter) as set out in this Part. The independence requirements set out in this Part prohibit certain relationships between assurance team members and (i) directors or officers, and (ii) individuals at the client in a position to exert significant influence over the subject matter information;~~
- ~~(b) The firm shall apply the conceptual framework set out in Section 120 to relationships with individuals at the client in a position to exert significant influence over the subject matter of the engagement; and~~
- ~~(c) The firm shall evaluate and address any threats that the firm has reason to believe are created by network firm interests and relationships.~~

**R900.19** —When performing an assertion-based assurance engagement where the responsible party is responsible for the subject matter information but not the subject matter:

- ~~(a) The assurance team members and the firm shall be independent of the party responsible for the subject matter information (the assurance client); and~~
- ~~(b) The firm shall evaluate and address any threats the firm has reason to believe are created by interests and relationships between an assurance team member, the firm, a network firm and the party responsible for the subject matter.~~

900.19 A1 —In the majority of assertion-based assurance engagements, the responsible party is responsible for both the subject matter information and the subject matter.

~~However, in some engagements, the responsible party might not be responsible for the subject matter. An example might be when a firm is engaged to perform an assurance engagement regarding a report that an environmental consultant has prepared about a company's sustainability practices for distribution to intended users. In this case, the environmental consultant is the responsible party for the subject matter information but the company is responsible for the subject matter (the sustainability practices).~~

#### ~~Direct Reporting Assurance Engagements~~

~~**R900.20** When performing a direct reporting assurance engagement:~~

- ~~(a) The assurance team members and the firm shall be independent of the assurance client (the party responsible for the subject matter); and~~
- ~~(b) The firm shall evaluate and address any threats to independence the firm has reason to believe are created by network firm interests and relationships.~~

#### ~~Multiple Responsible Parties~~

~~900.21 A1 In some assurance engagements, whether assertion-based or direct reporting, there might be several responsible parties. In determining whether it is necessary to apply the provisions in this Part to each responsible party in such engagements, the firm may take into account certain matters. These matters include whether an interest or relationship between the firm, or an assurance team member, and a particular responsible party would create a threat to independence that is not trivial and inconsequential in the context of the subject matter information. This determination will take into account factors such as:~~

- ~~(a) The materiality of the subject matter information (or of the subject matter) for which the particular responsible party is responsible.~~
- ~~(b) The degree of public interest associated with the engagement.~~

~~If the firm determines that the threat created by any such interest or relationship with a particular responsible party would be trivial and inconsequential, it might not be necessary to apply all of the provisions of this section to that responsible party.~~

**[Paragraphs 900.22-16 to 900.29 are intentionally left blank]**

#### **Period During which Independence is Required**

**R900.30** Independence, as required by this Part, shall be maintained during both:

- (a)** The engagement period; and
- (b)** The period covered by the subject matter information.

900.30 A1 The engagement period starts when the assurance team begins to perform assurance services with respect to the particular engagement. The engagement period ends when the assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final assurance report.

**R900.31** If an entity becomes an assurance client during or after the period covered by the subject matter information on which the firm will express a conclusion, the firm shall determine whether any threats to independence are created by:

- (a)** Financial or business relationships with the assurance client during or after the period covered by the subject matter information but before accepting the assurance engagement; or
- (b)** Previous services provided to the assurance client.

**R900.32** Threats to independence are created if a non-assurance service was provided to the assurance client during, or after the period covered by the subject matter information, but before the assurance team begins to perform assurance services, and the service would not be permitted during the engagement period. In such circumstances, the firm shall evaluate and address any threat to independence created by the service. If the threats are not at an acceptable level, the firm shall only accept the assurance engagement if the threats are reduced to an acceptable level.

900.32 A1 Examples of actions that might be safeguards to address such threats include:

- Using professionals who are not assurance team members to perform the service.
- Having an appropriate reviewer review the assurance and non-assurance work as appropriate.

**R900.33** If a non-assurance service that would not be permitted during the engagement period has not been completed and it is not practical to complete or end the service before the commencement of professional services in connection with the assurance engagement, the firm shall only accept the assurance engagement if:

- (a) The firm is satisfied that:
  - (i) The non-assurance service will be completed within a short period of time; or
  - (ii) The client has arrangements in place to transition the service to another provider within a short period of time;
- (b) The firm applies safeguards when necessary during the service period; and
- (c) The firm discusses the matter with those charged with governance.

[Paragraphs 900.34 to 900.39 are intentionally left blank]

### **General Documentation of Independence for Assurance Engagements ~~Other than Audit and Review Engagements~~**

**R900.40** A firm shall document conclusions regarding compliance with this Part, and the substance of any relevant discussions that support those conclusions. In particular:

- (a) When safeguards are applied to address a threat, the firm shall document the nature of the threat and the safeguards in place or applied; and
- (b) When a threat required significant analysis and the firm concluded that the threat was already at an acceptable level, the firm shall document the nature of the threat and the rationale for the conclusion.

900.40 A1 Documentation provides evidence of the firm's judgements in forming conclusions regarding compliance with this Part. However, a lack of documentation does not determine whether a firm considered a particular matter or whether the firm is independent.

[Paragraphs 900.41 to 900.49 are intentionally left blank]

### **Breach of an Independence Provision for Assurance Engagements ~~Other than Audit and Review Engagements~~**

*When a Firm Identifies a Breach*

**R900.50** If a firm concludes that a breach of a requirement in this Part has occurred, the firm shall:

- (a) End, suspend or eliminate the interest or relationship that created the breach;

- (b) Evaluate the significance of the breach and its impact on the firm's objectivity and ability to issue an assurance report; and
- (c) Determine whether action can be taken that satisfactorily addresses the consequences of the breach.

In making this determination, the firm shall exercise professional judgement and take into account whether a reasonable and informed third party would be likely to conclude that the firm's objectivity would be compromised, and therefore, the firm would be unable to issue an assurance report.

**R900.51** If the firm determines that action cannot be taken to address the consequences of the breach satisfactorily, the firm shall, as soon as possible, inform the party that engaged the firm or those charged with governance, as appropriate. The firm shall also take the steps necessary to end the assurance engagement in compliance with any applicable legal or regulatory requirements relevant to ending the assurance engagement.

**R900.52** If the firm determines that action can be taken to address the consequences of the breach satisfactorily, the firm shall discuss the breach and the action it has taken or proposes to take with the party that engaged the firm or those charged with governance, as appropriate. The firm shall discuss the breach and the proposed action on a timely basis, taking into account the circumstances of the engagement and the breach.

**R900.53** If the party that engaged the firm does not, or those charged with governance do not concur that the action proposed by the firm in accordance with paragraph R900.50(c) satisfactorily addresses the consequences of the breach, the firm shall take the steps necessary to end the assurance engagement in compliance with any applicable legal or regulatory requirements relevant to ending the assurance engagement.

#### *Documentation*

**R900.54** In complying with the requirements in paragraphs R900.50 to R900.53, the firm shall document:

- (a) The breach;
- (b) The actions taken;
- (c) The key decisions made; and
- (d) All the matters discussed with the party that engaged the firm or those charged with governance.

**R900.55** If the firm continues with the assurance engagement, it shall document:

- (a) The conclusion that, in the firm's professional judgement, objectivity has not been compromised; and
- (b) The rationale for why the action taken satisfactorily addressed the consequences of the breach so that the firm could issue an assurance report.

## **SECTION 920**

### **BUSINESS RELATIONSHIPS**

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#### **Requirements and Application Material**

##### **General**

920.3 A2 Examples of a close business relationship arising from a commercial relationship or common financial interest include:

- Having a financial interest in a joint venture with either the assurance client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client.
- Arrangements to combine one or more services or products of the firm with one or more services or products of the client and to market the package with reference to both parties.
- Distribution or marketing arrangements under which the firm distributes or markets the client's products or services, or the client distributes or markets the firm's products or services.

...

[Other paragraphs of extant Section 920 remain unchanged.]

## SECTION 921

### FAMILY AND PERSONAL RELATIONSHIPS

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#### Requirements and Application Material

##### General

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921.3 A2 Factors that are relevant in evaluating the level of such threats include:

- The individual's responsibilities on the assurance team.
- The role of the family member or other individual within the assurance client, and the closeness of the relationship.

##### Immediate Family of an Assurance Team Member

921.4 A1 A self-interest, familiarity or intimidation threat is created when an immediate family member of an assurance team member is an employee in a position to exert significant influence over the underlying subject matter of the assurance engagement.

...

**R921.5** An individual shall not participate as an assurance team member when any of that individual's immediate family:

- (a) Is a director or officer of the assurance client;
- (b) In an attestation engagement, is an employee in a position to exert significant influence over the subject matter information of the assurance engagement; or
- (c) Was in such a position during any period covered by the engagement or the subject matter information.

##### Close Family of an Assurance Team Member

921.6 A1 A self-interest, familiarity or intimidation threat is created when a close family member of an assurance team member is:

- (a) A director or officer of the assurance client; or
- (b) An employee in a position to exert significant influence over the underlying subject matter or, in an attestation engagement, An-an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

...

##### Other Close Relationships of an Assurance Team Member

**R921.7** An assurance team member shall consult in accordance with firm policies and procedures if the assurance team member has a close relationship with an individual who is not an immediate or close family member, but who is:

- (a) A director or officer of the assurance client; or
- (b) An employee in a position to exert significant influence over the underlying subject matter or, in an attestation engagement, An-an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

...

## Relationships of Partners and Employees of the Firm

921.8 A1 A self-interest, familiarity or intimidation threat might be created by a personal or family relationship between:

- (a) A partner or employee of the firm who is not an assurance team member; and
- (b) Any of the following individuals at the assurance client:
  - ~~(i) A director or officer; of the assurance client or~~
  - (ii) An employee in a position to exert significant influence over the underlying subject matter, or in an attestation engagement, an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

...

[Other paragraphs of extant Section 921 remain unchanged.]



## SECTION 922

### RECENT SERVICE WITH AN ASSURANCE CLIENT

...

#### Requirements and Application Material

##### Service During the Period Covered by the Assurance Report

**R922.3** The assurance team shall not include an individual who, during the period covered by the assurance report:

- (a) Had served as a director or officer of the assurance client; or
- (b) Was an employee in a position to exert significant influence over the underlying subject matter or, in an attestation engagement, an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

##### Service Prior to the Period Covered by the Assurance Report

922.4 A1 A self-interest, self-review or familiarity threat might be created if, before the period covered by the assurance report, an assurance team member:

- (a) Had served as a director or officer of the assurance client; or
- (b) Was an employee in a position to exert significant influence over the underlying subject matter or, in an attestation engagement, an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

For example, a threat would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current assurance engagement.

...

[Other paragraphs of extant Section 922 remain unchanged.]

## **SECTION 923**

### **SERVING AS A DIRECTOR OR OFFICER OF AN ASSURANCE CLIENT**

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#### **Requirements and Application Material**

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#### **Service as Company Secretary**

...

923.4 A1 The position of Company Secretary has different implications in different jurisdictions. Duties might range from: administrative duties (such as personnel management and the maintenance of company records and registers) to duties as diverse as ensuring that the company complies with regulations or providing advice on corporate governance matters. Usually this position is seen to imply a close association with the entity. Therefore, a threat is created if a partner or employee of the firm serves as Company Secretary for an assurance client. (More information on providing non-assurance services to an assurance client is set out in Section 950, *Provision of Non-assurance Services to an Assurance Client*.)

[Other paragraphs of extant Section 923 remain unchanged.]

## SECTION 924

### EMPLOYMENT WITH AN ASSURANCE CLIENT

...

#### Requirements and Application Material

##### General

924.3 A1 A familiarity or intimidation threat might be created if any of the following individuals have been an assurance team member or partner of the firm:

- A director or officer of the assurance client.
- An employee in a position to exert significant influence over the underlying subject matter or, in an attestation engagement, An-an employee who is in a position to exert significant influence over the subject matter information of the assurance engagement.

##### *Former Partner or Assurance Team Member Restrictions*

**R924.4** If a former partner has joined an assurance client of the firm or a former assurance team member has joined the assurance client as:

- (a) A director or officer; or
- (b) An employee in a position to exert significant influence over the underlying subject matter or, in an attestation engagement, An-an employee in a position to exert significant influence over the subject matter information of the assurance engagement, the individual shall not continue to participate in the firm's business or professional activities.

...

[Other paragraphs of extant Section 924 remain unchanged.]

## SECTION 940

### LONG ASSOCIATION OF PERSONNEL WITH AN ASSURANCE CLIENT

...

#### Requirements and Application Material

##### General

940.3 A1 A familiarity threat might be created as a result of an individual's long association with:

- (a) The assurance client;
- (b) The assurance client's senior management; or
- (c) The underlying subject matter or, in an attestation engagement, and subject matter information of the assurance engagement.

...

940.3 A3 Factors that are relevant to evaluating the level of such familiarity or self-interest threats include:

- The nature of the assurance engagement.
- How long the individual has been an assurance team member, the individual's seniority on the team, and the nature of the roles performed, including if such a relationship existed while the individual was at a prior firm.
- The extent to which the work of the individual is directed, reviewed and supervised by more senior personnel.
- The extent to which the individual, due to the individual's seniority, has the ability to influence the outcome of the assurance engagement, for example, by making key decisions or directing the work of other engagement team members.
- The closeness of the individual's personal relationship with the assurance client or, if relevant, senior management.
- The nature, frequency and extent of interaction between the individual and the assurance client.
- Whether the nature or complexity of the underlying subject matter or subject matter information has changed.
- Whether there have been any recent changes in the individual or individuals at the assurance client who are the responsible party for the underlying subject matter or, in an attestation engagement, the subject matter information, or, if relevant, senior management.

940.3 A4 The combination of two or more factors might increase or reduce the level of the threats. For example, familiarity threats created over time by the increasingly close relationship between an assurance team member and an individual and at the assurance client who is in a position to exert significant influence over the underlying subject matter or, in an attestation engagement, the subject matter information, would be reduced by the departure of the that individual who is the responsible party from the client.

...

[Other paragraphs of extant Section 940 remain unchanged.]

## SECTION 950

### PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS ~~OTHER THAN AUDIT AND REVIEW ENGAGEMENT CLIENTS~~

...

#### Requirements and Application Material

...

##### *Evaluating Threats*

950.4 A1 Factors that are relevant in evaluating the level of threats created by providing a non-assurance service to an assurance client include:

- The nature, scope and purpose of the service.
- The degree of reliance that will be placed on the outcome of the service as part of the assurance engagement.
- The legal and regulatory environment in which the service is provided.
- Whether the outcome of the service will affect the underlying subject matter and, in an attestation engagement, matters reflected in the ~~subject matter or~~ subject matter information of the assurance engagement, and, if so:
  - The extent to which the outcome of the service will have a material or significant effect on the underlying subject matter and, in an attestation engagement, the subject matter information of the assurance engagement.
  - The extent of the assurance client's involvement in determining significant matters of judgement.
- The level of expertise of the client's management and employees with respect to the type of service provided.

##### Materiality in Relation to an Assurance Client's Information

950.4 A2 The concept of materiality in relation to an assurance client's subject matter information is addressed in *SSAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The determination of materiality involves the exercise of professional judgement and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial or other information needs of users.

...

##### *Prohibition on Assuming Management Responsibilities*

**R950.6** A firm shall not assume a management responsibility related to the underlying subject matter and, in an attestation engagement, the or subject matter information of an assurance engagement provided by the firm. If the firm assumes a management responsibility as part of any other service provided to the assurance client, the firm shall ensure that the responsibility is not related to the underlying subject matter and, in an attestation engagement, the or subject matter information of the assurance engagement provided by the firm.

...

950.6 A2 Providing a non-assurance service to an assurance client creates self-review and self-interest threats if the firm assumes a management responsibility when performing the service. In relation to providing a service related to the underlying subject matter and, in an attestation engagement, the or subject matter information of an assurance engagement provided by the firm, assuming a

management responsibility also creates a familiarity threat and might create an advocacy threat because the firm becomes too closely aligned with the views and interests of management.

...

**R950.7**

To avoid assuming a management responsibility when providing non-assurance services to an assurance client that are related to the underlying subject matter and, in an attestation engagement, the ~~or~~ subject matter information of the assurance engagement, the firm shall be satisfied that client management makes all related judgements and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

- (a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services. Such an individual, preferably within senior management, would understand:
  - (i) The objectives, nature and results of the services; and
  - (ii) The respective client and firm responsibilities.

However, the individual is not required to possess the expertise to perform or re-perform the services.

- (b) Provides oversight of the services and evaluates the adequacy of the results of the service performed for the client's purpose; and
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the services.

*Other Considerations Related to Providing Specific Non-Assurance Services*

950.8 A1 A self-review threat might be created if, in an attestation engagement, the firm is involved in the preparation of subject matter information which ~~is~~ subsequently becomes the subject matter information of an assurance engagement. Examples of non-assurance services that might create such self-review threats when providing services related to the subject matter information of an assurance engagement include:

- (a) Developing and preparing prospective information and subsequently providing-issuing an assurance report on this information.
- (b) Performing a valuation that is related to or forms part of the subject matter information of an assurance engagement.

[Other paragraphs of extant Section 950 remain unchanged.]

## GLOSSARY, INCLUDING LISTS OF ABBREVIATIONS

In the *Code of Professional Conduct and Ethics*, the singular shall be construed as including the plural as well as the reverse, and the terms below have the following meanings assigned to them.

In this Glossary, explanations of defined terms are shown in regular font; italics are used for explanations of described terms which have a specific meaning in certain parts of the Code or for additional explanations of defined terms. References are also provided to terms described in the Code.

Acceptable level	A level at which a professional accountant using the reasonable and informed third party test would likely conclude that the accountant complies with the fundamental principles.
Advertising	The communication to the public of information as to the services or skills provided by professional accountants in public practice with a view to procuring professional business.
Appropriate reviewer	<i>An appropriate reviewer is a professional with the necessary knowledge, skills, experience and authority to review, in an objective manner, the relevant work performed or service provided. Such an individual might be a professional accountant.</i>  <i>This term is described in paragraph 300.8 A4.</i>
Assurance client	<del>The responsible party and also, in an attestation engagement, the party taking responsibility for the subject matter information (who might be the same as the responsible party). The responsible party that is the person (or persons) who:</del>  <del>(a) — In a direct reporting engagement, is responsible for the subject matter; or</del>  <del>(b) — In an assertion-based engagement, is responsible for the subject matter information and might be responsible for the subject matter.</del>
Assurance engagement	An engagement in which a professional accountant in public practice <del>aims to obtain sufficient appropriate evidence in order to</del> expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the <del>subject matter information</del> <u>outcome of the evaluation or measurement of a subject matter against criteria.</u>  <del>(For guidance on assurance engagements, see the <i>Singapore Framework for Assurance Engagements (Assurance Framework)</i> issued by ISCA. The Assurance FrameworkSSAE 3000 (Revised) describes the elements and objectives of an assurance engagement conducted under that Standard and the Assurance Framework provides a general description of assurance engagements and identifies engagements to which SSAs, SSREs and SSAEs apply.)</del>  <u><i>In Part 4B, the term ‘assurance engagement’ addresses assurance engagements other than audit engagements or review engagements.</i></u>

Assurance team	<p>(a) All members of the engagement team for the assurance engagement;</p> <p>(b) All others within a firm who can directly influence the outcome of the assurance engagement, including:</p> <p style="padding-left: 40px;">(i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement;</p> <p style="padding-left: 40px;">(ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and</p> <p style="padding-left: 40px;">(iii) Those who provide quality control for the assurance engagement, including those who perform the engagement quality control review for the assurance engagement.</p>
<u>Attestation engagement</u>	<p><u>An assurance engagement in which a party other than the professional accountant in public practice measures or evaluates the underlying subject matter against the criteria.</u></p> <p><u>A party other than the accountant also often presents the resulting subject matter information in a report or statement. In some cases, however, the subject matter information may be presented by the accountant in the assurance report. In an attestation engagement, the accountant's conclusion addresses whether the subject matter information is free from material misstatement.</u></p> <p><u>The accountant's conclusion may be phrased in terms of:</u></p> <p style="padding-left: 20px;"><u>(i) The underlying subject matter and the applicable criteria;</u></p> <p style="padding-left: 20px;"><u>(ii) The subject matter information and the applicable criteria; or</u></p> <p style="padding-left: 20px;"><u>(iii) A statement made by the appropriate party(ies).</u></p>
Audit	<i>In Part 4A, the term "audit" applies equally to "review."</i>
Audit client	<p>An entity in respect of which a firm conducts an audit engagement. When the client is a listed entity, audit client will always include its related entities. When the audit client is not a listed entity, audit client includes those related entities over which the client has direct or indirect control. (See also paragraph R400.20.)</p> <p><i>In Part 4A, the term "audit client" applies equally to "review client."</i></p>
Audit engagement	<p>A reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with SSAs. This includes a Statutory Audit, which is an audit required by legislation or other regulation.</p> <p><i>In Part 4A, the term "audit engagement" applies equally to "review</i></p>



	<p><i>engagement.”</i></p> <p>Paragraphs R320.8, SG320.8A to SG320.8C and SG410.4A are not applicable for engagements pertaining to a component of a complete set of general purpose or special purpose financial statements, such as a single financial statement, specified accounts, elements of accounts, or items in a financial statement.</p>
Audit report	<i>In Part 4A, the term “audit report” applies equally to “review report.”</i>
Audit team	<p>(a) All members of the engagement team for the audit engagement;</p> <p>(b) All others within a firm who can directly influence the outcome of the audit engagement, including:</p> <ul style="list-style-type: none"> <li>(i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent);</li> <li>(ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and</li> <li>(iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and</li> </ul> <p>(c) All those within a network firm who can directly influence the outcome of the audit engagement.</p> <p><i>In Part 4A, the term “audit team” applies equally to “review team.”</i></p>
Close family	A parent, child or sibling who is not an immediate family member.
Conceptual framework	<i>This term is described in Section 120.</i>
Contingent fee	A fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the firm. A fee that is established by a court or other public authority is not a contingent fee.
Cooling-off period	<i>This term is described in paragraph R540.5 for the purposes of paragraphs R540.11 to R540.19.</i>
<u>Criteria</u>	<u>In an assurance engagement, the benchmarks used to measure or evaluate the underlying subject matter. The “applicable criteria” are the criteria used for the particular engagement.</u>
<u>Direct engagement</u>	<u>An assurance engagement in which the professional accountant in public practice measures or evaluates the underlying subject matter</u>

	<u>against the applicable criteria and the accountant presents the resulting subject matter information as part of, or accompanying, the assurance report. In a direct engagement, the accountant's conclusion addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria.</u>
Direct financial interest	A financial interest: (a) Owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others); or (b) Beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control, or the ability to influence investment decisions.
Director or officer	Those charged with the governance of an entity, or acting in an equivalent capacity, regardless of their title, which might vary from jurisdiction to jurisdiction.
Eligible audit engagement	<i>This term is described in paragraph 800.2 for the purposes of Section 800.</i>
Eligible assurance engagement	<i>This term is described in paragraph 990.2 for the purposes of Section 990.</i>
Engagement partner	The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
Engagement period (Audit and Review Engagements)	The engagement period starts when the audit team begins to perform the audit. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final audit report.
Engagement period (Assurance Engagements Other than Audit and Review Engagements)	The engagement period starts when the assurance team begins to perform assurance services with respect to the particular engagement. The engagement period ends when the assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final assurance report.
Engagement quality control review	A process designed to provide an objective evaluation, on or before the report is issued, of the significant judgements the engagement team made and the conclusions it reached in formulating the report.
Engagement team	All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts

	<p>engaged by the firm or by a network firm.</p> <p>The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of SSA 610 (Revised 2013), <i>Using the Work of Internal Auditors</i><sup>1</sup>.</p>
Existing accountant	A professional accountant in public practice currently holding an audit appointment or carrying out accounting, tax, consulting or similar professional services for a client.
External expert	An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organisation possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate evidence.
Financial Institutions	<p>Financial institutions are:</p> <ul style="list-style-type: none"> <li>(a) Licensed banks, financial institutions approved under section 28 of the Monetary Authority of Singapore Act (Chapter 186), operators of payments systems designated under section 42 of the Payment Services Act 2019 (Act 2 of 2019), settlement institutions of payment systems designated under section 42 of the Payment Services Act 2019, persons that have in force a standard payment institution licence granted under section 6 of the Payment Services Act 2019, persons that have in force a major payment institution licence granted or deemed to have been granted under section 6 of the Payment Services Act 2019 and licensed finance companies;</li> <li>(b) Licensed insurers, foreign insurers under Lloyd’s Asia Scheme, authorised reinsurers and registered insurance brokers;</li> <li>(c) Capital market infrastructure providers (namely, approved holding companies, approved exchanges, recognised market operators, approved clearing houses and recognised clearing houses under the Securities and Futures Act (Chapter 289));</li> <li>(d) Capital markets intermediaries (namely, holders of capital markets services licence, licensed financial advisers, registered fund management companies, licensed trust companies and approved trustee for collective investment scheme);</li> </ul>

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<sup>1</sup> SSA 610 (Revised 2013) establishes limits on the use of direct assistance. It also acknowledges that the external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors. Therefore, the use of direct assistance is restricted to situations where it is permitted.

	<p>(e) Licensed trade repositories, authorised and exempt benchmark administrators under the Securities and Futures Act (Chapter 289);</p> <p>(f) Operator of the Central Depository System under the Securities and Futures Act (Chapter 289);</p> <p>(g) Trustee-managers of listed registered business trusts;</p> <p>(h) Designated financial holding companies under the Financial Holding Companies Act 2013 (No. 13 of 2013) (this category is applicable once the Act commences); and</p> <p>(i) Licensed credit bureaus under the Credit Bureau Act 2016 (No. 27 of 2016) (this category is applicable once the Act commences).</p>
Financial interest	An interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.
Financial statements	<p>A structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes.</p> <p><i><u>The term does not refer to specific elements, accounts or items of a financial statement.</u></i></p>
Financial statements on which the firm will express an opinion	In the case of a single entity, the financial statements of that entity. In the case of consolidated financial statements, also referred to as group financial statements, the consolidated financial statements.
Firm	<p>(a) A sole practitioner, partnership or corporation of professional accountants;</p> <p>(b) An entity that controls such parties, through ownership, management or other means; and</p> <p>(c) An entity controlled by such parties, through ownership, management or other means.</p> <p><i>Paragraphs 400.4 and 900.3 explain how the word "firm" is used to address the responsibility of professional accountants and firms for compliance with Parts 4A and 4B, respectively.</i></p>

Fundamental principles	<p><i>This term is described in paragraph 110.1 A1. Each of the fundamental principles is, in turn, described in the following paragraphs:</i></p> <p><i>Integrity</i> R111.1  <i>Objectivity</i> R112.1  <i>Professional competence and due care</i> R113.1  <i>Confidentiality</i> R114.1  <i>Professional behaviour</i> R115.1</p>
Historical financial information	<p>Information expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.</p>
Immediate family	<p>A spouse (or equivalent) or dependent.</p>
Independence	<p>Independence comprises:</p> <p>(a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.</p> <p>(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's, or an audit or assurance team member's, integrity, objectivity or professional scepticism has been compromised.</p> <p><i>As set out in paragraphs 400.5 and 900.4, references to an individual or firm being "independent" mean that the individual or firm has complied with Parts 4A and 4B, as applicable.</i></p>
Indirect financial interest	<p>A financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control or ability to influence investment decisions.</p>
Inducement	<p>An object, situation, or action that is used as a means to influence another individual's behaviour, but not necessarily with the intent to improperly influence that individual's behaviour.</p> <p><i>Inducements can range from minor acts of hospitality between business colleagues (for professional accountants in business), or between professional accountants and existing or prospective clients (for professional accountants in public practice), to acts that result in non-compliance with laws and regulations. An inducement can take many different forms, for example:</i></p> <ul style="list-style-type: none"> <li>• <i>Gifts.</i></li> <li>• <i>Hospitality.</i></li> <li>• <i>Entertainment.</i></li> <li>• <i>Political or charitable donations.</i></li> <li>• <i>Appeals to friendship and loyalty.</i></li> </ul>

	<ul style="list-style-type: none"> <li>• <i>Employment or other commercial opportunities.</i></li> <li>• <i>Preferential treatment, rights or privileges.</i></li> </ul>
Key audit partner	The engagement partner, the individual responsible for the engagement quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgements on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, “other audit partners” might include, for example, audit partners responsible for significant subsidiaries or divisions.
Large charity	An entity that is defined as a large charity in the Charities (Large Charities) Regulations (Cap. 37, Rg 9)
Large institution of a public character	An entity that is defined as a large institution of a public character in the Charities (Institutions of a Public Character) Regulations (Cap. 37, Rg 5).
Listed entity	An entity whose shares, stock or debt are quoted or listed on a recognised stock exchange, or are marketed under the regulations of a recognised stock exchange or other equivalent body.
May	<i>This term is used in the Code to denote permission to take a particular action in certain circumstances, including as an exception to a requirement. It is not used to denote possibility.</i>
Might	<i>This term is used in the Code to denote the possibility of a matter arising, an event occurring or a course of action being taken. The term does not ascribe any particular level of possibility or likelihood when used in conjunction with a threat, as the evaluation of the level of a threat depends on the facts and circumstances of any particular matter, event or course of action.</i>
Member	An individual who is a member of ISCA.
Network	A larger structure: <ul style="list-style-type: none"> <li>(a) That is aimed at co-operation; and</li> <li>(b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.</li> </ul>
Network firm	A firm or entity that belongs to a network. <i>For further information, see paragraphs 400.50 A1 to 400.54 A1.</i>
Non-compliance	<i>Non-compliance with laws and regulations (“non-compliance”)</i>

with laws and regulations <i>(Professional Accountants in Business)</i>	<p><i>comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:</i></p> <p>(a) <i>The professional accountant’s employing organisation;</i>  (b) <i>Those charged with governance of the employing organisation;</i>  (c) <i>Management of the employing organisation; or</i>  (d) <i>Other individuals working for or under the direction of the employing organisation.</i></p> <p><i>This term is described in paragraph 260.5 A1.</i></p>
Non-compliance with laws and regulations <i>(Professional Accountants in Public Practice)</i>	<p><i>Non-compliance with laws and regulations (“non-compliance”) comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:</i></p> <p>(a) <i>A client;</i>  (b) <i>Those charged with governance of a client;</i>  (c) <i>Management of a client; or</i>  (d) <i>Other individuals working for or under the direction of a client.</i></p> <p><i>This term is described in paragraph 360.5 A1.</i></p>
Office	A distinct sub-group, whether organised on geographical or practice lines.
Predecessor accountant	A professional accountant in public practice who most recently held an audit appointment or carried out accounting, tax, consulting or similar professional services for a client, where there is no existing accountant.
Professional accountant	<p>An individual who is a member of ISCA.</p> <p><i>In Part 1, the term “professional accountant” refers to individual professional accountants in business and to professional accountants in public practice and their firms.</i></p> <p><i>In Part 2, the term “professional accountant” refers to professional accountants in business.</i></p> <p><i>In Parts 3, 4A and 4B, the term “professional accountant” refers to professional accountants in public practice and their firms.</i></p>
Professional accountant in business	A professional accountant working in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector, or in regulatory or professional bodies, who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.
Professional accountant in public practice	<p>A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services.</p> <p><i>The term “professional accountant in public practice” is also used to refer to a firm of professional accountants in public practice.</i></p>

Professional activity	An activity requiring accountancy or related skills undertaken by a professional accountant, including accounting, auditing, tax, management consulting, and financial management.
<u>Professional judgement</u>	<i><u>Professional judgement involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, taking into account the nature and scope of the particular professional activities, and the interests and relationships involved.</u></i>  <i><u>This term is described in paragraph 120.5 A4.</u></i>
Professional services	Professional activities performed for clients.
Proposed accountant	A professional accountant in public practice who is considering accepting an audit appointment or an engagement to perform accounting, tax, consulting or similar professional services for a prospective client (or in some cases, an existing client).
Public company	A public company as defined under the Companies Act (Cap. 50).
Public interest entity	(a) A listed entity; or (b) An entity: (i) Defined by regulation or legislation as a public interest entity; or (ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation might be promulgated by any relevant regulator, including an audit regulator.  <i>Other entities might also be considered to be public interest entities, as set out in paragraph 400.8.</i>
Reasonable and informed third party  Reasonable and informed third party test	<i>The reasonable and informed third party test is a consideration by the professional accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time that the conclusions are made. The reasonable and informed third party does not need to be an accountant, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the accountant's conclusions in an impartial manner.</i>  <i>These terms are described in paragraph R120.5 A64.</i>



Related entity	<p>An entity that has any of the following relationships with the client:</p> <p>(a) An entity that has direct or indirect control over the client if the client is material to such entity;</p> <p>(b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity;</p> <p>(c) An entity over which the client has direct or indirect control;</p> <p>(d) An entity in which the client, or an entity related to the client under (c) above, has a direct financial interest that gives it significant influence over such entity and the interest is material to the client and its related entity in (c); and</p> <p>(e) An entity which is under common control with the client (a “sister entity”) if the sister entity and the client are both material to the entity that controls both the client and sister entity.</p>
<u>Responsible party</u>	<u>In an assurance engagement, the party responsible for the underlying subject matter.</u>
Review client	An entity in respect of which a firm conducts a review engagement.
Review engagement	An assurance engagement, conducted in accordance with SSREs or equivalent, in which a professional accountant in public practice expresses a conclusion on whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the accountant’s attention that causes the accountant to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.
Review team	<p>(a) All members of the engagement team for the review engagement; and</p> <p>(b) All others within a firm who can directly influence the outcome of the review engagement, including:</p> <p>(i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the review engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent);</p> <p>(ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and</p> <p>(iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and</p>

	(c) All those within a network firm who can directly influence the outcome of the review engagement.										
Safeguards	<i>Safeguards are actions, individually or in combination, that the professional accountant takes that effectively reduce threats to compliance with the fundamental principles to an acceptable level.</i> <i>This term is described in paragraph 120.10 A2.</i>										
Senior professional accountant in business	<i>Senior professional accountants in business are directors, officers or senior employees able to exert significant influence over, and make decisions regarding, the acquisition, deployment and control of the employing organisation's human, financial, technological, physical and intangible resources.</i> <i>This term is described in paragraph 260.11 A1.</i>										
Substantial harm	<i>This term is described in paragraphs 260.5 A3 and 360.5 A3.</i>										
Special purpose financial statements	Financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specified users.										
<u>Subject matter information</u>	<u>The outcome of the measurement or evaluation of the underlying subject matter against the criteria, i.e., the information that results from applying the criteria to the underlying subject matter.</u>										
Those charged with governance	The person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance might include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.										
Threats	<i>This term is described in paragraph 120.6 A3 and includes the following categories:</i>  <table style="margin-left: 40px; border: none;"> <tr> <td><i>Self interest</i></td> <td><i>120.6 A3(a)</i></td> </tr> <tr> <td><i>Self-review</i></td> <td><i>120.6 A3(b)</i></td> </tr> <tr> <td><i>Advocacy</i></td> <td><i>120.6 A3(c)</i></td> </tr> <tr> <td><i>Familiarity</i></td> <td><i>120.6 A3(d)</i></td> </tr> <tr> <td><i>Intimidation</i></td> <td><i>120.6 A3(e)</i></td> </tr> </table>	<i>Self interest</i>	<i>120.6 A3(a)</i>	<i>Self-review</i>	<i>120.6 A3(b)</i>	<i>Advocacy</i>	<i>120.6 A3(c)</i>	<i>Familiarity</i>	<i>120.6 A3(d)</i>	<i>Intimidation</i>	<i>120.6 A3(e)</i>
<i>Self interest</i>	<i>120.6 A3(a)</i>										
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<i>Advocacy</i>	<i>120.6 A3(c)</i>										
<i>Familiarity</i>	<i>120.6 A3(d)</i>										
<i>Intimidation</i>	<i>120.6 A3(e)</i>										
Time-on period	<i>This term is described in paragraph R540.5.</i>										
<u>Underlying subject matter</u>	<u>The phenomenon that is measured or evaluated by applying criteria.</u>										

## LISTS OF ABBREVIATIONS AND STANDARDS REFERRED TO IN THE CODE

### LIST OF ABBREVIATIONS

Abbreviation	Explanation
Assurance Framework	Singapore Framework for Assurance Engagements
<del>COSO</del>	<del>Committee of Sponsoring Organisations of the Treadway Commission</del>
<del>CoCo</del>	<del>Chartered Professional Accountants of Canada Criteria of Control</del>
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
SSAs	Singapore Standards on Auditing
SSAEs	Singapore Standards on Assurance Engagements
SSQCs	Singapore Standards on Quality Control
SSREs	Singapore Standards on Review Engagements

### LIST OF STANDARDS REFERRED TO IN THE CODE

Standard	Full Title
SSA 320	Materiality In Planning and Performing an Audit
SSA 610 (Revised 2013)	Using the Work of Internal Auditors
SSAE 3000 (Revised)	Assurance Engagements Other than Audits or Reviews of Historical Financial Information
SSQC 1	Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements
SSRE 2400 (Revised)	Engagements to Review Historical Financial Statements

## PERMISSION FOR REPRODUCTION

This ED is based on the final pronouncements, *Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in International Standard on Assurance Engagements 3000 (Revised)* and *Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants*, published by the International Federation of Accountants (IFAC) in January 2020 and October 2020 respectively.

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