

24 August 2018

Mr Ken Siong
Senior Technical Director, International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017
USA

Dear Sir,

**RESPONSE TO THE INTERNATIONAL ETHICS STANDARDS BOARD FOR
ACCOUNTANTS CONSULTATION PAPER (“CP”) – PROFESSIONAL SCEPTICISM –
MEETING PUBLIC EXPECTATIONS**

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

We have concerns with the proposal to include “impartial mindset” as a behavioral characteristic expected of professional accountants. This is because an “impartial mindset” may not be universally applicable to the different roles played by professional accountants. For example, it will not be unethical to expect a Corporate Tax Accountant to present a reasonable but albeit an aggressive tax position in a tax filing. We also do not agree that the Code should use the term “professional scepticism” as ethical behavior is disparate or essentially different from behavior associated with professional scepticism. Attempting to amalgamate the two behaviours would be confusing and may result in unintended consequences.

We support an overarching statement which captures the ethical behavioural expectations/requirements of all professional accountants on a high and broad level and address public expectations of what it means to be a professional accountant. The overarching statement would also provide an excellent opportunity to educate the public at large on the integral role professional accountants play towards the integrity of the financial reporting eco-system. This should be complemented with efforts to promote the profile and status of the profession.

We also wish to re-iterate our recommendation that IESBA prioritise the development of a ‘public interest’ framework for the accountancy profession in their strategy and work plan, 2019 – 2023. It is imperative that such a ‘public interest’ framework be developed, in light of recent and ongoing projects (e.g. the Long Association Project, the Safeguards Project and the Professional Scepticism Project) by IESBA to address issues centering around the meeting of “public expectations” and safeguarding of “public interests” by professional accountants.

Our comments to the specific questions in the CP are as follows:

Question 1: Paragraph 5 – Do you agree with the premise that a key factor affecting public trust in the profession is whether information with which a professional accountant is associated can be relied upon for its intended use?

Paragraph 5 – “Public and private organisations depend on professional accountants to perform a wide range of services, often in connection with information generated by and about the organisation. The IESBA believes that the public expects information with which a professional accountant is associated to have been prepared with the benefit of the professional accountant’s skills and experience so that the information can be relied upon for its intended use”.

We agree and support the above.

Question 2: Paragraph 10 – Do you agree with the behaviour associated with public expectations of professional accountants? Are there aspects that should be included or excluded from the summary?

Under Paragraph 10, IESBA shared that the behaviour expected of professional accountants is that they should:

- (a) Approach professional activities with an impartial and diligent mindset; and
- (b) Apply that mindset, together with relevant professional expertise, to the evaluation of information with which they are associated.

It is unclear what behavioural characteristic is expected from the professional accountant by the requirement for “impartial mindset” referred to under paragraph 10(a). Does “impartial mindset” require the professional accountant to execute his professional activities or to exercise his professional judgement on an unbiased or neutral premise for areas where there could be a range of possible approaches or solutions? This would be a more stringent requirement than the fundamental principle of “objectivity” in the Code. “Objectivity” requires the professional accountant not to compromise professional or business judgment because of bias, conflict of interest or undue influence of others.

In an ideal/perfect world, “impartial mindset” may be conceptually desirable. Even so, it is a very subjective concept and difficult to apply. We think that “impartial mindset” sets a higher bar on professional accountants than “professional scepticism” as defined by IAASB i.e. “An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence”. In addition, unlike “professional scepticism”, it would be very difficult for a professional accountant to demonstrate that he has applied an impartial mindset.

We also note that this requirement would be especially challenging for professional accountants in business (“PAIB”) whereby as employees, they would be inclined to conform with the directions and priorities set by their organisations.

In our view, “impartial mindset” should be excluded from the behaviour expected of professional accountants.

Question 3: Paragraphs 13 and 14 – Do you agree with the mindset and behaviour described in paragraph 10 should be expected of all professional accountants? If not, why not?

Except for “impartial mindset” as commented under Question 2, we agree that the mindset and behaviour described in paragraph 10 should be expected of all professional accountants. We also agree with paragraph 14 that the nature and extent of the actions to be taken by the professional accountant in order to demonstrate behaviour appropriate to the particular circumstances will depend on a range of factors such as the professional accountant’s role and experience.

Question 4: Paragraph 16 – Do you believe the fundamental principles in the Code and related application material are sufficient to support the behaviours associated with the exercise of appropriate “professional scepticism”?

The exercise of appropriate “professional scepticism” is a behavioural characteristic required of professional accountants who practice in audit and assurance. This behavioural characteristic should not be confused with the fundamental principles of the code.

The fundamental principles of the code (integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) provides an overall ethical framework on how a professional accountant should conduct himself when rendering professional services. Although the fundamental principles do support to a certain extent the behaviours associated with professional scepticism, we think that ethical behaviour is disparate or essentially different from behaviour associated with professional scepticism. Attempting to amalgamate the two behaviours would be confusing and may result in unintended consequences.

In our view, the fundamental principles of the Code could be further enhanced for depth and robustness. We believe that a comprehensive review of the fundamental principles within the Code would to a large extent address the public expectation of the behaviours expected of professional accountants.

Question 5: Paragraph 18 – Do you believe professional scepticism, as defined in International Standards on Auditing, would be the appropriate term to use?

As commented under Question 4, we do not believe the term professional scepticism as defined by IAASB is the appropriate term to use.

Question 6: Paragraph 19 –

- (a) Do you believe that the Code should retain/use the term “professional scepticism” but develop a new definition?**
- (b) If so, do you support a new definition along the lines set out in paragraph 19?**
- (c) If you do not support a definition along the lines described, could you please provide an alternative definition.**

We do not agree that the Code should retain/use the term “professional scepticism” as this could give rise to unintended consequences. Accordingly, we do not support the new definition in paragraph 19. We agree with IESBA’s concern that the use of one term (“professional scepticism”) to refer to two different type of behaviours and expectations would create confusion.

Question 7: Paragraph 20 –

- (a) Would you support an alternative term to “professional scepticism”, such as “critical thinking, “critical analysis” or “diligent mindset”?**
- (b) If not, what other term(s), if any, would you suggest which focuses on the mindset and behaviours to be exercised by all professional accountants?**

We support an alternative term to “professional scepticism”. The alternative term (“overarching statement”) needs to capture the ethical behavioural expectations/requirements of all professional accountants on a high and broad level and address public expectations of what it means to be a professional accountant. It would be essential to obtain the buy in from all professional accountants especially from the PAIBs. The overarching statement would be the overarching behavioural principle, encompassing the Code’s fundamental principles.

The overarching statement would also provide an excellent opportunity to educate the public at large on the integral role professional accountants play towards the integrity of the financial statement eco-system. This should be complemented with efforts to enhance the profile and status of the profession.

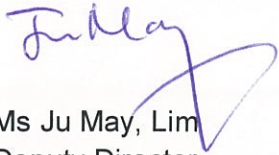
Question 8: Paragraph 21 –

Should IESBA develop additional material, whether in the Code or otherwise, to highlight the importance of exercising the behaviour and relevant professional skills as described? If yes, please suggest the type of application material that in your view would be the most meaningful to enhance the understanding of these behavioural characteristics and professional skills.

As commented under Question 4, the fundamental principles of the Code could be further enhanced for depth and robustness. We believe that a comprehensive review of the fundamental principles within the Code would to a large extent address the public expectation of the behaviours expected of professional accountants. In addition, illustrative examples on how the fundamental principles are to be applied would contribute much towards advancing desired ethical behaviour.

Should you require any further clarification, please feel free to contact Ms Ju May Lim, Deputy Director, Corporate Reporting & Ethics ("CoRE"), or Mr Ang Soon Lii, Manager, CoRE, from ISCA via email at jumay.lim@isca.org.sg or soonlii.ang@isca.org.sg respectively.

Yours faithfully,



Ms Ju May, Lim
Deputy Director
Corporate Reporting & Ethics