

30 October 2019

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

Dear Sir,

**RESPONSE TO THE INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS EXPOSURE DRAFT (“ED”) – PROPOSED REVISIONS TO THE CODE TO PROMOTE THE ROLE AND MINDSET EXPECTED OF PROFESSIONAL ACCOUNTANTS**

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

Generally, we support the proposals in the ED which considered the responses to the Consultation Paper (“CP”), *Professional Skepticism – Meeting Public Expectations*, issued in May 2018 and views on issues raised in the CP from global roundtables. We thank IESBA for taking into consideration our views expressed at the Tokyo roundtable and recommendations in the response to the CP.

In our response to the CP, we supported an alternative term to professional skepticism which would capture the ethical behavioral 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. We also believe that a comprehensive review of the fundamental principles within the Code would, to a large extent, address the public expectation of the behaviors expected of professional accountants.

We appreciate IESBA’s proposal to highlight the difference in scope between exercising professional skepticism and the concept of “having an inquiring mind” as set out in the ED. We also welcome and support the enhancements to the fundamental principles of integrity, objectivity and professional behavior.

The proposed revisions to Part 1 of the Code reminds professional accountants of their wide-ranging roles in society and the importance of compliance with the Code towards fulfilling their responsibility to act in the public interest. Given the interplay between ethical requirements and public interest, we believe that having a ‘public interest’ framework for the accountancy profession would greatly enhance its clarity.

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

**Global Mindset, Asian Insights**



## ***Role and Values of Professional Accountants***

**Question 1: Do you support the proposals in Section 100 that explain the role and values of professional accountants as well as the relationship between compliance with the Code and professional accountants acting in the public interest? Are there other relevant matters that should be highlighted in these paragraphs?**

The IESBA Code contains requirements and application material to enable professional accountants to meet their responsibility to act in the public interest. The proposed text in Section 100 reminds professional accountants to comply with the fundamental principles and apply the conceptual framework and emphasizes that compliance with the Code goes beyond complying with the requirements of the Code.

Paragraph 100.1 A1 explicitly states that: “In acting in the public interest, a professional accountant’s responsibility is not exclusively to satisfy the preferences or requirements of an individual client or employing organization when performing professional activities.”

To meet their responsibility to act in the public interest, professional accountants are expected to demonstrate ethical behavior and uphold ethical values, and this entails complying with both the letter and spirit of the Code. We agree and support the above.

## ***Determination to Act Appropriately***

**Question 2: Do you support the inclusion of the concept of determination to act appropriately in difficult situations and its position in Subsection 111?**

The fundamental principle of “integrity” requires a professional accountant to be straightforward and honest and implies fair dealing and truthfulness.

The ED proposes to add new application material in paragraph 111.1 A2 relating to the fundamental principle of “integrity” that emphasizes the importance of having the determination to act appropriately when confronting dilemmas or difficult situations.

### Paragraph 111.1 A2

Integrity also includes having the determination to act appropriately when confronting dilemmas or difficult situations. This would involve, for example:

- Standing one’s ground when facing pressure to do otherwise during the course of performing professional activities; or
- Challenging others as and when appropriate, even when doing so creates potential adverse personal or organizational consequences.

We observe that paragraph 111.1 A2 may pose practical challenges for junior professional accountants in business (“PAIBs”) who are employees and would be inclined to conform with the directions and priorities set by their organizations. It may not be practical to expect a junior PAIB who exercised critical evaluation and made the necessary report to his or her supervisor to take further steps that goes beyond his or her power.

We recommend that IESBA considers whether there is a need to set different expectations for junior PAIBs compared to senior PAIBs. A senior PAIB should challenge more and should be prepared to step away from his or her role/ organization. This is consistent with the differential approach developed to subject senior PAIBs to more stringent requirements than other PAIBs in responding to identified or suspected Non-Compliance with Laws and Regulations (“NOCLAR”).

### ***Professional Behavior***

**Question 3: Do you support the proposal to require a professional accountant to behave in a manner that is consistent with the profession's responsibility to act in the public interest in paragraphs 110.1 A1 (e) and R115.1?**

The fundamental principle of "professional behavior" requires a professional accountant to comply with relevant laws and regulations and avoid any conduct that the accountant knows or should know might discredit the profession.

The ED proposes to strengthen the description of "professional behavior" by including a requirement that professional accountants behave in a manner that is consistent with their responsibility to act in the public interest. This requirement echoes the proposed text in Section 100.

As commented under Question 1, we agree and support the above. Given the interplay between ethical requirements and public interest, we also wish to re-iterate our recommendation that IESBA prioritize the development of a 'public interest' framework for the accountancy profession. We believe that having a framework that expounds principles on how public accountability can best be achieved in the entire accountancy ecosystem would provide greater clarity to fulfil its intended objectives.

### ***Impact of Technology***

**Question 4: Notwithstanding that the IESBA has a separate Working Group that is exploring the implications of developments in technology, are there any additional matters relating to the impact of technology beyond the proposals in paragraphs 110.1 A1(b)(iii), 113.1 A2 and 120.12 A2 that you consider should be addressed specifically as part of the Role and Mindset project?**

We have no further concerns relating to the impact of technology and we acknowledge that proposals addressing technology-related developments will be developed by the Technology Working Group.

### ***Inquiring Mind***

**Question 5: Do you agree with the concept of an inquiring mind as set out in the proposals in Section 120?**

Paragraph 120.5 A5 proposes that: "When undertaking any professional activities, paragraph R120.5 requires all professional accountants to have an inquiring mind when applying the conceptual framework. Additionally, accountants performing audits, reviews and other assurance engagements are required to exercise professional skepticism as described in paragraphs 120.16 A1 and 120.16 A2."

We appreciate IESBA's proposals to introduce an "inquiring mind" as an alternative term to professional skepticism and to clarify the difference between the two terms so as not to create confusion.

The proposed text in Section 120 explains "having an inquiring mind" as:

- Being open and alert for situations and information (or the lack thereof) that might require further investigation; and

- Considering whether there is a need to critically evaluate the information obtained, having regard to the nature, scope and outputs of the professional activity being undertaken.

The concept of an “inquiring mind” requires all professional accountants to consider whether there is a need for critical analysis/evaluation, which goes beyond the need to “remain alert for new information and to changes in facts and circumstances”.

In our view, an “inquiring mind” is a step up from the existing requirement, and it is a less ambiguous concept than the “impartial and diligent mindset” that was put forth in the CP for application by all professional accountants. We agree with IESBA that an “inquiring mind” is conceptually desirable and should be exemplified by all professional accountants.

### ***Bias***

**Question 6: Do you support the approach to addressing bias? If so, do you agree with the list of examples of bias set out in paragraph 120.12 A2? Should any examples be omitted or new ones added?**

The fundamental principle of “objectivity” requires a professional accountant to exercise professional or business judgments without being compromised by *bias*, conflict of interest or undue influence of others.

We note that bias is a factor that may impact “objectivity” and we support the proposed text in Section 120 which raises awareness of the risks of bias. In our view, introducing the bias concept is a timely precautionary reminder to professional accountants on the risk of bias.

We also observe that IESBA considered proposed text on bias from the International Auditing and Assurance Standards Board (“IAASB”) in developing the application material to address the issue of bias. We agree with IESBA’s approach to ensure appropriate alignment with IAASB and the inclusion of a list of examples of bias to create awareness, especially to those who may not be conscious of their biases.

### ***Organizational Culture***

**Question 7: Are there any other aspects about organizational culture in addition to the role of leadership that you consider should be addressed in the proposals?**

We agree with IESBA’s view that the internal culture of an employer, be it a firm or another organization, can significantly impact whether professional accountants comply with the Code and act ethically.

We note that IESBA proposes to highlight the importance of a positive internal organizational culture to the effective application of the conceptual framework by introducing new application material in paragraphs 120.13 A1 and 120.13 A2 under the subheading, “Other Considerations when Applying the Conceptual Framework”.

#### Paragraph 120.13 A1

The effective application of the conceptual framework 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 an organization.

Paragraph 120.13 A2

The promotion of that ethical culture within an organization is most effective when:

- (a) Leaders and those in managerial roles hold themselves and others accountable for demonstrating the ethical values of the organization;
- (b) Appropriate education and training programs, management processes, and performance evaluation criteria that promote that ethical culture are in place; and
- (c) Ethical values are adhered to in dealings with third parties.

However, it is unclear what the current drafting intends to achieve and how it helps to improve the application of the conceptual framework. Acknowledging the importance of strong ethical culture in facilitating the effective application of the conceptual framework, the drafting of paragraphs 120.13 A1 and 120.13 A2 need to be improved for better clarity and robustness.

Should you require any further clarification, please feel free to contact myself or Ms Ng Shi Zhen, Manager, TECHNICAL: Ethics & Specialised Industries, from ISCA via email at [jumay.lim@isca.org.sg](mailto:jumay.lim@isca.org.sg) or [shizhen.ng@isca.org.sg](mailto:shizhen.ng@isca.org.sg) respectively.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Ju May', with a stylized flourish at the end.

Ms Ju May, LIM  
Deputy Director  
TECHNICAL: Financial & Corporate Reporting;  
Ethics & Specialised Industries;  
Audit & Assurance