ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

60 Cecil Street, ISCA House,
Singapore 049709
TEL +65 6749 8060
FAX +65 6749 8061
www.isca.org.sg

11 June 2021

Mr Geoff Kwan
Principal
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 ("IESBA") STAKEHOLDER QUESTIONNAIRE – LONG ASSOCIATION POST-IMPLEMENTATION REVIEW ("LAPIR")(PHASE 1)

The Institute of Singapore Chartered Accountants ("ISCA") appreciates the opportunity to comment on IESBA LAPIR Working Group's review on the implementation status of the five-year cooling-off requirement for engagement partners ("EPs") on audits of public interest entities ("PIEs"), and any issues arising from the implementation of such requirement before the expiry of the transition period for the jurisdictional provision.

In preparation of this comment letter, the ISCA has discussed the Stakeholder Questionnaire with members of the ISCA Ethics Committee ("ISCA EC"). ISCA EC comprises representatives who are practitioners from accounting firms, those charged with governance ("TCWG"), professional accountants in business, academic community and members from regulatory bodies.

Part A – Demographic Information

Question 1: Please indicate the geographical profile which best represents your situation, i.e., from which geographical perspective are you providing your responses?

• Global
• Regional (Please specify)
• Multiple jurisdictions (Please specify)
• Single jurisdiction (Please specify)

Single jurisdiction – Singapore.

Question 2: Please indicate the stakeholder group to which you belong, i.e., from which perspective are you providing your responses?

- **National Standard Setters or Professional Accountancy Organizations (Complete Part B)**
- **Regulators or Audit Oversight Bodies (Complete Part C)**
- **Auditors or Audit Firms (Complete Part D)**
- **Others (e.g., investors or other users of financial statements, those charged with governance, preparers, academics) (Complete Part E)**

We are providing our responses from the perspective of a National Standard Setter (for Ethics Pronouncement 100 *Code of Professional Conduct and Ethics* ("EP 100")) and Professional Accountancy Organisation. We set standards and guidance relating to professional ethics which are issued as Ethics Pronouncements.

ISCA issues EP 100 which is modelled after the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by IESBA.

Question 3: Please provide the following information about your organization (if applicable) and other contact information:

- **Your organization's name (or leave blank if you are completing the questionnaire in your personal capacity)**
- **Your name and job title/role**
- **Your email address**

Organisation name: ISCA

Name: Ms Lim Ju May

Job title: Deputy Director
TECHNICAL: Financial & Corporate Reporting;
Ethics & Specialised Industries;
Audit & Assurance

Email: jumay.lim@isca.org.sg

Part B – National Standard Setters or Professional Accountancy Organisations

Question 1:

(a) Has a cooling-off period of five years for engagement partners (EPs) on audits of public interest entities (PIEs) been implemented in your jurisdiction in accordance with Section 540 of the Code?

(b) If so, were any substantial issues encountered as a result of its implementation?

(a) Yes.

(b) None noted.

Question 2:

(a) Has a cooling-off period of five or more years for EPs been implemented in your jurisdiction otherwise than by adoption of the Code, e.g., by law or regulation or through a different ethical framework?

(b) If so, are there any significant differences between those requirements and the requirements of Section 540? For example, does the cooling-off period apply to EPs on audits of all PIEs or only listed entities?

(a) No.

(b) Not applicable.

Question 3: If the cooling-off period for EPs on audits of PIEs in your jurisdiction is shorter than five years, is this because jurisdiction:

(a) Has applied the jurisdictional provision (paragraph R540.19 of the Code)? or

(b) Is required to comply with a different regime to address the threats created by long association that permits a cooling-off period that is shorter than five years? If so, please describe the regime.

Yes, Singapore has applied the jurisdictional provision in paragraph R540.19 of the Code. Accordingly, the cooling-off period for EPs will be 3 years for the audits of financial statements for periods beginning **prior to** 15 December 2023.

For the audits of financial statements for periods beginning **on or after** 15 December 2023, the transitional provision is no longer applicable, and the cooling-off period will be 5 years.

Question 4: If your jurisdiction has applied the jurisdictional provision in the Code (paragraph R540.19):

(a) What cooling-off period is in effect?

(b) Has consideration been given to the implications of the expiry of the jurisdictional provision for audits of financial statements for periods beginning on or after December 15, 2023?

If so, does your jurisdiction intend that a five-year cooling-off period should apply from December 15, 2023?

(c) What potential issues, if any, are expected to arise from the five-year cooling-off period becoming effective?

(a) Please see our response to Question 3 in Part B.

(b) Yes, we will apply a five-year cooling-off period from audits of financial statements for periods beginning on or after 15 December 2023.

(c) COVID-19 has resulted in a significant reduction in mobility between and within countries, whether due to border restrictions, people wanting to stay close to look after family and other reasons.

The ability of audit firms to move appropriately qualified individuals to service entities has been restricted and this is likely to continue well into 2022 and even 2023. This inhibits the ability to plan for this significant change on 15 December 2023.

In addition, we note that IESBA proposed an effective date of 15 December 2024 for the PIE project revisions based on the IESBA's Exposure Draft on *Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*.

An expanded PIE definition coupled with the implementation of a five-year cooling-off period will add business complexity and costs as the number of entities impacted will increase significantly, particularly for highly specialised industries.

We wish to highlight that a hard-line five-year cooling-off period does not allow any flexibility to deal with this issue and could cause unintended consequences in terms of availability of appropriately qualified partners.

As such, we propose for IESBA to consider extending the three-year transition rule for another 3 years to 2026 to enable the above issues to be addressed.

Question 5: If your jurisdiction does not intend to adopt a five-year cooling-off period for EPs on audits of PIEs, please set out the rationale for the approach proposed or considered. For instance:

- **Alternative measures are in place to address the threats created by long association and those measures are considered adequate (e.g., mandatory firm rotation). If so, please describe those measures; or**
- **The circumstances particular to your jurisdiction give rise to issues that outweigh the benefits of implementing a five-year cooling-off period. If so, please describe those circumstances and the public interest considerations leading to that conclusion.**

Not applicable.

Question 6: Are there any other issues or comments that the IESBA should consider under Phase 1 of the LAPIR in relation to the expiry of the jurisdictional provision and the implementation of a five-year cooling-off period for EPs on PIE audits?

Without a clear definition of PIE, the accounting profession would likely encounter difficulties in applying the appropriate provisions in Section 540 of the Code and especially if there would be a change in the treatment of an entity from a non-PIE to PIE or vice versa.

Should you require any further clarification, please feel free to contact myself or Ms Alice Tan, Senior Manager, TECHNICAL: Ethics & Specialised Industries, from ISCA via email at jumay.lim@isca.org.sg or alice.tan@isca.org.sg respectively.

Yours faithfully,

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