

4 March 2019

Mr David McPeak  
IAESB Principal  
International Accounting Education Standards Board  
International Federation of Accountants  
529 5<sup>th</sup> Avenue  
New York, New York 10017

Dear David,

**Exposure Draft (December 2018)  
Proposed Revisions to IESs 2, 3, 4, and 8 – Information and Communications  
Technologies and Professional Scepticism**

The Institute of Singapore Chartered Accountants appreciates this opportunity to comment on the Proposed Revisions to IESs 2, 3, 4, and 8 – Information and Communications Technologies and Professional Scepticism.

We support IAESB's continuous efforts to maintain the standards and professional training and education of professional accountants by making revisions to the learning outcomes. However, we are of the view that refinements could be made to the revised learning outcomes. Our comments on the Exposure Draft are set out in the attachment. If you require any clarification on the comments, please contact Melissa Wu, Senior Manager of Pathways Development and Qualifications at [melissa.wu@isca.org.sg](mailto:melissa.wu@isca.org.sg) or +65 6597 5669.

Yours faithfully,

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## Request for General Comments

In general, we support the proposed revisions to learning outcomes related to the areas of Information and Communications Technologies (ICT) and Professional Scepticism in view of the evolving accountancy landscape and to keep pace with the impact of digitalisation on businesses.

Please find our comments on the revisions detailed in our responses to the Request for Specific Comments.

## Request for Specific Comments

**Question 1: Do you support the proposed revisions to learning outcomes related to the areas of Information and Communications Technologies (“ICT”) and Professional Scepticism provided in Appendices A, B, C and D? If not, what changes would you suggest?**

We support the approach taken to enhance/ revise the learning outcomes instead of making extensive drafting changes to the IESs. Our comments and suggestions to the proposed revisions are appended below:

Appendix A – Proposed Changes to IES 2, initial Professional Development – Technical Competence

#	Paragraph	Proposed Change By IAESB		ISCA Comments
4	7 Table A	(e) Audit and assurance (Intermediate)	(vi) Assess audit evidence for appropriateness and sufficiency	<p>Professional Scepticism is required to be exercised throughout the entire financial statements audit process and not only at the assessment of audit evidence.</p> <p>The rationale of the new learning outcome does not seem to commensurate with the actual learning outcome. If the emphasis is on Professional Scepticism, it would be more impactful if the term “Professional Scepticism” is incorporated into the learning outcome.</p> <p>Suggested phrasing: <b><u>Exercise professional scepticism in the audit of financial statements.</u></b></p>
4	7 Table A	(h) Information and communications technologies (Intermediate)	(vi) Use ICT to communicate with impact and influence others.	<p>The learning outcome seems to refer to professional skills rather than technical competence. As such, it may be more suited to be included under ‘Interpersonal and communication’ professional skills in IES 3. Alternatively, it may be beneficial to include a corresponding learning outcome to reflect the use of ICT in communication within IES 3.</p>

				We would like to suggest incorporating the learning outcome into IES 3 instead: IES 3 - 7(b)(vii) Present ideas, <u>incorporating the use of ICT</u> , and influence others to provide support and commitment
4	7 Table A	(k) Business strategy and management (Intermediate)	(iv) Explain the processes that may be used to <b>develop and</b> implement the strategy of an organisation	The learning outcome does not convey the intention for professional accountants to contribute their ICT expertise in developing the strategy of an organisation. If the emphasis is to leverage ICT to develop and implement strategy, the learning outcome should be phrased as such.  We would like to suggest the following change to the learning outcome: (iv) Explain the processes that may be used to <b>develop and</b> implement the strategy of an organisation, <b><u>including the use of ICT in the relevant processes.</u></b>

#### Appendix B – Proposed Changes to IES 3, initial Professional Development – Professional Skills

#	Paragraph	Proposed Change By IAESB		ISCA Comments
4	7 Table A	(b) Interpersonal and communication (Intermediate)	(ii) <b>Demonstrate collaboration skills.</b>	The new learning outcome seems synonymous to the existing learning outcome 7(b)(i) <i>Display cooperation and teamwork when working towards organisational goals</i> in IES 3.  Consideration should be given as to whether the new learning outcome is necessary or if it could be incorporated into 7(b)(i).

#### Appendix C – Proposed Changes to IES 4, initial Professional Development – Professional Values, Ethics, and Attitudes

#	Paragraph	Proposed Change By IAESB		ISCA Comments
4	11 Table A	(a) Professional scepticism and professional judgment (Intermediate)	(iv) <b>Apply critical thinking when identifying and</b> evaluating alternatives to determine an appropriate course of action. <del>Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.</del>	The revised learning outcome seems to overlap with the new learning outcome 7(a)(ii) <i>Apply critical thinking skills to solve problems</i> in IES 3 (Appendix B), where both are intended to reflect that critical thinking skills are an underlying competency of professional scepticism and used when identifying and solving problems.  Consideration should be given to

				remove the duplication unless it is intended to emphasise 'Critical thinking' in the two separate IESs.
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Appendix D – Proposed Changes to IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements:

#	Paragraph	Proposed Change By IAESB		ISCA Comments
4	9 Table A	(a) Audit ( <b>Intermediate</b> ) (h) Information and communications technology ( <b>Intermediate</b> ) (i) Interpersonal and communication ( <b>Intermediate</b> ) (j) Personal ( <b>Intermediate</b> ) (l) Commitment to the public interest ( <b>Intermediate</b> ) (m) Professional scepticism and professional judgment ( <b>Intermediate</b> ) (n) Ethical principles ( <b>Intermediate</b> )		<p>It is noted from Appendix E that the Proficiency levels are not indicated in IES 8 and this should be the case as the minimum levels of proficiency are implicit in the descriptions of the learning outcomes (i.e. in the verbs used).</p> <p>If proficiency levels are to be added for IES 8, a description of the levels of proficiency should be included. The 'Advanced' level of proficiency would be more appropriate at the Engagement Partner level.</p>
4	9 Table A	(a) Audit	(v) Evaluate whether the audit was performed <del>and documented</del> in accordance with <del>applicable</del> International Standards on Auditing (or relevant auditing standards <del>(e.g. ISAs)</del> and <del>relevant</del> laws and regulations <del>applicable</del> to an audit of the financial statements.	<p>We disagree with the proposed change made to paragraph 9(a)(v) to remove the phrase "and documented". Performance and documentation are separate and distinct. A piece of audit work may be performed but not necessarily documented on file. Hence, we are of the view that performance does not encompass documentation. Moreover, as documentation is an important aspect of audit as evidence of work done, it should be separately highlighted.</p>
4	9 Table A	(h) ICT	(i) <del>Evaluate the information technology (IT)</del> <b>ICT environment</b> to identify controls that relate to the financial statements to determine the impact on the overall audit strategy.	<p>We suggest refining the proposed change made to paragraph 9(h)(i) with the underlined wordings as follows:</p> <p>(i) <del>Evaluate the information technology (IT)</del> <b>ICT environment</b> to identify <u>risks and</u> controls that relate to the financial statements to determine the impact on the overall audit strategy.</p> <p>There should be emphasis on risk as audit is generally risk-based and the auditor has to perform risk assessment as part of audit planning.</p>
4	9 Table A	(h) ICT		<p>The references in page 31 and 71 for ICT are not consistent, i.e. one says (f) whereas the other says (h).</p>

				<p>We would like to suggest an additional learning outcome in view that there may be a need to involve an ICT specialist in the evaluation process with increasing complexity of ICT:</p> <p><b><u>(ii) Identify and assess the need for consultation from ICT specialists / experts.</u></b></p> <p>It is also important to assess the competence and reliability of the specialists' work.</p>
4	9 Table A	(a) Audit	<p>(i) Lead the audit engagement through active involvement in planning, directing, and reviewing the work of the engagement team</p> <p>(iv) Evaluate audit evidence by considering its appropriateness, sufficiency and any contrary audit evidence gathered to make informed decisions and reach conclusions.</p>	<p>We are of the view that the proposed wordings are not sufficiently clear to convey that the changes relate to the concept of professional scepticism.</p> <p>Since professional scepticism is a key concept and if the intention is to draw the reader's attention to it, we propose to make it more explicit, for example, by incorporating the term "professional scepticism" in the wordings to drive the concept across. Repeating the term in the different relevant paragraphs will also help in memory retention, enabling the reader to better remember it.</p> <p>Example of suggested phrasing of the learning outcomes:</p> <p>(i) Lead the audit engagement through active involvement in planning, directing, and reviewing the work of the engagement team, <b><u>exercising professional scepticism throughout the audit process</u></b></p>
		(i) Interpersonal and communication	(ii) Evaluate the potential influence of cultural and language differences on the performance of the audit	
		(j) Personal	(iv) Promote reflection on experiences to improve future actions.	
		(l) Commitment to the public interest	(i) Promote audit quality <del>in all activities</del> and compliance with professional and regulatory standards with a focus on protectin gthe public interest.	

## Question 2: Are there additional ICT and professional scepticism learning outcomes that you would expect from aspiring and professional accountants (see Appendix E)?

In June 2018, ISCA launched a publication, titled "Cybersecurity Risk Considerations in a Financial Statements Audit"<sup>1</sup>, that provides guidance on cybersecurity risk considerations in a financial statements audit, with contributions from PwC. Cybersecurity risk can affect different areas of a business, financial-related as well as non-financial related. For financial statements audit, the auditor needs to consider those risks that could impact the financial statements and an entity's assets. Other than identifying controls that relate to the financial statements, the audit team should still maintain their professional scepticism when carrying out their audit as these cyber incidents may result in unauthorized material changes or misstatements to financial records.

<sup>1</sup> For more details on the ISCA publication, please click [here](#).

We suggest the following:

1. Cybersecurity risk/ ICT risk should be considered in the performance of the audit of financial statements. This could be incorporated in IES 2, Paragraph 7, Table A (e)(iii) – Audit and Assurance (Intermediate).
2. Additional explanatory paragraphs in IES 8 to further elaborate and clarify the role of Engagement Partners in the evaluation of the ICT environment.

Additionally, the ICT systems and/or data that are relevant to an audit are usually a subset of the aggregate ICT systems and data used by an entity to support its overall business operations and may be separately managed or controlled. The auditor's responsibilities do not encompass a comprehensive evaluation of the risks and controls across the entity's entire ICT environment. It is therefore recommended for IAESB to clarify its mention of ICT environment under IES 8, Paragraph 9, Table A: Learning Outcomes for the Professional Competence of an Engagement Partner. ASE

**Question 3: Do you support the new definitions of Information and Communications Technologies, Intellectual Agility, and Professional Judgment added to the IAESB Glossary of Terms? If not, what changes would you suggest?**

We agree with the insertion of new definitions of Information and Communications Technologies, Intellectual Agility, and Professional Judgment to the IAESB Glossary of Terms.

Given that Information and Communications Technologies can also be used in the creation of data and information, we would like to suggest a minor edit to the following definition:

<b>Information and Communications Technologies</b>	A diverse set of technologies, techniques and processes used to <b>create</b> , capture, manage, transform, and communicate data and information.
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**Question 4: Are there any terms within the new and revised learning outcomes of IESs 2, 3, 4, and 8, which require further clarification (See Appendix E)? If so, please explain the nature of the changes?**

We did not note any terms requiring further clarification.