

4 September 2015

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

Dear Sirs,

RESPONSE TO THE INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA) EXPOSURE DRAFT (ED) – RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS (NOCLAR)

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

Generally, we agree with all the suggestions in the ED and do not have significant comments or additional insights, except for the following specific questions:

Question 2: Where there is no legal or regulatory requirement to report identified or suspected NOCLAR to an appropriate authority, do respondents believe the proposals would be helpful in guiding PAs in fulfilling their responsibility to act in the public interest in the circumstances?

Unlike senior professional accountants in business (PAIBs), other PAIBs are not required to understand “*the potential consequences to the employing organisation, investors, creditors, employees or the wider public*” (refer to 360.31 vs 360.14). Notwithstanding that the IESBA had clarified in paragraph 67 of the Explanatory Memorandum that senior PAIBs should have a greater responsibility to take action in response to identified or suspected NOCLAR than other PAIBs, we are of the view that other PAIBs should nevertheless make an attempt to understand the potential consequences of suspected NOCLAR to obtain a more holistic understanding of the issue.

Also, we do not feel that imposing this additional requirement would be onerous on other PAIBs as paragraph 360.32 permits the other PAIBs to consult with others within the employing organisation, a relevant professional body or legal counsel. Thus, we recommend that the last bullet point in paragraph 360.14 should also be added to paragraph 360.31.

Furthermore, it would be useful if the IESBA could include the illustrative flowchart applicable to auditors in Appendix 2 of the Explanatory Memorandum, in the IESBA Code of Ethics for Professional Accountants (the Code). The illustrative flowchart has significantly enhanced the understanding of the framework for response to NOCLAR. Hence, we strongly suggest that the flowchart be included in the Code. We would also encourage the IESBA to consider creating flowcharts for the other three categories of professional accountants and including them in the Code itself. We believe that a good understanding of the framework will promote the application of the Code among professional accountants.

Question 7: With respect to auditors and senior PAIBs:

(b) Do respondents agree with the imposition of the third party test relative to the determination of the need for, and extent of, further action?

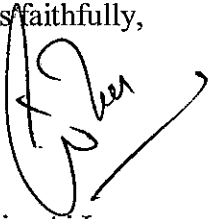
We are of the view that more guidance should be given on the “*reasonable and informed third party*” test indicated in paragraphs 225.25 and 360.24 of the Code. Currently, the test is worded very broadly. There should be guidance on what the “*reasonable and informed third party*” needs to consider or think about before reaching a conclusion on whether the professional accountant has acted appropriately in the public interest. We strongly recommend that the IESBA consider providing illustrative examples of how these factors are applied under certain common scenarios.

Question 9: Do respondents agree with the approach to documentation with respect to the four categories of PAs?

While we agree with the approach, we would recommend that the wordings “*and 360.35*” in paragraph 360.13 be removed because it creates the impression that the documentation approach in paragraph 360.35 only applies to senior PAIBs, which is not the intention of the Code. With the removal, it will be very clear that the documentation approach is applicable to both senior and other PAIBs.

Should you require any further clarification, please feel free to contact Mr Kang Wai Geat, Assistant Director, Technical Standards Development and Advisory, or Mr Ang Soon Lii, Manager, Technical Standards Development and Advisory, at ISCA, via email at waigeat.kang@isca.org.sg or soonlii.ang@isca.org.sg respectively.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Ai Leen', written over a vertical line.

Ms Lim Ai Leen
Executive Director
Technical Knowledge Centre and Quality Assurance