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13 March 2020

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

RESPONSE TO THE INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS ("IESBA") EXPOSURE DRAFT ("ED") – PROPOSED REVISION TO THE CODE ADDRESSING THE OBJECTIVITY OF ENGAGEMENT QUALITY REVIEWERS

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 three-week public consultation and discussed the ED with members of the ISCA Ethics Committee.

We support the proposed guidance addressing the objectivity of an engagement quality reviewer ("EQR") in Section 120 of the Code.

For audit clients that are public interest entities ("PIEs"), we believe that the Code should also address the situation where an individual is appointed to an EQR role after serving as the engagement partner.

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

Question 1: Do you support the proposed guidance addressing the topic of the objectivity of an EQR?

The ED proposes addition of application material to Section 120 of the Code to address the objectivity of an EQR. The proposed guidance explains the application of the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principle of objectivity of an EQR.

For example, the proposed guidance provides that a self-review threat might be created where an individual serves as an EQR after serving as the engagement partner and a safeguard that might address such threat includes implementing a cooling-off period before the individual is appointed as EQR.

We agree and support the above.

Question 2: If so, do you support the location of the proposed guidance in Section 120 of the Code?

Given that the proposed guidance relates to application of the conceptual framework to address the topic of objectivity of an EQR, we support the location of the proposed guidance in Section 120 of the Code.

As commented under Question 3, we believe that the Code should also prescribe a cooling-off period to specifically address the situation where an individual is appointed to an EQR role after serving as the engagement partner for a PIE client.

Question 3: Do you agree with the IESBA that it would be more appropriate for the IAASB to determine whether a cooling-off requirement should be introduced in proposed ISQM 2 as discussed in Section III.C above, and that the Code should not be prescriptive in this regard?

We note that the proposed guidance supplements the requirements in Section 540 of the Code which stipulates that:

> All Audit Clients
>
> **R540.4** If a firm decides that the level of the threats created can only be addressed by rotating the individual off the audit team, the firm shall determine an appropriate period during which the individual shall not:
> (a) Be a member of the engagement team for the audit engagement;
> (b) Provide quality control for the audit engagement; or
> (c) Exert direct influence on the outcome of the audit engagement.
> The period shall be of sufficient duration to allow the familiarity and self-interest threats to be addressed. In the case of a public interest entity, paragraphs R540.5 to R540.20 also apply.
>
> Audit Clients that are Public Interest Entities
>
> **R540.5** Subject to paragraphs R540.7 to R540.9, in respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination of such roles, for a period of more than seven cumulative years (the "time-on" period):
> (a) The engagement partner;
> (b) The individual appointed as responsible for the engagement quality control review; or
> (c) Any other key audit partner role.
> After the time-on period, the individual shall serve a "cooling-off" period in accordance with the provisions in paragraphs R540.11 to R540.19.

We agree that flexibility should be retained in the Code for the firm to determine what is an appropriate cooling-off period for audit clients that are not PIEs.

For audit clients that are PIEs, we note that the time-on period requirements in paragraph R540.5 allows an individual to act in a combination of engagement partner role and EQR role for a period of not more than seven cumulative years (the "time-on" period). Section 540 of the Code does not explicitly prescribe a requirement for an individual to serve a cooling-off period between his above two roles during the time-on period.

We also note the proposed inclusion of paragraph 120.14 A2 (b) of an example of a self-review threat created in complying with the fundamental principle of objectivity in situations where the

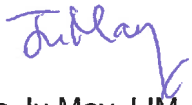
accountant serves as an EQR on an audit engagement after serving as the engagement partner or other engagement team member.

In our view, should an individual act in a combination of engagement partner role and EQR role for a PIE client during the time-on period, the individual should be required to serve a cooling-off period between these two roles. This serves to address the self-review threat to compliance with the fundamental principle of objectivity.

We recommend that IESBA prescribe a cooling-off requirement at an appropriate location in the Code for an individual moving on to an EQR role after serving as the engagement partner for a PIE client. This will avoid situations where an individual move from an engagement partner role to an EQR role during the time-on period for a PIE client without any cooling-off period.

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 or shizhen.ng@isca.org.sg respectively.

Yours faithfully,



Ms Ju May, LIM
Deputy Director
TECHNICAL: Financial & Corporate Reporting;
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