

24 April 2017

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) – PROPOSED REVISIONS PERTAINING TO SAFEGUARDS IN THE CODE – PHASE 2 AND RELATED CONFORMING AMENDMENTS

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. ISCA has also 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:

Section 600, Provision of Non-Assurance Services to an Audit Client

1. Do respondents support the proposals in Section 600? If not, why not?

In particular, do respondents agree with the proposal to extend the scope of the prohibition on recruiting services as described in paragraph 25(h) above to all audit client entities? If not, why not?

We noted that consistent with the proposed paragraph 609.2 which indicates that in some circumstances, “providing recruiting services to an audit client is expressly prohibited because the threat cannot be eliminated or there can be no safeguards to reduce them to an acceptable level”, the proposed paragraph R609.6 has also expressly stated that “a firm or network firm shall not provide a recruiting service to an audit client with respect to a director or officer of the entity or senior management in a position to exert significant influence over

the preparation of the client’s accounting records or the financial statements on which the firm will express an opinion if the service involves searching for or seeking out candidates for such positions and undertaking reference checks of prospective candidates for such positions”.

On the other hand, the recruiting services indicated in the proposed paragraph 609.3 A1 (e.g. reviewing the professional qualifications of applicants, interviewing candidates, providing advice on candidates’ competence and suitability for the post, etc) are not usually considered to create threats.

In our view, given the above paragraphs, it is unclear whether the recruiting services in the proposed paragraph 609.3 A1 are permitted in situations pertaining to a director or officer of the entity or senior management in a position to exert significant influence over the preparation of the client’s accounting records or the financial statements on which the firm will express an opinion.

The position to be recruited is an important consideration in prohibiting the services in the proposed paragraph R609.6. Also, it may be unusual in practice for a recruitment process to be divided into different stages handled by different firms. Usually, one firm will manage the entire process. Hence, the IESBA may wish to consider if all other recruiting services, including those in the proposed paragraph 609.3 A1, should be prohibited as well, if the recruitment involves any of the aforementioned key positions.

Conforming Amendments Arising from the Safeguards Project

4. Do respondents agree with the proposed conforming amendments set out in:

(a) Chapter 2 of this document.

(a) Comments on conforming amendments set out in Chapter 2 of the ED

The proposed paragraph 321.5 A1, which states “Factors that are relevant ... to an entity that are not an existing client is the circumstances...”, should be amended to “Factors that are relevant ... to an entity that is not an existing client are the circumstances...” for grammatical accuracy.

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

Yours faithfully,

A handwritten signature in black ink, appearing to be 'TK' or similar initials, written in a cursive style.

Mr Titus Kuan

Director

Technical Advisory and Professional Standards, and Learning and Development