27 January 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) CONSULTATION PAPER (CP) - IMPROVING THE STRUCTURE OF THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS (CODE)

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 CP with members of the ISCA Ethics Committee.

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

Question 4: Do you believe that issuing the provisions in the Code as separate standards or rebranding the Code, for example as International Standards on Ethics, would achieve benefits such as improving the visibility or enforceability of the Code?

We support the suggestion to issue the provisions in the Code as separate standards because it would facilitate the current revision, as well as future updates, of the provisions.

According to the indicative timeline in the CP, the IESBA may expose the restructured Code or standards in October 2015 and issue the finalised version in early 2017. At the same time, the IESBA will have different ongoing projects affecting different provisions in the Code. By “breaking up” the Code into separate standards, the IESBA will have the flexibility to issue the different standards in stages, if necessary. Depending on the circumstances, the IESBA
may opt to issue the completed standards first while continuing to work on the rest of the standards. This would ensure progress and maintain the momentum of the project.

Future updates would also be more targeted and effective as the IESBA can focus on the specific standards affected instead of having to deal with an entire Code with many provisions.

In addition, we would like to point out that with the approach of issuing separate standards, the IESBA would need to consider holistically and ensure that any possible inconsistencies in the standards are addressed when updating the standards, as some of them may be linked.

We also support the IESBA’s suggestion to rebrand the Code to “International Standards on Ethics” to improve visibility. In this respect, we would like to suggest that the term “Professional Accountants” be included in the title of the rebranded standards as it should be clear that the provisions in the standards apply to professional accountants. The IESBA could consider naming the standards as “International Standards on Ethics for Professional Accountants”.

Question 5: Do you believe that the suggestions as to use of language, as reflected in the Illustrative Examples, are helpful? If not, why not?

With respect to terms with a specific meaning, the CP has stated that the IESBA is considering including a link to terms that are described in greater detail, within the Code, rather than in the definitions section. Since it is not the intention of this CP to provide details on the link at this stage of the restructuring project, we are not very clear how this link would work.

Notwithstanding the aforementioned paragraph, we would like to point out for the IESBA’s consideration that it may be more appropriate to keep all definitions of terms in one common location rather than in multiple locations within the Code, to avoid confusing the users. If the IESBA decides to have both the link and the definitions section, the IESBA needs to explain clearly to users the difference between the two and ensure consistency in the descriptions and definitions of the terms in the two locations. Otherwise, it may diminish the usability of the Code.

In addition, we find that the cross reference shown at the end of the sub-paragraph in the Illustrative Examples may create confusion. For instance, paragraph 100.009 is applicable to the entire section on “Fundamental Principles” in paragraph 100.005. However, by referencing only at the end of sub-paragraph 100.005(e), the reference appears to apply only to the sub-paragraph on “Professional Behaviour”, which should not be the case. Similarly, paragraphs 100.010 to 100.014 are applicable to the entire section on “Ethical Conflict Resolution”. By referencing at the end of sub-paragraph 100.006(d)(ii), the reference appears
to apply only to the sub-paragraph on resignation from the engagement/firm/employing organisation, which should again not be the case. Hence, to ensure that the cross references are appropriately made, the IESBA should consider showing the cross references at the title of the paragraphs, instead of making the reference only at the end of sub-paragraphs.

Also, on the proposed approach in the Illustrative Examples to colour blue, bold and underline (either with solid or dotted line) terms in the Code, this may likely lead to a prevalence of coloured and underlined terms in the Code, which may be distracting for the user. This may also disrupt the thought process of the user, who may be subconsciously compelled to revisit the coloured and underlined terms, instead of focusing on the contents. This may in turn lead to reduced readability of the Code.

Should you require any further clarification, please feel free to contact Mr Kang Wai Geat, Deputy Head, 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,

Ms Lim Ai Leen
Executive Director
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