

6 June 2016

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

Dear Sirs,

**RESPONSE TO THE INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA) EXPOSURE DRAFT – LIMITED RE-EXPOSURE OF PROPOSED CHANGES TO THE CODE ADDRESSING THE LONG ASSOCIATION OF PERSONNEL WITH AN AUDIT CLIENT (RE-ED)**

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 engaged various stakeholders such as audit firms, regulators, academics and listed entities, as well as discussed the re-ED with members of the ISCA Ethics Committee.

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

**Jurisdictional Safeguards**

Question 2: Do respondents support the proposal to allow for a reduction in the cooling-off period for EPs and EQCRs on audits of PIEs to three years under the conditions specified in paragraph 290.150D?

Question 3: If so, do respondents agree with the conditions specified in subparagraphs 290.150D (a) and (b)? If not, why not, and what other conditions, if any, should be specified?

We note that the intent of the proposal is to provide an alternative to those jurisdictions which already have some safeguards in place, to avoid making the long association provisions overly onerous for them. However, as the situation in different jurisdictions varies,

application of the jurisdictional safeguards may not make too much of a difference in certain circumstances and would instead diminish its usefulness.

Take for instance in Singapore where EPs of listed entities are currently subject to a 5-year time-on period and a 2-year cooling-off period. Singapore has an independent regulatory inspection regime in place and qualifies for the application of jurisdiction safeguards under the re-ED. However, this will only increase the cooling-off period by one more year. On an overall basis, an individual can serve as EP for up to 10 out of a total of 13 consecutive years, assuming the EP returned to the audit engagement after the cooling-off period is completed. This will not enhance auditor independence significantly in the Singapore context.

The IESBA may wish to consider the effectiveness of the jurisdictional safeguards.

#### Other comment

We note that paragraph 290.150D is worded such that both the implementation of the regulatory inspection regime and the establishment of requirements for a shorter time-on period or mandatory firm rotation or re-tendering, could be interpreted as being carried out by the same independent standard setter, regulator or legislative body. However, we understand that this need not be the case and separate bodies may be involved.

Hence, we would like to recommend that the IESBA consider rewording 290.150D to clarify the above.

#### **Service in a Combination of Roles during the Seven-Year Time-on Period**

Question 4: Do respondents agree with the proposed principle “for either (a) four more years or (b) at least two out of the last three years” to be used in determining whether the longer cooling-off period applies when a partner has served in a combination of roles, including that of EP or EQCR, during the seven-year time-on period (paragraphs 290.150A and 290.150B)?

While we agree with the proposed principle in paragraphs 290.150A and 290.160B, we note that at the same time, it implicitly allows an EP to become the EQCR of the same entity immediately upon ceasing to be EP.

We are of the view that the independence of a partner who takes up the EQCR role of an engagement immediately upon ceasing to be the EP of the same engagement will be diminished, or at least perceived to be diminished, even though the partner has not yet served the maximum time-on period of 7 years. This is because the partner will be reviewing his/her own work as the EQCR and less likely to challenge decisions made by him/her when he/she was the EP.

Thus, we would like to suggest that the IESBA consider enhancing paragraphs 290.150A and 290.150B to specifically prohibit EPs from becoming the EQCR of the same engagement immediately upon ceasing to be EP.

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

Yours faithfully,



Mr Titus Kuan

Director

Technical Advisory, Professional Standards, and Learning & Development