



14 January 2014

Our ref: ICAEW Rep 05/14

Accounting and Corporate Regulatory Authority
10 Anson Road
05-01/15 International Plaza
SINGAPORE 07993

By email: ACRA_Consultation@acra.gov.sg

Dear Sir / Madam

Public Consultation on Code of Professional Conduct and Ethics

ICAEW welcomes the opportunity to comment on the *Consultation on the Code of Professional Conduct and Ethics* published by ACRA in November 2013, a copy of which is available from this [link](#).

ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council (FRC). We provide leadership and practical support to over 140,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.

ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

Approach to ICAEW's own code of ethics

ICAEW's own Code of Ethics has adopted the International Ethics Standards Board for Accountants (IESBA) Code of Ethics issued in 2009, which is the subject of the ACRA consultation. In line with the approach used when we first adopted the IESBA code (the 2006 version of which forms the basis of the current Singapore Code), a number of additional paragraphs were included where additional explanation, or in a few cases additional requirements, were thought necessary.

The main area where we are currently unable to achieve significant harmonisation is in respect of auditor independence, where legislation requires us to adopt standards issued by the FRC as regards audits undertaken by our members in the United Kingdom and Ireland. The FRC's standards, known as the APB Ethical Standards, in fact adopt a similar approach, with not dissimilar provisions, to that of the IESBA Code, but are laid out in a different manner.

We believe that IESBA adopts a diligent approach resulting in a high quality code, with numerous checks and balances to ensure it is in the public interest. Against the backdrop of an increasingly global marketplace, international harmonisation toward the IESBA code must result in maximum benefit for users of the accountancy professions' work, at most efficient cost. Accordingly we continue to review our add-on paragraphs with a view to removing them over a period of time, as indeed we did in a number of areas when we undertook our most recent significant revision to adopt the 2009 IESBA Code

in 2011. We also continue to aspire to a position where the FRC will adopt the relevant parts of the IESBA Code.

Comments on the ACRA proposals relating to the adoption of the 2009 IESBA code of Ethics

In the time available for the consultation we have been unable to consult our members in Singapore so our responses below are based on our existing policy positions.

Questions 2A, 2B, 3, 4B, 5, 7, 8, 9, 10, 11

For the reasons noted above, we support international harmonisation towards the IESBA Code of Ethics, which supplies our answer to the questions listed immediately above. In a number of instances this would involve ACRA removing more detailed requirements. However, in our view the principles-based threats and safeguards approach can be as robust, if not more, than detailed requirements, as it circumvents attempts to comply with the letter of a requirement rather than its intent. It does involve judgment by professionals and regulators, but that is the nature of professional work, and it avoids restricting client choice where this would be unnecessary to preserve ethical behaviour.

We do have brief additional comments on the other three questions posed in the ACRA consultation and hope they will be informative.

Question 1 – Definition of Public Interest Entity

This is an area where the IESBA definition does presuppose local adjustment. In the UK the definition has been limited to listed entities (while acknowledging that auditors should consider applying PIE requirements to other entities on a case by case basis). However, pending European Union legislation will add credit institutions and insurance undertakings to the definition, but in each case excluding smaller entities. ACRA may wish to consider a size threshold.

Question 4A - Fee thresholds

The IESBA code does not address ratios between non-audit service (NAS) fees and audit fees as it regards the overall fee level as more important. ICAEW agrees and has not added on any requirements in this respect. The FRC requires the circumstance's to be discussed with the firm's 'ethics partner' if NAS fees for public interest entity audits are likely to exceed audit fees, but similarly does not presuppose that this will result in a threat. On that basis we would not consider that there is a need for a paragraph such as the existing paragraph 290.206B in the Singapore Code.

Question 6 - Changes to professional appointments

This is an area where the ICAEW Code has retained add-on provisions. We are of the view that prior to acceptance, the prospective accountant should always at least try to contact the existing accountant. The IESBA code notes this as a safeguard but not a required one. We have therefore retained that as an additional requirement.

Please do not hesitate to contact me in the event of any queries.

Yours sincerely

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