

CONSULTATION PAPER

April 2010

PUBLIC PRACTICE PROGRAMME

Professional Integrity, Practical Aspects, Commercial Insights



PREFACE

This consultation paper sets out the proposed new Public Practice Programme, which is being considered as a requirement for registration as a Public Accountant (P.A).

2. The Institute of Certified Public Accountants of Singapore (ICPAS) and the Public Accountants Oversight Committee (PAOC) of the Accounting and Corporate Regulatory Authority (ACRA) invite interested parties to submit their comments on the proposals on the Public Practice Programme (PPP) made in this paper. Submission by email is encouraged. Please submit your written comments by **17th May 2010** to:

Email: technical@icpas.org.sg
Facsimile: (65) 6749-8061
Mail: Institute of Certified Public Accountants of
Singapore
Technical Division
20 Aljunied Road
#01-04 CPA House
Singapore 389805
(Attention: Mr Ramchand Jagtiani / Ms Evelyn
Tan)

3. Comments are most helpful if they:
 - (a) Comment on the questions stated;
 - (b) Indicate the specific paragraphs or paragraphs to which the comments relate;
 - (c) Contain a clear rationale; and
 - (d) Describe any alternative that should be considered.

Respondents need not comment on all of the questions and are encouraged to comment on any additional issues.

ICPAS and ACRA will consider all comments received by **the 17th of May 2010**. In considering the comments, ICPAS and ACRA will base their conclusions on the merits of the arguments put forth, not on the number of responses.

ICPAS reserves the right to publish responses received and to change the proposed programme contents. Submitters who do not want their name to be published with their submission should indicate this clearly on their submission.

SUMMARY OF PROPOSED PPP AND CONSULTATION QUESTIONS

- i. ICPAS has developed the Public Practice Programme (PPP) with the intention of creating a specially designed course on professional practice and ethics for CPAs Singapore who aspire to become a public accountant and enter public practice in Singapore.
- ii. Under the Accountants (Public Accountants) Rules [the Rules] of the Accountants Act (AA), every applicant for registration as a Public Accountant must complete a course on ethics and professional practice subjects as may be determined by the PAOC. Currently, for this purpose the PAOC prescribes ICPAS's 5-day Pre-admission Course (PAC) which must be undertaken by all accountants who want to be ICPAS members regardless of whether they want to enter public practice. ACRA and ICPAS have carried out a review of the suitability of the PAC in meeting the course requirement of the AA Rules. Arising from the review, ICPAS has developed the proposed PPP, which is tailored specifically to better meet the needs of the requirements under the Rules in relation to prospective Public Accountants. A tailored PPP will help to ensure that all new Public Accountants are sufficiently prepared for the important responsibilities of their role, particularly in the role of statutory auditor, when they enter into public practice.
- iii. The proposed PPP will form an important step in the pathway to becoming a public accountant. The PPP's objective is to provide practical insights on public practice, to better equip entrants to the public accountancy profession in important areas, including:
 - reinforcing professional ethics and the public interest element of public practice,
 - dealing with the commercial realities of running a public accountancy practice, and
 - putting in place the right processes and procedures to efficiently manage resources and ensure compliance with the high standards required of a public accountant and his or her firm.

With this focus, the PPP is aimed at helping prospective public accountants to plan a successful, efficient and compliant practice capable of delivering quality services.
- iv. Public accountants perform a vital public interest role and operate within a regulated environment that requires adherence to high standards. As such, the PPP will place particular emphasis on the public interest aspect of public practice. The Programme will cover the principal laws and regulations that are relevant to the public accountancy profession.

- v. ICPAS developed the PPP jointly with the Institute of Chartered Accountants of Scotland (ICAS), the oldest accounting body in the world having been established in 1854. An ICPAS taskforce guided the development of the PPP. The Taskforce members were:
- Ms Cheng Ai Phing, Deloitte & Touche LLP (Chair);
 - A/P Khoo Teng Aun, Singapore Management University;
 - Mr Lee Chee Wung, Lee Chee Wung & Co.;
 - M Lian Wee Cheow, PricewaterhouseCoopers LLP;
 - Mr Lim Boon Cheng, LTC LLP;
 - A/P Patricia Tan, Nanyang Technological University;
 - Mr Joseph Toh, Baker Tilly TFWLCL; and
 - Mr Tom Yee, Independent Director and a Retired Audit Partner.
- vi. The course content is localised by Singapore content writers, who are Practising CPAs Singapore.
- vii. To ensure ongoing quality, the PPP will be subject to oversight and quality assurance by a PPP oversight committee which will comprise experienced audit practitioners. This committee will periodically review the course content for improvements or enhancements and to keep the course up to date with changes in legislation and relevant promulgations. The course outlines will be constantly reviewed for relevance taking into account developments in the market place, changes to the regulatory framework and amendments to standards, ethical requirements and other professional responsibilities.
- viii. Accountants who plan to apply to be ICPAS members would still be required to undertake the PAC. A such, applicants to become a public accountant would still need to have undertaken the PAC when becoming ICPAS members (i.e. if they are not a member already) and then would complete the PPP nearer the time when they apply to be a public accountant.
- ix. ICPAS is targeting to offer the PPP from August 2010 and, subject to comments on the transitional arrangements from stakeholders, it is envisaged that the PPP will become a compulsory requirement for registration as a public accountant on or after 25 August 2010 (or soon after that date). Applicants who attend the course in August 2010, but apply after the course becomes compulsory, would satisfy the requirement.

CONSULTATION QUESTIONS

Question 1: Objectives of the PPP

Summary: The paper proposes that the objective of the PPP is to prepare prospective public accountants by providing practical insights on the commercial and public interest facets of public practice.

Question 1: Are there additional objectives that should be considered?

Question 2: Content

Summary: The paper proposes that the PPP:

- Contains modules on commercial aspects, practice management and the regulatory framework;
- Complies with relevant International Education Standards of International Federation of Accountants (IFAC); and
- Includes requirements of *Singapore Standard on Quality Control 1* and the Professional Conduct and Ethics Codes of ICPAS and ACRA.

Question 2: With regard to the content outlined in the consultation paper, are there any other features or content that should be included within the PPP? If so, what are these?

Question 3: PPP Delivery

Summary: The PPP would:

- Be of a three-full-day duration;
- Be conducted as a participative style workshop;
- Include case studies and discussions; and
- Not have a formal exam.

Question 3: Do you agree with the workshop style delivery approach proposed in the paper? If not, how could the delivery approach be improved?

Question 4: Transitional Arrangements

Summary: The PAOC intends to make the PPP a requirement for registration as a public accountant, and is considering that all applicants who apply on or after **25 August 2010 (or soon after that date)** should attend the course. The course will be offered from August 2010 and is proposed to be run not less than three times per year and subject to demand. The first course is targeted to run in August 2010 and the second one tentatively in September/October 2010.

Question 4: Do you foresee any practical difficulties imposed on would-be applicants who plan to apply for registration as public accountants on or after 15 August (or soon after) in terms of fulfilling the requirement to attend the PPP?

If so, what are these practical difficulties?

Question 5: Do you have any other comments on the PPP as outlined in this Consultation Paper?

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ONE – INTRODUCTION: BACKGROUND

- 1.1 An applicant applying to the Accounting and Corporate Regulatory Authority (ACRA) for registration as a public accountant must, among other requirements, be a non-practising member of The Institute of Certified Public Accountants of Singapore (ICPAS) and must successfully complete a course on ethics and professional practice subjects.
- 1.2 Currently, ACRA recognises the ICPAS Pre-Admission Course (PAC) as the course on ethics and professional practice subjects that is required for registration as a public accountant. While the Pre-Admission Course fulfills ICPAS membership requirements, it may not be deemed sufficiently adequate for CPAs Singapore who are ready to enter public practice in their own right, i.e. who have experience of between three to five or more years in a public accounting entity, in terms of preparing them to effectively and efficiently run a public practice providing quality public accountancy services.
- 1.3 ICPAS has embarked on the development of a public practice programme (PPP) to prepare CPAs Singapore who are aspiring to enter public practice. PPP will better equip entrants into the audit profession in terms of dealing with the commercial realities of running a professional accountancy practice, the processes and procedures that an accounting entity should have in managing resources and the level of compliance required of the practitioner's firm. Consequently, it is envisaged that the Programme will assist the would-be public accountant in setting up a successful, efficient and compliant practice capable of delivering quality services .
- 1.4 The Programme will incorporate the ACRA and ICPAS Codes of Professional Conduct and Ethics covering key aspects like independence, conflicts of interest and confidentiality. It will stress the overall rule of putting professional duty before economic benefits in cases of conflict of interest between these two facets of professional practice.
- 1.5 The PPP coverage of ethics will have a different focus from that of the PAC. The existing PAC covers the Code of Professional Conduct and Ethics broadly and considers all three sections, namely, Section A on General Application of the Code, Section B on Application Guidance – Public Accountants/Professional Accountants in Public Practice (PAIPs) and Section C on Application Guidance – Professional Accountants in Business (PAIBs). The ethics component of the PAC is taught separately from the other modules. The PPP, on the other hand, focuses on the first 2 sections of the Code, i.e., Sections A and B, as these

pertain specifically to public accountants. Additionally, the coverage of the Code in the PPP is embedded in the other subject matters and is taught using a practical case study approach to better relate the concepts and principles to would-be public accountant. As the focus, coverage and methodology of the PAC and PPP are different, there will be no exemption from the PPP for someone who has taken the PAC.

- 1.6 As the practitioner is operating within a regulated environment, the Programme will place particular emphasis on the public interest aspect of public practice. The Programme will define the principal laws and regulations that apply to the business sector and to the public accountancy profession.

TWO – INTRODUCTION: OBJECTIVES OF PPP

- 2.1 The PPP seeks to provide practical insights to aspiring CPAs Singapore who want to go on to practise as Practising CPAs Singapore and public accountants. The programme provides a framework for and looks at the business resources required in the setting up of a public practice. The programme covers the following subject matter:

- An outline of the business aspects of public accounting as a profession;
- Guidance on the minimum set of policies and procedures necessary for the efficient management of the public practice; and
- Review of the principal laws, regulations and promulgations which apply to public practice.

- 2.2 The Programme will also allow would-be public accountants to reflect on the following:

- Reasons for choosing public practice as a career option taking into consideration the commercial realities of being in practice. Key messages expected to put across to the would-be public accountants include the conflict of being in a business of maximising profit and the obligatory duty to maintain high standards of ethical behaviour and professional conduct, maintaining compliance with rigorous standards of practice, independence, objectivity and integrity.
- Personal characteristics that may be needed for such an option.
- Contributions by the practitioner in his practice in terms of time, effort and other resources.
- Obligation to the public interest as an overriding factor.
- Benefits of being in public practice.

THREE – TARGET AUDIENCE

- 3.1 The Programme caters to all CPAs Singapore who have attained the necessary criteria to become Practising CPAs Singapore and are preparing for public accountancy. Participants are expected to be familiar with standards and promulgations like the accounting and auditing standards and the ICPAS and ACRA Codes of Professional Conduct and Ethics. The programme will equip participants with the necessary knowledge and understanding of the practical reality of being in public practice. By the end of the programme, participants would be cognizant of the heavy responsibility of a professional accountant in public practice, the balance that he or she needs to maintain between maintaining high standards of professional conduct and ethical behaviour and the commercial reality of running a viable business.
- 3.2 The Programme will update and apprise participants with the necessary regulatory framework of public accountancy and other relevant laws and regulations that they would need to be aware of prior to being in practice. The Programme would cater to all would-be public accountants whether they choose to practise as sole proprietors in niche areas or as partners in small, mid-size and large public accountancy entities.

FOUR – PROGRAMME DEVELOPER

- 4.1 The PPP is developed jointly with the Institute of Chartered Accountants of Scotland (ICAS). ICAS is the oldest accounting body in the world having been established in 1854. Over these many years, it has built up a wealth of experience in helping other professional accounting institutes around the world strengthen their policies and programmes, bringing them to internationally best practice level.
- 4.2 ICAS is a founding member of the International Innovation Network, a collaboration of eighteen accounting bodies around the world, which focuses on the sharing of information and knowledge in the area of membership communication and delivery of products and services for members. The members include the American Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, Institute of Chartered Accountants of Australia and the Hong Kong Institute of Certified Public Accountants.

FIVE – KEY PROGRAMME FEATURES AND COURSE CONTENT

- 5.1 A task force on the PPP deliberated on the proposal for the set up and development of the Programme. The course content is localised by Singapore content writers, who are Practising CPAs Singapore.
- 5.2 The key features of the PPP are as follows:
- Duration is three full days
 - Comprising three modules:
 - commercial aspects;
 - practice management; and
 - regulatory framework.
 - Frequency: Conducted not less than three times per year and subject to demand.
 - Incorporates elements that comply with International Education Standards (IESs of IFAC).
 - Includes requirements of Singapore Standard on Quality Control SSQC 1 *Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*.
 - Components on ethics and professional conduct are embedded in all three modules and case studies/practical examples would be used for discussion and feedback purposes.
 - Incorporates the latest revised ICPAS Code of Professional Conduct and Ethics and the ACRA Code of Professional Conduct and Ethics.
- 5.3 The duration of the Programme of three full days is to allow a comprehensive and wide coverage of the various components of the programme. Because of the robust, interactive nature of the Programme and the workshop-based methodology, there will not be a paper-based or theory-based examination at the end of the programme at this point. The workshop-style and inductive nature of the programme incorporate robust discussions and deliberations on case studies to reinforce the learning points by participants. As the target participants are would-be public accountants and not students, this approach is more effective and appropriate and is similar to the approach of equivalent programmes offered by the other professional bodies in the UK and Australia. The aim of the PPP is to prepare entrants into the auditing profession for life in practice.
- 5.4 The PPP is a rigorous programme for CPAs Singapore who want to enter into public practice. The PPP is aligned with similar programmes like that of ICAS and ICAA. A summary of PPP of other leading professional accountancy bodies is presented in the table below.

Prof Bodies	Exams	No of Modules	Delivery Methods	Comments
ICAS	No	3 Topics	3 half days participative workshop	Ethics embedded
ICAEW	No	NA	Self-assessment questionnaires	NA
NZICA	No	5 topics	1 day seminar	Ethics as a topic
HKICPA	Tax, Audit & Law	3 Modules	Exam & Workshop	PC Exams
ICAA	No	4 Units	8-week self-study followed by 2-day workshop	Ethics as a module

5.5 The following are some brief details of the content of the Programme

- *The practitioner and business considerations.*

The objective of this section is to discuss matters such as the business metrics of a CPA firm as well as an appropriate compensation package commensurate with the risks of being in practice and how that compensation is generally shared among partners in the firm. This section will also allow CPAs to reflect on why they are choosing public practice as a career option, the personal characteristic they may need, the economic and business realities and the overriding public interest obligation. The specific topics covered in this section include:

- Management of the firm through KPIs
- Growth and development through new services and methodologies
- Marketing and ethical considerations
- Client service quality and managing clients' expectations
- Partner compensation

- Succession planning

Strategies of marketing, growing and expanding the practice including the acquisition of practices would be covered broadly in the programme.

- ***The practitioner and management of the professional firm.***

The focus of this section is on the practice and procedures that a firm should have in place to ensure efficient running of the practice. These include procedures to ensure that the firm addresses and demonstrates its compliance with ethical requirements, office procedures on dealing with staff, engaging with clients and managing engagement risks. The specific topics covered in this section include:

- Ethical matters relating to complaints handling, professional appointment and reporting obligations
- General and assignment specific office procedures
- Workflow management
- Client service standards
- Staff retention
- Recruitment
- Maintaining and ensuring competence
- IT Risks
- Limitation of liability

Topics include risk of error-occurrence, detection of errors, and exposure to legal/regulatory action and how practitioners can minimise these risks through proper procedures on handling client acceptance/engagement, appropriate working practices, workflow management, planning and control, completion and review of engagements. The Programme will cover the responsibilities of the professional accountant in public practice with respect to audit engagements including work performed by staff under his or her supervision and the importance of proper supervision of such staff.

- ***The practitioner and the regulatory environment.***

The primary objective of this section is to uphold public interest for the benefit of society as a whole. The ICPAS and ACRA Codes of Professional Conduct and Ethics and anti-money laundering procedures are covered in this segment as well as the various standards and practice notes and guidance in the ICPAS Members Handbook. The specific topics covered in this section include:

- Ethics and Professional Conduct
- Rules and regulations pertaining to businesses and the public accountancy profession
- Broad overview of ACRA's Practice Monitoring Programme (PMP) in Singapore
- Quality control or SSQC 1 including Practice Monitoring requirements
- Threats to independence
- Safeguards to mitigate or eliminate threats to independence
- Clients' money
- Financial services
- Suspicious Transactions Reporting

The topics include subject matter like the charging of fees, factors to consider in acceptance of clients, management of outstanding fees and referral of jobs in the context of addressing potential threats to independence.

The PPP considers ethics from the perspective of behaviour and conduct expected of a public accountant. For example, the PPP contains realistic case studies on practice issues to equip public accountants with the requisite awareness of how certain issues may need to be resolved within the boundaries of the code of professional conduct and ethics in managing the practice, in acceptance of clients and engagements.

SIX – METHODOLOGY AND DELIVERY

- 6.1 The Programme will be conducted in the manner and style of participative style workshops.
- 6.2 The delivery methods and material would include presentation, coaching and facilitation by Practising CPAs Singapore, the use of slides, study notes and other handout material, case studies during breakout sessions, and supporting material on CD or other electronic media for reference purposes. The emphasis of the case studies will be on both general and specific situations in resolving and dealing with ethical conflicts and conduct.
- 6.3 The Programme will have a strong focus on practice management, professional responsibility and issues encountered in the local perspective. The Programme will be based on the local regulatory environment and local framework for the audit profession. In addition, the participative workshop-style Programme will include case studies of

local cases. Appropriate and relevant international cases will be included in the case studies over time.

- 6.4 Trainers would be experienced Practising CPAs Singapore from the different segments of the public accountancy sector. ICPAS will train a wider pool of Practising and retired CPAs Singapore through a regular train-the-trainers programme.
- 6.5 The PPP will be continuously reviewed and updated over time to take into account changing standards and the evolving business and regulatory environment. The PPP is expected to be held 3 times a year.

SEVEN - OVERSIGHT AND QUALITY ASSURANCE

- 7.1 A PPP oversight committee which will comprise experienced audit practitioners will be formed to periodically review the course content for improvements or enhancements and updates arising from changes in legislation and relevant promulgations. The committee will also identify suitable course facilitators. The course outlines will be constantly reviewed for relevance taking into account developments in the market place, changes to the regulatory framework and amendments to standards, ethical requirements and other professional responsibilities.
- 7.2 To ensure the quality of the PPP, the PPP oversight committee will form subject matter expert subcommittees or workgroups to monitor the programme with the view of making continuous improvement to the Programme to ensure its relevance given the changing nature of the economic environment, the globalised footprint of business, the increasing interconnectivity of transactions worldwide and the responsiveness of related legislation, regulations and promulgations. The PPP oversight committee will be charged with ensuring the quality aspects of the Programme. Any proposed changes to the Programme shall be communicated to ACRA which will maintain oversight of the Programme.

EIGHT - CONCLUSION

- 8.1 The PPP aims to equip aspiring CPAs Singapore with the necessary skills, knowledge and information for the set-up of an efficient and effective public practice that is compliant with all relevant rules, regulations & promulgations. The Programme is developed by the Institute of Chartered Accountants of Scotland and is on par with the public practice programmes of major accountancy institutes of significant jurisdictions like the UK and Australia. The Programme will assist entrants into the public accountancy profession to deal with the commercial reality of running a business operation, to properly manage a public practice office and to comply with regulatory and professional obligations and duties.
- 8.2 The ACRA and ICPAS Codes of Professional Conduct and Ethics will be given good coverage throughout the duration of the Programme. The regulatory environment surrounding businesses and public practice will be expounded in the Programme.
- 8.3 The PPP will add a further element of rigour to the pathway to public accountancy and lay out the expectations on would-be public accountants with regard to the high standards required in public practice. The Programme will better equip entrants into the audit profession in terms of dealing with the commercial realities of running a professional accountancy practice, the processes and procedures that an accounting entity should have in managing resources and the level of compliance required of the practitioner's firm.

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