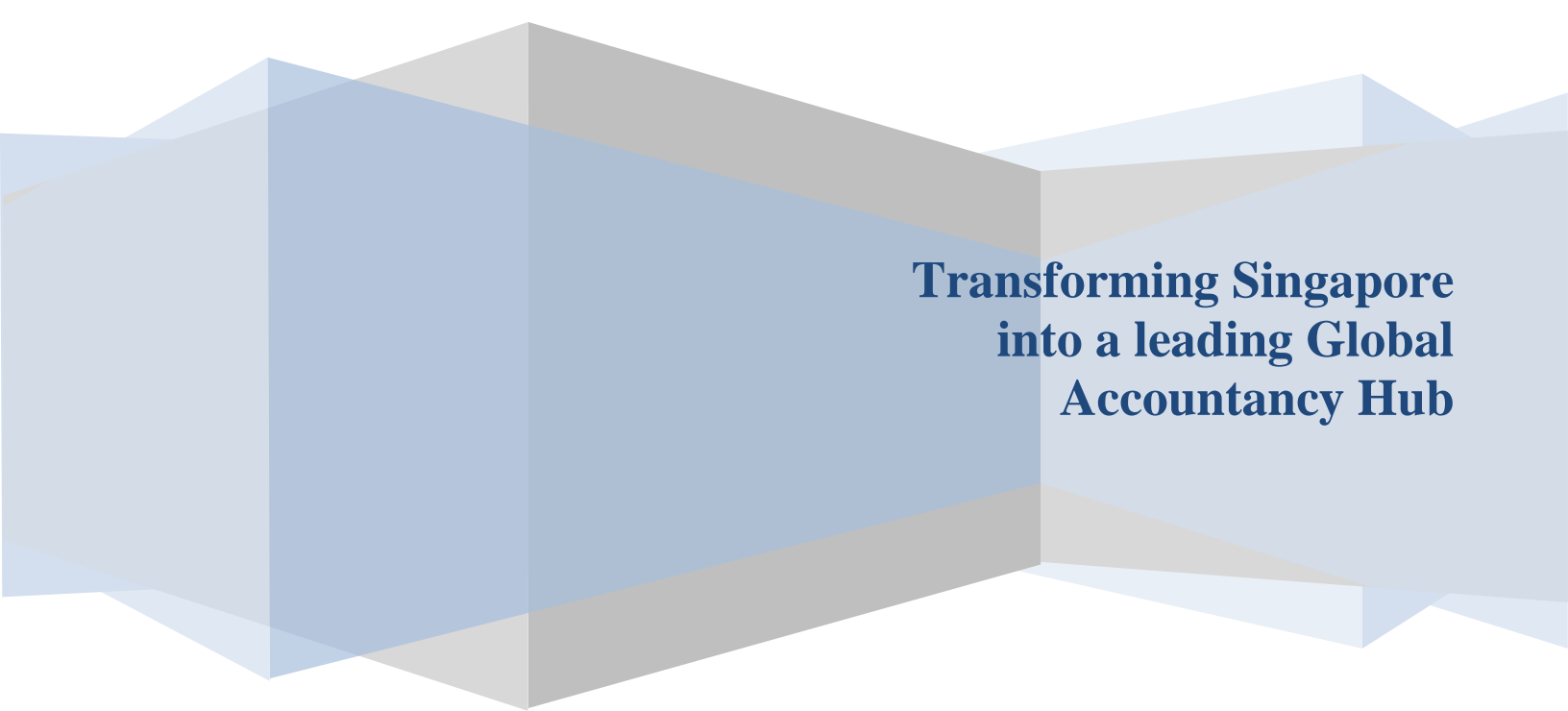


Committee to Develop the Accountancy Sector

Exposure Document for Public Consultation

18 November 2009 – 31 December 2009



**Transforming Singapore
into a leading Global
Accountancy Hub**

CONTENTS PAGE

	Page
I About the Committee to Develop the Accountancy Sector	3
II Executive Summary	4
III Singapore's Current Position & Opportunities	8
IV Vision: A Leading Global Accountancy Hub	13
V Becoming a leading Centre for Accountancy Talent, Education, Thought leadership & Professional Development	14
VI Becoming a leading Centre for High Value-Adding Professional Accountancy Services	25
VII Strengthening the Singapore Accountancy Sector's Infrastructure and Institutions	33

Appendices

Appendix 1 - Composition of CDAS Working Groups Members

Appendix 2 – List of Consulted Stakeholders

Appendix 3 – Glossary of Terms

I. ABOUT THE COMMITTEE TO DEVELOP THE ACCOUNTANCY SECTOR

The Committee to Develop the Accountancy Sector (CDAS) was formed by the Ministry of Finance to undertake a fundamental review of the Singapore accountancy sector.

This is a first-of-its-kind broad based review that is being carried out on the accountancy sector in Singapore. CDAS conducted extensive consultations with various stakeholders, involving more than 70 meetings and focus group sessions. The wide range of stakeholders includes undergraduates, accountancy professionals, professional bodies, business community, CFO community and government bodies.

The CDAS is chaired by Mr. Bobby Chin, Chairman of the Tote Board (Singapore Totalisator Board) and formerly the managing partner of KPMG LLP Singapore. The other committee members, comprising senior representatives from the accountancy profession, business community, academia and public sector are:

<i>Mr. Lim Joo Boon (Chairman, Talent Working Group)</i>	<i>Company Director of among others: Singapore Pools Pte Ltd and SIA Engineering Company Ltd</i>
<i>Mr. Ong Yew Huat (Chairman, Services Working Group)</i>	<i>Executive Chairman, Ernst & Young LLP</i>
<i>Prof. Gillian Yeo Hian Heng¹ (Chairman, Education Working Group)</i>	<i>Interim Dean College of Business (Nanyang Business School), Nanyang Technological University</i>
<i>Mr. Philip Eng</i>	<i>Deputy Chairman, MCL Land Ltd</i>
<i>Dr. Ernest Kan Yaw Kiong</i>	<i>President, Institute of Certified Public Accountants of Singapore</i>
<i>Mr. Kon Yin Tong</i>	<i>Partner, Foo Kon Tan Grant Thornton</i>
<i>Mr. Chaly Mah</i>	<i>Chief Executive Officer, Deloitte Asia Pacific</i>
<i>Prof. Pang Yang Hoong</i>	<i>Vice Provost (Undergraduate) / Dean (School of Accountancy), Singapore Management University</i>
<i>Mr. Quek See Tiat</i>	<i>Partner & Deputy Chairman, PricewaterhouseCoopers LLP</i>
<i>Mr. Viswanathan Shankar</i>	<i>Group Management Committee Member, Standard Chartered Bank</i>
<i>Mr. Sitoh Yih Pin</i>	<i>Chairman, Nexia TS Public Accounting Corporation</i>
<i>Mr. Tham Sai Choy</i>	<i>Head of Audit, KPMG LLP Singapore</i>
<i>Ms. Juthika Ramanathan</i>	<i>Chief Executive, Accounting and Corporate Regulatory Authority</i>

¹ Prof. Gillian Yeo Hian Heng replaced Prof. Jitendra Singh, upon his resignation as Dean and Shaw Foundation Chair at the Nanyang Business School of the Nanyang Technological University.

II. EXECUTIVE SUMMARY

1. The CDAS commenced its work in January 2009 and took a holistic approach in studying the following three key aspects:

- (a) Talent: Attracting, developing and retaining talent with the necessary expertise for Singapore to be an international business and financial centre;
- (b) Education and professional development: Building a vibrant and conducive environment for accountancy education and professional development; and
- (c) Professional expertise and services: Positioning Singapore as a centre of excellence for high value-adding professional expertise.

2. The services reviewed included audit and all other services generally provided by the accountancy profession².

3. The CDAS is seeking the public's views on its proposed vision, strategic thrusts and recommendations to develop the Singapore accountancy sector.

Vision

4. Singapore to be a leading global accountancy hub over the next 10 years.

Strategic Thrusts

5. The vision is anchored on three strategic thrusts:

- (a) Becoming a leading Centre for Accountancy Talent, Education, Thought Leadership & Professional Development;
- (b) Becoming a leading Centre for High Value-Adding Professional Accountancy Services; and
- (c) Strengthening the Singapore Accountancy Sector's Infrastructure and Institutions.

Key Recommendations

6. Strategic Thrust 1: Becoming a leading Centre for Accountancy Talent, Education, Thought Leadership & Professional Development, with the following recommendations:

Recommendation 1: To develop a post-graduate practice-focused professional accountancy qualification with the following characteristics:

- (a) Global recognition;
- (b) International portability; and
- (c) A pathway to facilitate the entry of graduates from non-accountancy disciplines into the profession.

² Accountancy profession: Professional accountants, public accountants and the public accountancy firms.

In many leading jurisdictions, such a professional level qualification would normally be administered by the national professional accountancy bodies, and under strong and rigorous independent oversight process. In terms of the development of the curriculum, the CDAS is of the view that a strategic tie-up with a leading professional accountancy body should be forged to expedite the process.

Additionally, the CDAS recommends the development of a programme to facilitate the re-entry of former professional accountants into the accountancy profession.

Recommendation 2: To develop Singapore into a Centre for Professional Development with niche specialisation pathways for the following:

- (a) Professional development for Chief Financial Officers;
- (b) Internal audit and Risk management expertise;
- (c) Tax expertise; and
- (d) Valuation expertise (especially in the areas relating to intellectual property, brands, corporate finance and arbitration proceedings).

Specific initiatives include:

- (a) Developing structured professional education/training programmes (including degrees and post-graduate programmes) and certifications; and
- (b) Developing a targeted incentive framework to subsidise the set-up costs for regional examination centres.

Recommendation 3: To set up an Accountancy services Research Centre (ARC) to develop and cultivate a strong application focused research capability in the accountancy sector.

The ARC's focus will be on developing applied research capabilities in the professional accountancy services sector, especially in emerging areas for specialised industries, standards and regulatory reforms. The ARC would serve as a catalyst and conduit for the industry and the academia to co-develop market-based journals and thought leadership research activities in accountancy services and the related fields. The objective is to build up the research foundation to position the sector strongly for new and emerging opportunities in the professional services market.

7. Strategic Thrust 2: Becoming a leading Centre for High Value-Adding Professional Accountancy Services, with the following recommendations:

Recommendation 4: To develop Singapore into a leading Asia-Pacific Accountancy Services Centre in the following areas:

- (a) Promoting Singapore as the hub for globally recognised accountancy organisations and centres of excellence;
- (b) Promoting Singapore as a global accountancy conference centre; and
- (c) Developing a tailored incentive programme to anchor regional and international expertise in Singapore and for high value-adding professional accountancy services to be provided out of Singapore, servicing the markets in the Asia-Pacific region.

Recommendation 5: To further liberalise the rules and regulations governing the accountancy profession, specifically in the two areas of:

- (a) Enhancing multi-disciplinary expertise through a liberalisation of ownership rules for public accountancy entities, from the current two-third to a simple majority of public accountants; and
- (b) Recognising international practical experience for the registration of public accountants.

Recommendation 6: To consolidate practices in the Small and Medium Practices (SMP) segment through a two-year targeted incentive programme to strengthen the capacity and capability of the SMP segment, in the following focus areas:

- (a) Raising the quality of services provided: Grants to be awarded to firms to cover post-merger integration costs, including investment in tools and methodologies to meet the requirements of quality controls certification programme for SMPs (based on the IFAC's International Standards on Quality Control (ISQC));
- (b) Developing talent development programmes: Co-funding of staff exchange programmes and overseas secondment to build up expertise; and
- (c) Setting up and expanding regional presence in overseas markets: Grants to be awarded to public accountancy entities for regional and international network alliances which lead to new markets.

Recommendation 7: To review the appropriateness of the current audit exemption threshold and the development of a licensing framework for the statutory audit of entities of significant public interest.

8. Strategic Thrust 3: Strengthening the Singapore Accountancy Sector's Infrastructure and Institutions, with the following recommendations:

Recommendation 8: To transform the ICPAS into a global professional accountancy body. Two strategic areas have been identified to enable ICPAS to move towards the achievement of this goal:

- (a) Reviewing its Constitution – A comprehensive study to ensure the relevance of its mission, governance, and leadership consistent with that of a global professional accountancy body; and
- (b) Establishing the appropriate infrastructure that supports the vision of becoming a global professional accountancy body.

Recommendation 9: To establish an Accountancy Sector Development Fund, with the following objectives:

- (a) Building scale and network through the regionalisation of Singapore public accountancy entities;
- (b) Deepening the sector's professional capabilities through investments in human capital development and building technical expertise;
- (c) Encouraging the integration of technology into work processes to enhance the sector's efficiency and productivity; and
- (d) Attracting and promoting global accountancy conferences in Singapore.

Recommendation 10: To establish a Singapore Accountancy Council (SAC). The objective of the SAC would be to transform Singapore into a leading global accountancy hub through:

- (a) Overseeing the accountancy sector's strategic direction and ensuring the efficient & effective use of incentive programmes to develop the sector;
- (b) Establishing a strong network between Singapore and the international accountancy community and stakeholders; and
- (c) Fostering thought-leadership, research and development activities for accountancy services and the related fields.

9. The recommendations are set out in this report for public consultation, for the period from 18 November 2009 to 31 December 2009.

III. SINGAPORE'S CURRENT POSITION & OPPORTUNITIES

(A) Accountancy Services: Supporting Singapore's Economic Activities

Accountants play an important role in capital markets. The accountancy sector's contribution to the economy in terms of talent, services, governance standards and capital market infrastructure play an important part in Singapore's development as an international finance and business centre.

Singapore is an attractive place for doing business and an international financial centre:

- significant level of economic activities from foreign investors and regional headquarters;
- about 7,000 Multinational Corporations (MNCs) with 4,200 of these MNCs having regional or global headquarter functions;
- home to leading companies in some of the high value-adding specialised industries such as: Maritime, Oil & Gas, as well as in emerging industries such as Wealth & Inheritance Trust, Intellectual Property, Pharmaceutical & Biotechnology, and in new movements of the Green industry involving Corporate Social Responsibility; and
- a vibrant and forward-looking business community with large corporations and a sizable number of Small and Medium Enterprises (SMEs) sustaining a promising level of entrepreneurial activities in Singapore and in the regional markets.

Singapore is widely recognised as an established global professional services centre:

- Singapore is an established global professional services centre alongside Hong Kong, Sydney, Shanghai and Tokyo in the Asia-Pacific region³; and
- In 2006, the professional services industry in Singapore generates more than S\$7.8 billion⁴ in annual operating receipts, with 30% of the revenue coming from export⁵. During the same period, the Singapore accountancy sector contributed almost S\$1 billion towards the professional services industry, of which 20% of revenue was derived from export⁶.

29 out of the top 30 international accountancy network firms have established a presence in Singapore:

- Deloitte & Touche, Ernst & Young, KPMG and PricewaterhouseCoopers (the "Big-4") are part of the international accountancy networks and service a large portion (74%) of Singapore's listed and public companies;
- Medium-sized public accountancy entities comprising public accountancy entities (excluding the Big 4) that audit 10 or more Public Interest Entities⁷. These firms are also affiliated to

³ Source: United Kingdom Treasury (March 2009). Professional Services Global Competitiveness Group Report.

⁴ Source: Singapore Economic Development Board (2009). Professional Services Facts and Figures.

⁵ Singapore Professional Services Sector: Refers to 5 key areas: (i) Legal; (ii) Human Capital; (iii) Business & Management Consulting; (iv) Accounting & Audit; and (v) Market Development (i.e. Market Research, Advertising and Public Relations).

⁶ Source: Singapore Department of Statistics (2006).

⁷ Public Interest Entities (PIEs): Refer to 3 types of entities: (i) companies listed on the Singapore Stock Exchange (SGX) and companies wishing to list with SGX by way of an initial offering; (ii) companies in regulated industries such as banks and insurance companies; and (iii) other entities which raise funds from the public, such as charities.

international accountancy networks and collectively account for 24% of the market share for audit services provided to listed companies; and

- Small-sized public accountancy entities which audit less than 10 Public Interest Entities. They are usually structured as sole-proprietorships or have two-to-five partners and serve mainly the Small and Medium Enterprises (SMEs)⁸.

Growth of accountancy and related business services⁹:

- In 2007, the Business Services (BS) sector contributes an average of 12.5% or S\$25.6 billion to Singapore's GDP¹⁰;
- Professional accountancy services in auditing, accounting and book-keeping alone contributed about 3.4% to the BS sector, offering more than S\$1.08 billion worth of professional services to the private and public sectors and S\$891.1million in terms of value-add¹¹;
- In 2007, the accountancy sector registered annual growth of 6.3%, nearly twice its growth rate over the past decade¹² and the growth of the sector is expected to increase with the strengthening of Singapore as an international capital and financial centre;
- In terms of the revenue mix, the contribution from audit services remains high (51%)¹³ for the Big-4 in Singapore vis-à-vis that of the same firms in the Asia-Pacific (42%)¹⁴;

Accountancy Sector: Revenue Mix (in %)		
	Singapore	Asia-Pacific
Audit	51	42
Tax	23	23.8
Advisory	26	34.2

- The non Big-4 public accountancy entities also generate most of their revenue through the provision of audit services. An average of 54% of the total revenue of small-sized public accountancy entities and an average of 57% of the total revenue of medium-sized public accountancy entities are derived from audit services¹⁵; and
- In 2007, export of services contributed almost 25% (i.e. S\$268.6 million) of the sector's total revenue, this is a marked increase from just 3.4% in 2000.

⁸ Source: Accounting and Corporate Regulatory Authority (2008). Key Facts and Trends of Singapore's Public Accountancy Profession and Market.

⁹ Accountancy market consists of all revenues generated by firms engaged in preparing records (including bookkeeping, preparing tax returns, processing payrolls, billing), assurance and auditing, tax and other accountancy related fields such as business advisory services.

¹⁰ Source: Ministry of Trade and Industry (2007). Economic Survey of Singapore.

¹¹ Source: Singapore Department of Statistics.

¹² Source: Ministry of Trade and Industry (2007). Economic Survey of Singapore.

¹³ Source: Figures contributed by the Big-4 in Singapore.

¹⁴ Source: Datamonitor

¹⁵ Source: Accounting and Corporate Regulatory Authority (2008). Key Facts and Trends of Singapore's Public Accountancy Profession and Market.

(B) Accountancy Education and Profession: Contributing to Talent and Professional Development

The Singapore accountancy sector is an active contributor to talent development, especially in the area of professional development.

Accountancy education is highly sought-after in Singapore, with the higher accountancy education offered by the Nanyang Technological University, Singapore Management University and National University of Singapore attracting some of the best and brightest students with high qualifying scores.

The accountancy education and professional development landscape:

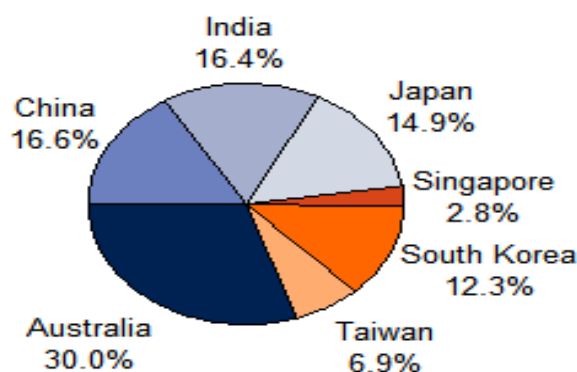
- Institutions of Higher Learning providing degree programmes:
 - Nanyang Technological University (NTU);
 - Singapore Management University (SMU); and
 - National University of Singapore (NUS).
- Polytechnics providing diploma programmes:
 - Ngee Ann Polytechnic;
 - Singapore Polytechnic;
 - Nanyang Polytechnic; and
 - Temasek Polytechnic.
- At least 20 private institutions providing accountancy diplomas and degrees.
- The Institute of Certified Public Accountants of Singapore (ICPAS), including the Singapore Accountancy Academy (SAA) as its training arm, and the following overseas professional accountancy bodies providing professional accountancy qualifications:
 - Association of Chartered Certified Accountants (ACCA);
 - CPA Australia;
 - Chartered Institute of Management Accountants (CIMA); and
 - Institute of Chartered Accountants in England and Wales (ICAEW).

Organisations specialising in specific professional development areas:

- Tax Academy of Singapore (TA);
- Institute of Internal Auditors (IIA); and
- Information Systems Audit and Control Association (ISACA).

(C) Opportunities for Growth of Services and Development of Talent and Education

The total Asia-Pacific accountancy market reached US\$30.8 billion in 2008 and is forecasted to reach US\$38.3 billion by 2013¹⁶.



Source: DataMonitor

Country	Contribution to Asia-Pacific Accountancy Market (in US\$ and %)		GDP ¹⁷ (US\$)	Contribution of Accountancy Market to GDP of Respective Country	
	US\$	%		%	
Singapore	862.4 million	2.8	181.9 billion	0.47	
China	5.1 billion	16.6	4,326.2 billion	0.12	
India	5.1 billion	16.4	1,217.5 billion	0.42	
Australia	9.2 billion	30	1,015.2 billion	0.91	

Potential for Singapore to increase its contribution towards sustainable growth

Singapore has several competitive advantages, which position it well as a leading global accountancy hub.

Salient points:

- Singapore’s strategic geographical location;
- stable political environment;
- sound infrastructure;
- good reputation for integrity and code of ethics;
- good reputation for professionalism;
- effectively bilingual workforce;

¹⁶ Source: Datamonitor (2008). Accountancy in Asia-Pacific Report.

¹⁷ Source: World Bank

- professionals with in-depth knowledge of international accounting and auditing standards; and
- presence of regional leaders from the international accountancy firms.

Key strategy for growth

- At the national level:
 - To support Singapore's growth as an international financial centre as well as a business hub with cutting-edge industries.
- At the professional level:
 - To focus on developing the capability and capacity that will enable the profession to provide high value-adding professional services; and
 - To foster a multi-disciplinary profession with accountants, auditors and professionals from related fields each playing a part in the sector's growth.

Key success factors for Singapore to develop as the hub in the identified niche services

- availability of talented and skilled professionals characterised by integrity and deep expertise;
- Singapore being positioned as a leading centre for professional development. This could be achieved through collaboration with the various institutions of higher learning and professional bodies; and
- development of laws, regulations, standards and practices.

IV. VISION: A LEADING GLOBAL ACCOUNTANCY HUB

Singapore to be a leading global accountancy hub

Strategic Thrusts:

1. **Becoming a leading Centre for Accountancy Talent, Education, Thought Leadership & Professional Development;**
2. **Becoming a leading Centre for High Value-Adding Professional Accountancy Services**
3. **Strengthening the Singapore Accountancy Sector's Infrastructure and Institutions**

- (a) **Profession that embraces an international outlook and possesses high value-adding skills.**
- (b) **Professionals who have strong adherence to ethics and integrity.**
- (c) **Professional development environment that is vibrant with diversity of professional bodies and strong contributions in thought leadership, research and development.**

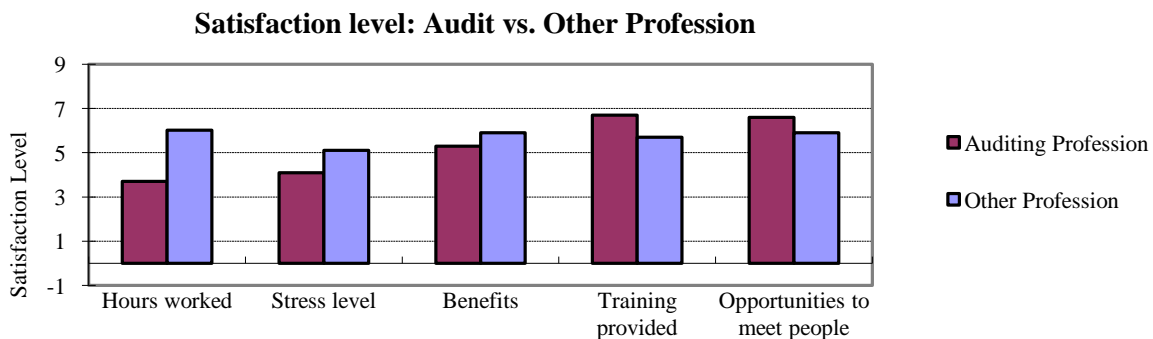
V. BECOMING A LEADING CENTRE FOR ACCOUNTANCY TALENT, EDUCATION, THOUGHT LEADERSHIP & PROFESSIONAL DEVELOPMENT

Talent forms the cornerstone for the profession. A leading hub in accountancy services requires a strong talent pool with professional expertise. Such expertise has to be retained in the sector through an overall strategy to attract, develop and retain talent.

Attraction and retention

The sector has long attracted some of the brightest and best students to take up higher accountancy education in the universities. Many of the accountancy graduates join the “Big-4” public accountancy entities upon their graduation.

At the same time, the sector faces serious challenges in talent retention. Low starting salaries, slow career progression, long working hours and a relatively low public profile of the accountancy profession (compared to other professions) have often been cited as key factors eroding the attractiveness of the profession. The sector also faces a lack of diversity in its talent source and pool, with an overwhelming reliance of the profession on the single source of supply of accountancy graduates from the three local universities.



*Source: Prof. Tan Hun Tong (Nanyang Business School) Nanyang Technological University
As presented at the ACRA's Public Accountants Conference 2008*

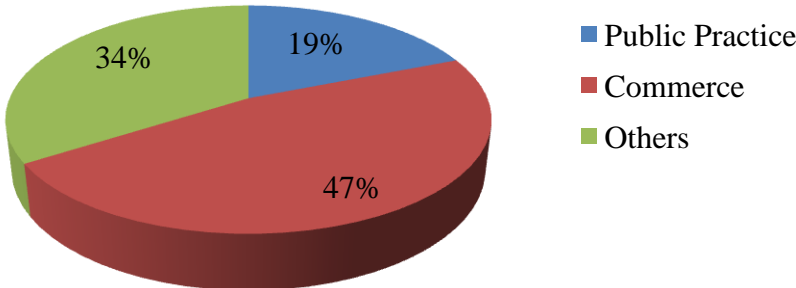
Strategy to attract and retain talent

The sector continues to face stiff competition for local and international talents across industries within Singapore and across jurisdictions. The sector needs to open up more opportunities and platforms to attract and develop talent. This could be done through attracting graduates from other disciplines. International expertise and thought leaders should be brought into the sector to enhance and diversify its talent base. Together, these efforts will create a profession that is multi-disciplinary and of greater diversity.

The CDAS is of view that concerted efforts should be made to review and revamp the current talent management framework. This is important so that the accountancy sector can stay relevant in the competitive market for talent. Much of the talent reform work will have to be initiated and undertaken by the profession, with the bigger public accountancy entities leading the way in adopting best practices in talent development.

There are many accountancy trained professionals who have decided to leave public practice and the commerce sector as accountants. Often, this is due to balancing the demands of being in the profession with the responsibilities of looking after new families. However, these accountants may wish to re-enter the profession when, for example, their children no longer require full-time care. This is an important source of talent pool to harness for the accountancy profession, as these accountants often have already acquired the necessary skill sets and competencies valuable to the sector. The re-entry of these accountants should hence be encouraged.

Professional bodies' members profile by public practice, commerce and others (%)



Source: ACRA's Key Facts and Trends of Singapore's Public Accountancy Profession and Market (2008)

The CDAS is of the view that a programme should be developed to facilitate the re-entry of former professional accountants into the accountancy profession. The programme should include update sessions to bring such accountants up to speed on the latest developments in core areas, such as accounting and auditing standards.

(A) Development of a Globally Recognised Post-graduate Singapore Professional Accountancy Qualification

Current Accountancy Education:

The higher accountancy education provided by the three local universities provides a good broad-based foundation, with a focus on the acquisition of knowledge on accounting concepts, general business knowledge, and soft skills in areas such as presentation and communication.

The broad-based university education equips the accountancy graduates with versatile skills to embark on a range of career opportunities in many sectors of the broader economy where their skills are highly sought after.

The presence of a rich diversity of globally recognised professional qualifications is an important element in the attraction and professional development of talent in the sector. In Australia, Hong Kong, the UK and the US, their professional bodies have developed their own distinct brand of professional accountancy qualification programmes, recognised globally for their rigour and international portability.

While Singapore's current broad-based education has developed a pool of all-rounded accountancy graduates to meet the demands of the job market, the CDAS has received feedback from all the stakeholders on the merits of developing a post-graduate structured professional accountancy qualification programme to meet the following needs:

- (a) In-depth expertise required of a trained professional accountant (arising from changing market needs and expectations);
- (b) Structured practice-focused professional competency and skills required for the training of a professional (in addition to cognitive skills and abilities); and
- (c) A globally recognised and sought after Singapore-branded professional accountancy qualification required to raise the stature of the Singapore accountancy profession and open up access to professional job opportunities in Singapore and overseas.

Proposal: To develop a structured professional development framework, whereby:

- (a) The existing Singapore Bachelor of Accountancy degree programmes will continue to provide good quality broad-based learning; and
- (b) A post-graduate Singapore professional accountancy qualification programme will be developed to strengthen the practice-focused professional competency for Singapore-trained accountants.

Current professional development structure:

The accountancy graduates from the three universities can choose from amongst a range of professional programmes offered by the various professional bodies.

Key features of the Singapore professional accountancy qualification should be:

- (a) *International recognition and portability* – Enhancing the value proposition of the Singapore professional accountancy qualification to the graduates, especially those who have acquired good quality accountancy degrees. Key indicators include the international recognition of the Singapore qualification and professional job opportunities in leading capital markets;
- (b) *Practice-focused structured training* - placing greater emphasis on structured practical experience and skills acquired through a compulsory training contract with an approved training organisation which also acts as sponsor. The Singapore professional accountancy qualification should have a post-university curriculum; the skills and experience acquired should be tested via professional and advanced modules of the examinations, focusing on application knowledge, integrated case studies and ethics in regional and international markets; and
- (c) *Rigour and standard* – Adopting a “gate-keeper” approach by setting robust admission requirements, establishing an independent examination board to promote the rigour of the qualification and establishing an independent accreditation board with strong oversight of the accreditation of training providers for the Singapore professional accountancy qualification.

Intended outcomes of the Singapore accountancy professional qualification:

- (a) Strengthen the overall quality and capability of the public accountancy profession;
- (b) Expand the talent base for the sector through attracting graduates with accountancy degrees and other disciplines as well as graduates from the region; and
- (c) Position Singapore as a global centre for professional development.

Recommendation 1: The development of a post-graduate practice-focused professional accountancy qualification. The proposed qualification shall have the following characteristics:

- (a) Global recognition with a reputation for its strong practice-focus, high quality post-university curriculum and training contract features with the industry;
- (b) International portability through recognition by global professional accountancy bodies and employers in leading capital markets; and
- (c) Pathway to facilitate the entry of graduates from non-accountancy disciplines into the profession.

It is envisaged that the proposed professional qualification will in the future become one of the essential criteria for registration as a CPA and/or public accountant in Singapore. The CDAS recommends that the body responsible for the development of the proposed qualification should put in place transitional provisions that will take into consideration the experience and qualification of existing CPA Singapore qualification holders.

In many leading jurisdictions, such a professional level qualification would normally be administered by the national professional accountancy bodies, under a strong and rigorous independent oversight process. In terms of the development of the curriculum, CDAS is of the view that a strategic tie-up with a leading professional accountancy body should be forged to expedite the process.

Additionally, the CDAS recommends the development of a programme to facilitate the re-entry of former professional accountants into the accountancy profession.

Current Market & Developments:

Internal Audit & Risk Management

(a) Market potential for risk advisory

(b) Rising importance of internal audit and risk management.

Growth Possibilities:

Advisory's contribution to the Asia-Pacific Market - 34.2% (US\$10.53bn) % share, by value (2008) [Source: DataMonitor]

Risk Advisory's Estimated Export Market – S\$ 120 mil (2009) [Source: Singapore Big 4]

Certifications provided through IIA & ISACA:

Certified Internal Auditor (CIA)

Certification in Control Self-Assessment (CCSA)

Certified Financial Services Auditor (CFSA)

Certified Government Auditing Professional (CGAP)

Certified Information Systems Auditor (CISA)

Certified Information Security Manager (CISM)

Certified Governance in Enterprise IT (CGEIT)

(B) Developing Singapore as a Centre for Professional Development

An accountancy profession with multi-disciplinary skills can play a strategic role in the growth and development of Singapore as an international financial centre and business hub. CDAS has identified three immediate key market development needs which represent opportunities to develop the professional development pathways:

- (a) Internal Audit and Risk Management;
- (b) Chief Financial Officers;
- (c) Tax; and
- (d) Valuation (especially in the areas relating to intellectual property, brands, corporate finance and arbitration proceedings).

Internal Audit: Singapore currently has two organisations providing professional development and certification programmes for internal auditors – the Institute of Internal Auditors (IIA) and the Information Systems Audit and Control Association (ISACA).

Quality and value that each of these certifications bring to the profession and corporate governance.

These certifications bring with them expertise in different aspects in internal audit and IT internal audit, including: in-depth knowledge and skills in auditing financial services, public-sector internal auditing, information security and information systems (IS) audit.

Proposal: To build up Singapore as a centre for internal audit and risk management.

Specific developmental initiatives include: professional education, examinations and certification programmes, as:

- (a) There is a growing market for risk advisory;
- (b) Singapore has a reputation for integrity and good corporate governance;
- (c) Singapore has a reputation for providing high and robust quality education; and
- (d) There are established international organisations specialising in internal audit in Singapore.

Chief Financial Officers (CFOs)

(a) High potential demand for highly skilled CFOs

(b) Changing roles of CFOs and the growing skills complexity

Growth Possibilities:

7,000 MNCs

4,200 have global/regional HQ functions in Singapore

766 listed companies (40% foreign listings) in Aug 2009.

Related information:

In a 2007 survey conducted by Ernst and Young of 251 CFOs from US (31%), Europe (34%), Asia (33%) on the role of CFOs today, 31% agreed that CFOs do not have enough understanding of the wider issues the business faces. More than four-fifths (84%) of the respondents indicated that the CFO is viewed as a business partner of the CEO and 88% agreed that it is insufficient for the CFO to be highly numerate.

Key Features of the structured internal audit professional development programme:

- (a) Acquisition of knowledge and tools: Internal auditors need to have core competencies which could apply across all industries or businesses, including understanding of good corporate governance practices and proficiency in auditing skills;
- (b) Continuing Professional Education: Internal audit as a profession needs to have continuing education programmes; and
- (c) Internal Audit certification: This certification should leverage on existing certifications established by the IIA and ISACA.

CFO: The role of the CFO has shifted from that of a “scorekeeper” who monitors and reports the company’s results to a business partner participating in strategy development, leading merger and acquisition (M&A) activities, and providing leading indicators of performance.

The CFO’s primary role in any company is to formulate and implement the financial strategy to complement the business strategy of the company. He or she monitors and constantly adjusts the financial strategy to meet corporate needs. Business strategy is the responsibility of the Chief Executive Officer and financial strategy is that of the CFO.

For a CFO to be effective, ideally the person should know everything that has to do with the business, the industry, the financial markets and the key internal functions.

In practice, however, CFOs cannot possibly know enough of all the functions under his/her care and enough about the business, the industry and the competition. Therefore, if a CFO wants to learn and equip himself or herself quickly for the job with the basic tools, he or she has to focus on the most essential tools, and the tools that can be “learned”.

Often, CFOs learn through on-the-job experience. The CDAS received feedback from the CFOs interviewed that they welcome developmental programmes for CFOs. Certification programmes would lift the standards of CFOs, especially for those involved in capital market developments.

Tax

(a) Growing trade within the Asia-Pacific region; greater demand for regional tax work in transfer pricing, tax planning, restructuring etc.

Growth Possibilities:

Tax's contribution to the Asia-Pacific Market - 23.8% (US\$7.33bn) % share, by value (2008)

[Source: DataMonitor]

Estimated Export Market:

S\$ 192 million (2009)
[Source: Singapore Big 4]

(b) The Tax Academy of Singapore (TA), a non-profit institution set up by the Inland Revenue Authority of Singapore in collaboration with the international accountancy firms and the Institute of Certified Public Accountants of Singapore and the Law Society of Singapore – provides tax training for people keen on deepening their tax knowledge.

(c) ICPAS will be setting up a new accreditation institute for tax professionals in Singapore, to be launched in the first quarter of 2010. The intent is to raise the standard of technical competence and capabilities of tax practitioners and tax professionals in business and Government through accreditation.

Proposal: To develop a structured professional education/training programmes and certifications for CFOs.

Singapore is well positioned to develop a specialisation pathway for CFOs, building on:

- (a) its existing foundation and emphasis on integrity and good corporate governance; and
- (b) its plans to develop expertise in internal audit and risk management.

Professional bodies should champion CFO professional development programmes.

Key features of a CFO professional development programme:

- (a) Acquisition of knowledge and tools: CFOs need to have core competencies which could apply across all industries or business such as knowledge in corporate finance (valuation and M&A transactions), risk management (credit and market risks) and financial markets and instruments; and
- (b) CFO certification: This certification should be promoted as a best practice (rather than mandatory) and forms the minimum standard of a quality desired from a proficient CFO.

Tax: As an open and industrialised economy, Singapore relies heavily on foreign direct investment inflows and outflows. The amount of Singapore's direct investment overseas grew from S\$147 billion in 2002 to S\$297.6 billion in 2007 and direct investment into Singapore grew from S\$229.3 billion in 2002 to S\$457 billion in 2007.¹⁸ Total volume of trade with ASEAN also grew from US\$64.5 billion in 2002 to US\$183.3 billion in 2008 and total trade with Asia grew from US\$148 billion in 2002 to US\$423.2 billion in 2008.¹⁹

With greater cross-border businesses and increasingly complex tax environment, demand for tax professionals in niche areas has increased.

Proposal: To develop Singapore into a global centre for professional development in tax education & certification.

¹⁸ Source: Singapore Department of Statistics.

¹⁹ Source: Asia Development Bank, Asia Regional Integration Centre, <http://aric.adb.org/index.php>

Singapore has great potential to be the regional centre of excellence in tax education and leading regional tax hub. In particular, the Tax Academy has taken a leading role in developing a structured tax training framework, a tax accreditation framework and accreditation body and an international tax programme. Currently, 25% of TAS candidates are from MNCs, with the rest (75%) from the Government and the top international accountancy firms.

Key Features of the structured professional development programme in Tax:

A specialised professional development programme should seek to develop aspiring tax accountants who wish to develop deep expertise in tax advisory work, especially to service the increasing cross-border investments and transactions in the Asia-Pacific region.

Valuation: Valuation forms an important component of corporate finance services such as corporate and debt restructuring, merger & acquisitions (M&A), divestitures, takeovers/general offers, initial public offerings, as well as for a variety of reasons such as for strategic purposes, financial reporting, litigation, bankruptcy, financing/securitization, and tax.

As the economy progresses towards being more knowledge-intensive, intellectual property (IP) and intangible assets (IA) increasingly make up a larger proportion of corporations' financial statements. IP and IA exist in all industries from product development and line operations such as, R&D, marketing, and general management to human capital, legal, accountancy, and finance.²⁰

The CDAS is of the view that there is scope to do more to promote the quality of valuation. A notable observation is the development in the US in the areas of:

- (a) Research and development on generally recognised valuation methods and techniques by the valuation professionals;
- (b) Practical application of the valuation methods and techniques in the marketplace;
- (c) Examinations to determine the understanding of the subject matter and competency;
- (d) Continuing professional education and development to ensure awareness of changes in valuation methods, techniques and technology in the marketplace; and
- (e) Adherence to ethics and performance standards with the establishment of the code of conduct.

Intended outcomes of developing structured specialisation pathways:

- (a) Build capability to support growth of businesses and Singapore as a financial centre with strong emphasis in corporate governance;
- (b) Expand the talent base for the sector from Singapore and from the region; and
- (c) Position Singapore as a global centre for professional development.

²⁰ Intellectual Property: Refers to patents, trade secrets, copyrights, and trademarks/trade dress etc.

Internal Audit: Refers to the broader class of intangibles that are specified in a contract between the contracting parties.

Recommendation 2: For Singapore to be developed as a Centre for Professional Development in niche specialisation pathways in the following areas:

- (a) Professional development required of Chief Financial Officers;
- (b) Internal Audit and Risk management expertise;
- (c) Tax expertise; and
- (d) Valuation expertise (especially in the areas relating to intellectual property, brands, corporate finance and arbitration proceedings).

CDAS further recommends the specific initiatives of:

- (a) Developing structured professional education/training programmes (including degrees and post-graduate programmes) and certifications; and
- (b) Developing targeted incentive framework to attract the setting up of regional professional development and examination centers in Singapore.

(C) Greater research synergy between Academia and Industry

To be a cutting-edge, leading global accountancy hub, a strong culture and presence of practice research, standards setting and “R&D” and thought leadership activities are essential.

The annual research fund devoted to accounting ranges from S\$100,000 to S\$300,000 per local university.²¹ Other than the universities, there is limited accountancy-related research done in Singapore.

The existing research coverage is also more focused on academic research rather than for profession and industry development. The CDAS has received feedback from the industry that it needs more applied research that is current, practical, and of market value, especially in the areas of the development of standards, best practices, tools and methodologies.

Proposal: To coordinate research efforts and direct a focus on profession and industry development through a national research centre in accountancy and related services.

This centre should lead thought leadership international summits for accountancy experts, practitioners, academics, regulators and the business community to exchange views. Applied research and market development synergies could be harnessed through partnerships between the academia, the industry and the relevant government agencies.

Key areas of research:

- (a) Standards development for specialised industries;
- (b) Best practices and methodologies in assurance work, risk management, integrated IT audit, internal audit, regional tax advisory, valuation, and forensic accounting;
- (c) Cutting-edge financial reporting systems such as the eXtensible Business Reporting Language; and
- (d) Leadership and governance related research and development programmes.

Intended Outcomes of the Accountancy services Research Centre (ARC):

- (a) To create a platform & environment for industry-based research & thought-leadership activities;
- (b) To build applied research capability development, especially in standards, emerging specialised industries and regulation reforms development.

Recommendation 3: To set up an Accountancy services Research Centre (ARC) to develop and cultivate a strong application focused research capability in the accountancy sector.

The ARC’s focus will be on developing applied research capabilities in the professional accountancy services sector, especially in emerging areas for specialised industries, standards and regulatory reforms. The ARC would serve as a catalyst and conduit for the industry and the academia to co-develop market-based journals and thought leadership research activities in accountancy services and the related fields. The objective is to build up the research foundation, to position the sector strongly for new and emerging opportunities in the professional services market.

²¹ Source: Data provided by two out of the three Singapore universities.

VI. BECOMING A LEADING CENTRE FOR HIGH VALUE-ADDING PROFESSIONAL ACCOUNTANCY SERVICES

The Big-4 in Singapore are well established regional leaders in the public practice of accountancy and related business services.

Deloitte Singapore is Deloitte's Global International Financial Reporting Standards and Offering Services (GIOS) centre for Southeast Asia. Deloitte Singapore has been designated as one of Deloitte's centres of excellence in Asia for various service lines in recognition of its professionalism and skills.

Ernst & Young Singapore is both a geographic and technical hub for assurance, tax, transactions and advisory businesses in the region. It has the largest concentration of technical and industry specialists that are strategically located in Singapore to serve its global inbound clients and fast-growing regional players.

Source: Singapore Economic Development Board – Professional Services Fact Sheet 2009.

With Singapore's small domestic market, the CDAS sees the need for the sector to seek out growth opportunities in emerging regional markets. The sector is well placed to leverage on its competitive strengths to expand into the fast-growing Asia-Pacific market.

Proposal: The CDAS proposes a three-pronged regionalisation strategy for the accountancy sector to develop a strong international outlook to build up the critical mass of services market and talent for the sector through:

- (a) Clustering of Centres of Excellence (COExs) and creating the buzz as a global hub for professional activities;
- (b) Promoting further liberalisation of the sector through allowing for greater flexibility in rules and regulations; and
- (c) Strengthening the growth and development of the Small & Medium-sized Practices (SMP).

(A) Clustering of Centres of Excellence (COExs)

One key factor determining the future of the Singapore accountancy sector is the quality of its human capital. This includes the ability to attract international expertise into the sector to serve the regional and international markets. In this regard, the CDAS sees strength and potential for the sector to leverage on the strong presence of the international accountancy networks in Singapore.

The Big 4 firms currently operate a number of their COExs out of Singapore. A number of Singapore medium-sized public accountancy entities are also taking on regional roles in their international networks.

The location of such COExs in Singapore would help to:

- (a) Anchor regional and international experts (including practice leaders and specialists) in Singapore; and
- (b) Stimulate the carrying out of high value-adding regional and international professional work out of Singapore.

The CDAS sees the clustering of the regional and international COExs in Singapore as the key catalyst to spur future growth and development of the sector. With a rapidly emerging Asia-Pacific accountancy market, the CDAS sees strong potential to develop Singapore as a leading global hub for anchoring of COExs to service the Asia-Pacific market. Competition to be the regional COExs hub will be stiff.

KPMG Singapore's Real Estate Tax Practice was recognised by Euromoney as the Number One Real Estate Tax Advisory Firm of the Year and its Transfer Pricing Practice was honoured as a leading practice among its peers, in World Tax 2009, International Tax Review's comprehensive guide to the world's leading tax firms.

PricewaterhouseCoopers (PwC) Singapore has been awarded the Asia Transfer Pricing Firm of the Year by the International Tax Review 2008. PwC also won awards including the Asian Investor 2008 Best auditor for funds advice and Best auditor for tax services for funds.

Source: Singapore Economic Development Board – Professional Services Fact Sheet 2009.

Creating the buzz

The Singapore accountancy sector is a vibrant one with the presence of globally recognised professional accountancy organisations such as ACCA, CPA Australia and ICAEW. The presence of these organisations, through their establishment of regional offices, examination centres and thought leadership centres have attracted international and regional accountancy talent to Singapore. This in turn contributes to the deepening of professional capabilities and widening of the talent pool.

The current incentive schemes to attract such international accountancy organisations are administered by the Singapore Economic Development Board (EDB).

Currently, the EDB has an International Organisations Development Scheme (IODS), which attracts and assists international organisations to establish a base in Singapore or to expand existing base.

In the case of international organisations expansion, IODS provides support to enable international organisations to significantly increase their activity from their Singapore base. This support covers costs that are incurred in expanding the Singapore office, e.g. the additional manpower employed, office equipment and office rental.

The CDAS is of the view that the presence of a range of globally recognised professional accountancy organisations will help to enhance the buzz and promote the visibility of Singapore as a leading global accountancy hub.

Promoting Singapore as a global accountancy conference centre

The international profile of Singapore's accountancy sector will be elevated through attracting and promoting flagship accountancy summits catering to a regional and international audience, particularly those that are associated with the identified niche areas. Fiscal incentives should be considered for the holding of accountancy conferences outside of Singapore, to promote the profile of Singapore as an accountancy hub and raising market awareness. Such summits should preferably be led by accountancy experts from Singapore and showcase leading applied research co-developed by practitioners and the academia through the ARC.

Recommendation 4: To develop Singapore into a leading Asia-Pacific Accountancy Services Centre in the following areas:

- (a) Promoting Singapore as the hub for globally recognised accountancy organisations and centres of excellence;
- (b) Promoting Singapore as a global accountancy conference centre; and
- (c) Developing a tailored incentive programme to anchor regional and international expertise in Singapore, and for high value-adding professional accountancy services to be provided out of Singapore, servicing the markets in the Asia-Pacific region.

Ownership requirements in other jurisdictions:

EU: the European Union (EU) Member States require that a simple majority of up to a maximum of 75 percent, of the firm's administrative or management body be held by licensed accountant practitioners.

US: most audit firms are organized as partnerships under state laws, where state laws and partnership agreements determine the governance of audit firms. The individual states, which are responsible for licensing public accountants, require that a simple majority of audit firm owners be licensed accountants with the majority of voting rights.

Hong Kong: Two-third of the partners/ directors of a CPA firm / corporate practice must be practicing certificate holders (i.e. CPA (practicing)). The Hong Kong Institute of Certified Public Accountants (HKICPA) issued a consultation paper in January 2009 seeking views on relaxing the current requirement from 2:1 (practicing: non-practicing) to a simple majority of 51% to 49%.

(B) Promoting further liberalisation of the sector through allowing for greater flexibility in rules and regulations

The CDAS sees the need to further deepen the sector's capability to provide multi-disciplinary professional expertise to meet the needs of the increasingly globalised corporate sector served by the profession. The CDAS recognises that the accountancy sector is already largely opened up to foreign competition and participation in terms of its legislations and regulations. The CDAS is of the view that further fine-tuning should be made to further liberalise the sector.

Ownership of Public Accountancy Entities

The ownership requirements governing public accountancy entities stems from the goal to regulate audit quality and the preservation of the auditor's independence and standards of professionalism²².

The current legislative framework requires at least two-third of the owners to be public accountants in public accountancy entities.

The CDAS received feedback that it may be necessary to liberalise this ownership requirement, especially since many of the internationally networked public accountancy entities operate as multi-disciplinary set-ups with professionals from various disciplines.

Proposal: The current ownership rules which allow a maximum threshold of one-third owners to be non-public accountants should be further liberalised. This would facilitate more persons with other professional expertise to own and be part of the public accountancy entities. To preserve the "public accountancy character" of the public accountancy entities, public accountants should however still retain control over the public accountancy entity via a simple majority. The CDAS notes that this is consistent with the regulatory positions in the European Union and the US.

Intended Outcome: To attract multi-disciplinary expertise.

²² See IOSCO consultation document "Exploration of Non-Professional Ownership Structures for Audit Firms" issued in September 2009.

Recognition of international practical experience in other jurisdictions:

Australia: The Australian Securities & Investments Commission (ASIC) requires foreign trained professionals to provide evidence that they have at least three years of practical experience in company auditing in a country that the body considers to have auditing standards that are equivalent to the Australian standards.

United Kingdom (UK): In the UK, becoming a public accountant through, for example, the Institute of Chartered Accountants of England and Wales (ICAEW) route allows 48 weeks of required practical experience be acquired from overseas.

Hong Kong: In Hong Kong the Hong Kong Institute of Certified Public Accountants (HKICPA) requires at least one year out of the required four years to be Hong Kong experience. The remaining three years may be from specified countries like Australia, Canada, Ireland, New Zealand, South Africa, UK, Zimbabwe and China.

Recognition of international practical experience

Currently, applicants who wish to become public accountants must have acquired three years of practical experience in public accountancy entities registered in Singapore.

ACRA undertook a review of the registration framework for public accountants in 2008 and is currently considering measures to facilitate the entry of international auditors to practise in Singapore. The CDAS supports this development.

In positioning Singapore as a global accountancy hub, the CDAS is of the view that the nature of practical experience should be expanded to recognise the practical experience acquired overseas, for the following reasons:

- (a) The accountancy and audit profession has embarked on a convergence path in using a universal set of auditing and accounting standards;
- (b) Practical experience acquired overseas provides a valuable international perspective; and
- (c) Many of the public accountancy entities operate in international networks and often have arrangements to “second” professionals with international expertise to other member firms in another jurisdiction.

Proposal: To recognise international practical experience for the purpose of registering public accountants in Singapore.

Intended outcomes: To deepen and broaden the expertise and talent pool for Singapore’s accountancy sector.

Recommendation 5: Further liberalisation of the rules and regulations governing the accountancy profession, specifically in the two areas of:

- (a) Enhancing multi-disciplinary expertise through a liberalisation of ownership rules for public accountancy entities, from the current two-third to a simple majority of public accountants; and
- (b) Recognising international practical experience for the registration of public accountants.

(C) Strengthening the growth and development of the SMP segment

Currently, more than 75% of registered public accountants operate as sole-proprietorships or in two-person partnerships.

Number of employees in the Big-4 and the SMP segment:

Small-sized accountancy firms:

Average five employees

Medium-sized accountancy firms:

Average 164

Big-4 accountancy firms:

Average 1860.

Staff Profile:

Small-sized accountancy firms:

83% of the employees are in audit

Medium-sized accountancy firms:

73% of the employees are in audit

Big-4 accountancy firms:

51% of the employees are in audit.

The raising of professional capabilities across all segments of the accountancy sector, including the SMP segment, is important. In particular, this would enhance the range of value-adding professional accountancy services provided by the sector, and this is key to support and sharpen Singapore's competitiveness as an international business and financial hub. SMPs should position themselves as effective business partners to the companies in Singapore and the region.

29 of the top 30 international accountancy networks are already established in Singapore.²³ However, the profession has yet to fully leverage on these international networks. The CDAS is of the view that the Singapore profession should synergise with the international networks to raise the level of its professionalism and to seek out growth opportunities.

The SMP segment faces the following challenges which could hinder their growth and development:

- (a) Difficulty in attracting and retaining qualified staff;
- (b) Limited technical support and resources;
- (c) Limited access to growth and emerging opportunities;
- (d) Greater downward fee pressure; and
- (e) Inability to scale up.

The CDAS has reviewed ways to strengthen the growth and development of the SMP segment in the overall strategy to develop Singapore as a leading international accountancy centre.

Proposal: To encourage consolidation in the SMP segment.

The CDAS sees a fundamental need to facilitate greater consolidation within the SMP segment. Consolidation will allow the SMP segment to leverage on economies of scale. It will also develop the sector's overall capability to seize emerging growth opportunities and to move up the value-chain in providing higher value-adding professional accountancy services to growing SMEs.

²³ Source: Accountancy Age (November 2008)

Proposal: To provide targeted assistance to strengthen the growth and development of the SMP segment.

One key area will be incentivizing the SMP segment to:

- (a) Fortify the quality of services provided;
- (b) Build up capabilities and professional resources.

Specific initiatives include:

- (a) Assistance to develop and strengthen the internal quality controls of the SMP firms;
- (b) Assistance to develop the human capital of the SMP firms e.g. staff exchange and overseas secondment programmes; and
- (c) Assistance to grant the SMP with better access to technical support and training e.g. shared services in tools and methodologies.

Eligibility criteria: Quality Control Certification for SMP

The CDAS recommends that grants be awarded to encourage SMPs to undertake efforts to develop and strengthen their firms' internal quality controls. A quality controls certification for SMPs based on the International Federation of Accountants (IFAC)'s International Standards on Quality Control (ISQC) could be developed to assist the SMP in the effort. Developing capability and capacity in quality controls within the SMP sector will strengthen the overall quality of services provided by the SMPs.

Larger practices with good quality controls in place can be incentivised to expand regional presence in overseas markets, through regional and international network alliance or other means.

Recommendation 6: Consolidation of practices in the Small and Medium Practices (SMP) segment through a two-year targeted incentive programme to strengthen the capacity and capability of the SMP segment, in the following focus areas:

- (a) Raising the quality of services provided: Grants to be awarded to firms to cover post-merger integration costs, including investment in tools and methodologies to meet the requirements of quality controls certification programme for SMPs (based on the IFAC's International Standards on Quality Control (ISQC));
- (b) Developing talent development programmes: Co-funding of staff exchange programmes and overseas secondment to build up expertise; and
- (c) Setting up and expanding regional presence in overseas markets: Grants to be awarded to firms for regional and international network alliances which lead to new markets.

Instilling greater market discipline and raising audit quality in the audit market

Reviewing the appropriateness of the current audit exemption threshold

The audit exemption framework in Singapore was introduced in 2002. The underlying principle guiding the exemption from the statutory audit requirement is that the market itself is in the best position to determine the need and the value it places on audit vis-à-vis other forms of reporting and assurance. This is especially so for entities where the public interest does not carry as much weight in supporting a statutory audit requirement, for example small private companies, which are managed by the owners.

The CDAS is of the view that it is timely to review the appropriateness of the current audit exemption framework, with a view to injecting greater market discipline and raising the quality of audit services. The more value the market places on a statutory audit or other assurance product, the more likely it will be performed to a high quality. If the stakeholders regard it as a compliance cost with no value, lower quality will be tolerated and this only endanger the overall integrity of statutory audit reporting.

A review of the audit exemption threshold could lead to cost savings for small businesses and enable them to obtain higher value adding services from the SMPs. In balancing considerations that the SMP segment would be affected by any shift in the audit exemption threshold, the CDAS notes that the SMP segment currently faces extreme downward fee pressures in the statutory audit market segment for the small companies. The CDAS thus proposes that efforts be directed towards helping the SMP segment focus its resources on moving up the value-chain, to provide higher value-adding services that are in demand by Singapore's small and medium sized enterprises.

Audit of entities of significant public interest - Regulating the quality of services at the public accountancy entity level

The Singapore public accountancy profession is currently licensed at the level of individual public accountants. The Accountants Act mandates the approval and registration of public accountancy entities.

In jurisdictions such as the United States and the United Kingdom, public accountancy entities which audit entities of significant public interest are subject to licensing requirements. In particular, licensed entities are required to comply with quality control standards such as the IFAC's ISQC 1 or its equivalent. Under ISQC 1, licensed entities are required to demonstrate measures to ensure the rigour of their internal control systems as part of a broader objective to promote audit quality.

The CDAS is of the view that Singapore should shift towards enhancing the licensing framework, especially for of public accountancy entities, which audit significant public interest. This would help to enhance the overall audit quality.

Recommendation 7: Review of the appropriateness of the current audit exemption threshold and development of a licensing framework for the statutory audit of entities of significant public interest.

VII. STRENGTHENING THE SINGAPORE ACCOUNTANCY SECTOR'S INFRASTRUCTURE AND INSTITUTIONS

ICPAS

The Institute of Certified Public Accountants of Singapore (ICPAS) is the national professional accountancy body in Singapore. Formed in 1963, the body now has more than 20,000 members.

Strategic Review

In 2008, the ICPAS commissioned a strategic review of its mission as well as its future direction.

As a result of the strategic review, ICPAS announced three pillars that will drive ICPAS' strategic intent and thrusts moving forward:

- (a) Accountancy Excellence;
- (b) Industry Growth; and
- (c) Member & Human Capital Development.

The three pillars would see ICPAS further build the CPA Singapore brand, provide thought and practice leadership, develop the accountancy sector, and harness the SAA's potential of growing into a regional player by transforming the academy into a full-fledged university amongst other initiatives.

Key Milestones:

- Admission to the International Innovation Network (2009); and
- Appointed as a member on IFAC's PAIB Committee

(A) Promoting a strong professional accountancy environment in Singapore through transforming the Institute of Certified Public Accountants of Singapore (ICPAS) into a global professional accountancy body

Many of the professional accountancy bodies, including those in Australia, Hong Kong, the UK and the US are global players. The professional bodies have prominent professional qualifications to develop talent and to meet the professional development needs of their members.

In recent years, a number of these professional bodies have conducted governance reviews and structural reforms to ensure that they stay relevant and meet the developmental needs of their members.

Proposal: ICPAS should progress further by becoming a global professional accountancy body by playing a stronger professional development role.

Intended Outcomes:

- (a) To elevate the standing of the accountancy profession;
- (b) To deepen the expertise and skill-set of professional accountants; and
- (c) To support the development of Singapore as a global accountancy hub.

Recommendation 8: Transforming ICPAS into a global professional accountancy body. Two strategic areas have been identified to enable ICPAS to move towards the achievement of this goal:

- (a) Reviewing its Constitution – A comprehensive study to ensure the relevance of its mission, governance, and leadership consistent with a global professional accountancy body; and
- (b) Establishing the appropriate infrastructure that supports the vision to become a global professional accountancy body.

(B) Enhancing expertise and capacity through the establishment of an Accountancy Sector Development Fund (ASDF)

Investment in tools, systems and methodologies at a sector wide level is necessary to deepen expertise and build capacity, to drive the development of new solutions within the sector. This is to provide high value-adding professional services, and to build scale and network to support the vision of developing Singapore into a leading global accountancy hub. Currently, there is a lack of targeted assistance programmes to facilitate the creation of such tools, systems and methodologies.

Proposal: To establish a dedicated assistance fund, the Accountancy Sector Development Fund (ASDF), to facilitate the development and enhancement of the accountancy sector in the following areas:

- (a) Expand the provision of accountancy services to the Asia-Pacific and ASEAN markets;
- (b) Deepen the profession's expertise;
- (c) Optimise and enlarge accountancy talent pool; and
- (d) Improve the efficiency of the accountancy sector through technology, consolidation in market structure, etc.

Key features of the ASDF:

An estimated amount of S\$10 million over 5 years with a view towards self-sustainability, and should be administered by the Singapore Accountancy Council (SAC) (to be introduced in the next section). Eligibility criteria should be set to target the utilisation of the fund on development that will help raise the overall capability and development of the accountancy sector. The sources of funding could take the form of private-public partnerships

Intended outcomes of the ASDF:

- (a) Singapore accountancy sector to deliver world-class accountancy services to the Asia-Pacific markets and beyond;
- (b) Improve the efficiency of the accountancy sector through infrastructure support; and
- (c) Grow and deepen accountancy sector's expertise and skill-set to support a competitive and thriving accountancy sector.

Recommendation 9: Establishment of an Accountancy Sector Development Fund with the following objectives:

- (a) Building scale and network through the regionalisation of Singapore public accountancy entities;
- (b) Deepening the sector's professional capabilities through investments in human capital development and building technical expertise;
- (c) Encouraging the integration of technology into work processes to enhance the sector's efficiency and productivity; and
- (d) Attracting and promoting global accountancy conferences in Singapore.

Singapore Accountancy Eco-system:

(a) Education

- 3 Universities providing accountancy degrees
- 4 Polytechnics providing accountancy diplomas
- at least 20 private institutions providing accountancy diplomas and degrees

(b) Professional Accountancy Bodies

- Institute of Certified Public Accountants of Singapore (ICPAS)
- Association of Chartered Certified Accountants (ACCA)
- CPA Australia
- Institute of Chartered Accountants in England and Wales (ICAEW)

(c) Professional accountants

- more than 20,000

(d) Organisations specialising in specific areas for professional development

- Tax Academy of Singapore (TA)
- Institute of Internal Auditors (IIA)
- Information Systems Audit and Control Association (ISACA)

(e) Government Agencies (e.g. ACRA, EDB, Spring, and IE Singapore)

(C) Concerted effort to develop and promote the Singapore Accountancy Sector through the establishment of a Singapore Accountancy Council (SAC)

The Singapore accountancy sector is broad and diverse, comprising various stakeholders. Each party has its own unique and distinct set of competencies and objectives.

A central body acting as the catalyst will focus and synergise the efforts from all stakeholders towards a common goal of transforming Singapore into a leading global accountancy hub.

Proposal: To establish a central coordinating platform, named as the Singapore Accountancy Council (SAC) to lead and steer the transformation of the Singapore accountancy sector into a leading global accountancy hub.

The objective of the Council is to coordinate and synergise the combined efforts of the various key stakeholders in the accountancy sector to achieve the vision.

Key features of the SAC:

The SAC will be a high-level council as it will be responsible for achieving the vision for the Singapore accountancy sector through a broad spectrum of stakeholders, locally and internationally. The SAC could potentially be set up through legislation. Members of this Council should be leaders from the accountancy and business community, private sector and the Government. The Council should be supported by a full-time secretariat.

Intended outcomes of the SAC:

The SAC will spearhead and oversee the transformation of Singapore into a leading global accountancy hub, through three pillars, namely:

- Professional Development;
- Thought-leadership & Research; and
- Sector Development.

Recommendation 10: Establishment of the Singapore Accountancy Council (SAC). The objective of the SAC would be to transform Singapore into a leading global accountancy hub through:

- (a) Overseeing the accountancy sector's strategic direction and ensuring the efficient & effective use of incentive and assistance programmes to develop the sector;
- (b) Establishing a strong network between Singapore and the international accountancy community and stakeholders; and
- (c) Fostering thought-leadership, research and development activities for accountancy services and the related fields.

APPENDIX 1 - COMPOSITION OF CDAS WORKING GROUPS MEMBERS

S/N	Education Working Group (EWG)
1	<p><u>Professor Jitendra Singh</u> (Chairman, from 1 January 2009 - 31 May 2009)</p> <p>Former Dean and Shaw Foundation Chair Former Professor of Strategy, Management & Organisation (Nanyang Business School) Nanyang Technological University</p> <p><u>Professor Gillian Yeo Hian Heng</u> (Chairman from 1 June 2009 onwards)</p> <p>Interim Dean, College of Business (Nanyang Business School) Nanyang Technological University</p>
2	<p><u>Mr. Philip Eng</u></p> <p>Deputy Chairman MCL Land Limited</p>
3	<p><u>Associate Professor Ho Yew Kee</u></p> <p>Vice Dean, Finance & Administration (Business School) National University of Singapore</p>
4	<p><u>Mr. Evan Law</u></p> <p>Training Director (Singapore Accountancy Academy) Head (Membership Marketing & Services) Institute of Certified Public Accountants of Singapore</p>
5	<p><u>Mr. Chaly Mah</u></p> <p>Chief Executive Officer Deloitte Asia Pacific</p>
6	<p><u>Professor Pang Yang Hoong</u></p> <p>Vice Provost (Undergraduate) Dean, School of Accountancy Singapore Management University</p>
7	<p><u>Ms. Penelope Phoon</u></p> <p>Country Head ACCA (Singapore)</p>

S/N	Services Working Group (SWG)
1	<p data-bbox="282 228 683 260"><u>Mr. Ong Yew Huat</u> (Chairman)</p> <p data-bbox="282 302 548 369">Executive Chairman Ernst & Young LLP</p>
2	<p data-bbox="282 413 630 445"><u>Dr. Ernest Kan Yaw Kiong</u></p> <p data-bbox="282 487 971 554">President Institute of Certified Public Accountants of Singapore</p>
3	<p data-bbox="282 598 578 630"><u>Mr. Surinder Kathpalia</u></p> <p data-bbox="282 672 699 739">Managing Director Standard and Poor's (Singapore)</p>
4	<p data-bbox="282 783 521 814"><u>Mr. Kon Yin Tong</u></p> <p data-bbox="282 856 659 924">Partner Foo Kon Tan Grant Thornton</p>
5	<p data-bbox="282 968 618 999"><u>Mr. Viswanathan Shankar</u></p> <p data-bbox="282 1041 805 1108">Group Management Committee Member Standard Chartered Bank</p>
6	<p data-bbox="282 1152 537 1184"><u>Mr. Tham Sai Choy</u></p> <p data-bbox="282 1226 597 1293">Head of Audit KPMG LLP (Singapore)</p>
7	<p data-bbox="282 1337 553 1369"><u>Mr. Toh Wee Khiang</u></p> <p data-bbox="282 1411 862 1478">Director (Education & Professional Services) Economic Development Board</p>

S/N	Talent Working Group (TWG)
1	<p data-bbox="282 228 675 260"><u>Mr. Lim Joo Boon</u> (Chairman)</p> <p data-bbox="282 302 1333 371">Company Director Of among others: the Singapore Pools Pte Ltd and SIA Engineering Company Ltd</p>
2	<p data-bbox="282 413 537 445"><u>Ms. Chan Lai Koon</u></p> <p data-bbox="282 487 626 556">General Manager CPA Australia (Singapore)</p>
3	<p data-bbox="282 598 524 630"><u>Mr. Mark Ellwood</u></p> <p data-bbox="282 672 634 741">Managing Director Robert Walters (Singapore)</p>
4	<p data-bbox="282 783 521 814"><u>Mr. Quek See Tiat</u></p> <p data-bbox="282 856 667 926">Partner / Deputy Chairman PricewaterhouseCoopers LLP</p>
5	<p data-bbox="282 968 599 999"><u>Ms. Juthika Ramanathan</u></p> <p data-bbox="282 1041 902 1110">Chief Executive Accounting and Corporate Regulatory Authority</p>
6	<p data-bbox="282 1152 521 1184"><u>Mr. Sitoh Yih Pin</u></p> <p data-bbox="282 1226 813 1295">Chairman Nexia TS Public Accounting Corporation</p>
7.	<p data-bbox="282 1337 599 1369"><u>Professor Tan Hun Tong</u></p> <p data-bbox="282 1411 1081 1480">Professor, Division of Accounting (Nanyang Business School) Nanyang Technological University</p>

APPENDIX 2 – LIST OF CONSULTED STAKEHOLDERS

Education

1. Informatics Education Singapore Pte Ltd
2. Kaplan Financial Education Centre
3. Management Development Institute of Singapore
4. Nanyang Polytechnic
5. Nanyang Technological University
6. National University of Singapore
7. PSB Academy
8. Republic Polytechnic
9. SIM Global Education
10. SIM University
11. Singapore Management University
12. Singapore Polytechnic
13. Temasek Polytechnic
14. Accounting Students from NTU, NUS & SMU

Professional Bodies

15. CPA Australia
16. Information Systems Audit and Control Association (ISACA)
17. INSEAD
18. Institute of Certified Public Accountants of Singapore
19. Institute of Chartered Accountants in England and Wales
20. Tax Academy of Singapore
21. The Association of Chartered Certified Accountants
22. The Chartered Institute of Management Accountants
23. The Institute of Chartered Accountants in Australia
24. The Institute of Internal Auditors, Singapore

Industry

25. AT Adler
26. Baker Tilly TFWLCL

27. BDO Raffles
28. C.C. Yang & Co
29. Deloitte & Touche LLP
30. Ernst & Young LLP
31. Foo Kon Tan Grant Thornton
32. Horwath First Trust LLP
33. KPMG LLP
34. Lo Hock Ling & Co
35. LTC LLP
36. Mazars LLP
37. Moore Stephens LLP
38. Nexia Tan & Sitoh
39. Nexia TS Public Accounting Corporation
40. Ng, Lee & Associates – DFK
41. Paul Wan & Co
42. PKF – CAP LLP
43. PricewaterhouseCoopers LLP
44. RSM Chio Lim LLP
45. UHY Lee Seng Chan & Co

Business & Others

46. Ascendas Pte Ltd
47. Association of Small & Medium-Sized Enterprises
48. CapitaLand Limited
49. Citibank Singapore Limited
50. City Developments Limited
51. ComfortDelgro Corporation Limited
52. Ferrier Hodgson
53. Fraser and Neave, Limited
54. HTL International Holdings Limited
55. Keppel Corporation Limited
56. Neptune Orient Lines Limited
57. Robert Walters Singapore

58. Securities Investors Association (Singapore)
59. Sembcorp Industries Ltd
60. Singapore Business Federation
61. Singapore Chinese Chamber of Commerce & Industry
62. Singapore Exchange
63. Singapore Indian Chamber of Commerce & Industry
64. Singapore Institute of Directors
65. Singapore International Chamber of Commerce
66. Singapore Petroleum Company Limited
67. Singapore Power
68. Singapore Technologies Engineering Ltd
69. Singtel Singapore
70. The Association of Banks in Singapore
71. WongPartnership
72. Mr Gordon Smith, Distinguished Professor of Intellectual Property Management, Franklin Pierce Law Center

Government Agencies

73. International Enterprise Singapore
74. Ministry of Education
75. Ministry of Manpower
76. Monetary Authority of Singapore
77. Singapore Economic Development Board
78. Spring Singapore

APPENDIX 3 - GLOSSARY OF TERMS

Accountancy professionals	“Accountancy professionals” refer to professional members of professional accountancy bodies
Accountants	“Accountants” refer to accountancy professionals and public accountants
ACCA	Association of Chartered Certified Accountants
ACRA	Accounting and Corporate Regulatory Authority
BS	Business Services
CCSA	Certification in Control Self-Assessment
CDAS	Committee to Develop the Accountancy Sector
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFSA	Certified Financial Services Auditor
CGAP	Certified Government Auditing Professional
CGEIT	Certified Governance in Enterprise IT
CIA	Certified Internal Auditor
CIMA	Chartered Institute of Management Accountants
CISA	Certified Information Systems Auditor
CISM	Certified Information Security Manager
COEx	Centres of Excellence
CPA Australia	CPA Australia
EDB	Economic Development Board
EU	European Union
EY	Ernst & Young
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GIOS	Global IFRS and Offering Services
HKICPA	Hong Kong Institute of Certified Public Accountants
ICAEW	Institute of Chartered Accountants in England and Wales

ICPAS	Institute of Certified Public Accountants of Singapore
IE Singapore	International Enterprise Singapore
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IODS	International Organisations Development Scheme
IS	Information Systems
ISACA	The Information Systems Audit and Control Association
ISQC	International Standards on Quality Control
M&A	Merger and Acquisition
MNCs	Multinational Corporations
NTU	Nanyang Technological University
NUS	National University of Singapore
Public accountants	“Public accountants” refer to persons registered as such with ACRA under the Accountants Act (Cap. 2)
Public accountancy entities	“Public accountancy entities” refer to accounting corporations, accounting firms, accounting limited liability partnerships registered with ACRA under the Accountants Act (Cap. 2)
Public accountancy services	"Public accountancy services" means the audit and reporting on financial statements and the doing of such other acts that are required by any written law to be done by a public accountant.
PAIB	Professional Accountants in Business
PIE	Public Interest Entity
PwC	PricewaterhouseCoopers
SAA	Singapore Accountancy Academy
SME	Small and Medium Enterprise
SMP	Small and Medium Practice
SMU	Singapore Management University
TA	Tax Academy of Singapore