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ACRA SEEKS PUBLIC VIEWS ON PROPOSED AMENDMENTS TO THE ACCOUNTANTS ACT

Singapore, 24 May 2012 - The Accounting and Corporate Regulatory Authority (ACRA) is seeking public feedback on proposed amendments to the Accountants Act. A public consultation paper summarising the proposed changes, can be accessed on the ACRA website over the next six weeks (24 May 2012 to 4 July 2012).

Background

2. As Singapore seeks to become a leading Global-Asia Financial and Business Hub, it is essential that we continue to build on our reputation for having a pro-business and trusted regulatory environment. It is therefore crucial that our public accountancy profession, as auditors of financial statements, continue to engender a high degree of confidence from investors and businesses. Maintaining this confidence requires rigorous, independent regulation of audit firms and auditors (i.e. public accountants).

3. The last significant review of the Accountants Act was in 2004. It is therefore timely to review the Act. This will ensure that the regulatory framework remains relevant and that we are able to keep pace with international developments. The proposed amendments aim to promote audit quality, maintain confidence in audits and protect public interest.

4. ACRA has developed the proposed amendments in consultation with key stakeholders, namely public accountants, audit firms, professional accountancy bodies, aspiring public accountants, universities and audit committee members. Throughout 2011, ACRA issued two stakeholder consultation documents and held eight focus group sessions, receiving about 50 written submissions in the process.

Proposed Amendments

5. The key proposals in the consultation paper are:

a. Ensuring good quality control frameworks for the audit and review of entities that have a significant public interest

It is proposed that audit firms that plan to audit or review entities with significant public interest, must first meet certain pre-conditions, such as having in place a quality control framework in line with the expectations of the existing Singapore Standard on Quality Control 1, which is equivalent to the international standard.

This process will apply to audit firms that audit or review listed entities, financial institutions, large charities and large Institutions of Public Character.

This will reinforce the high standard of audit quality that Singapore is already internationally known for. Most, if not all, audit firms that currently audit entities with significant public interest already have satisfactory quality controls in place. The framework will serve as a useful checkpoint for audit firms to assess that they have the necessary resources and controls in place for such audits. Whilst the proposal provides a basic checkpoint, companies will still need to assess if the audit firms have the necessary skills and resources to meet their needs.

This approach is also in line with international practice, such as in Canada, Malaysia and the US, where audit regulators license and supervise audit firms that serve the capital markets. Audit firms may perform such audits only after the regulator has assessed their quality controls and other areas.

b. Enhancing ACRA's ability to inspect audit quality controls and policies of audit firms and require audit firms to improve, where necessary

It is proposed that statutory powers will be introduced to enhance ACRA's inspections of audit firms' quality controls and policies, so as to ensure that audit firms undertake appropriate remedial actions when weaknesses are identified. This will bolster ACRA's existing firm inspection programme in particular by introducing remedial requirements and possible sanctions if remedial steps are not sufficient. This is in addition to ACRA's existing statutory inspections of the work of individual public accountants.

c. Making practical experience in key audit functions a core requirement for registration as a public accountant

The aim of the registration requirements for public accountants is to prepare applicants for the responsibilities of taking charge of audits and providing assurance over financial information relied on by the public. The proposals will ensure that the practical experience requirements for the purposes of registration with ACRA focus on this core responsibility. The requirements will also be made clearer and simpler. The proposed requirements are in line with international standards and the career progression of potential public accountants in Singapore.

d. Clarification of the scope of ACRA's regulation

ACRA's scope will be clarified so that is clear that it includes voluntary audits of financial statements, i.e. not just audits required by law; and will be extended to include reviews of financial statements/information.

e. Enhancing ACRA's ability to respond swiftly to protect public interest and uphold public confidence, through the establishment of a Special Investigation process

A proposed special investigation process will improve ACRA's ability to deal with public interest cases of potential non-compliance with requirements such as the audit standards. Public interest cases would, for example, include non-compliance in cases that might have harmed investors or damaged confidence in public accountants. A specific Special Investigation process will enable ACRA to investigate swiftly, more consistently and effectively.

Public Consultation Details

6. The Accountants Act Review Public Consultation Paper, is available for download on ACRA's website:

<http://www.acra.gov.sg/Publications/Public+Consultation+on+proposed+amendments+to+the+Accountants+Act.htm>

The public can also access the paper on the REACH website: www.reach.gov.sg. The public consultation exercise ends on 4 July 2012.

7. ACRA welcomes all members of the public to give their feedback and views on forging a robust regulatory framework for public accountancy in Singapore.

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About ACRA

The Accounting and Corporate Regulatory Authority (ACRA) is the national regulator of business entities and public accountants in Singapore. ACRA also plays the role of a facilitator for the development of business entities and the public accountancy profession.

The mission of ACRA is to provide a responsive and trusted regulatory environment for businesses and public accountants. As at 30 April 2012, 398,272 business entities and 963 public accountants practising in public accounting firms, accounting limited liability partnerships and accounting corporations are registered with ACRA.

For more information, please visit www.acra.gov.sg