

6th ISCA SMP Dialogue:

- What to expect for an EP 200 inspection from ACRA

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Agenda

- 1 Introduction
- 2 What to expect for an EP 200 inspection from ACRA:
 - Before inspection
 - During inspection
 - After inspection
- 3 ACRA's expectations on compliance with EP 200
- 4 Q & A session

Introduction



Introduction

- Ethics Pronouncement 200 (EP 200) was issued by ISCA and is effective on 1 November 2014
- Adopted by the Public Accountants Oversight Committee (PAOC)
- It is applicable to professional accountants* in:
 - Business
 - Public practice and professional firms

* Professional accountants refer to an individual who is a member of the Institute of Singapore Chartered Accountants (ISCA)

Introduction

- Scope for EP 200

Section/Category of Professional Accountants	2 Reporting and tipping-off	3 Systems and controls	4 CDD and records keeping	5 Reporting, training, compliance, hiring and audit
Professional accountants in public practice and professional firms, providing services other than those stated in para 1.5 of EP 200	Mandatory	Mandatory	Good guidance	Good guidance
Professional accountants in public practice and professional firms, providing any services described in para 1.5 of EP 200	Mandatory	Mandatory	Mandatory	Good guidance

Introduction

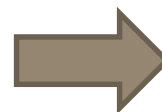
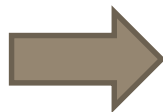
- Extract of para 1.5 of EP 200

"When professional accountants in public practice and professional firms which prepare for or carry out transactions for their clients concerning the following situations:

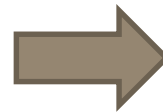
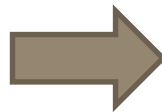
- (a) Buying and selling of real estates;*
- (b) Managing of client money, securities or other assets;*
- (c) Management of bank, savings or securities accounts;*
- (d) Organisation of contributions for the creation, operation or management of companies;*
- (e) Creation, operation or management of legal persons or arrangements, and buying and selling of business entities."*

Introduction

- Commencement of EP 200 inspections by ACRA



Firms that audit
listed entities (PIEs)



Firms that audit non-
listed entities (non-PIEs)

- EP 200 inspections for non-PIEs are conducted by ISCA inspectors with ACRA's oversight



What to expect for an EP 200 inspection from ACRA

What to expect for an EP 200 inspection from ACRA?

- Before inspection



One month
notice period



Sole Proprietorship/Firm

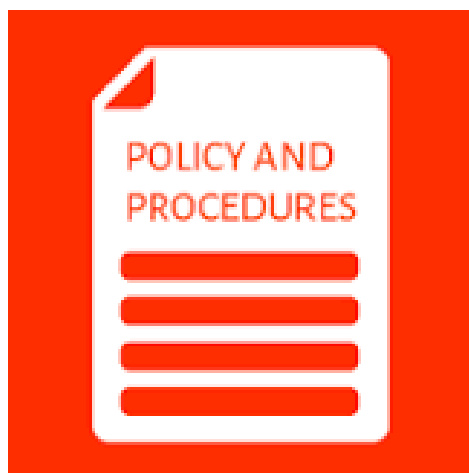


Inspection Date

- ISCA inspectors will request for information prior to the commencement of an EP 200 inspection
- Firm is expected to provide the requested information prior to onsite inspection accordingly

What to expect for an EP 200 inspection from ACRA?

- Documents to get ready before inspection



List of clients with risk ratings:

- New
- Existing
- Resigned (with reasons)



Training materials

STR filing
(if any)

What to expect for an EP 200 inspection from ACRA?

- During inspection

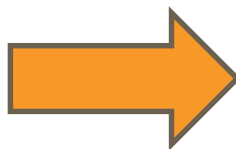


- Inspectors seek clarifications to understand the firm's EP 200 policies, procedures and controls implemented
- Select samples to test/verify the following under client's acceptance and continuance processes:
 - Evidence of approval as required by the firm's policies
 - Evidence of background checks performed and identification of Beneficial Owners (BO)
 - Documents to support conclusions to continue risk ratings or change in risk rating (if any)

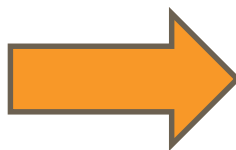


What to expect for an EP 200 inspection from ACRA?

- During inspection



On-site inspection not more than 3 working days



Unlike the PMP, EP 200 inspections are not billable

What to expect for an EP 200 inspection from ACRA?

- After inspection

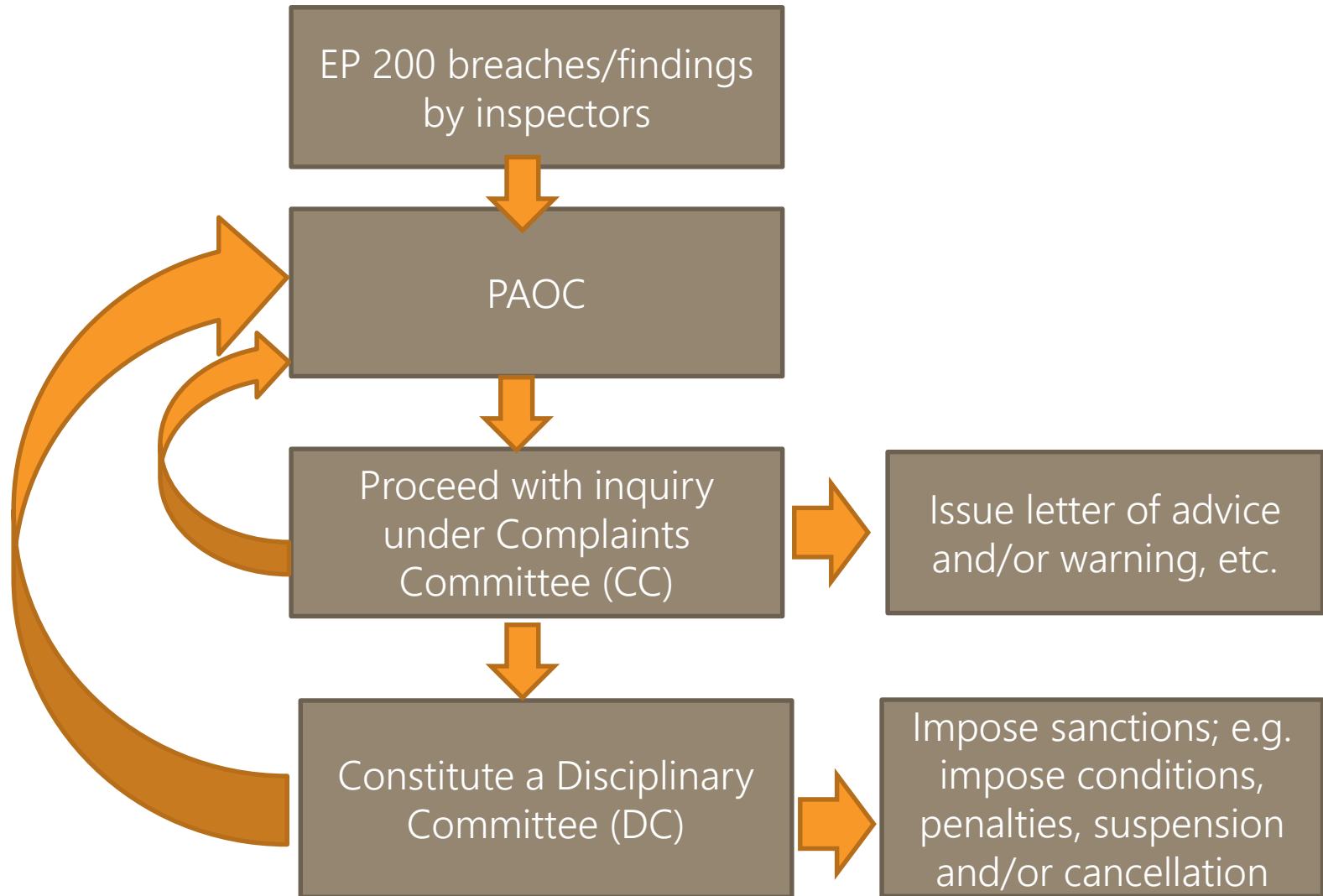


Findings report issued to sole proprietor or firm for confirmation of factual accuracy and comments



Breaches of EP 200 requirements will be assessed via Complaints and/or Disciplinary Committees with oversight by the PAOC

Deliberation process for an EP 200 inspection



What to expect for an EP 200 inspection from ACRA?

- Severity of findings

The severity of the findings on EP 200 inspection is determined by:

a) The significance of the findings

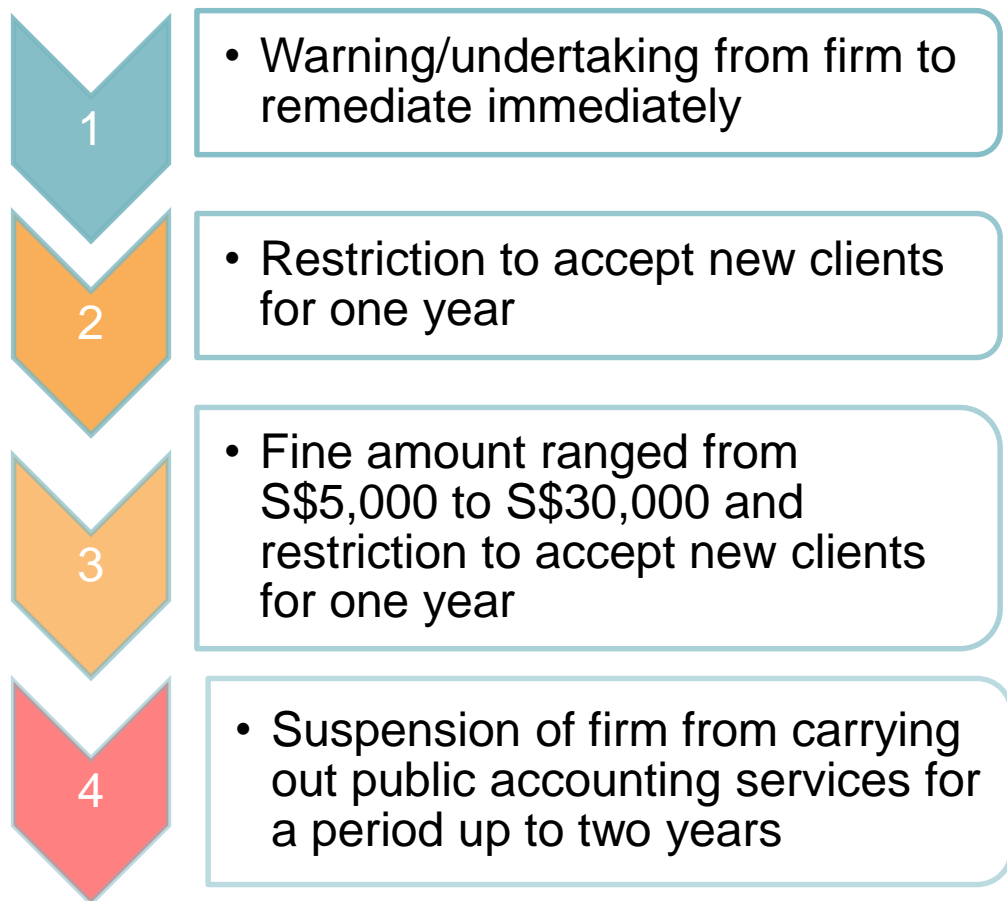
- Measures the extent of non-compliance with EP 200

b) Occurrence of the findings

- Dependent on the frequency of lapses found in the samples tested


What to expect for an EP 200 inspection from ACRA?

- Range of sanctions for non-compliance of EP 200



Names of Public Accountants/firms will be published on ACRA's website

www.acra.gov.sg/notices/



ACRA's expectations on compliance with EP 200

ACRA's expectations on compliance with EP 200

- Implementation dates

EP 200 (effective on 1 November 2014)	Dates for firm to comply by
<p>Section 2</p> <ul style="list-style-type: none"> ▪ Reporting and tipping-off ▪ Procedures when possible money laundering or terrorist financing is discovered or suspected 	1 Nov 14 or before
<p>Section 3</p> <ul style="list-style-type: none"> ▪ Establishing policies, procedures and controls on EP 200, risk-based approach and group policy (if applicable) ▪ Training on EP 200 (both PA and staff) 	1 May 2015 or before
<p>Section 3 Perform procedures according to firm's EP 200 policies and procedures</p>	FY after 1 May 2015

ACRA's expectations on compliance with EP 200

- Reporting and Tipping-off

EP 200 requirements	ACRA's expectations
<p>Mandatory to lodge a suspicious transaction report (STR) to the Suspicious Transaction Reporting Office if one knows or has reasonable grounds to suspect transactions related to money laundering or terrorist financing (<i>regardless of the amount of transaction</i>)</p>	<ul style="list-style-type: none">• PA/Firm expected to document the considerations and conclusions of the circumstances that are suspicious to warrant a STR



ACRA's expectations on compliance with EP 200

- Establishing policies, procedures and controls

EP 200 requirements	ACRA's expectations
<p>All professional firms should have in place systems and controls to address money laundering and terrorist financing concerns</p>	<ul style="list-style-type: none">Firms to comply with this requirement, and professional accountants should comply with the policies, procedures and controls implemented by the firm



ACRA's expectations on compliance with EP 200

- Establishing policies, procedures and controls (cont'd)

Firm's policies, procedures and controls should include the following:

- Risk assessment and management
- Group policy (if a group exists)
- Customer due diligence (CDD)
- Records keeping
- Reporting procedures
- Ongoing training
- Hiring



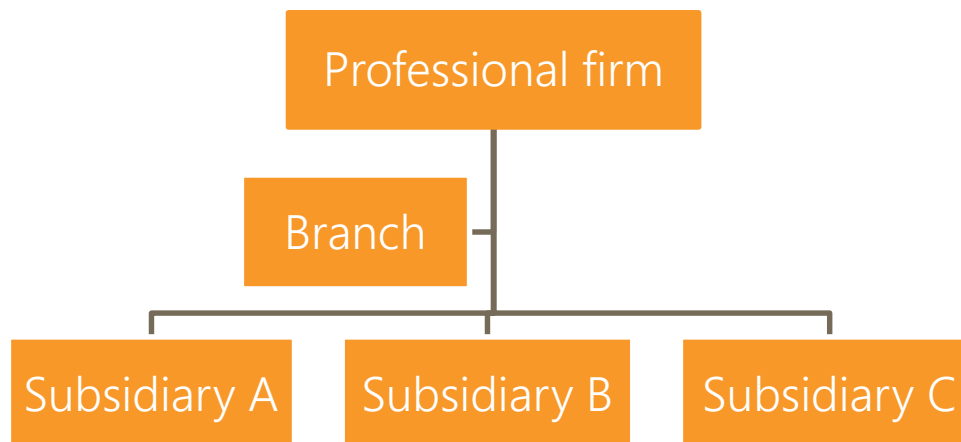
ACRA's expectations on compliance with EP 200

- Risk assessment and management

EP 200 requirements	ACRA's expectations
<ul style="list-style-type: none"> • Professional firms should have in place processes to identify, assess, monitor, manage and mitigate money laundering and terrorist financing risks 	<ul style="list-style-type: none"> • Firms should ensure that the policies, procedures and controls implemented are complied with
<ul style="list-style-type: none"> • Professional firms shall: <ul style="list-style-type: none"> - Take appropriate steps to identify and assess their clients' risk; - Document the risk assessment in order to be able to demonstrate their basis; - Keep these assessment up-to-date; and - Have appropriate mechanisms to provide risk assessment information to relevant authorities 	<ul style="list-style-type: none"> • To comply as per requirements

ACRA's expectations on compliance with EP 200

- Group policy (if a group exists)



EP 200 requirements

Professional firms shall:

- Develop and implement group-wide programmes on AML and CFT, including policies and procedures for sharing information within the group required for the purposes of CDD and money laundering and terrorist financing risk management
- Ensure adequate safeguards on the confidentiality of and/or exchange of information

ACRA's expectations

- To comply as per requirements

ACRA's expectations on compliance with EP 200

- EP 200 requirements on Customer due diligence (CDD)

- CDD enables effective identification and reporting of suspicious activities
- CDD requires or recommends developing a thorough understanding, through appropriate due diligence, of the true beneficial parties to transactions, the source and intended use of funds and the appropriateness and reasonableness of the business activity and pattern of transactions in the context of the business
- CDD requirements may be integrated with the firm's client acceptance and continuance procedures
- Professional accountants shall comply with the CDD implemented by the professional firm

EP 200 requirements on CDD

- What to cover?

- Identify the client and BO



Who is the Client?
Who is the BO?

- Verify the identities of the client and/or BO using reliable, independent source documents, data or information



ACRA's expectations on compliance with EP 200

- When to perform CDD

EP 200 requirements	ACRA's expectations
<p>Firms should perform CDD measures when:</p> <ul style="list-style-type: none"> - Establishing business relationships; - Carrying out occasional transactions; - There is a suspicion of money laundering or terrorist financing; or - Where there are doubts about the accuracy or adequacy of previously obtained client identification data 	<ul style="list-style-type: none"> • CDD measures shall apply to all new and existing clients in the first year of EP 200 implementation
<p>For <i><u>existing clients</u></i>, firms may apply CDD measures on the basis of risk, taking into account whether and when CDD measures have <i><u>previously been undertaken</u></i> and the adequacy of data obtained</p>	

ACRA's expectations on compliance with EP 200

- Timeframe to complete performing CDD

EP 200 requirements	ACRA's expectations
<p>Reasonable timeframe</p> <ul style="list-style-type: none">- <u>Within 30 working days</u> after establishment of business relations- To <u>suspend</u> business relations if uncompleted <u>before 120 days</u>- To <u>terminate</u> the business relations if uncompleted <u>after 120 days</u>	<ul style="list-style-type: none">• CDD measures shall apply to all new and existing clients in the first year of EP 200 implementation



EP 200 requirements on CDD

- When to perform enhanced CDD?

- Firms should perform enhanced CDD measures when:
 - There are *higher risks* of money laundering or terrorist financing; or
 - *Political Exposed Persons (PEPs)* are identified/involved
 - *BO is a foreign PEP*
- Firms should also have an appropriate risk management system in place to determine whether clients or BO are foreign PEPs. E.g. proactive steps should be taken to:
 - Assess clients' risk profiles and business model
 - Verify CDD information obtained from client; and
 - Carry out firm's own research on such clients

ACRA's expectations on compliance with EP 200

- Records keeping

EP 200 requirements	ACRA's expectations
<p>Firms shall <u><i>prepare, maintain and retain documentation</i></u> on all its business relations with, and transactions for its clients such that:</p> <ul style="list-style-type: none"> - All requirements imposed by law are met; - Any individual transaction can be reconstructed so as to provide evidence for prosecution of criminal activity (if necessary); - Review by relevant authorities in Singapore on firm's business relations, transaction records and CDD information is enabled and the level of compliance with relevant laws and compliance with the EP 200 can be assessed; and - Firms can satisfy, within a reasonable time imposed by law or by any requesting authority, any enquiry or order for information from the relevant authorities in Singapore 	<ul style="list-style-type: none"> • To comply as per requirements

Records keeping

- Period to retain



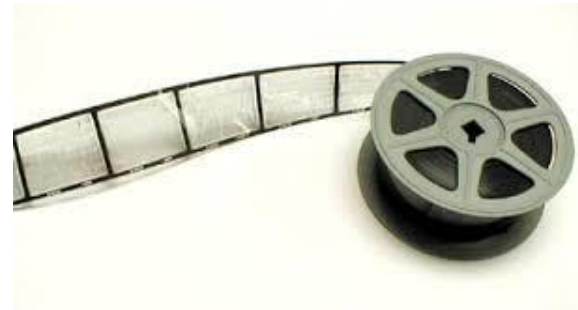
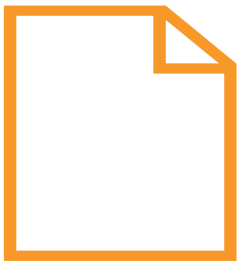
A period of at least 5 years following:

- a) The termination of business relations for all information obtained through CDD measures;
- b) The completion of the transaction and/or search performed for record keeping purposes

Records keeping

- What to maintain?

Records can be maintained in:



- A complete file of all internal STRs filed should be maintained, whether or not these were subsequently reported, together with all internal findings and analysis done in relation to them
- All these internal reports should be excluded from client files to avoid inadvertent or inappropriate disclosure of information and protect against the threat of tipping off

ACRA's expectations on compliance with EP 200

- Reporting procedures

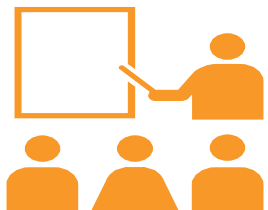
EP 200 requirements	ACRA's expectations
Establish <u>a single reference point</u> within the firm to whom all employees are instructed to promptly refer all transactions suspected of being connected with money laundering or terrorist financing for possible reporting to STRO	<ul style="list-style-type: none">• To comply as per requirements



ACRA's expectations on compliance with EP 200

- Ongoing training

EP 200 requirements	ACRA's expectations
<p><u>All levels</u> of professional staff have undergone training on EP 200</p>	<ul style="list-style-type: none"> As per requirements, not restricted to just audit staff
<p>Refresher training should be held at least once every 2 years, or more regularly when there have been significant developments</p>	<ul style="list-style-type: none"> As per requirements



Ongoing training

- What to cover in Firm's training programme?

EP 200 requirements:

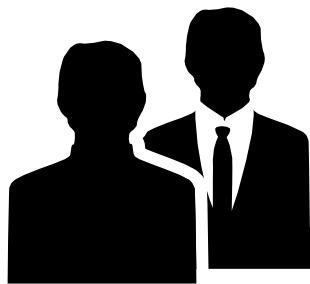
Firm's training programme may be tailored accordingly to its size, nature and complexity, and should cover (at a minimum) the following:

- Requirements of the AML and CFT legislations;
- Prevailing techniques, methods and trends in money laundering and terrorist financing;
- Indications of money laundering and terrorist financing;
- Risks of tipping-off;
- Firm's internal policies, procedures and controls on AML and CFT, and the roles and responsibilities of professional accountants
- The need to obtain legal advice in situations where there is doubt about the legal framework and requirements

Ongoing training

- Who should attend EP 200 training?

Per EP 200 requirements:



- To ensure the effectiveness of training, firm should monitor attendance and take appropriate follow-up action on staff who absent themselves without reasons
- Evidence of firm's assessment of training needs and steps taken to meet such needs
 - Information to be retained for at least 5 years (in line with the record retention policy)

ACRA's expectations on compliance with EP 200

- Hiring

EP 200 requirements	ACRA's expectations
Professional firms should have adequate screening procedures in place to ensure high standards when hiring employees	<ul style="list-style-type: none"><li data-bbox="981 439 1524 576">• To comply as per requirements



Changes on EP 200 introduced on 28 March 2017

- To come into effect from 1 June 2017

Key changes introduced include:

- a) Added definitions of “connected party” and “PEP”
- b) Provide clarity on identification and verification of BOs
- c) Removal of exemption for identification and verification of BO for government entities
- d) Disclosure of trustee status
- e) Extend screening requirements to cover the BO of the client, natural persons appointed to act on behalf of client and connected parties of the client
- f) Make existing Supplement A of EP 200 mandatory for auditors

Thank you



Q & A Session





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