

SUMMARY OF PROPOSED AMENDMENTS TO THE ACCOUNTANTS ACT (“AA”)

| S/N | Current requirement(s) | Proposed amendment(s) | Rationale | Bill clauses [AA sections] |
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| <u>Expanding the scope of ACRA’s inspection powers</u> | | | | |
| 1(i) | Currently, ACRA carries out a practice monitoring programme (“PMP”) to ascertain whether a public accountant (“PA”) has complied with the prescribed standards, methods, procedures and other requirements when providing public accountancy services (“PAS”), i.e. “ engagement-level inspections ”. Under the PMP, a practice review, i.e. a study, appraisal, or review of one or more aspects of the professional work of a PA, is conducted. | Enhance ACRA’s regulatory regime to include inspections of: a) accounting entities (“AEs”) for compliance with quality control standards (“ QC inspections ”); and b) AEs and PAs for compliance with Anti-Money Laundering and Countering the Financing of Terrorism (AML / CFT) requirements (“ AML/ CFT inspections ”). | To specify ACRA’s powers to conduct: a) QC inspections on AEs, mandate AEs to remediate lapses uncovered during the inspections and impose sanctions on AEs where necessary, so that audit firms will deliver consistent high audit quality. This is aligned with the practice of other audit regulators in Australia, Canada, the UK and US. b) AML/CFT inspections to address AML/ CFT risks, in line with recommendations by the Financial Action Task Force (FATF). | Clause 12 [Part VA Sections 38B, 38C, 38D, 38E, 38F, 38G, 38H, 38I, 38J] |
| 1(ii) | The Public Accountants Oversight Committee (“PAOC”) may appoint any employee of the | The PAOC, excluding members who are PAs (“ PAOC (less PAs) ”) will appoint “ entity reviewers ” to carry out QC inspections or AML/CFT inspections. The PAOC will | To provide that PAOC will not consist of any PA members in deciding the outcome of the QC inspections and AML/CFT | Clause 6 [Section 32] |

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| | Authority or any other suitably qualified person as a reviewer to carry out practice reviews. | <p>continue to appoint “practice reviewers” to carry out engagement-level inspections.</p> <p>An entity reviewer will submit a report on the QC and AML/CFT inspections to the Registrar, who will then make its recommendation on the outcome of inspections to the PAOC (less PAs) for its decision. As for engagement-level inspections, a practice reviewer will continue to submit a report to the Practice Monitoring Subcommittee (“PMSC”) who will make its recommendation on the outcome of the practice reviews to the PAOC for its decision.</p> | inspections, so that PAs do not have access to commercially sensitive firm-level information. Similarly, reports on the QC and AML/CFT inspections are to be submitted to the Registrar for recommendation to the PAOC (less PAs), instead of the PMSC (as the PMSC primarily consists of members who are PAs). | <p>Clause 8 [Section 35]</p> <p>Clause 9 [Section 36]</p> <p>Clause 10 [Section 37]</p> |
| 1(iii) | The PA undergoing the PMP is required to pay a specified fee in connection with the administration of the PMP. | Fees for all inspections may be prescribed (i.e. engagement-level, QC and AML.CFT inspections). | To align with current engagement-level inspections, where fees are prescribed for administration of the PMP. | <p>Clause 7 [Section 33]</p> <p>Clause 12 [Section 38D(3)]</p> |
| <u>Introduction of 3-tier assessment framework for engagement-level and QC inspections</u> | | | | |
| 2 | The current assessment framework for the PMP (i.e. engagement-level inspections) is binary, i.e. either a “pass” or “fail” outcome. | <p>Change the assessment framework to a 3-tiered outcome:</p> <p>a) satisfactory;</p> <p>b) needs improvement; and</p> <p>c) not satisfactory</p> <p>which will apply to both engagement-level and QC inspections.</p> | To reframe assessment outcomes more positively, with the aim of encouraging remediation by PAs / AEs to improve compliance with professional standards. | See 2a and 2b below |

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| <i>2a</i> | <i>Engagement-level inspections</i> | | | |
| 2a(i) | <p>Under Section 38(1)(a), if a PA fails the PMP, the PAOC may impose one or more of the following orders:</p> <p>i) Restrict the provision of PAS by the PA;</p> <p>ii) Require the PA to complete a remedial programme;</p> <p>iii) Require the PA to take steps to improve the practice or give an undertaking as the PAOC thinks fit; or</p> <p>iv) Other orders.</p> | <p>(A) If a PA’s compliance with professional standards “<u>needs improvement</u>”, the PAOC may impose one or more of the following orders:</p> <p>a) Require the PA to complete a remedial programme (“Remedial order”);</p> <p>b) Require the PA to take any other steps to improve his practice (“Improvement order”);</p> <p>c) Require the PA to give any undertaking (“Undertaking order”);</p> <p>d) Any other order (“Other order”).</p> <p>(B) If a PA’s compliance with professional standards is “<u>not satisfactory</u>”, the PAOC may impose any of the following orders:</p> <p>a) Cancel the PA’s registration (“Cancellation order”);</p> <p>b) Suspend the PA’s registration for a period not exceeding 2 years (“Suspension order”);</p> <p>c) Refuse renewal of the PA’s registration (“Refuse Renewal order”); or</p> <p>d) One or more of the following:</p> | <p>To provide for orders that may be imposed under a 3-tier assessment framework, based on the nature and extent of non-compliance with professional standards by PAs.</p> | <p>Clause 5 [Section 13(3)]</p> <p>Clause 7 [Section 33]</p> <p>Clause 11 [Sections 38(1), 38(2)]</p> |

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| | | <ul style="list-style-type: none"> i) Restrict the provision of PAS by the PA for a period not exceeding 2 years (“Restriction order”); ii) Remedial order; iii) Improvement order; iv) Undertaking order; v) Require the PA to send a copy of the order served on him to the audited entity (“Send order”)¹; or vi) Other order. | | |
| 2a(ii) | Under Section 38(3), in a situation where the PAOC has made an order referred to in Section 38(1)(a), the PAOC may, having regard to any change in circumstances, by another order revoke the original order or revoke or vary any of the conditions imposed by the original order. | If there are changes in circumstances following the imposition of an order under (A) or (B)(d) above, the PAOC may revoke or vary the original order and impose one or more different orders under (A) or (B)(d) respectively. | To specify actions that may be taken regarding changes in circumstances following issuance of orders, including the imposition of “ <i>one or more different orders</i> ” (in addition to revocation and variation of the original order). | Clause 11 [Sections 38(3), 38(4)] |
| 2a(iii) | Under Section 38(1)(b), in a situation where the PAOC is of the opinion that it is contrary to the | If a PA has failed to comply with an order under (A) or (B)(d) above, the PAOC may impose any of the following orders: <ul style="list-style-type: none"> a) Cancellation order; | To provide for orders that may be imposed, if a PA has failed to comply with the original order imposed. | Clause 11 [Section 38(5)] |

¹ Please refer to S/N 8 for more details.

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| | <p>public interest for a PA to continue in practice or where the PA has failed to comply with an order referred to in Section 38(1)(a), the PAOC may impose one of the following orders:</p> <ul style="list-style-type: none"> i) Refuse renewal of the PA's registration; ii) Suspend the PA's registration for a period not exceeding 2 years; or iii) Cancel the PA's registration. | <ul style="list-style-type: none"> b) Suspension order; or c) Refuse Renewal order. | | |
| 2a(iv) | <p>Under Section 38(5), an order in relation to a cancellation, suspension or refusal to renew registration shall not take effect:</p> <ul style="list-style-type: none"> a) until the expiration of one month from the date on which the decision has been | <p>A Cancellation order, Suspension order (including other orders imposed with the suspension order²) or Refuse Renewal order does not take effect until the latest of the following:</p> <ul style="list-style-type: none"> a) one month after the date the order has been served on the PA; b) the date specified by the PAOC in the order; or c) where an appeal against the order is made to the High Court, the date immediately after | <p>To provide that the PAOC is able to specify when an order in relation to a cancellation, suspension or refusal to renew registration will take effect, as there may be instances whereby it is not feasible for the order to take effect one</p> | <p>Clause 11 [Section 38(10)]</p> |

² See proposed amendment in S/N 4.

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| | <p>communicated to the PA; or</p> <p>b) where an appeal against the decision is made to the High Court, until the appeal has been determined or withdrawn.</p> | <p>the date the appeal has been determined or withdrawn.</p> | <p>month after the date the order has been served³.</p> | |
| 2b | <i>Quality Control inspections</i> | | | |
| 2b(i) | Nil | <p>(A) If an AE’s compliance with quality control standards “<u>needs improvement</u>”, the PAOC (less PAs) may impose one or more of the following:</p> <p>a) Require the AE to complete a remedial programme (“Remedial order”);</p> <p>b) Require the AE to take any other steps to improve its compliance with the quality control standards (“Improvement order”);</p> <p>c) Require the AE to give any undertaking (“Undertaking order”); or</p> <p>d) Any other orders (“Other order”).</p> <p>(B) If an AE’s compliance with quality control standards is “<u>not satisfactory</u>” grading, the PAOC (less PAs) may impose any of the following:</p> | <p>To provide for orders that may be imposed under a 3-tier assessment framework, based on the nature and extent of non-compliance with quality control standards by AEs.</p> <p>These orders are in line with practices in other jurisdictions with established independent audit regulation.</p> | <p>Clause 12 [Sections 38H(1), 38H(2)]</p> |

³ For example, as proposed amendment S/N 4 will allow the PAOC to issue other orders accompanying a suspension order, the PAOC will need to stipulate the date in which the other orders will take effect after the suspension order is served.

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| | | <ul style="list-style-type: none"> a) Revoke the approval granted to the AE (“Revocation order”); b) Suspend the AE from providing PAS for a period not exceeding 2 years (“Suspension order”); or c) One or more of the following: <ul style="list-style-type: none"> i) Restrict the provision of PAS by the AE for a period not exceeding 2 years (“Restriction order”); ii) Impose a financial penalty not exceeding the lower of \$250,000 or 5% of the AE’s audit turnover (“Financial Penalty order”); iii) Remedial order; iv) Improvement order; v) Undertaking order; vi) Other order | | |
| 2b(ii) | Nil | If there are changes in circumstances following the imposition of an order under (A) or (B)(c) above, the PAOC (less PAs) may revoke or vary the original order and impose one or more different orders under (A) or B(c) respectively. | To specify actions that may be taken regarding changes in circumstances following issuance of orders. | Clause 12 [Sections 38H(3), 38H(4)] |
| 2b(iii) | Nil | If an AE has failed to comply with a Remedial, Improvement, Undertaking, Other or Restriction order, as applicable under (A) or (B)(c), the PAOC (less PAs) may impose any of the following: <ul style="list-style-type: none"> a) Revocation order; | To provide for orders that may be imposed, if an AE has failed to comply with the original order imposed. | Clause 12 [Sections 38H(5), 38H(8)] |

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| | | <p>b) Suspension order; or c) Financial Penalty order (only if a Financial Penalty order was not imposed together with the original order).</p> <p>If an AE has failed to comply with a Financial Penalty order, PAOC (less PAs) may impose any of the following: a) Revocation order; or b) Suspend the AE from providing PAS for a period not exceeding 12 months.</p> | | |
| 2b(iv) | Nil | An AE issued with an order in relation to a revocation of approval, a suspension from providing PAS (including other orders imposed with the suspension order) or imposition of financial penalty will have the opportunity to show cause against the proposed order. | To specify orders that AEs may show cause against. | Clause 12 [Section 38H(10)] |
| 2b(v) | Nil | <p>An order in relation to a revocation of approval, a suspension from providing PAS (including other orders imposed with the suspension order) or imposition of financial penalty does not take effect until the latest of the following: a) one month after the date the order has been served on the AE; b) the date specified by the PAOC (less PAs) in the order; or c) where an appeal against the order is made to the High Court, the date immediately after</p> | To specify when an order in relation to a revocation of approval, suspension or financial penalty will take effect. | Clause 12 [Section 38H(11)] |

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| | | the date the appeal has been determined or withdrawn. | | |
| 2b(vi) | Nil | An AE aggrieved by an order in relation to a revocation of approval, a suspension from providing PAS (including other orders imposed with the suspension order) or imposition of financial penalty may appeal to the High Court within 30 days after the order is served. | To specify when an appeal against an order in relation to a revocation of approval, suspension or financial penalty may be made. | Clause 12 [Section 38H(12)] |
| <u>Specifying the assessment framework for AML/CFT requirements inspections</u> | | | | |
| 3(i) | Nil | <p>(A) If an <u>AE</u> has not complied with the AML/ CFT requirements, the PAOC (less PAs) may impose the following orders:</p> <p>a) Revoke the approval granted to the AE (“Revocation order”);</p> <p>b) Suspend the AE from providing PAS for a period not exceeding 12 months (“AML/CFT Suspension-order”); or</p> <p>c) One or more of the following orders:</p> <p>i) Restrict the provision of PAS by the AE for a period not exceeding 12 months (“AML/CFT Restriction order”);</p> <p>ii) Impose a financial penalty for each breach of the AML/ CFT</p> | <p>To introduce sanctions/orders that may be imposed on AEs and PAs for non-compliance with AML/CFT requirements, which are largely aligned with ACRA’s AML/CFT regime for Registered Filing Agent (RFAs) and Registered Qualified Individuals (RQIs).</p> <p>Proposed AML/CFT inspections are in line with FATF recommendations.</p> | Clause 12 [Sections 38I(1), 38J(1)] |

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| | | <p style="text-align: center;">requirement (“Financial Penalty order”); or iii) Censure the AE (“Censure order”).</p> <p>(B) If a <u>PA</u> has not complied with the AML/CFT requirements, the PAOC (less PAs) may impose the following orders:</p> <p>a) Cancel the PA’s registration (“Cancellation order”);</p> <p>b) Suspend the PA’s registration for a period not exceeding 12 months (“AML/CFT Suspension order”); or</p> <p>c) One or more of the following orders:</p> <p>i) Restrict the provision of PAS by the PA for a period of not exceeding 12 months (“AML/CFT Restriction order”);</p> <p>ii) Impose a financial penalty for each breach of the AML/ CFT requirement (“Financial Penalty order”); or</p> <p>iii) Censure the PA (“Censure order”).</p> | | |
| 3(ii) | Nil | If there are changes in circumstances following the imposition of an order under (A)(c) or (B)(c) | To specify actions that may be taken regarding changes in | Clause 12 [Sections |

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| | | on an AE or a PA respectively, the PAOC (less PAs) may revoke or vary the original order and impose one or more different orders under (A)(c) or (B)(c) respectively. | circumstances following issuance of orders. | 38I(2), 38J(2)] |
| 3(iii) | Nil | <p>If an AE has failed to comply with an AML/CFT Restriction or Financial Penalty order under (A)(c)(i) and (A)(c)(ii), the PAOC (less PAs) may impose any of the following:</p> <p>a) Revocation order;</p> <p>b) AML/CFT Suspension order</p> <p>If a PA has failed to comply with an AML/CFT Restriction or a Financial Penalty order under (B)(c)(i) or (B)(c)(ii), the PAOC (less PAs) may impose any of the following:</p> <p>a) Cancellation order; or</p> <p>b) AML/CFT Suspension order.</p> | To provide for orders that may be imposed, if an AE or PA has failed to comply with the original order imposed. | Clause 12 [Sections 38I(3), 38I(6), 38J(3), 38J(6)] |
| 3(iv) | Nil | An AE or PA issued with a Revocation order or Cancellation order, AML/CFT Suspension order (including other orders imposed with the suspension order) or Financial Penalty order under the AML/CFT inspections will have the opportunity to show cause against the order. | To specify the orders that the AE or PA may show cause against | Clause 12 [Sections 38I(8), 38J(8)] |
| 3(v) | Nil | A Revocation or Cancellation order, AML/CFT Suspension order (including other orders imposed with the suspension order) or Financial Penalty order does not take effect until the latest of the following: | To specify when an order in relation to a revocation, suspension or financial penalty will take effect. | Clause 12 [Sections 38I(9), 38J(9)] |

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| | | a) one month after the date the order has been served on the AE or PA; b) the date specified by the PAOC (less PAs) in the order; or c) where an appeal against the order is made to the High Court, the date immediately after the date the appeal has been determined or withdrawn. | | |
| 3(vi) | Nil | An AE or PA aggrieved by a Revocation or Cancellation order, AML/CFT Suspension order (including other orders imposed with the suspension order) or Financial Penalty order may appeal to the High Court within 30 days after the order is served. | To specify when an appeal against an order in relation to a revocation/cancellation, suspension or financial penalty may be made. | Clause 12 [Sections 38I(10), 38J(10)] |
| <u>Imposition of other orders on suspended PAs and AEs</u> | | | | |
| 4 | PAOC is unable to impose other orders on suspended PAs/ PAEs during their suspension period as they are deemed not to be PAs / PAEs. | Allow the PAOC or PAOC (less PAs) to impose other orders as applicable, on suspended PAs / AEs. | To enhance ACRA's regulatory powers such that other orders (e.g. remedial actions) may be imposed on suspended PAs / AEs. | Clause 11 [Section 38(6)] Clause 12 [Part VA Sections 38H(6), 38I(4), 38J(4)] |
| <u>Holding out prohibitions on suspended PAs and AEs</u> | | | | |

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| 5 | <p>Section 56 sets out the prohibitions on:</p> <p>i) a person who is not registered as a PA to practice, advertise or hold himself out as a PA, and</p> <p>ii) a body corporate/partnership or any other unincorporated body/ limited liability partnership which is not approved as an AE to provide PAS, advertise or hold itself out as an AE.</p> | <p>Clarify that a PA whose registration is suspended must not practise as a PA, or advertise or hold himself out to be a registered PA or is authorised to provide PAS in Singapore during the period of his suspension.</p> <p>Clarify that an AE that is suspended from providing PAS must not provide PAS, or advertise or hold itself out to be a registered AE or is authorised to provide PAS in Singapore during the period of its suspension.</p> | <p>The Act is currently silent on the prohibitions on suspended PAs and AEs. It is implicit that the prohibitions in Section 56 are extended to suspended PAs / AEs by virtue of them not being deemed as PAs / AEs under Sections 38(6), 52(9) and 53(9) of the extant Act.</p> <p>The proposed amendments seek to clarify that suspended PAs/AEs are prohibited from providing PAS and/or holding themselves out to be registered PAs/AEs or authorized to provide PAS during their period of suspension.</p> | <p>Clause 13 [Section 52]</p> <p>Clause 14 [Section 53]</p> <p>Clause 15 [Section 56]</p> |
| <u>Maximum consecutive suspension period for PAs and AEs</u> | | | | |
| 6 | Nil | Specify that consecutive suspension orders made against a PA or AE must not exceed a period of more than 2 years in aggregate. | To specify the maximum suspension period that can be imposed on a PA or AE consecutively, as the Act is currently silent on this. | Clause 16 [Section 56A] |
| <u>Consequences for refusing to undergo PMP</u> | | | | |
| 7 | Section 33(1) gives the PAOC the discretion to | Specify that: | To specify the consequences for refusal to undergo ACRA's | Clause 11 [Section 38A] |

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| | require PAs to undergo PMP as a condition to remain in practice. | <p>a) the PAOC may suspend registration of PAs for up to two years if they refuse to undergo engagement-level inspections without reasonable excuse. This is to clarify the PAOC’s existing powers under section 33(1).</p> <p>b) the PAOC (less PAs) may suspend AEs from providing PAS for up to two years if they refuse to undergo QC inspections or AML/ CFT inspections without reasonable excuse.</p> | regulatory inspections without reasonable excuse, which are not explicitly stated in the current Act. | Clause 12 [Part VA Section 38K] |
| <u>Disclosure of inspection outcomes to audited entity</u> | | | | |
| 8 | The current Act does not provide for the PAOC to require PAs to share engagement-level inspection findings with the audited entity. | <p>Allow the PAOC to require a PA whose compliance with professional standards is “not satisfactory” for that particular engagement-level inspection to send a copy of the order served on him to the audited entity.</p> <p>If the PAOC has reason to believe that a PA has failed to comply with the order to send a copy of the order served on him to the audited entity, the PAOC may send the order to the audited entity.</p> | <p>For transparency to the audited entity, especially where there is a risk of material misstatements in the audited financial statements.</p> <p>To promote trust and confidence in audited financial statements.</p> | Clause 11 [Sections 38(2)(b)(v), 38(6), 38(8)] |
| <u>Alignment of financial penalties that can be imposed on AEs under disciplinary proceedings and QC inspections</u> | | | | |
| 9 | Under Section 53(2)(d), the PAOC may impose on AEs a penalty not exceeding | The maximum financial penalties that could be imposed on AEs under Disciplinary Proceedings will be amended to \$250,000 to | To align the maximum financial penalties that could be imposed on AEs under | Clause 14 [Section 53] |

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| | \$100,000 under Disciplinary Proceedings. | align with the maximum financial penalties that could be imposed on AEs under QC inspections. | disciplinary proceedings with QC inspections to ensure equity in treatment (e.g. when a complaint relating to a lapse in quality controls by a AE is dealt with under disciplinary proceedings for professional misconduct). The revised maximum financial penalties are benchmarked against other jurisdictions and agencies. | |
| <u>Prescribing of professional standards</u> | | | | |
| 10 | Section 5(g)(ii) provides that the PAOC shall assist ACRA in determining, prescribing and reviewing the standards, methods and procedures to be applied by PAs when providing PAS. | <p>Empower the PAOC to prescribe, by order in the Gazette, professional standards⁵ and code of professional conduct and ethics applicable to PAs and AEs.</p> <p>The Authority will continue to prescribe requirements and standards that are not prescribed by the PAOC. Specifically, the Authority will prescribe AML/CFT requirements which are applicable to PAs and AEs. These requirements will cover the following key areas, amongst others: Performance of customer due diligence (CDD) measures (including simplified CDD, enhanced</p> | To allow the PAOC to prescribe professional standards and code of professional conduct and ethics applicable to PAs and AEs for efficiency and expediency. | <p>Clause 2 [Section 2]</p> <p>Clause 4 [Section 5(1)]</p> <p>Clause 17 [Section 64]</p> <p>Clause 18 [Section 64AA]</p> |

⁵ These include standards, methods, procedures and other requirements when auditing and reporting on financial statements; as well as quality control standards.

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| | | <p>CDD and performance of CDD by third parties); identification and verification of identity of clients and agents (including beneficial owners); screening; timing for verification; ongoing monitoring; requirements to cease transactions; records keeping, internal policies, procedures and controls; group policy; duty to assess and report; provision for information; politically-exposed persons; audit and compliance management; and employees. Details will be set out in the new Rules.</p> | | <p>Clause 20 [Second Schedule]</p> |