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First published in the Government *Gazette*, Electronic Edition, on 13 March 2020 at 5 pm.

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## **No. S 172**

### **ACCOUNTANTS ACT (CHAPTER 2)**

### **ACCOUNTANTS (PUBLIC ACCOUNTANTS) (AMENDMENT NO. 2) RULES 2020**

In exercise of the powers conferred by section 64 of the Accountants Act, the Accounting and Corporate Regulatory Authority, with the approval of the Minister for Finance, makes the following Rules:

#### **Citation and commencement**

1. These Rules are the Accountants (Public Accountants) (Amendment No. 2) Rules 2020 and come into operation on 1 April 2020.

#### **Amendment of Fourth Schedule**

2. The Fourth Schedule to the Accountants (Public Accountants) Rules (R 1) is amended —

- (a) by inserting, immediately after the item relating to section 220 under the heading “CONTENTS”, the following item:

“225                      Responding to Non-Compliance with Laws and Regulations”;

- (b) by deleting the word “action” in paragraph 100.5(e) and substituting the word “conduct”;
- (c) by deleting the words “Instances in which the public accountant may consider obtaining legal advice vary. For example, a public accountant may have encountered a fraud, the reporting of which could breach the public accountant’s responsibility to respect confidentiality. The

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public accountant may consider obtaining legal advice in that instance to determine whether there is a requirement to report.” in paragraph 100.23;

- (d) by deleting the words “where possible” in paragraph 100.24 and substituting the words “unless prohibited by law”;
- (e) by inserting, immediately after paragraph 100.25, the following paragraph:

“100.26            In some cases, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters are communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, the matters need not be communicated again with those same person(s) in their governance role. The public accountant or firm shall nonetheless be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the public accountant or firm would otherwise communicate in their governance capacity.”;

- (f) by deleting the word “The” in paragraph 140.7 and substituting the words “As a fundamental principle, confidentiality serves the public interest because it facilitates the free flow of information from the public accountant’s client to the public accountant. Nevertheless, the”;
- (g) by deleting sub-paragraph (iv) of paragraph 140.7(c) and substituting the following sub-paragraph:

“(iv) To comply with technical and professional standards, including ethical requirements.”;

(h) by deleting the words “action that the public accountant knows or should know may discredit the profession. This includes actions” in paragraph 150.1 and substituting the words “conduct that the public accountant knows or should know may discredit the profession. This includes conduct”;

(i) by inserting, immediately after the item relating to section 220 under the heading “PART B: APPLICATION GUIDANCE” after paragraph 150.2, the following item:

“Section 225      Responding to Non-Compliance with Laws and Regulations”;

(j) by deleting the sub-heading “**Client Acceptance**” immediately above paragraph 210.1 and substituting the sub-heading “**Client Acceptance and Continuance**”;

(k) by deleting paragraphs 210.1 and 210.2 and substituting the following paragraph:

“210.1              Before accepting a new client relationship, a public accountant shall determine whether acceptance would create any threats to compliance with the fundamental principles. Potential threats to integrity or professional behaviour may be created from, for example, issues associated with the client (its owners, management or activities) that, if known, could threaten compliance with the fundamental principles. These include, for example, client involvement in illegal activities (such as money laundering), dishonesty, questionable financial reporting practices or other unethical behaviour.”;

(l) by deleting the word “improve” in paragraph 210.3(b) and substituting the words “address the questionable issues, for example, through improving”;

(m) by renumbering the existing paragraphs 210.3 and 210.4 as paragraphs 210.2 and 210.3, respectively;

- (n) by deleting paragraph 210.5 and substituting the following paragraph:

“210.4 Potential threats to compliance with the fundamental principles may have been created after acceptance that would have caused the public accountant to decline the engagement had that information been available earlier. A public accountant shall, therefore, periodically review whether to continue with a recurring client engagement. For example, a threat to compliance with the fundamental principles may be created by a client’s unethical behaviour such as improper earnings management or balance sheet valuations. If a public accountant identifies a threat to compliance with the fundamental principles, the public accountant shall evaluate the significance of the threats and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level. Where it is not possible to reduce the threat to an acceptable level, the public accountant shall consider terminating the client relationship where termination is not prohibited by law or regulation.”;

- (o) by renumbering the existing paragraphs 210.6, 210.7, 210.8 and 210.9 as paragraphs 210.5, 210.6, 210.7 and 210.8, respectively;
- (p) by deleting paragraphs 210.10, 210.11, SG210.11A, SG210.11B, SG210.11C and SG210.11D and substituting the following paragraphs:

“210.9 A public accountant shall evaluate the significance of any threats. Safeguards shall be applied when necessary to eliminate any threats or reduce them to an acceptable level. Examples of such safeguards include —

- (a) When replying to requests to submit tenders, stating in the tender that, before accepting the engagement,

contact with the existing or predecessor accountant will be requested so that inquiries may be made as to whether there are any professional or other reasons why the appointment should not be accepted;

- (b) Asking the existing or predecessor accountant to provide known information on any facts or circumstances that, in the existing or predecessor accountant's opinion, the proposed public accountant needs to be aware of before deciding whether to accept the engagement. For example, the apparent reasons for the change in appointment may not fully reflect the facts and may indicate disagreements with the existing or predecessor accountant that may influence the decision to accept the appointment; and
- (c) Obtaining necessary information from other sources.

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When the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, a public accountant shall, unless there is satisfaction as to necessary facts by other means, decline the engagement.”;

- (q) by deleting the words “existing accountant” wherever they appear in paragraphs 210.12, 210.13 and 210.14 and substituting in each case the words “existing or predecessor accountant”;
- (r) by deleting the words “legal and other” in paragraph 210.14 and substituting the words “laws and”;
- (s) by renumbering the existing paragraphs 210.12, 210.13 and 210.14 as paragraphs 210.11, 210.12 and 210.13, respectively;