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**No. S 789**

**ACCOUNTANTS ACT  
(CHAPTER 2)**

**ACCOUNTANTS (PUBLIC ACCOUNTANTS)  
(AMENDMENT) RULES 2018**

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) Rules 2018 and come into operation on 15 December 2018.

**Amendment of Fourth Schedule**

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

- (a) by deleting the word “Senior” in the heading opposite paragraph 290.148 under the “CONTENTS” of Section 290;
- (b) by deleting the word “**Senior**” in the heading immediately before paragraph 290.148;
- (c) by deleting paragraphs 290.148 to 290.153 and substituting the following paragraphs:

“290.148 Familiarity and self-interest threats, which may impact an individual’s objectivity and professional scepticism, may be created and may increase in significance when an individual is involved in an audit engagement over a long period of time.

Although an understanding of an audit client and its environment is fundamental to audit quality, a

familiarity threat may be created as a result of an individual's long association as a member of the audit team with:

- (a) The audit client and its operations;
- (b) The audit client's senior management; or
- (c) The financial statements on which the firm will express an opinion or the financial information which forms the basis of the financial statements.

A self-interest threat may be created as a result of an individual's concern about losing a longstanding client or an interest in maintaining a close personal relationship with a member of senior management or those charged with governance, and which may inappropriately influence the individual's judgment.

290.148A The significance of the threats will depend on factors, individually or in combination, relating to both the individual and the audit client.

- (a) Factors relating to the individual include:
  - (i) The overall length of the individual's relationship with the client, including if such relationship existed while the individual was at a prior firm;
  - (ii) How long the individual has been a member of the engagement team, and the nature of the roles performed;
  - (iii) The extent to which the work of the individual is directed, reviewed and supervised by more senior personnel;
  - (iv) The extent to which the individual, due to the individual's seniority, has the ability to influence the outcome of the audit, for example, by making key decisions or directing the work of other members of the engagement team;
  - (v) The closeness of the individual's personal relationship with senior management or those charged with governance;

- (vi) The nature, frequency and extent of the interaction between the individual and senior management or those charged with governance.

(b) Factors relating to the audit client include:

- (i) The nature or complexity of the client's accounting and financial reporting issues and whether they have changed;
- (ii) Whether there have been any recent changes in senior management or those charged with governance;
- (iii) Whether there have been any structural changes in the client's organisation which impact the nature, frequency and extent of interactions the individual may have with senior management or those charged with governance.

290.148B The combination of two or more factors may increase or reduce the significance of the threats. For example, familiarity threats created over time by the increasingly close relationship between an individual and a member of the client's senior management would be reduced by the departure of that member of the client's senior management and the start of a new relationship.

290.148C The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- (a) Rotating the individual off the audit team;
- (b) Changing the role of the individual on the audit team or the nature and extent of the tasks the individual performs;
- (c) Having a professional accountant who was not a member of the audit team review the work of the individual;
- (d) Performing regular independent internal or external quality reviews of the engagement;
- (e) Performing an engagement quality control review.

- 290.148D If a firm decides that the threats are so significant that rotation of an individual is a necessary safeguard, the firm shall determine an appropriate period during which the individual shall not be a member of the engagement team or provide quality control for the audit engagement or exert direct influence on the outcome of the audit engagement. The period shall be of sufficient duration to allow the familiarity and self-interest threats to independence to be eliminated or reduced to an acceptable level. In the case of a public interest entity, paragraphs 290.149 to 290.153 also apply.

*Audits of Public Interest Entities*

- 290.149 In respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination of such roles, for a period of more than seven cumulative years (the “time-on” period):

- (a) The engagement partner;
- (b) The individual appointed as responsible for the engagement quality control review; or
- (c) Any other key audit partner role.

After the time-on period, the individual shall serve a “cooling-off” period in accordance with the provisions in paragraphs 290.149B to 290.149I and 290.153A.

- 290.149A In calculating the time-on period, the count of years cannot be restarted unless the individual ceases to act in any one of the above roles for a consecutive period equal to at least the cooling-off period determined in accordance with paragraphs 290.149B to 290.149D as applicable to the role in which the individual served in the year immediately before ceasing such involvement. For example, an individual who served as engagement partner for four years followed by three years off can only act thereafter as a key audit partner on the same audit engagement for three further years (making a total of seven cumulative years). Thereafter, that individual is required to cool off in accordance with paragraph 290.149E.

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*Cooling-off Period*

- 290.149B If the individual acted as the engagement partner for seven cumulative years, the cooling-off period shall be five consecutive years.
- 290.149C Where the individual has been appointed as responsible for the engagement quality control review and has acted in that capacity for seven cumulative years, the cooling-off period shall be three consecutive years.
- 290.149D If the individual has acted in any other capacity as a key audit partner for seven cumulative years, the cooling-off period shall be two consecutive years.

*Service in a combination of key audit partner roles*

- 290.149E If the individual acted in a combination of key audit partner roles and served as the engagement partner for four or more cumulative years, the cooling-off period shall be five consecutive years.
- 290.149F If the individual acted in a combination of key audit partner roles and served as the key audit partner responsible for the engagement quality control review for four or more cumulative years, the cooling-off period shall, subject to paragraph 290.149G(a), be three consecutive years.
- 290.149G If an individual has acted in a combination of engagement partner and engagement quality control review roles for four or more cumulative years during the time-on period, the cooling-off period shall be:
- (a) Five consecutive years where the individual has been the engagement partner for three or more years; or
  - (b) Three consecutive years in the case of any other combination.
- 290.149H If the individual acted in any other combination of key audit partner roles, the cooling-off period shall be two consecutive years.