

Public Accountants Board (Amendment) Rules 2002

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No. S 496

ACCOUNTANTS ACT (CHAPTER 2)

PUBLIC ACCOUNTANTS BOARD (AMENDMENT) RULES 2002

In exercise of the powers conferred by section 74 of the Accountants Act, the Public Accountants Board, with the approval of the Minister for Finance, hereby makes the following Rules:

Citation and commencement

1. These Rules may be cited as the Public Accountants Board (Amendment) Rules 2002 and shall come into operation on 1st October 2002.

Amendment of Third Schedule

2. The Third Schedule to the Public Accountants Board Rules (R1, 2002 Ed.) is amended —

(a) by inserting, immediately after sub-paragraph (7) of paragraph 1, the following sub-paragraphs:

“(8) No public accountant shall be substantially engaged in any

business other than that of a public accountant.

(9) No public accountant shall give any assistance or his services by the use of his name or in any other manner to advance or promote any illegal activity of a client.

(10) No public accountant shall make, prepare, attest to or certify any statement which he knows to be —

- (a) false, incorrect or misleading; or
- (b) open to misconstruction by reason of any error, omission or suppression of a material fact or otherwise.

(11) A public accountant shall inform a client of the nature of any business connection, affiliation or interest which might influence his judgment or impair the disinterested quality of his services to such client.”; and

- (b) by deleting the heading “INTEGRITY, OBJECTIVITY AND INDEPENDENCE” and paragraph 2 and substituting the following heading and paragraphs:

INDEPENDENCE

Definitions

2. In paragraphs 2A to 2R, unless the context otherwise requires —

“affiliated entity”, in relation to an accounting corporation, accounting firm, or public accountant directly involved in the audit, means —

- (a) an entity, directly or indirectly, under common control, ownership or management with the accounting corporation or accounting firm;
- (b) an entity, directly or indirectly, under the control, ownership or management of the public accountant or his immediate family members;
- (c) an entity that is, or holds itself out to be, part of the accounting corporation or accounting firm nationally or internationally; or
- (d) an entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude is part of the accounting corporation or accounting firm nationally or internationally;

“audit client” means an entity in respect of which an audit is conducted and, in the case of a public entity, includes its holding companies, subsidiary companies and associated companies where the audit client is the single largest shareholder;

“covered party” means —

- (a) an accounting corporation or accounting firm involved in an audit; or
- (b) a public accountant or staff member of the accounting corporation or accounting firm who is directly involved in the audit;

“economic interest” includes shareholding interests, loans, bonds or other financial instruments held directly or indirectly, but does not include independently managed public unit trusts, mutual funds and tracker funds;

“immediate family member” means a spouse, child, adopted child, step-child, brother, sister or parent.

Overriding Principles

2A.—(1) For the purposes of paragraphs 2B to 2R —

- (a) a self-interest threat occurs when a covered party is likely to benefit from an economic interest in, or other self-interest conflict with, an audit client;
- (b) a self-review threat occurs when —
 - (i) any product or judgment of a previous audit engagement or non-audit engagement needs to be re-evaluated in reaching conclusions on the audit engagement; or
 - (ii) a member of the audit team was previously a director or officer of the audit client, or was an employee in a position to influence the subject-matter of the audit engagement;
- (c) an advocacy threat occurs when a covered party promotes, or may be perceived to promote, an audit client’s position or opinion such that objectivity may or may be perceived to be compromised such as when the covered party involved in the audit subordinates its judgment to that of the audit client;
- (d) a familiarity threat occurs when, by virtue of a close relationship with an audit client, its directors, officers or employees, a covered party becomes too sympathetic to the interests of the audit client; and

- (e) an intimidation threat occurs when a covered party may be deterred from acting objectively and exercising professional skepticism by threats (actual or perceived) from the directors, officers or employees of an audit client.

(2) A covered party shall not act in a way affected by any of the threats referred to in sub-paragraph (1).

(3) A covered party shall avoid doing anything or acting in any manner that would give the impression to a reasonable third party that the covered party is affected by any of the threats referred to in sub-paragraph (1).

(4) A covered party shall take all reasonable steps to comply with this paragraph and paragraphs 2B to 2R.

Economic Interest

2B.—(1) A covered party or any financially dependent immediate family member of the public accountant or staff member directly involved in the audit shall not have any economic interest in an audit client or its holding companies, subsidiaries or associates.

(2) Any public accountant or staff member of an accounting corporation or accounting firm who is not directly involved in the audit shall not have, in aggregate, economic interests in the audit client exceeding an amount equivalent to 5% of the equity share capital of the audit client and each of its holding companies, subsidiaries and associates.

(3) A covered party or any person referred to in sub-paragraph (1) or (2) shall dispose of any economic interest prohibited under this paragraph within 90 days of the covered party accepting the audit engagement and in any event, before signing of the auditor's report.

(4) The auditor's report shall disclose on an annual basis —

- (a) any economic interest held by a covered party or any person referred to in sub-paragraph (1) or (2) in the audit client and each of its holding companies, subsidiaries and associates at the beginning and end of the relevant financial year;
- (b) the date of the auditor's report; and
- (c) the gross aggregate transactions during the relevant period.

(5) In this paragraph, "associate" has the same meaning as in the Accounting Standards prescribed under section 200A of the Companies Act (Cap. 50).

Family and Personal Relationships

2C. A public accountant or staff member of an accounting corporation or accounting firm shall not undertake an audit engagement if his immediate family member —

- (a) is employed by the audit client in a role that involves accounting or financial reporting oversight; or
- (b) is an officer of the audit client at any time during the relevant financial period or during the audit engagement period.

Employment by Audit Client

2D. A public accountant shall not undertake an audit engagement if his former partner or former professional employee of his accounting corporation or accounting firm is employed by the audit client in a role that involves accounting or financial reporting oversight or as an officer of the audit client except where —

- (a) the former partner or former professional employee has severed his financial ties with the accounting corporation or accounting firm; or
- (b) the only financial ties the former partner or former professional employee has with the accounting corporation or accounting firm are pre-determined or fixed arrangements (such as pensions) that are not dependent on the revenues, profits or earnings of the accounting corporation or accounting firm.

Recent Service with Audit Client

2E.—(1) A public accountant shall not undertake an audit engagement if he was an employee, director or officer of the audit client within the last 3 years.

(2) A public accountant shall not allow a professional employee of the accounting corporation or accounting firm to be directly involved in an audit if that person was an employee, director or officer of the audit client within the last 3 years.

Close Business Relationship with Audit Client

2F.—(1) Subject to sub-paragraph (2), a covered party or affiliated entity shall not have a close business relationship with a client party.

(2) An affiliated entity may have an economic interest of not more than 5% in a business venture with a client party.

(3) A public accountant or staff member of an accounting corporation or accounting firm who is not directly involved in the audit shall not have any economic interest exceeding 5% in a business venture with the client party.

(4) In this paragraph —

“close business relationship” means —

- (a) any economic interest in any business venture with a client party;