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## **ACRA issues Enhanced Code of Professional Conduct and Ethics for Public Accountants**

**Singapore, 1 June 2009** --- From 1 August 2009 Singapore's public accountants must adhere to an enhanced Code of Professional Conduct and Ethics (the Code). The enhanced Code is based on the Code of Ethics of the International Federation of Accountants (IFAC), a global benchmark for the international accounting profession. The enhanced Code provides more guidance to Public Accountants on how to apply the principles and the independence rules, and places an expectation on public accountants to pro-actively identify and eliminate potential threats to their independence.

2. The Accounting and Corporate Regulatory Authority (ACRA), the regulator of Singapore's public accountants, has adopted the enhanced Code in place of the previous Code of the same name. The previous Code, prescribed in October 2002, is based on an earlier version of the IFAC Code and other international benchmarks.

3. The issuance of the enhanced Code is part of ACRA's commitment to providing an internationally reputed regulatory framework for auditing in Singapore.

### **Better guidance and more pro-active safeguarding of independence**

4. The enhanced Code is built on the same principles as the previous Code and continues to require public accountants to ensure professional independence in key areas. Two key improvements in the enhanced Code are, firstly, that the enhanced Code has considerably more guidance on how to apply the principles and the independence rules, and secondly, the enhanced Code places an expectation on public accountants to pro-actively identify and eliminate potential threats to their independence.

## **Better transparency: Documenting decisions that have a bearing on auditor's objectivity**

5. The enhanced Code also requires public accountants to document their decisions on independence issues to clearly demonstrate that they have complied with the professional independence requirement.

6. Ms Juthika Ramanathan, Chief Executive of ACRA said: "The Code of Professional Conduct and Ethics has long been the foundation of public confidence in the public accounting profession. The role of the profession in helping to maintain a strong corporate governance regime in Singapore is ever more evident in today's challenging economic environment. The enhanced Code will further help strengthen the profession's foundation to carry out its public interest role and ensure that public accountants pro-actively safeguard their independence and professionalism, both in fact and in the eyes of the public."

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### **Note to the Editors:**

The Code went through a public consultation process in 2007-08 under which positive support was received. Details of this consultation are contained in the annexure to this media release. IFAC is undergoing a process of updates to the Code upon which the new one is based, which are due to come into effect in January 2011. ACRA will consider adoption of these updates in due course.

### **About ACRA**

**The Accounting and Corporate Regulatory Authority (ACRA)** is the national regulator of businesses and public accountants in Singapore. It was formed on 1 April 2004, following the merger of the former Registry of Companies and Businesses (RCB) and the Public Accountants Board (PAB).

The mission of ACRA is to provide a responsive and trusted regulatory environment for businesses and public accountants. As at 30 April 2009, over 361,000 business entities and more than 860 public accountants practising in public accounting firms, accounting limited liability partnerships and accounting corporations have been registered with ACRA.

For more information, please visit [www.acra.gov.sg](http://www.acra.gov.sg)

## **Summary of Process and Changes following Public Consultation**

The Code of Professional Conduct and Ethics was released as an exposure draft for public comment in 2007, after preparation by the Public Accountants Oversight Committee's Ethics Sub-Committee. The Sub-Committee members were:

Mr Quek See Tiat (Chairman), Partner, PwC, then PAOC member (term ended 31 March 2008)

Mr Yang Ching Chao, Partner, CC Yang & Co

Mr Kon Yin Tong, Partner, Foo Kon Tan Grant Thornton, PAOC member

Mr Michael Hwang, Senior Counsel, Supreme Court of Singapore

Mr Emmanuel Daniel, Managing Director/Editor-in-chief of The Asian Banker

Technical Advisor: Kwok Wui San, Partner, PwC

Responses were received from the following parties:

### **Professional Bodies**

ACCA (Association of Chartered Certified Accountants)

ICPAS (Institute of Certified Public Accountants of Singapore)

### **Accounting Entities**

Baker Tilly TFWLCL

Ernst & Young

Foo Kon Tan Grant Thornton

PricewaterhouseCoopers

### **Dialogues**

Various accounting entities and public accountants

Overall there was full support for the proposed Code as a reputable international standard. Many accounting entities have already adopted Codes of Ethics that are compliant with the IFAC Code upon which the new Code is based.

### **Significant Amendments to the Exposure Draft**

In response to suggestions the new Code of Professional Conduct and Ethics several minor amendments were made including the two following substantive changes.

#### **Entities of Public Interest**

The current IFAC Code has rules that impose stricter independence requirements for audits of listed entities, in particular with regard non-assurance services, auditor rotation, and fees. Also, under the current IFAC Code, auditors should consider whether to apply these rules to entities that may be of significant interest.

The exposure draft proposed to apply the listed entity framework to entities of significant public interest. This was in view of the fact that in 2007 proposed revisions to the IFAC Code also proposed to extend the framework for listed entities to all entities defined as Entities of Significant Public Interest

After consultation it was considered that Singapore should at this stage adopt the framework for listed entities but not extend this to public interest entities, until the IFAC position was finalized and further study could be undertaken on the types of entities and their related entities that should be included within this definition.

In the meantime, the current IFAC approach (applied to listed companies and, to maintain the current Singapore requirements, all public companies) would still apply. For other entities that may be of public interest, the application of the listed entities framework would be encouraged.

#### **Custody of Client Assets**

Section 270 of the proposed Code states that public accountants should not assume custody of client monies or other assets unless permitted to do so by law, and in compliance with any additional legal duties.

During consultation, it was suggested that public accountants should be able to continue to hold client monies and assets of non-audit clients for a restricted set of services such as payroll services and regulated financial services. The enhanced Code allows this for non-audit clients only, and only in relation to a restricted set of services: accounting related, corporate secretarial, and regulated financial services, provided that such monies or other assets are held in accordance with the enhanced Code and all relevant laws and regulations relevant to the holding of and accounting for such assets.