



Review Times

September 2016



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1. Auditing & Assurance

1.1 ACRA announces new regulatory measures to further raise the audit quality bar

On 25 August 2016, the Accounting and Corporate Regulatory Authority (ACRA) announced that new regulatory measures will be introduced to ensure auditors in Singapore continue to uphold high audit quality standards. The new regulatory measures were developed following a review by ACRA of audit inspection insights gleaned from a decade of audit inspections conducted under its Practice Monitoring Programme (PMP). The key new initiatives are as follows:

- (i) Setting a target for the six audit firms that are part of the GPPC3 networks (BDO, Deloitte, EY, Grant Thornton, KPMG and PwC) that perform listed company audits, to achieve a 25% reduction in the percentage of inspected audit engagements with at least one finding over a four year period (from 2015 to 2019);
- (ii) Introduction of six Audit Quality Indicators targets that will provide firms as well as audit committees with a common yardstick to compare audit quality; and
- (iii) Publication of inspection outcomes for public accountants who have failed at least two successive inspections (the latter being a revisit) and received a hot review, or restriction followed by a hot review outcome imposed in their later inspection. The publication of such inspection outcomes will take effect for revisit inspections commencing on or after 1 April 2017.

For more detailed information, please refer to the press release at the following URL: [https://www.acra.gov.sg/uploadedfiles/Content/Public_Accountants/Professional_Resources/Conference_Materials/2016/Media%20Release%20-%20New%20Regulatory%20Measures%20to%20Further%20Raise%20the%20Audit%20Quality%20Bar\(1\).pdf](https://www.acra.gov.sg/uploadedfiles/Content/Public_Accountants/Professional_Resources/Conference_Materials/2016/Media%20Release%20-%20New%20Regulatory%20Measures%20to%20Further%20Raise%20the%20Audit%20Quality%20Bar(1).pdf)

1.2 ACRA issues its 10th annual PMP Public Report

On 25 August 2016, ACRA released its 10th Annual PMP Public Report covering *inter alia*, ACRA's analysis of the 10-year trends of its inspection findings by common themes over a period from the 12 months ended 31 March 2007 to 31 March 2016. The top four themes in both the listed companies segment and non-listed companies segment are: (a) accounting estimates, including fair value measurement, (b) audit evidence, (c) revenue, and (d) group audits.

To access the 10th Annual PMP Public Report, please visit the following URL: https://www.acra.gov.sg/uploadedFiles/Content/Public_Accountants/Professional_Resources/Conference_Materials/2016/ACRA%2010th%20PMP%20Report.PDF

1.3 ACRA issues Practice Direction (PD) No 1 of 2016 – Publicising Inspection Outcomes under ACRA's Practice Monitoring Programme

On 25 August 2016, ACRA issued Practice Direction (PD) No 1 of 2016 which sets out ACRA's policy on publicising inspection outcomes received by public accountants under the Practice Monitoring Programme (PMP) pursuant to Part V of the Accountants Act, Chapter 2.

With effect from PMP inspections commencing on or after 1 April 2017, ACRA will publicise the inspection outcomes of public accountants who:

- Fail to pass their revisit PMP inspections; and
- Receive a hot review, or restriction followed by a hot review PMP outcome.

The following details will be published for each public accountant concerned individually:

- Name of the public accountant;
- Public accountant registration number;
- Name(s) and address(es) of the firm(s) in which the public accountant practises in;
- The PMP outcome and information on any restrictions in practice; and
- Effective date/period of the PMP outcome.

The above new policy is in addition to the current policy where certain information on public accountants who received suspension or cancellation outcomes are publicised on ACRA's website.

To access PD No 1 of 2016, please visit the following URL: <http://ow.ly/WG1n303VPQK>

1.4 ISCA issues questionnaire on understanding the component auditor

The Institute of Singapore Chartered Accountants (ISCA) has developed a questionnaire to assist group engagement teams in obtaining a deeper understanding of component auditors during their group audits. However, the questions listed in the questionnaire are not comprehensive and should be tailored to each engagement.

This questionnaire aims to provide guidance to group engagement teams and hence, it is not mandatory to use the questionnaire in all group engagements with component auditors.

To download the questionnaire, please visit the following URL: <http://isca.org.sg/tkc/aa/resources/templates-for-reference/templates-for-reference/2016/august/questionnaire-on-understanding-the-component-auditor/>

2. Regulatory & Business

2.1 SGX proposes more targeted MTP watch-list criteria with market capitalisation test

On 23 August 2016, the Singapore Exchange (SGX) proposed to make the entry criteria for the minimum trading price (MTP) watch-list more targeted with the addition of a market capitalisation test.

SGX has reviewed the current MTP criteria to assess if the objective of reducing the risk of excessive speculation and potential manipulation can be achieved in a more calibrated and effective way. Market feedback provided by stakeholders was also taken into account in the review.

SGX noted from the review that among companies with a 6-month volume-weighted average price (VWAP) of shares of less than S\$0.20, those with market capitalisation of S\$40 million or more showed better liquidity characteristics and lower volatility compared with companies with market capitalisation of less than S\$40 million.

The consultation therefore proposes that a company is placed on the MTP watch-list if:

1. The 6-month VWAP of its shares is below S\$0.20 **and**
2. Its 6-month average daily market capitalisation is below S\$40 million

The SGX watch-list currently has two entry criteria: the MTP and the financial entry criteria. SGX is proposing to review companies every half-year instead of every quarter, for placement on the MTP and financial entry criteria watch-lists. This will align the review period with the 6-month look-back interval used to calculate VWAP. No other change to the financial entry criteria is proposed in the consultation.

SGX will not place new issuers onto the MTP watch-list until the exchange has considered feedback to the consultation and finalised any change. Companies which entered the MTP watch-list at the 1 March 2016 review will remain on it pending any refinement to the requirement. Existing MTP issuers may continue to exit the watch-list if their 6-month VWAP is at least S\$0.20. Any change in the requirement is expected to be implemented by June 2017.

Other refinements to the MTP rule since it was introduced in March 2015 include giving some companies affected by market volatility more time to comply with the rule, and changing the way the VWAP of shares is calculated such that it fully reflects the effects of a share consolidation.

The public consultation is open till 23 September 2016. For more details, please visit the following URL: http://www.sgx.com/wps/wcm/connect/sgx_en/home/highlights/news_releases/sgx_proposes_more_targeted_mtp_watch-list_criteria



3. Publications

3.1 Accounting that Transcends Borders

The RT ASEAN Network looks beyond traditional accounting services.



The Association of Southeast Asian Nations (ASEAN), of which Singapore is a member, says the establishment of the ASEAN Economic Community in 2015 was a major milestone in terms of the group's economic integration agenda. And how could it be not, given that ASEAN says the AEC offers opportunities involving a US\$2.6 trillion market and more than 622 million people.

The huge potential in the ASEAN network was what led to the establishment by the RT Group, led by CEO & Managing Partner of RT LLP Ravi Arumugam, of the RT ASEAN Network.

RT ASEAN Network is a network of firms under the RT brand to service the ASEAN footprint. The network is headquartered in Singapore.

Ravi's aim was to set up a Singapore branded network with the vision to expand beyond our shores and into the region.

"The potential and possibilities the ASEAN region has to offer is tremendous," he says. "It is only logical that professional service providers should come together, especially from ASEAN to support growth, investment and demand for services in ASEAN and beyond."

He mentions that while there are a number of foreign accounting networks in Singapore, however, in targeting to be an



Accountancy Hub, Singapore does not have one to call a Singaporean network.

RT LLP is the first locally branded Singapore firm to form a regional network of accounting and finance professionals. However, RT ASEAN network goes beyond traditional accounting services, and is multidisciplinary in nature.

No ordinary network

"The network is also the first of its kind in linking accounting and finance professionals that do not fall within the norms of traditional accounting services," says Ravi. The network's value proposition is in its diverse offering of professional services by member firms who can provide full services in home countries and at the same time they have the know-how and competence to provide cross border services.

Apart from members from ASEAN, the network has presence in China, India and Australia.

It is expected that the network will grow to 30 countries by 2020.

"RT ASEAN leverages on cultural diversity, which is pivotal to successful integration and internationalization of the network," says Ravi. "The diversity of cultures, languages and professional expertise provide a vibrant, multidisciplinary network that facilitates doing business across borders in a seamless fashion."

You may view the article posted in the "Singapore Business Review Magazine August - September 2016 issue here:



4. Events



RT Off-Peak Celebrations



Singapore Accountancy Convention 2016



From left to right
Mr Andrew Chua – Head of Quality Control & Technical Partner
Mr Ravi Arumugam – Managing Partner & CEO

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The RT ASEAN network which is headquartered in Singapore focuses on client needs in the ASEAN and Asia regions. We are also a member firm of BKR International which has presence in over 500 offices and 80 countries. With the combined resources we are able to meet our client needs in all areas and all over the world.

