

Review Times

October 2016



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1. Financial Reporting

1.1 ACRA issues second Financial Reporting Surveillance Programme report

On 27 September 2016, the Accounting and Corporate Regulatory Authority (ACRA) issued its second annual Financial Reporting Surveillance Programme (FRSP) report.

It was observed that companies are responding positively to measures taken to improve quality financial reporting, and took quick action to rectify financial reporting gaps highlighted through the FRSP. Overall, a good level of quality in financial reporting was observed among those listed companies reviewed. In most cases, Boards took ownership over financial reporting with many taking steps to document their deliberations on complex accounting matters. However, there remains room for improvement as a number of non-compliances with the accounting standards were identified.

The four areas with the highest instances of findings were new consolidation standards, business acquisitions, impairment of long-lived assets and fair value of properties.

The full report can be accessed at the following URL:

<http://ow.ly/wIMq30569Zs>

1.2 IASB issues amendments to IFRS 4

On 12 September 2016, the International Accounting Standards Board (the “Board”) issued amendments to International Financial Reporting Standard (IFRS) 4 *Insurance Contracts*.

The amendments address concerns arising from implementing IFRS 9 *Financial Instruments* before implementing the replacement Standard that the Board is developing for IFRS 4. These concerns include temporary volatility in reported results.

The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard—IAS 39.

The amendments to IFRS 4 supplement existing options in the standard that can already be used to address the temporary volatility.

The new insurance contracts Standard is currently being drafted and will have an effective date no earlier than 2020.

For more information, please go to the following URL: <http://bit.ly/2djTCBI>

2. Ethics

2.1 ACRA issues changes to the Code of Professional Conduct and Ethics for public accountants and accounting entities

The Accounting and Corporate Regulatory Authority (ACRA) has made changes to certain paragraphs in Sections 200 and 201 of the Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the “Code”) to enhance the independence provisions relating to certain provisions addressing non-assurance services for audit and assurance clients.

The key changes are as follows:

- Removal of provisions that permitted an audit firm to provide certain bookkeeping and taxation services to public interest entities (“PIE”) audit clients in emergency situations, as these were susceptible to being interpreted too generally.
- New and clarified guidance regarding what constitutes management responsibility; and
- Clarified guidance regarding the concept of “routine or mechanical” services relating to the preparation of accounting records and financial statements for audit clients that are not PIEs.

The Code is contained in the Fourth Schedule to the Accountants (Public Accountants) Rules, which in turn is a subsidiary legislation of the Accountants Act, Cap 2. The changes are set out in the Accountants (Public Accountants) (Amendment) Rules 2016 which can be accessed at the following URL:

<http://ow.ly/w8Ox3056d8e>

The changes made by ACRA stems from the amendments made on 14 April 2015 to the Code of Ethics for Professional Accountants (the “International Code”) by the International Ethics Standards Board for Accountants (IESBA), a standard setting body of the International Federation of Accountants (IFAC).

The changes to the International Code were effective from 15 April 2016, whilst the changes to the Singapore Code will be effective from 1 January 2017.

3. Auditing & Assurance

3.1 IAASB amends standards to enhance auditor focus on non-compliance with laws and regulations

On 5 October 2016, the International Auditing and Assurance Standards Board (IAASB) released International Standard on Auditing (ISA) 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*, and conforming amendments to other International Standards, which respond to new requirements in the International Ethics Standards Board for Accountants (IESBA)’s *Code of Ethics for Professional Accountants* addressing non-compliance with laws and regulations (NOCLAR). The revisions enable the IAASB’s International Standards to continue to be applied effectively alongside the IESBA Code, and clarify and emphasize key aspects of the IESBA Code in the IAASB’s Standards.

ISA 250 (Revised) will be effective for audits of financial statements for periods beginning on or after December 15, 2017. Amendments to the IAASB’s International Standards for other services have a similar effective date.

Also available is a staff-prepared “At a Glance document”, explaining the main changes from the extant ISA and other International Standards, and Basis for Conclusions, explaining the IAASB’s rationale for its decisions.

For further details, please go to the following URL: <http://ow.ly/S40b3056dcP>

3.2 ISCA issues SSA 810 (Revised)

On 26 September 2016, the Institute of Singapore Chartered Accountants (ISCA) issued Singapore Standard on Auditing (SSA) 810 (Revised), *Engagements to Report on Summary Financial Statements* which deals with the auditor’s responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with SSAs by that same auditor. The revised standard is based on the International Standard on Auditing (ISA) 810 (Revised) issued by the International Auditing and Assurance Standards Board (IAASB) and is effective for engagements to report on summary financial statements for periods ending on or after 15 December 2016, in line with the effective date of the new and revised auditor reporting standards.

Key revisions made to the extant SSA 810 include:

- a) Extant SSA 810 requires the auditor to highlight in the auditor’s report on the summary financial statements (SSA 810 report) when there is a modified opinion, an Emphasis of Matter (EOM) paragraph or an Other Matter (OM) paragraph in the auditor’s report on the audited financial statements. As the new and revised auditor reporting standards require separate sections in the auditor’s report on the audited financial statements when a material uncertainty related to going concern or an uncorrected material misstatement of other information exists (i.e. these matters are no longer addressed using an EOM or OM paragraph), amendments have been made to the existing requirement in SSA 810 for the auditor to also:
 - Include a reference to the Material Uncertainty Related to Going Concern section in the auditor’s report on the audited financial statements and to describe the effects thereof, if any, on the summary financial statements.
 - Include a reference to an uncorrected material misstatement of the other information in the auditor’s report on the audited financial statements and to describe the effects thereof, if any, on the information included in a document containing the summary financial statements and the auditor’s report thereon.
- b) New requirement for the SSA 810 report to include a reference to any communication of key audit matters in the auditor’s report on the audited financial statements (i.e. limited to requiring a reference to the existence of such communication without needing to describe, repeat or otherwise refer to individual key audit matters).
- c) Updated illustrative auditor’s reports that are presented in a manner consistent with those in SSA 700 (Revised) in terms of the layout and content, including the ordering of elements (for example, the Opinion section is now positioned first), and use of headings.
- d) Incorporated conforming amendments resulting from SSA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*.

3.3 ISCA amends Appendix 2D and Appendix 2E of AGS 1

The Info-communications Development Authority of Singapore (“IDA”), the Personal Data Protection Commission (“PDPC”) and the Media Development Authority (“MDA”) have been restructured into 2 new statutory boards, namely the Info-communications Media Development Authority (“IMDA”) and the Government Technology Agency (“GovTech”) with effect from 1 October 2016 or such date that the IMDA Act and the GovTech Act take effect.

As such, ISCA has made changes to Appendix 2D (Auditor’s Report on Claim Form) and 2E (Licensee’s Annual Gross Turnover) of Audit Guidance Statement (AGS) 1 whereby references to IDA have been amended to IMDA.

To view the amended Appendix 2D, please go to the following URL:

<http://ow.ly/bFPM3056dn5>

To view the amended Appendix 2E, please go to the following URL: <http://ow.ly/mkaz3056dtf>

3.4 ISCA seeks comments on ED AGS 1 – Revisions to Appendix 1 and 4

ISCA’s Auditing and Assurance Standards Committee (AASC) had commenced the revision of Audit Guidance Statement 1 (AGS 1) *Sample Independent Auditor’s Reports* in 2015. As the different Appendices in AGS 1 relate to different auditing and assurance standards which in turn had different effective dates, the AASC is carrying out the revision for AGS 1 over three phases.

Phase 1 (completed) – The first phase involved the revision of Appendix 3- *Sample Independent Assurance Reports on SSAE 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, given that the revised SSAE 3000 would be effective for assurance reports dated on or after 15 December 2015.

Phase 2 (current) – The second phase involves the revision of Appendix 1 (Sample Independent Auditor’s Reports on SSA 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*) and Appendix 4 (Sample Independent Auditor’s Supplementary Reports to Relevant Authorities).

Amendments have been made to the sample reports arising from the new and revised auditor reporting standards and SSA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*.

The relevant regulatory bodies had been consulted on the sample assurance reports and the sample assurance reports in the revised Appendix 1 and 4 would be effective for periods ending on or after 15 December 2016.

To view ED AGS 1 – *Revisions to Appendix 1 and 4*, please go to the following URL: <http://bit.ly/2dVtQ5S>

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4. Promotions

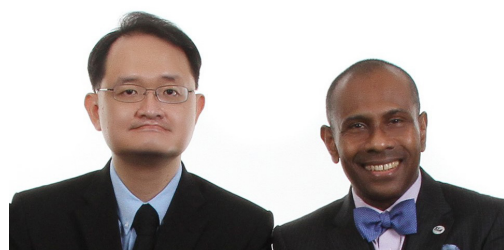


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