

REVIEW TIMES

AUGUST 2018



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AND INTERNATIONAL
TECHNICAL UPDATES**

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Technical Updates

RT brings to you the latest Technical Updates on Audit and Assurance, Financial Reporting, Business Regulation and Ethics in Singapore and other global regulatory bodies and their implications thereof.

Prepared & Written By: Andrew Chua

1. ETHICS (*International*)

1.1 IESBA issues revisions to the Code pertaining to the offering and accepting of inducements

On 19 July 2018, the International Ethics Standards Board for Accountants (IESBA) issued revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "Code") which address more fully the responsibilities of professional accountants around the offering and accepting of inducements.

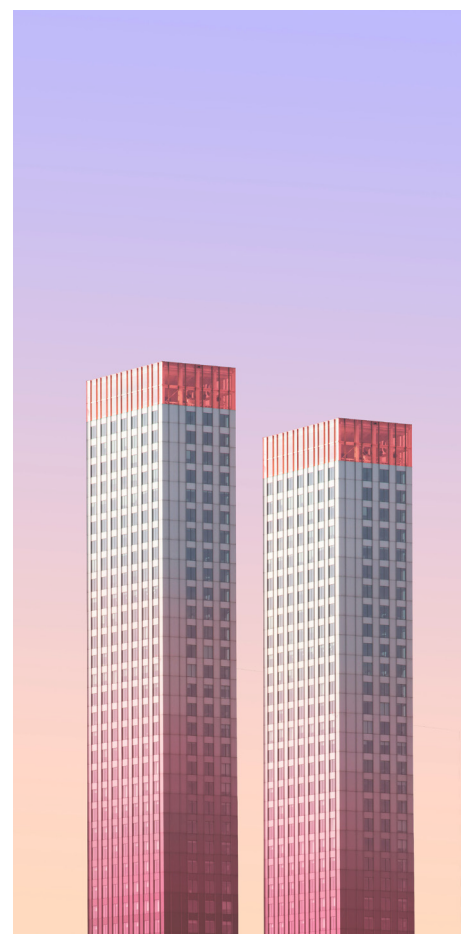
The revisions set out a comprehensive framework that more clearly delineates the boundaries of acceptable inducements, and guides the behavior and actions of professional accountants in business and in public practice in situations involving inducements.

Central to this framework is a new intent test that prohibits the offering or accepting of inducements where there is actual or perceived intent to improperly influence the behavior of the recipient or of another individual. The framework also:

- Clarifies the meaning of an inducement;
- Establishes a requirement to understand and comply with laws and regulations that prohibit the offering or accepting of inducements in certain circumstances, such as in relation to bribery and corruption;
- Guides professional accountants in applying the enhanced conceptual framework underpinning the Code where there is no improper intent; and
- Provides enhanced guidance on the offering and accepting of inducements by professional accountants' immediate or close family members.

The revised provisions become effective from 15 June 2019, including consequential amendments to the independence provisions of the Code addressing gifts and hospitality. The changes constitute the last piece of the recently revised and restructured Code which was issued in April 2018.

To more information, please go to the following URL: <https://bit.ly/2KV8TX1>



2. AUDITING AND ASSURANCE (*International*)

2.1 IAASB issues exposure draft on identifying and assessing the risks of material misstatement

On 16 July 2018, the International Auditing and Assurance Standards Board (IAASB) issued Exposure Draft (ED), ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*.

To ensure that International Standards on Auditing (ISAs) continue to form the basis for high-quality, valuable and relevant global audits, the IAASB proposes more robust requirements and improved guidance to:

- Drive consistent and effective identification and assessment of risks of material misstatement;
- Modernize ISA 315 to meet evolving business needs, including information technology, and how auditors use automated tools and techniques, including data analytics, to perform audit procedures;
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities; and
- Focus auditors on exercising professional skepticism throughout the risk identification and assessment process.

Through its ISA Implementation Monitoring Project and targeted continuing stakeholder outreach, the IAASB has received significant stakeholder input as the proposed revisions have been developed. The Exposure Draft is a key element of the IAASB's work to address the fundamental elements of an audit and thereby enhance audit quality.

The deadline to provide comments on the ED is 2 November 2018.

To access the ED, please go to the following URL: <https://bit.ly/2vJDGS7>

2.2 IFAC issues Guide to Using ISAs in the Audits of SMEs, Fourth Edition

On 17 July 2018, the International Federation of Accountants (IFAC) issued the *Guide to Using ISAs in the Audits of SMEs, Fourth Edition* (the "Guide") to help firms efficiently and proportionally apply ISAs on SME audits. Small- and medium-sized practices (SMPs) may require practical support when implementing the International Standards on Auditing (ISAs) in audits of small- and medium-sized entities (SMEs).

This fourth edition is updated to reflect recent changes to the ISAs including the IAASB's projects on:

- Auditor Reporting;
- Disclosures;
- The Auditor's Responsibilities Relating to Other Information; and
- Using the Work of Internal Auditors.

The Guide is designed for use by all practitioners. Volume 1 covers the fundamental concepts of a risk-based audit in conformance with the ISAs. Volume 2 contains practical guidance on performing SME audits, including two illustrative case studies—one of an SME audit and one of a micro-entity audit.

Since it was first published in 2007, the Guide has been downloaded over 100,000 times and there are 22 translations completed or in progress.

Many firms use the Guide for training purposes and as the basis for firm manuals. In order to help them and member organizations maximize the Guide's use, IFAC has also updated the *Companion Manual* which provides practical 'best use' suggestions for the Guide.

To access the Guide and Companion Manual, please go to the following URL: <https://bit.ly/2NvnQ3X>

3. REGULATORY AND BUSINESS *(Singapore)*

3.1 Legislative changes relating to AGMs and ARs timelines - effective on 31 Aug 2018

On 16 July 2018, the Accounting and Corporate Regulatory Authority (ACRA) announced that as part of on-going efforts to keep Singapore business friendly and competitive, legislative changes to the Companies (Amendment) Act 2017 that will reduce the regulatory burden for companies will take effect on 31 Aug 2018. The key legislative amendments are:

- Alignment of timelines for holding annual general meetings (AGMs) and filing annual returns with the financial year end (FYE) for listed and non-listed companies
- Exemption of private companies from holding AGMs subject to specified safeguards

In addition, the process for Solvent EPCs and dormant private relevant companies to file ARs has also been simplified.

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

3.2 SGX enables listing at earlier development stage for MOG companies

On 23 July 2018, the Singapore Exchange (SGX) announced that it is amending the Mainboard and Catalist Listing Rules for mineral, oil and gas (MOG) companies to reflect how the sector categorises companies based on each firm's stage of development.

Companies at an earlier stage of development can now list under the framework. The Mainboard will continue to be for businesses that are more mature than those on Catalist, based on both asset development and size.

The rule changes follow a consultation of the market where a majority of the respondents expressed support. A working group comprising MOG specialists including technical experts, corporate finance advisers and senior executives from SGX-listed issuers had provided input on the SGX proposals which were consulted on.

Two areas in the earlier proposal were tweaked in response to feedback as follows:

- Rather than the proposed Summary Qualified Person's Report (QPR), SGX will require an annual Summary of Reserves and Resources. Only if a company's "reserves" and "resources" change materially will a Summary QPR become necessary.
- The board directors of the company, rather than a Qualified Person, will have to provide evidence of the company's intention to proceed with the development of the reserves within a reasonable period.

The amended rules are effective from 23 August 2018.

SGX's responses to the feedback received can be found at the following URL: <https://bit.ly/2nKTtM9>

3.3 SGX amends Listing Rules after MAS accepts Corporate Governance Council's recommendations

On 6 August 2018, the Singapore Exchange (SGX) announced that it will make amendments to its Listing Rules following the Monetary Authority of Singapore's (MAS) acceptance of the Corporate Governance (CG) Council's recommendations to amend the Code of Corporate Governance and the Rules.

The Listing Rule changes are consequential to the revisions of the Code of Corporate Governance. SGX had in January 2018 launched a public consultation seeking feedback on the proposed Rule changes.

The Listing Rule changes will come into effect on 1 January 2019, except for the rules on the 9-year tenor for independent directors and the requirement for independent directors to comprise one-third of the board which will come into effect on 1 January 2022. The longer transition period accords companies sufficient time to ensure the composition of their boards is able to meet the requirements of the Listing Rules.

SGX's responses to the feedback received during the public consultation can be found at the following URL: <https://bit.ly/2MgHNzd>



4. FINANCIAL REPORTING

(Singapore)

4.1 Singapore ASC issues Practice Statements on making materiality judgements

On 1 August 2018, the Singapore Accounting Standards Council (ASC) issued SFRS(I) and SFRS Practice Statements on *Making Materiality Judgements*.

This is the first SFRS(I) Practice Statement and the second SFRS Practice Statement issued by the ASC.

The Practice Statements encourage entities to apply judgement instead of using SFRS(I)s and SFRSs requirements as a checklist, so that financial statements focus on the information that is useful to investors.

The concept of materiality is important in the preparation of financial statements because it helps entities determine which information to include in and exclude from their reports. Entities make materiality judgements not only when deciding what information to disclose and how to present it but also when making decisions about recognition and measurement.

Some entities are unsure about how to make materiality judgements and have therefore used the disclosure requirements in SFRS(I)s and SFRSs as a checklist. To encourage behavioural change and provide support to companies making such judgements, the ASC has issued the Practice Statements.

The Practice Statements gather all the materiality requirements in SFRS(I)s and SFRSs and adds practical guidance and examples which entities may find helpful in deciding whether information is material. The Practice Statements are not mandatory and neither changes requirements nor introduces new ones.

The Practice Statements are effective from 1 August 2018.

To access the Practice Statements, please go to the ASC website at the following URL:

<https://bit.ly/2vJFqL9>

4.2 Singapore ASC issues amendments to SFRS(I) 1-19 and FRS 19

On 1 August 2018, the ASC issued *Amendments to SFRS(I) 1-19 and Amendments to FRS 19: Plan Amendment, Curtailment or Settlement* which specify how entities determine pension expenses when changes to a defined benefit pension plan occur.

SFRS(I) 1-19 and FRS 19 specify how an entity accounts for a defined benefit plan. When a change to a plan—an amendment, curtailment or settlement—takes place, SFRS(I) 1-19 and FRS 19 require the entity to remeasure its net defined benefit liability or asset.

The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until these amendments, SFRS(I) 1-19 and FRS 19 do not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2019.

To access the amendments, please go to the ASC website at the following URL: <https://bit.ly/2vJFqL9>

Member of the Month

Each month we bring you insights and “behind-the-scene” information of the members of RT ASEAN.



T. K. Tsai & Co., CPAs

Prepared By: Jack Tsai



T. K. Tsai & Co., CPAs (TKT) established in 1959, the TKT team offers a range of services to help small and medium enterprises and taxpayers with all their financial needs. TKT's clients vary from individual taxpayers and small business entities to large corporate groups with multi-million dollar turnovers.

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