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ACCOUNTANTS ACT
(CHAPTER 2)

ACCOUNTANTS (PUBLIC ACCOUNTANTS)
(AMENDMENT) RULES 2016

In exercise of the powers conferred by section 64 of the Accountants Act, the Accounting and Corporate Regulatory Authority, with the approval of the Minister for Finance, makes the following Rules:

Citation and commencement

1. These Rules are the Accountants (Public Accountants) (Amendment) Rules 2016 and come into operation on 1 January 2017.

Amendment of Fourth Schedule

2. The Fourth Schedule to the Accountants (Public Accountants) Rules (R 1) is amended —

(a) by deleting paragraphs 290.159 to 290.163 and substituting the following paragraphs:

“ 290.159 Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.

290.160 Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgment. Examples of activities that would be considered a management responsibility include —

- (a) Setting policies and strategic direction;
- (b) Hiring or dismissing employees;

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- (c) Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity;
 - (d) Authorising transactions;
 - (e) Controlling or managing of bank accounts or investments;
 - (f) Deciding which recommendations of the firm or other third parties to implement;
 - (g) Reporting to those charged with governance on behalf of management;
 - (h) Taking responsibility for the preparation and fair presentation of financial statements in accordance with the applicable financial reporting framework; and
 - (i) Taking responsibility for designing, implementing, monitoring or maintaining internal controls.

290.161 A firm shall not assume a management responsibility for an audit client. The threats created would be so significant that no safeguards could reduce the threats to an acceptable level. For example, deciding which recommendations of the firm to implement will create self-review and self-interest threats. Further, assuming a management responsibility creates a familiarity threat because the firm becomes too closely aligned with the views and interests of management. Subject to compliance with paragraph 290.162, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.

290.162 To avoid the risk of assuming a management responsibility when providing non-assurance services to an audit client, the firm shall be satisfied that client management makes all judgments and decisions that are the

responsibility of management. This includes ensuring that the client's management —

- (a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services. Such an individual, preferably within senior management, would understand the objectives, nature and results of the services and the respective client and firm responsibilities. However, the individual is not required to possess the expertise to perform or re-perform the services;
- (b) Provides oversight of the services and evaluates the adequacy of the results of the services performed for the client's purpose; and
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the services.

Administrative Services

290.163 Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations. Such services require little to no professional judgment and are clerical in nature. Examples of administrative services include word processing services, preparing administrative or statutory forms for client approval, submitting such forms as instructed by the client, monitoring statutory filing dates, and advising an audit client of those dates. Providing such services does not generally create a threat to independence. However, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

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(b) by deleting paragraph 290.164 and substituting the following paragraph:

“ 290.164 Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework. These responsibilities include —

- (a) Determining accounting policies and the accounting treatment within those policies;
- (b) Preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction (for example, purchase orders, payroll time records, and customer orders); and
- (c) Originating or changing journal entries, or determining or approving the account classifications of transactions.

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(c) by inserting, immediately after the word “independence” in paragraph 290.166, the words “so long as the client is responsible for making decisions in the preparation of the accounting records and financial statements”;

(d) by deleting paragraph 290.168 and substituting the following paragraph:

“ 290.168 The firm may provide services related to the preparation of accounting records and financial statements to an audit client that is not a public interest entity where the services are of a routine or mechanical nature, so long as any self-review threat created is reduced to an acceptable level. Services that are routine or mechanical in nature require little to no professional judgment from the professional accountant. Some examples of such services are —

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- (a) Preparing payroll calculations or reports based on client-originated data for approval and payment by the client;
 - (b) Recording recurring transactions for which amounts are easily determinable from source documents or originating data, such as a utility bill where the client has determined or approved the appropriate account classification;
 - (c) Recording a transaction for which the client has already determined the amount to be recorded, even though the transaction involves a significant degree of subjectivity;
 - (d) Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values;
 - (e) Posting client-approved entries to the trial balance; and
 - (f) Preparing financial statements based on information in the client-approved trial balance and preparing the related notes based on client-approved records.

In all cases, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include —

- (i) Arranging for such services to be performed by an individual who is not a member of the audit team; and
- (ii) If such services are performed by a member of the audit team, using a partner or senior staff member with appropriate expertise who is not a member of the audit team to review the work performed.

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(e) by deleting the words “Except in emergency situations, a” in paragraph 290.169 and substituting the word “A”;

(f) by deleting the sub-heading “*Emergency Situations*” immediately before paragraph 290.171;

(g) by deleting paragraph 290.171 and substituting the following paragraph:

“ 290.171 Not used. ”;

(h) by deleting the words “Except in emergency situations, in” in paragraph 290.182 and substituting the word “In”;

(i) by deleting paragraph 290.183 and substituting the following paragraph:

“ 290.183 Not used. ”; and

(j) by deleting paragraphs 291.141 to 291.145 and substituting the following paragraphs:

“ 291.141 Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.

291.142 Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgment. Examples of activities that would be considered a management responsibility include —

(a) Setting policies and strategic direction;

(b) Hiring or dismissing employees;

(c) Directing and taking responsibility for the actions of employees in relation to the employees’ work for the entity;

(d) Authorising transactions;

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- (e) Control or management of bank accounts or investments;
 - (f) Deciding which recommendations of the firm or other third parties to implement;
 - (g) Reporting to those charged with governance on behalf of management; and
 - (h) Taking responsibility for designing, implementing, monitoring or maintaining internal controls.

291.143 In providing assurance services to an assurance client, a firm shall not assume a management responsibility as part of the assurance service. If the firm were to assume a management responsibility as part of the assurance service, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level. If the firm assumes a management responsibility as part of any other services provided to the assurance client, the firm shall ensure that the responsibility is not related to the subject matter or subject matter information of the assurance engagement provided by the firm.

291.144 When providing services that are related to the subject matter or subject matter information of an assurance engagement provided by the firm, the firm shall be satisfied that client management makes all judgments and decisions relating to the subject matter or subject matter information of the assurance engagement that are the responsibility of management. This includes ensuring that the client's management —

- (a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services. Such an individual, preferably within senior management, would understand the objectives, nature and results of the services and the respective

client and firm responsibilities. However, the individual is not required to possess the expertise to perform or re-perform the services;

- (b) Provides oversight of the services and evaluates the adequacy of the results of the services performed for the client's purpose; and
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the services.

291.145 Not used.

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*[G.N. Nos. S 615/2007; S 251/2009; S 383/2010;
S 211/2012; S 395/2013; S 25/2015; S 51/2015;
S 840/1015]*

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LIM SOO HOON
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Accounting and Corporate
Regulatory Authority,
Singapore.*

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