

RT LLP

Review Times



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Part 1: AUDITING AND ASSURANCE

Public Accounting Conference 2013

On 14 August 2013, the Accounting and Corporate Regulatory Authority (ACRA) held the Public Accountants Conference (PAC) for 2013. The theme for the PAC 2013 was "The Financial Reporting Value Chain: A Collective Responsibility".

During the PAC, ACRA released the Practice Monitoring Programme's (PMP) public report for 2013 (Seventh PMP Public Report). The Seventh PMP Public Report covered PMP inspections from 1 April 2012 to 31 March 2013.

Firms in the public-interest entities (PIE) segment are inspected directly by ACRA and the scope covered a review of the firm's quality control policies and procedures (firm-level reviews) and individual engagement inspections of selected audit engagements. ACRA's approach in performing inspections of individual engagements for firms in this segment comprise a mixture of:

- Detailed engagement inspections of public accountants to assess whether the public accountants' work has been conducted in compliance with the Singapore Standards on Auditing. The Public Accountants Oversight Committee is the deciding authority on the outcome of these inspections; and
- Conducting engagement reviews in the course of firm-level reviews to assess the firm's compliance with the requirements of SSQC 1 in the area of 'engagement performance'.

For firms in the non-PIE segment, the scope of inspection on these firms focused only on detailed engagement inspections. Inspections on these firms are carried out with the assistance of the Institute of Singapore Chartered Accountants with oversight by ACRA.

With regards to the engagement inspections in the PIE segments, the following two areas are the key deficiencies noted by ACRA:

Audits of Cash Flow Forecasts

In this complex and judgmental area, deficiencies often arise from the lack of challenge and

assessment by public accountants on management's key assumptions made in cash flow projections such as growth rate forecasts, cost structures and discount rates. Many of these findings reflect the engagement team's lack of understanding and appreciation of the requirements of the financial reporting and auditing standards.

Audits of Inventories

Increased complexity of product offerings, sourcing and manufacturing demands have bearings on how inventories are accounted for and hence audited. Failure to adequately consider these implications has resulted in findings in the area of inventory valuation, for example, in respect of product bundling arrangements, and inventory existence, particularly for inventories held at third party locations.

With regards to the engagement inspections in the non-PIE segments, ACRA continued to note several recurring and common weaknesses in the areas of inventory, income statement items such as purchases and sales cut-off tests, construction work-in progress and trade receivables.

ACRA also indicated its concerns over the workload of audit partners in small and medium sized public accounting entities in the non-PIE segment, and the adverse effects it has on audit quality.

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Part 1: AUDITING AND ASSURANCE ... Continued

Following are some interesting statistics extracted from the Seventh PMP Public Report:

Number of Public Accountants and Public Accounting Entities As at 31 Dec 2012

	PIE segment	Non - PIE segment	Total
Number of public accounting entities	18	611	629
Number of public accountants	295	674	969



RT LLP and its partners are part of the PIE segment.

For further details of the PAC and the contents of the Seventh PMP Public Report, please refer to here: http://www.acra.gov.sg/News_and_Events/Public+Accountants+Conference+2013.htm

Earlier PMP Public Reports (i.e. the First through the Sixth) are also available at ACRA's website as follows: <http://www.acra.gov.sg/Publications/PMP+Public+Reports.htm>.

Part 2: Taxation

The Singapore Institute of Accredited Tax Professionals (SIATP) has issued the following Tax Alerts on its website (<http://www.siatp.org.sg/index.php/tax-news>) since the previous issue of our RT Review Times (2013/8):

- Revised GST e-Tax Guide on Assisted Compliance Assurance Programme (30 Aug 2013) [\[Read more\]](#)
- Determining mortgagor's or mortgagee's input tax (29 Aug 2013) [\[Read more\]](#)
- Updated Tax Statistics YA2003 - YA2013 (27 Aug 2013) [\[Read more\]](#)
- The Protocol to the standing Agreement for DTA between Singapore and Belgium (21 Aug 2013) [\[Read more\]](#)
- New updates to Income Tax Act (26 Aug 2013) [\[Read more\]](#)
- Income Tax (Land Intensification Allowance) (Amendment) Regulations 2013 (5 Aug 2013) [\[Read more\]](#)

Part 3: Regulatory and Business

SGX issues Consultation Paper on Reduction in Board Lot Size

On 19 August 2013, the Singapore Exchange (SGX) issued a Consultation Paper on a proposal to reduce the standard board lot size of securities listed on SGX from 1,000 to 100 units, with a view to reducing it to 1 unit in the longer term. The reduction of the board lot size to 100 units as a first step will allow SGX

to assess the market impact before unitising the standard board lot.

SGX believes the reduced board lot size will benefit the public as individuals will find it easier to invest in higher-priced shares, instead of limiting themselves to lower-priced ones. Many of the index component stocks and blue chips tend to be higher-priced. This will enable retail investors to more easily build balanced

and diversified portfolios to grow their savings.

Institutional investors will also be better able to manage their risk exposures through finer asset allocation of funds.

To access the Consultation Paper, please click [here](#). The Consultation Paper is open for comments and suggestions until 6 September 2013.



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