

Review Times

FEBRUARY 2015



PART 1: AUDIT AND ASSURANCE

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1.1 IAASB Issues Final Standards to Improve Auditor's Report

On 15 January 2015, the International Auditing and Assurance Standards Board (IAASB) released its new and revised Auditor Reporting standards, designed to significantly enhance auditor's reports for investors and other users of financial statements.

The most notable enhancement is the **new requirement for auditors of listed entities' financial statements to communicate "Key Audit Matters"**—those matters that the auditor views as most significant, with an explanation of how they were addressed in the audit. The introduction of Key Audit Matters for listed entities is a significant enhancement that will change not only the auditor's report, but more broadly the quality of financial reporting—and therefore the informative value to investors and other key stakeholders.

The IAASB has also taken steps to increase the auditor's focus on going concern matters, including disclosures in the financial statements, and add more transparency in the auditor's report about the auditor's work.

The new and revised Auditor Reporting standards are responsive to calls from investors and other users of audited financial statements for more informative and relevant auditor's reports based on the audit that was performed. This new and revised Auditor Reporting standards include new International Standard on Auditing (ISA) 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, and a number of revised ISAs, including ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*; ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*; ISA 570 (Revised), *Going Concern*; and ISA 260 (Revised), *Communication with Those Charged with Governance*.

Information about the enhancements to auditor reporting and the ISAs that are affected can be found in the Auditor Reporting Fact Sheet which can be downloaded [here](#).

The new and revised Auditor Reporting standards will be effective for audits of financial statements for **periods ending on or after 15 December 2016**.

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PART 1: AUDIT AND ASSURANCE (CONT'D)

1.2 IAASB Proposes Changes for Reporting on Special Purpose Financial Statements

On 22 January 2015, the IAASB released an Exposure Draft (ED) to enhance auditor reporting on special purpose financial statements. The ED includes changes proposed to ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, and ISA 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

Reporting on special purpose financial statements is linked to the recently issued new and revised Auditor Reporting standards, in particular ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements* and new ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*.

As such, the IAASB has amended ISA 800 and ISA 805 to provide guidance on how the enhancements to the auditor's report would apply in audits of special purpose financial statements. These amendments are limited to auditor reporting and are not intended to substantively change the underlying premise of these engagements in accordance with the extant ISAs.

The ED can be downloaded from [here](#). The ED is open for comments until 22 April 2015.

PART 2: FINANCIAL REPORTING

2.1 ACRA issues Financial Reporting Practice Guidance No. 1 of 2015: Areas of review focus for FY2014 Financial Statements

On 16 January 2015, the Accounting and Corporate Regulatory Authority (ACRA) announced that it will be commencing its second year of review under the Financial Reporting Surveillance Programme (FRSP), which seeks to uphold the transparency, integrity and quality of financial reporting in Singapore through the review of selected financial statements of companies to determine if they comply with the prescribed accounting standards. In tandem with the review, the Financial Reporting Practice Guidance No. 1 of 2015 was issued on 16 January 2015.

The Practice Guidance highlights significant areas of concerns gathered from the first round of review of the FY 2013 financial statements. The guidance also includes possible questions that directors could raise as they read, understand and ask questions during their review of the financial statements.

Please click [here](#) for more information.





PART 2: FINANCIAL REPORTING (CONT'D)

2.2 ASC issues Amendments to FRS 1: Disclosure Initiative, and Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception

On 22 January 2015, the Singapore Accounting Standards Council (ASC) issued Amendments to Singapore Financial Reporting Standard (FRS) 1: *Disclosure Initiative* and Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*.

The amendments to FRS 1 are designed to further encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of the financial statements and that **the inclusion of immaterial information can inhibit the usefulness of financial disclosures**. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures. These amendments to FRS 1 are effective for annual periods beginning on or after 1 January 2016. However, early adoption is permitted.

The amendments to FRS 110, FRS 112 and FRS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying these standards. The amendments can be applied immediately and become mandatory for annual periods beginning on or after 1 January 2016.

PART 3: REGULATORY AND BUSINESS

3.1 ACRA announces that changes to the Companies Act and the Business Names Registration Act will be effective in the second quarter of 2015

On 15 January 2015, ACRA announced that it is deferring the effective date of legislative changes to the Companies Act and the Business Names Registration Act to the second quarter of 2015. This will give all agencies and stakeholders concerned additional time to adjust and prepare for these legislative changes.

ACRA will announce the effective date and provide more details about two months before these changes are due to take place.





PART 3: REGULATORY AND BUSINESS (CONT'D)

3.2 SGX issues guide to aid listed companies in governance disclosure

The Singapore Exchange (SGX) has developed a disclosure guide for companies listed on the SGX in complying with key aspects of governance and for investors in assessing information provided by companies. Developed in a question-and-answer format, the guide makes clearer to companies specific principles and guidelines identified as express disclosure requirements in the Code of Corporate Governance 2012 (the Code).

Under SGX's comply-or-explain approach to the Code, listed companies are expected to comply with the Code or explain in their annual reports any deviation from the Code. Listed companies are encouraged to enclose the new disclosure guide as part of their annual reports. Investors can use these disclosure guides to review and compare companies' governance practices, and better assess the companies they invest in.

Recent surveys have indicated that while compliance with the Code among SGX-listed companies is generally good, disclosures relating to remuneration, risk governance, board diversity and sustainability were not comprehensive. Using the disclosure guide as a basis for comparison, investors and interested stakeholders can judge whether a company has provided adequate disclosures and meaningful explanations for any deviations from the Code.

The disclosure guide is part of SGX's ongoing efforts to improve the overall quality of corporate governance. The Securities Investors Association (Singapore) (SIAS), the Singapore Institute of Directors (SID), the NUS Business School's Centre for Governance, Institutions and Organisations (CGIO) and the Diversity Action Committee have all expressed support for this SGX initiative.

The disclosure guide can be downloaded [here](#).



PART 4: ETHICS

ACRA issues Revised Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, with the effective date revised to 1 July 2015

On 29 January 2015, ACRA issued the revised Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the ACRA Code). This follows ACRA's announcement in November 2014, of revisions to the ACRA Code to further strengthen it. The ACRA Code serves as a vital set of guiding principles for public accountants to rely on and enable them to make the right decisions when faced with conflicting choices between economic interests and ethical considerations.

In consultation with key stakeholders in the public accounting sector, the effective date of the ACRA Code will be revised to **1 July 2015** instead of 1 February 2015 as previously announced. The change in effective date is in response to feedback from the public accounting profession for more time to prepare for, and implement the necessary practices required, so as to meet the requirements of the revised ACRA Code.

The ACRA Code is largely based on the Code of Ethics for Professional Accountants, 2013 Edition, issued by the International Ethics Standards Board for Accountants (IESBA) and published by the International Federation of Accountants (IFAC) in May 2013 (2013 IESBA Code), and subsequent final pronouncements to the 2013 IESBA Code up to September 2013, with modifications and provisions that address local needs in Singapore. Provisions are re-numbered to align the numbering with that of the Code of Ethics for Professional Accountants, 2014 Edition.

The revised ACRA Code which is prescribed in the Fourth Schedule to the Accountants (Public Accountants) (Amendment) Rules 2015 under the Accountants Act (Chapter 2), can be accessed at the Singapore Statutes Online: <http://statutes.agc.gov.sg/aol/home.w3p>

PART 5: TAXATION

Updates on SIATP website

The Singapore Institute of Accredited Tax Professionals (SIATP) has issued a number of Tax Alerts since the previous issue of the RT Review Times (2015/1).

For details of these tax alerts, please refer to the SIATP's website as follows:

<http://www.siatp.org.sg/index.php/tax-news>





Contact Us



Mr Andrew Chua
Partner
Head of Technical
T: +65 66038205(DID)
E: andrewchua@rt-ca.com



Ms Yvonne Au
Director
Head of Quality Control
T: +65 66038257 (DID)
E: yvonneau@rt-ca.com



Mr Ravi Arumugam
Chief Executive Officer
& Managing Partner
T: +65 66038218 (DID)
E: ravi@rt-ca.com

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RT LLP
Chartered Accountants
www.rt-ca.com | UEN: T08LL0811J
Member of RT and Independent Member of BKR International

Head Office:
1 Raffles Place #17-02 One Raffles Place Singapore 048616
T: +65 62260080 (General Line)



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