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## Feedback on proposals by the Committee to Develop the Accountancy Sector

TAN, Pearl Hock-Neo

*Singapore Management University*, [pearltan@smu.edu.sg](mailto:pearltan@smu.edu.sg)

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# TRANSFORMING SINGAPORE INTO A LEADING GLOBAL ACCOUNTANCY HUB FOR ASIA-PACIFIC

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Final Report of the Committee to Develop the Accountancy Sector  
12 April 2010

# FINAL REPORT OF THE COMMITTEE TO DEVELOP THE ACCOUNTANCY SECTOR

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1. The Singapore accountancy sector plays an important role in the growth and development of the Singapore economy, in terms of providing access to professional accountancy services and talents needed by the different sectors of the economy. While predominantly catering to domestic demand, the accountancy sector itself is experiencing strong growth opportunities on the exports of its professional services to the region. The sector has exhibited double-digit growth on a compound annual growth rate basis on its exports of professional services to the region since 2000.

2. A mutually complementary relationship exists between Singapore's growth as a leading Global-Asia Financial and Business hub and a leading global Accountancy hub. On the one hand, the accountancy sector will benefit from exciting growth opportunities for its services and professionals as Singapore strengthens its position as an international financial and business centre. On the other hand, the Singapore economy will be strengthened by a vibrant and flourishing accountancy sector. An accountancy sector with a strong international outlook and of global standing will boost the competitiveness and international position of the Singapore economy.

3. Set in the above context, the Committee to Develop the Accountancy Sector (CDAS) has undertaken a holistic review of the Singapore accountancy sector. The CDAS has charted out a vision and made key recommendations to transform the accountancy sector for the next 10 years.

### **Transforming Singapore into a Leading Global Accountancy Hub for Asia-Pacific**

4. The CDAS' vision is to transform the Singapore accountancy sector into a leading global accountancy hub for the Asia-Pacific region by 2020. The Singapore accountancy sector and profession are well positioned to seize and help shape the exciting growth opportunities for the sector in Singapore and in the Asia-Pacific region.

5. Specifically, the Asia-Pacific market beckons with dynamic economic growth and new markets as promising investment destinations that will undoubtedly further fuel foreign demands for exports of professional accountancy services and talents. The Asia-Pacific accountancy services market is today the fastest-growing region for the global accountancy networks, and is forecasted to

reach US\$ 38.3 billion by 2013. Singapore, located in the heart of the Asia-Pacific region, is suitably poised to ride on the growth possibilities that are opening up to the accountancy sector.

6. A glimpse into the future vision for the Singapore accountancy sector:

*A globally recognised professional accountancy qualification is key to the successful transformation of the Singapore accountancy sector. Singapore will be the place of choice for students in the region wanting to become a qualified accountant. Singapore will have its post-university professional accountancy qualification that is of global repute and standing. Accountancy graduates from Singapore's three universities will enhance their accountancy careers through this professional qualification. The talent pool of accountants in Singapore will be broadened and strengthened as non-accountancy degree graduates are also attracted to the sector with the opportunity to pursue the professional qualification.*

*Singapore will be the regional centre offering other accountancy qualifications by international professional bodies. This will provide the diversity of the professional accountancy qualifications and add to the vibrancy of the Singapore sector.*

*Accountants from the region will come to Singapore for their professional development and certification as Chief Financial Officers and Internal Auditors, and to acquire specialised skills in risk management, tax and valuation.*

*A strong accountancy profession and a talented pool of qualified accountants will support Singapore's position as the Global-Asia Financial and Business Hub. Singapore accountants will be sought after to support Singapore companies having businesses in the region.*

*Global accountancy entities will use Singapore as the regional hub for their Asia-Pacific operations and centres of excellence for their specialised services. Accountancy talent is attracted to Singapore to enhance their professional career opportunities as Singapore serves as a key market for the growth in the accountancy services market in Asia-Pacific. The accountancy profession will embrace an international outlook and Singapore qualified and trained accountants are highly sought after by businesses in the region.*

*Singapore will be a respected voice for the Asia region on international accounting and auditing standards and practice. The professional development environment will be vibrant with a diversity of talent, skills and accountancy bodies. The Institute of Certified Public Accountants of Singapore and a Singapore Accountancy Council will provide strong leadership in research and the development of the accountancy profession.*

## **Making It Happen**

7. The CDAS has set out 10 recommendations to make this vision a reality. These recommendations build on Singapore's strength and reputation for trust and excellence. The recommendations seek to deepen expertise in the accountancy sector, upscale the value of services provided from the Singapore-based public accountancy entities and promote the regionalisation of accountancy services.

8. With the strong support of all the stakeholders, the CDAS believes that Singapore will realise this vision to become the leading global Accountancy hub for the Asia-Pacific region by 2020.

## **COMMITTEE TO DEVELOP THE ACCOUNTANCY SECTOR SINGAPORE**

## ABOUT THE COMMITTEE TO DEVELOP THE ACCOUNTANCY SECTOR

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1. The Committee to Develop the Singapore Accountancy Sector (the “CDAS”) was set up by the Government in December 2008 to conduct a “first-of-its-kind” holistic review of the accountancy sector, to position Singapore as a leading international centre for accountancy services and professionals.

2. The terms of reference of the CDAS are:

- (a) To promote Singapore as a key provider of accountancy services;
- (b) To position Singapore as a leading hub for international talents in the accountancy field; and
- (c) To develop Singapore as a regional education and professional training hub for accountancy.

3. The CDAS is chaired by Mr. Bobby Chin, Chairman of the Tote Board (Singapore Totalisator Board) and formerly the managing partner of KPMG LLP. The other committee members, comprising senior representatives from the accountancy profession, business community, academia and public sector are:

*Mr. Lim Joo Boon*  
(Chairman, Talent Working Group)

*Former Senior Partner, Accenture Pte Ltd*

*Mr. Ong Yew Huat*  
(Chairman, Services Working Group)

*Executive Chairman, Ernst & Young LLP*

*Prof. Gillian Yeo Hian Heng<sup>1</sup>*  
(Chairman, Education Working Group)

*Interim Dean College of Business (Nanyang Business School),  
Nanyang Technological University*

*Mr. Philip Eng*

*Deputy Chairman, MCL Land Limited*

*Dr. Ernest Kan Yaw Kiong*

*President, Institute of Certified Public Accountants of Singapore*

*Mr. Kon Yin Tong*

*Partner, Foo Kon Tan Grant Thornton LLP*

*Mr. Chaly Mah*

*Chief Executive Officer, Deloitte Asia Pacific*

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<sup>1</sup> Prof. Gillian Yeo Hian Heng replaced Prof. Jitendra Singh, upon his resignation as Dean, Nanyang Business School of the Nanyang Technological University.



<i>Prof. Pang Yang Hoong</i>	<i>Vice Provost (Undergraduate) / Dean (School of Accountancy), Singapore Management University</i>
<i>Mr. Quek See Tiat</i>	<i>Deputy Chairman, PricewaterhouseCoopers LLP</i>
<i>Mr. Viswanathan Shankar</i>	<i>Director, Standard Chartered Bank</i>
<i>Mr. Sitoh Yih Pin</i>	<i>Chairman, Nexia TS Public Accounting Corporation</i>
<i>Mr. Tham Sai Choy</i>	<i>Head of Audit, KPMG LLP</i>
<i>Ms. Juthika Ramanathan</i>	<i>Chief Executive, Accounting and Corporate Regulatory Authority</i>

4. The CDAS commenced its work in January 2009 and took a holistic approach in studying the following three key aspects:

- (a)*Talent*: Attracting, developing and retaining talent with the necessary expertise for Singapore to be an international financial and business centre;
- (b)*Education and professional development*: Building a vibrant and conducive environment for accountancy education and professional development; and
- (c)*Professional expertise and services*: Positioning Singapore as a centre of excellence for high value-adding professional expertise. The services reviewed included audit and all other services generally provided by the public accountancy profession.

5. The CDAS held extensive consultations with key stakeholders from January 2009 to March 2010, involving more than 100 meetings and focus group sessions with more than 80 stakeholder groups and interested parties. The wide range of stakeholders included undergraduates, educators, public accountants, professionals, national and international professional accountancy organisations, company directors, chambers of commerce, CFOs and government agencies.

6. An exposure draft of the CDAS's preliminary recommendations was published for public consultation in November 2009. The CDAS was encouraged by the broad support respondents expressed for all the recommendations. Respondents highlighted the importance of identifying the right catalysts to implement the CDAS's recommendations. The CDAS has taken into account the public consultation feedback in its recommendations in this final report.

1. The Asia-Pacific region is widely reported as the fastest-growing region for the international accountancy networks. Singapore, located in the heart of the Asia-Pacific region, is suitably poised to ride on the possibilities of the dynamic economic growth for the region.

### **Riding on Growth Possibilities in Asia-Pacific**

2. The total Asia-Pacific accountancy market reached US\$ 30.8 billion in 2008 and is forecasted to reach US\$ 38.3 billion by 2013. The major contributors to the Asia-Pacific accountancy market are Australia, China and India; Singapore contributed 2.8%<sup>2</sup>. In Australia, the US\$ 9.2 billion accountancy market formed almost 1% of its GDP. Singapore's US\$ 862.4 million formed 0.47% of its GDP, and has great potential to grow.

3. The emerging economies in China, India and ASEAN (in particular, Vietnam and Indonesia) are beckoning as new markets for promising investment destinations and developing accountancy sector. At the same time, economic expansion has fuelled strong demand across the region and this has led to significant investment in recent years from the global accountancy networks, particularly in China and India.

4. Market revenues in the Asia-Pacific region have increased healthily during the past five years, from US\$ 23.7 billion in 2004 to US\$ 30.8 billion in 2008, at a compound annual growth rate of 6.7%. This will encourage new entrants<sup>2</sup>.

5. Overall, competition in the Asia-Pacific market is assessed as moderate to strong. Buyers of accountancy services can vary in size but include many medium and large businesses, which strengthens buyer power considerably. The Big-4<sup>3</sup> firms have a significant presence in the Asia-Pacific region. There are also many smaller-sized professional entities, which are drivers of the competition in the Asia-Pacific accountancy market. Competing for major clients is difficult except for the largest accountancy entities, which can offer an appropriate range of expertise<sup>2</sup>.

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<sup>2</sup> Source: Datamonitor (2009). Accountancy in Asia-Pacific: Industry Profile.

<sup>3</sup> The Big-4 refer to PricewaterhouseCooper, KPMG International, Deloitte Touche Tohmatsu and Ernst & Young International.

## **As Singapore Becomes the Leading Global-Asia Financial and Business Hub**

6. The Singapore Government and the Economic Strategies Committee had recently unveiled the economic blue-print for the Singapore economy. This included the plans for Singapore to become the leading Global-Asia Financial and Business Hub, leveraging on its existing and strong reputation of having a pro-business and trusted regulatory environment.

7. The Singapore accountancy sector and profession are primed to take part in the major transformation in our economic environment that promises exciting growth prospects over the next 10 years.

## **Transforming Singapore into a Leading Global Accountancy Hub**

8. The Committee to Develop the Accountancy Sector's vision is to transform the Singapore accountancy sector into a leading global accountancy hub for the Asia-Pacific region by 2020.

9. The accountancy sector in London, with its long established tradition that enjoyed an international reputation for leadership and expertise, can be viewed as a leading light for the Singapore's sector. As Singapore aspires to be a leading global accountancy hub for the Asia Pacific region, it should seek to double the sector's existing GDP contribution from the current level of 0.4% to about 1% over the next 10 years. This would be similar to that of the current contribution of the accountancy sector in the UK as well as other developed jurisdictions like Australia.

10. The growth of the accountancy market should be achieved through developing a stronger international outlook for the sector, both in terms of service provision and professional development. The contribution from the sector's services export should thus be doubled from the current level of 22% to 50% over the next 10 years. There is great potential for the public accountancy entities based in Singapore to expand their work through growing existing and new regional markets and in providing high value-adding specialised niche services. The profession and sector's capability and productivity should also be strengthened, through expanding the talent base and enhancing the flow of high quality accountancy professionals in Singapore. A key outcome in this area would include having greater diversity in the profile and academic background of the talent base.

11. The professional development environment in the Singapore sector will also benefit greatly from the vibrancy generated from the intensification of the presence of the various internationally recognised professional bodies in Singapore. Indeed, these international players will be co-partners with the Institute of Certified Public Accountants of Singapore, the local universities and the Singapore-based public accountancy and corporate entities, in building up the thought leadership, research and development capabilities in accountancy services for the Singapore accountancy sector. Regulatory agencies like the Accounting and Corporate Regulatory Authority (ACRA), and the sector's continued focus to uphold and build on the "trusted and high integrity" factor of the Singapore's international branding, will continue to ensure the Singapore accountancy profession's strong adherence to ethics. It is through concerted efforts from all stakeholders that the accountancy profession can continue to offer trusted and high value-adding expertise.

### **The CDAS's Recommendations**

12. The CDAS's recommendations, broadly classified under three key strategic thrusts, are:

*Strategic Thrust 1: Leading Global Centre for Accountancy Talent, Education, Thought Leadership & Professional Development*

To deepen expertise in the accountancy sector, Singapore should –

- (a) develop a globally-recognised, Singapore-branded, post-university professional accountancy qualification;
- (b) develop a centre of excellence in business valuation, internal audit and risk management and tax;
- (c) set up a CFO Institute for the professional development of Chief Financial Officers; and
- (d) set up an Accountancy Services Research Centre (ASRC).

*Strategic Thrust 2: Leading Centre for High Value-adding Professional Accountancy Services*

To promote the regionalisation of accountancy services and to move the services provided from the Singapore-based public accountancy entities up the value chain, Singapore should -

- (a) develop into a leading centre for high value-adding accountancy services for businesses in the Asia-Pacific region;
- (b) liberalise ownership rules for public accountancy entities;
- (c) level up the expertise and upgrade the capability of small-and-medium sized practices; and
- (d) review the current audit exemption threshold and licensing framework for the audit of public interest entities.

*Strategic Thrust 3: Strong Accountancy Sector's Infrastructure and Institutions*

This is a call for concerted action from all the relevant stakeholders who can, and should, make a difference in turning the Singapore accountancy vision into a reality. This entails -

- (a) the transformation of the Institute of Certified Public Accountants of Singapore (ICPAS) into a professional accountancy body with a global membership, outlook and standing;
- (b) the establishment of an Accountancy Sector Development Fund (ASDF); and
- (c) the establishment of a Singapore Accountancy Council (SAC).

*Strategic Thrust 1: Leading Global Centre for Accountancy Talent, Education, Thought Leadership & Professional Development*

13. The recommendations under this strategic thrust are:

**Recommendation 1:** To develop a globally-recognised, Singapore-branded, post-university professional accountancy qualification programme (“Qualification Programme”). This Qualification Programme should be relevant for training audit professionals and commercial accountants. It should have a unique value proposition, with the following characteristics:

- (a) Global recognition;
- (b) International portability; and
- (c) An “Asian market value factor”.

This Qualification Programme should be developed with the following key elements:

- (a) *Robust admission criteria:* Applicants for the qualification programme should have accredited university degrees;
- (b) *Mandatory structured practical experience:* Professional practice experience should be acquired via employment-cum-training contracts with Accredited Training Organisations (ATOs). ATOs would include public accountancy entities, companies and government agencies;
- (c) *Pathway to facilitate entry of degree-holders from non-accountancy disciplines:* Conversion programme, comprising core accountancy related modules normally undertaken in an accountancy degree programme, should be developed to facilitate the entry of degree-holders from non-accountancy disciplines;
- (d) *Pathway to facilitate re-entry of former professional accountants:* A programme could be developed to facilitate and meet the needs of the re-entry of former professional accountants into the profession through the Qualification Programme.

This Qualification Programme would be administered by the ICPAS, under the independent oversight of the SAC. A strategic tie-up with a leading international professional

accountancy body should be forged to expedite the development of the qualification curriculum.

Adequate notice should be given in respect of the date of implementation of the Qualification Programme, and all existing regulatory and professional membership arrangements would continue until the effective date of implementation. Transitional provisions should give appropriate guidance to the following parties who are likely to be impacted by the Qualification Programme:

- (a) *Current students of local accountancy degree and other existing professional programmes* - certain exemptions could be given after a review of the relevant curriculum to be conducted under the oversight of the SAC;
- (b) *Current ICPAS CPA Singapore members* – specific transition should be worked out for this group of existing professionals with due consideration given to the experience and existing qualification of these members;
- (c) *Public accountants registered under the Accountants Act with the ACRA*; and
- (d) *Employers who may be seeking accreditation as ATOs* or who may have existing accounting professional staff who would be affected by the implementation of the Qualification Programme.

**Recommendation 2:** To develop Singapore into a Centre of Excellence in the areas of the professional development of Chief Financial Officers, as well as the development of specialisation pathways in internal audit and risk management expertise, business valuation expertise (especially in the areas relating to intellectual property, brands, corporate finance and arbitration proceedings), and international tax expertise.

The SAC will provide the oversight on the development of these professional specialisation pathways. Steering Committees should be set up for the development of these specialisation pathways, which includes the development of professional qualifications, job-specific competency frameworks, certification programmes and a regional examination centre. A CFO Institute for the professional development of Chief Financial Officers should also be

established. The Tax Academy should continue to champion the development of tax expertise.

The final composition of the respective Steering Committees will be determined by the SAC and will include, but not limited to, the following partners:

- (a) *Internal Audit Steering Committee*: Representatives from the Institute of Internal Auditors, the ICPAS, and the industry;
- (b) *Business Valuation Steering Committee*: Business valuation experts and representatives from the ICPAS; and
- (c) *CFO Steering Committee*: CFOs and representatives from the ICPAS.

**Recommendation 3:** To set up an Accountancy Services Research Centre (ASRC). The ASRC's objective is to promote high quality market relevant research to position the Singapore accountancy sector strongly for new and emerging opportunities in the professional services market. This is an integral part of the overall effort to promote and position Singapore as a leading global accountancy hub, and for attracting local and international talent from the academia and the professional practice industry.

#### *Research and Developmental focus*

The ASRC's research focus should be on developing applied research capabilities in accountancy-related professional accountancy services, and on issues relevant to Singapore and the Asia-Pacific marketplace. Research areas would include application issues arising from developments in international standards and regulatory reforms which have practical impact in the Asia-Pacific marketplace. This could include research areas pertaining to Basel II implementation, international regulation on audit quality, corporate and social responsibility reporting, and cutting edge technology for financial reporting which are implemented on a global scale. The ASRC should work closely with the Singapore Accounting Standards Council in the area of research and developmental activities relating to financial reporting standards.



### Operating, Funding Model and Accountability Framework

The ASRC will proactively promote research and development by coordinating the research areas undertaken by local and international public accountancy entities, professional bodies and universities. An SAC Research and Practice Professorship Programme could be developed in conjunction with the universities to incentivise the researchers to co-develop market-relevant research and journals. The ASRC should also actively promote thought leadership research and developmental activities, including roundtables and discussion forums.

The ASRC should first be established under the purview of the SAC. An accountancy research and development (R&D) fund should be set up under an accountancy sector development fund. The funding model for the ASRC should include subsequent fund-raising from private and corporate sponsors for its research activities. A research panel should be appointed to evaluate and disburse research grants based on the merits of the research proposals.

#### *Strategic Thrust 2: A Leading Centre for High Value-Adding Professional Accountancy Services*

14. The recommendations under this strategic thrust are:

**Recommendation 4:** To develop Singapore into a leading centre for high value-adding accountancy services for businesses in the Asia-Pacific region, through being a:

- (a) Hub for global accountancy organisations and centres of excellence;
- (b) Centre for global accountancy conferences and conventions; and
- (c) Centre for high value-adding professional accountancy services to be provided out of Singapore, servicing the markets in the Asia-Pacific region.

Targeted incentive programmes should be developed to promote the sector to expand in the provision of regional services out of Singapore. This could be achieved through the use of specific fiscal incentives such as grants, tax holidays and concessionary tax rates for

incremental revenue from new services or offshore work done by Singapore-based public accountancy firms.

**Recommendation 5:** To further liberalise the rules and regulations governing the ownership of public accountancy entities and entry into the accountancy profession through:

(a) A revision of the existing regulatory ownership rules of a public accountancy entity from the existing two-third to a simple majority of public accountants in the entity, to enhance and facilitate the growth of multi-disciplinary professional practices in Singapore; and

(b) The recognition of international practical experience in the regulatory registration requirements for public accountants in Singapore.

**Recommendation 6:** To upgrade the capability of the Small and Medium-sized Practices (SMPs) segment of the public accountancy profession, by the levelling up of expertise and the facilitation of consolidation through a two-year targeted incentive programme.

A targeted S\$ 2 million SMP Capabilities Development Fund (CDF) should be set up under the ASDF, under the oversight of the SAC.

### Developmental Areas

Support in the form of grants and reimbursement should be given for the levelling up of expertise, growing of regional networks and consolidation of resources among the SMPs in the accountancy sector. This could be in the form of facilitating market-led formation of alliances or mergers in the SMP segment, and of facilitating the development of joint procurement, shared services and the creation of joint market access among the SMPs.

The support should also cover part of the post-merger or consolidation integration costs incurred to enhance the value-adding capabilities of the SMPs. The eligible costs could include:

- (a) *Technology and infrastructure* - Expenditure in professional practice management system and relevant tools and methodologies;
- (b) *Expertise and human capital development* – Manpower-related costs incurred to strengthen the talent flow into the SMPs. Talent development programmes should include staff exchange arrangement and overseas secondment to build up expertise among the SMPs; and
- (c) *Business collaboration* – Costs incurred in establishing international alliances that lead to the strengthening of methodologies and capabilities.

### Qualification Guidelines

Considerations for funding from the SMP CDF would include the following:

- (a) Appropriate minimum and maximum size thresholds should be set to qualify public accountancy entities or practices that can receive the funding. For example, to achieve the objective of levelling up of skills and capability within the SMP segment, a minimum size threshold of five public accountants partners in the qualifying consolidated entity or practice should be set for the funding;
- (b) Appropriate qualifying criteria should be developed to target parts of the funding towards enhancing the SMP's internal quality control system. For example, consideration should be made in the design of the CDF to possibly subject the qualifying SMP to work towards meeting of the requirements under a quality controls certification programme (e.g. certification based on the Singapore Standards on Quality Controls – SSQC1) for public accountancy entities to be administered by ACRA;
- (c) Funding should be on co-sharing basis and should lead to sustainable capability enhancements in the SMP;
- (d) Funding could be in the areas of the development and the creation of markets and business opportunities;

- (e) Funding could be in the areas of the development of human capital through co-sponsoring of the costs of professional employees taking up the CDAS's proposed Qualification Programme.

**Recommendation 7:** To review the appropriateness of the current audit exemption threshold and the development of a targeted licensing framework for entities carrying out statutory audits of significant public interest entities.

*Strategic Thrust 3: Strong Accountancy Sector's Infrastructure and Institutions*

15. The recommendations under this strategic thrust are:

**Recommendation 8:** To transform the ICPAS into a professional accountancy body with global membership, outlook and standing. Two strategic areas have been identified to enable the ICPAS to move towards the achievement of this goal:

- (a) *Reviewing its Constitution* – A comprehensive independent study of the ICPAS Constitution should ensure its relevance and alignment with ICPAS' mission as the national professional body and that the ensuing governance and leadership structure and system are consistent with that of a professional accountancy body with a global membership, outlook and standing; and
- (b) *Reviewing its Infrastructure* - A study of the ICPAS's existing processes and systems to ensure that they support the vision of the ICPAS becoming a professional accountancy body with a global membership, outlook and standing. This includes refocusing the strategic direction of the Singapore Accountancy Academy as that of a leading professional development centre which meets the needs of its members and the accountancy sector.

**Recommendation 9:** To establish an Accountancy Sector Development Fund (ASDF). This fund should be used for the following objectives:

- (a) To raise the productivity of and build value-adding capabilities for the sector; and

- (b) To encourage regionalisation of Singapore-based public accountancy entities.

A S\$10 million fund should be set up and raised over five years. The funding model should be one which is sustainable and requires co-contributions from all stakeholders that will benefit from the developmental initiatives for the accountancy sector. The ASDF should be established under the purview of the SAC.

The scope of application of the ASDF will focus on:

- (a) *Building scale and network through the regionalisation of Singapore-based public accountancy entities.* Specifically, incentives should be given:

- (i) For public accountancy entities to establish regional head-quarters in Singapore; and

- (ii) For public accountancy entities with regional head-quarters in Singapore to establish offices overseas;

- (b) *Deepening the accountancy sector's professional capabilities to enhance the public accountancy entities' capability and productivity.* Specifically, incentives should be given to encourage incremental investments in:

- (i) Human capital development;

- (ii) Building technical expertise; and

- (iii) Integrating technology into work processes to enhance the sector's efficiency and productivity;

- (c) *Promoting thought leadership activities* through the anchoring of flagship accountancy centres of excellence and regional conferences in Singapore.

**Recommendation 10:** To establish a Singapore Accountancy Council (SAC), as the high-level council to take the lead in the transformation of Singapore into a leading global accountancy hub. The SAC should be appointed by the government and established via legislation to give it formal oversight responsibilities over the administration of the following:

- (a) The Accountancy Sector Development Fund;
- (b) The Accountancy Services Research Centre;
- (c) The Singapore-branded professional accountancy qualification and the necessary accreditation processes, and
- (d) The specialisation pathways for the accountancy sector.

The SAC should be set up comprising representatives from the public accountancy profession and sector, the business and financial community, the academia and the public sector. This high-level council should have the broad mandate to:

- (a) Oversee the accountancy sector's strategic direction through developmental efforts with the local and the international accountancy communities and relevant stakeholders;
- (b) Promote value-creation in accountancy services through thought leadership, education and research activities for accountancy services and the related fields; and
- (c) Ensure the efficient & effective use of incentive programmes to develop the accountancy sector.

Prior to the formal establishment of the SAC via the legislative process, a pro-tem SAC should be set up by the government to initiate the follow-up work from the CDAS's recommendations.

1. Accountants play an important role in capital markets. The accountancy sector's contribution to the economy in terms of key talents, services, governance standards and capital market infrastructure play an important part in Singapore's development as an international financial and business centre.

### **Accountancy Services as a Sector Supporting Singapore's Economic Activities**

2. Singapore is an attractive place for doing business and an international financial centre. It is home to leading companies in high value-adding specialised industries such as Maritime, Oil & Gas. Singapore is also active in emerging industries such as Wealth & Inheritance Trust, Intellectual Property, Pharmaceutical & Biotechnology, and in new movements of the Green industry involving Corporate Social Responsibility. There is a significant level of economic activities from foreign investors and regional headquarters, with about 7,000 Multinational Corporations (MNCs); 4,200 of these MNCs have regional or global headquarter functions.

3. The Singapore economy is also a vibrant and forward-looking one. The business community, comprising large corporations and a sizable number of Small and Medium Enterprises (SMEs), sustains a promising level of entrepreneurial activities in Singapore and in the regional markets.

4. Singapore is widely recognised as an established global professional services centre, alongside Hong Kong, Sydney, Shanghai and Tokyo in the Asia-Pacific region<sup>4</sup>. In 2008, the professional services industry in Singapore generated more than S\$ 7 billion in annual operating receipts, with 24% of the revenue coming from the services export<sup>5</sup>. During the same period, the Singapore accountancy sector contributed almost S\$ 1.3 billion towards the professional services industry, of which 22% of the revenue was derived from the services export<sup>6</sup>.

5. In the public accountancy landscape, 29 out of the largest 30 international accountancy network firms have established a presence in Singapore. Deloitte & Touche, Ernst & Young,

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<sup>4</sup> Source: United Kingdom Treasury (March 2009). Professional Services Global Competitiveness Group Report.

<sup>5</sup> Singapore Professional Services Sector: Refers to 5 key areas: (i) Legal; (ii) Human Capital; (iii) Business & Management Consulting; (iv) Accounting & Audit; and (v) Market Development (i.e. Market Research, Advertising and Public Relations).

<sup>6</sup> Source: Singapore Department of Statistics (2008).

KPMG and PricewaterhouseCoopers (the “Big-4”) are part of the international accountancy networks and service a large portion (74%) of Singapore’s listed entities. The medium-sized public accountancy entities comprise those (excluding the Big 4) that audit 10 or more Public Interest Entities<sup>7</sup>. These firms are also affiliated to the international accountancy networks and collectively account for 24% of the market share for audit services provided to listed companies. The small-sized public accountancy entities audit less than 10 Public Interest Entities. They are usually structured as sole-proprietorships or two person partnerships, and serve mainly the Small and Medium Enterprises (SMEs)<sup>8</sup>.

6. There are currently almost 590<sup>9</sup> public accountancy entities registered under the Accountants Act (the “Act”) with the Accounting and Corporate Regulatory Authority in Singapore. These entities provide “public accountancy services”, which is defined under the Act as “the audit and reporting on financial statements and the doing of such other acts that are required by any written law to be done by a public accountant”. Registration is not required for entities which provide book-keeping and transaction-type of accountancy related services such as the preparation of payroll and billing services, or other related business advisory services.

### **Accountancy Education and Profession: Contributing to Talent and Professional Development**

7. The Singapore accountancy sector is an active contributor to talent development, especially in the area of professional development. The public accountancy entities play an important role in the area of developing talent in the public practice of accountancy. The corporate entities and government agencies also offer opportunities for “on-the-job” training of accountants in commerce and the government service. In terms of employment, the sector directly generates about 12,000 jobs<sup>10</sup>, with the majority being professional skilled level jobs<sup>11</sup>.

8. The accountancy profession serves as a key talent source for the economy in providing qualified accountants working as chief financial officers, accountants, finance executives and other accountancy related positions in the different sectors of the economy. The professional

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<sup>7</sup> Public Interest Entities (PIEs): Refer to 3 types of entities: (i) companies listed on the Singapore Stock Exchange (SGX) and companies wishing to list with the SGX by way of an initial offering; (ii) companies in regulated industries such as banks and insurance companies; and (iii) other entities which raise funds from the public, such as charities.

<sup>8</sup> Source: Accounting and Corporate Regulatory Authority (2008). Key Facts and Trends of Singapore’s Public Accountancy Profession and Market.

<sup>9</sup> Source: ACRA (As of March 2010)

<sup>10</sup> Source: Department of Statistics (2008)

<sup>11</sup> Jobs requiring professional accountancy qualifications such as Certified Public Accountants (CPA) and Bachelor of Accountancy degree.



development landscape is a vibrant one, with active contribution to talent and the professional practice development from the Institute of Certified Public Accountants of Singapore (ICPAS) as well as other reputable overseas professional bodies as follows:

- The Association of Chartered Certified Accountants (ACCA);
- The Chartered Institute of Management Accountants (CIMA);
- CPA Australia;
- The Institute of Chartered Accountants in Australia (ICAA); and
- The Institute of Chartered Accountants in England and Wales (ICAEW).

9. The ICPAS currently has about 21,000 members, of which about 15,000 hold the title of “CPA Singapore”. The Singapore Accountancy Academy (SAA) is currently the training arm of the ICPAS. There are also other organisations specialising in specific professional development areas such as internal audit, IT audit and tax. These organisations are, namely, the Institute of Internal Auditors (IIA), the Information Systems Audit and Control Association (ISACA), and the Tax Academy of Singapore (TA).

10. Accountancy education is highly sought-after in Singapore, with the higher accountancy education offered by the Nanyang Technological University, Singapore Management University and National University of Singapore attracting some of the best and brightest students with high qualifying scores. Often, undergraduates with accountancy degrees from these local universities are able to secure good job offers from the public accountancy entities and the financial institutions before their graduation.

11. The broader accountancy education landscape also includes the polytechnics providing diploma programmes such as, Ngee Ann Polytechnic, Singapore Polytechnic, Nanyang Polytechnic; and Temasek Polytechnic. In private education, there are at least 15 private institutions providing accountancy diplomas and degrees.

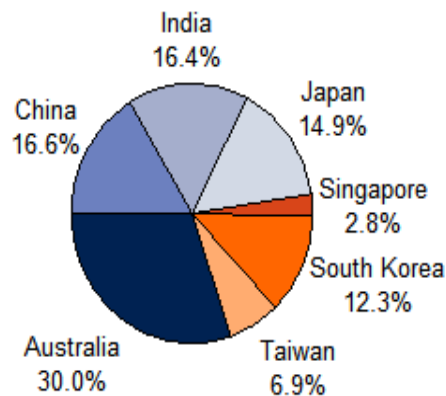
12. The bigger public accountancy entities, the financial institutions and the MNCs have been successful in attracting bright accountancy graduates from the local universities. However, the public accountancy profession faces longer-term challenges in talent attraction and retention arising from structural issues such as a rigid career progression structure, unattractive work-life balance and undue fee competition.

## Opportunities for Growth of Accountancy Services and Development of Talent and Education

13. The Asia-Pacific region is widely reported as the fastest-growing region for the global accountancy networks. Economic expansion has fuelled strong demand across the region and this has led to significant investment in recent years from the global Big-4 and medium-sized accountancy networks, particularly in China and India.<sup>12</sup> Singapore, located in the heart of the Asia-Pacific region, is suitably poised to ride on the possibilities of the dynamic economic growth of the region.

14. The total Asia-Pacific accountancy market reached US\$ 30.8 billion in 2008 and is forecasted to reach US\$ 38.3 billion by 2013. The major contributors to the Asia-Pacific accountancy market are Australia, China and India; Singapore contributed 2.8%<sup>13</sup>. In Australia, the US\$ 9.2 billion accountancy market formed almost 1% of its GDP. Singapore's US\$ 862.4 million formed 0.47% of its GDP, and has great potential to grow.

**Fig. 1 Asia-Pacific Accountancy Market**



Source: Datamonitor (2009). Accountancy in Asia-Pacific: Industry Profile

<sup>12</sup> Source: International Accounting Bulletin (February 2010) issue.

<sup>13</sup> Source: Datamonitor (2009). Accountancy in Asia-Pacific: Industry Profile.

Country	Contribution to Asia-Pacific Accountancy Market <sup>14</sup> (in billions)		GDP <sup>15</sup> (in billions)	Respective Country's Contribution to the Asia-Pacific Accountancy Market in proportion to the Country's GDP
	US\$	%		
Singapore	0.86	2.8	181.9	0.47
China	5.1	16.6	4,326.2	0.12
India	5.1	16.4	1,217.5	0.42
Australia	9.2	30	1,015.2	0.91

### **Growth Possibilities for the Accountancy and related Business Services<sup>16</sup>**

15. The Business Services (BS) sector contributed an average of 14% or S\$ 27.8 billion to the GDP in 2008<sup>17</sup>. Professional accountancy services in auditing, accounting and book-keeping alone contributed about 3.1% to the BS sector, offering S\$ 1.28 billion worth of professional services to the private and public sectors and S\$ 1.06 billion in terms of value-add<sup>18</sup>;

16. The growth of the accountancy sector is expected to increase with the strengthening of Singapore as an international capital and financial centre. In 2008, the sector registered annual growth of 3.8%<sup>19</sup>. The export of services contributed almost 22% (i.e. S\$284 million) of the sector's total revenue, this is an improvement from just 3.4% in 2000.

17. Singapore's geographical location, stable political environment, sound infrastructure, good reputation for integrity, code of ethics and professionalism, and the presence of the regional leaders from the international accountancy networks and an effectively bilingual workforce with professionals who possess in-depth knowledge of international accounting and auditing standards, are all factors which will position it well as a leading global accountancy hub for this region.

<sup>14</sup> Source: Datamonitor (2009). Accountancy in Asia-Pacific: Industry Profile

<sup>15</sup> Source: World Bank (2009)

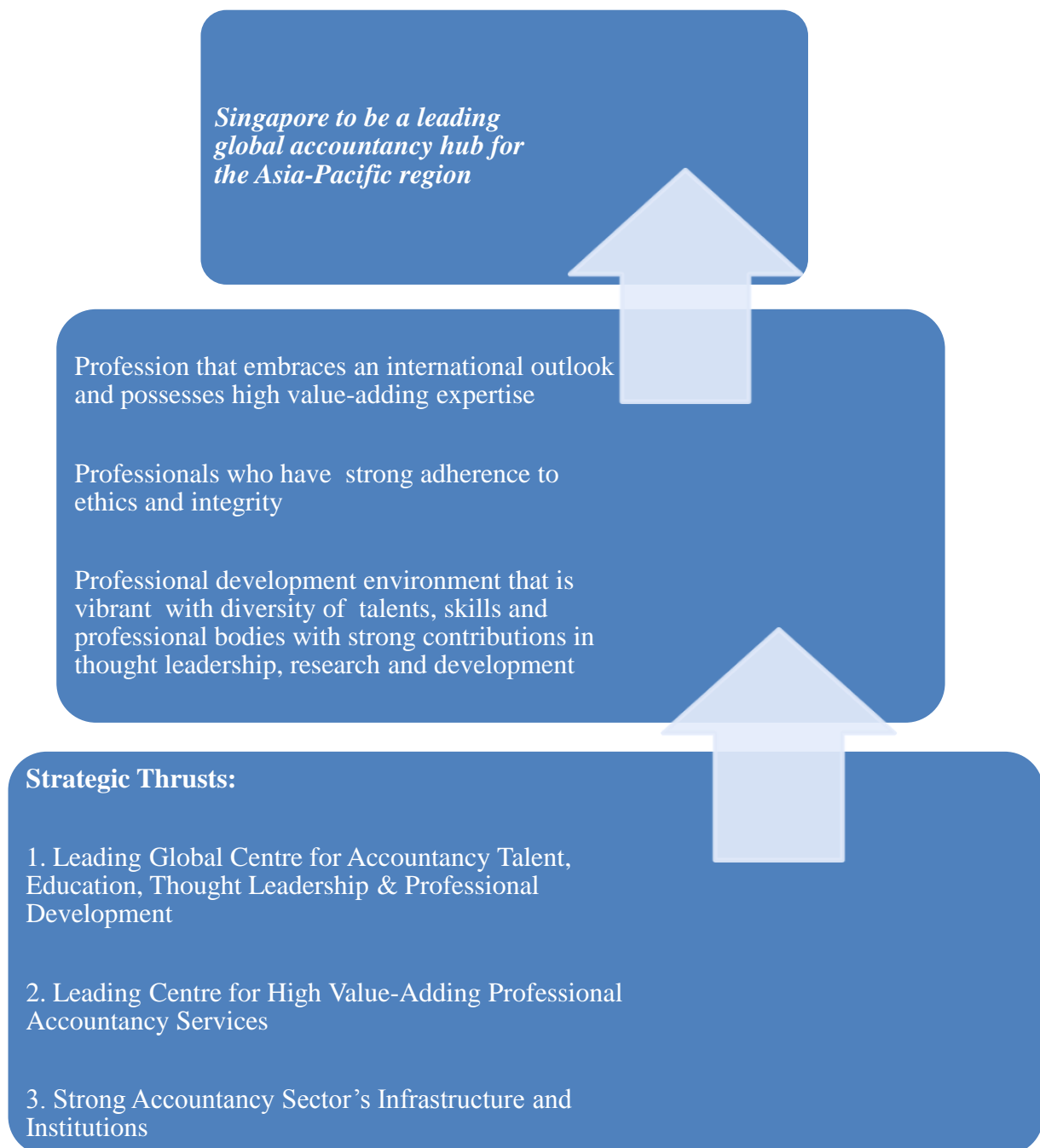
<sup>16</sup> Accountancy market consists of all revenues generated by firms engaged in preparing records (including bookkeeping, preparing tax returns, processing payrolls, billing), assurance and auditing, tax and other accountancy related fields such as business advisory services.

<sup>17</sup> Source: Ministry of Trade and Industry (2008). Economic Survey of Singapore.

<sup>18</sup> Source: Singapore Department of Statistics (2008).

<sup>19</sup> Source: Ministry of Trade and Industry (2008). Economic Survey of Singapore.

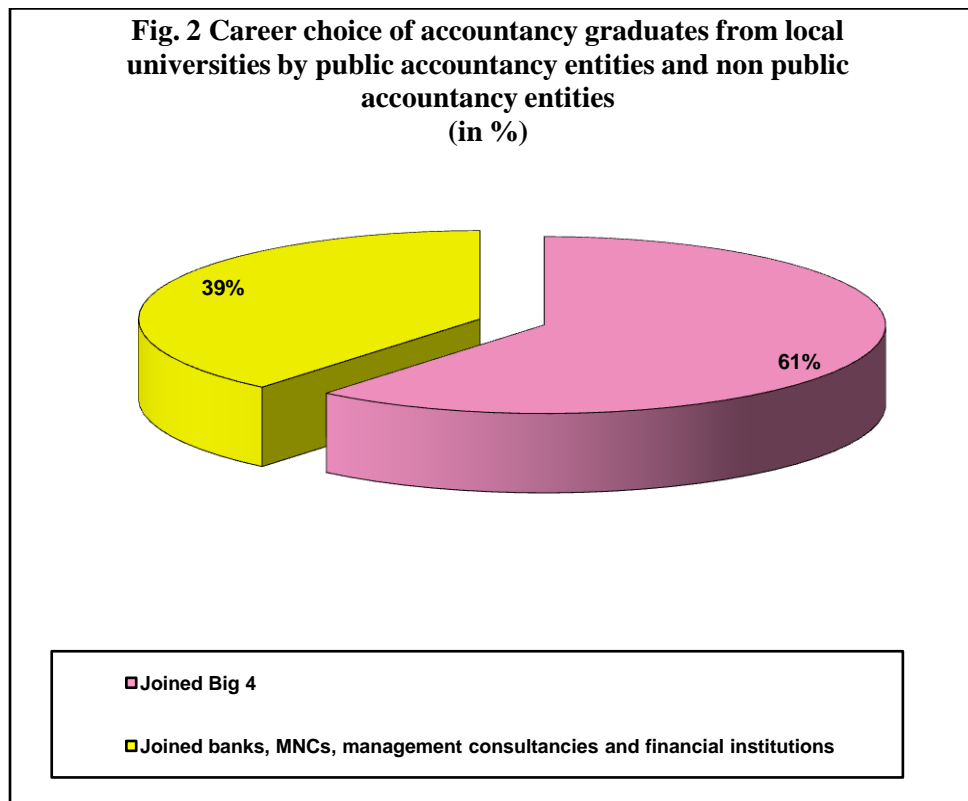
The CDAS's key strategy for growth and development of the accountancy sector and profession is a two-pronged one, at the national and sector-wide level as well as at the profession-level. The desired outcome is for the sector as a whole to support Singapore's progress as a leading Global-Asia Financial and Business Hub. This is best done through the strengthening of the sector's infrastructure for the development of the capability and capacity of the accountancy profession. This is to provide high value-adding professional services with multi-disciplinary expertise.



1. Talent forms the cornerstone for the profession.
2. The CDAS believes that a leading hub in accountancy services requires a strong talent pool with professional expertise. Such expertise has to be retained in the sector through an overall strategy to attract, develop and retain talent.

**Attraction and Retention**

3. The sector has long attracted some of the brightest and best students to take up higher accountancy education in the universities. Many of the accountancy graduates join the Big-4 upon their graduation. The financial institutions, Multinational Corporations (MNCs), and management consultancy companies also hold a strong attraction for the accountancy graduates.

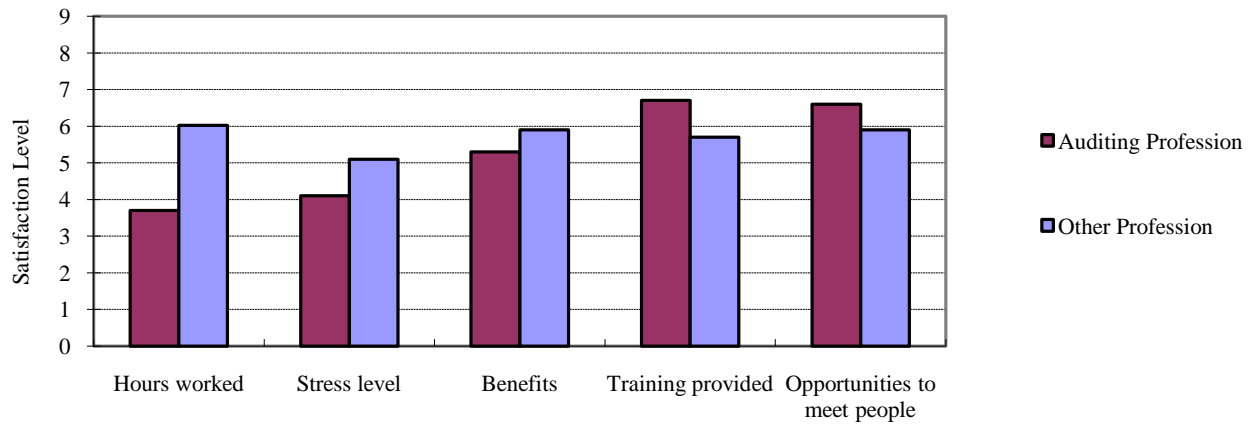


Source: ACRA’s Key Facts and Trends of Singapore’s Public Accountancy Profession and Market (2008)

4. At the same time, the sector faces serious challenges in talent retention. Low starting salaries, slow career progression, long working hours and a profile with a relatively less “glamour

factor” of the accountancy profession (compared to other professions) have often been cited as key factors eroding the attractiveness of the profession.

**Fig. 3 Satisfaction level: Audit vs. Other Profession**



*Source: Professor Tan Hun Tong, Nanyang Business School, Nanyang Technological University  
As presented at ACRA’s Public Accountants Conference 2008*

5. An inherent constraint to growth and development in the sector is a lack of diversity in the talent source. In particular, there is an overwhelming reliance of the profession on the single source of supply of accountancy graduates from the three local universities. The supply of accountants is close to 1,000 per annum for the past three years. At the same time, the job of an auditor remains in the Top 3 job vacancies in professional services. The job of an accountant was the Top 6 job vacancies in 2009<sup>20</sup>.

### ***Strategy to Attract and Retain talent***

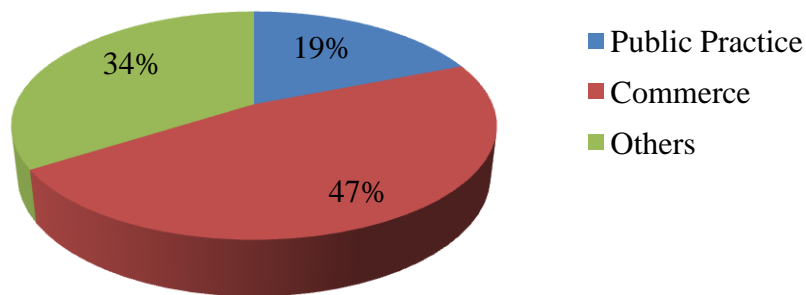
6. The sector continues to face stiff competition for local and international talents across industries within Singapore and across jurisdictions. The CDAS believes that the sector needs to open up more opportunities and platforms to attract and develop talent. This could be done through attracting mature graduates and talent from other disciplines. International expertise and thought leaders should be brought into the sector to enhance and diversify its talent base. Together, these efforts will create a profession that is multi-disciplinary and of greater diversity.

<sup>20</sup> Source: Ministry of Manpower Job Vacancies (2009).

7. The CDAS is of view that concerted efforts should be made to review and revamp the current talent management framework. This is important so that the accountancy sector can stay relevant in the competitive market for talent. Much of the talent reform work will have to be initiated and undertaken by the public accountancy profession, with the bigger public accountancy entities leading the way in adopting best practices in talent development.

8. There are many accountancy trained professionals who have decided to leave public practice and the commerce sector as accountants. Often, this is due to balancing the demands of being in the profession with the responsibilities of looking after young families. An ACRA survey with three professional accountancy bodies in Singapore revealed that 34% of their members no longer practise as auditors or professional accountants in commerce.

**Fig. 4 Professional bodies' members profile by public practice, commerce and others (%)**



*Source: ACRA's Key Facts and Trends of Singapore's Public Accountancy Profession and Market (2008)*

9. It would be useful to encourage the return of former accountants who are still members with the professional bodies. These accountants often have already acquired the core skill sets and competencies valuable to the sector. One particular group would be those who have left the profession to take care of young families, and who may wish to re-enter the profession when, for example, their children no longer require full-time care. This is an important component of talent retention for the accountancy profession.

### **Widening the Talent Pool and Deepening the Expertise of the Profession**

10. Accountancy services are a necessity for businesses and they tend to need accountants who can offer a wide range of competencies. For example, a multinational client will need guidance on the tax regimes and the application of financial reporting standards in all the countries it operates in.

An accountancy profession with multi-disciplinary skills can play a strategic role in the growth and development of Singapore as an international financial centre and business hub. The professional development framework should thus be revamped to strengthen the profession and sector's capability and productivity, in the areas of audit and related specialisation areas. The revamped professional development framework should aim to expand the talent pool, deepen expertise and enhance the flow of high quality accountancy professionals for the public accountancy profession and the commerce sector.

11. The CDAS has identified four immediate key market development needs which represent opportunities to develop the professional development pathways, as Singapore progresses as a Global-Asia Financial and Business Hub. The CDAS also considered other areas of expertise for which specialisation pathways could be developed, such as insolvency and forensic accounting, assurance and auditing, cost management accounting, external audit and performance audit. Given the current opportunity, potential for success and the endorsement received through public consultation, the CDAS agreed that the following four specialisation pathways are good to start with:

- (a) Internal Audit and Risk Management;
- (b) Chief Financial Officers;
- (c) Tax; and
- (d) Business Valuation (especially in the areas relating to arbitration proceedings, brands, corporate finance and intellectual property).

12. For Singapore to be an accountancy hub, it has to be respected for high quality thought leadership, research and developmental activities. The CDAS has thus recommended the establishment of an Accounting Services Research Centre, which seeks to attract talents from the industry and the academia to perform market-relevant applied research. The industry and professional bodies gave positive feedback that this recommendation is vital to building a strong accountancy profession.



## **RECOMMENDATION 1: A GLOBALLY-RECOGNISED, SINGAPORE-BRANDED POST-UNIVERSITY PROFESSIONAL ACCOUNTANCY QUALIFICATION**

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### *Current Accountancy Education:*

The higher accountancy education provided by the three local universities provides a good broad-based foundation, with a focus on the acquisition of knowledge on accounting concepts, general business knowledge, and soft skills in areas such as presentation and communication.

The broad-based university education equips the accountancy graduates with versatile skills to embark on a range of career opportunities in many sectors of the broader economy where their skills are highly sought after.

### *Current professional development structure:*

The accountancy graduates from the three universities can choose from amongst a range of professional programmes offered by the various professional bodies.

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1. The presence of a rich diversity of globally recognised professional qualifications is an important element in the attraction and professional development of talent in the sector.

2. In Australia, Hong Kong, the UK and the US, their professional bodies have developed their own distinct brand of professional accountancy qualification programmes, recognised globally for their rigour and international portability.

### **Revamping the Professional Development Structure**

3. Singapore's current broad-based education has developed a pool of all-rounded accountancy graduates to meet the demands of the job market.

4. At the same time, the CDAS has received feedback from all the stakeholders on the merits of developing a post-university structured professional accountancy qualification programme to meet the following needs:

- (a) In-depth expertise required of a trained professional accountant arising from changing market needs and expectations;
- (b) Structured practice-focused professional competency and skills required for the training of a professional in addition to cognitive skills and abilities; and
- (c) A globally recognised and sought after Singapore-branded professional accountancy qualification required to raise the stature of the Singapore accountancy profession and open up access to professional job opportunities in Singapore and overseas.

5. There is a strong demand for a structured framework for developing the professional practice experience of audit professionals and accountants. This demand was expressed through the CDAS's consultations with the current under-graduates undertaking the higher accountancy education, young accountants and audit professionals with the public accountancy entities, as well as feedback to the CDAS exposure document which was issued for public consultation in November 2009.

**Recommendation 1: A Singapore-Branded Post-University Professional Accountancy Qualification Programme with an “Asian Market Value Factor”**

6. The CDAS's recommendation is to develop a Singapore-branded post-university professional accountancy qualification programme (“Qualification Programme”). This Qualification Programme should be relevant for training audit professionals and commercial accountants. It should have a unique value proposition, with the following characteristics:

- (a) Global recognition;
- (b) International portability; and
- (c) An “Asian market value factor”.

7. This Qualification Programme should be developed with the following key elements:

- (a) *Robust admission criteria:* Applicants for the qualification programme should have accredited university degrees;
- (b) *Mandatory structured practical experience:* Professional practice experience should be acquired via employment-cum-training contracts with Accredited Training Organisations (ATOs). ATOs would include public accountancy entities, companies and government agencies;
- (c) *Pathway to facilitate entry of degree-holders from non-accountancy disciplines:* Conversion programme, comprising core accountancy related modules normally undertaken in an accountancy degree programme, should be developed to facilitate the entry of degree-holders from non-accountancy disciplines; and

*(d) Pathway to facilitate re-entry of former professional accountants:* A programme could be developed to facilitate and meet the needs of the re-entry of former professional accountants into the profession through the Qualification Programme.

### **Qualification Programme to be Administered by ICPAS under Singapore Accountancy Council (SAC)'s Oversight**

8. This Qualification Programme would be administered by the ICPAS, under the independent oversight of the SAC. A strategic tie-up with a leading international professional accountancy body should be forged to expedite the development of the curriculum.

### **Adequate Transitional Guidance will be Provided**

9. Adequate notice should be given in respect of the date of implementation of the Qualification Programme, and all existing regulatory and professional membership arrangements would continue until the effective date of implementation. Transitional provisions should give appropriate guidance to the following parties who are likely to be impacted by the Qualification Programme:

- (a) Current students of local accountancy degree and other existing professional programmes - certain exemptions could be given after a review of the relevant curriculum to be conducted under the oversight of the SAC;
- (b) Current ICPAS CPA Singapore members – specific transition should be worked out for this group of existing professionals with due consideration given to the experience and existing qualification of these members;
- (c) Public accountants registered under the Accountants Act with the ACRA; and
- (d) Employers who may be seeking accreditation as ATOs or who may have existing accounting professional staff who would be affected by the implementation of the Qualification Programme.

## **Recommendation 1: Extracts of Feedback from the CDAS’s Public Consultation**

*“We agree with all the recommendations...We strongly agree that non-accounting graduates should be allowed to enter the profession as the industry can definitely benefit from the diverse range of expertise and experience such non-accounting graduates can bring...”*

**Deloitte & Touche LLP**

*“We support the recommendation of a compulsory training contract with a sponsor. Strong support from accounting firms and other employers in Singapore will be crucial, and we intend to do our part as an approved training organisation.”*

**KPMG LLP**

*“We believe that development of a post-graduate accountancy qualification will enhance the quality of accountants in Singapore and with the right ‘branding’ by the national professional body, will in the long term, lead to a more global recognition and international portability of Singapore-trained accountants. This is, however, a process that will take significant time and investment in resources.”*

**Singapore Management University**

*“I believe that the qualification should also be relevant to the majority of accountancy graduates who are not employed by the public accounting firms. To be relevant to a larger community, it would be useful if the qualification could also provide an edge to non-practising accountants and finance professionals in their area of work e.g. how does the qualification make its holder a better CFO compared with another CFO who does not possess the qualification...”*

**Mr. Yap Chee Keong, Company Director**

*“It is a great idea to provide a formal channel for non-accountancy graduates to enter the profession through a recognised pathway...The accountancy profession suffers from a very poor image today. It is perceived as boring and unimaginative....There is a definite lack of buzz in the profession...Opportunities must be created for accountants to move into other areas where accounting skills will be useful e.g. Risk Management...”*

**Mr. Choo Chek Siew, Group Financial Officers, Comfort Delgro Corporation Limited**

*“We strongly support this recommendation....We note CDAS’ observation that many leading jurisdictions normally have the national professional accountancy bodies administer the professional accountancy qualifications. ICPAS will commit, in consultation with the government and partnership with relevant stakeholders, to invest and develop the necessary infrastructure and curriculum to administer this initiative. Transitional provisions that will take into consideration the experience and qualification of existing CPA Singapore qualification holders will be put in place...”*

**Institute of Certified Public Accountants of Singapore**

**Recommendation 1: Extracts of Feedback from the CDAS's Public Consultation  
(Continuation)**

*"We support CDAS' approach to enhance quality and capability in the finance sector through the introduction of a new postgraduate degree course in accountancy which gives emphasis to structured practical training. Another good initiative is training individuals from different academic disciplines and diverse work experience to be accountants.*

*Singapore Power is keen to play an active role in providing structured practical training to aspiring accountants. We envisage a scenario where a person with an engineering background will train with us to be a Certified Public Accountant. This person would bring with him an engineering perspective when analysing the company's financial and operational performance. He/she will be an invaluable asset for corporate finance work.*

*Do count us in to be one of the training organisations."*

**Singapore Power Ltd**

*"I fully support the programme, which would strengthen and enlarge the talent pool for accounting and finance professionals, and help elevate Singapore's standing as a global financial and business centre.*

*Accountants and aspiring accountants should benefit from the practice-focused training, which would allow them to apply theories and knowledge in a practical setting. They should also find it less daunting to learn and develop skills and competencies in a structured environment. The enhanced qualification would add value to these individuals and help the profession attract talent.*

*We in SPH Finance are keen to find out more about the programme and contribute by becoming one of the approved training organisations."*

**Tony Mallek, Chief Financial Officer, Singapore Press Holdings Ltd**

## RECOMMENDATION 2: BEYOND AUDIT - SPECIALISATION PATHWAYS

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### Internal Audit & Risk Management

#### *Current Market & Developments:*

- (a) Market potential for risk advisory; and
- (b) Rising importance of internal audit and risk management.
- (c) Current market conditions indicate that accountants who specialise in forensic and internal audit work on non-Singapore businesses, and audit work on non-financial information, including corporate sustainability reporting, are in demand.

#### *Growth Possibilities:*

Advisory's contribution to the Asia-Pacific Market - 34.2% (US\$ 10.53 billion) share, by value (2009) [Source: DataMonitor]

Risk Advisory's Estimated Export Market – S\$ 120 million (2009) [Source: Singapore Big 4]

IIA and ISACA certification programmes seek to provide in-depth knowledge and skills in auditing financial services, public-sector internal auditing, information security and information systems (IS) audit.

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### Internal Audit and Risk Management

1. The recent financial and economic crisis has highlighted the importance of internal audit and risk management in identifying and mitigating some of the impacts on organisations.
2. Currently, one who aspires to be an internal auditor or to enhance his/her skills as an internal auditor may undertake professional development and certification programmes from the Institute of Internal Auditors (IIA) and the Information Systems Audit and Control Association (ISACA). These certifications bring with them expertise in different aspects in internal audit and IT internal audit.
3. Singapore should further progress to deepen expertise in internal audit and risk management, for the following reasons:
  - (a) There is a growing market for risk advisory;
  - (b) Singapore has a reputation for integrity, good corporate governance and for providing high and robust quality education; and
  - (c) There are established international organisations specialising in internal audit in Singapore.
4. The key features of the structured professional development pathway for internal auditors should include:
  - (a) *Acquisition of knowledge and tools and core competencies* (including understanding of good corporate governance practices and proficiency in auditing skills), which could apply across all industries or businesses;
  - (b) *Robust certification programmes* in internal audit and risk management; and
  - (c) *Professional requirements for continuing education.*

## CFO Professional Development

### *Chief Financial Officers*

(a) High potential demand for highly skilled Chief Financial Officers

(b) Changing roles of CFOs and the growing skills complexity

#### *Growth Possibilities:*

7,000 MNCs

4,200 have global/regional HQ functions in Singapore

766 listed companies (40% foreign listings) in Aug 2009.

#### *Related Information:*

The role of the CFO has shifted from that of a “scorekeeper” who monitors/ reports the company’s results to a business partner participating in strategy development, leading merger and acquisition (M&A) activities, and providing leading indicators of performance.

In a 2007 survey conducted by Ernst and Young of 251 executives, of which a significant number are Chief Financial Officers (CFOs) from US (31%), Europe (34%), Asia (33%) on the role of CFOs today:

*More than four-fifths (84%) of the respondents indicated that the CFO is viewed as a business partner of the CEO and 88% agreed that it is not good enough for the CFO to be just good with numbers*

*31% agreed that CFOs do not have enough understanding of the wider issues the business faces.*

5. For a CFO to be effective, ideally the person should know everything that has to do with the business, the industry, the financial markets and the key internal functions. In practice, however, CFOs cannot possibly know enough of all the functions under his/her care and enough about the business, the industry and the competition. Often, CFOs learn through on-the-job experience. For a CFO to equip himself or herself quickly for the job with the basic tools, he or she has to focus on the most essential tools, and the tools that can be “learnt”.

6. The CDAS received feedback from CFOs that they welcome programmes for their professional development. Certification programmes would lift the standard of CFOs, especially for those involved in capital market developments. Singapore is well positioned to develop a specialisation pathway for CFOs, building on its existing foundation on integrity and good corporate governance; and its plans to develop expertise in internal audit and risk management (both of which form important components of the core competencies of a CFO).

7. The key features of a CFO professional development programme should include:

- (a) *Acquisition of core competencies* which could apply across all industries, e.g. corporate finance (valuation, M&A transactions), risk management (credit and market risks), financial markets and instruments; and
- (b) *CFO certification* - This certification should be promoted as a best practice (rather than mandatory) and form the minimum standard of quality desired of a proficient CFO.



## Tax Expertise

### Tax

(a) Growing trade within the Asia-Pacific region;

(b) Greater demand for regional tax work in transfer pricing, tax planning, restructuring etc.

#### *Growth Possibilities:*

Tax's contribution to the Asia-Pacific Market - 23.8% (US\$ 7.33billion) share, by value (2008)

[Source: DataMonitor 2009]

#### *Estimated Export Market:*

S\$ 192 million [Source: Singapore Big 4 (2009)]

The Tax Academy of Singapore (TA), a non-profit institution set up by the Inland Revenue Authority of Singapore in collaboration with the international accountancy firms and the Institute of Certified Public Accountants of Singapore and the Law Society of Singapore – provides tax training for people keen on deepening their tax knowledge.

Singapore Institute of Accredited Tax Professionals has been established to raise the standard of technical competence and capabilities of tax practitioners and tax professionals in business and government through accreditation.

8. As an open and industrialised economy, Singapore relies heavily on foreign direct investment inflows and outflows. The amount of Singapore's direct investment overseas grew from S\$ 153 billion in 2003 to S\$ 306 billion in 2007 and direct investment into Singapore grew from S\$ 246 billion in 2003 to S\$ 464 billion in 2007.<sup>21</sup> Total volume of trade with ASEAN also grew from US\$ 64.5 billion in 2002 to US\$ 183.3 billion in 2008 and total trade with Asia grew from US\$ 148 billion in 2002 to US\$ 423.2 billion in 2008.<sup>22</sup>

9. With greater cross-border businesses and increasingly complex tax environment, demand for tax professionals in niche areas has increased. Multinational corporations (MNCs) place higher value on an accountant with professional expertise and knowledge of the tax regimes in all the countries it operates in.

10. Singapore has great potential to be the regional centre of excellence in tax education and leading regional tax hub. One key area of focus is to develop deeper professional expertise in tax advisory work, especially to service the increasing cross-border investments and transactions in the Asia-Pacific region.

11. The Tax Academy has taken a leading role in developing a structured tax training framework, a tax accreditation framework and accreditation body and an international tax programme. Currently, 25% of TA candidates are from MNCs, with the rest (75%) from the Government and the top international accountancy firms.

<sup>21</sup> Source: Singapore Department of Statistics (2003-2007).

<sup>22</sup> Source: Asia Development Bank (2009), Asia Regional Integration Centre



## Singapore as Centre for Business Valuation

12. Valuation forms an important component of corporate finance services such as corporate and debt restructuring, merger & acquisitions (M&A), divestitures, takeovers/general offers, initial public offerings, as well as for a variety of reasons such as for strategic purposes; financial reporting; litigation; bankruptcy; financing/securitisation; and tax.

13. As the economy progresses towards being more knowledge-intensive, intellectual property (IP) and intangible assets (IA) increasingly make up a larger proportion of corporations' financial statements. IP and IA exist in all industries from product development and line operations such as: R&D, marketing, and general management to human capital, legal, accountancy, and finance.<sup>23</sup>

14. With the rising demand for valuation services, valuation expertise holds a great potential for Singapore to establish a niche. Accountants with knowledge, skills and practical exposure on valuation models, methods and techniques will be highly sought after. For example, current market conditions indicate that valuation for financial reporting and purchase price allocation work is in demand.

15. A notable observation is the progress made in the professional development of valuation in the areas of:

- (a) Research and development on generally recognised valuation methods and techniques by the valuation professionals;
- (b) Practical application of the valuation methods and techniques in the marketplace;
- (c) Examinations to determine the understanding of the subject matter and competency;
- (d) Continuing professional education and development to ensure awareness of changes in valuation methods, techniques and technology in the marketplace; and
- (e) Adherence to ethics and performance standards with the establishment of the code of conduct.

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<sup>23</sup> Intellectual Property: Refers to patents, trade secrets, copyrights, and trademarks/trade dress etc.

Internal Audit: Refers to the broader class of intangibles that are specified in a contract between the contracting parties.

16. The CDAS is of the view that there is scope to do more to promote the quality of valuation. In particular, a Singapore-based valuation qualification should be developed to enhance the standing of business valuation experts in Singapore and help promote Singapore as a centre of excellence for the development and training of such professionals.

### **Recommendation 2: A CFO Institute and Centre of Excellence in Internal Audit and Risk Management, Business Valuation and Tax**

17. The CDAS recommends that Singapore be developed into a Centre of Excellence in the areas of the professional development of Chief Financial Officers, as well as the specialisation pathways in internal audit and risk management expertise, business valuation expertise (especially in the areas relating to intellectual property, brands, corporate finance and arbitration proceedings), and international tax expertise.

### **High-level Council to Oversee the Development of the Identified Specialisation Pathways**

18. The SAC will provide the oversight on the development of these professional specialisation pathways. Steering Committees should be set up for the development of these specialisation pathways, which includes the development of professional qualifications, job-specific competency frameworks, certification programmes and a regional examination centre. A CFO Institute for the professional development of Chief Financial Officers should also be established. The Tax Academy should continue to champion the development of tax expertise.

19. The final composition of the respective Steering Committees will be determined by the SAC and will include, but not limited to, the following partners:

- (a) *Internal Audit Steering Committee*: Representatives from the Institute of Internal Auditors, the ICPAS, and the industry;
- (b) *Business Valuation Steering Committee*: Business valuation experts and representatives from the ICPAS; and
- (c) *CFO Steering Committee*: CFOs and representatives from the ICPAS.

## Recommendation 2: Extracts of Feedback from the CDAS's Public Consultation

*“CPA Australia fully concurs with CDAS’ proposed initiatives to develop structured professional education/training programs (including degrees and post-graduate programmes) and certifications. The four niche areas identified by CDAS have great potential and can play a strategic role in the growth and development of Singapore as an international financial centre and business hub...”*

**CPA Australia**

*“ACCA fully supports this proposed recommendation and notes that the specialisations mentioned are not mainly part of public practice, supporting the desire to provide routes for professional accountants into many areas of business life.”*

**ACCA Singapore**

*“An accountancy profession with multi-disciplinary skills can play a strategic role in the growth and development of Singapore as an international financial centre and business hub...IIAS supports a structured internal audit professional development programme...”*

**Institute of Internal Auditors Singapore**

*“EY agrees that to promote Singapore as a Centre for Professional Development niche specialisation in the above areas is necessary...”*

**Ernst & Young LLP**

*“We believe Singapore can be indeed a leading Centre for Professional Development for selected niche areas, in addition to new developing areas. To achieve this, we agree with the Committee’s approach of building strategic partnerships with industry, professional bodies and academia...”*

**Singapore Management University**

*“...we believe that the professional development of CFOs and valuation expertise may hold the greatest potential for Singapore to craft a niche for ourselves... We agree that the other 3 areas of specialisation, internal audit, risk management and tax expertise, are also important niche specialisations...”*

**National University of Singapore**

### RECOMMENDATION 3: ACCOUNTANCY SERVICES RESEARCH CENTRE

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#### *Examples of research centres in other sectors:*

The Agency for Science, Technology and Research (A\*STAR) is Singapore's lead government agency dedicated to fostering world-class scientific research and talent for a vibrant knowledge-based economy. A\*STAR actively nurtures public sector research and development in Biomedical Sciences, and Physical Sciences & Engineering.

A\*STAR currently oversees 14 research institutes and nine consortia & centres located in Biopolis and Fusionopolis, and supports research with the universities, hospital research centres, and other local and international partners.

The National Research Foundation (NRF) is set up as a department under the Prime Minister's Office to:

- Provide secretariat support to the Research, Innovation and Enterprise Council (RIEC), chaired by the Prime Minister;
  - Coordinate the research of different agencies within the larger national framework in order to provide a coherent strategic overview and direction;
  - Implement national research, innovation and enterprise strategies approved by the RIEC
- 

1. To be a cutting-edge, leading global accountancy hub, a strong culture and presence of practice research, standards setting, research and development and thought leadership activities are essential.

2. At present, there is limited accountancy-related research done in Singapore. The annual research fund devoted by the universities to accountancy ranges from S\$ 100,000 to S\$ 300,000 per local university.<sup>24</sup>

3. The existing research coverage is also more focused on academic research rather than for profession and industry development. The current universities' incentive system is inclined towards research areas which are of high academic value. At the same time, there is also a lack of research activities focusing on the development of accountancy services which will be useful to businesses in the Asia-Pacific. The industry needs more applied research that is current, practical, and of market value, especially in the areas of the development of standards, best practices, tools and methodologies.

4. To address the misalignment of the objectives and purposes of academic research versus industry needs, there should be a centrally coordinated research effort to focus on profession and industry development. The research and development efforts should harness synergies from the academia and the public accountancy profession. This could be done through a national research centre in accountancy and related services, modelled after the National Research Foundation and the A\*Star for other sectors, such as the biomedical sciences and technology.

<sup>24</sup> Source: Data provided by two out of the three Singapore universities.

5. In fostering collaborations between the industry and academia, joint centres of excellence between academia and industry such as University of Queensland's KPMG Centre for Business Forensics, INSEAD-PwC's Research Initiative on High Performance Organizations, University of Illinois Urbana-Champaign and KPMG Research Program, Deloitte Leadership Academy at University of Melbourne, could be considered.

### **Recommendation 3: An Accountancy Services Research Centre to Promote Thought Leadership Expertise and Developmental Activities**

6. The CDAS recommends that an Accountancy Services Research Centre (ASRC) be set up. The ASRC's objective is to promote high quality and market relevant research to position the sector strongly for new and emerging opportunities in the professional services market. This is an integral part of the overall effort to promote and position Singapore as a leading global accountancy hub, and for attracting local and international talent from the academia and the professional practice industry.

7. The ASRC's research focus should be on developing applied research capabilities in accountancy-related professional accountancy services, and on issues relevant to Singapore and the Asia-Pacific region. Research areas would include application issues arising from developments in international standards and regulatory reforms which have practical impact in the Asia-Pacific marketplace. This could include research areas pertaining to Basel II implementation, international regulation on audit quality, corporate and social responsibility reporting, and cutting edge technology for financial reporting which are implemented on global scale. The ASRC should work closely with the Singapore Accounting Standards Council in the area of research and developmental activities relating to financial reporting standards.

8. The ASRC will proactively promote research and development by coordinating the research areas undertaken by local and international public accountancy entities, professional bodies and universities. An SAC Research and Practice Professorship Programme could be developed in conjunction with the universities to incentivise the researchers to co-develop market-relevant research and journals. The ASRC should also actively promote thought leadership research and developmental activities, including roundtables and discussion forums.

## **SAC to Oversee the ASRC's Research and Developmental Activities**

9. The ASRC should first be established under the purview of the SAC. An accountancy research and development (R&D) fund should be set up under an accountancy sector development fund. The funding model for the ASRC should include subsequent fund-raising from private and corporate sponsors for its research activities. A research panel should be appointed to evaluate and disburse research grants based on the merits of the research proposals.

10. To incentivise researchers from the universities to contribute to the ASRC developmental activities, faculty staff could be placed on sabbatical on special projects at the various centres of excellence to the benefit of all parties in promoting Singapore as regional hub of accountancy thought leadership and knowledge creation. Incentive programmes for practitioners from the public accountancy entities to be seconded or hold concurrent appointments at the ASRC should also be worked out.

11. For the research centre to be effective, there should be a two-way communication between ASRC and accountancy professionals to surface areas of interest and communicate research findings on a regular and timely basis. For example, CFOs and other preparers of financial statements would benefit from guidance on specific areas such as challenges in valuation and impairment. Accountancy firms would benefit from relevant research information such as the percentage of companies in the wider Asia-Pacific region who had defaulted on borrowings, etc.

12. A clear roadmap should also be set out for the establishment of this research centre to address the existing gap in the under-researched area of Singapore and Asian business situations and for developing thought leadership materials that will raise the level of awareness and debate on topics relevant to Singapore's needs.

### **Recommendation 3: Extracts of Feedback from the CDAS's Public Consultation**

*“EY supports the setting up an Accountancy Services Research Centre (ASRC). We propose that the ASRC tap on existing universities’ resources. Further, we suggest that existing accountancy degree curriculum be modified to require the contribution of research articles. To incentivise organisations to provide resources to support ASRC projects, grants or tax incentives should be considered.”*

**Ernst & Young LLP**

*“We support this recommendation from CDAS... we are of the view that the resources of the local and overseas universities could be leveraged to conduct researches in collaboration with ASRC. These research topics should be industry specific rather than technical and academic based.”*

**Foo Kon Tan Grant Thornton LLP**

*“KPMG supports the recommendation. We share the vision of developing Singapore into a research and thought leadership centre for accountancy services, and would participate along with other stakeholders in:*

- (i) Working with the ASRC to develop a roadmap that emphasises the relevance of the ASRC to under-researched Singapore and Asian business situations; and*
- (ii) Developing thought leadership materials that raises the level of awareness and debate on topics relevant to Singapore’s needs.”*

**KPMG LLP**

*“We are excited about the setting up of the ASRC, and see this as a great opportunity for academia and practice to work together...”*

**Nanyang Technological University**

*“We concur with the Committee’s recommendations and would welcome a more coordinated approach, as well as funding, for research in accountancy and related services...”*

**Singapore Management University**

*“As a research university, we fully agree that focused research capability in the accountancy sector is a key differentiating factor in achieving the status of thought leadership and progressiveness in accounting knowledge... We agree that if we need to create thought leadership in accounting research in Singapore and the region, we will have to create an alternative mechanism to supplement the current research and incentive paradigm in the three local universities. Therefore, we agree with the setting up of the ASRC....The ASRC should consider seconding academics from the three local universities and highly qualified accounting practitioners to staff the manpower needs of the ASRC on a career basis.”*

**National University of Singapore**

### Recommendation 3: Extract of Feedback from the CDAS’s Public Consultation

(Continuation)

*“IIAS supports the view of CDAS to set up an ASRC with the objective to build up the research foundation, to position the sector strongly for new and emerging opportunities in the professional services market...”*

**Institute of Internal Auditors Singapore**

*“It is long recognised that innovation is required in all sectors in industry to keep products and practices fresh and to enhance society. Within the accountancy profession, there are many examples around the world where research has been prioritised.”*

**ACCA Singapore**

*“...the recommendation is vital to building an influential accountancy profession. It serves as a catalyst and conduit to bring together existing research and learning to address the gap which exists in applied accounting research and innovation to support the profession and standard setters.”*

**Institute of Chartered Accountants in England and Wales**

*“We strongly support this recommendation. We would like to further suggest that the resources of the three universities could be leveraged to conduct such research. We are of the view that it is crucial for these research papers to be industry specific rather than technical and academic based. Possible tie-ups with companies in the commercial sector could be considered for such industry specific research... we are eager to contribute positively to the initiatives and look forward to working with the Committee to develop this area.”*

**Institute of Certified Public Accountants of Singapore**



1. The growth of the accountancy market should be achieved through developing a stronger international outlook for the sector, both in terms of service provision and professional development.

### **Competitive Dynamics in the Asia-Pacific**

2. Market revenues in the Asia-Pacific region have increased healthily during the past five years, from US\$ 23.7 billion in 2004 to US\$ 30.8 billion in 2008, at a compound annual growth rate of 6.7%<sup>25</sup>. This will encourage new entrants. Overall, competition in the Asia-Pacific market is assessed as moderate to strong. Buyers of accountancy services can vary in size but include many medium and large businesses, which strengthens buyer power considerably. The Big-4 firms have a significant presence in the Asia-Pacific region. There are also many smaller firms, which are drivers of the competition in the Asia-Pacific accountancy market. Competing for major clients is difficult except for the largest accountancy firms, which can offer an appropriate range of expertise.<sup>26</sup>

### **Regionalisation and Expanding the Range of Accountancy Services Provided Out Of Singapore**

3. As Singapore aspires to be a leading global accountancy hub, it should seek to increase the sector's GDP contribution from the current level of 0.4% to about 1% over the next 10 years. This would be similar to that of the current contribution of the accountancy sector in the UK. The sector's services export should thus be doubled from the current level of 22% to 50% over the next 10 years.

4. The Singapore accountancy sector provides a range of accountancy-related professional services such as auditing, taxation and corporate advisory, in the public accountancy profession as

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<sup>25</sup> Datamonitor (2009), Accountancy in Asia-Pacific Industry Profile.

<sup>26</sup> The Big 4 refer to PricewaterhouseCooper, KPMG International, Deloitte Touche Tohmatsu and Ernst & Young International. Datamonitor (2009), Accountancy in Asia-Pacific: Industry Profile.

well as in the commerce sector<sup>27</sup>. The accountancy sector has been contributing about 0.4% share of nominal GDP annually since 2000<sup>28</sup>. This translates to about S\$ 1.28 billion of revenue and S\$ 1.06 billion of value-add generated by the sector in 2008. Over 75% of the sector's revenue is generated from the domestic market<sup>29</sup>.

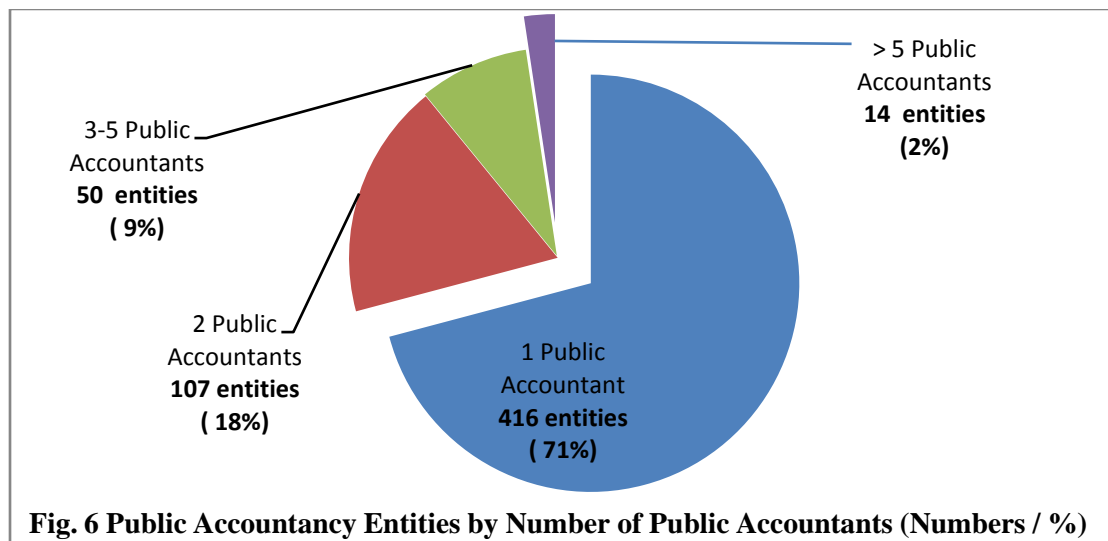
5. There is great potential for the Singapore-based public accountancy entities based in Singapore to expand their work in the growing audit and specialised niche services markets. The Asia-Pacific revenue mix for the public accountancy entities has evolved to one which tax and advisory services are almost equal contributors as audit services. The contribution from audit services for the Big-4 in Singapore is higher than that of their counterparts in the global accountancy networks in the Asia-Pacific region.

**Fig. 5 Comparison of Revenue Mix, Singapore vis-à-vis Asia Pacific**

<b>Accountancy Sector: Revenue Mix (in %)</b>		
	Singapore <sup>30</sup>	Asia-Pacific <sup>31</sup>
<b>Audit</b>	51	42
<b>Tax</b>	23	23.8
<b>Advisory</b>	26	34.2

6. There are almost 590 public accountancy entities registered with ACRA. An overwhelming majority of 98% of these entities operate either as sole-proprietorships or as entities with two to five public accountants partners.

Source: ACRA, 2010



**Fig. 6 Public Accountancy Entities by Number of Public Accountants (Numbers / %)**

<sup>27</sup> Major purchasing sectors of accounting services are wholesale & retail (20.7%), Business services sector (16.1%), Manufacturing (13.1%) and Financial Services (12.5%)

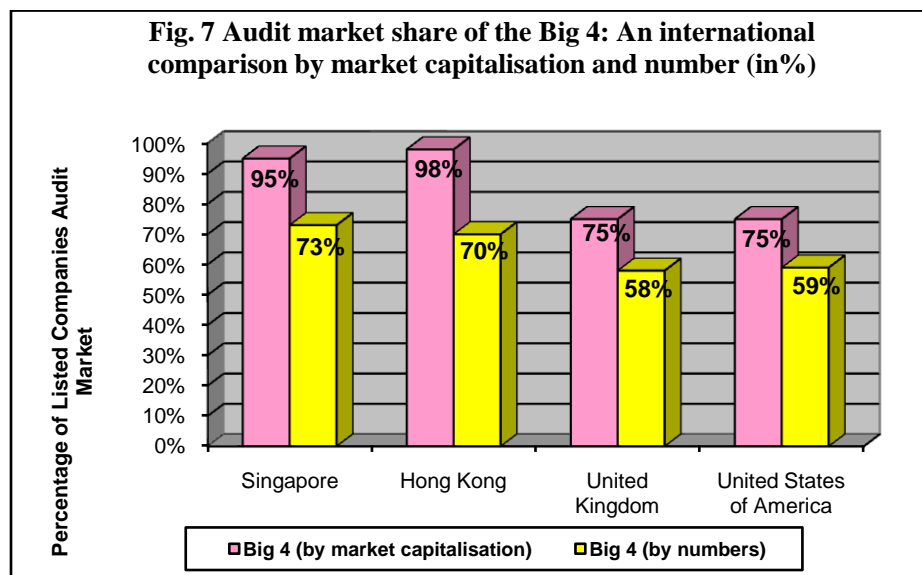
<sup>28</sup> Between 2000 and 2008, the accountancy services sector has been growing by 6.6 %, on a compounded annual growth rate basis, in tandem with the overall economy growth of about 6.1 % during the period. Source: Economic Survey of Singapore 3<sup>rd</sup> quarter 2009

<sup>29</sup> DOS third quarter 2009 Economic Survey Report

<sup>30</sup> Source: Figures contributed by the Big-4 in Singapore.

<sup>31</sup> Source: Datamonitor (2009) Accountancy in Asia-Pacific: Industry Profile

7. The Big-4 public accountancy entities in Singapore serve a larger proportion of Singapore's listed entities in terms of market capitalisation and numbers compared with equivalent firms in other significant markets such as the United Kingdom and the United States of America.



Source: ACRA's Key Facts and Trends of Singapore's Public Accountancy Profession and Market 2008

### Levelling up of Expertise at All Segments in the Public Accountancy Profession

8. With Singapore's small domestic market, the CDAS sees the need for the sector to seek out growth opportunities in emerging regional markets. The sector is well placed to leverage on its competitive strengths to expand into the fast-growing Asia-Pacific market. In particular, more could be done through joining in international alliances and the strengthening of tools and methodologies which such alliances offer.

9. The CDAS received broad support for the recommendations made under a three-pronged regionalisation strategy for the accountancy sector to develop a strong international outlook and to build up the critical mass of services market through:

- (a) Clustering of Centres of Excellence (COExs) and creating the buzz as a global hub for professional activities;
- (b) Promoting further liberalisation of the sector through greater flexibility in rules and regulations; and
- (c) Strengthening the growth and development of the SMP segment and incentivising high quality Singapore-based public accountancy entities with sufficient scale to expand their regional presence.

## **RECOMMENDATION 4: TARGETED INCENTIVE PROGRAMMES FOR REGIONALISATION OF ACCOUNTANCY SERVICES AND HUBBING OF CENTRES OF EXCELLENCE**

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*The Big-4 in Singapore are well established regional leaders in the public practice of accountancy and related business services.*

Deloitte Singapore is Deloitte's Global International Financial Reporting Standards and Offering Services (GIOS) centre for Southeast Asia. Deloitte Singapore has been designated as one of Deloitte's centres of excellence in Asia for various service lines in recognition of its professionalism and skills.

Ernst & Young Singapore is both a geographic and technical hub for assurance, tax, transactions and advisory businesses in the region. It has the largest concentration of technical and industry specialists that are strategically located in Singapore to serve its global inbound clients and fast-growing regional players.

Source: Singapore Economic Development Board – Professional Services Fact Sheet 2009.

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1. One key factor determining the future of the Singapore accountancy sector is the quality of its human capital. This includes the ability to attract international expertise into the sector to serve the regional and international markets. In this regard, the CDAS sees strength and potential for the sector to leverage on the strong presence of the international accountancy networks in Singapore.

### **Clustering of Centres of Excellence**

2. The Big-4 firms currently operate a number of their COExs out of Singapore. A number of Singapore-based medium-sized public accountancy entities are also taking on regional roles in their international networks.

3. The location of such COExs in Singapore would help to:

- (a) Anchor regional and international experts (including practice leaders and specialists) in Singapore; and
- (b) Stimulate the carrying out of high value-adding regional and international professional work out of Singapore.

4. The CDAS sees the clustering of the regional and international COExs in Singapore as the key catalyst to spur future growth and development of the sector. With a rapidly emerging Asia-Pacific accountancy market, the CDAS sees strong potential to develop Singapore as a leading global hub for anchoring of COExs to service the Asia-Pacific market. Competition to be the regional COExs hub will be stiff.

## Creating the Buzz

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KPMG Singapore's Real Estate Tax Practice was recognised by Euromoney as the Number One Real Estate Tax Advisory Firm of the Year and its Transfer Pricing Practice was honoured as a leading practice among its peers, in World Tax 2009, International Tax Review's comprehensive guide to the world's leading tax firms.

PricewaterhouseCoopers (PwC) Singapore has been awarded the Asia Transfer Pricing Firm of the Year by the International Tax Review 2008. PwC also won awards including the Asian Investor 2008 Best auditor for funds advice and Best auditor for tax services for funds.

Source: Singapore Economic Development Board (EDB) – Professional Services Fact Sheet 2009.

### EDB IODS

In the case of international organisations expansion, IODS provides support to enable international organisations to significantly increase their activity from their Singapore base. This support covers costs that are incurred in expanding the Singapore office, e.g. the additional manpower employed, office equipment and office rental.

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5. The Singapore accountancy sector is a vibrant one with the presence of globally recognised professional accountancy organisations such as ACCA, CPA Australia and ICAEW. The presence of these organisations, through their establishment of regional offices, examination centres and thought leadership centres have attracted international and regional accountancy talent to Singapore. This in turn contributes to the deepening of professional capabilities and widening of the talent pool.

6. The current incentive schemes to attract such international accountancy organisations are administered by the Singapore Economic Development Board (EDB). The EDB has an International Organisations Development Scheme (IODS), which attracts and assists international organisations to establish a base in Singapore or to expand existing base.

7. As the presence of a range of globally recognised professional accountancy organisations will help to enhance the buzz and promote the visibility of Singapore as a leading global accountancy hub, it will be useful to develop a targeted incentive programme to promote Singapore as a global accountancy conference centre.

8. The international profile of Singapore's accountancy sector will be elevated through attracting and promoting flagship accountancy summits catering to a regional and international audience, particularly those that are associated with the identified niche areas. Fiscal incentives should be considered for the holding of accountancy conferences

outside of Singapore, to promote the profile of Singapore as an accountancy hub and raising market awareness. Such summits should preferably be led by accountancy experts from Singapore and showcase leading applied research co-developed by practitioners and the academia through the ASRC.

9. Currently, fees from offshore work are typically subjected to withholding tax in foreign countries, and in practice double tax relief may not fully mitigate the withholding taxes suffered. The availability of concessionary rates of tax for offshore work would enhance the attractiveness of offshore work done out of a Singapore base. Concessionary rates of tax would alleviate the burden of double taxation and make offshore work carried out from Singapore more attractive. Such offshore work adds critical mass to the volume of expertise housed in Singapore, which is necessary for the formation of a Centre of Excellence. To promote Singapore as a Centre of Excellence, tax holidays similar to pioneer tax status could be awarded to accountancy services that are in their infancy and have a potential to help Singapore develop into a global centre of excellence.

10. To promote Singapore as a hub for globally recognised accountancy organisations and centres of excellence, grants should be made available to global accountancy organisations that conduct significant research and value-adding activities in Singapore, which would contribute to the development of the ASRC and the specialisation pathways.

#### **Recommendation 4: Targeted Incentive Programmes to Promote Regionalisation of Services**

11. The CDAS recommends that Singapore be developed into a leading centre for high value-adding accountancy services for businesses in the Asia-Pacific region, through being a:

- (a) Hub for global accountancy organisations and centres of excellence;
- (b) Centre for global accountancy conferences and conventions; and
- (c) Centre for high value-adding professional accountancy services to be provided out of Singapore, servicing the markets in the Asia-Pacific region.

12. Targeted incentive programmes should be developed to promote the sector to expand in the provision of regional services out of Singapore. This could be achieved through the use of specific fiscal incentives such as grants, tax holidays and concessionary tax rates for incremental revenue from new services or offshore work done by Singapore-based public accountancy firms.

#### **Recommendation 4: Extracts of Feedback from the CDAS's Public Consultation**

*“Singapore certainly has the right attributes to become the hub for globally recognised accountancy organisations and an accounting conference centre in Asia-Pacific. In order to organise a world class event and reach out to regional markets, strategic partnerships should be forged with governments, leading professional bodies, MNCs in the region...CPA Australia will continue to play an active role to host high profile events in Singapore and is open to co-organise events with other strategic partners.”*

**CPA Australia**

*“Ernst & Young supports the proposal. To promote this goal, we propose that incentives such as grants, tax exemption/deductions be granted to global accountancy bodies conducting global conferences or setting up regional headquarter in Singapore”*

**Ernst & Young LLP**

*“We agree with this recommendation and NUS Business School will endeavour to bring international accounting related conferences or thought leadership seminars to Singapore. We will be more than happy to work with the relevant authorities to develop incentive programmes to showcase the accountancy knowledge and high value accountancy services in Singapore.”*

**National University of Singapore**

*“...In fostering collaborations between the industry and academia, CDAS or its appointee body or organisation, may also consider: (a) Joint-centres of excellence between academia and industry....and (b) Placement of faculty on sabbatical on special projects at the various Centres of Excellence to the benefit of all parties in promoting Singapore as regional hub of accounting thought-leadership and knowledge creation.”*

**Singapore Management University**

*“KPMG concurs with the proposal to develop Singapore into a leading Asia-Pacific accountancy services centre. To this end, we recommend the following:*

*1. To promote Singapore as a hub for globally recognised accountancy organisations: Grants should be made available to global accountancy organisations that conduct significant activities in Singapore, for example professional bodies that use Singapore as regional or global headquarters....*

*2. To promote Singapore as a centre of excellence: Tax holidays similar to pioneer tax status should be awarded to accounting services that are in their infancy and have the potential to help Singapore develop into a global centre of excellence. Current market conditions indicate that the following services would be candidates:*

- i. Valuation for financial reporting and purchase price allocation work;*
- ii. Audit work on non-financial information, including corporate sustainability reporting.....*

*In addition, the availability of concessionary rates of tax for offshore work would enhance the attractiveness of offshore work done out of a Singapore base....Concessionary rates of tax will alleviate the burden of double taxation and make offshore work carried out from Singapore more attractive....”*

**KPMG LLP**



## RECOMMENDATION 5: LIBERALISATION OF RULES GOVERNING THE PUBLIC ACCOUNTANCY PROFESSION

### Promoting Further Liberalisation of the Sector through Greater Flexibility in Rules and Regulations

#### *Ownership requirements in other jurisdictions:*

EU: the European Union (EU) Member States require that a simple majority of up to a maximum of 75%, of the firm's administrative or management body be held by licensed accountant practitioners;

US: most audit firms are organised as partnerships under state laws, where state laws and partnership agreements determine the governance of audit firms. The individual states, which are responsible for licensing public accountants, require that a simple majority of audit firm owners be licensed accountants with the majority of voting rights

Hong Kong: Two-third of the partners/ directors of a CPA firm / corporate practice must be practicing certificate holders (i.e. CPA (practicing)). The Hong Kong Institute of Certified Public Accountants (HKICPA) issued a consultation paper in January 2009 seeking views on relaxing the current requirement from 2:1 (practicing: non-practicing) to a simple majority of 51% to 49%.

1. The accountancy sector is already largely opened up to foreign competition and participation in terms of its legislations and regulations.

2. To meet the needs of the increasingly globalised corporate sector served by the profession, the sector's capability need to be further deepened to provide multi-disciplinary professional expertise. Further steps should be taken to further liberalise the rules governing the public accountancy profession.

#### Ownership of Public Accountancy Entities

3. The ownership requirements governing public accountancy entities stems from the goal to regulate audit quality and the preservation of the auditor's independence and standards of professionalism<sup>32</sup>.

4. The current legislative framework requires at least two-third of the owners to be public accountants in public accountancy entities. This regulated ownership requirement should be further liberalised to inject more multi-disciplinary expertise. In fact, many of the internationally networked public accountancy entities already operate as multi-disciplinary set-ups with professionals from various disciplines.

5. The current ownership rules which allow a maximum threshold of one-third owners to be non-public accountants should be further expanded. This would facilitate more persons with other

professional expertise to own and be part of the public accountancy entities. To preserve the

<sup>32</sup> Source: IOSCO consultation document (Sep 2009) Exploration of Non-Professional Ownership Structures for Audit Firms



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*Recognition of international practical experience in other jurisdictions:*

Australia: The Australian Securities & Investments Commission (ASIC) requires foreign trained professionals to provide evidence that they have at least three years of practical experience in company auditing in a country that the body considers to have auditing standards that are equivalent to the Australian standards.

United Kingdom (UK): In the UK, becoming a public accountant through for example the Institute of Chartered Accountants of England and Wales (ICAEW) route allows 48 weeks of required practical experience be acquired from overseas.

Hong Kong: In Hong Kong the Hong Kong Institute of Certified Public Accountants (HKICPA) requires at least one year out of the required four years to be Hong Kong experience. The remaining three years may be from specified countries like Australia, Canada, Ireland, New Zealand, South Africa, UK, Zimbabwe and China.

“public accountancy character” of the public accountancy entities, public accountants should however still retain control over the public accountancy entity via a simple majority (i.e. at least 50%). This is consistent with the regulatory positions in the European Union and the US.

### **Recognition of International Practical Experience**

6. Under the Accountants Act, applicants who wish to become public accountants must have acquired three years of practical experience in public accountancy entities registered with ACRA.

7. ACRA reviewed the registration framework for public accountants in 2008 and is currently refining the subsidiary legislation to the Accountants Act to facilitate the entry of international auditors to practise in Singapore, under certain qualifying conditions. The CDAS supports this development.

8. To deepen and broaden the expertise and talent pool for Singapore’s accountancy sector, the nature of practical experience should be expanded to recognise the practical experience acquired overseas, for the following reasons:

- (a) The accountancy and audit profession has embarked on a convergence path in using a universal set of auditing and accounting standards;
- (b) Practical experience acquired overseas provides a valuable international perspective; and
- (c) Many of the public accountancy entities operate in international networks and often have arrangements to “second” professionals with international expertise to other member firms in another jurisdiction.

## **Recommendation 5: Liberalisation of Rules to Inject Multi-disciplinary Expertise**

9. The CDAS recommends a further liberalisation of the rules and regulations governing the ownership of public accountancy entities and entry into the accountancy profession through:

- (a) A revision of the existing regulatory ownership rules of a public accountancy entity from the existing two-third to a simple majority of public accountants in the entity, to enhance and facilitate the growth of multi-disciplinary professional practices in Singapore; and
- (b) The recognition of international practical experience in the registration requirements for public accountants in Singapore.

## Recommendation 5: Extracts of Feedback from the CDAS's Public Consultation

*“We agree with the liberalisation of ownership rules for public accountancy entities from the current two-thirds to a simple majority of public accountants in order to enhance the multi-disciplinary composition for such firms....We strongly agree with the recommendation to recognise the international practical experience for the registration of public accountants from overseas countries with similarly stringent requirements for professional qualification. This step is critical if we want to attract international experts to come to Singapore to practise here.”*

**PricewaterhouseCoopers LLP**

*“We support the recommendation...However, professionals from other disciplines who have ownership in public accountancy entities should also develop their knowledge and skill sets in accounting and also be familiar with the rules of ethics, independence, objectivity and other provisions of the Public Accountants Act.”*

**Foo Kon Tan Grant Thornton LLP**

*“We agree with the thrust of the recommendation. In addition, the Institute is of the view that the recognition of the international practical experience for the registration of public accountants should take into account the robustness, rigour and the quality of the practitioners' qualifications. Recognising accountancy qualifications from leading jurisdictions with international repute would be one measure to ensure the quality of public accountants registered in Singapore. Lastly, we also recommend that practitioners should demonstrate the necessary competence in Singapore tax and laws before registering as a public accountant in Singapore.”*

**Institute of Certified Public Accountants of Singapore**

*“Agree. This will help make it attractive for foreign / international entities to partner with local entities.”*

**Nanyang Technological University**

## **RECOMMENDATION 6: INDUSTRY DEVELOPMENT – LEVELLING UP EXPERTISE AND UPGRADING CAPABILITIES IN THE PUBLIC ACCOUNTANCY SMALL-AND-MEDIUM-SIZED PRACTICES (SMPs)’ SEGMENT**

*Number of employees in the Big-4 and the SMP segment:*

Small-sized accountancy firms:

Average five employees

Medium-sized accountancy firms:

Average 164

Big-4 accountancy firms:

Average 1860.

*Staff Profile:*

Small accountancy firms:

83% of the employees are in audit

Medium-sized accountancy firms:

73% of the employees are in audit

Big-4 accountancy firms:

51% of the employees are in audit.

1. The public accountancy profession comprises predominantly small-sized public accountancy entities with 89% operating with one to two public accountants, 9% with three to five public accountants and 2% with more than five public accountants. The SMP segment faces the following challenges which could hinder their growth and development:

- (a) Difficulty in attracting and retaining qualified staff;
- (b) Limited technical support and resources;
- (c) Limited access to growth and emerging opportunities;
- (d) Greater downward fee pressure; and
- (e) Inability to scale up.

### **Strengthening the Growth and Development of the SMP Segment**

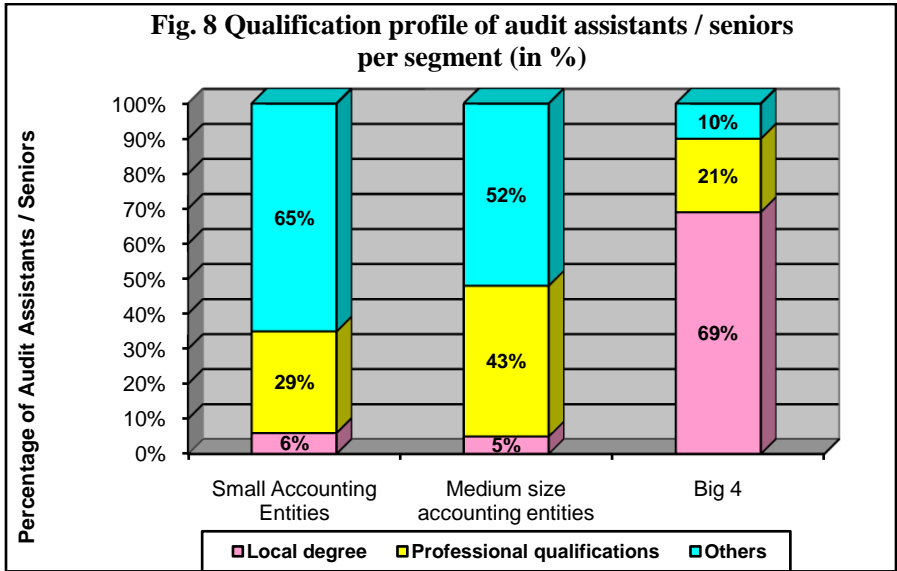
2. Regionalisation entails competition at a bigger scale, which in turn requires an upgrading of capabilities and leveling up of expertise. The raising of professional capabilities across all segments of the accountancy sector, including the SMP segment, is important. In particular, it will develop the sector's overall capability to seize emerging growth opportunities and to move up the value-chain, especially in the new growth market of providing high value-adding professional accountancy services to local enterprises which are expanding their overseas markets, especially the growing SMEs.

3. SMPs should position themselves as effective business partners to the companies in Singapore and the region. SMPs can gain a comparative advantage by tailoring their professional services to small businesses with regional growth ambition, for

example helping their non-audit clients to establish high quality financial management and reporting, to support their client’s successful growth and help them meet market expectations of higher quality governance, financial reporting and transparency. To achieve growth, SMPs need strategies to build and bring together resources and attract a broader range of qualified staff.

**SMP’s Current Difficulty in Attracting and Retaining Qualified Staff**

4. The CDAS’s focus group sessions with the SMPs revealed a prevalent difficulty faced by the SMPs in attracting qualified staff, due to a combination of low fees charged by these entities, the inability to pay competitive salaries to entry-level professionals, and inadequate resources for talent development and retention.



Source: ACRA’s Key Facts and Trends of Singapore’s Public Accountancy Profession and Market (2008)

65% of audit assistants/seniors in the smaller-sized public accountancy entities do not have qualifications that are recognised for the purposes of becoming a public accountant under the Accountants Act.

5. An effective way to strengthen the growth and development of the SMP segment is through mergers and alliances and consolidation of resources made available to the SMPs. This can be achieved through leveraging on existing or building new alliances with international networks to raise the level of its professionalism and to seek out growth opportunities. At the same time, consolidation will allow the SMP segment to leverage on economies of scale.

**Recommendation 6: Levelling Up Expertise and Upgrading Capabilities in the SMP Segment**

6. The CDAS recommends an upgrading of the capability of the Small and Medium-sized Practices (SMPs) segment of the public accountancy profession, by the levelling up of expertise

and the facilitation of consolidation through a two-year targeted incentive programme. A targeted S\$ 2 million SMP Capabilities Development Fund (CDF) should be set up under the ASDF, under the oversight of the SAC.

### **Supporting Development in the SMP Segment**

7. Support in the form of grants and reimbursement should be given for the levelling up of expertise, growing of regional networks and consolidation of resources among the SMPs in the accountancy sector. This could be in the form of facilitating market-led formation of alliances or mergers in the SMP segment, and of facilitating the development of joint procurement, shared services and the creation of joint market access among the SMPs.

8. The support should also cover part of the post-merger or consolidation integration costs incurred to enhance the value-adding capabilities of the SMPs. The eligible costs could include:

(a) *Technology and infrastructure* - Expenditure in professional practice management system and relevant tools and methodologies;

(b) *Expertise and human capital development* – Manpower-related costs incurred to strengthen the talent flow into the SMPs. Talent development programmes should include staff exchange arrangement and overseas secondment to build up expertise among the SMPs; and

(c) *Business collaboration* – Costs incurred in establishing international alliances that lead to the strengthening of methodologies and capabilities.

### **Qualification Guidelines**

9. Considerations for funding from the SMP CDF would include the following:

(a) Appropriate minimum and maximum size thresholds should be set to qualify public accountancy entities or practices that can receive the funding. For example, to achieve the objective of levelling up of skills and capability within the SMP segment, a minimum size threshold of five public accountants partners in the qualifying consolidated entity or practice should be set for the funding;

- (b) Appropriate qualifying criteria should be developed to target parts of the funding towards enhancing the SMP's internal quality control system. For example, consideration should be made in the design of the CDF to possibly subject the qualifying SMP to work towards meeting of the requirements under a quality controls certification programme (e.g. certification based on the Singapore Standards on Quality Control – SSQC1) for public accountancy entities to be administered by ACRA;
- (c) Funding should be on co-sharing basis and should lead to sustainable capability enhancements in the SMP;
- (d) Funding could be in the areas of the development and the creation of markets and business opportunities; and
- (e) Funding could be in the areas of the development of human capital through co-sponsoring of the costs of professional employees taking up the CDAS's proposed Qualification Programme.

## Recommendation 6: Extracts of Feedback from the CDAS's Public Consultation

*“We agree with the thrust of the proposal. We note that the Committee has recommended a two-year targeted incentive programme to strengthen the capacity and capability of the SMP segment. Some of our members have provided feedback that the time-frame for the proposed incentive programme could be too short to yield any meaningful results. We would like to suggest that the Committee consider lengthening the time frame of the incentive programme. In addition, we have also received feedback that some SMPs have found it a challenge to find suitable partners for merging. Some SMPs preferred to operate as small practices, providing specialised services to small companies and SMEs. Hence, we are of the view that the incentive programmes should also be extended to the smaller SMPs who provide niche specialised services.”*

**Institute of Certified Public Accountants of Singapore**

*“We support the recommendations, and we share CDAS's belief that a stronger SMP sector will strengthen the overall Singapore competitiveness as an international business and financial hub..CDAS to give appropriate recognition to small set-ups that play equally important roles in niche areas...potentially as a tie-up with Recommendation 2”*

**Deloitte & Touche LLP**

*“We support this recommendation. This will result in greater synergies arising from the mergers and acquisitions of Small and Medium Practices (SMPs) and increase the competitiveness and presence on a regional basis...”*

**Foo Kon Tan Grant Thornton LLP**

*“Because of the importance of the SMPs to SMEs in the economy, ACCA supports any measures to strengthen the SMP sector and support the growth, through mergers or other means, of small firms. ACCA has considerable experience and expertise in the SMP area both amongst its staff and its members...”*

**ACCA Singapore**

*“CPA Australia is supportive of the effort to strengthen the SMP segment in Singapore. We have always been proactive in helping build capabilities of SMPs through the provision of specially tailored tools and resources, a good practice guide, seminars, workshops, discussion groups and webinars....While consolidation of small practices may be an option to raise quality of services provided by SMPs, the issues of mutual trust and alignment of visions and core values must be considered carefully, and mergers should be strongly encouraged but not be forced.”*

**CPA Australia**

*“..we suggest that consideration be given to assisting SMPs through ICPAS or ACRA with developing and offering wider spectrum of value-added services including financial planning services which could be tied to Singapore's wider plans to develop the wealth management sector generally.”*

**Institute of Chartered Accountants in Australia**

*“This recommendation is excellent. Consolidation of the SMP would result in enterprises that are stronger in terms of financial strength and expertise, with concomitant increases in quality”*

**Nanyang Technological University**



## RECOMMENDATION 7: REVIEW OF AUDIT EXEMPTION THRESHOLD & LICENSING FRAMEWORK FOR STATUTORY AUDIT OF ENTITIES OF PUBLIC INTEREST

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70% of private companies are exempt private companies, and those with annual revenue of less than S\$5 million are audit exempt.

Of the companies that filed audited financial statements with ACRA between 2003 and 2007, companies audited by Small-sized public accountancy entities dropped from over 75,000 in 2004 to about 41,000 in 2007. Audit exemptions introduced to provide an efficient and pro-business environment for small businesses based on a market driven demand for audit services are likely to be primarily responsible for the drop in audits performed by small-sized public accountancy entities. Yet, even with audit exemptions, small companies in the SME sector would continue to demand high quality accounting services such as financial reporting advisory services, internal audit services, taxation, review and compilation services.

*Source: ACRA, Key Facts and Trends of Singapore's Public Accountancy Profession and the Market 2008*

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### **Instilling Greater Market Discipline and Raising Audit Quality in the Audit Market**

1. The audit exemption framework in Singapore was introduced in 2002. The underlying principle guiding the exemption from the statutory audit requirement is that the market itself is in the best position to determine the need and the value it places on audit vis-à-vis other forms of reporting and assurance. This is especially so for entities where the public interest does not carry as much weight in supporting a statutory audit requirement, for example small private companies, which are managed by the owners.

### **Review of Audit Exemption Threshold**

2. It is timely to review the appropriateness of the current audit exemption framework, with a view to injecting greater market discipline and raising the quality of audit services. The more value the market places on a statutory audit or other assurance product, the more likely it will be performed to a high quality. If the stakeholders regard it as a compliance cost with no value, lower quality will be tolerated and this only endanger the overall integrity of statutory audit reporting.

3. A review of the audit exemption threshold could lead to cost savings for small businesses and enable them to obtain higher value-adding services from the SMPs. In balancing considerations that the SMP segment would be affected by any shift in the audit exemption threshold, the CDAS notes that the SMP segment currently faces extreme downward fee pressures in the statutory audit market segment for the small companies. The CDAS thus

proposes that efforts be directed towards helping the SMP segment focus its resources on moving up the value-chain, to provide higher value-adding services that are in demand by Singapore's small- and medium-sized enterprises.

### **Audit of Entities of Significant Public Interest - Regulating the Quality of Services at the Public Accountancy Entity Level**

4. The Singapore public accountancy profession is currently licensed at the level of individual public accountants. The Accountants Act mandates the approval and registration of public accountancy entities.

5. In jurisdictions such as the United States and the United Kingdom, public accountancy entities which audit entities of significant public interest are subjected to licensing requirements. In particular, licensed entities are required to comply with quality control standards such as the IFAC's ISQC 1 or its equivalent. Under ISQC 1, licensed entities are required to demonstrate measures to ensure the rigour of their internal control systems as part of a broader objective to promote audit quality.

6. The CDAS is of the view that Singapore should shift towards enhancing the licensing framework, especially for public accountancy entities which audit entities of significant public interest. This would help to enhance the overall audit quality.

7. The CDAS notes that the Companies Act Steering Committee is currently reviewing the Companies Act, including the relevant provisions governing accounts and statutory audits.

### **Recommendation 7: Review of Audit Exemption Threshold and Targeted Licensing Framework for Audits of Public Interest Entities**

8. The CDAS recommends a review of the appropriateness of the current audit exemption threshold, and the development of a targeted licensing framework for entities carrying out statutory audits of significant public interest entities.

## Recommendation 7: Extracts of Feedback from the CDAS's Public Consultation

*“We agree that a licensing framework for the statutory audit of entities of significant public interest should be separate. It is important to ensure that accounting firms have requisite expertise and resources to address audit risks relating to public interest entities.”*

**Ernst & Young LLP**

*“...The setting up of registration and licensing requirements that a CPA firm must qualify before it can audit public interest entities will improve the quality of the statutory audits of public interest entities and boost public confidence. Small, medium and big 4 accounting firms should be subject to the same stringent criteria.”*

**Foo Kon Tan Grant Thornton LLP**

*“We are in support of the recommendation to develop a licensing framework for the statutory audit of entities with significant public interest. This would provide additional comfort to the investing public on the quality of audit services provided to such public entities.”*

**PricewaterhouseCoopers LLP**

*“ACCA supports the recommendation that the licensing framework be amended to license firms and not individuals. The arguments to support this view is that in most jurisdictions entities appoint firms as auditors, not individuals; and that audit reports are signed in the firm's name, with all the partners in a firm being jointly and severally liable in respect of any claims arising from defective audit work. Furthermore, IFAC's ISQC1 recognises that it is firms and not individuals that provide sound quality control policies and procedures that underpin audit quality...”*

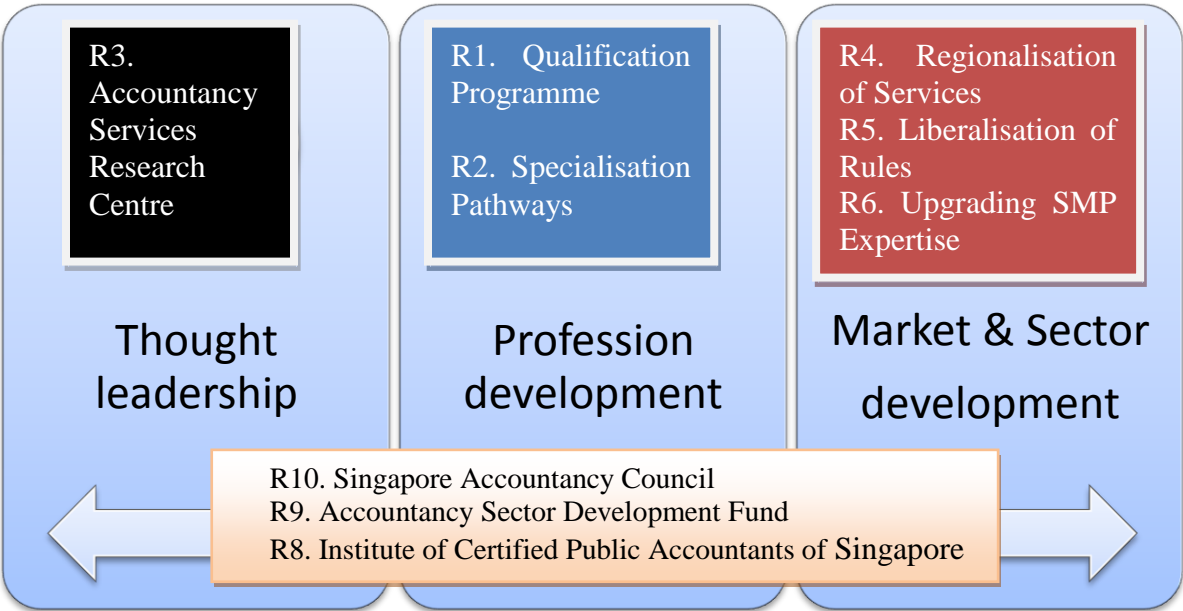
**ACCA Singapore**

*“CPA Australia supports a review of the appropriateness of the current audit exemption threshold. It also supports the development of a licensing framework for the statutory audit of entities of significant public interest...Having a tiered threshold approach to reporting and assurance for entities considered not to be of significant public interest is worthy of consideration....Arrangements such as these could potentially assist in helping the SMP segment to focus its resources on moving up the value-chain, enabling SMPs to provide higher value-adding services that are in demand by Singapore's small and medium sized companies.*

*That is, small entities that are not subject to assurance requirements can be assisted more readily by accountancy firms who need not consider the independence implications of providing other services....”*

**CPA Australia**

1. A strong infrastructure and concerted action by all stakeholders and institutions is needed to support the growth and development of the sector.
  
2. There is a broad spectrum of stakeholders with a presence in Singapore who can contribute to the transformation of Singapore into a leading global accountancy hub for the Asia-Pacific region by 2010. Each of these stakeholders can play a role in strengthening the infrastructure for the accountancy sector.
  
3. Three pillars form the requisite infrastructure: (a) thought leadership; (b) profession development; (c) market development. The CDAS received broad support for the recommendations made to foster a strong infrastructure.



## RECOMMENDATION 8: THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF SINGAPORE

### ICPAS

The Institute of Certified Public Accountants of Singapore (ICPAS) is the national professional accountancy body in Singapore. Formed in 1963, the body now has more than 20,000 members.

### Strategic Review

In 2008, the ICPAS commissioned a strategic review of its mission as well as its future direction.

As a result of the strategic review, ICPAS announced three pillars that will drive ICPAS' strategic intent and thrusts moving forward:

- (a) Accountancy Excellence;
- (b) Industry Growth; and
- (c) Member & Human Capital Development.

The three pillars would see ICPAS further build the CPA Singapore brand, provide thought and practice leadership, develop the accountancy sector, and harness the SAA's potential of growing into a regional player by transforming the academy into a full-fledged university amongst other initiatives.

### Key Milestones:

- Admission to the International Innovation Network (2009); and
- Appointed as a member on IFAC's PAIB Committee (2008).

1. Many of the professional accountancy bodies, including those in Australia, Hong Kong, the UK and the US are global players. The professional bodies have prominent professional qualifications to develop talent and to meet the professional development needs of their members.

### **Recommendation 8: Promoting a Strong Professional Accountancy Environment in Singapore Through Transforming the Institute of Certified Public Accountants of Singapore**

2. The CDAS recommends that the ICPAS be transformed into a professional accountancy body with global membership, outlook and standing. Two strategic areas have been identified to enable the ICPAS to move towards the achievement of this goal:

(a) *Reviewing its Constitution* – A comprehensive independent study of the ICPAS Constitution should ensure its relevance and alignment with ICPAS' mission as the national professional body and that the ensuing governance and leadership structure and system are consistent with that of a professional accountancy body with a global membership, outlook and standing; and

(b) *Reviewing its Infrastructure* - A study of the ICPAS's existing processes and systems to ensure that they support the vision of the ICPAS becoming a professional accountancy body with a global membership, outlook and standing. This includes refocusing the strategic direction of the Singapore Accountancy Academy as that of a leading professional development centre which meets the needs of its members and the accountancy sector.

## Recommendation 8: Extracts of Feedback from the CDAS's Public Consultation

*"We agree with the recommendation to transform ICPAS into a global professional accountancy body. We believe that building the infrastructure to support this vision is a first priority. Leadership continuity and renewal should go hand in hand, but these cannot proceed alone and must be balanced with strong infrastructure and stakeholder support."*

**Institute of Certified Public Accountants of Singapore**

*"...The ICPAS should progress further towards becoming a global professional accountancy body by playing a stronger professional development role. It should try to gain representation in International Accounting Standards Committee and be more involved in the development of accounting and audit standards in an international arena."*

**Foo Kon Tan Grant Thornton LLP**

*"...We agree that a strong national accountancy organisation of global repute is pivotal to Singapore's ambitions to become a global accountancy hub. The current strategic plan of ICPAS focuses on its role as a national accountancy body only and does not extend to developing it into a global professional accountancy body. The strategic plan should therefore be realigned to the vision of globalisation..."*

**KPMG LLP**

*"All leading professional bodies must continue to evolve to meet the needs of a growing and diverse membership. The two strategic areas identified by CDAS to transform ICPAS into a global professional accountancy body are steps in the right direction."*

**CPA Australia**

*"...Over the years, its (ICPAS) role has continuously evolved and it is opportune to consider whether the current constitution, mission, governance and leadership is consistent with a dynamically changing landscape. In addition, it is timely to consider whether ICPAS in its current form can be further enhanced to face the challenge to position itself as the global professional accountancy body representing Singapore in a global stage..."*

**National University of Singapore**

## **RECOMMENDATION 9: ACCOUNTANCY SECTOR DEVELOPMENT FUND**

1. Investment in tools, systems and methodologies at a sector wide level is necessary to deepen expertise and build capacity, to drive the development of new solutions within the sector. This is to provide high value-adding professional services, and to build scale and network to support the vision of developing Singapore into a leading global accountancy hub. Currently, there is a lack of targeted assistance programmes to facilitate the creation of such tools, systems and methodologies.

### **Recommendation 9: Enhancing Expertise and Capacity Through the Establishment of an Accountancy Sector Development Fund (ASDF)**

2. The CDAS recommends the establishment of an Accountancy Sector Development Fund (ASDF). This fund should be used for the following objectives:

- (a) To raise the productivity of and build value-adding capabilities for the sector; and
- (b) To encourage regionalisation of Singapore-based public accountancy entities.

3. A S\$ 10 million fund should be set up and raised over five years. The funding model should be one which is sustainable and requires co-contributions from all stakeholders that will benefit from the developmental initiatives for the accountancy sector. The ASDF should be established under the purview of the SAC.

4. The scope of application of the ASDF will focus on:

*(a) Building scale and network through the regionalisation of Singapore-based public accountancy entities.* Specifically, incentives should be given:

- (i) For public accountancy entities to establish regional headquarters in Singapore; and
- (ii) For Singapore-based public accountancy entities with regional headquarters in Singapore to establish offices overseas.

(b) *Deepening the accountancy sector’s professional capabilities to enhance the public accountancy entities’ capability and productivity.* Specifically, incentives should be given to encourage incremental investments in:

(i) Human capital development;

(ii) Building technical expertise; and

(iii) Integrating technology into work processes to enhance the sector’s efficiency and productivity.

(c) *Promoting thought leadership activities* through the anchoring of flagship accountancy centres of excellence and regional conferences in Singapore.

## **Recommendation 9: Extracts of Feedback from the CDAS’s Public Consultation**

*“We support the recommendation to establish an Accountancy Sector Development Fund. This will provide the momentum to transform Singapore into a leading global accountancy hub.”*

**CPA Australia**

*“EY supports the establishment of an Accountancy Sector Development Fund. To encourage contributions, the Committee should explore government matching and tax deductibility of such contributions.”*

**Ernst & Young LLP**

*“KPMG supports the recommendation...The development of the accountancy sector in Singapore will generate opportunities for a broad spectrum of accounting trained professionals. As most of the beneficiaries of the fund are members of ICPAS, and with the infrastructure in place for collection of subscription from them, it would be efficient for ICPAS to be a source of funding. Considering the wider macro-economic interest in the development of the accounting sector, we believe that matching public funding should be made available.”*

**KPMG LLP**



## RECOMMENDATION 10: THE SINGAPORE ACCOUNTANCY COUNCIL

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### *Singapore Accountancy Ecosystem:*

#### *(a) Education*

- 3 Universities providing accountancy degrees
- 4 Polytechnics providing accountancy diplomas
- at least 15 private institutions providing accountancy diplomas and degrees

#### *(b) Professional Accountancy Bodies*

- Institute of Certified Public Accountants of Singapore (ICPAS)
- Association of Chartered Certified Accountants (ACCA)
- CPA Australia
- Institute of Chartered Accountants in Australia (ICAA)
- Institute of Chartered Accountants in England and Wales (ICAEW)

#### *(c) Organisations specialising in specific areas for professional development*

- Tax Academy of Singapore (TA)
- Institute of Internal Auditors (IIA)
- Information Systems Audit and Control Association (ISACA)

#### *(d) Government Agencies (e.g. ACRA, EDB, SPRING Singapore and IE Singapore)*

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1. The Singapore accountancy sector is broad and diverse, comprising various stakeholders. Each party has its own unique and distinct set of competencies and objectives.

### **Recommendation 10: Concerted Effort to Develop and Promote the Singapore Accountancy Sector through the Establishment of a Singapore Accountancy Council (SAC)**

2. A central body should be set up to act as the catalyst to focus and synergise the efforts from all stakeholders in the accountancy sector, towards a common goal of transforming Singapore into a leading global accountancy hub for the Asia-Pacific region by 2010.

3. The CDAS recommends that a Singapore Accountancy Council (SAC) be established as the high-level council to take the lead in the transformation of Singapore into a leading global accountancy hub. This central body should be supported by a full-time secretariat.

4. The SAC should be appointed by the government and established via legislation to give it formal oversight responsibilities over the administration of the following:

- (a) The Accountancy Sector Development Fund;
- (b) The Accountancy Services Research Centre;
- (c) The globally-recognised, Singapore-branded post-university professional accountancy qualification and the necessary accreditation processes; and
- (d) The specialisation pathways for the accountancy sector.

5. The SAC should be set up comprising representatives from the public accountancy profession and sector, the business and financial community, the academia and the public sector. This high-level council should have the broad mandate to:

- (a) Oversee the accountancy sector's strategic direction through developmental efforts with the local and the international accountancy communities and relevant stakeholders;
- (b) Promote value-creation in accountancy services through thought leadership, education and research activities for accountancy services and the related fields; and
- (c) Ensure the efficient & effective use of incentive programmes to develop the accountancy sector.

6. Prior to the formal establishment of the SAC via the legislative process, a pro-tem SAC should be set up by the government to initiate the follow-up work from the CDAS's recommendations.

## Recommendation 10: Extracts of Feedback from the CDAS's Public Consultation

*"We agree with this recommendation and ICPAS is committed to active engagement and representation in the SAC and its initiatives to transform Singapore into a leading global accountancy hub."*

**Institute of Certified Public Accountants of Singapore**

*"An over-arching goal of the SAC may be the establishment of an integrated framework of policies, incentives and processes that would contribute to the development and growth of Singapore as a prominent accountancy hub."*

**Singapore Management University**

*"... We agree with the rationale for the proposal to set up a Singapore Accountancy Council, which we understand will be an umbrella body for the accountancy fraternity in Singapore."*

**PricewaterhouseCoopers LLP**

*"We agree that the SAC should be set up through legislation to drive the agenda and the strategy set out in the CDAS's recommendations."*

**Deloitte & Touche LLP**

*"The development of the SAC is firmly endorsed by the ACCA. Strong oversight, involving relevant stakeholders in government and the profession, will be essential to ensure that the aims of CDAS are implemented to achieve the vision set out in the document."*

**ACCA Singapore**

*"The establishment of the SAC has its merits. However to be effective, the SAC should act as an oversight board with a focus on the bigger picture and its members must be independent and not subject to undue influence by interested stakeholders."*

**CPA Australia**

*"We believe that recommendations 8, 9, 10 (along with the setting up of the ASRC) together play a synergistic role in helping build Singapore's reputation as a centre of excellence for accounting."*

**Nanyang Technological University**

## APPENDIX 1 - COMPOSITION OF THE CDAS WORKING GROUPS

S/N	Talent Working Group (TWG) Members
1	Mr. Lim Joo Boon (Chairman) Former Senior Partner, Accenture Pte Ltd
2	Mr. Quek See Tiat Deputy Chairman PricewaterhouseCoopers LLP
3	Mr. Sitoh Yih Pin Chairman Nexia TS Public Accounting Corporation
4	Ms. Juthika Ramanathan Chief Executive Accounting and Corporate Regulatory Authority
5	Professor Tan Hun Tong Professor (Division of Accounting) College of Business (Nanyang Business School) Nanyang Technological University
6	Ms. Chan Lai Koon General Manager Singapore CPA Australia
7	Ms. Stephanie Gault Executive Director, APAC Lead Talent & Organization Performance Management Consulting Accenture Pte Ltd
8	Mr. Mark Ellwood Regional Managing Director Robert Walters

S/N	Services Working Group (SWG) Members
1	Mr. Ong Yew Huat Executive Chairman Ernst & Young LLP
2	Mr. Tham Sai Choy Head of Audit KPMG LLP
3	Dr. Ernest Kan Yaw Kiong President Institute of Certified Public Accountants of Singapore
4	Mr. Kon Yin Tong Partner Foo Kon Tan Grant Thornton LLP
5	Mr. Viswanathan Shankar Director Standard Chartered Bank
6	Mr. Toh Wee Khiang Executive Director (Human Capital & Building Infrastructure Solutions) Program Director (Urban Solutions) Economic Development Board
7	Mr. Surinder Kathpalia Managing Director Standard and Poor's (Singapore)

S/N	Education Working Group (EWG) Members
1	<p>Professor Gillian Yeo Hian Heng (Chairman) (w.e.f. 1<sup>st</sup> June 2009) Interim Dean, College of Business (Nanyang Business School) Nanyang Technological University</p> <p>Professor Jitendra Singh (Chairman) (from 1<sup>st</sup> January 2009 – 31<sup>st</sup> May 2009) Dean, College of Business (Nanyang Business School) Nanyang Technological University</p>
2	<p>Mr. Chaly Mah Chief Executive Officer Deloitte Asia Pacific</p>
3	<p>Mr. Philip Eng Deputy Chairman MCL Land Limited</p>
4	<p>Professor Pang Yang Hoong Vice Provost, Undergraduate Dean, School of Accountancy Singapore Management University</p>
5	<p>Associate Professor Ho Yew Kee Vice-Dean (Finance &amp; Administration) NUS Business School National University of Singapore</p>
6	<p>Ms. Penelope Phoon Country Head (retired w.e.f. 5<sup>th</sup> February 2010) ACCA Singapore</p>
7	<p>Mr. Evan Law Director, SAA Global Education; and Head (Membership and Services), Institute of Certified Public Accountants of Singapore</p>

## **APPENDIX 2 – LIST OF CONSULTED STAKEHOLDERS**

### **Education**

1. Accounting Students from Nanyang Technological University, National University of Singapore and Singapore Management University
2. Informatics Education Singapore Pte Ltd
3. INSEAD
4. Kaplan Financial Education Centre
5. Management Development Institute of Singapore
6. Nanyang Polytechnic
7. Nanyang Technological University
8. National University of Singapore
9. PSB Academy
10. Republic Polytechnic
11. SIM Global Education
12. SIM University
13. Singapore Management University
14. Singapore Polytechnic
15. Temasek Polytechnic

### **Professional Bodies**

16. Association of Chartered Certified Accountants
17. Chartered Institute of Management Accountants
18. CPA Australia
19. Information Systems Audit and Control Association
20. Institute of Certified Public Accountants of Singapore
21. Institute of Chartered Accountants in Australia
22. Institute of Chartered Accountants in England and Wales
23. Institute of Internal Auditors, Singapore
24. Tax Academy of Singapore
25. Association of International Accountants

## **Industry**

26. AT Adler
27. Baker Tilly TFWLCL
28. BDO LLP
29. C.C. Yang & Co
30. Deloitte & Touche LLP
31. Ernst & Young LLP
32. Foo Kon Tan Grant Thornton LLP
33. Horwath First Trust LLP
34. KPMG LLP
35. Lo Hock Ling & Co
36. LTC LLP
37. Mazars Moores Rowland LLP
38. Moore Stephens LLP
39. Nexia TS Public Accounting Corporation
40. Ng, Lee & Associates – DFK
41. Paul Wan & Co
42. PKF – CAP LLP
43. PricewaterhouseCoopers LLP
44. RSM Chio Lim LLP
45. UHY Lee Seng Chan & Co
46. Steven Tan Russell Bedford PAC

## **Business & Others**

47. Ascendas Pte Ltd
48. Association of Small & Medium-Sized Enterprises
49. CapitaLand Limited
50. Citibank Singapore Limited
51. City Developments Limited
52. ComfortDelgro Corporation Limited
53. Ferrier Hodgson
54. Fraser and Neave, Limited
55. HTL International Holdings Limited
56. Keppel Corporation Limited



57. Neptune Orient Lines Limited
58. Robert Walters Singapore
59. Securities Investors Association (Singapore)
60. Sembcorp Industries Ltd
61. Singapore Business Federation
62. Singapore Chinese Chamber of Commerce & Industry
63. Singapore Exchange
64. Singapore Indian Chamber of Commerce & Industry
65. Singapore Institute of Directors
66. Singapore International Chamber of Commerce
67. Singapore Petroleum Company Limited
68. Singapore Power Limited
69. Singapore Press Holdings Limited
70. Singapore Technologies Engineering Ltd
71. Singtel Singapore
72. The Association of Banks in Singapore
73. WongPartnership LLP
74. Mr. Gordon Smith (Distinguished Professor of Intellectual Property Management, Franklin Pierce Law Center)
75. Mr. Albert Goh Kim Soon (In personal capacity)
76. Mr. Yap Chee Keong (In personal capacity)
77. Ms. Pearl Tan Hock Neo (Practice Associate Professor of Accounting, School of Accountancy, Singapore Management University, in personal capacity)

#### **Government Agencies**

78. International Enterprise Singapore
79. Ministry of Education
80. Ministry of Manpower
81. Monetary Authority of Singapore
82. Singapore Academy of Law
83. Singapore Economic Development Board
84. SPRING Singapore

### APPENDIX 3 - GLOSSARY OF TERMS

Accountancy professionals	“Accountancy professionals” refer to professional members of professional accountancy bodies
Accountants	“Accountants” refer to accountancy professionals and public accountants
ACCA	Association of Chartered Certified Accountants
ACRA	Accounting and Corporate Regulatory Authority
BS	Business Services
CCSA	Certification in Control Self-Assessment
CDAS	Committee to Develop the Accountancy Sector
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFSA	Certified Financial Services Auditor
CGAP	Certified Government Auditing Professional
CGEIT	Certified Governance in Enterprise IT
CIA	Certified Internal Auditor
CIMA	Chartered Institute of Management Accountants
CISA	Certified Information Systems Auditor
CISM	Certified Information Security Manager
COEx	Centres of Excellence
CPA Australia	CPA Australia
EDB	Economic Development Board
EU	European Union
EY	Ernst & Young
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GIOS	Global IFRS and Offering Services
HKICPA	Hong Kong Institute of Certified Public Accountants
ICAEW	Institute of Chartered Accountants in England and Wales
ICPAS	Institute of Certified Public Accountants of Singapore

IE Singapore	International Enterprise Singapore
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IODS	International Organisations Development Scheme
IS	Information Systems
ISACA	The Information Systems Audit and Control Association
ISQC	International Standards on Quality Control
M&A	Merger and Acquisition
MNCs	Multinational Corporations
NTU	Nanyang Technological University
NUS	National University of Singapore
Public accountants	“Public accountants” refer to persons registered as such with ACRA under the Accountants Act (Cap. 2)
Public accountancy entities	“Public accountancy entities” refer to accounting corporations, accounting firms, accounting limited liability partnerships registered with ACRA under the Accountants Act (Cap. 2)
Public accountancy services	"Public accountancy services" means the audit and reporting on financial statements and the doing of such other acts that are required by any written law to be done by a public accountant.
PAIB	Professional Accountants in Business
PwC	PricewaterhouseCoopers
SAA	Singapore Accountancy Academy
SME	Small and Medium Enterprises
SMP	Small and Medium Practice
SMU	Singapore Management University
TAS	Tax Academy of Singapore