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KEYNOTE ADDRESS BY DR RICHARD HU, MINISTER FOR FINANCE
AT THE OPENING CEREMONY OF THE 1987 CONFERENCE OF
SINGAPORE ACCOUNTANTS AT THE MANDARIN HOTEL
ON FRIDAY, 30 OCTOBER 1987 AT 9.10 AM

I am pleased to be invited to address this morning's gathering of accountants and would like to compliment the SSA for organising this Conference.

The increasing incidence of large corporate collapses and management fraud in various countries has brought the accountancy profession into public focus and has given rise to issues concerning the accountability and liability of accountants. This Conference will provide members of the accounting profession, other professionals, investors and the public with the opportunity to voice their concerns as well as to hear the views of speakers from within and outside the profession.

Your President, Mr. Keith Tay, citing the experience of the accountancy profession in the USA, alluded to the need for a review of certain aspects of the Code of Professional Ethics. This call is both timely and critical to ensure that the profession stays relevant and responsive to the fast-changing and increasingly complex economic, legal and social environment.

Directors of companies are charged with the responsibility of governing the affairs of companies on behalf of shareholders and management with the responsibility of running companies on a day-to-day basis.

Both directors and management have the responsibility of safeguarding the assets of their companies and so prevent frauds.

Frauds by directors and management injure investors and creditors. The confidence of investors and creditors will be undermined and Singapore's development as a major financial centre hampered if these occur and go undetected.

The auditor's report on a company's financial statements, though only one piece of information in an investment decision, is vital. An audit should provide reasonable assurance as to whether financial statements, taken as a whole, are free of material misrepresentation.

An auditor owes a duty to his client and to users of financial statements to exercise reasonable care in the course of an audit to ascertain the client's true financial position.

Prevention and early detection of frauds and corporate collapses are of vital importance as the health of our financial market depends on the integrity of our system. The auditing profession can and should assist in this as part of its professional responsibility.

The Singapore Society of Accountants on its part is studying ways and means of minimising and detecting management frauds. It has studied developments in a number of industrialised countries where Boards of Directors are required to set up audit committees comprising mainly independent non-executive directors to assist the directors collectively discharge their fiduciary responsibilities. A report on this has been submitted to my Ministry and is under consideration.

The new Accountants Act establishing a Public Accountants Board was passed by Parliament on 31st August 1987. This Act will result in a regulatory structure for the accountancy profession similar to that for other professions such as engineers and architects. The new Act will be brought into operation after new rules to be made under the Act are ready.

The SSA was formed in 1963 when the Accountants Ordinance was enacted. Since then there has been no major changes to the law although minor amendments were made to cope with some new developments within the accountancy profession. My Ministry has considered it necessary to repeal the existing Act and introduce a new one which brings the accountancy profession in line with the other professions in Singapore and developments overseas. The SSA under the existing Act is both a full-fledged professional body as well as a licensing authority. There is an inherent conflict of interest as the SSA performs a dual role of safeguarding professional competence and serves as the social organisation for its members. It is more appropriate for the licensing function to be taken out of SSA and put under the new Board which will also look after the disciplinary aspects of public accountants licensed by the Board. This structure is very similar to that existing in countries such as Australia and Canada, as well as being in line with the architectural and engineering professions in Singapore. With the change, the SSA as a professional body could be more self-regulatory as it would no longer be perceived to have any vested interests in the licensing and disciplinary functions which will be the responsibility of the Public Accountants Board. This should serve to further strengthen the accountancy profession in meeting the new challenges which it will face in the coming years.

There has been some concern recently over the intended operation of Section 55 of the new Accountants Act in respect of anyone who has been fined \$2,000 or more. The Board will, of course, consider any reasonable submission before exercising its discretionary power under the Act. I am sure the Board will be fair, equitable and objective in the exercise of this power. For example, it is unlikely that the Board would bar from employment a person who has been fined \$2,000 or more for minor offences or other offences not involving dishonesty or moral turpitude. With regard to the comment that a firm may not be aware that it has an employee who is prohibited from employment under Section 55, the simple solution would be to include in its personnel forms the necessary particulars required for enforcement of the Section. The new provisions are intended to strengthen the ethical code and disciplinary processes. Hitherto, a practising accountant who has been suspended or debarred can still continue to work in the same firm and perform the same functions as before under the guise of being an ordinary employee. The new Act will put a stop to such abuses.

Another notable change is the reconstitution of the SSA as the Institute of Certified Public Accountants of Singapore and the introduction of a new professional designation for the members of the Institute. Under the new Act, both practising and non-practising accountants would use the designation "Certified Public Accountant" or CPA in short instead of "Public Accountant, Singapore" and "Registered Accountant, Singapore". I understand that the existing titles have been a source of unhappiness, particularly amongst non-practising accountants, ever since the Ordinance was enacted in 1963. The New Zealand legislation on which the 1963 Ordinance was based also used designations similar to PAS and RAS, but this has long since

been changed to be in line with professional designations used in other parts of the world. It is therefore appropriate that we should introduce a more neutral and common designation such as CPA instead of PAS and RAS. All members of the Institute will be designated CPAs, irrespective of whether they are in public practice or not. There are also provisions for the new Institute to set up affiliated or associated bodies to deal with related subjects within the accountancy profession. These measures are intended to provide additional flexibility for the accountancy profession to cope with future changes, and bring the profession in line with developments around the world.

Finally, I would like to wish the Society a successful conference and hope that the Society will continue in its efforts to raise the standard of professional services by accountants in Singapore.

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