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Notification No. B 27 — The Accountants (Amendment) Bill is hereby published for general information. It was introduced in Parliament on the 9th day of October 2000.

Accountants (Amendment) Bill

Bill No. 27/2000.

Read the first time on 9th October 2000.

A BILL

intituled

An Act to amend the Accountants Act (Chapter 2A of the 1999 Revised Edition).

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

Short title and commencement

1. This Act may be cited as the Accountants (Amendment) Act
5 2000 and shall come into operation on such date as the Minister may,
by notification in the *Gazette*, appoint.

Amendment of section 2

2. Section 2 of the Accountants Act is amended —

- (a) by inserting, immediately before the definition of “Board”, the following definitions:

“ “accounting corporation” means a company approved 5
as an accounting corporation under section 18A;

“accounting firm” means a public accountant practising
on his own account or in a partnership all of whose
partners are public accountants;”;

- (b) by deleting the definition of “costs and expenses” and 10
substituting the following definitions:

“ “company” has the same meaning as in the Companies
Act (Cap. 50);

“corporate practitioner”, in relation to an accounting
corporation, means a director or an employee of the 15
corporation who is a public accountant and
practising as such in that corporation;

“costs and expenses”, in relation to any proceedings
under Part IV, includes —

(a) the costs and expenses of any assessor and any 20
advocate and solicitor appointed by the Board
for proceedings before an Inquiry Committee;

(b) such reasonable expenses as the Board may
pay to witnesses; and

(c) such reasonable expenses as are necessary for, 25
or incidental to, the institution and conduct of
proceedings before the Inquiry Committee or
the Board;”;

- (c) by inserting, immediately after the definition of “lay
person”, the following definition: 30

“ “professional indemnity insurance” includes insurance
indemnifying a public accountant or an accounting
firm or accounting corporation against liability to
compensate a third party who has sustained financial
loss or any other damage or injury due to breach of 35
professional duty or to professional negligence of
such accountant, firm or corporation, as the case may

be (including such negligence by any director of the corporation), or fraud or dishonesty;”;

(d) by inserting, immediately after the definition of “public accountant”, the following definitions:

“ “public accountancy services” means the audit and reporting on financial statements and the doing of such other acts that are required by the Companies Act (Cap. 50) or any other written law to be done by an approved company auditor;

“Register of Public Accountants” means the register kept and maintained by the Board under section 10;

“Register of Public Accounting Corporations” means the register kept and maintained by the Board under section 18D;” and

(e) by deleting the full-stop at the end of the definition of “Society” and substituting a semi-colon, and by inserting immediately thereafter the following definition:

“ “voting share”, in relation to a company or an accounting corporation, means an issued share in the company or accounting corporation other than —

(a) a share to which, in no circumstances, is there attached a right to vote; or

(b) a share to which there is attached a right to vote only in one or more of the following circumstances:

(i) during a period in which a dividend (or part of a dividend) in respect of the share is in arrear;

(ii) upon a proposal to reduce the share capital of the company or accounting corporation;

(iii) upon a proposal that affects rights attached to the share;

(iv) upon a proposal to wind up the company or accounting corporation;

(v) upon a proposal for the disposal of the whole of the property, business and

- undertakings of the company or accounting corporation;
- (vi) during the winding up of the company or accounting corporation.”.

Amendment of section 5

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3. Section 5 of the Accountants Act is amended —

- (a) by deleting paragraph (b) and substituting the following paragraph:

“(b) to keep and maintain a Register of Public Accountants and a Register of Public Accounting Corporations;”;

- (b) by inserting, immediately after the words “public accountants” in paragraph (d), the words “and accounting corporations”;

- (c) by deleting paragraph (f) and substituting the following paragraph:

“(f) to determine and develop standards of professional conduct and ethics of the accountancy profession;”;

- (d) by deleting the word “and” at the end of paragraph (h); and

- (e) by deleting paragraph (i) and substituting the following paragraphs:

“(i) to approve applications for companies or proposed companies to be accounting corporations and to regulate such companies which provide public accountancy services in Singapore; and

- (j) generally to do all such acts, matters and things as are necessary to be carried out under this Act except Part V.”.

Amendment of section 12

- 4. Section 12 (2) of the Accountants Act is amended by inserting,** immediately after the word “registration”, the words “under this Part”.

Amendment of section 14

- 5. Section 14 of the Accountants Act is amended by deleting the words “High Court” and substituting the word “Minister”.**

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New Part IIIA

6. The Accountants Act is amended by inserting, immediately after section 18, the following Part:

“PART IIIA

ACCOUNTING CORPORATIONS

Approval for accounting corporations

18A.—(1) A public accountant who wishes to have a company or proposed company approved as an accounting corporation shall apply to the Board for approval of —

- 10 (a) the company as an accounting corporation; and
- (b) the name or proposed name of the accounting corporation.

(2) An application shall be made in accordance with any rules made under section 58.

15 (3) Subject to subsection (4) and any other provisions of this Act, the Board may, on receiving an application made under this section, approve the company or proposed company concerned as an accounting corporation if and only if —

- 20 (a) the memorandum of association of the company or proposed company provides that one of the primary objects of the company or proposed company is to provide public accountancy services;
- 25 (b) the authorised share capital of the company or proposed company that is paid up or to be paid up is not less than \$50,000, or such other sum as may be prescribed;
- (c) the articles of association of the company or proposed company provide that —
 - 30 (i) not less than two-thirds, or such other proportion as may be prescribed, of the directors (including the chairman) shall be public accountants;
 - (ii) not less than two-thirds, or such other proportion as may be prescribed, of the voting shares of the company or proposed company shall be owned by corporate practitioners; and
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- (iii) only natural persons can own any shares of the company or proposed company;
 - (d) the business of the company or proposed company, so far as it relates to the provision of public accountancy services, will be under the control and management of one or more directors of the company who are public accountants; and
 - (e) the company or proposed company is or will be covered by professional indemnity insurance in accordance with section 18J and any rules made under section 58.
- (4) Where the company or proposed company has for the time being only 2 directors, then, notwithstanding subsection (3) (c) (i), the articles of association shall provide that one of them shall be a public accountant.
- (5) If the Board gives approval for a proposed company to be an accounting corporation, the approval shall not take effect until the company is formed and registered under the Companies Act (Cap. 50).

Name of accounting corporation

18B.—(1) The Board shall not approve the name or proposed name, or any proposed change in the name, of an accounting corporation if it is of the opinion that the name or proposed name —

- (a) is misleading or detracts from the dignity of an honourable profession; or
- (b) is so similar to that of an existing accounting corporation or accounting firm as to be likely to cause confusion.

(2) Notwithstanding section 27 of the Companies Act, an accounting corporation which is a limited company need not have the word “Limited” or “Berhad” as part of its name and an accounting corporation which is a private company need not have the word “Private” or “Sendirian” as part of its name.

(3) Every accounting corporation shall have either the words “Public Accounting Corporation” as part of its name or the acronym “PAC” at the end of its name, and no person or firm

other than an approved accounting corporation shall have such words or acronym as part of or at the end of its name, as the case may be.

(4) No name of an accounting corporation may be changed without the prior approval in writing of the Board.

(5) Notwithstanding anything in this section or section 27 of the Companies Act (Cap. 50), where the Board is satisfied that the name of an accounting corporation has been approved (whether through inadvertence or otherwise and whether originally or by change of name) in contravention of subsection (1), the Board may direct the accounting corporation to change its name.

(6) The accounting corporation shall comply with the direction of the Board under subsection (5) within 6 weeks after the date of the direction or such longer period as the Board may allow.

Right of appeal against decision of Board under this Part

18C.—(1) An applicant for approval by the Board of —

(a) a company or proposed company as an accounting corporation; or

(b) the name or a change in the name of an accounting corporation,

may, within 30 days after the Board's decision under section 18A or 18B, as the case may be, is communicated to the applicant, appeal to the Minister against the decision of the Board.

(2) An applicant making an appeal under subsection (1) shall comply with any rules made under section 58 for the purposes of this section.

(3) On the hearing of an appeal, the Minister may —

(a) confirm the decision of the Board; or

(b) direct the Board to grant the application for approval, either unconditionally or subject to conditions specified by the Minister,

and may make such order as to the payment of costs by the Board or by the applicant as the Minister thinks fit.

(4) The decision of the Minister on appeal under subsection (3) shall be final.

Register of Public Accounting Corporations

18D.—(1) The Board shall —

- (a) keep and maintain, in such form as the Board may determine, a register to be called the Register of Public Accounting Corporations containing the names and particulars of all accounting corporations approved under section 18A; and 5
- (b) allow any person to inspect the Register of Public Accounting Corporations in such manner and on such terms as the Board thinks fit. 10

(2) The Registrar shall, under the general direction of the Board, enter all approvals and revocation of approvals of companies as accounting corporations in the Register of Public Accounting Corporations.

Effect of company becoming accounting corporation

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18E.—(1) An accounting corporation is authorised to do anything that a public accountant can do by law and is required to do all that a public accountant is required to do by law.

(2) Subsection (1) shall not apply to the doing of anything that can only be done by a public accountant as a natural person. 20

(3) A public accountant who provides public accountancy services as a director or an employee of an accounting corporation shall be subject to the same standards of professional conduct and competence in respect of such services as if he were personally providing the public accountancy services as a public accountant in an accounting firm. 25

(4) The mere fact that a public accountant personally provides public accountancy services as a director or an employee of an accounting corporation shall not affect the personal liability of that public accountant at law. 30

Relationship between client and accounting corporation

18F. An accounting corporation shall have the same rights and shall be subject to the same fiduciary, confidential and ethical requirements with respect to each client of the accounting corporation that exist at law with respect to a public accountant and his client. 35

Professional misconduct

18G.—(1) An act or omission of a public accountant may constitute improper or dishonourable conduct in the discharge of his professional duty even though it is only done or occurs while the public accountant provides public accountancy services through an accounting corporation.

(2) The directors of an accounting corporation who are public accountants shall be jointly liable to disciplinary proceedings under this Act if the business of the accounting corporation is conducted in a manner which would warrant disciplinary proceedings against it and where such conduct cannot be attributed to the act or omission of a particular public accountant or public accountants.

Requirements as to alteration of memorandum or articles of association

18H.—(1) The memorandum and articles of association of an accounting corporation shall at all times comply with all the requirements specified in section 18A (3) (a) and (c) or section 18A (3) (a) and (4), whichever is applicable, and any rules made under section 58 relating thereto.

(2) An accounting corporation shall, within 30 days of the occurrence of —

- (a) any amendment to its memorandum or articles of association;
 - (b) any change in the composition of its board of directors who are public accountants;
 - (c) any change in the proportion of its voting shares owned by corporate practitioners; or
 - (d) any change in the number of its corporate practitioners,
- furnish the Board with a true report in writing giving full particulars of the amendment or change.

(3) In addition to the requirements in subsection (2), every accounting corporation shall in every year, not later than a date specified by the Board, send to the Registrar an annual report relating to the accounting corporation in the prescribed form.

Shares of accounting corporation

18I.—(1) Subject to the provisions of this Act, the voting shares in an accounting corporation shall at all times be owned by corporate practitioners in such proportions referred to in section 18A (3) (c) (ii) and subject to any rules made under section 58. 5

(2) The authorised share capital of an accounting corporation which is paid up shall at all times be not less than a sum of \$50,000, or such other sum as may be prescribed.

(3) No share in an accounting corporation may be held by a person as nominee for another person, and no security may be created over any share in an accounting corporation. 10

(4) Any purchase or acquisition of a share of an accounting corporation, and any security created over any such share, in contravention of subsection (3) shall be null and void. 15

(5) A person whose name is removed from the Register of Public Accountants under section 23 pursuant to disciplinary proceedings under this Act —

(a) shall not hold any shares in any accounting corporation; and 20

(b) shall not, directly or indirectly, take part or be concerned in the management or practice of any accounting corporation without the permission of the Board,

unless and until he is subsequently registered as a public accountant. 25

(6) A public accountant who is suspended from practice pursuant to disciplinary proceedings under this Act shall not, during the period of suspension —

(a) exercise any voting rights attached to his shares in any accounting corporation; or 30

(b) take part or be concerned in the management or practice of any accounting corporation without the permission of the Board.

(7) Notwithstanding subsections (1) and (5), where any person who is a member of an accounting corporation by virtue 35

of being a corporate practitioner has, for any reason other than those mentioned in subsection (8) —

(a) ceased to be a public accountant; or

5 (b) ceased to be a director or an employee of the accounting corporation,

the Board may, upon an application made by that person or by the accounting corporation concerned, grant him a grace period of not more than 2 years to transfer his voting shares in the accounting corporation.

10 (8) Notwithstanding subsection (1), where any person who is a member of an accounting corporation by virtue of being a corporate practitioner has, by reason of death, bankruptcy or incapacity due to mental or physical disability —

(a) ceased to be a public accountant; or

15 (b) ceased to be a director or an employee of the accounting corporation,

the Board may, upon the application of the accounting corporation concerned, allow the administrator or executor of that person's estate, the trustee in bankruptcy or the committee of that estate, as the case may be, to hold the person's voting shares in the accounting corporation for a grace period.

(9) The grace period referred to in subsection (8) shall be a period not exceeding 2 years commencing —

25 (a) in the case of death, from the date the administrator or executor is appointed by the court;

(b) in the case of bankruptcy, from the date the person is adjudged a bankrupt; or

30 (c) in the case of incapacity by reason of mental or physical disability, from the date the person becomes incapable to act.

35 (10) The person or persons who are allowed under subsections (7) and (8), respectively, a grace period to transfer or hold voting shares in an accounting corporation shall be treated as corporate practitioners for the purposes of computing the proportion of any voting shares in the accounting corporation which is required by section 18A (3) (c) (ii) to be owned by corporate practitioners.

(11) The person or persons who are allowed under subsections (7) and (8), respectively, a grace period to transfer or hold voting shares in an accounting corporation shall not during the grace period exercise any voting rights attached to his or their voting shares in the accounting corporation or take part or be 5 concerned in the management or practice of the accounting corporation.

Professional indemnity insurance

18J.—(1) Every accounting corporation registered under this Act shall be covered by professional indemnity insurance of not 10 less than one of the following amounts, whichever is the highest:

- (a) \$1 million;
- (b) a sum equal to the total of \$500,000 for every corporate practitioner in the accounting corporation; or
- (c) where applicable, a sum equal to two and a half times 15 the gross income of the accounting corporation in the last completed financial year of the accounting corporation subject to a maximum sum of \$50 million.

(2) The Board may, by rules under section 58, vary the amount of coverage under a professional indemnity insurance 20 required by subsection (1).

Management of accounting corporation

18K.—(1) Only members of an accounting corporation may be appointed as directors of the accounting corporation.

(2) The business of an accounting corporation, so far as it 25 relates to the provision of public accountancy services, shall be under the control and management of one or more directors who are public accountants.

(3) Where, for any reason, the office of director required to be held by a public accountant under section 18A (3) (c) (i) or (4), 30 as the case may be, is vacated, the accounting corporation shall, as soon as practicable but no later than one month after the date of vacation of office, appoint another public accountant to fill the vacancy.

(4) The directors of an accounting corporation shall ensure 35 that every invoice or official correspondence of the accounting

corporation bears the statement that it is incorporated with limited liability.

Application of Companies Act and other prescribed written law to accounting corporations

5 **18L.**—(1) Nothing in this Part, with the exception of section 18B (2), shall affect the operation of the Companies Act (Cap. 50) in relation to its application to a company that is an accounting corporation.

10 (2) An accounting corporation shall, notwithstanding that the shares in the accounting corporation are held by more than 20 members, be deemed to be an exempt private company for the purposes of the Companies Act.

15 (3) An accounting corporation shall not be treated for the purposes of the Companies Act as a public company merely because it has more than 50 members.

20 (4) Such provisions of any written law having effect in relation to public accountants or accounting firms as may be prescribed, shall have effect in relation to accounting corporations with such prescribed modifications as may be necessary or expedient; and such provisions shall be construed accordingly.”.

Amendment of section 19

7. Section 19 of the Accountants Act is amended —

25 (a) by deleting the words “to hear and determine any complaint of the conduct of a public accountant in his professional capacity or of any other improper act or conduct on his part which brings disrepute to his profession or which makes him unfit for his profession” in the 5th to 9th lines of subsection (1) and substituting the words “for any of the purposes specified in subsection (1A)”;

30 (b) by inserting, immediately after subsection (1), the following subsection:

“ (1A) An Inquiry Committee may be appointed by the Board to inquire into —

35 (a) any complaint made to or information received by the Board touching on the conduct of any public accountant;

(b) any complaint made to or information received by the Board touching on the conduct of business by any accounting corporation; or

(c) any application to the Board that a public accountant or an accounting corporation be 5
dealt with under this Part,

other than an application, a complaint or information touching on any matter set out in section 23 or 23A.”.

Amendment of section 20

8. Section 20 of the Accountants Act is amended — 10

(a) by deleting subsection (1) and substituting the following subsections:

“(1) Any application by any person that a public accountant or an accounting corporation be dealt with under this Part, and any complaint about the conduct of 15
any public accountant or the conduct of business by any accounting corporation shall be made to the Board which shall, subject to section 19 (1A) and if satisfied that the application or complaint discloses a prima facie case for an inquiry into the matter, without delay appoint an Inquiry 20
Committee to inquire into the application or complaint.

(1A) Subject to section 19 (1A), the Board may, of its own motion, appoint an Inquiry Committee to inquire into any information that touches on the conduct of any public accountant or the conduct of business by any accounting 25
corporation if the Board is satisfied that the information discloses a prima facie case for an inquiry into the matter.”;

(b) by inserting, immediately after the words “public accountant” in subsections (3) and (3D), the words “or an accounting corporation”; 30

(c) by deleting subsection (3B) and substituting the following subsection:

“(3B) Where the applicant or complainant withdraws his application or complaint to the Board before the Board has referred the application or complaint to an 35
Inquiry Committee or before the conclusion of an inquiry by an Inquiry Committee, the Board may, notwithstanding such withdrawal, refer the original application or

complaint to an Inquiry Committee or (as the case may be) direct an Inquiry Committee to continue with its inquiry, and all future proceedings by the Inquiry Committee in accordance with those directions shall be taken as if the application or complaint had been made by the Registrar.”;

(d) by deleting the words “facts referred to in subsection (3B) disclose” in the 2nd line of subsection (3C) and substituting the words “information referred to in subsection (1) or (1A) discloses”;

(e) by deleting paragraph (b) of subsection (3C) and substituting the following paragraph:

“(b) the public accountant or accounting corporation against whom the application or complaint is made or in respect of whom the information relates.”;

(f) by inserting, immediately after the words “public accountant” in the 1st line of subsection (3E), the words “or accounting corporation”;

(g) by inserting, immediately after the word “he” in the 4th line of subsection (3E), the words “or (as the case may be) it”;

(h) by deleting subsection (3F) and substituting the following subsection:

“(4) In any proceedings under this Part against any public accountant or accounting corporation consequent upon his or its conviction for a criminal offence, the Inquiry Committee, the Board and the High Court on appeal from any order of the Board shall accept the conviction as final and conclusive.”; and

(i) by deleting the existing subsections (4), (5), (6) and (7).

New section 20A

9. The Accountants Act is amended by inserting, immediately after section 20, the following section:

“Proceedings of Inquiry Committee

20A.—(1) Where an Inquiry Committee is of the opinion that a public accountant or an accounting corporation, as the case may be, should be called upon to answer any allegation made against him or the accounting corporation in any application,

complaint or information referred to in section 20 (1) or (1A), the Inquiry Committee shall —

(a) serve on the public accountant or accounting corporation concerned —

(i) copies of any application, complaint or information touching on his or its conduct and of any statutory declarations that have been made in support of the application, complaint or information; and

(ii) a notice inviting the public accountant or accounting corporation to give, within a period (not being less than 14 days) as may be specified in the notice, to the Inquiry Committee any written explanation he or it may wish to offer and to advise the Inquiry Committee if he or it wishes to be heard by the Committee;

(b) allow the time specified in the notice in paragraph (a) (ii) to elapse;

(c) give the public accountant or accounting corporation concerned reasonable opportunity to be heard if he or it desires; and

(d) give due consideration to any explanation (if any) given by the public accountant or accounting corporation.

(2) For the purposes of any inquiry under this Part, an Inquiry Committee may —

(a) call upon or appoint any person it considers necessary to assist in its inquiry and deliberations;

(b) require the production of any book, document, paper or other record which may be related to or be connected with the subject-matter of the inquiry for inspection by the Inquiry Committee or the person appointed under paragraph (a), and for making copies thereof;

(c) require the public accountant or accounting corporation concerned to give all information in relation to any such book, document, paper or other record which may be reasonably required by the Inquiry Committee or the person so appointed;

(d) require evidence to be given on oath, and for that purpose, the chairman of the Inquiry Committee or

other member presiding at the hearing may administer an oath; and

- (e) sue out writs of subpoena ad testificandum and of duces tecum, which shall be served and enforced as if they were writs issued in connection with a civil action in the High Court.

(3) The Chairman may by writing under his hand order the public accountant or accounting corporation concerned to pay to the Board such sums as he thinks fit in respect of costs and expenses of and incidental to any hearing held by an Inquiry Committee and the High Court shall have jurisdiction to tax such costs and any such order for costs shall be enforceable as if it were ordered in connection with a civil action in the High Court.

(4) Any public accountant, accounting corporation and any other person who, without lawful excuse, refuses or fails to produce to an Inquiry Committee, or to any person appointed by the Inquiry Committee under subsection (2) (a) for the purpose of the inquiry —

- (a) any book, document, paper or other record referred to in subsection (2) (b); or

- (b) any information relating to any such book, document, paper or other record required under subsection (2) (c) by the Inquiry Committee or that person so appointed,

shall each be guilty of an offence and shall each be liable on conviction to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding 12 months or to both and, in the case of a continuing offence, to a further fine not exceeding \$50 for every day or part thereof during which the offence continues after conviction.

(5) Every person who, without lawful excuse, refuses or fails —

- (a) to attend and give evidence when required by an Inquiry Committee; or

- (b) to answer truly and fully any question put to him by any member of an Inquiry Committee,

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$5,000.

(6) Where in the course of its inquiry an Inquiry Committee receives information touching on or evidence of the conduct of the public accountant or accounting corporation concerned which may give rise to proceedings under this Part, the Inquiry Committee may, after giving notice to the public accountant or (as the case may be) accounting corporation, decide on its own motion to inquire into that matter and report its findings to the Board. 5

(7) Where in the course of its inquiry an Inquiry Committee receives information touching on or evidence of the conduct of the public accountant or accounting corporation concerned which discloses an offence under any written law, the Inquiry Committee shall record that information in its report to the Board. 10

(8) An Inquiry Committee shall not be bound to act in any formal manner and shall not be bound by the provisions of the Evidence Act (Cap. 97) or by any other written law relating to evidence, but may inform itself on any matter in such manner as it thinks fit. 15

(9) Upon due inquiry into the application, complaint or information, an Inquiry Committee shall report its findings to the Board. 20

(10) An Inquiry Committee may seek such legal advice as it thinks necessary before it makes its findings.

(11) The report of the Inquiry Committee shall include the following matters: 25

- (a) if the Inquiry Committee is of the view that there are no grounds for disciplinary action under this Part, it shall report to the Board accordingly and state its reasons for its decision, and recommend to the Board either to dismiss the application, complaint or information or — 30
 - (i) to issue the public accountant or accounting corporation concerned with a letter or advice; or
 - (ii) to warn the public accountant or accounting corporation concerned, 35

whichever the Inquiry Committee considers sufficient and appropriate to the matter; or

- (b) if the Inquiry Committee is of the view that there are grounds for disciplinary action under this Part, it shall report to the Board accordingly and state its reasons for its decision, and recommend to the Board any order referred to in section 21 (2) or 21A (2) that the Inquiry Committee considers sufficient and appropriate to the matter.”.

Amendment of section 21

10. Section 21 of the Accountants Act is amended —

- (a) by deleting subsections (1) to (3B) and substituting the following subsections:

“(1) Where the Board, upon consideration of the report of an Inquiry Committee, is satisfied that a public accountant —

- (a) has been convicted in Singapore or elsewhere of any offence involving fraud or dishonesty or moral turpitude;
- (b) has been convicted in Singapore or elsewhere of any offence implying a defect in character which makes him unfit for his profession;
- (c) has been guilty of such improper or dishonourable conduct in the discharge of his professional duty or such improper or dishonourable conduct which, in the opinion of the Board, renders him unfit to be a public accountant or would bring the profession of public accountancy into disrepute;
- (d) has carried on by himself or by any of his employees any trade, business or calling that detracts from the profession of public accountancy or is in any way incompatible with it, or is employed in any such trade, business or calling;
- (e) has, while being a director of an accounting corporation, failed to take reasonable steps to prevent the accounting corporation from acting in a manner which would warrant the Board imposing any order on the accounting corporation under section 21A (1);

- (f) has rendered public accountancy services as, or purporting to be, a director of a company which is not an accounting corporation when the service was rendered;
- (g) has, while being a director of an accounting corporation, practised public accountancy at such a time when the accounting corporation was not covered by any professional indemnity insurance or was not so covered to the extent required by section 18J; or
- (h) has, while being a director of an accounting corporation, failed to comply with section 18K (4),

the Board may, after giving the public accountant concerned a reasonable opportunity of being heard, exercise one or more of the powers referred to in subsection (2).

(2) The powers the Board may exercise under subsection (1) are as follows:

- (a) by order cancel the registration of a public accountant;
- (b) by order suspend a public accountant from practice for such period not exceeding 2 years as may be specified in the order;
- (c) by order impose such conditions as are necessary to restrict the practice of a public accountant in such manner as the Board thinks fit for a period not exceeding 2 years;
- (d) by order impose on a public accountant a penalty not exceeding \$5,000;
- (e) by writing censure a public accountant; or
- (f) by order require a public accountant to give such undertaking as the Board thinks fit.

(3) Where a public accountant, in respect of whom an order referred to in subsection (2) (c) or (f) is made, is adjudged by the Board to have failed to comply with any of the requirements imposed on him as conditions or to have breached his undertaking, the Board may, if it thinks fit, decide to order —

(a) that his name be removed from the Register of Public Accountants; or

(b) that he be suspended from practice for such period not exceeding 12 months as may be specified in the order.

(3A) Where the Board has made an order referred to in subsection (2) (c), the Board may revoke the order or revoke or vary any of the conditions imposed by the order.

(3B) Where the Board has, pursuant to subsection (3A), varied the conditions imposed by an order referred to in subsection (2) (c), the Registrar shall forthwith serve on the person to whom the order applies a notice of the variation.

(3C) Any penalty referred to in subsection (2) (d) and any costs and expenses ordered to be paid to the Board under section 20A (3) shall be recoverable as debts due to the Board from the public accountant concerned.

(3D) A decision of the Board under subsection (1), (3) or (3A) shall not take effect —

(a) until the expiration of one month from the date on which the decision has been communicated to the public accountant concerned; or

(b) where an appeal against the decision is made to the High Court under section 22, until the appeal has been determined or withdrawn.”;

(b) by inserting, immediately after subsection (6), the following subsections:

“(7) For the purposes of subsection (1) (e), a public accountant shall be deemed to have taken reasonable steps to prevent the doing of any act by any accounting corporation if he satisfies the Board that the act was done without his knowledge and that —

(a) he was not in a position to influence the conduct of the accounting corporation in relation to its action; or

(b) he, being a director, exercised all due diligence to prevent the accounting corporation from so acting.

(8) In this section, references to acts done by an accounting corporation include references to omissions and to a series of acts or omissions to act.”; and

- (c) by deleting the section heading and substituting the following section heading:

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“Suspension, cancellation of registration, etc., of public accountants”.

New section 21A

11. The Accountants Act is amended by inserting, immediately after section 21, the following section:

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“Revocation of approval, etc., for accounting corporations

21A.—(1) Where the Board, upon consideration of the report of an Inquiry Committee, is satisfied that —

- (a) an accounting corporation or any of its directors has falsified or caused to be falsified any document, or has made or caused to be made any statement which is material and which it or the director knows is false or does not believe to be true in relation to any document; 15
- (b) an accounting corporation has done or omitted to do something which, if the act or omission be by a public accountant, would be regarded as being improper or dishonourable conduct that would bring the profession of public accountancy into disrepute; 20
- (c) an accounting corporation has carried on by itself or by any of its employees any trade, business or calling that detracts from the profession of public accountancy or is in any way incompatible with it, or is employed in any such trade, business or calling; 25
- (d) an accounting corporation has rendered any public accountancy services under a name other than the name approved under section 18B; 30
- (e) an accounting corporation has provided public accountancy services without being covered by professional indemnity insurance at all or to the extent required by section 18J; or 35
- (f) the accounting corporation has contravened or failed to comply with the requirements for accounting

corporations in section 18H, 18I or 18K or in any rules made under section 58,

the Board may, after giving the accounting corporation concerned a reasonable opportunity of being heard (either by counsel or representative in writing), exercise one or more of the powers referred to in subsection (2).

(2) The powers the Board may exercise under subsection (1) are as follows:

(a) by order revoke its approval of an accounting corporation;

(b) by order suspend an accounting corporation from providing public accountancy services for such period not exceeding 2 years as may be specified in the order;

(c) by order impose such conditions as are necessary to restrict the provision of public accountancy services by an accounting corporation in such manner as the Board thinks fit for a period not exceeding 2 years;

(d) by order impose on an accounting corporation a penalty not exceeding \$100,000;

(e) by writing censure an accounting corporation; or

(f) by order require an accounting corporation to give such undertaking as the Board thinks fit.

(3) Where an accounting corporation, in respect of whom an order referred to in subsection (2) (c) or (f) is made, is adjudged by the Board to have failed to comply with any of the requirements imposed on it as conditions or to have breached its undertaking, the Board may, if it thinks fit, decide —

(a) by order to revoke its approval of the accounting corporation; or

(b) by order to suspend the accounting corporation from providing public accountancy services for such period not exceeding 12 months as may be specified in the order.

(4) Where the Board has made an order referred to in subsection (2) (c), the Board may by another order revoke the order or revoke or vary any of the conditions imposed by the order.

(5) Where the Board has, pursuant to subsection (4), varied the conditions imposed by an order referred to in subsection (2) (c), the Registrar shall forthwith serve on the person to whom the order applies a notice of the variation.

(6) Any penalty referred to in subsection (2) (d) and any costs and expenses ordered to be paid by the Board under section 20A (3) shall be recoverable as debts due to the Board from the accounting corporation concerned. 5

(7) A decision by the Board under subsection (1), (3) or (4) shall not take effect — 10

(a) until the expiration of one month from the date on which the decision has been communicated to the accounting corporation concerned; or

(b) where an appeal against the decision is made to the High Court under section 22, until the appeal has been determined or withdrawn. 15

(8) While any accounting corporation remains suspended from providing public accountancy services, it shall be deemed not to be approved as an accounting corporation under this Act but immediately upon the expiry of the period of suspension, its rights and privileges as an accounting corporation shall forthwith be revived. 20

(9) The Board may appoint a legal assessor who may be present at any hearing into any matter to advise the Board on all matters of law. 25

(10) The Board may, where it thinks fit, require the Inquiry Committee to consider further evidence and meet for that purpose except that the accounting corporation concerned shall be given not less than 14 days' notice of such further meeting of the Inquiry Committee.”. 30

Repeal and re-enactment of section 22

12. Section 22 of the Accountants Act is repealed and the following section substituted therefor:

“Appeal against disciplinary orders of Board

22.—(1) Any public accountant or accounting corporation against whom the Board has made a decision under 35

section 21 (1), (3) or (3A) or, in the case of an accounting corporation, under section 21A (1), (3) or (4), may, if aggrieved by the decision of the Board, appeal to the High Court within a period of 30 days (or such further period as the Board may allow on application in any particular case) after the service of the Board's decision on the public accountant or (as the case may be) the accounting corporation.

(2) The decision of the High Court on appeal under subsection (1) shall be final.”.

Amendment of section 23

13. Section 23 of the Accountants Act is amended by inserting, immediately after subsection (3), the following subsections:

“(4) Notwithstanding any provision in this Part, the Board may also cancel the registration of a public accountant and order the removal of his name and particulars from the Register of Public Accountants if the Board is satisfied that —

(a) he has obtained his registration as a public accountant under Part III by fraud or misrepresentation;

(b) he has made any arrangement with his creditors;

(c) any of his qualifications by virtue of which the public accountant was registered under this Act has been withdrawn or cancelled by the authority through which such qualification was acquired or by which such qualification was awarded;

(d) for disciplinary reasons, the public accountant has been censured by any authority referred to in paragraph (c) or by any professional accountancy body of which he is a member or with which he is registered, or has had his membership or registration with such body terminated or suspended;

(e) he is no longer in a position to carry out the duties of a public accountant effectively; or

(f) he has failed to comply with an order of the Board referred to in section 21 (2) (d).

(5) The Board shall, before exercising its powers under subsection (4), notify the public accountant concerned of its intention to take such action and shall give the public accountant

an opportunity to submit reasons, within such period as the Board may determine, why his registration should not be cancelled.

(6) Any public accountant who is aggrieved by an order under subsection (4), may within 30 days of being notified of the order, 5
appeal to the Minister whose decision shall be final.”.

New section 23A

14. The Accountants Act is amended by inserting, immediately after section 23, the following section:

“Removal from Register of Public Accounting Corporations 10

23A.—(1) There shall be removed from the Register of Public Accounting Corporations the name and other particulars of any accounting corporation —

- (a) which has been wound up;
- (b) the approval for which has been revoked under 15
section 21A; or
- (c) which has applied for its approval as an accounting corporation to be cancelled.

(2) The Board shall not grant an application by an accounting corporation to have its approval cancelled if the Board is 20
satisfied that —

- (a) disciplinary action is pending against the accounting corporation; or
- (b) the conduct of business of the accounting corporation is the subject of an inquiry or investigation by an Inquiry 25
Committee.

(3) Notwithstanding any provision in this Part, the Board may also revoke its approval of an accounting corporation and order the removal of its name and particulars from the Register of Public Accounting Corporations if the Board is satisfied that the 30
accounting corporation —

- (a) has obtained approval as an accounting corporation under Part IIIA by fraud or misrepresentation;
- (b) has made any arrangement with his creditors;
- (c) has ceased to provide public accountancy services in 35
Singapore;

(d) is no longer in a position to provide public accountancy services effectively; or

(e) has failed to comply with an order of the Board referred to in section 21A (2) (d).

5 (4) The Board shall, before exercising its powers under subsection (3), notify the accounting corporation concerned of its intention to take such action and shall give the accounting corporation an opportunity to submit reasons, within such period as the Board may determine, why its approval should not be
10 revoked.

(5) Any accounting corporation who is aggrieved by an order under subsection (3), may within 30 days of being notified of the order, appeal to the Minister whose decision shall be final.”.

Amendment of section 24

15 **15.** Section 24 (2) of the Accountants Act is amended by deleting the words “shall, if his appeal” and substituting the words “or from the Register of Public Accounting Corporations under section 23A (1) (b) shall, if his or its appeal”.

Amendment of section 26

20 **16.** Section 26 of the Accountants Act is amended by deleting subsection (5) and substituting the following subsection:

“(5) Practising members of the Institute shall consist of members who are public accountants and the Institute shall not terminate the membership of any practising member of the
25 Institute except with the concurrence of the Board.”.

Amendment of section 29

17. Section 29 of the Accountants Act is amended by deleting subsections (3) and (4) and substituting the following subsections:

“(3) A practising member shall not be eligible for election or
30 appointment as a member of the Council if —

(a) the Board has made any order referred to in section 21 (2) against him;

(b) within a period of 12 months preceding the date of the election, he has been disciplined by the Council or any
35 committee appointed by the Council; or

- (c) he has been convicted of an offence involving fraud or dishonesty.
- (4) A non-practising member shall not be eligible for election or appointment as a member of the Council if —
 - (a) within a period of 12 months preceding the date of the election, he is disciplined by the Council or any committee appointed by the Council; 5
 - (b) at any time, he has been suspended as a member of the Institute for a period of 6 months or more; or
 - (c) he has been convicted of an offence involving fraud or dishonesty.”. 10

Amendment of section 32

18. Section 32 of the Accountants Act is amended —

- (a) by deleting paragraph (j) and substituting the following paragraph: 15
 - “(j) is imposed with any order of the Board referred to in section 21 (2);”;
- (b) by deleting paragraph (l) and substituting the following paragraph:
 - “(l) is disciplined by the Council or any committee 20 appointed by the Council;”.

Amendment of section 39

19. Section 39 of the Accountants Act is amended by deleting subsection (1) and substituting the following subsection:

- “(1) No fee shall be paid to any member of the Council in the performance of his duties as such a member.”. 25

Amendment of section 48

20. Section 48 of the Accountants Act is amended —

- (a) by inserting, immediately after subsection (2), the following subsection: 30
 - “(2A) A body corporate which is not approved as an accounting corporation under this Act shall not —
 - (a) provide public accountancy services in Singapore;

- (b) advertise or hold itself out or describe itself in any way to be an accounting corporation or to be authorised to provide public accountancy services in Singapore; or
- 5 (c) use in connection with its name, or with the name under which it carries on business, the words “Public Accounting Corporation”, or any abbreviation or derivatives thereof, or use at the end of such name the acronym “PAC”, or
- 10 any combination of such acronym, words, abbreviations or derivatives.”;
- (b) by inserting, immediately after the words “subsection (1)” in subsection (3), the words “or (2A)”; and
- (c) by inserting, immediately after the words “public
- 15 accountant” in the section heading, the words “or accounting corporation”.

Repeal and re-enactment of section 49

21. Section 49 of the Accountants Act is repealed and the following section substituted therefor:

“Remuneration for services rendered

49. Subject to this Act, no person shall be entitled to recover any expenses or remuneration for or in respect of any public accountancy services rendered or provided unless the person rendering or providing such services is —

- 25 (a) a public accountant; or
- (b) an accounting corporation.”.

Repeal and re-enactment of section 52

22. Section 52 of the Accountants Act is repealed and the following section substituted therefor:

“Offences by bodies corporate, etc.

- 52.—(1)** Where any offence under this Act or any rules made thereunder is committed by a body corporate, a partnership or an unincorporated association of persons, any person, at the time of the commission of the offence, was a director, manager,
- 35 partner, secretary or other similar officer or was purporting to

act in any such capacity, he shall be guilty of the same offence and shall be liable to be proceeded against and punished accordingly unless he proves that —

(a) the offence was committed without his consent or connivance; and

5

(b) he had exercised all such diligence to prevent the commission of the offence as he ought to have exercised having regard to the nature of his functions in that capacity and to all the circumstances.

(2) In relation to a body corporate whose affairs are managed by its members, “director” means a member of the body corporate.”.

10

Amendment of section 53

23. Section 53 of the Accountants Act is amended —

(a) by inserting, immediately after the words “attempts to procure” in the 1st line of paragraph (a), the words “approval as an accounting corporation,”; and

15

(b) by inserting, immediately after the words “Register of Public Accountants” in paragraph (b), the words “, the Register of Public Accounting Corporations”.

20

Amendment of section 55

24. Section 55 of the Accountants Act is amended —

(a) by inserting, immediately after the words “as such,” in the 2nd line of subsection (1), the words “and no accounting corporation shall in connection with its business of providing public accountancy services,”;

25

(b) by deleting “\$2,000” in subsection (1) (e) and substituting “\$5,000”;

(c) by inserting, immediately after the words “as such” in the 3rd line of subsection (2), the words “, or no accounting corporation shall in connection with its provision of public accountancy services, as the case may be,”;

30

(d) by inserting, immediately after the words “public accountant” in subsection (3), the words “or an accounting corporation”; and

35

- (*e*) by inserting, immediately after the words “public accountant” in subsections (4) and (5), the words “or accounting corporation”.

Amendment of section 58

5 **25.** Section 58 (2) of the Accountants Act is amended —

- (*a*) by inserting, immediately after the words “public accountants” in paragraph (*g*), the words “and accounting corporations”;
- (*b*) by deleting the word “and” at the end of paragraph (*h*);
- 10 (*c*) by inserting, immediately after paragraph (*h*), the following paragraphs:
 - “(*i*) for restrictions to be imposed on persons or classes of persons who may become officers of an accounting corporation;
 - 15 (*j*) for the payment of fees on applications made under Part IIIA or any rules made under this Act and for related matters;
 - (*k*) exempting any persons or classes of persons from any provision of Part III or IIIA;
 - 20 (*l*) prescribing anything which may be prescribed under Part IIIA; and”; and
- (*d*) by re-lettering the existing paragraph (*i*) as paragraph (*m*).

Transitional provision

25 **26.—**(1) Section 5 shall not apply in respect of any person who is refused registration as a public accountant before the commencement of this Act.

30 (2) This Act shall not apply to any inquiry or proceeding of a disciplinary nature commenced or pending before any Inquiry Committee or the Public Accountants Board before the commencement of this Act, and such inquiry or proceedings may be continued and concluded and everything in relation thereto may be done in all respects after that date as if this Act had not been enacted.

EXPLANATORY STATEMENT

This Bill seeks to amend the Accountants Act (Cap. 2A) to enable accounting firms to be formed as accounting corporations with limited liability, to improve the disciplinary procedures for public accountants and to amend the qualifications of members of the Council of the Institute of Certified Public Accountants of Singapore.

Clause 1 relates to the short title and commencement.

Clause 2 introduces new definitions in section 2 that are connected with the formation of accounting corporations. The clause also defines “public accountancy services”.

Clause 3 amends section 5 to empower the Public Accountants Board (the Board) to exercise functions in relation to accounting corporations.

Clause 4 makes a minor amendment to section 12 (2) to make it clear that only natural persons may be registered as public accountants.

Clause 5 amends section 14 to change the appeal authority against the Board refusing to register a public accountant from the High Court to the Minister.

Clause 6 inserts a new Part IIIA to provide for accounting corporations.

The new section 18A provides that a public accountant who wishes to have a company or proposed company approved as an accounting corporation must make an application to the Board for approval of the company and its name, and sets out the circumstances in which the Board may grant approval of the company as an accounting corporation.

The new section 18B sets out the requirements in relation to the name of an accounting corporation. An accounting corporation must either include the words “Public Accounting Corporation” as part of its name or the acronym “PAC” at the end of its name.

The new section 18C provides a right of appeal to the Minister against any decision of the Board under new section 18A or 18B.

The new section 18D relates to the Register of Public Accounting Corporations.

The new section 18E describes some of the effects of a company becoming an accounting corporation.

The new section 18F relates to the rights and fiduciary, confidential and ethical requirements in respect of an accounting corporation and a client of an accounting corporation.

The new section 18G provides for disciplinary proceedings to be taken in respect of improper or dishonourable conduct by a public accountant even though

he provides public accountancy services through an accounting corporation. The section also provides that directors of an accounting corporation who are public accountants shall be jointly liable to disciplinary proceedings where such conduct cannot be attributed to an act or omission of any particular public accountant who can be identified.

The new section 18H provides that any change of the provisions of the memorandum or articles of association of an accounting corporation must at all times comply with all the requirements specified in the new section 18A and such changes, as well as changes to the board of directors or members who are public accountants, must be notified to the Board. The section also requires an accounting corporation to file with the Board an annual report in the prescribed form.

The new section 18I relates to the shares of an accounting corporation. Briefly, no shares are allowed to be held by nominees and no security may be created over any share in an accounting corporation. The authorised paid-up share capital of an accounting corporation must not be less than a sum of \$50,000 or such other sum as may be prescribed.

The new section 18J requires all accounting corporations to have professional indemnity insurance of not less than a prescribed amount.

The new section 18K relates to the management of an accounting corporation.

The new section 18L provides for the application of the Companies Act (Cap. 50) and any other prescribed written law to accounting corporations.

Clause 7 amends section 19 to provide that Inquiry Committees may be appointed by the Board to inquire into any application, complaint or information touching on the conduct of any public accountant or accounting corporation. However, no Inquiry Committee may be appointed for an application, complaint or information touching on any matter in section 23 or new section 23A. The Board is entitled to cancel the registration of a public accountant under section 23 or revoke its approval of an accounting corporation under new section 23A without need for an Inquiry Committee.

Clause 8 amends section 20, which deals with applications and complaints against public accountants and accounting corporations. The amendments allow the Board to appoint an Inquiry Committee on its own motion based on information given to it and to allow for continuation of an inquiry even if the original application or complaint is withdrawn. The other amendments are consequential upon the formation of Inquiry Committees in relation to accounting corporations.

Clause 9 introduces a new section 20A that prescribes in greater detail the powers of and the procedures to be adopted by Inquiry Committees. The new features of proceedings by an Inquiry Committee include —

- (a) the power to require the giving of evidence on oath and to sue writs of subpoena;

- (b) the power to inquire into on its own motion and report on new information it comes across in the course of an inquiry where the information touches upon the conduct of a public accountant or an accounting corporation which may give rise to proceedings under Part IV;
- (c) the power to report on any offence disclosed in the course of its inquiry into the conduct of a public accountant or an accounting corporation;
- (d) the power to seek legal advice before reporting to the Board; and
- (e) the requirement for an Inquiry Committee to make recommendations to the Board to issue a letter of advice or warning if it finds no ground for disciplinary action.

Clause 10 amends section 21 by prescribing additional circumstances under which the Board may discipline public accountants. The additional circumstances all relate to public accountants practising in accounting corporations. The range of penalties the Board may impose in disciplinary proceedings has been expanded. In addition to cancelling the registration of a public accountant, suspending him from practice, censuring and imposing a penalty of up to \$5,000, the Board can impose conditions to restrict his practice and requiring him to give an undertaking. Breach of any such condition or undertaking will entitle the Board to either suspend or cancel the public accountant's registration.

Clause 11 introduces a new section 21A that relates to the Board's disciplinary powers over accounting corporations. The Board may revoke or suspend its approval of an accounting corporation, impose a penalty of up to \$100,000, censure it, restrict the accounting corporation's business of providing public accountancy services or require an undertaking from the accounting corporation. As for public accountants, any breach of any such condition or undertaking will entitle the Board to either revoke or suspend its approval of the accounting corporation.

Clause 12 repeals and re-enacts section 22, conferring on any public accountant or accounting corporation who is aggrieved by any decision of the Board under section 21 or 21A a right to appeal to the High Court.

Clause 13 amends section 23 by inserting additional grounds upon which the Board can cancel the registration of a public accountant without the need to first appoint an Inquiry Committee. These grounds are uncontrovertible circumstances, like making an arrangement with creditors, withdrawal of professional qualifications and non-compliance with the Board's order to pay a penalty after disciplinary proceedings. The public accountant aggrieved has a right of appeal to the Minister against the Board's decision to cancel registration.

Clause 14 introduces a new section 23A for accounting corporations, which is a provision corresponding to section 23.

Clause 15 makes an amendment to section 24 (which relates to reinstatement onto a register) consequential upon the amendments for accounting corporations.

Clause 16 amends section 26 by confining practising members of the Institute of Certified Public Accountants of Singapore (ICPAS) to persons who are public accountants. Section 26 is also amended to prohibit ICPAS from terminating the membership of any practising member except with the concurrence of the Board.

Clause 17 amends section 29 in connection with the qualifications for election as a Council member of ICPAS. A practising and non-practising member will, in addition to existing disqualifications, be disqualified from election if he has been disciplined by the Council or any committee appointed by the Council in the 12 months preceding the election or, in the case of a practising member, if the Board has imposed any order against him following disciplinary proceedings.

Clause 18 amends section 32 in consequence of the new disqualifications in clause 17. A Council member will vacate his seat if he has been imposed with any order by the Board following disciplinary proceedings under the Act or has been disciplined by the Council or any committee appointed by the Council.

Clause 19 amends section 39 to make it clear that no fees will be paid to members of the Council in the performance of his duties as Council member.

Clause 20 amends section 48 to prohibit companies from holding themselves out as accounting corporations unless they have been approved as such by the Board.

Clause 21 repeals and re-enacts section 49 to prohibit any person from recovering any expenses or remuneration for public accountancy services rendered or provided unless the person is a public accountant or an accounting corporation.

Clause 22 repeals and re-enacts section 52 to deal with corporate offenders.

Clauses 23 and 24 make amendments to sections 53 and 55, respectively, which are consequential upon the introduction of corporate practice. Clause 24 also amends section 55 (1) (which relates to persons disqualified from being employed by public accountants and accounting corporations) by raising the disqualifying fine from \$2,000 to \$5,000.

Clause 25 amends section 58 (2) to empower the Board to make rules, with the approval of the Minister, in connection with accounting corporations.

Clause 26 is a transitional provision relating to appeals against any decision to refuse to register a person as a public accountant made before the commencement of the Bill. The appeal authority in such cases remain the High Court.

EXPENDITURE OF PUBLIC MONEY

This Bill will not involve the Government in any extra financial expenditure.
