
ABOUT THE AUTHOR



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Dr Ernest Kan is Chief of Operations (Clients & Markets) of Deloitte Singapore, an international firm of certified public accountants and one of the world's leading accounting and auditing, management consulting and tax services firms. Leader of Deloitte Southeast Asia Global IFRS & Offerings Services, Board Member of the Global Chinese Services Group and Southeast Asia Regional Head, he is a Chartered Accountant (FCA) of the Institute of Chartered Accountants in England & Wales, a Chartered Certified Accountant (FCCA) of the Association of Chartered Certified Accountants UK, a CPA of CPA Australia and he holds a PhD in Business Administration, a Master of Philosophy degree and a Bachelor of Art degree in Accountancy Studies. Currently, he is a practising member of the Institute of Certified Public Accountants of Singapore ("ICPAS"). He has over 30 years of professional experience and is currently sitting on Deloitte Singapore Management Committee.

As a Chief of Operations (Clients & Markets), Dr Kan has responsibility over the operation of the firm, particularly in the aspect of clients' management and market development.

As Head of Global IFRS & Offerings Services in his other role, Dr Kan has been involved in the financial audit, initial public offerings and consultancy of national and multi-national companies in diverse sectors such as pulp & paper, agriculture & food, finance, consumer/retail, health care, manufacturing, media & communication, real estate/construction, technology & telecommunications, printing & publishing, computer software, leasing, electronics, and travel & leisure. He has conducted several acquisitions and due diligence reviews of companies in China, Hong Kong, Malaysia and Taiwan on behalf of Singapore companies. Dr Kan is also the Financial Advisor to several companies with operations in the Asia Pacific region including China, Taiwan, Hong Kong and Indonesia regarding reorganisation and restructuring and public listing on the Singapore Exchange.

Dr Kan was a member of the Committee to Develop the Accountancy Sector. This committee was set up in 2008 by the Ministry of Finance ("MOF") to undertake a comprehensive review of the accountancy services sector, with a view to positioning Singapore as the leading international centre in Asia for the provision of professional accountancy services as well as the development of top-notch accountancy professionals. With this mission, the Singapore Accountancy Commission ("SAC") was formed in April 2013 and Dr Kan serves as a Board Member of SAC under the ambit of the MOF.

On the professional front, Dr Kan is the President of the national accounting body, ICPAS and serves on its Executive Committee (Chairman) and CPA Singapore Editorial Advisory Panel (Chairman). He is the Chairman of the national tax body, Singapore Institute of Accredited Tax Professional.

On the international front, Dr Kan was a Board Member of the International Federation of Accountants (“IFAC”) during the period 2003–2005. Closer to home, he is the Council Member of the ASEAN Federation of Accountants (“AFA”).

He is active in the academia and serves as Chairman on the Advisory Board, School of Accountancy of the Singapore Management University, a Board Member of the ITE Board of Governors which comes under the Ministry of Education and Chairman of its Audit Committee. Further, his commitment and contributions as a part-time lecturer at the Singapore Accountancy Academy of ICPAS (1990–2004) for the ICPAS/ACCA joint scheme examinations have earned him two Service Awards (Silver) from ICPAS in 1997 and again in 2002. Dr Kan spoke at the 16th World Congress of Accountants 2002, known as the Olympics of the accounting world as it is held once every four/five years and also the 18th World Congress of Accountants 2010 which was held in Malaysia. He was also involved in the organising committee of 12th AFA (Asean Federation of Accountants) Conference 2001, held once every two years. He was a Chairman on its Technical Sub-Committee and he chaired one of the plenary sessions. He was also invited guest speaker at the subsequent 13th, 14th, 15th and 16th AFA Regional Conference held respectively in Bangkok (2003), Hanoi (2005), Jakarta (2007) and Brunei (2009). He was one of the External Examiners for the School of Accountancy in a local Institution, and an Assessor/Examiner for one of the UK Accountancy Professional Bodies. His passion for lecturing has resulted in producing his own books namely (1) Audit Framework (ACCA Paper 6) Study Manual and the Revision Kit in 1996; (2) Audit and Internal Review, Singapore text in 2001; (3) Audit and Assurance in 2007, the 2nd Edition in 2010, and the 3rd Edition in 2013 published by CCH. Dr Kan is the Editor for the Financial Statements (Technician Unit 14) tutorial text for the Association of Accounting Technician Examination.

Apart from being active in the academia and professional front, Dr Kan has been active in serving on the Statutory Boards. He was a Board Member of the Agrifood & Veterinary Authority (AVA) of Singapore for three terms (April 2000 to March 2006), a Board Member of the Accounting and Corporate Regulatory Authority (ACRA) from April 2004 to March 2010 and a Board Member of the JTC Corp from April 2007 to December 2011. He is a member of the Government Parliamentary Committee (GPC) Resource Panel (Ministry of Finance and Ministry of Trade & Industry) and a member of the Appeal Advisory Panels set up by the Monetary Authority of Singapore.

He is actively involved in grassroots organisations namely: Council Member and Chairman of the Finance Committee of North East Community Development Council; Counsellor and Chairman of the Finance Committee of Pasir Ris Punggol Town Council. He was conferred the Public Service Medal: Pingat Bakti Masyarakat (PBM) by the President of the Republic of Singapore for his contribution to the country at the 2008 National Day. In 2011 and 2012, he received a Constituency Achievement Award for Pasir Ris Punggol GRC – Punggol North Division, then serving as Chairman of its Citizens Consultative Committee.

LEVEL OF ASSURANCE PROVIDED BY AUDIT AND OTHER ENGAGEMENTS

¶11-600 Level of assurance

The objective of a reasonable assurance engagement is for an auditor to evaluate or measure a subject matter that is the responsibility of another party against identified suitable criteria, and to express a conclusion that provides the intended user with a “high level” of assurance about that subject matter.

The term “reasonable assurance engagement” is used to describe assurance engagements intended to provide a high, but not absolute, level of assurance. The auditor designs the engagement process so that the risk of expressing an inappropriate conclusion that the subject matter conforms in all material respects with suitable criteria, is reduced to a low level. The auditor obtains sufficient appropriate evidence through procedures such as inspection, observation, inquiry, confirmation, computation and analysis. This forms the basis for a positive form of expression of the auditor’s conclusion.

The objective of a “limited assurance engagement” is to reduce assurance engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than a reasonable assurance engagement. This forms the basis for a negative form of expression of the auditor’s conclusion.

Audits, assurance engagements and reviews are designed to provide high and moderate assurance and agreed upon procedures and compilations are not intended to express assurance. This is illustrated in the following table.

Table 1.0

	Auditing ←	Other Engagements →			
Nature of Service	Audit	Review	Other Assurance	Agreed Upon Procedures	Compilation
Comparative level of assurance provided by the auditor	Reasonable assurance	Moderate assurance	Can be either reasonable or moderate assurance	No assurance	No assurance
Report provided	Positive assurance on assertion(s)	Negative assurance on assertion(s)	Can be either positive or negative assurance on subject matter	Factual findings of procedures	Identification of information compiled

Signpost

The auditor should be familiar with the regulatory framework, corporate governance practices, and any current development that may affect it.

INTERNATIONAL AND SINGAPORE STANDARDS ON AUDITING

¶3-110 International Federation of Accountants

The International Federation of Accountants (“IFAC”) was formed in 1977. It is an organisation made up of national professional accountancy organisations representing accountants employed in public practice, business and industry, the public sector, and education, as well as some specialised groups that interface frequently with the profession. At present, it has over 170 member bodies in over 120 countries and jurisdictions, representing 2.5 million accountants.

IFAC strives to develop the profession and harmonise its standards worldwide to enable accountants to provide services of consistently high quality in the public interest.

The primary activities of IFAC are:

- *Support the development, adoption and implementation of high quality international standards* — IFAC develops and promotes high quality technical, professional and ethical standards, publications and guidance for use by accountants employed in every sector. This helps to enhance transparency across businesses, thereby enhancing investor confidence.
- *Contribute to the development of strong professional accountancy organisations and accounting firms* — IFAC issues tools, guidance, and resources to support member bodies and their members who are either professional accountants in business or practising accountants to enable high quality practices by professional accountants. IFAC also works with member bodies and organizations throughout the world to support the growth and development of the accountancy profession, including those in emerging economies.
- *Promote the value of professional accountants worldwide* — IFAC currently focuses on activities and services aimed at enhancing the relevance of the accountancy profession following recent global developments, such as the global financial crisis and sovereign debt crisis.

In order to carry out its objectives, IFAC supports a number of independent standard-setting boards and technical committees, amongst which are:

- *International Auditing and Assurance Standards Board (“IAASB”)* — IAASB works to improve the uniformity of auditing practices and related services throughout the world, by issuing pronouncements on a variety of audit and assurance functions and promoting their acceptance worldwide (see ¶3-120 for further details).

The *Code of Corporate Governance 2012* includes four areas:

- (a) board matters;
- (b) remuneration matters;
- (c) accountability and audit; and
- (d) communication with shareholders.

Amongst others, the key principles, guidelines and commentaries are summarised in Table 1.0 for ease of reference.

Table 1.0

Key principles, guidelines and commentaries — *Code of Corporate Governance 2012*

Board matters

- (1) The board's conduct of affairs
 - The number of Board and Board committee meetings held in the year, as well as the attendance of every Board member at these meetings, should be disclosed in the company's annual report.
 - Companies should adopt internal guidelines setting forth matters that require Board approval, and specify in their corporate governance disclosures the type of material transactions that require Board approval under such guidelines.
 - The company is encouraged to provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge.
- (2) Board composition and guidance
 - There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board. An "independent" director is one who has no relationship with the company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company.
 - The independent directors should make up at least half of the Board where the Chairman and Chief Executive Officer ("CEO") (i) is the same person; (ii) are immediate family members; (iii) are part of the same management team; or (iv) if the Chairman is not independent.
 - The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

preparation for, and attendance at, meetings. Members should strive to attend every meeting of the committee. The dedication of those members may pose a challenge given that these are senior members of the profession and typically have multiple commitments to different sectors of the business community.

Maintaining the quality of the audit committee's deliberations and effective oversight of financial matters requires the committee to direct continuous attention to:

- understanding business issues;
- communicating regularly with management and the auditors;
- the ongoing training needs of committee members; and
- evaluating its own performance.

AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

¶3-410 Requirements of SSA 260 and SSA 265

SSA 260 *Communications of Audit Matters with Those Charged with Governance*, stipulates that the auditor should communicate with those charged with governance of an entity the auditor's responsibilities in relation to financial statements audit, the planned scope and timing of the audit, significant findings from the audit, as well as auditor independence in relation to the engagement.

SSA 260, in recognising the importance of effective two-way communication in an audit of financial statements, provides an overarching framework for the auditor's communication with those charged with governance, and identifies specific matters to be communicated.

In addition, SSA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* establishes specific requirements regarding the communication of significant deficiencies in internal control which the auditor has identified during the audit and that, in the auditor's professional judgement, are of sufficient importance to merit their respective attentions, to those charged with governance.

¶3-420 Appropriate persons

The auditor should determine the appropriate persons who are charged with governance and with whom audit matters of governance interest are communicated.

Those charged with governance are ordinarily responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

The auditor uses judgement to determine those persons with whom audit matters of governance interest are communicated, taking into account the governance structure of the entity, the circumstances of the engagement and

ACCOUNTANTS (PUBLIC ACCOUNTANTS) RULES

¶4-400 Introduction

All public accountants in Singapore have to comply with the *Accountants (Public Accountants) Rules*. A public accountant means a person who is registered or deemed to be registered in accordance with the *Accountants Act* (Cap 2). Under the Fourth Schedule of *Accountants (Public Accountants) Rules*, it sets out the Code of Professional Conduct and Ethics (“the Code”). Compliance with the Code is mandatory for all public accountants, accounting firms, accounting corporations and accounting limited liability partnership.

¶4-410 Independence — assurance engagements

Part IV of the *Accountants (Public Accountants) Rules* lays out the following:

- (a) professional matters and professional ethics issued from time to time;
- (b) for the purpose of paragraph (1), the Public Accountants Oversight Committee (“PAOC”) may adopt the pronouncements on professional matters and professional ethics of any other professional accountancy body; and
- (c) failure to observe the Code or any of the pronouncements on professional matters and ethics issued or adopted by the PAOC may result in disciplinary action.

The independence requirements for assurance engagements prescribed in the Code are elaborated below.

The overriding principles are that an “assurance team” shall not act in a way affected by the following threats:

- self-interest threat;
- self-review threat;
- advocacy threat;
- familiarity threat; and
- intimidation threat.

An “assurance team” is defined as:

- (a) all members of the engagement team for the assurance engagement;
- (b) all others within a firm who can directly influence the outcome of the assurance engagement, including:
 - (1) those who recommend the compensation of, or who provide direct supervisory management or oversight of the assurance engagement partner in connection with the performance of the assurance engagement. For the purposes of a financial statement audit engagement, this includes those at all successively senior levels above the engagement partner through to the firm’s chief executive;
 - (2) those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and