International Federation of Accountants

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Accounting and Corporate Regulatory Authority
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By email: ACRA_Consultation@acra.gov.sg

PUBLIC CONSULTATION ON REVIEW OF THE ACCOUNTANTS ACT, MAY 2012

Dear Sir/Madam:

The International Federation of Accountants (IFAC) values the opportunity to provide a response to the Accounting and Corporate Regulatory Authority (ACRA) Consultation on the Accountants Act Review, May 2012.

Through its membership, currently 167 professional accountancy organizations in 127 countries and jurisdictions, IFAC represents approximately 2.5 million accountants in public practice, industry and commerce, government, and education. As the global organization for the accountancy profession, IFAC is committed to contributing to the highest quality professional services by the accountancy profession around the world. IFAC, through the independent standard-setting boards that it supports, and in conjunction with the international regulatory community, sets international auditing and assurance, ethics, education[1], and public sector accounting standards. IFAC also issues guidance to encourage high-quality performance by professional accountants in business.

IFAC supports the public oversight of auditors performing audits of public interest entities (PIEs). Its position with respect to the regulation of the accountancy profession more generally is articulated in Policy Position Paper 1, *Regulation of the Accountancy Profession*[2]. In this paper, IFAC notes that "*Regulation of individual professional accountants is primarily conducted at a national level, with professional accountancy organizations playing an important role in working with governments to ensure that such regulation is effective, efficient and in the public interest*." As such, IFAC considers that professional accountancy organizations (PAOs)—including the Institute of Certified Public Accountants of Singapore (ICPAS)—have a critical public interest role to play in enhancing the quality of professional accountancy services provided by its members, and hence, in enhancing the credibility of the profession.

As a member body of IFAC, ICPAS is obliged to comply with the requirements of the IFAC Statement of Membership Obligations (SMOs). SMO 1 *Quality Assurance* applies "*to quality assurance review programs for their* [member bodies] *members performing certain audit engagements of financial*

[1] As a matter of clarification, IFAC notes that the International Education Standards (IESs) are issued by the International Accounting Education Standards Board (IAESB), which is an independent standard-setting board supported by IFAC. As such, IFAC believes that the references to IFAC in paragraph 83—i.e., to the IESs being "set by IFAC", and "IFAC standards"—should be references to the IAESB.

[2] www.ifac.org/sites/default/files/publications/files/PPP1%20Regulation%20of%20the%20Accountancy%20Profession%20_0.pdf

statements. It applies whether the member bodies carry out such programs on their own behalf, on behalf of the profession, or on behalf of governments, regulators or other agencies, or whether the programs are carried out by another body. Where government, regulators or other appointed authorities perform any of the functions covered by of this SMO, member bodies should (a) use their best endeavors to encourage those responsible for those functions to follow this SMO in implementing them, and (b) assist them in that implementation where appropriate." Further, "*The member body should ensure a mandatory quality assurance review program is in place for those of its members performing audits of financial statements of, as a minimum, listed entities*."[3] These requirements recognize the importance of having the work of professional accountants, in particular those providing audit and assurance services, subject to quality assurance/review.

In the remainder of this letter, IFAC aims to offer a global perspective on the issues identified by ACRA for consultation. As such, it will not provide answers to all questions.

Q1. Do you have any comment on the proposed coverage of ACRA's regulation in relation to audit and review engagements?

IFAC agrees with the view of ACRA that stakeholders should be entitled to expect a consistent standard of quality from an audit, regardless of whether the audit is required by law or by interested stakeholders. Such consistency is enabled through the use of high-quality, internationally accepted standards for all audit engagements, including standards for quality control.[4]

Whether <u>all</u> audits of financial statements and information (statutory audits, and those undertaken voluntarily; audits of PIEs and non-PIEs) are subject to identical requirements with respect to matters such as auditor registration, qualifications, and public oversight, is a matter for each national jurisdiction to determine. As noted previously, IFAC supports the notion of public oversight for auditors of PIEs. However, it is of the view that PAOs can play a critical role in ensuring that the quality of audit and assurance services is maintained and enhanced.

IFAC supports the global adoption of high-quality international auditing and quality control standards for all audits (refer footnote 4). However, it recognizes that each individual jurisdiction needs to consider and assess the merits of having other requirements, such as registration and inspection requirements, identical for all auditors and audit engagements, or whether—from an efficiency and effectiveness perspective, and on the basis of the differing impact that such requirements might have on accountancy practices of varying sizes—a system that imposes different requirements, based on suitably determined criteria, might be preferred. In such circumstances, a distinction may be made on the basis of suitably

[3] IFAC is currently undertaking a revision of its SMOs. In the Exposure Draft issued in December last year, the revision to SMO 1 included the proposed following wording: "*Because the public places greater interest in audits of financial statements, it is appropriate for mandatory quality assurance review systems to apply at least to those engagements. It is desirable, however, for the largest range of professional services performed by professional accountants to be subject to quality assurance review systems that are commensurate with the nature of the services. Therefore, parties responsible for the quality assurance review systems are encouraged to extend their scope to cover as many professional services as possible*."

[4] IFAC notes that International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) are high-quality, internationally accepted auditing standards that are designed for audits of entities of all sizes, and their design enables them to be applied in a manner proportionate to the size and complexity of an entity. Also, International Standard on Quality Control 1 (ISQC1), issued by the IAASB, is a high-quality, internationally accepted quality control standard that can be applied for all accountancy practices, including small- and medium-sized practices (refer: www.ifac.org/publications-resources/guide-quality-control-small-and-medium-sized-practices-third-edition-0)

agreed criteria, for example, whether the auditors perform audits of PIEs. Where arrangements are shared between a public oversight body, and a PAO, it is incumbent on the PAO to ensure that it has suitable arrangements in place (e.g., arrangements detailed in SMO 1) to execute an appropriately high standard of quality assurance.

In terms of regulatory coverage of public accountants providing review engagement services, IFAC notes that in applying the relevant International Standards on Review Engagements (ISREs), there is a requirement that practitioners undertake such engagements having applied the standard on quality control, ISQC1. Typically, reviews engagements are conducted by the auditor of an entity, and where that is the case, the public accountant would already be subject to requirements imposed by ACRA. In circumstances where a public accountant undertaking a review engagement is not also the auditor of an entity, IFAC is of the view that they should be subject to the same requirements as an auditor (taking into account whatever criteria is applied by ACRA when determining the requirements for auditors; that is, for example, whether distinctions are made between engagements for PIEs and non-PIEs.)

Q2. Are there audits or reviews of financial statements/information that should not need to be performed by a public accountant registered with ACRA, for example because other than those who commissioned the report, no other third parties would be relying on the audit or review?

As noted in the response to Question 1, it is possible that there will be circumstances where jurisdictions may wish to impose different inspection requirements for auditors, depending on some form of suitably agreed criteria, such as whether or not the client entity is a PIE. However, even where different requirements are imposed, IFAC is of the view that, from a public interest perspective, matters such as competence, qualifications, and quality assurance and review, are relevant for all professional accountants providing audit and assurance services.

In establishing suitable regulatory arrangements, it is not clear that the reliance by third parties on the work being performed should be the sole determinant of whether public accountants, or the services they provide, are subject to regulation. The fact that services are being provided as a “public” or “practicing” accountant—i.e., offering professional services to the public—should be sufficient to consider a matter important enough for there to be some form of regulation, whether by an oversight body, or a PAO in its own right, or on behalf of an oversight body.

Q3. Are there other activities undertaken by public accountants in relation to financial statements/information relied upon by third parties that ACRA should have jurisdiction over, which might not be already covered under the proposed scope?

Having other activities undertaken by public accountants—in relation to financial statements and information relied upon by a third party—subject to regulation, needs to be considered in light of the contextual arrangements under which such services are provided. These contextual arrangements might include situations where high-quality, internationally accepted, or robust national standards exist—which direct behavior and the provision of particular services—and an accountant is obliged to use them. In such situations, it might be appropriate for those services to be subject to regulation.

Refer response to Question 2, with respect to information relied upon by third parties.

Q4. Do you agree with the entities identified above [*in the consultation paper*] for inclusion as PIEs in this context? Are there other entities that you might want to suggest?

IFAC recognizes that different jurisdictions around the world have developed definitions for PIEs that are suitable for their own environments. This is appropriate. IFAC does not offer a specific comment on whether it agrees with the entities identified by ACRA for inclusion as PIEs.

Q5. Do you agree that audit firms that audit large charities and large IPC should be subject to the same requirements as those that audit PIEs?

Refer response to Question 4.

Q6. Do you have any comments on the proposed approach to imposing additional conditions on accounting entities that conduct PIE engagements?

IFAC recognizes the importance of ensuring that audits of PIEs are undertaken subject to requirements that promote and enhance audit quality. As noted previously, it supports independent oversight of auditors of PIEs. It believes that all auditors should have quality controls in place, and when using ISAs (or their equivalents, where they have been adopted by a particular jurisdiction), these controls should be in accordance with ISQC1 (or such equivalent). Also, IFAC recognizes that in the International Code of Ethics for Professional Accountants, (the "International Code of Ethics"), issued by the International Ethics Standards Board for Accountants (IESBA), there are more stringent independence requirements—including partner rotation requirements—for audits and reviews of PIEs, than for audits and reviews of other entities. Finally, IFAC recognizes that in many jurisdictions, specific competency and capacity requirements may be imposed on auditors of PIEs.

In this regard, IFAC supports the view of ACRA that additional conditions, including relevant transparency arrangements, may be imposed on accounting entities conducting audits and reviews of PIEs.

Q7. Do you have comments on the areas that are proposed to be assessed as part of the process? Are there areas which should not be taken into account or areas not listed which should be taken into account?

IFAC has no comments on the areas that are proposed to be assessed as part of the process. It makes no suggestions as to whether there are areas which should not be taken into account or areas not listed which should be taken into account.

Q8. Are there additional transitional arrangements that would need to be introduced to facilitate the implementation of the proposed process? For example, is the one year transition period sufficient?

IFAC does not express a view of whether a one-year transition period is sufficient. Transition arrangements of this kind are best determined with due regard for the contextual and environmental factors within a jurisdiction.

Q9. Do you have any comments on the objectives of the firm-level inspection?

IFAC considers the objectives noted by ACRA in the consultation paper to be appropriate. IFAC supports the view expressed by ACRA that a key aspect of a firm-level inspection is how a firm is able to meet the objectives of a quality controls standard, such as Singapore Standards on Quality Control 1 (SSQC1), and, in particular, the six important elements pertaining to firm-wide quality control.[5]

Q10. Do you have any comments on the proposed coverage of the firm-level inspection?

IFAC notes that ISAs (or their equivalents in jurisdictions where ISAs have been adopted) are designed for audits of entities of all sizes, and their design enables them to be applied in a manner proportionate to the size and complexity of an entity. Conducting audits using ISAs, requires firm-wide quality controls that are in line with ISQC1 (or its equivalent), which can be applied for all accountancy practices, including small- and medium-sized practices.[6] IFAC is of the view that ISAs should be used for all audits, and not just for audits of PIEs.[7]

Therefore, IFAC believes that firm-wide inspections should be undertaken for all firms performing audit engagements. As noted in previous responses, consideration must be given to the most efficient and effective manner in which to undertake such inspections. It depends upon the contextual factors within a jurisdiction, and which may necessitate a shared arrangement of inspections—i.e., shared between the public oversight body and the PAO—based on suitably agreed criteria (e.g., whether the client entities are PIEs or non-PIEs.) We understand that such a shared arrangement exists in Singapore, whereby ICPAS conducts practice monitoring review of firms that audit non-PIEs, while ACRA inspects firms that audit PIEs.

Q11. Do you have any comments on the proposed firm-level inspection powers?

IFAC considers the proposed firm-level inspection powers to be appropriate, subject to suitable conditions pertaining to permissions and confidentiality.

Q12. Do you have any comments on the proposed Firm Report and the remedial process that would apply in relation to notified deficiencies?

As the primary aim of firm-level inspections is to enhance and promote audit quality, IFAC is of the view that inspection reports must identify deficiencies, and propose means by which such deficiencies can be addressed and improvement made in audit quality. Agreed due process and transparency are essential elements to ensuring that inspection arrangements meet this objective. As such, the remedial process identified by ACRA in the consultation appears to be appropriate.

It is noted that in paragraph 55 of the consultation reference is made to ACRA having "*a duty to protect the public interest in audit reports*." In comparison, paragraph 63 notes that ACRA's duties relate to the protection of the "*public interest in audited financial statements/information*." IFAC respectfully suggests that the latter wording more accurately depicts the importance and role of the audit report. That is, the audit report, in and of itself, does not have specific meaning. Meaning is given to it by the financial statements/information to which it refers. The wording "audited financial statements/information", which

[5] IFAC notes that SSQC1 "is based on International Standard on Quality Control, ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and other Assurance and Related Services Engagement*." As such, it includes the same six key elements identified in that standard.

[6] Guidance for smaller firms in meeting the principles of ISQC1 (and hence SSQC1) is available at: www.ifac.org/publications-resources/guide-quality-control-small-and-medium-sized-practices-third-edition-0

[7] In this regard, we note that in Singapore, Singapore Standards on Auditing (SSAs) which are adopted from ISAs, are used for audits of PIEs and non-PIEs

encapsulates both the financial statements/information, and the audit report, reflects that which is of essential public interest to regulators.

Q13. Do you have any comments on the proposal that ACRA may share firm reports with other relevant (local) regulators?

When considering whether to share firm inspection reports with others—whether it is with other regulators, or the public—the public oversight body must be very clear in its reasons for doing so. Publicly available and robust processes must be in place, and followed, to ensure that confidentiality is protected; that those receiving the reports are acquainted with the objective and arrangements underpinning the preparation of the report; that terms and expressions are clearly defined; and that the imparting of such reports does not have a negative impact on the objectives of audit and audit quality. In this regard, careful consideration must be given to the level, and type, of accountability to which the public oversight body will be held.

The public oversight body must be cognizant of the fact that reports provided to others may be misinterpreted, and that a publicized disagreement between the inspection body and the auditor may have a detrimental impact on the confidence in the overall auditing process. While it is not an insurmountable task, it is sometimes very difficult to explain to others outside of the auditing and inspection process that auditing is a profession that requires the exercise of considerable professional judgment, and that judgments may sometimes differ between different people involved in the process.

Finally, IFAC supports the view that the publication or sharing of firm inspection reports should be considered only when it is in the public interest. This implies an imperative to define what it means to act, or make decisions, in the public interest. IFAC encourages regulators, and other public institutions, to consider and enunciate what it means to act in the public interest.[8]

Q14. Do you agree that if an audit firm fails to make sufficient progress under a remediation plan, ACRA should be able to make non-publication of certain matters conditional on the firm making improvements within certain time periods?

Refer response to Question 13.

Q15. Are there other circumstances when ACRA should publish portions of a firm-level inspection report or information stemming from a firm-level or PMP inspection?

Refer response to Question 13.

Q16. Do you have any comments on any of the key steps in the intended process for Special Investigations?

IFAC offers no comments on the key steps in the intended process for special investigations. However, IFAC welcomes the fact that the intended steps include a separation of responsibilities for various aspects of the process, as well as a panel that will be constructed in a manner that permits it to operate as an independent panel.

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[8] IFAC has recently issued Policy Position Paper 5, *A Definition of the Public Interest* (refer: www.ifac.org/publications-resources/definition-public-interest)

Q17. Do you agree that ACRA's Complaints and Disciplinary Process should consider only public interest cases, and that professional bodies should consider the remainder?

As noted previously, IFAC supports an approach to the regulation of the accountancy profession that can be categorized as shared regulation, and which includes an important role for the PAOs. Complaints and disciplinary processes that involve both ACRA and the professional bodies appear to be consistent with such an approach. IFAC notes that a separation of responsibilities between the two organizations, based on what are considered to be public interest cases, implies an imperative to define what it means to act, or make decisions, in the public interest (refer response to Question 13).

Q18. What are your views on allowing the appointment of up to two laypersons to a Complaints or Disciplinary Committee?

IFAC recognizes the importance of balancing the need for independence and competence (to enable requisite performance) when constructing such committees. The appointment of laypersons to complaints or disciplinary committees needs to be done with this in mind. In its SMO 6 *Investigation and Discipline,* IFAC notes "*some member bodies deploy mixed teams of volunteer members and staff of appropriate skill and experience. In many cases, member bodies appoint an investigation committee composed of individuals from different professional backgrounds, with non-accountant, 'public interest' representation*."

Q19. What are your views on the guiding principles for the practical experience requirements for registration as a public accountant?

IFAC supports the need for practical experience requirements for professional accountants, including for audit professionals. It supports the relevant practical experience requirements outlined in IES 5, *Practical Experience Requirements* and IES 8, *Competence Requirements for Audit Professionals*, issued by the IAESB.

Q20. What are your views on ACRA's proposed changes to the practical experience requirements, specifically:

- **a. The overall framework;**
- **b. The definition of qualifying audit experience;**
- **c. The definition of key audit functions;**
- **d. The requirement for applicants to have 2500 hours of such experience;**
- **e. The requirement for the experience to be gained within the five years prior to an application;**
- **f. That ACRA will not distinguish between pre and post-qualification experience, given that the focus will already be on experience in a higher level role;**
- **g. That the practical experience should be obtained under the supervision of an audit training principle;**
- **h. The role and duties of the ATP;**

i. **That there will be no minimum amount of experience required to be gained under one ATP or in one accounting entity;**

j. **That the discretionary criteria available to applicants with more than six years' experience should be discontinued under the new proposals and that all applicants should be required to meet the main criteria, unless specific exemptions are granted for particular reasons;**

k. **The proposed approach to aligning the recognition of foreign practical experience with the main proposed changes to the practical experience requirements; and**

l. **Any other comments on the proposals relating to practical experience.**

IFAC does not offer comments on all sub-sections of this question, but makes the following observations.

- IFAC supports ACRA's recognition of the importance of considering and evaluating international experience when making an assessment of an accountant's practical experience. In recognizing the globalization of financial and capital markets, and the economy more generally, IFAC supports global regulatory convergence, and the consistent adoption and implementation of high-quality, internationally accepted financial reporting and auditing standards, and independence requirements for auditors. Convergence along these lines promotes enhanced trade-in-services (which IFAC supports), and makes it easier for professional accountants to move between jurisdictions and offer high-quality professional services.
- IFAC supports the proposal by ACRA to leave open the possibility of recognizing other competency-based frameworks in the future so as to facilitate different routes into public accountancy.

Q21. What are your views on assessing former public accountants based on their recent practical experience and the potential imposition of conditions to applicants without sufficiently recent experience?

IFAC supports the view that recent practical experience is an important element to consider when assessing applications for registration from former public accountants. The need for professional accountants to maintain and exercise current technical knowledge is critical to ensuring that the quality of professional services is promoted and enhanced. An underlying tenet of being a professional, and offering professional accountancy services, is an obligation to comply with an established code of ethics. The International Code of Ethics notes that there is an obligation for all professional accountants "*to maintain professional knowledge and skill at the level required that clients and employers receive competent professional service*." IFAC believes that recent practical experience is essential in fulfilling such an obligation.

Q22. Do you agree that the Registrar should approve applications to be a public accountant instead of the PAOC?

IFAC does not offer a comment on which body should approve applications to be a public accountant.

Q23. What are your views on the imposition of conditions on registration?

IFAC supports the proposal to clarify situations under which ACRA can place conditions on the registration of public accountants. This assists in promoting greater transparency and accountability with respect to the registration process.

Q24. What are your views on the proposal that a public accountant's registration should expire and be renewed annually, rather than the certificate of registration, so that if a public accountant does not renew his registration by 31 December his right to practise under the Accountants Act will cease immediately?

IFAC offers no comments on whether a public accountant's registration should expire and be renewed annually, rather than the certificate of registration. Also, it offers no comments on the proposal that if a public accountant does not renew his registration by 31 December his right to practice under the Accountants Act will cease immediately.

Q25. What is your view on the one month 'reinstatement period,' i.e. is it sufficient?

Depending on any conditions that may be associated with an immediate cessation of registration, a one-month "reinstatement period" seems to be sufficient.

Q26. Do you have any other comments on the proposed amendments to the registration and renewal requirements?

IFAC offers no further comments on the proposed amendments to the registration and renewal requirements.

Q27. What are your comments on the proposals relating to cases where a public accountant asks to cancel his registration after he has been notified of or during an impending PMP inspection or SI?

The proposals outlined with respect to cases where a public accountant asks to cancel his registration after he or she has been notified of or during an impending PMP inspection or special investigation, appear to be consistent with attempts to ensure that the maintenance and enhancement of the quality of professional services is of utmost importance, and as such, is in the public interest.

Q28. What are your views on whether the Act should prescribe that only a public accountant may perform the duties of an engagement partner as prescribed in the SSA?

IFAC supports the proposal that it is only a public accountant who may perform the duties of an engagement partner as prescribed in the SSA. However, IFAC believes that careful consideration needs to be given to the wording used in any such legislative amendment, to ensure that the intent of the proposed change is given proper effect. This comment relates to the wording used in paragraph 132 of the consultation paper, which is not clear in relation to what circumstances would constitute an absence of a public accountant who is responsible for the duties of an engagement partner. This paragraph may be read by some (although IFAC does not read it in that way) as implying that an engagement partner would need to be physically present with the client for the duration of the audit, and that an audit manager with responsibility for the audit "on the ground" could not be seen as being the responsible person for certain aspects of the audit.

Q29. What are your views on making it an offence for a non-public accountant to undertake an engagement partner's role in the absence of a public accountant who is responsible for the duties of an engagement partner under the SSA?

IFAC expresses no view on the proposal of making it an offence for a non-public accountant to undertake an engagement partner's role in the absence of a public accountant who is responsible for the duties of an engagement partner under the SSA. However, IFAC believes that careful consideration should be given to any proposed legislative amendment, to ensure that the intent of the proposed change is given proper effect (refer response to Question 28.)

Q30. What are your views on continuing to allow a public accountant to practise on his own account, without setting up an accounting entity, provided certain conditions are met?

IFAC notes that many jurisdictions around the world enable professional accountants to operate as "sole practitioners," and to provide professional accountancy services to the public in his or her own name. IFAC supports the ability of professional accountants to practice in this manner, as long as they meet necessary competency, qualifications, and practice requirements. IFAC acknowledges that professional accountants, acting in their own name, provide a valuable service to a broad range of clients, including private individuals and small entities. IFAC believes it is important to include a condition that the public accountant must have sufficient professional indemnity insurance.

Q31. In your view, what are the circumstances under which a public accountant should be required to practise in an accounting entity instead of on his own account?

The need for a public accountant to practice in an accounting entity instead of on his or her own account would typically be driven by the nature and complexity of the services being provided, and of the client he or she is wishing to serve. Decisions would also take into account the need to meet the requirements of professional standards with which he or she is obliged to comply. For example, in adhering to the International Code of Ethics, a professional accountant should only provide services that he or she is competent to provide, and therefore would need to exercise his or her judgment about whether a potential client can be serviced, and/or a service provided.

Q32. What are your views on requiring all public accountants should have professional indemnity insurance while practicing, i.e. apply the same requirement to accounting firms as applies to accounting corporations and LLPs?

IFAC supports the notion that all public accountants should have professional indemnity insurance while practicing. IFAC recognizes that there may be practical difficulties with imposing such a requirement, in a manner that is efficient and economical, and which meets the needs of all public accountants. Governments, regulators, and PAOs would be expected to work together to achieve a workable outcome. IFAC notes that other jurisdictions have successfully implemented appropriate arrangements.

Q33. What are your views on allowing a public accountant to practise as an employee in an accounting firm?

IFAC perceives there to be no obvious impediment that should prevent a public accountant from practicing as an employee in an accounting firm. Clarity would need to be provided by the accountant with respect to situations where he or she is providing services in his or her own name, vis-à-vis in the name of the accounting firm. However, presumably such situations are currently clarified where public accountants are employed in accounting corporations and LLPs.

Q34. If there are concerns about allowing public accountants to practise as an employee in an accounting firm, could these concerns be addressed through other safeguards or conditions, rather than prohibiting the situation?

Refer response to Question 33.

Q35. What are your views on the proposal to impose conditions on a public accountant's registration if he has not performed auditing for a certain period, for example the proposed three years?

Refer response to Question 21. IFAC believes that the need for professional accountants to maintain and exercise current technical knowledge is critical to ensuring that the quality of professional services is promoted and enhanced. Therefore, IFAC supports the proposal to impose conditions on a public accountant's registration if he or she has not performed auditing for a certain period of time prior to registration. Furthermore, IFAC notes that an additional safeguard exists in the International Code of Ethics, in that a professional accountant would not accept an engagement that he or she is not competent to perform.

Q36. What are your views on the proposed conditions?

IFAC believes that the proposed conditions appear to be reasonable and appropriate. As noted in the response to Question 35, in adhering to the International Code of Ethics, a professional accountant would not accept an engagement that he or she is not competent to perform.

Q37. What are your views on only allowing natural persons to be a partner of an accounting LLP?

IFAC recognizes that there are benefits to allowing only natural persons to be a partner of an accounting LLP, as it makes it considerably easier for LLPs to monitor and adhere to independence requirements for audits. Having corporate partners operating in an LLP potentially gives rise to many difficulties with respect to continually monitoring ownership structures, share transfers, customer relationships, and other organizational arrangements, to ensure that audit independence requirements are not breached—not just at the time that an audit engagement is accepted, but throughout the period of engagement.

Q38. What comments do you have on removing the minimum capital requirement for accounting corporations and LLPs?

IFAC offers no comment on removing the minimum capital requirement for accounting corporations and LLPs.

Q39. Do you have any further comments on the requirements for Accounting Entities?

IFAC offers no further comments on the requirements for accounting entities.

Please contact us should you require further information on any of the information included in this letter.

Sincerely,

Ian Ball
Chief Executive Officer