

Executive Summary

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

Riding on Growth Possibilities in Asia-Pacific

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

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

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

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

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

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

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

Transforming Singapore into a Leading Global Accountancy Hub

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

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

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

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

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The CDAS's Recommendations

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

Strategic Thrust 1

Leading Global Centre for Accountancy Talent, Education, Thought Leadership and Professional Development

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

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

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

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

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

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

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

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

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

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

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

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

Research and developmental focus

The ASRC's research focus should be on developing applied research capabilities in accountancy-related professional accountancy services, and on issues relevant to Singapore and the Asia-Pacific marketplace. Research areas would include application issues arising from developments in international standards and regulatory reforms which have practical impact in

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the Asia-Pacific marketplace. This could include research areas pertaining to Basel II implementation, international regulation on audit quality, corporate social responsibility reporting, and cutting edge technology for financial reporting which are implemented on a global scale. The ASRC should work closely with the Singapore Accounting Standards Council in the area of research and developmental activities relating to financial reporting standards.

Operating, funding model and accountability framework

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

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

Strategic Thrust 2

Leading Centre for High Value-Adding Professional Accountancy Services

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

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

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

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

- (a) Review of the existing ownership rules of public accountancy entity with a view to increase the regulatory ownership requirement from the existing two-third to a simple majority of public accountants in the entity, to enhance and facilitate the growth of multi-disciplinary professional practice in Singapore; and

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

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

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

Developmental Areas

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

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

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

Qualification guidelines

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

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

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- (c) Funding should be on co-sharing basis and should lead to sustainable capability enhancements in the SMP;
- (d) Funding could be in the areas of the development and the creation of markets and business opportunities; and
- (e) Funding could be in the areas of the development of human capital through co-sponsoring of the costs of professional employees taking up the CDAS's proposed Qualification Programme.

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

Strategic Thrust 3

Strong Singapore Accountancy Sector's Infrastructure and Institutions

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

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

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

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

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

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The scope of application of the ASDF will focus on:

- (a) *Building scale and network through the regionalisation of Singapore-based public accountancy entities.* Specifically, incentives should be given:
 - (i) For public accountancy entities to establish regional head-quarters in Singapore; and
 - (ii) For public accountancy entities with regional head-quarters in Singapore to establish offices overseas;
- (b) *Deepening the accountancy sector's professional capabilities to enhance the public accountancy entities' capability and productivity.* Specifically, incentives should be given to encourage incremental investments in:
 - (i) Human capital development;
 - (ii) Building technical expertise; and
 - (iii) Integrating technology into work processes to enhance the sector's efficiency and productivity;
- (c) *Promoting thought leadership activities* through the anchoring of flagship accountancy centres of excellence and regional conferences in Singapore.

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

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

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

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

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