

## **RESPONSE TO CONSULTATION PAPER ON ENHANCEMENTS TO REGULATORY REGIME FOR PROPERTY VALUATION AND AUDITORS**

Singapore Exchange Regulation invites comments on this consultation paper.

Please include your full name and, where relevant, the organisation you are representing, as well as your email address or contact number so that we may contact you for clarification. Anonymous responses may be disregarded.

SGX may make public all or part of any written submission, and may disclose your identity. You may request confidential treatment for any part of the submission which is proprietary, confidential or commercially sensitive, by clearly marking such information. You may request not to be specifically identified.

Any policy or rule amendment may be subject to regulatory concurrence. For this purpose, you should note that notwithstanding any confidentiality request, we may share your response with the relevant regulator.

By sending a response, you are deemed to have consented to the collection, use and disclosure of personal data that is provided to us for the purpose of this consultation paper or other policy or rule proposals.

Please refer to the [Consultation Paper](#) for more details on the proposals.

**Respondent's Information**

<b>Name(s)</b>	Melvin Yong, Country Head – Singapore
<b>Organisation (if applicable)</b>	CPA Australia
<b>Email Address(es)</b>	<a href="mailto:melvin.yong@cpaustralia.com.au">melvin.yong@cpaustralia.com.au</a>
<b>Contact Number(s)</b>	+613 9606 9941
<b>Statement of Interest</b>	CPA Australia is one of the world's largest professional accounting organisations, representing the diverse interests of more than 164,000 members working in 150 countries and regions around the world. Our core services to members include education, training, technical support and advocacy. Employees and members work together with local and international bodies to represent the views and concerns of the profession to governments, regulators, industries, academia and the general public. We make this submission on behalf of our members and in the broader public interest.

**Disclosure of Identity**

Please check the box if you do not wish to be specifically identified as a respondent:

I/We do not wish to be specifically identified as a respondent.

## Consultation Questions

### **Question 1: Qualifications of Property Valuer**

Do you agree that issuers and applicants applying to list on SGX should only engage a property valuer that:

- (a) has at least five years of relevant experience in the type of property to be valued;
- (b) is a member of SISV, or a similar professional body in his home jurisdiction of practice which must have the powers to discipline and revoke the membership of its members;
- (c) is not a sole practitioner;
- (d) has no adverse compliance track record; and
- (e) is independent of the issuer?

Please select one option:

- Yes
- No

Please give reasons for your view:

We consider that it is prudent to prescribe minimum qualification criteria for property valuers to ensure valuers are sufficiently qualified. Whilst we agree to the listed criteria reflected as minimum requirements in the definition of “property valuer” in Appendix 1 and 2, we provide the following suggestions:

- Requirement (a), we suggest providing a non-exhaustive list of entities that qualify as a “recognised professional body or relevant authority”.
- Requirement (c), may benefit from inclusion of the word “independent” to be clear that is the objective of this requirement and consider whether there are any other circumstances which may render the valuer not independent. If so, this requirement could include the additional phrase “is independent, including not being” a substantial shareholder etc.
- Requirement (e), we suggest elaborating on the meaning of the term “sanction” in item (e)(ii).

### **Question 2: Standards for Property Valuation**

Do you agree that the Listing Rules should require that:

- (a) valuations for properties located in Singapore must be prepared in accordance with SISV Standards; and
- (b) valuations for properties located outside Singapore must be prepared in accordance with SISV Standards or IVS,

in the circumstances stated in the proposed rules?

Please select one option:

Yes

No

Please give reasons for your view:

CPA Australia supports the requirement of property valuations to be prepared in accordance with established industry standards (SISV Standards or IVS).

Further, we believe that the proposed requirements could be enhanced. Although the requirement for issuers to ensure their financial statements are compliant with relevant accounting standards, as highlighted in paragraph 2.3 in the consultation paper, we suggest to explicitly emphasize that valuations performed for financial reporting purposes should also be prepared in accordance with the relevant financial reporting standards relating to measurement.

### **Question 3: Summary Property Valuation Report**

Do you agree that the Listing Rules should require that all summary property valuation reports must contain the information required for prospectus and circulars under the SISV Practice Guide?

Please select one option:

Yes

No

Please give reasons for your view:

We agree with the proposed requirement that summary property valuation reports should contain a common set of information compliant with minimum content requirements prescribed by the SISV Practice Guide. Apart from the requirements concerned with summary valuation reports, we consider it important to emphasise that issuers should maintain full versions of valuation reports and must make these full versions accessible under certain circumstances (e.g. for audit purposes).

### **Question 4: Audit Oversight**

Do you agree that all issuers must appoint an auditor registered with ACRA, and if an issuer appoints an auditor that is regulated outside Singapore, it must also appoint an auditor registered with ACRA to jointly carry out the audit?

Please select one option:

Yes

No

Please give reasons for your view:

CPA Australia believes that Question 4 should be split into two parts:

- (1) Do you agree that all issuers must appoint an auditor registered with ACRA?, *and*
- (2) [Do you agree that] if an issuer appoints an auditor that is regulated outside Singapore, it must also appoint an auditor registered with ACRA to jointly carry out the audit?

With regards to the first part of the question, we agree that all issuers should be required to appoint an auditor registered with ACRA, as mandating an ACRA-registered auditor enables local regulatory oversight and so provides investors and other stakeholders with confidence in the quality of appointed auditors.

Regarding the second part of the question, we have expressed our view that auditors should be ACRA-registered. However, if the decision is made that joint audits are envisioned, our concerns are as follows:

- **Increase in audit fees:** we believe that joint audits will almost certainly result in an increase in audit fees and will not necessarily achieve the objective to increase audit efficiency and audit quality.
- **Duplication of audit efforts:** both signing audit partners must be satisfied that sufficient appropriate audit evidence has been obtained before jointly signing the audit opinion. Consequently, duplicated audit efforts are unavoidable.
- **Regulatory challenges:** Joint auditors would be jointly responsible for the audit process and the audit opinion. In a scenario where an ACRA-registered auditor and an overseas auditor conducted the audit jointly, ACRA would only have legal authority to regulate the ACRA-registered auditor but not the overseas auditor.
- **No “Joint Audit Standard” available:** currently, no international Joint Audit Standard is available that would provide regulatory support to SGX’s proposed joint audit arrangement. We are concerned that without an internationally agreed Joint Audit Standard diversity in audit practice is encouraged, which poses challenges not only to auditors but also to audit clients and other stakeholder groups.

Nevertheless, the auditing standards allow for the auditor to determine the composition of the audit engagement team (see SSA 300 *Planning an Audit of Financial Statements*) and to engage experts ([SSA 620 Using the Work of an Auditor's Expert](#)) to provide the appropriate levels of capabilities and competence. So, there should be no impediment to the auditor including an overseas auditor in their audit team or engaging them as an expert.

#### **Question 5: Circumstances to Require an Additional Auditor**

Do you agree with the proposed circumstances that SGX may require issuers to appoint an additional auditor, and are there other circumstances where this requirement may be appropriate?

Please select one option:

- Yes  
 No

Please give reasons for your view:

We are concerned that the SGX’s appointment of an additional auditor may cause ambiguity among investors and other stakeholders and may negatively affect their confidence in the audit. Hence, we would suggest that the SGX, instead of appointing an additional auditor, which may unintentionally signal doubts about the incumbent auditor’s competencies, should refer any concerns to ACRA for regulatory oversight.

In paragraph 3.4, the SGX proposes that in certain situations, the additional auditor could act as joint auditor. For the same reasons provided in our response to **Question 4**, we do not agree with the proposed joint audit arrangement.