



CRAC NEWSLETTER

Issue No.63, October 2020

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CRAC Members 2020

Chairperson: Iong Kong Leong

Effective: Yung Chi Chung

members Ng Pou Man
Vong Hou Piu
Cheang Kin Lap

Reserved: Kou Ka I

members Si Chan Chan
Cheong Sio Tong
Bao King To

STATISTICAL DATA

The following has been registered with the Committee for the Registry of Auditors and Accountants:

Auditors	124
Accountants	190
Audit firms	14
Accounting firms	3

Updated on: 30 September 2020

【Legal Reform】

Law No.20/2020

Professional and Practice Regime of Accountants Comes into Effect on 1 December 2020

The Professional and Practice Regime of Accountants (Law No.20/2020, hereinafter referred to as “*New Regime*”) was published in the Official Gazette of MSAR on 21 September, and will come into effect on 1 December 2020. This law will revoke and replace both existing Statute of Auditors and Statute of Registered Accountants, and will become the fundamental law that governs Macao’s accounting profession in the future. Compared with the Statute of Auditors and Statute of Registered Accountants, the major changes in the New Regime include:

1. ‘Registered auditors’ and ‘registered accountants’ will be merged, and will collectively be called ‘accountants’. This merge may effectively solve the longstanding disparity between title adopted in the accounting profession of Macao and the designation commonly used internationally, which would facilitate international convergence;

2. After the merge, qualification of ‘accountants’ could be distinguished into 2 types: ‘professional qualifications’ and ‘practical qualifications’. International references were made regarding this distinction, which would assist the accounting sector in responding to future development as well as to enhance the professional level of accountants;

3. The ‘Professional Committee of Accountants’ (i.e. the present ‘Committee for the Registry of Auditors and Accountants’) would no longer be supervised by the Director of the Financial Services Bureau, but instead, it will operate as a collegial organ of Public Administration, thereby improving the sector’s autonomy;

4. In addition to a plenary ‘Professional Committee of Accountants’, several specialized committees would be created that will be responsible for processing issues regarding accreditation of professional qualifications, continuous development, organizing and arranging examinations, setting standards, and taking disciplinary actions;

5. Continuing professional development is set to become an essential requirement for renewal of registration, which may be fulfilled via participation in training courses, seminars, and publication of articles among others;

6. Permitting the use of customary titles ‘Certified Public Accountant (CPA)’ and ‘Certified Public Accountants’ (CPAs) in English (and their equivalence in Portuguese) in commercial operations.

Each of the alterations above will promote convergence between the legislation that governs Macao’s accounting profession and those of more developed regions internationally, setting a sound foundation for continuing development in the future.

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【Standards Update】

New FRS Training Course: 360 People Attended

In March 2020, the Financial Reporting Standards (hereinafter referred to as 'New FRS') were approved via the Order of Secretary for Economy and Finance No.44/2020. In order to assist the learning and understanding of the New FRS, the CRAC has created some promotional leaflets regarding the New FRS in April. These promotional leaflets are printed in both Chinese and Portuguese languages, while the digital version is available in Chinese, Portuguese and English languages. Readers are welcome to obtain these leaflets in person at the CRAC office, or browse them at the CRAC website (www.dsf.gov.mo/crac). Meanwhile, the CRAC has collaborated with the Association of Chartered Certified Accountants (ACCA) to host the 'Overview of New FRS' training course in July, whereby Nelson Lam (FCCA) from our neighbouring region was invited to present the new standards. Due to the pandemic situation, the training course was presented in webinar format, but that has not deterred students' enthusiasm, as 180 students were admitted to attend the course. The course was split into three two-hour-sessions, where the instructor provided a comparison between the old and new standards as well as a detailed and comprehensive presentation of the major changes from the New FRS. Due to overwhelming demand, the CRAC hosted an additional round of sessions in August. 360 students were admitted to attend the two rounds of sessions combined.



Law No.20/2020 Professional and Practice Regime of Accountants Comes into Effect on 1 December 2020 (Continuation) (Continued from page 1)

In addition, in order to adequately protect the existing rights of all stakeholders, this law has provided detailed arrangements on how existing registered auditors, suspended registered auditors, registered accountants, suspended registered accountants, audit firms, accounting firms and candidates transition into the new regime, as well as assist practitioners to enhance their professional qualifications, creating more favourable conditions. The key points regarding transitional arrangements include:

1. Existing 'registered auditor' will automatically be granted professional qualification of accountants, and may become 'certified practicing accountant';
2. Existing 'registered accountant' will automatically be granted professional qualification of accountants, and may continue to provide accounts bookkeeping and tax declaration services;
3. 'Audit firm' will transition into 'certified practicing accountants' (or 'accounting firms') prescribed in the new regime;
4. The original business scope of 'accounting firms' remains unchanged, that they may continue to provide accounts bookkeeping and tax declaration services;
5. Pass grades already obtained by candidates at the time the law enters into force will remain effective.

Please refer to the Printing Bureau website (www.io.gov.mo) for specific provisions of Law No.20/2020 'Professional and Practice Regime of Accountants'.

【Liaison and Exchange】



the conference. Ng Pou Man (CRAC member) participated the meeting on CRAC's behalf.

At the meeting, the participants shared the state of adoption and use of International Financial Reporting Standards (IFRS) in their respective regions, as well as discussed in details on topics, in particular, the effect of the pandemic on accounting, consolidated financial statements and major financial statements. The meeting also reached a consensus: the annual physical meeting for 2021 will be held in China; nevertheless, if video conference was to be required still, then the meeting would be hosted by the Korea Accounting Standards Board instead.

Professional Certification Seminar 2020 – Audit and Accounting Professions

On 25 July 2020, the Higher Education Bureau (DSES) hosted the Professional Certification Seminar 2020 – Audit and Accounting Professions, and Kandy Si (CRAC's senior officer) was invited to be the speaker at the event. The seminar was held via real-time-feed online, and was aimed at undergraduates taking accounting and audit related courses, or other persons interested in professional certification in audit and accounting.

The seminar provided a detailed presentation of criteria for applying to sit the licensing examinations for auditors and accountants, examination subjects, examination regime and other points to note. The speaker also presented the gist of the Professional and Qualification Regime of Accountants (then Bill). The students showed a lot of interest and asked numerous questions regarding the profession such as whether the audit and accounting professions have become saturated, if professional certification imposed continuing development requirements, and the possibility of accreditation of practice license obtained abroad, which have all been answered by the speaker.



【Examination Column】

CICPA Examination: Cancellation of Exams at Macao Venue

The 2020 People's Republic of China Certified Public Accountants Uniform Examinations (aka CICPA Examinations) was originally intended to be held on 17 and 18 October (Saturday and Sunday). However, according to the 'Announcement Regarding the Adjustment of Arrangements for 2020 Certified Public Accountants Uniform Examinations' issued by the Certified Public Accountants Examination Board of the Ministry of Finance, the exams at Macao venue has been cancelled. Please visit the CICPA website (www.cicpa.org.cn) for the Announcement referred above. Meanwhile, the Union of Associations of Professional Accountants of Macao (representation office of the Macao venue) is processing the refund of application fees. For enquiries, please contact Ms. Kuok at (853) 2835 6856, or via email at: union@macau.ctm.net.

【AML Column】

Series on Application of Risk-Based Approach: Client Risk

(Foreword): Risk-based principles are crucial to the effective implementation of measures of prevention and suppression of money laundering and financing of terrorist crimes. Auditors and accountants should take appropriate steps to identify and evaluate firm-wide risks regarding money laundering and financing of terrorism, and to adopt appropriate measures based on the degree of associated risks.

The Financial Action Task Force (FATF) published several guidance documents in June 2019, two of which are related to auditors and accountants: *Risk-based Approach for the Accounting Profession* and *Guidance for a Risk-based Approach for Trust and Company Service Providers (TSCPS)*. These guidance documents pointed out the three most common types of risks: *country/geographic risk*, *client risk* and *transaction/service and associated delivery channel risk*. We shall present these three risk types in three editions of CRAC Newsletter. Country/geographic risk was covered in issue 62 of CRAC Newsletter. We shall take a look at client risk in this issue.

Client Risks: 3 Major Categories

Client risks that auditors and accountants should consider can be split into 3 categories: 1. Nature of clients, including industry and structure of clients; 2. Abnormal behavior of clients, such as uncooperative behavior from clients; 3. Other elements, including abnormally high service fees, mismatch between auditor/accountant's objective conditions and client's service requirements.

Client Risks: Common Example

Common examples of client risks that auditors and accountants should consider include:

1. Nature of clients

- Politically exposed persons (PEPs), or from industries with relatively higher chances of money laundering and terrorists financing.
- Due to the structure or nature of clients, it is hard to promptly determine the real beneficial owner or right of control holder.

2. Abnormal behavior of clients

- The client attempts to conceal, make others difficult to understand its business, ownership or nature of transactions, such as:
 - Inexplicably avoiding face-to-face meeting;
 - Hard to gain access, or giving on-and-off instructions without justifiable reasons;
 - Unwilling to provide all relevant information, or there is justifiable reason to doubt that information provided is either incorrect or insufficient.
- The client demands to complete the transaction in an abnormally tight time schedule.

3. Other elements

- The client proposes to pay an abnormally high service fee that does not correspond to the service provided.
- Considering the business size, location and professionalism of the auditor and accountant, the client's reason for hiring is unclear.

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