

Clarifications to Questions on Hot Review

Public Accountant (PA) under hot review

1. What are the legal provisions which provide the Oversight Committee with the power to issue hot review orders?

The legal provision governing this initiative is section 38(1)(a) of the Accountants Act, Cap. 2.

2. What is the objective of the hot review?

The purpose to subject the work of the PA to a review is to uphold audit quality by enabling the PA to improve his work under the supervision of a suitably qualified PA or former PA.

The reviewer serves as a mentor assisting the PA under review to review the quality of the audit process undertaken. The focus is on helping the PA to improve the quality of his audit process. Notwithstanding the review, the responsibility of the PA who is under review in signing off the audit report with respect to the audit judgment and opinion issued remains unchanged.

That is, the PA remains solely responsible for the audit engagements that have been signed off notwithstanding that the engagement has been reviewed by a hot reviewer.

Timing of hot review

3. Is hot review required concurrently as the audit progresses?

Yes, the PA should ensure he engages the hot reviewer throughout the audit process in a timely manner and not at the end of the audit process. The hot review process must be completed prior to the conclusion of the audit and the sign-off on the audit report.

Selection of audit engagements

4. How many audit engagements will be subject to hot review?

There are different orders issued by the Oversight Committee depending on the severity of findings during the practice review. The

Oversight Committee may order that all audit engagements signed off by the PA within a specified hot review period to be subject to hot review.

In most cases, the number of audit engagements to be subject to hot review within a specified hot review period will be stated in the order issued by the Oversight Committee.

5. Are there any criteria for the selection of the audit engagements, if not expressly stated in the order issued by the Oversight Committee?

The PA should bear in mind that the objective of the hot review is to provide an opportunity for him to improve on his audit process under the guidance of another suitably qualified PA. For this purpose, the audit engagements selected should be among the top audit clients (in terms of audit fees) of the PA. Other factors in the consideration for file selection could be the size of operations of the company (indicated by turnover and net profit of the company) as well as nature and complexity of the operations.

Hot reviewer

6. Who can be engaged as a hot reviewer?

The PA can engage any suitably qualified PA, subject to ACRA's approval, to be the hot reviewer so long as there are no conflict of interest or independence issues.

7. Who is considered a suitably qualified PA?

A registered PA who has passed ACRA's practice review is considered a suitably qualified PA.

Alternatively, a former PA who passed the practice review and has kept himself sufficiently abreast of the changes to audit processes is also considered a suitably qualified PA.

PAs who do not have a hot reviewer in mind may wish to refer to the list of hot reviewers that can be found at [<http://www.icpas.org.sg/service/Peer%20review%20panel.asp>] as a starting point.

8. Does the PA need to seek approval from ACRA for the hot reviewer selected?
Yes, the PA needs to seek prior approval from ACRA for the hot reviewer selected.
9. Is the hot reviewer to be compensated?
Any compensation (if any) made to a hot reviewer will depend on the private arrangement between the PA and the hot reviewer.
10. Does the compensation arrangement need to be reported to ACRA?
No, the compensation arrangement need not be reported to ACRA. For clarity, the appointment of a hot reviewer should be confirmed in an engagement letter that should cover matters such as those pertaining to the scope of engagement, remuneration, confidentiality, responsibility and professional conduct.

Responsibility under the hot review

11. Are there any checklists or manuals that (a) the hot reviewer needs to refer to; or (b) will guide the hot reviewer during the hot review process?

There are no checklists or manual that the hot reviewer needs to refer to or that will guide the hot reviewer during the hot review process. It is at the discretion of the hot reviewer to conduct the hot review as he or she deems fit so as to meet the objective of providing guidance to the PA to improve the quality of his audit process. The hot reviewer should also request for the complete set of findings report issued by ACRA and a copy of the remediation plan drawn up by the public accountant to address the audit deficiencies noted in the Oversight Committee's order letter. The hot reviewer should assist the public accountant in implementing the action plans noted in his remediation plan.

The PA and the hot reviewer should also bear in mind that the audit should be conducted in accordance with the Singapore Standards on Auditing and the audited financial statements should be properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap 50 and Singapore Financial Reporting Standards.

The PA and the hot reviewer should refer to ACRA's Practice Direction 4 of 2010 on Hot Review for further details on the scope of the hot review process.

12. Does a report arising from the hot review need to be prepared?

Yes, a report should be prepared so that the PA can provide documentary evidence that the hot review process had taken place and demonstrate compliance with the hot review order issued by the Oversight Committee. Although the format of the hot review report is at the discretion of the hot reviewer, the hot review report should contain at least minimal basic information as listed in Annex A.

13. Who should the hot review report be submitted to?

Appointed reviewers from ACRA/ICPAS will request for a copy of the hot review reports to assess the effectiveness of the hot review process and the PA's compliance with the hot review order.

14. Will any disciplinary action be taken against the PA for non-compliance of the hot review order?

ACRA takes a stern view if a PA does not comply with the Oversight Committee's order of appointing a hot reviewer or completing a hot review process. Non-compliance with the hot review may result in disciplinary and/or enforcement action.

Basic information to be included in the hot review report

- Name of PA under review;
- Name of PA acting as hot reviewer and registration number;
- For the engagements selected for review:
 - Name of entity;
 - Financial year-end;
 - Date of audit engagement letter;
 - Number of years on audit engagement for partner/manager;
 - Type of auditors' report issued;
 - Sign-off date of auditors' report;
 - Date of subsequent events performed;
 - Principal activities;
 - Materiality, performance materiality and uncorrected detected misstatements
 - Audit approach;
 - Risk areas identified by the PA;
 - Summary of key issues by the PA;
 - Discussion of key issues and basis of key judgments between the hot reviewer and the PA;
 - Number of hours spent on the hot review;
- List of findings raised in relation to each of the engagements reviewed;
- Dates of commencement and completion of the hot review;
- Signature of hot reviewer; and
- Date of hot review report.

Suggested Hot Review Report Template

Name of PA under review: _____

Period under hot review: _____

Engagements selected:

		Engagement A	Engagement B	Engagement C
1	Name of entity			
2	Financial year-end			
3	Date of audit engagement letter			
4	Number of years on audit engagement for partner/manager			
5	Type of auditors' report issued			
6	Sign-off date of auditors' report			
7	Date of subsequent events performed			
8	Principal activities			
9	Materiality (overall) (\$)			
10	Performance Materiality (\$)			
11	Uncorrected detected misstatements (\$)			
12	Audit approach			
13	Risk areas identified			
14	Summary of key issues			
15	Discussion of key issues and basis of key judgments			
16	Dates of commencement and completion of the hot review			
17	Number of hours spent in review			

List of findings raised in relation to each of the engagements reviewed:

Engagement A

1)

2)

3)

Engagement B

1)

2)

3)

Engagement C

1)

2)

3)

Signature of hot reviewer:

Name of hot reviewer:

PA registration number:

Date of hot review report:
