

**PRACTICE DIRECTION NO. 5 OF 2010**  
**PEER REVIEW INITIATIVE TO ASSIST PUBLIC ACCOUNTANTS TO**  
**UPKEEP THE QUALITY OF PROFESSIONAL WORK**

1. This Practice Direction explains a mandatory requirement that will be imposed by the Public Accountants Oversight Committee (Oversight Committee) on all public accountants who fail the Practice Monitoring Programme (PMP or the practice review), namely the need to appoint peer reviewer(s) to review any three of his audit engagements within a 12 months' period after the Oversight Committee's order. This requirement became applicable to orders issued on or after 1 April 2009 for public accountants who have failed their practice reviews. This Practice Direction supercedes Practice Direction 1 of 2009 which was issued by ACRA previously.

**Background**

2. Section 13(3) of the Accountants Act states that a public accountant shall not be entitled to have his certificate of registration renewed if he has failed to pass any practice review under Part V.

3. Section 38(1)(a)(iii) of the Accountants Act states that as a consequences of failure to pass the practice review, the Public Accountants Oversight Committee may "require the public accountant to take other steps as may be specified by the Oversight Committee to improve the practice of the public accountant or to give such undertaking as the Oversight Committee thinks fit".

4. The peer review mandatory requirement will not be applicable to cases where the Oversight Committee has made an order for a "hot" review. The objective of the peer review requirement is to help the public accountants involved to improve the quality of their work.

5. Public accountants who fail to pass the practice review are required to address the findings and areas of improvements identified in the PMP conducted on them and given a period of generally 18 months (from the date of issuance of the Oversight Committee's order) before ACRA carries out another PMP review ("revisit"). It is necessary for these public accountants to pass their revisit practice reviews in order to have their certificates of registration renewed.

## **Peer review**

6. The Oversight Committee has determined that public accountants who do not pass the practice review will be required to appoint one or more reviewers (“peer reviewers”) to carry out a “peer review” on any three of his audit engagements before the revisit practice review. The peer review requirement, however, will not be applicable to public accountants who have already been issued with an order for a “hot” review. This is because a “hot” review order would have already imposed a more stringent requirement on the public accountants involved to have his professional work to be reviewed by another suitably qualified professional.

## **Objective**

7. The purpose of the peer review is to help public accountants involved to make improvements in their work by having a suitably qualified fellow professional to review their work.

## **Peer review process**

8. The peer review is to be carried out on any 3 statutory audit engagements of the public accountant and must be completed within 12 months from the date of issuance of the Oversight Committee’s order to the public accountant concerned. The timing, selection of the audit engagements and peer reviewers for the 3 peer reviews will be determined by the public accountant involved.

## **Who can be a peer reviewer**

9. Any suitably qualified public accountant or former public accountant who has kept himself sufficiently abreast of the changes to audit processes can be appointed to be the peer reviewer so long as there is no conflict of interest or independence issues. ACRA has also worked with ICPAS to make available a list of “peer reviewers” that public accountants involved can seek assistance from. Please refer to Annex B of Clarifications to Questions on Peer Review for this list.

## **Responsibility under the peer review**

10. The responsibility of the public accountant signing off the auditors' report issued remains **unchanged**. The public accountant remains solely responsible for the audit engagements that have been signed off notwithstanding that the engagement has been reviewed by a peer reviewer. The peer reviewer does not assume any of the statutory auditor's responsibility on the audit engagements reviewed.

## **Effective date**

11. The peer review requirement has been imposed on orders issued effective from 1 April 2009 for public accountants who have failed their practice reviews. The peer review will take place prospectively and included in the notification letter informing the public accountant of the order imposed by the Oversight Committee.

12. Please refer to [Clarifications to Questions on Peer Review](#) for more information.

## **Legal Provisions**

13. The legal provisions relevant to and referred to in this Practice Direction are sections 13(3) and 38(1)(a) of the Accountants Act (Cap. 2, 2005 Revised Edition).

## **Further Clarification**

14. Further enquiries can be sent through [http://appiqs.acra.gov.sg/iqs/ask\\_acra.asp](http://appiqs.acra.gov.sg/iqs/ask_acra.asp).

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## **Ms Juthika Ramanathan**

Chief Executive and Registrar of Public Accountants  
Accounting and Corporate Regulatory Authority (ACRA)  
SINGAPORE