

## AUDIT PRACTICE BULLETIN NO. 1 OF 2017

### SECTION 56(1) OF THE ACCOUNTANTS ACT - PRACTISING OR HOLDING OUT AS A PUBLIC ACCOUNTANT WHEN ONE IS NOT REGISTERED WITH ACRA

28 MARCH 2017

#### INTRODUCTION

1. In Singapore, only persons registered as public accountants under the Accountants Act (the Act) can provide public accountancy services. Public accountancy services refer to the audit and reporting on financial statements and the doing of other acts required by law to be done by a public accountant. For example, the Companies Act and Bankruptcy Act respectively requires a person to be a public accountant in order to act as a judicial manager and a trustee in bankruptcy. ACRA has registered public accountants for the purposes of becoming judicial managers and trustees in bankruptcy. These public accountants<sup>1</sup> are not allowed to perform audit services without the prior approval of the Public Accountants Oversight Committee (PAOC).
2. As independent auditors, the public accountancy profession plays a critical role in safeguarding public interest in the integrity of companies' financial reporting. Therefore, protecting the integrity of and preserving public confidence in the profession is critical to the effective functioning of Singapore's capital and business markets. The professional opinions expressed by public accountants on financial statements are relied upon by the users of financial statements. Thus, it is important that before a person audits and reports on the financial statements of companies, the person must be properly qualified to practise as a public accountant.
3. Section 56(1)<sup>2</sup> of the Act prohibits a person from practising or holding himself out as a public accountant or using any title or description tending to convey the impression that he is a public accountant and authorised to provide public accountancy services when he is not registered as one. Section 56(5)<sup>3</sup> of the Act provides that any person found guilty of contravening section 56(1) of the Act for the first time shall be liable to be fined

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<sup>1</sup> A list of these public accountants is published on ACRA's website at <https://www.acra.gov.sg/public-accountants/regulatory-notice/public-accountants-registered-for-the-purpose-of-becoming-judicial-managers>.

<sup>2</sup> Section 56(1) of the Act states that "A person who is not registered as a public accountant under this Act shall not —

(a) practise as a public accountant;

(b) hold himself out to be a public accountant; or

(c) use in connection with his name or otherwise assume, use, or advertise any title or description tending to convey the impression that he is a public accountant registered under this Act, or that he is otherwise authorised to provide public accountancy services in Singapore."

<sup>3</sup> Section 56(5) of the Act states that "Any person who contravenes subsection (1)...shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding 12 months or to both and, in the case of a second or subsequent conviction, to a fine not exceeding \$10,000 or to imprisonment for a term not exceeding 2 years or to both."

up to \$5,000 or jailed up to 12 months or both. Repeat offenders can be fined up to \$10,000, or jailed up to 2 years, or both.

4. This bulletin aims to highlight some of the situations where a person may inadvertently practise or hold himself out as a public accountant when he is not registered with ACRA as one, thereby contravening section 56(1) of the Act.

#### **SITUATIONS OF POTENTIAL BREACH OF SECTION 56(1) OF THE ACT**

5. The following are situations where there may be actual or perceived breach of section 56(1) of the Act:
  - a. Individuals signing off audit reports after their names and particulars have been removed from the Register of Public Accountants (Register)
  - b. Public accountants carrying out audits during the period where their registration as public accountants has been suspended
  - c. Individuals designated as an “Audit Partner/Director” in an accounting entity prior to their registration as public accountants

#### **(A) Individuals signing off audit reports after their names and particulars have been removed from the Register**

6. Public accountants who fail to renew their certificates of registration after one month from the date of expiry of their certificates (i.e. 31 January of the year following the expiry of their certificate) will have their names and particulars removed from the Register<sup>4</sup>. These public accountants will be notified of their removal from the Register and they may apply for reinstatement within 21 days of the notification. Public accountants must still meet the renewal requirements for example, compliance with the continuing professional education requirements or orders of the PAOC, before they may be reinstated in the Register.
7. A public accountant whose certificate of registration has expired and has failed to renew or apply for reinstatement in time will cease to be a public accountant from the time his name is removed from the Register (i.e. 1 February of the year following the expiry of his certificate). If a person continues to provide public accountancy services after his cessation as a public accountant, he will be in breach of section 56(1) of the Act and may be subject to criminal proceedings being instituted against him by ACRA.

#### **(B) Public accountants carrying out audits during the period where their registration as public accountants has been suspended**

8. A public accountant whose registration is suspended is deemed not to be registered as a public accountant during the period of his suspension. ACRA would like to highlight

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<sup>4</sup> Except for public accountants with complaints or disciplinary proceedings pending against them.

that under section 59(1)(b)<sup>5</sup> of the Act, there is a need to seek the PAOC's consent before a person who has had his registration as a public accountant suspended may be employed by a public accountant or accounting entity in connection with his or its business of providing public accountancy services.

9. When carrying out work related to an audit during the suspension period, a public accountant whose registration is suspended should take positive steps to ensure that he is not holding himself out as a public accountant. To avoid creating a misimpression that he is a public accountant, he should inform his audit clients about the change in the engagement partner for his existing engagements. He should also avoid signing off any audit engagement letters and reports whether on his own behalf or on behalf of any accounting entity.

**(C) Individuals designated as an "Audit Partner or Director" prior to registration as public accountants**

10. ACRA noted a number of cases where the applicants for registration as public accountants were already admitted as partners<sup>6</sup> or directors<sup>7</sup> (as applicable) of accounting entities before they were registered as public accountants.
11. While the Accountants Act allows a non-public accountant to be admitted as a partner or director of an accounting entity, subject to meeting certain conditions<sup>8</sup>, **care should be taken in designating the partner or director who is not or has yet to be registered as a public accountant but who is involved in audit related work.** This is to avoid the risk that such persons may unintentionally convey the impression that they are public accountants or authorised to perform public accountancy services in Singapore. Such a partner or director should take the necessary steps to ensure that in the communication with audit clients and the issuance of public materials (such as name cards, e-mail sign-offs and audit proposals), the appropriate contextual information is provided to make clear that the title of audit partner or director does not in actual fact connote that that person is a registered public accountant. The partner or director concerned should also correct any misunderstanding about him being a public accountant that he is reasonably aware of.

**CONCLUSION**

12. ACRA takes a very serious view against any person who contravenes the Act. Given the critical public interest role that public accountants play in the overall corporate governance process and to preserve the integrity of the Singapore public accountancy

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<sup>5</sup> Section 59(1)(b) of the Act states that "No public accountant shall in connection with his practice as such, and no accounting corporation, accounting firm or accounting LLP shall in connection with its business of providing public accountancy services, without the consent of the Oversight Committee, employ or remunerate any person who to his or its knowledge has had his registration as a public accountant suspended or cancelled under Part V or V.I"

<sup>6</sup> In the case of a public accounting firm or accounting limited liability partnership.

<sup>7</sup> In the case of a public accounting corporation.

<sup>8</sup> As long as not less than two-thirds of the accounting entity's partners or directors (as applicable) are public accountants, or if there are only one or two directors/partners, at least one must be a public accountant.

profession and safeguard public interest, ACRA will not hesitate to take stern action against anyone who practises or holds himself out as a public accountant without being registered as one with ACRA.