

AUDIT PRACTICE BULLETIN NO. 3 OF 2016

COMPLIANCE WITH CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS FOR RENEWAL OF CERTIFICATE OF REGISTRATION BY PUBLIC ACCOUNTANTS

17 OCTOBER 2016

INTRODUCTION

- 1 Meeting the Continuing Professional Education (CPE) requirement is one of the conditions for the renewal of certificate of registration by public accountants. This serves to ensure that public accountants continually upgrade their professional knowledge and skills to stay relevant and maintain the highest standards of professional competence and expertise.
- 2 Public accountants are required to undertake CPE in accordance with the CPE syllabus approved by the Public Accountants Oversight Committee (PAOC) and provide details of the CPE courses undertaken for each year in their annual renewal application.
- 3 For the 2016 renewal, ACRA, jointly with the Institute of Singapore Chartered Accountants (ISCA), conducted sample checks to verify the accuracy of the CPE information declared in the renewal application of selected public accountants for the rolling 3-year period from 1 January 2013 to 31 December 2015 (2016 compliance check). This is the second time ACRA is conducting a full scope check on the CPE acquired by public accountants over a 3-year rolling period. The first such check was conducted for the 2014 renewal (2014 compliance check) based on the first rolling 3-year period which ended on 31 December 2013. The key observations from the check were published in the Audit Practice Bulletin (APB) No. 1 of 2014 on 21 October 2014.
- 4 This bulletin shares the key observations arising from the 2016 compliance check. Public accountants should refer to both this and APB No. 1 of 2014 for clarification and guidance relating to CPE compliance.

KEY OBSERVATIONS FROM THE 2016 CPE COMPLIANCE CHECK

- 5 The results of the 2016 compliance check show an improved rate of CPE compliance, reflecting greater awareness of the CPE requirements since the 2014 compliance check. The following are key observations which public accountants should take note of in complying with the CPE requirements:
 - Incorrect application of the rolling 3-year period
 - Wrong classification of CPE hours for courses with dual classification
 - Non-compliance with Category 4 CPE hours
 - Non-compliance with PAOC order
 - Poor maintenance of evidence of participation to support CPE hours

Incorrect application of the rolling 3-year period

- 6 The CPE requirements for renewal are set over a rolling 3-year period whereby public accountants are required to acquire at least 120 CPE hours in each rolling 3-year period, of which at least 90 hours must be in structured learning.
- 7 Some public accountants were under the wrong impression that the rolling 3-year period was calculated in “blocks” of 3 years i.e. from 1 January 2010 to 31 December 2013 and from 1 January 2014 to 31 December 2016 and were therefore under the mistaken notion that they have an additional year (in 2016) to fulfil the CPE requirements.
- 8 A rolling 3-year period comprises 3 CPE Reporting Years. A CPE Reporting Year is a period of 12 months commencing on 1 January of each year and ending on 31 December of the same year. For the purpose of renewal, the relevant rolling 3-year period comprises the *3 CPE Reporting Years immediately preceding the year of renewal*. For example, for 2016 renewal, the relevant rolling 3-year period is from 1 January 2013 to 31 December 2015. The table below sets out the rolling 3-year period for CPE compliance for 2016 to 2018 renewal:

Renewal year – Year the registration is renewed for	Relevant rolling 3-year period
2016	1 January 2013 to 31 December 2015
2017	1 January 2014 to 31 December 2016
2018	1 January 2015 to 31 December 2017

Wrong classification of CPE hours for courses with dual classification

- 9 The CPE syllabus sets out four core expertise areas (Categories 1 to 4)¹ in which public accountants are to acquire their CPE hours and the minimum hours required for each core expertise area and this depends on whether the public accountants are registered as (a) public accountants generally or (b) public accountants solely for the purpose of becoming judicial managers and do not perform audits or (c) public accountants who are also approved liquidators².
- 10 ACRA noted that there were some courses for which the course provider allowed dual classifications (for example, either Category 1 or 3) as the course may entail both the auditing and accounting aspects of a financial statement caption such as revenue. For such courses, the public accountant may select the CPE classification which would

¹ Namely (a) Category 1: Financial Reporting Standards and Pronouncements; (b) Category 2: Ethics and Professionalism; (c) Category 3: Auditing Standards, Pronouncement and Methodology; and (d) Category 4: Insolvency and Restructuring.

² Appendix II of the [CPE syllabus](#) provides a summary of the CPE requirements applicable to each category of public accountants.

enable him to meet the CPE requirement. The public accountant should ensure that the certificate of course participation obtained supports his CPE classification indicated in the annual renewal application.

Non-compliance with Category 4 CPE hours

- 11 The compliance check continued to raise instances of non-compliance with Category 4 requirements by public accountants who are also approved liquidators. One of the reasons cited was the general lack of relevant and practical courses available. However, ACRA noted on the contrary that there were quite a number of different Category 4 courses offered in the last three years.
- 12 ACRA would like to remind public accountants who are also approved liquidators of the need to acquire at least 9 hours of structured learning in Category 4 over the rolling 3-year period. This requirement would apply as long as the public accountant holds the liquidator's licence. A public accountant who has stopped doing or does not intend to do liquidation work and wishes to be relieved of the requirement to acquire Category 4 hours could apply to revoke the liquidator's licence before renewing his registration as a public accountant.

Non-compliance with PAOC order

- 13 As part of the 2016 compliance check, ACRA also performed sample checks on compliance by public accountants with the PAOC order under the Practice Monitoring Programme (PMP). Public accountants who do not pass the practice reviews may be required to attend a regulatory course conducted by ISCA and to achieve another 48 structured CPE hours in either Category 1 or Category 3 during a stipulated period. The PAOC may also stipulate that the 48 hours include technical training in the audit of certain areas such as "Revenue" or "Construction Contracts". ACRA would like to remind that the time spent by the public accountants in attending the regulatory course and in fulfilling the 48 hours pursuant to the PAOC order are *in addition* to the CPE hours required for the renewal of the public accountant's registration.
- 14 For the purpose of determining compliance with the PAOC order, CPE hours on courses attained outside of the period stipulated in the order would be disregarded. Public accountants should attend the course in the area stipulated by the PAOC as alternative course may not help them to remediate the audit deficiency noted from the practice review. For example, a course on FRS 115 (IFRS 15) *Revenue from contract with customers* is not considered an acceptable substitute for a course on FRS 8 *Revenue*.
- 15 As indicated in the PAOC order, public accountants who are unable to achieve the 48 CPE hours by the stipulated period are required to seek approval from ACRA for an extension of time to do so. ACRA would also like to clarify that an extension of time granted to a public accountant to fulfil the hot review order does not mean that the same extension is granted for the public accountant to complete the 48 CPE hours. The public accountant should seek ACRA's approval separately if additional time is needed to complete the 48 CPE hours.

Poor maintenance of evidence of participation to support CPE hours

- 16 Paragraph 3 of the Third Schedule to the Accountants (Public Accountants) Rules provides that proper records of fulfilment of CPE and evidence of participation should be retained and submitted for inspection whenever required by ACRA.
- 17 There were instances where the public accountants were unable to provide evidence of course participation on request or provided evidence which were deemed inadequate. ACRA would like to highlight that it is the public accountant's responsibility to maintain proper CPE records which should be furnished for verification upon request. For the purpose of determining compliance with CPE requirements, CPE hours which were unsupported or supported by evidence not indicative of course participation (such as confirmation of course sign-up or receipt of payment from the course provider or course outline or materials) would be disregarded by ACRA.

AVAILABLE ENFORCEMENT ACTIONS

- 18 Public accountants should be aware that the PAOC may cancel their registration as public accountants on the basis that they have obtained their registration by misrepresentation, for example, when they have declared that they are in compliance with an applicable PAOC order when they in fact have not so complied.
- 19 For the 2016 compliance check, having considered the circumstances and reasons provided by the public accountants, the PAOC decided not to cancel the registration of public accountants on the condition that the public accountants concerned make up for the shortfall in CPE hours and acquire additional hours within a certain timeframe. These public accountants are also required to submit a list of their CPE courses attended together with supporting documents for ACRA's verification before filing their 2017 renewal online.

CONCLUSION

- 20 Public accountants are reminded to exercise due care to ensure compliance with CPE requirement and the accuracy of the required information declared. This includes monitoring the CPE hours and maintaining proper evidence of participation of the CPE hours which should be furnished for verification upon request. ACRA takes a very serious view of non-compliance with CPE requirements and PAOC order and will not hesitate to take stringent enforcement action against non-compliant public accountants arising from future checks.