

## **AUDIT PRACTICE BULLETIN NO. 1 OF 2014**

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

**21 OCTOBER 2014**

#### **INTRODUCTION**

1. The need to undergo continuing professional education (CPE) is one of the requirements for the renewal of certificate of registration as a public accountant in Singapore in the Accountants Act and the Accountants (Public Accountants) Rules. CPE will assist a public accountant to achieve and maintain quality and standards in professional services and contribute to the public accountant's ability to undertake his job competently and professionally.
2. To renew their registrations annually, public accountants are required to provide details of their CPE hours attained and declare if they have met the prescribed CPE requirements<sup>1</sup> in their registration renewal forms. Thereafter, from time to time, ACRA endeavours to conduct sample checks of the public accountants' CPE declarations against supporting evidence to ensure the profession maintains a high standard of compliance.
3. For the 2014 renewal, ACRA conducted a compliance check jointly with the Institute of Singapore Chartered Accountants (ISCA). ISCA, as the national accountancy body, also requires its members to acquire adequate knowledge and skills in order to provide the quality of services that can be reasonably expected of the profession. The compliance check covered the CPE declarations of selected public accountants for the first rolling 3-year period<sup>2</sup> from 1 January 2011 to 31 December 2013.
4. This bulletin shares the key observations arising from the compliance check and provides clarification or guidance. Public accountants should take note of these observations which will assist them to better understand and comply with the CPE requirements.

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<sup>1</sup> The applicable CPE requirements are set out in the CPE syllabus published in [Practice Direction No. 2 of 2010 Revised Continuing Professional Education Syllabus for Registration as a Public Accountant and Renewal of Certificate of Registration](#).

<sup>2</sup> 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 each year. For the purpose of renewal, the relevant rolling 3-year period comprises the 3 CPE Reporting Years immediately preceding the year of renewal e.g. For 20x4 renewal, the relevant rolling 3-year period is from 1 January 20x1 to 31 December 20x3.

## KEY OBSERVATIONS FROM THE 2014 CPE COMPLIANCE CHECK

5. The results of the compliance check show that most of the public accountants selected met the CPE requirements. However, inaccuracies were noted in some of the CPE declarations checked, including wrong classifications of CPE hours into the appropriate CPE categories and unsupported CPE hours. The key observations are in the following areas:
- Poor awareness of specific CPE requirements;
  - Wrong classification of CPE hours into the respective CPE categories;
  - Wrong classification of activities as “structured learning”;
  - Poor maintenance of evidence of participation to support CPE hours; and  Exemption from CPE requirements.

### Poor awareness of specific CPE requirements

6. The CPE syllabus identifies four core expertise areas that directly enhance a public accountant’s technical knowledge and professional skills in the provision of public accountancy services:
- (a) Category 1: Financial Reporting Standards and Pronouncements;
  - (b) Category 2: Ethics and Professionalism;
  - (c) Category 3: Auditing Standards, Pronouncements and Methodology; and
  - (d) Category 4: Insolvency and Restructuring
7. The CPE syllabus further sets out different requirements for public accountants, depending on whether they 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 liquidators<sup>3</sup>.
8. **Shortfall in Category 2** – ACRA found shortfall of CPE hours in Category 2, which is applicable to all public accountants. Category 2 was made compulsory in the new CPE syllabus that was introduced in 2010, to remind and emphasise the importance of observing and complying with the ethical requirements by public accountants in the provision of public accountancy services.
9. **Shortfall in Category 4** - Public accountants who are also approved liquidators would need to acquire at least 9 hours of structured learning in Category 4 over the rolling 3year period. This is in addition to the CPE requirements applicable to a public accountant who

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<sup>3</sup> Appendix II of the CPE syllabus provides a summary of the CPE requirements applicable to each category of public accountants.

is not an approved liquidator. However, the compliance check found shortfall of CPE hours in Category 4 for public accountants who were also approved liquidators.

10. The reasons cited for not meeting the requirements in Category 2 and Category 4 include a lack of understanding of the applicable CPE requirements and a mistaken notion that the rolling 3-year period coincides with the period of the liquidator's approval.
11. Public accountants should review the CPE syllabus carefully to determine the applicable CPE requirements and ensure that they fulfil the requirements before renewing their certificate of registration as public accountants. This is also in view that any shortfall in CPE hours will have serious consequences on a public accountant's ability to continue to practise and uphold himself as a professional.

### **Wrong classification of CPE hours into the respective CPE categories**

12. In reporting CPE, a public accountant needs to classify the CPE hours acquired into one of the four core expertise areas i.e. Categories 1 to 4 as described in paragraph 6. Learning in other non-core but relevant expertise areas<sup>4</sup> undertaken will be classified as "Other" relevant expertise and the public accountant needs to state, for CPE reporting, the relevance and objective of the courses attended to his function as a public accountant.
13. It was observed that some public accountants classified the hours from composite learning programmes, such as ACRA's Public Accountants Conference, that covered a number of core expertise areas into one CPE category, instead of classifying the CPE hours into the appropriate CPE categories based on the breakdown provided by the programme provider.
14. Public accountants should also undertake learning activities relevant to their work as a public accountant so as to maintain or improve their professional competency. For example, updates on the Code of Professional Conduct and Ethics and ethical issues that a public accountant may encounter in the audits of financial statements are considered acceptable learning activities in Category 2. On the contrary, time spent on voluntary welfare work and social services are not considered as relevant to ethical considerations in the provision of public accountancy services and will therefore not be counted as CPE hours.

### **Wrong classification of activities as "structured learning"**

15. Paragraph 15 of the CPE syllabus defines "structured learning" as including attendance either as a lecturer or a participant at formal courses or conferences, or services rendered while serving on technical committees, where technical material is prepared or reviewed

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<sup>4</sup> For example, corporate governance, statutes and regulations, forensic accounting and fraud investigation and leadership competencies.

by the member. It provides further guidelines and examples of structured learning in Appendix III of the syllabus.

16. ACRA does not consider the time spent on technical discussions with a client and staff on audit engagements as structured learning activities although this may be allowed as unstructured CPE hours if it involves self-study or research on technical materials.
17. It should also be noted that the attendance of the mandatory course<sup>5</sup> pursuant to an order by the Public Accountants Oversight Committee (PAOC) under the Practice Monitoring Programme would not be awarded any CPE hours, structured or otherwise. The objective of the mandatory course<sup>6</sup> is to assist public accountants who do not pass the practice reviews to improve on the quality of their professional work. The time spent attending the mandatory course is to be excluded from the CPE declaration.
18. ACRA would like to emphasise the importance for public accountants to determine the appropriate activities that constitute structured learning. In assessing a public accountant's compliance with the CPE requirement to acquire at least 90 hours in structured learning in each rolling 3-year period, ACRA will disregard time spent on activities that do not qualify for structured learning.

#### **Poor maintenance of evidence of participation to support CPE hours**

19. 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.
20. There were instances where the public accountants were unable to provide evidence of course participation for verification or provided evidence which were deemed inadequate. Some common examples of inadequate evidence were the reliance on the confirmation of course sign-up and providing only the course agenda or the materials (e.g. slides) obtained during the training. Records of course agenda and materials should be retained to support the basis of appropriateness of the CPE classification particularly for courses where the course objective or CPE classification is not ascertainable from the course title itself<sup>7</sup>. For the purpose of determining compliance with CPE requirements, any unsupported CPE hours would be disregarded by ACRA.

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<sup>5</sup> Details can be found in [Practice Direction No. 3 of 2009](#) *Mandatory Course to Assist Public Accountants to Upkeep the Quality of Professional Work*

<sup>6</sup> The course, which was jointly developed with ISCA, covers basic fundamental audit procedures which practising members should already know

<sup>7</sup> For example, courses with titles "Price Solution Mechanism – Introduction of Fixed Price Model" and "Understanding Gen-Y" were classified as Category 3 and Category 1 respectively.

21. The records of participation should provide objective evidence that the public accountant had attended or completed the learning activity and should be retained for a period of 3 years (excluding the current year)<sup>8</sup>. These records include the name of the public accountant, name and contact information of the course provider, the title and description of the content, the date of course completion and the number of CPE hours awarded, and must be produced for verification upon request by ACRA. These requirements also apply to online courses which, under the CPE syllabus, may be regarded as a form of structured learning. Public accountants are advised to obtain the necessary records if they intend to participate in online courses. Where such confirmation of completion is not available, the CPE hours obtained would be regarded as unstructured instead of structured.

### **Exemption from CPE requirements**

22. Public accountants who are unable to meet the CPE requirements should apply to the PAOC for an exemption from the requirements prior to the renewal application. Exemptions are granted only in exceptional cases where the PAOC is satisfied that the fulfilment of the CPE requirements was not practically possible due to factors beyond the public accountant's control (e.g. challenges arising from medical conditions)<sup>9</sup>. Where non-compliance with CPE requirements is noted during the compliance check, requests by public accountants for exemption at that time would not be granted even if the reasons may be valid.

### **AVAILABLE ENFORCEMENT ACTIONS ON INCORRECT CPE DECLARATIONS**

23. Under the current legislation, public accountants who had incorrectly declared how they have fulfilled their CPE requirements and thereby obtained a renewal, could face the following enforcement actions:
  - (a) **Cancellation** of the registration and the removal of the public accountant's name and relevant particulars from the Register of Public Accountants as provided under section 15(4)(a) of the Accountants Act on the basis that the public accountant has obtained his renewal of registration by "fraud or misrepresentation"; or
  - (b) **Disciplinary proceedings** against the public accountant with an inquiry by a Complaints Committee or/and a formal inquiry of a Disciplinary Committee, if the

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<sup>8</sup> For example, a public accountant should retain the records of a course attended in 20x4 for three years from 20x5 to 20x7.

<sup>9</sup> For more information on applications for exemptions, please refer to:

<https://www.acra.gov.sg/how-to-guides/renewing-public-accountant-registration/requirements-for-renewal-of-public-accountant-registration>

conduct of the public accountant is found to be “improper or dishonourable” under section 40(1)(a) and section 52(1)(c) of the Accountants Act respectively; or

- (c) **Prosecution** of the public accountant under section 58 of the Accountants Act if there is fraudulent act on the part of the public accountant in the course of his renewal of registration.

- 24. Arising from the 2014 compliance check, the PAOC has considered the circumstances, including that this is the first time the revised CPE syllabus is being applied on a rolling 3-year period basis (whereby public accountants need to consider the CPE undertaken in the last two years and ensure that they fulfil the CPE requirements in accordance with the new CPE syllabus in the third year) and public accountants may not be familiar with this concept. Accordingly, the PAOC has taken a lenient view not to cancel the registration of public accountants who, contrary to what was declared in their registration renewal application, did not meet CPE requirements. However, the public accountants concerned are required to make up for the shortfall in CPE hours and acquire additional hours within a certain timeframe, and to submit the list of CPE courses attended together with supporting documents for ACRA’s verification before filing their 2015 renewal online.

## CONCLUSION

- 25. Public accountants are expected to comply with the CPE requirements, which includes being familiar with the CPE syllabus, and to maintain CPE records which should be furnished for verification upon request. ACRA takes a very serious view of noncompliance with CPE requirements and any incorrect declaration that CPE requirements have been fulfilled and will also not hesitate to take enforcement actions against such non-compliant public accountants. ACRA will continue to conduct regular CPE compliance checks and more stringent enforcement actions will be taken against noncompliant public accountants found in future checks. All public accountants are strongly advised to take greater care to ensure compliance with CPE requirements and the accuracy of the required information declared.

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Note: Please note that the contents of the Audit Practice Bulletin are provided for the guidance of public accountants to supplement prescribed professional standards, and include criteria that ACRA considers in evaluating the work of public accountants. They do not have legislative effect and are not intended to serve as a substitute for the relevant laws or standards. Public accountants should observe, maintain and apply the prescribed professional standards, methods, procedures and other requirements in carrying out the audits of financial statements.