

## **Clarifications to Questions on Peer Review**

### **Public Accountant (PA) under peer review**

1. Is peer review a mandatory requirement?  
Yes, peer review is a mandatory requirement for PAs who fail the practice review.
2. When is the effective date of implementation of the peer review?  
The effective date of implementation of the peer review is 1 April 2009. The peer review will be included in the notification letter informing the PA of the order imposed by the Oversight Committee.
3. What are the legal provisions which provide the Oversight Committee with the power to issue peer review orders?  
The legal provision governing this initiative is section 38(1)(a) of the Accountants Act, Cap. 2.
4. What is the objective of the peer review?  
The objective of the peer review is to help PAs to improve the quality of their work through reviews carried out by independent fellow professionals after the orders issued by the Oversight Committee.
5. Who is subject to peer review?  
The PA who has failed the practice review and has been issued with an order for a “revisit” review, will be subject to peer review.

Note: Peer reviews will not apply to a PA who been issued with an order for a “hot” review because he would have appointed a hot reviewer to monitor the quality of his professional work during the hot review period.

### **Timing of peer review**

6. When must the peer review take place?  
The peer review must be completed within 12 months from the date of the order imposed by the Oversight Committee. PAs are however encouraged to space out the three peer reviews over the 12 months period.

7. Is peer review required concurrently as the audit progresses?  
The peer review can be done differently from a “hot” review. A peer review can be conducted before or after the completion of the audit engagement and sign-off of audit report.
8. How should audit documentation in the working papers be amended in exceptional circumstances after the date of the auditor’s report?  
SSA 230.13 provides guidance on how working papers should be amended in exceptional circumstances due to the peer review.
9. Who determines the timing of the peer review?  
The PA who is subject to a “revisit” review has the flexibility to determine when the peer review will be carried out.
10. Does the PA need to seek approval from ACRA on the timing of the peer review?  
No, the PA does not need to seek approval from ACRA on the timing of the peer review.

### **Selection of audit engagements**

11. How many audit engagements will be subject to review?  
Three audit engagements where the audit reports are signed off by the PA.
12. Who determines the audit engagements to be selected?  
The PA who is subject to a “revisit” review has the flexibility to determine the selection of the audit engagements.
13. Are there any criteria for the selection of the audit engagements?  
Generally, the audit engagements selected should be among the top 15 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.

## Peer reviewer

14. Who can be engaged as a peer reviewer?

The PA who is subject to “revisit” review can engage any suitably qualified PA to be the peer reviewer so long as there are no conflict of interest or independence issues

15. Who is considered a suitably qualified PA?

A registered PA who passed the practice review is considered a suitably qualified PA.

ACRA has worked with ICPAS to make available a list of peer reviewers that PAs involved can seek assistance from. In the event that PAs are unable to source for a peer reviewer on their own, they may wish to refer to the list of peer reviewers that can be found at [<http://www.icpas.org.sg/service/Peer%20review%20panel.asp>] as a starting point.

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.

16. Does the PA need to seek approval from ACRA for the peer reviewer selected?

No, PA does not need to seek approval from ACRA for the peer reviewer selected.

17. Is the peer reviewer to be compensated?

Compensation (if any) made to a peer reviewer will depend on the private arrangement between the PA who is subject to the “revisit” review and the peer reviewer.

18. 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 peer 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 peer review**

19. What is the responsibility of the PA under peer review?

The responsibility of the PA under peer review, including integrity, independence, diligence, objectivity and exercise of professional judgment in respect of signing-off on the auditors' report, does not change and remains as before. Peer review does not diminish the role and responsibility of the PA as the auditor-in-charge in signing-off the audit opinion.

20. What is the responsibility of the peer reviewer?

The responsibility of the peer reviewer includes the review of:

- Three selected audit engagements to ensure that the audit opinions issued are based on audits conducted in accordance with the Singapore Standards on Auditing (SSA); and
- The audited financial statements to ensure that the financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap 50 and Singapore Financial Reporting Standards (SFRS).

Note: ACRA will not hold the peer reviewer responsible if the PA concerned fails after the "revisit" review.

21. Are there any checklists or manual that (a) the peer reviewer need to refer to; or (b) will guide the peer reviewer during the peer review process?

There are no checklists or manual that the peer reviewer needs to refer to or that will guide the peer reviewer during the peer review process. It is at the discretion of the peer reviewer to conduct the peer review as they deem fit. The objective of the peer review is to help the PA to improve the quality of their work through reviews carried out by independent fellow professionals after the orders issued by the Oversight Committee.

The PA and the peer 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.

22. Does a report arising from the peer review need to be prepared?

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

23. Who should the peer review report be submitted to?

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

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

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

**Basic information to be included in the peer review report**

- Name of PA under review;
- Name of PA acting as peer 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 peer reviewer and the public accountant
  - Number of hours spent on the peer review;
- List of findings raised in relation to each of the engagements reviewed;
- Dates of commencement and completion of the peer review;
- Signature of peer reviewer; and
- Date of peer review report.

### Suggested Peer Review Report Template

Name of PA under review: \_\_\_\_\_

Period under peer 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 peer 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 peer reviewer: \_\_\_\_\_

Name of peer reviewer: \_\_\_\_\_

PA registration number: \_\_\_\_\_

Date of peer review report: \_\_\_\_\_