

PRACTICE DIRECTION NO. 4 OF 2015

RESIGNATION OF AUDITORS OF PUBLIC INTEREST COMPANIES OR THEIR SUBSIDIARIES IN RELATION TO SECTIONS 205AB TO 205AF OF THE COMPANIES ACT, CHAPTER 50

1. This practice direction (PD) applies to all premature resignation of auditors of public interest companies or their subsidiaries with effect from 1 July 2015. The PD:

- (a) summarises the requirements under sections 205AB to 205AF of the Companies Act, Chapter 50 (the “Act”) for an auditor to resign before his appointed term of office ends, and
- (b) provides some broad guidelines as to when ACRA may give consent to such applications by auditors to resign.

Background

2. Auditors of public interest companies¹ and their subsidiaries will be required to obtain ACRA’s consent for resignation before the end of the term of their appointment. This will ensure that companies are not unfairly left in the lurch without their auditors but also allow auditors to resign, especially in situations where the company refuses to hold a general meeting to appoint a replacement auditor. The requirement for ACRA’s consent will allow ACRA to prevent the resignation in the public interest where necessary.

Legal Requirement

For Auditors

Application for Resignation of Auditor

3. s205AB(1) of the Act requires an auditor of a public interest company, or a subsidiary company of a public interest company, to (among other things) apply for ACRA’s consent if he wishes to resign before the end of the term of office for which he was appointed. The auditor must provide ACRA a written statement of his reasons for his resignation. Concurrently, the auditor must notify the company in writing of his application to ACRA to resign and provide the company with the written statement of his reasons for his resignation. Please refer to paragraph 11 for the application process.

¹ Public interest companies are:

- (a) companies listed or in the process of listing on the Singapore Exchange or a securities exchange outside of Singapore;
- (b) selected financial institutions e.g. (i) Companies that are part of the banking and payment system; (ii) Insurers and insurance brokers; (iii) capital market infrastructure providers; and (iv) capital markets intermediaries; and
- (c) large charities or institutions of public character which are companies.

The full list of public interest companies can be found in the Companies Regulations.

Effective Date of Resignation of Auditor

4. s205AB(5) of the Act states that the resignation takes effect on the **latest** of the following three dates:
- (a) On the day on which ACRA notifies the auditor and the company of ACRA's consent to the resignation;
 - (b) On the day fixed by ACRA; or
 - (c) On the day specified by the auditor in the notice of resignation.

For Companies

Disseminating Written Statement

5. s205AC(1) of the Act requires the company to send a copy of the written statement of the auditor's reason for resignation to all shareholders of the company within 14 days after the company receives the auditor's notice of resignation and his written statement of reasons for resignation under s205AB.

Appointment of a New Auditor in Place of Resigning Auditor

6. s205AF(1)(b) of the Act requires that the directors of the company call a general meeting to appoint a new auditor in place of the auditor who intends to resign or has resigned within three months from the date of the auditor's resignation. The directors must notify ACRA of the appointment of the new auditor within 14 days of the appointment.

Approval Guidelines for Resignation of Auditors

7. The premature resignation of an auditor of a public interest company or their subsidiaries is a serious matter due to the public interest implications involved. Hence, approval of such resignations will generally only be granted if there are exceptional circumstances such as where the auditor is no longer capable of performing a competent audit or where it is impractical or inappropriate for the auditor to continue his appointment. Examples include the failing health of an auditor practising as a sole proprietor; loss of independence of the auditor; or a change in auditor stipulated by the company's parent entity which is audited by another auditor.

8. The application to resign prematurely should also indicate whether there are:
- (a) any disputes with company management; and
 - (b) any matters which may have the effect of undermining the independence or integrity of the audit process. Examples include opinion shopping or inducement to act unethically or in breach of audit standards.

9. While this PD provides guidelines as to the factors to be considered in the exercise of ACRA's discretion, ACRA may also consider other circumstances outside those stated above in making a decision. Auditors who wish to resign should, in their application for consent, put forward all relevant factors for ACRA's consideration.

10. For the avoidance of doubt, ACRA reserves the right to grant or refuse consent on any terms and for any reasons that may be appropriate to an individual case. In particular, ACRA is not bound to exercise its discretion only under or in accordance with the examples provided above, which are provided for illustrative purposes only.

Application Process

11. Applications should be submitted to ACRA:
 - (a) Using the application form "[Application for consent to resign as an auditor under s205AB of the Companies Act](#)"; and
 - (b) Accompanied by relevant supporting documents.
12. ACRA may request the auditor or company to provide additional information to assess whether to consent to or reject the application.
13. ACRA will endeavour to notify the auditor and the company on the outcome of the auditor's application within 2 weeks after all information has been provided to ACRA.

Further Clarification

14. For more information, please refer to the [How-To-Guide on Application for Consent to Resign as Auditor of Public Interest Company or Subsidiary Company of Public Interest Company](#) or you may contact ACRA's Helpdesk at 62486028.

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