

PRACTICE DIRECTION NO. 1 OF 2015

APPLICATION BY A PUBLIC ACCOUNTANT WHO IS SUBJECTED TO A HOT REVIEW ORDER TO CONTINUE TO BE AN AUDIT PRINCIPAL

Aim

1. This practice direction sets out the procedures required for a public accountant who is subjected to a hot review order under section 38(1)(a)(iii)¹ of the Accountants Act (i.e. a consequence of failing the practice review) and wishes to continue to be an Audit Principal (AP) for his or her pupil(s) during the period of the hot review order.

Legislation

2. Paragraph 6A(2) of the Accountants (Public Accountants) Rules (Rules) provides the conditions for a public accountant to be an AP as follows:

- (a) the public accountant must have at least 5 years' experience in public practice;
- (b) the public accountant must not be subject to any of the following orders:
 - (i) an order imposed by the Public Accountants Oversight Committee (PAOC) under section 38(1)(a)(iv) of the Act prohibiting the public accountant from being an AP;
 - (ii) a hot review order;
 - (iii) a restriction order; or (iv) a suspension order.

3. Paragraph 6B(1) further provides that a public accountant who is subjected to a hot review order and wishes to continue to be an AP for his or her pupil(s) must apply to the PAOC to seek its consent to do so.

Approved Principal versus AP

4. With effect from 1 February 2015, the terminology of "Approved Principal" is no longer applicable. An applicant to be registered as a public accountant will need an AP to sign-off on his or her Qualifying Audit Experience (QAE).

Application Process

5. The public accountant referred to in paragraph 3 above should apply using the application form "[Application for Consent to continue to be an Audit Principal under Paragraph 6B\(1\) of the Accountants \(Public Accountants\) Rules](#)"². ACRA may request the public accountant to provide additional information or supporting documents to assess the application.

6. There is currently no fee charged for the application. However, ACRA reserves the rights to review and charge fees for such applications.

¹ 38. —(1) Upon receiving the report of the Practice Monitoring Sub-committee under section 37(2) and considering the recommendations therein, the Oversight Committee may — (a) take any one or more of the following actions: (iii) require the public accountant to take other steps as may be specified by the Oversight Committee to improve the practice of the public accountant or to give such undertaking as the Oversight Committee thinks fit;"

² <https://www.acra.gov.sg/docs/default-source/default-document-library/how-to-guides/professional-requirements-for-registration-as-public-accountants/FormtoapplytocontinuetobeanAP.docx>

Timeline to submit an Application

7. The application to the PAOC must be submitted within 30 days after the date on which the order becomes effective. Failure to do so would mean that the public accountant would cease to be an AP 30 days after the order becomes effective and the experience acquired by the pupil(s) under this AP after such date will not be considered QAE. The public accountant can only resume to be an AP (subject to the requirements to be an AP under Paragraph 6A(2)) after he or she has completed the hot review order.

8. Completion of the hot review order means that the public accountant had fulfilled his or her obligations stated in the hot review order on the stipulated number and type of audit engagements and communicated his compliance to ACRA. This completion date may be earlier or later (subject to approval) than the indicative end date stated in the hot review order.

Transitional provision

9. A public accountant who was an Approved Principal before 1 February 2015 and is not subject to any of the following orders:

- (a) a hot review order;
- (b) a restriction order; or
- (c) a suspension order

will be transitioned to be an AP for the purpose of the Rules.

10. A public accountant who was an Approved Principal before 1 February 2015 and is subjected to a hot review order as at 1 February 2015 will need to apply to the PAOC by 28 February 2015 if he or she wishes to continue to be an AP for his or her pupil(s) until the completion of the hot review order. Failure to do so would mean that the public accountant would cease to be an AP with effect from 1 March 2015 and the experience acquired by the pupil(s) after 1 February 2015 will not be considered QAE.

Outcome of Application

11. The application referred to in paragraph 7 or 10 is subject to the PAOC's approval at its discretion on a case by case basis.

12. In the event that the PAOC refuses the public accountant's application to continue to be an AP, the public accountant must cease to be an AP upon receipt of the PAOC's decision. The status of the public accountant as an AP is taken as ceased on the same date and the public accountant must immediately inform his or her pupil(s) once he or she has ceased to be an AP. In such cases, the QAE acquired by the pupil(s) under the AP prior to the cessation can be counted for the purpose of determining whether the pupil(s) has satisfied the QAE requirements. The public accountant can only resume to be an AP (subject to the requirements to be an AP under Paragraph 6A(2)) after he or she has completed the hot review.

Commencement Date of Practice Direction

13. This practice direction is effective from 1 February 2015.

Legal Provisions

14. The legal provisions relevant to and referred to in this Practice Direction are:
- (a) Sections 38 of the Accountants Act, Cap.2;
 - (b) Rule 2, 6A and 6B of the Accountants (Public Accountants) Rules; and
 - (c) Second Schedule to the Accountants (Public Accountants) Rules.

Further Clarification

15. Further enquiries can be sent through <https://www.acra.gov.sg/enquiry/>.

Issued on 30 January 2015

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