

PRACTICE DIRECTION NO. 5 OF 2020

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)(b) or (2)(b)(iii)¹ (i.e. a consequence of failing to achieve a satisfactory outcome in the practice review) or section 52(2)(f) or (g)² (i.e. a consequence arising from disciplinary proceedings) of the Accountants Act 2004 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 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 52(2)(g) of the Accountants Act prohibiting the public accountant from being an AP;
 - (ii) a hot review order;
 - (iii) a restriction order; or
 - (iv) a suspension order.

¹ Section 38(1)(b) of the Accountants Act 2004 in force on 1 July 2023 states that:
"Where the Oversight Committee, after considering the report and recommendations of the Practice Monitoring Sub-committee under section 37(2), is satisfied that the public accountant's compliance with any of the professional standards is partially satisfactory under the Oversight Committee's professional standards assessment framework, the Oversight Committee may make one or more of the following orders: ...
(b) an order requiring the public accountant to take any other steps specified by the Oversight Committee to improve the public accountant's practice in relation to his or her compliance with the professional standards;"

Section 38(2)(b)(iii) of the Accountants Act 2004 in force on 1 July 2023 states that:
"Where the Oversight Committee, after considering the report and recommendations of the Practice Monitoring Sub-committee under section 37(2), is satisfied that the public accountant's compliance with any of the professional standards is not satisfactory under the Oversight Committee's professional standards assessment framework, the Oversight Committee may - ...
(b) in lieu of an order in paragraph (a)(i), (ii) or (iii), or in addition to an order in paragraph (a)(ii), make one or more of the following orders: ... (iii) an order requiring the public accountant to take any other steps specified by the Oversight Committee to improve the public accountant's practice in relation to his or her compliance with the professional standards;"

For the Accountants Act 2004 in force prior to 1 July 2023, section 38(1)(a)(iii) states that: "*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 Section 52(2)(f) and 52(2)(g) of the Accountants Act 2004 states that: "*Upon receiving the report and recommendation of the Disciplinary Committee under subsection (1), the Oversight Committee may (f) by order require the public accountant to give such undertaking as the Oversight Committee thinks fit; or (g) make such other order as it thinks just and expedient in the circumstances of the case.*"

3. Paragraph 6A(2E) of the Accountants (Public Accountants) Rules in force on 1 July 2023 provides that a public accountant must not be or must cease to be an AP if the public accountant has undergone a practice review and the Oversight Committee has determined that the public accountant's compliance with any of the professional standards is partially satisfactory or not satisfactory under the Oversight Committee's professional standards assessment framework and the Oversight Committee has notified the public accountant in writing that the public accountant must not be or must cease to be an AP for the period specified in the notification.

4. 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.

Application Process

5. The public accountant referred to in paragraph 4 above should use the application form "[Application for Consent to continue to be an Audit Principal under Paragraph 6B\(1\) of the Accountants \(Public Accountants\) Rules](#)³. 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.

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 Qualifying Audit Experience (QAE). The public accountant can only resume to be an AP (subject to the requirements to be an AP under Paragraph 6A(2) and (2E)) 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.

Outcome of Application

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

10. 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

³ <https://www.acra.gov.sg/docs/default-source/default-document-library/how-to-guides/professional-requirements-for-registration-as-public-accountants/FormtoapplytocontinuetobeanAP.docx>

requirements to be an AP under Paragraph 6A(2)) after he or she has completed the hot review order.

Further Clarification

11. If you need any clarification on the matter, please send your enquiries to us at <https://www.acra.gov.sg/enquiry/>.

Issued on 21 August 2020

Ong Khiaw Hong

Chief Executive and Registrar of Public Accountants
Accounting and Corporate Regulatory Authority

Updated as of 1 July 2023.