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ACCOUNTANTS ACT (CHAPTER 2)

ACCOUNTANTS (PUBLIC ACCOUNTANTS) (AMENDMENT NO. 2) RULES 2015

In exercise of the powers conferred by section 64 of the Accountants Act, the Accounting and Corporate Regulatory Authority, with the approval of the Minister for Finance, hereby makes the following Rules:

Citation and commencement

1. These Rules may be cited as the Accountants (Public Accountants) (Amendment No. 2) Rules 2015 and shall come into operation on 1 February 2015.

Amendment of rule 2

2. Rule 2 of the Accountants (Public Accountants) Rules (R 1) (referred to in these Rules as the principal Rules) is amended —

(a) by deleting the definition of “approved principal” and substituting the following definitions:

““audit engagement” means a reasonable assurance engagement in which a public accountant expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework;

“audit management role” means managing an audit engagement, and includes performing any key audit function;

“audit principal” has the meaning assigned by rule 6A;

“audit quality review role” means any of the following roles:

- (a) assessing or reviewing the quality of an audit engagement performed for an accounting entity, the Authority or a professional accountancy body or organisation in Singapore;
- (b) carrying out an audit inspection under a practice monitoring programme, or another similar programme, for the Authority, or a professional accountancy body or organisation in Singapore;

“audit technical role” means the role of performing technical audit or accounting consultation by a person in an accounting entity who —

- (a) holds at least a managerial position in the accounting entity; and
- (b) reports directly to a partner of an accounting firm or an equivalent person in any other accounting entity;

“engagement partner” and “engagement team” have the same meanings as in the Fourth Schedule;

“hot review order” means an order imposed by the Oversight Committee on a public accountant (*A*) under section 38(1)(a)(iii) of the Act, requiring *A* to seek the services of another public accountant, who is approved by the Authority (*B*), for *B* to review one or more audit engagements undertaken by *A* before *A* may issue an audit opinion for these audit engagements as the engagement partner;

“key audit function” means any of the following functions performed in relation to an audit engagement:

(a) planning functions, namely —

- (i) reviewing and forming conclusions on the acceptance and continuation of any client relationship concerning the audit engagement, and whether the audit engagement complies with independence requirements, including those set out in the Fourth Schedule;
- (ii) developing the scope and objective of the audit engagement;
- (iii) evaluating the client’s profile and risk, and the implications of these for the audit engagement;
- (iv) reviewing and approving the planned audit approach before the start of audit fieldwork; and
- (v) ensuring that staffing and resources are adequate, taking into account the required competencies and capabilities;

(b) leading functions, namely —

- (i) directing and monitoring the progress of the audit engagement, to ensure its compliance with applicable professional standards and regulatory and legal requirements, and against its timelines and budget;

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- (ii) supervising and mentoring other professional staff involved in the audit engagement;
 - (iii) communicating and consulting with the engagement partner and members of the engagement team about issues arising from the audit engagement which need to be resolved, and resolving such issues; and
 - (iv) communicating with the client with respect to any matter relating to or arising from the audit engagement;
- (c) reporting functions, namely —
- (i) reviewing any document relating to the audit engagement, and reviewing the work done for the audit engagement, to ensure that the procedures performed are adequate and in compliance with the applicable auditing standards;
 - (ii) forming opinions based on sufficient audit evidence and in accordance with the applicable auditing standards;
 - (iii) communicating the audit findings to, and discussing such audit findings with, the client; and
 - (iv) preparing, or supervising the preparation of, audit reports and other documents relating to the audit engagement to be delivered to the client under the audit engagement;”;

(b) by deleting the definition of “pupil” and substituting the following definitions:

“pupil” means a person who is to acquire qualifying audit experience under —

(a) the direct supervision of one or more audit principals; or

(b) where paragraph 3(4) of the Second Schedule applies, the overall oversight of an audit principal,

for the purpose of being registered as a public accountant under the Act;

“qualifying audit experience” means practical experience acquired in —

(a) carrying out an audit management role;

(b) carrying out an audit quality review role;
or

(c) carrying out an audit technical role;” and

(c) by deleting the definitions of “structured practical experience” and “unstructured practical experience” and substituting the following definitions:

“restriction order” means an order imposed by the Oversight Committee on a public accountant under section 38(1)(a)(i) of the Act;

“Singapore Standard on Quality Control 1” means the standard by that name issued by the Institute of Singapore Chartered Accountants (ISCA) that deals with an accounting entity’s responsibilities for its system of quality control for audits and reviews of financial statements, and other assurance and related services engagements;

“suspension order” means an order imposed by the Oversight Committee on a public accountant under section 38(1)(b)(ii) of the Act.”

New rules 6A and 6B

3. The principal Rules are amended by inserting, immediately after rule 6, the following rules:

“Audit principal

6A.—(1) Subject to paragraph (3), in these Rules, an audit principal, for a pupil, is any of the following persons, being neither a parent, adoptive parent, sibling, spouse nor child of the pupil:

- (a) a public accountant who satisfies —
 - (i) all of the conditions set out in paragraph (2); and
 - (ii) such other conditions as the Oversight Committee may impose in any particular case;
- (b) the Commissioner of Inland Revenue, or any senior officer of the Inland Revenue Authority of Singapore designated by the Commissioner of Inland Revenue and who fulfils the specified criteria;
- (c) the Accountant-General, or any senior officer of the Accountant-General’s Department designated by the Accountant-General and who fulfils the specified criteria;
- (d) the Auditor-General, or any senior officer of the Auditor-General’s Office designated by the Auditor-General and who fulfils the specified criteria;
- (e) the Registrar of Public Accountants, or any senior officer of the Authority designated by the Registrar and who fulfils the specified criteria;
- (f) the Registrar of Companies, or any senior officer of the Authority designated by the Registrar of Companies and who fulfils the specified criteria;
- (g) the chief executive of any professional accountancy body or organisation in Singapore, or any senior officer of any professional accountancy body or organisation in

Singapore designated by its chief executive and who fulfils the specified criteria.

(2) The conditions referred to in paragraph (1)(a)(i) are 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 Oversight Committee under section 38(1)(a)(iv) of the Act prohibiting the public accountant from being an audit principal;
 - (ii) a hot review order;
 - (iii) a restriction order;
 - (iv) a suspension order.

(3) If any of the circumstances set out in the first column of the following table apply to an audit principal when he is directly supervising or undertaking the overall oversight of a pupil, then the audit principal only ceases to be an audit principal with effect from the date set out opposite those circumstances in the second column of the table:

<i>First column</i>	<i>Second column</i>
<i>Circumstances</i>	<i>Effective date of cessation</i>
1. The audit principal is subject to an order referred to in paragraph (2)(b)(i), (iii) or (iv)	The date of the order
2. The audit principal is subject to a hot review order and does not apply to the Oversight	The date immediately after the period of 30 days referred to in rule 6B(1) expires

Committee for consent
under rule 6B

3. The audit principal is subject to a hot review order and applies to the Oversight Committee for consent under rule 6B
- The date on which the Oversight Committee informs the audit principal of its refusal under rule 6B

(4) Upon a public accountant ceasing to be an audit principal under paragraph (3), the public accountant must inform his pupil or pupils of this fact.

(5) In this rule, “specified criteria” means any criteria specified by the Oversight Committee relating to any of the following:

- (a) any experience in performing any function which the Oversight Committee determines to be equivalent to any key audit function;
- (b) any experience which the Oversight Committee determines to be equivalent to qualifying audit experience.

Application for consent by audit principal subject to hot review order

6B.—(1) For the purposes of rule 6A(3), an audit principal who becomes subject to a hot review order when he is directly supervising, or undertaking overall oversight of, any pupil must, if he wishes to continue to be an audit principal, apply to the Oversight Committee for consent to do so within 30 days after the date on which the order becomes effective.

(2) Where the Oversight Committee refuses a public accountant’s application under paragraph (1), it must notify the public accountant of its decision as soon as is practicable.”.

Amendment of Second Schedule

4. The Second Schedule to the principal Rules is amended —

(a) by inserting, immediately after paragraph 1, the following paragraph:

“Definitions

1A. In this Schedule, unless the context otherwise requires —

“foreign qualifying audit experience” has the meaning assigned by paragraph 3A;

“specified accounting entity” means an accounting entity, which has implemented its quality controls in accordance with the Singapore Standard on Quality Control 1, and those quality controls have been reviewed by the Authority to the Authority’s satisfaction.”;

(b) by deleting the word “or” at the end of sub-paragraph (x) of paragraph 2(a), and by inserting immediately thereafter the following sub-paragraph:

“(xi) the Singapore Qualification Programme prescribed by the Singapore Accountancy Commission; or”;
and

(c) by deleting paragraph 3 and substituting the following paragraphs:

“Requisite qualifying audit experience

3.—(1) The Oversight Committee must not register any person as a public accountant unless the Oversight Committee is satisfied that the person (referred to in this paragraph and paragraphs 3A and 3B as the applicant) has, at the time of the applicant’s application —

- (a) acquired the requisite qualifying audit experience referred to in sub-paragraph (2);
- (b) submitted the declarations referred to in paragraph 3B; and
- (c) satisfied such conditions as the Oversight Committee thinks fit.

(2) Subject to sub-paragraphs (3) to (8), the requisite qualifying audit experience comprises 2,500 hours of qualifying audit experience which satisfies all of the following conditions:

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- (a) all of the qualifying audit experience is acquired in the period of 5 years immediately before the date of the application;
 - (b) all of the qualifying audit experience (other than foreign qualifying audit experience) —
 - (i) in a case where the applicant is a member of the Institute of Singapore Chartered Accountants (ISCA) before the applicant starts to acquire the qualifying audit experience —
 - (A) is acquired while the applicant is a full member of the ISCA; or
 - (B) is acquired only after the applicant has satisfied the requirements as to practical experience that are set out in ISCA's membership rules for qualifying as a Chartered Accountant of Singapore; or
 - (ii) in a case where the applicant is not a member of the ISCA before the applicant starts to acquire the qualifying audit experience, is acquired only after the applicant has acquired the practical experience which the Oversight Committee has determined to be equivalent to the requirements as to practical experience that are as set out in ISCA's membership rules for qualifying as a Chartered Accountant of Singapore;
 - (c) all of the qualifying audit experience acquired in performing any key audit function (other than foreign qualifying audit experience) is acquired by the applicant in relation to one or more audit engagements each under the direct supervision of an audit principal, who is also the engagement partner of the audit engagement;
 - (d) at least 1,250 hours of the qualifying audit experience —
 - (i) comprise experience in performing any key audit function; and
 - (ii) is acquired —
 - (A) under the direct supervision of the same audit principal; or
 - (B) under the direct supervision of one or more audit principals in the same accounting entity;

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- (e) not more than 1,250 hours of the qualifying audit experience is foreign qualifying audit experience;
 - (f) where any qualifying audit experience (other than foreign qualifying audit experience) is acquired under the direct supervision of an audit principal in an accounting entity, other than a specified accounting entity, the audit principal does not, at any time during the period when the qualifying audit experience is acquired, directly supervise more than 4 pupils, unless otherwise allowed by the Oversight Committee in any particular case;
 - (g) all the qualifying audit experience (other than foreign qualifying audit experience) is acquired by the applicant under the direct supervision or overall oversight of one or more audit principals, as the case may be, under such conditions as may be specified by the Oversight Committee;
 - (h) in acquiring all of the qualifying audit experience (other than foreign qualifying audit experience), the applicant has independently and competently, to the satisfaction of the applicant's audit principal or audit principals, as the case may be —
 - (i) performed all the key audit functions; and
 - (ii) if applicable, carried out the audit quality review role or audit technical role, or both, as the case may be.
- (3) Where an audit principal with whom an applicant is a pupil subsequently ceases to be an audit principal under rule 6A(3), any qualifying audit experience acquired by the applicant when he is a pupil of the audit principal before such cessation may be taken into account for the purpose of determining whether the applicant has satisfied sub-paragraph (1)(a).
- (4) Where —
- (a) any qualifying audit experience in performing any key audit function is acquired by an applicant in a specified accounting entity; and
 - (b) an audit principal in that accounting entity has overall oversight of the applicant's acquisition of the qualifying audit experience,

then —

- (i) any such qualifying audit experience is to be treated as satisfying sub-paragraph (2)(c) if the experience is acquired by the applicant in relation to one or more audit engagements each under the direct supervision of a public accountant, who is also the engagement partner of the audit engagement; and
 - (ii) any period of at least 1,250 hours of such qualifying audit experience is to be treated as satisfying sub-paragraph (2)(d)(ii) if the experience is acquired —
 - (A) under the direct supervision of the same public accountant, whether or not the public accountant is an audit principal; or
 - (B) under the direct supervision of one or more public accountants in the same accounting entity, whether or not the public accountants are audit principals.
- (5) Any qualifying audit experience in performing any key audit function acquired by an applicant before 1 February 2015 in relation to an audit engagement under the direct supervision of any of the following persons, who is the engagement partner of the audit engagement, is to be treated as qualifying audit experience in performing a key audit function acquired in relation to an audit engagement under the direct supervision of an audit principal who is the engagement partner of the audit engagement, for the purpose of sub-paragraph (2)(c):
- (a) a public accountant, who is an approved principal within the meaning of rule 2 in force immediately before 1 February 2015;
 - (b) a public accountant in a specified accounting entity which, at all times when the qualifying audit experience was acquired, had in place quality controls implemented in accordance with the Singapore Standard on Quality Control 1, and those quality controls have been reviewed by the Authority to the Authority's satisfaction.
- (6) For the purposes of sub-paragraph (2)(h) as it applies to a case referred to in sub-paragraph (5), the reference to the applicant's audit principal is to be read as the public accountant referred to in sub-paragraph (5)(a) or (b), as the case may be.
- (7) The Oversight Committee may, in any particular case allow any qualifying audit experience acquired by an applicant before

1 February 2015, which does not comply with sub-paragraph (2), to be reckoned as any part of the requisite qualifying audit experience of the applicant.

(8) Despite sub-paragraph (2)(e), the Oversight Committee may disallow reckoning any foreign qualifying audit experience acquired by the applicant as part of his requisite qualifying audit experience if —

- (a) any complaint relating to any professional or occupational misconduct has been made against the applicant with any professional body in any country or territory;
- (b) disciplinary proceedings relating to any profession or occupation have been commenced against the applicant in any country or territory; or
- (c) the applicant has been the subject of disciplinary action relating to any profession or occupation in any country or territory.

(9) The Oversight Committee may, for the purposes of considering an applicant's application, require the applicant to provide such particulars and records of his acquisition of his qualifying audit experience, in such form and manner as the Oversight Committee may determine.

Foreign qualifying audit experience

3A.—(1) For the purposes of paragraph 3, foreign qualifying audit experience is qualifying audit experience acquired by the applicant which satisfies all of the following conditions:

- (a) the qualifying audit experience is acquired by the applicant in the course of auditing any financial statements in a foreign audit entity;
- (b) the country or territory in which the foreign audit entity is registered or licensed adheres to auditing standards which the Oversight Committee considers to be equivalent to the standards applicable in Singapore;
- (c) the Oversight Committee is satisfied with the quality of the qualifying audit experience having regard to one or more of the following factors:
 - (i) whether the foreign audit entity has implemented, or has taken steps to implement, quality controls in accordance with standards which the Oversight

Committee considers to be equivalent to the standards applicable in Singapore (including the Singapore Standard on Quality Control 1);

- (ii) whether the foreign audit entity has been subject to any audit inspection carried out by or on behalf of the regulator of the audit profession in the country or territory of its registration or licensing, and whether the regulator is satisfied with the findings of such audit inspection;
- (iii) whether the Oversight Committee is of the opinion that the foreign audit entity is of good standing in the country or territory of its registration or licensing;
- (iv) whether the qualifying audit experience would meet the criterion of the practical experience required for qualifying the applicant as an auditor in the country or territory in which the applicant has acquired the qualifying audit experience.

(2) In this paragraph, “foreign audit entity” means an entity which is established in a country or territory outside Singapore and is licensed or registered in a country or territory outside Singapore to audit financial statements.

Declarations

3B.—(1) An applicant must provide all of the following declarations to the Oversight Committee:

- (a) a declaration by the applicant that —
 - (i) the applicant has acquired the requisite qualifying audit experience; and
 - (ii) specifically, in acquiring such qualifying audit experience, the applicant has independently and competently —
 - (A) performed all the key audit functions; and
 - (B) if applicable, carried out the audit quality review role or audit technical role, or both, as the case may be;
- (b) a declaration by the audit principal or, in a case where the applicant was directly supervised by more than one audit principal, each of those audit principals, stating —

- (i) the number of hours of qualifying audit experience acquired by the applicant under the direct supervision of the audit principal; and
- (ii) specifically, whether in acquiring such qualifying audit experience, the applicant has independently and competently —
 - (A) performed the relevant key audit functions; and
 - (B) if applicable, carried out the audit quality review role or audit technical role, or both, as the case may be,

to the satisfaction of the audit principal.

(2) Where the whole or any part of the qualifying audit experience of an applicant consists of qualifying audit experience referred to in paragraph 3(4), the applicant must obtain a declaration by the audit principal referred to in paragraph 3(4)(b) stating —

- (a) the number of hours of qualifying audit experience acquired by the applicant under the direct supervision of the public accountant or public accountants, as the case may be; and
- (b) specifically, whether in acquiring the qualifying audit experience, the applicant has independently and competently —
 - (i) performed the relevant key audit functions; and
 - (ii) if applicable, carried out the audit quality review role or audit technical role, or both, as the case may be,

to the satisfaction of the audit principal.”.

Savings and transitional provisions

5.—(1) The principal Rules in force immediately before 1 February 2015 (referred to in this rule as the principal Rules) continue to apply to every application to be registered as a public accountant which was made before that date under rule 3 of the principal Rules, as if these Rules were not made.

(2) A public accountant who, immediately before 1 February 2015 —

- (a) is an approved principal under the principal Rules; and

(b) is not subject to a relevant order,

is to be treated as an audit principal for the purposes of the principal Rules as amended by these Rules.

(3) Despite paragraph (2), a public accountant who, immediately before 1 February 2015 —

(a) is an approved principal under the principal Rules; but

(b) is the subject of a hot review order which had not expired by that date,

is to be treated as an audit principal for the purposes of the principal Rules as amended by these Rules, for the period beginning on 1 February 2015 and ending on the date specified in paragraph (4).

(4) The date for the purposes of paragraph (3) is —

(a) if the public accountant applies to the Oversight Committee for consent to be an audit principal during the unexpired period of the hot review order and on or before 28 February 2015 —

(i) if the Oversight Committee consents to the application, the date on which the hot review order expires; or

(ii) if the Oversight Committee refuses to consent to the application, the date on which the Oversight Committee informs the public accountant of the refusal; or

(b) 1 March 2015, if the public accountant does not apply to the Oversight Committee for consent to act as an audit principal during the unexpired period of the hot review order and on or before 28 February 2015.

(5) A public accountant who ceases to be an audit principal under paragraph (4)(a)(ii) or (b) must immediately inform each of his pupils of that fact.

(6) The sum of the following qualifying audit experience may be taken into account for the purpose of determining whether the

qualifying audit experience acquired by an applicant has satisfied paragraph 3(2)(d)(ii) of the Second Schedule to the principal Rules:

- (a) any qualifying audit experience in performing any key audit function acquired by the applicant before 1 February 2015 under the direct supervision of a person referred to in paragraph 3(5)(a) or (b) of the Second Schedule to the principal Rules as amended by these Rules; and
 - (b) any qualifying audit experience in performing any key audit function acquired by the applicant on or after 1 February 2015 under the direct supervision of the same person referred to in sub-paragraph (a), who is an audit principal under the principal Rules as amended by these Rules.
- (7) In this rule —
- (a) a relevant order means any of the following order:
 - (i) an order imposed by the Oversight Committee on a public accountant (*A*) under section 38(1)(a)(iii) of the Act, requiring *A* to seek the services of another public accountant who is approved by the Authority (*B*), for *B* to review one or more audit engagements undertaken by *A* before *A* may issue an audit opinion for these audit engagements as the engagement partner;
 - (ii) an order imposed by the Oversight Committee on a public accountant under section 38(1)(a)(i) of the Act;
 - (iii) an order imposed by the Oversight Committee on a public accountant under section 38(1)(b)(ii) of the Act;and
 - (b) a hot review order means the order referred to in sub-paragraph (a)(i).

*[G.N. Nos. S 615/2007; S 251/2009; S 383/2010;
S 211/2012; S 395/2013; S 25/2015]*

Made on 29 January 2015.

LIM SOO HOON
Chairman,
Accounting and Corporate
Regulatory Authority,
Singapore.

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