

Guidance to Stakeholders on ACRA's AQI Disclosure Framework



2026

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OVERVIEW

In 2015, ACRA introduced an Audit Quality Indicators (AQIs) Disclosure Framework (the Framework) comprising specific metrics that contribute to or are indicative of audit quality. Since its implementation, ACRA has observed that Audit Committees (ACs), as well as various government agencies and regulatory bodies involved in the appointment and reappointment of auditors, use the Framework to select auditors and evaluate audit quality. Additionally, the AQIs, when used in conjunction with other metrics internally monitored by audit firms, enables the identification of potential weaknesses in their System of Quality Management, thereby supporting proactive quality management.

About this Guidance to Stakeholders

The aim of this Guidance is to:

1. Explain the AQIs and how they should be interpreted; and
2. Guide preparation of AQI data to ensure consistency and comparability for meaningful analysis.

The Guidance is structured as follows:

Definition:
To describe the AQI measure.

Measurement Basis: To clarify how each AQI is computed.

Sample Presentation Format:
To provide a sample format on how each AQI is disclosed.

Relevance: To highlight the relevance of each AQI to audit quality.

Stakeholders should request audit firms to supplement the AQI data with accompanying narratives that provide context or additional explanations to the AQI data presented.



Using the AQIs

The AQIs work collectively to provide insights into factors contributing to audit quality. They have their inherent limitations and should not be read in isolation without considering the context and the interaction with each other collectively. Accordingly, AQIs must be considered in a comprehensive manner to facilitate good quantitative analysis and be complemented with good qualitative analysis through the stakeholders' meaningful engagement with the auditors.

While engagement-level indicators are directly related to the performance of the audit engagement team, firm-level indicators are equally important as they provide insights on the audit firm's commitment towards audit quality. **Reasonable explanations can exist for divergent numbers, and a variety of other factors may also affect a particular audit engagement or an audit firm's AQI in a particular period.**

2025 Revisions to the AQI Disclosure Framework

In response to the evolving auditing landscape and the passage of time, this Framework has been refreshed in 2025.

The revisions incorporated the following feedback/insights obtained from:

- Study on the linkage between key engagement level indicators and the internal/ external inspection outcomes,
- AC survey on AQIs,
- Focus Group discussion with ACs,
- Engagements with stakeholders such as government agencies and regulatory bodies,
- Benchmark against international developments.

As a result, ACRA introduced the following revisions to the Framework:

i) Three new indicators:



**Use of
Technology**





**Culture
Survey**



Restatements

ii) Update to an existing indicator on Audit Hours – To include hours spent by the auditor before and after the audited entity's financial year end

This revised Framework now comprises ten (10) AQIs, which are to be disclosed at the engagement and/or firm level as follows:

No.	AQI	 Engagement Firm
1	AUDIT HOURS UPDATED Time Spent by Audit Team	
2	EXPERIENCE Years of Audit Experience and Industry Specialisation	
3	TRAINING Average Training Hours and Industry Specific Training	
4	INSPECTION Results of External and Internal Inspections	
5	QUALITY CONTROL Headcount in Quality Control Functions	
6	STAFF OVERSIGHT Staff per Partner/ Manager Ratios	
7	ATTRITION RATE Degree of Personnel Losses	
8	USE OF TECHNOLOGY NEW Degree of Digital Solutions Deployment	
9	CULTURE SURVEY NEW An evaluation of the Behavioral Foundation of Audit Quality	
10	RESTATEMENTS NEW Degree of Audit Effectiveness	

Audit firms are encouraged to use the revised Framework for audits of financial statements for financial periods ending on or after 31 March 2026, with an option for early adoption. This guidance replaces an earlier version (to audit firms and to audit committees) that was effective for audits starting on or after 31 March 2020.

AUDIT HOURS



Time Spent by Audit Team



Engagement

Definition

This AQI highlights the number of hours spent by the audit team during each audit phase, before and after the audited entity's financial year end. It also facilitates the comparison of the total actual hours incurred by the audit engagement team versus the total budgeted hours. This comprises hours incurred by the Singapore audit team (i.e. the group auditor) and the component auditors. The audit hours for component auditors should, at a minimum, include those incurred by auditors from the same network.

Members of the audit team are to be categorised by the Group Engagement Partner¹, Engagement Quality Reviewer² (EQR), other partner(s)³, Audit Manager(s)⁴, other manager(s)⁵, Audit Professional Staff⁶ and other staff⁷. Audit phase refers to the different stages within the entire audit process as categorised by the firm and would typically entail audit planning, fieldwork and completion. (Please refer to Annex A for examples of procedures performed at these audit phases.)



This AQI is presented in absolute and relative terms to reflect the following:

- (i) Hours incurred before and after the audited entity's financial year end
- (ii) Number of hours incurred by each category of audit team member; and
- (iii) Hours and % of hours incurred by audit team members in each audit phase

¹ Group Engagement Partner refers to a partner or other person in the firm who is responsible for the group audit engagement and its performance, and for the auditor's report on the group financial statements that is issued on behalf of the firm.

² EQR refers to a partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgements the engagement team made and the conclusions it reached in formulating the report.

³ Other partner(s) refer to partners in charge of the audits of other group entities (e.g. subsidiaries, joint ventures or associates) and partners providing specialists support such as technical consultations, information technology, taxation and valuation whom the group engagement partner relied on to support the overall audit opinion.

⁴ Audit Manager(s) refer to auditors performing managerial duties under the direct supervision of the audit partners.

⁵ Other manager(s) refer to managers providing specialists support such as technical consultations, information technology, taxation and valuation whom the group engagement partner relied on to support the overall audit opinion.

⁶ Audit Professional Staff refer to auditors performing audit under the supervision of the audit partners and/or managers.

⁷ Other staff refer to staff providing specialists support such as technical consultations, information technology, taxation and valuation whom the group engagement partner relied on to support the overall audit opinion.

Measurement Basis



Measurement Period

Each phase throughout the entire audit (e.g. audit planning, fieldwork and completion or as categorised by the audit firm), before and after the audited entity's financial year end. To disclose for the recent two years.



Computation Method

- i) Group Engagement Partner, EQR, Other Partner(s), Audit Manager(s), Other Manager(s), Audit Professional Staff, and Other Staff Hours

The number of audit hours:

- a) Incurred; or
- b) If not available, such as in the case of audit tenders, budgeted to be incurred.

- ii) Hours and % of Hours Incurred by Audit Team Members in each Audit Phase

$$\text{Computation formula} = \frac{\text{Partners/Managers/Professional Staff Hours at each audit phase}}{\text{Total audit hours at each audit phase}}$$

- iii) Hours incurred before and after the audited entity's financial year end are to be computed on the same basis as (ii) above. Certain audit phases may be required to be split between before and after financial year end.



Composition of Audit Hours at each audit phase:



Includes

- Audit hours incurred for audits of group entities (e.g. subsidiaries, joint ventures and associates) by the Singapore firm and the component auditors.
- Audit hours incurred by specialists in areas such as technical consultations, information technology, taxation or valuation.
- Audit hours incurred by professional staff based in outsourced offices or seconded from an overseas member firm to the Singapore firm.
- Separate disclosure of estimated hours to complete unresolved matters, if any, between the date when the AQIs are presented to the stakeholders and the date of file archival.



Excludes

- Audit hours incurred by non-professional staff (e.g. interns, temporary staff and administrative support staff).

Sample Presentation Format

Audit Hours of Audit Team	FY 20X2		FY 20X1	
Group Engagement Partner Hours	[96]		[80]	
EQR Hours	[22]		[16]	
	Group auditor	Component auditor(s)	Group auditor	Component auditor(s)
Other Partner Hours - Specialist Partners - Component Partners	[0] [0]	[35] [120]	[0] [0]	[30] [130]
Audit Manager Hours	[250]	[348]	[232]	[332]
Other Manager Hours	[0]	[16]	[0]	[16]
	Group auditor	Component auditor(s)	Group auditor	Component auditor(s)
Audit Professional Staff ⁷ Hours	[1,034]	[2,453]	[873]	[2,219]
Other Staff Hours	[0]	[80]	[0]	[77]
Total Audit Hours	[1,402]	[3,052]	[1,201]	[2,804]

	Involvement by audit phase	FY20X2				FY20X1			
		Partner	Manager	Staff	Total	Partner	Manager	Staff	Total
Before financial year end	Planning	[82] [2%]	[184] [4%]	[1,070] [24%]	[1,336] [30%]	[77] [2%]	[174] [4%]	[951] [24%]	[1,202] [30%]
	Fieldwork	[91] [2%]	[219] [5%]	[1,338] [30%]	[1,647] [37%]	[86] [2%]	[207] [5%]	[793] [20%]	[1,086] [27%]
After financial year end	Fieldwork	[46] [1%]	[88] [2%]	[446] [10%]	[580] [13%]	[42] [1%]	[83] [2%]	[792] [20%]	[917] [23%]
	Completion	[55] [1%]	[123] [3%]	[713] [16%]	[891] [20%]	[51] [1%]	[116] [3%]	[634] [16%]	[801] [20%]
	Overall	[273] [6%]	[614] [14%]	[3,567] [80%]	[4,454] 100%	[256] [6%]	[58] [14%]	[3,169] [80%]	[4,005] 100%

[Firms to include relevant narratives/commentaries (e.g. analysis of significant variances, the period in which the audit procedures for each phase were performed, etc.)]

Note:

For audit tenders, budgeted hours at each phase of the proposed audit team for the first year audit will be provided.

At the end of the first year audit, a comparison of actual hours against budgeted hours at each phase will be provided.

At the end of the second and subsequent year audit, actual hours at each phase for the recent two years will be provided.

Relevance



This AQI indicates the extent and timeliness of involvement of audit and other team members in an audit during the various audit phases, before and after the audited entity's financial year end. The disclosure of time spent by audit phases would help facilitate the tracking of audit milestones and improve coordination between the auditor and auditee throughout the audit process (e.g. ensuring working papers are provided to the auditor on time and for audit issues to be identified earlier).

Audit quality is likely to increase with timely and higher levels of involvement by senior audit team members as they have the requisite knowledge and experience to identify and resolve audit issues early during the audit process. A higher level of involvement on a timely manner would also imply more supervision and review of the work performed by junior or less experienced audit team members which may help prevent any late audit surprises.

Technology is increasingly being deployed on audit engagements. Such deployment is expected to enhance audit efficiency, resulting in a reduction in hours incurred by audit professional staff over time. Consequently, stakeholders should recognise that a decrease in audit hours driven by technological adoption reflects improved processes and should not be viewed negatively. The use of technology also enables senior audit team members to focus more on complex audit and accounting matters, further strengthening audit quality.

EXPERIENCE



Years of Audit Experience and Industry Specialisation



Engagement

Definition

This AQI highlights the years of audit experience of audit team members⁸ involved in an audit engagement by the following categories:

(i) Group Engagement Partner;

(ii) EQR;

(iii) Audit Manager(s); and

(iv) Audit Professional Staff (auditors below managerial level).



This AQI also includes a description of industry specific experience of senior audit team members (i.e. the group engagement audit partner, the EQR and the audit manager(s)) involved in the audit engagement.

Measurement Basis



Measurement Period

Audit experience of audit team members deployed on the audit engagement.

⁸ Comprise audit team members from the Singapore firm and those based in outsourced/off-shored offices of the Singapore firm only.



Computation Method

i) For categories with more than one audit team member (e.g. 6 audit team members in the Audit Professional Staff category), the average years of audit experience for that category is computed as follows:

$$\text{Computation formula} = \frac{\text{Total Years of Audit Experience}}{\text{Total Headcount in the Category}}$$

ii) For audit partners and audit managers, years of experience should be calculated by determining the sum of each partner/manager's years of experience and averaging it across the number of audit partners/managers participating in the audit engagement.

iii) For audit professional staff and mid-career hires (other than audit partners and managers), prior audit experience is recognised to the extent that is commensurate with the professional staff's competency level in the current firm. E.g. Where an auditor with 8 years of prior audit experience in Audit Firm A was emplaced as an audit assistant manager in his current employment in Audit Firm B, his/her audit experience should be based on the average years of audit experience as expected of an audit assistant manager in Audit Entity B. Should this be assessed to be 5 years (based on the career progression of an audit assistant manager), his/her prior experience should be determined as 5 years, instead of 8 years.



Composition of Audit Hours at each audit phase:



Includes

- Audit professional staff based in outsourced offices or seconded from an overseas member firm to the Singapore firm.



Excludes

- Non-professional staff (e.g. interns, temporary staff and administrative support staff).
- Specialists (both internal and external of the firm) in areas such as technical consultations, information technology, taxation or valuation experts.

Industry Specific Experience of Senior Audit Members

To the extent the audit involves a specialised industry (e.g. financial services, mining, oil and gas, telecommunications), a description of industry specific experience of the group engagement partner, the EQR and the audit manager(s) is to be provided.

Sample Presentation Format

Years of Audit Experience	As at 12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2 ⁹		As at 12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1	
	[Firm A]	Industry average / range ¹⁰	[Firm A]	Industry average / range
Group Engagement Partner	[20]	[x] / [x]-[x]	[19]	[x] / [x]-[x]
EQR	[25]	[X] / [X]-[X]	[24]	[X] / [X]-[X]
Audit Manager(s)	[10]		[8]	
Audit Professional Staff	[3.5]		[3.0]	

[Firms to include relevant narratives/commentaries (e.g. analysis of significant variances)]

Note:

- For audit tenders, estimated years of experience of the proposed audit team for the first year audit will be provided.
- At the end of the first year audit, a comparison of actual years of experience against budgeted figures will be provided.
- At the end of the second and subsequent year audit, actual years of experience for the recent two years will be provided.

Industry Specific Experience of Senior Audit Team Members

[E.g. Mr X has been an audit partner in Firm ABC since 1990. He has approximately 30 years of experience in the audits of financial institutions. He specialises in the audits of retail and commercial banks and sits on the audit firm's technical consultation panel on financial institution audits. He was previously the audit partner for (name of past clients in similar industry).]

⁹ Whichever is most recent and available at the time the AQI is presented to the stakeholders.

¹⁰ Information on industry average and range of years of audit experience is publicly available on ACRA's website.

Relevance



This AQI indicates the audit firm's ability to deploy experienced resources to each audit engagement based on its risk and complexity. This AQI aims to support stakeholders' interactions with senior members of the audit engagement team in assessing the overall competency and experience of the team.

Audit quality is likely to increase with higher years of experience of the audit team as they will likely have greater knowledge and competence to perform the audit effectively. A more experienced audit team, particularly with relevant experience in a particular industry, would be able to better understand and deal with industry specific issues by drawing on their experiences with similar issues in the past.

In evaluating industry specific experience, stakeholders may want to place emphasis on the recency of relevant experience obtained by the senior audit team members.

TRAINING



Average Training Hours and Industry Specific Training



Definition

This AQI highlights the average verifiable training hours received by the auditors during a specified period. At the audit firm-level, this AQI is presented by the following categories:

- (i) Audit Partner(s);
- (ii) Audit Manager(s); and
- (iii) Audit Professional Staff (auditors below managerial level).



At the audit engagement-level, this AQI also includes a description of the specialised (e.g. mining, construction) and regulated (e.g. banking & insurance) industry training for senior audit team members (i.e. the group engagement partner, the EQR and the audit manager(s)) involved in the audit engagement.

Measurement Basis



Measurement Period

Either 6 months ended 31 March, or 12 months ended 30 September of the period, whichever is most recent and available at the time the AQI is presented. To disclose for the recent two periods.



Computation Method

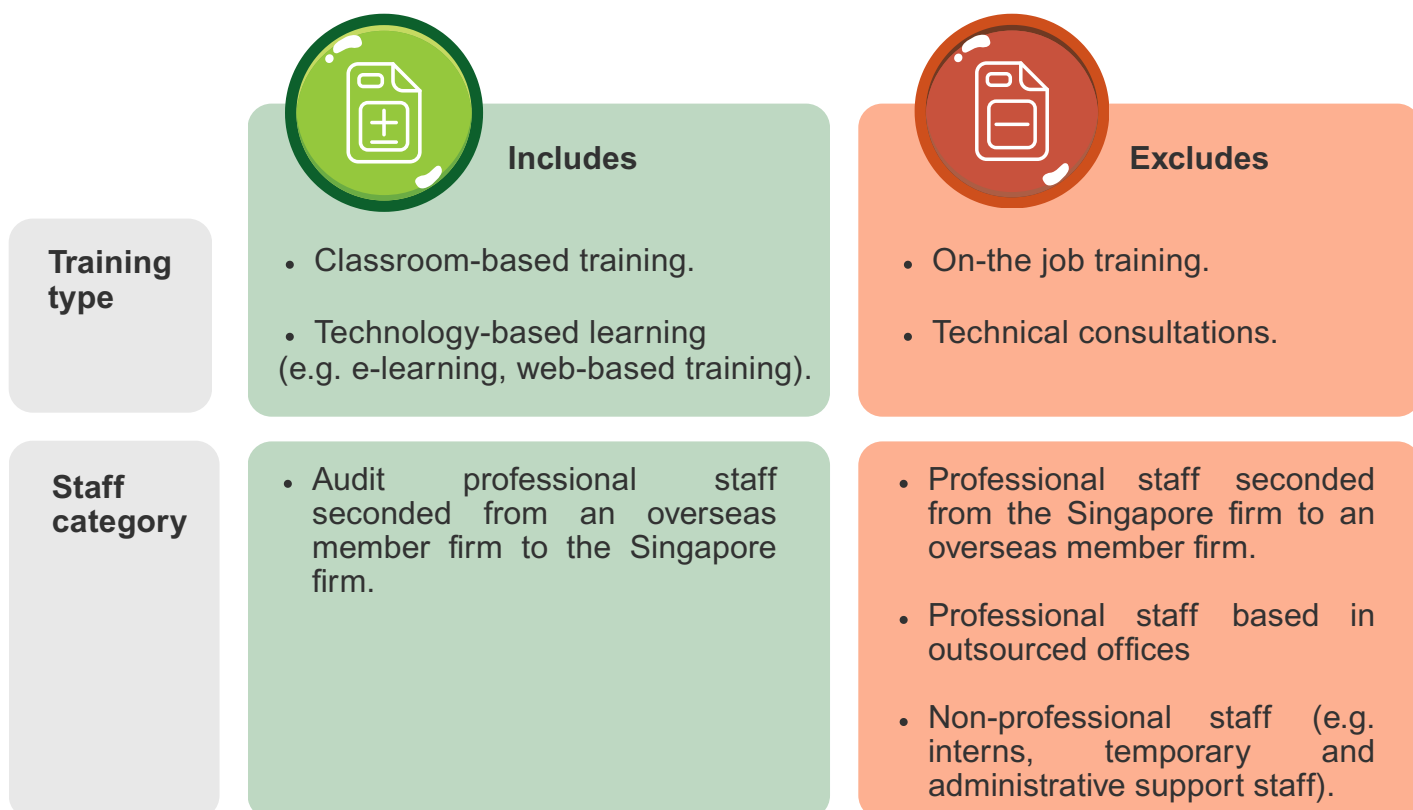
$$\text{Average Training Hours} = \frac{\text{Total Training Hours}}{\text{Average of Month-End Audit Headcount in the Category}}$$



Composition of Training Hours:

The type of verifiable training activities should follow ISCA's Continuing Professional Education (CPE) requirements. This will mainly comprise the following areas:

- i) Audit;
- ii) Accounting;
- iii) Ethics; and
- iv) Others (soft skills, business writing, leadership skills).



Sample Presentation Format

Firm-Level (Average Training Hours):

Training Hours	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2 ¹¹	12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1
Audit Partners	[50]	[40]
Audit Managers	[60]	[56]
Audit Professional Staff	[80]	[84]

[Firms to include relevant narratives/commentaries (e.g. training hours committed by the firm for each staff grade if they are significantly different to actual training hours)]

¹¹ Whichever is most recent and available at the time the AQI is presented to the stakeholders.

Relevance



This AQI indicates the hours invested in the firm's auditors to equip them with the required knowledge and skills to perform quality audits.

Audit quality is likely to increase with higher average training hours as this would imply that auditors are spending more time to upgrade their capability to perform effective audits, as well as to keep abreast of the changes in accounting and auditing standards. To assess the quality of training, stakeholders are encouraged to discuss with auditors on the nature, type and effectiveness of the training curriculum.

INSPECTIONS



Results of External and Internal Inspections



Definition

This AQI highlights the outcome of audit quality inspections carried out on audit engagements and/or the audit firm's System of Quality Management:

(i) by an external audit regulator (external inspections)¹²

(ii) within the audit firm (internal inspections)¹³; and

the action taken to remediate the findings from these inspections.



Disclosure



Overall Firm Inspection Results (both firm level inspection and engagement level inspection):

Where applicable, to disclose the firm's two most recent external and internal inspections as follows:

- i) the year in which the inspections took place;
- ii) the number of audit partners inspected; and
- iii) the results from these inspections.



Engagement-Specific Inspection Results of Group Engagement Partner and EQR:

Where applicable, to disclose:

- i) the most recent results of any external/internal inspections carried out on audits of the group engagement partner and EQR;
- ii) the year in which these inspections were carried out;
- iii) the findings arising from these inspections; and
- iv) the remediation actions taken to address findings from these inspections.

Note: The inspection results should align with the ratings or outcomes arising from the external/internal inspections.

¹² External inspections refer to inspections carried out by audit regulators such as the Public Company Accounting Oversight Board (PCAOB) and ACRA. Please refer to link (<https://go.gov.sg/pmpandqcr>) for further information about ACRA's PMP.

¹³ Internal inspections are conducted by the audit firm, either by a local or international quality review team as part of its quality monitoring programme.

Sample Presentation Format

Firm Inspection Results

Type of Inspection: External Inspections by ACRA		
Audit engagement-level review		
Inspection Year	[20X2]	[20X2]
No. of Audit Partners Inspected	[10]	[10]
Inspection Outcome	[5 Satisfactory, 4 Partially Satisfactory, 1 Not Satisfactory]	[10 Satisfactory]
Type of Inspection: External Inspections by ACRA		
Review of System of Quality Management		
Inspection Year	[20X2]	[20X1]
Inspection Outcome	[Satisfactory]	[Partially Satisfactory]

[Firms to include relevant narratives/commentaries (e.g. nature of findings, whether systemic or one-off issue and remedial actions)]

Type of Inspection: Internal Inspections		
Inspection Year	[20X2]	[20X2]
Inspection Outcome for System of Quality Management	[Satisfactory]	[Partially Satisfactory]
No. of Audit Partners Inspected	[13]	[14]
Inspection Results by Audit Partner*	[11 Satisfactory] [2 Not Satisfactory]	[11 Satisfactory] [3 Not Satisfactory]

[Firms to include relevant narratives/commentaries (e.g. scope and rating of inspection programme, as well as the remedial actions)]

Relevance



This AQI indicates the audit firm's ability to consistently execute quality audits.

Inspection results are a direct measure of audit quality. The aim of inspections is to independently check if the auditor/ audit firm had performed procedures in compliance with the auditing standards and/or applicable quality control policies. Hence, audit quality is likely to increase with a higher rate of compliance with these standards and policies.

It is important to note that a poor inspection result does not:

- i) necessarily indicate that there had been an audit failure, i.e. the audit report is wrong or cannot be relied upon. Instead, the results serve to highlight areas that must be remediated in order to meet standards and policies; or
- ii) imply that the financial statements prepared by management are not true and fair.

Instead, the results provide an indication that more work ought to have been performed by the auditor to support the opinion.

Stakeholders should not dismiss an audit firm simply based on poor inspection results. Instead, they should strive to understand the root causes of the findings and evaluate the effectiveness of the audit firm's actions to remedy, which will better reflect the audit firm's commitment and ability to deliver quality audits in a longer run. Stakeholders should also examine whether the findings on the inspected engagements are applicable to the audits of their companies and discuss with the audit teams on the potential implications and audit approach.

Sample Presentation Format

Engagement level (Inspection results of group engagement partner and EQR)

	External Inspections		Internal Inspections	
	Year last inspected	Results	Year last inspected	Results
Group Engagement Partner	[202X]	[Fail]	[20XX]	[Satisfactory]
EQR	[Not Inspected]	[Not Inspected]	[20XX]	[Satisfactory]

Inspection findings for: [Group Engagement Partner] / [EQR]

Type of Inspection: [External / Internal] Inspections

[Details of findings] [E.g. Inadequate work was performed to ascertain whether the client's revenue recognition policy was appropriate]	[Details of remediation actions taken by the audit team/firm] [E.g. Remediation actions taken include: - Mandatory refresher training on revenue by the audit team; - Subsequent consultation and collaboration with the firm's technical department to address the finding; - Assignment of a more experienced EQR on the audit; and - Communication of the finding as a case study during firm's training]
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[Firms to include relevant narratives/commentaries (e.g. root causes of finding and applicability to the audit engagement)]

Relevance



This AQI indicates the group engagement partner and EQR's ability to consistently execute quality audits.

The inspection results and findings provide insights on the quality of other audits led by the group engagement audit partner and EQR. This is relevant in assessing their technical competency, workloads and ability to maintain audit quality consistently.

QUALITY CONTROL



Headcount in Quality Control Functions



Firm

Definition

This AQI highlights partner, manager and professional staff resources in the Quality Control Functions (QCF) of the audit firm necessary to equip audit teams with tools, knowledge and resources to consistently deliver quality audits.

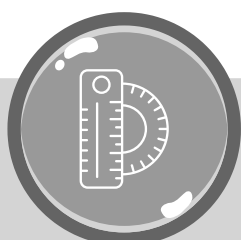
This AQI is presented by the following functions, where applicable:

Quality Control Functions	Roles and responsibilities
Risk Management, Independence and Ethics	To monitor compliance with the relevant independence requirements.
Training, Learning and Development	To organise and conduct training to upkeep auditors' skills and knowledge.
Quality Assurance	To conduct internal inspections and monitor quality in the audits performed.
Technical	To provide audit and accounting technical consultations to audit teams.

This AQI is presented in absolute and relative terms as follows:

- i) Full-time equivalent (FTE) partners, managers and professional staff headcount in QCF;
- ii) Ratio of QCF partners, managers and professional staff to total audit headcount in the firm; and
- iii) Ratio of QCF partners and managers to total audit partners and audit managers in the firm.

Measurement Basis



Measurement Period

Either 6 months ended 31 March, or 12 months ended 30 September of the period, whichever is most recent and available at the time the AQI is presented. To disclose for the recent two periods.



Computation Method

$$\frac{\text{QCF Partners, Managers and Professional Staff to Total Audit Headcount}}{\text{Total Audit Headcount}} = \frac{\text{QCF Partners, Managers and Professional Staff Headcount}}{\text{Total Audit Headcount}}$$

$$\frac{\text{QCF Partners and Managers to Total Audit Partners and Managers}}{\text{Total Audit Partners and Managers}} = \frac{\text{QCF Partners and Managers Headcount}}{\text{Total Audit Partners and Managers Headcount}}$$

- i) Full-Time Equivalent (FTE) of Partners, Managers and Staff Headcount in each QCF
- Partner, manager or professional staff serving in each QCF on full-time basis with no audit portfolio will be counted as one FTE.
 - Should the partner, manager or professional staff serving in a QCF be assigned other responsibilities (e.g. audit portfolio, besides performing internal quality reviews or providing audit training), the FTE for such individuals should be apportioned based on the estimated percentage of time spent in the QCF vis-à-vis audit work.
- ii) Total Audit Headcount/ Audit Partners & Managers
- Computed based on the average of month-end headcount of audit headcount/audit partners and audit managers in the audit firm for the relevant Measurement Period.
 - Audit headcount comprise audit partners, audit managers and audit professional staff.



Composition of Audit Hours at each audit phase:



Includes

- QCF Partners, Managers and Professional Staff seconded from an overseas member firm to the Singapore firm.
- QCF Partners, Managers and Professional Staff located in the firm's international or regional network offices that provide direct and dedicated audit support to the Singapore firm.



Excludes

- QCF Partners, Managers and Professional Staff seconded from the Singapore firm to an overseas member firm.
- QCF non-professional staff (e.g. interns, temporary staff and administrative support staff).

Sample Presentation Format

Quality Control Functions (QCF) Risk Management	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2 ¹⁴			12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1		
	Partners	Managers	Professional Staff	Partners	Managers	Professional Staff
Risk Management	[0.6]	[3.3]	[2]	[0.5]	[3.0]	[2]
Training	[0.5]	[6.0]	[1]	[0.2]	[7.1]	[1]
Quality Assurance	[0.7]	[5.6]	[1]	[0.7]	[6.1]	[1]
Technical	[0.5]	[7.5]	[1]	[0.4]	[7.4]	[1]
Total Headcount	[2.3]	[22.4]	[5]	[1.9]	[23.6]	[5]

Ratios of:	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2	12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1
QCF Partners, Managers, Professional Staff to Total Audit Headcount	[1 : 33]	[1 : 33]
QCF Partners and Managers to Total Audit Partners and Audit Managers	[1 : 27]	[1 : 26]

[Firms to include relevant narratives/commentaries (e.g. overview of quality control set-up)]

¹⁴ Whichever is most recent and available at the time the AQI is presented to the stakeholders.

Relevance



This AQI indicates the audit firm's commitment to provide central resources to support the execution of quality audits.

Audit quality is likely to increase with more QCF resources dedicated to support the audit teams. QCF can enhance the capabilities of audit teams through their specialist knowledge, particularly in resolving complex, unusual and/or judgmental aspects of an audit. Via its monitoring functions, QCF also helps to ensure compliance with the audit firm's audit process and guidelines, and maintains audit quality across different audit engagements.

STAFF OVERSIGHT

Staff per Partner / Manager Ratios



Firm

Definition

This AQI highlights the average number of auditors managed by each audit partner and audit manager in the audit firm.

Measurement Basis



Measurement Period

Either 6 months ended 31 March, or 12 months ended 30 September of the period¹⁵, whichever is most recent and available at the time the AQI is presented. To disclose for the recent two periods.



Computation Method

$$\text{Staff per Partner Ratio} = \frac{\text{Audit Managers and Audit Professional Staff Headcount}}{\text{Audit Partners Headcount}}$$

$$\text{Staff per Manager Ratio} = \frac{\text{Audit Professional Staff Headcount}}{\text{Audit Managers Headcount}}$$

i) Full-Time Equivalent (FTE) of Audit Partner headcount

- Audit partners performing audits full-time with no functional responsibilities (e.g. risk management, quality assurance roles) or non-audit roles in the firm will be counted as one FTE.
- Should the audit partner be assigned non-audit service work, the FTE for such individuals should be apportioned based on the extent of an audit partner's involvement in audit (e.g. the audit partner's portfolio size vis-à-vis the typical portfolio size of a full-time partner).

¹⁵ The different measurement periods are to facilitate comparison with industry average and range of staff per partner/manager ratio which will be published on ACRA's website.

ii) Full-Time Equivalent (FTE) of Audit Managers and Audit Professional Staff headcount

- Derived based on average of the month-end headcount of the audit managers/audit professional staff who are involved in audit work, for the relevant Measurement Period.
- Should the audit managers and audit professional staff be assigned responsibilities other than audit/work (e.g. involved in a combination of audit and non-audit service work or hold other functional responsibilities), the 'audit' headcount for such individuals should be apportioned based on the estimated % of time spent on audit work.
- Audit professional staff headcount comprises auditors below managerial level.

**Composition of Audit Hours at each audit phase:****Includes**

- Audit professional staff seconded from an overseas member firm to the Singapore firm.

**Excludes**

- Professional staff seconded from the Singapore firm to an overseas member firm. Professional staff based in outsourced offices.
- Non-professional staff (e.g. interns, temporary staff and administrative support staff).

Sample Presentation Format

Ratios of:	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2 ¹⁶		12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1	
	Firm A	Industry average / range	Firm A	Industry average / range
Partners to manager and audit professional staff	[1 : 23]	[X] / [X] – [X]	[0.5]	[X] / [X] – [X]
Managers to audit professional staff	[1 : 5.0]	[X] / [X] – [X]	[0.2]	[X] / [X] – [X]

[Firms to include relevant narratives/commentaries (e.g. comparison vis-à-vis the audit team assigned to the audit engagement)]

Relevance



This AQI indicates the capacity of senior audit members (i.e. partners and managers) to supervise junior audit team members in the audit firm.

Audit quality is likely to increase with lower staff per partner/manager ratios. Higher staff per partner/manager heightens the risk that partners and managers have wider scope of supervision and review responsibilities, which may distract them from giving adequate and focused attention to a particular audit engagement.

¹⁶ Whichever is most recent and available at the time the AQI is presented to the stakeholders.

ATTRITION RATE



Degree of Personnel Losses



Firm

Definition

This AQI highlights the percentage of auditors that left the audit firm during a specified period.

Measurement Basis



Measurement Period

Either 6 months ended 31 March, or 12 months ended 30 September of the period¹⁷ whichever is most recent and available at the time the AQI is presented. To disclose for the recent two periods.



Computation Method

Staff Turnover
Rate

=

No. of Auditors who Left the Audit Firm

—————
Total Auditors in the Audit Firm

i) The 'No. of Auditors who Left the Audit Firm' includes headcount from auditors' resignations and permanent transfers out of the audit department to other departments within the firm.

ii) The 'Total Auditors in the Audit Firm' is derived based on the average of the month-end headcount during the relevant Measurement Period.

¹⁷ The different measurement periods are to facilitate comparison with industry average and range of staff attrition rate which will be published on ACRA's website.



Composition of Audit Hours at each audit phase:



Includes

- Audit professional staff seconded from an overseas member firm to the Singapore firm.



Excludes

- Professional staff seconded from the Singapore firm to an overseas member firm.
- Professional staff based in outsourced offices.
- Non-professional staff (e.g. interns, temporary staff and administrative support staff).

Sample Presentation Format

	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2 ¹⁸		12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1	
	Firm A	Industry average / range	Firm A	Industry average / range
Attrition rate	[1 : 23]	[X] / [X] – [X]	[0.5]	[X] / [X] – [X]

[Firms to include relevant narratives/commentaries (e.g. the retention rate of key audit engagement team members or attrition rates of high potential professional staff in the audit firm)]

Relevance



This AQI indicates the audit firm's ability to retain knowledge and experience.

Whilst some attrition is expected, audit quality is likely to be significantly affected by excessively high attrition rates in an audit firm. Besides the loss of knowledge and experience, the audit firm may face difficulties in re-hiring auditors with similar levels of experience and competency. In the longer run, this inhibits the audit firm's readiness and capability to identify and resolve audit and accounting issues effectively.

¹⁸ Whichever is most recent and available at the time the AQI is presented to the stakeholders.

USE OF TECHNOLOGY



Degree of Digital Solutions Deployment



Definition

This AQI evaluates the degree to which audit engagement teams deploy digital solutions in audits. It focuses on digital tools used by audit engagement teams to examine, sort, filter or analyse transactions which will be used as audit evidence or which generates results that supplement the audit engagement team's judgement.

At the audit firm level, this AQI is represented by the following:

- (a) % of public interest entities (PIE) audits that has adopted at least one automated tool and technique¹⁹ (ATT)
- (b) % of audit engagements (i.e. both public interest entities and non-public interest entities) that has adopted at least one ATT

At the audit engagement level, this AQI is represented by the following:

- (a) To provide a qualitative description of how ATTs have been incorporated into the various audit areas, and the related financial statement captions.



Examples of audit areas: risk assessment, test of controls, test of details, substantive analytical procedures, journal entries testing, information technology general controls/information technology application controls, financial statements reporting and financial statements disclosures, etc

Measurement Basis



Measurement Period

Either 6 months ended 31 March, or 12 months ended 30 September of the period, whichever is most recent and available at the time the AQI is presented. To disclose for the recent two periods.

¹⁹ Automated tools and techniques are programs, applications, and ready-to-use routines used by audit engagement teams to examine, sort, filter or analyse transactions or other data used as audit evidence or which generates results that supplement the audit engagement team's judgement. This excludes audit/assurance platforms.



Computation Method

At the audit firm level:

$$\text{Percentage of PIE audits that deployed digital solutions} = \frac{\text{PIE audits signed off that have adopted at least one ATT}}{\text{Total PIE audit engagements signed off}}$$

$$\text{Percentage of audits that deployed digital solutions} = \frac{\text{Audits signed off that have adopted at least one ATT}}{\text{Total audit engagements signed off}}$$

Sample Presentation Format

Use of technology		
At audit firm level:	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2	12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1
Percentage of PIE audits that deployed digital solutions	[X2%]	[X1%]
Percentage of audits that deployed digital solutions	[Y2%]	[Y1%]
[Firms to include relevant narratives/commentaries (e.g. nature of the new technology tools deployed by the firm, changes in year-on-year deployment rates, etc)]		
At audit engagement level:	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2	12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1
	[Insert qualitative description]	[Insert qualitative description]

Relevance



Technology enables audit engagement teams to analyse entire populations of data, rather than reliance on sampling approach, thereby leading to the performance of more targeted and risk focused audit procedures, which contributes to overall audit effectiveness. This AQI measures both the breadth of technology adoption across the various audit areas, as well as the extent of audit engagements that have adopted at least one type of technological tools.

Given that stakeholders such as audit committees and investors increasingly expect audit engagement teams to leverage on available technology to enhance audit quality, this indicator demonstrates whether audit firms are keeping pace with technological advancement and meeting those evolving expectations.

It is also important to note that whilst technology deployment may reduce the audit hours required for performing certain audit procedures, the overall value delivered by the audit engagement teams should be based on their expertise, advanced capabilities and comprehensive service delivery, rather than purely on audit hours incurred.

CULTURE SURVEY



An evaluation of the behavioural foundation of audit quality



Firm

Definition

This AQI evaluates the behavioural foundations of audit quality by measuring the auditor's perceptions of leadership teams' commitment to quality, ethical standards, professional development support, and firms' emphasis on audit excellence.

ACRA strongly encourages the inclusion of survey questions covering the following categories:

- (i) Ethical behaviour
- (ii) Resources to ensure audit quality
- (iii) Culture of trust



Measurement Basis



Measurement Period

To disclose results for the recent two survey periods.

Sample Presentation Format

Culture survey results		
	[20X2]	[20X1]
	(Overall response rate: Y%)	(Overall response rate: X%)
Category: (e.g. Ethical Behaviour)		
Insight from survey results 1	[E.g. 70% of the respondents agree that the firm's leadership conducts their work in an ethical manner]	
Insight from survey results 2		
Category: (e.g. Resources to ensure audit quality)		
Insight from survey results 1	[E.g. 65% of the respondents agrees that the firm has provided sufficient resources requirement for them to carry out their work effectively]	
Insight from survey results 2		
Category: (e.g. Culture of trust)		
Insight from survey results 1	[E.g. 87% of the respondents agree that the people they work for trust them to work remotely without affecting their work quality]	
Insight from survey results 2		

[Firms to include relevant narratives/commentaries (e.g. survey rating methodology adopted by firm, follow-up actions carried out based on survey insights, etc)]



Composition of Audit Hours at each audit phase:



Includes

- Audit professional staff



Excludes

- Non-professional staff (e.g. interns, temporary staff and administrative support staff)

Relevance



This AQI measures how effectively the audit firm's stated quality commitments are embedded in day-to-day practice and decision making. Culture and leadership shape how audit engagement teams exercise professional scepticism, make judgements under pressure, and prioritise audit quality over efficiency or commercial considerations.

Given the increasing recognition that sustainable audit quality depends on the audit firm's culture rather than just technical competence, this indicator demonstrates whether audit firms' quality initiatives have been embraced.

RESTATEMENTS



Degree of Audit Effectiveness



Firm

Definition

This AQI evaluates audit effectiveness by measuring the frequency of retrospective restatements²⁰ of previously issued financial statements, which may suggest that the audit engagement team failed to detect material misstatements²¹.



Measurement Basis



Measurement Period

Number of previously issued financial statements that contained material retrospective restatements, for which the auditor's report is dated during the 12 months ended 30 September, for the recent two periods (excluding audits that were performed by another public accounting entity in the previous financial year).



Computation Method

$$\text{Percentage of financial statements with material retrospective restatements} = \frac{\text{Number of previously issued financial statements containing material retrospective restatements for which the auditor's report is dated during the 12-month period}}{\text{Total number of auditor's report dated during the 12-month period}}$$

²⁰ Retrospective restatement is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

²¹ Misstatements, including omissions, are considered to be material if they, individually, or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Sample Presentation Format

Restatements		
	12 months ended 30 Sep 20X2	12 months ended 30 Sep 20X1
Number/ Percentage of retrospective restatements	[Y]/ [Z1%]	[X]/ [Z2%]

[Firms to include relevant narratives/commentaries (e.g. details/underlying root cause of the restatements identified)]



Composition of financial statements restatements:

Financial statement audits in which a material misstatement(s) was found in the financial statements from a previous financial year thereby resulting in a retrospective restatement. This excludes audits that were performed by another public accounting entity in the previous financial year.



Includes

- Retrospective restatements due to prior period errors



Excludes

- Retrospective application of a new accounting policy
- Retrospective restatements due to prior period errors where the previous financial year's audit was performed by another public accounting entity
- Retrospective restatements arising from a correction of errors that were highlighted by the auditor in prior year's modified audit opinion

Relevance



The AQI provides a direct quantification of audit quality by measuring how frequent the audited financial statements, across the audit firm's audit client portfolio, require subsequent correction.

Given that the frequency of restatements reflects how well the firm's SoQM, review processes and consultation mechanisms are functioning, this indicator helps stakeholders better understand these quality-related risks.

While the number of restatements provide a quantitative measure of audit quality, it is equally important for stakeholders to understand the underlying reasons for each restatement. This qualitative analysis enables stakeholders to assess whether the restatement stems from complex judgmental areas, deficiencies in management's financial reporting process or deficiencies in audit procedures, etc, thereby reflecting on the performance of both the audit engagement team and management.

ANNEX A – Examples of procedures in each audit phase

Examples of audit procedures typically completed in each audit phase are as follows:

PHASE	EXAMPLES OF AUDIT PROCEDURES
Planning	<p style="text-align: center;">Engagement set up</p> <p><i>Pre-engagement:</i> Document evaluations and conclusions on client acceptance and continuance, compliance with ethical requirements, including independence.</p> <p>Establish an understanding of the terms of the engagement, i.e. obtain a valid engagement letter.</p> <p><i>Timing and resources:</i> Evaluate staffing resource; budgeting; timing of engagement quality control and other reviews (EQRs), work of component auditors, internal audit and audit experts; etc.</p> <p>Document preliminary group audit scoping decisions, provide timetable to component auditors and inform them for resource needs.</p>
	<p style="text-align: center;">Risk assessment</p> <p>Document significant decisions reached from the engagement team planning and risk assessment discussion(s) that impact the audit plan, including planned use of work of others (e.g. work of component auditors, internal audits, audit experts) and Audit Delivery Centre²².</p> <p>Document the determination of materiality and performance materiality (including component materiality).</p> <p>Identify and determine significant accounts and accounts with accounting estimates, disclosures, and relevant assertions.</p> <p>Complete risk assessment procedures to identify risk of material misstatements (RoMMs). For example, but not limited to the following:</p>

²² Audit delivery centre refers to shared service centers, centers of excellence, on-shoring, offshoring or outsourcing.

PHASE	EXAMPLES OF AUDIT PROCEDURES
	<ul style="list-style-type: none"> • Perform high level analytical procedures; • Inquires of management and those charged with governance (TCWG) to obtain an understanding of and assessment of the entity and its control environment; • Perform walkthrough of processes to the extent necessary to enable the identification of RoMMs and relevant controls (i.e. manual, automated or manual with automated control); • Evaluate the design and implementation of the relevant controls. <p>Document planned audit procedures to test the operating effectiveness of relevant controls and substantive audit procedures to address the identified RoMM at the assertion level.</p> <p>Discussion among the engagement team members about the susceptibility of the entity's financial statement to material misstatements.</p> <p>Communicate with component auditors the scope of work to be performed and issue Group Audit Instructions.</p> <p>Agreement with audit experts on the nature, scope and objective of work; the respective roles and responsibilities of the auditors and audit experts; the nature, timing and extent of communication between the audit team and audit expert; and the need for the audit experts to observe confidentiality requirement.</p> <p>Group Engagement Partner and EQRs to review documentation supporting the planned audit approach for significant risk, key judgements, specialists and group audit scope.</p>
<p>Fieldwork</p>	<p style="text-align: center;">Testing as interim and/ or hardclose</p> <p>Complete and review planned procedures to evaluate design and implementation of relevant controls, test of operating effectiveness of relevant controls and substantive audit procedures, except those, which occur at year end.</p> <p>Review audit documentation prepared by audit experts and work of component auditors. This includes any identified audit deficiencies and conclusion whether the risks identified are sufficiently addressed. For any identified audit deficiencies, determine an appropriate response. cant risk, key judgements, specialists and group audit scope.</p>

PHASE	EXAMPLES OF AUDIT PROCEDURES
Completion	<p>Reassess materiality;</p> <p>Perform risk assessment update;</p> <p>Complete and review remaining audit procedures planned to be completed at final audit;</p> <p>Perform final analytical procedures;</p> <p>Perform overall evaluation including going concern assumption, management bias, conclusion for accounting estimates, competence and capabilities of engagement team;</p> <p>Review financial statements prepared by the management;</p> <p>Complete assembly of the final audit engagement files.</p>



About Accounting and Corporate Regulatory Authority

The Accounting and Corporate Regulatory Authority (ACRA) fosters a vibrant and trusted business environment that enables innovation and growth, contributing towards making Singapore the best place for business.

ACRA regulates the registration of businesses, and their financial and other reporting obligations. We also oversee the public accountancy and corporate service provider sectors. ACRA plays a critical role in developing the accountancy profession, and sets accounting standards for companies and various other entities in Singapore.

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