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MEDIA RELEASE

ACRA TO RAISE QUALITY BAR FOR PUBLIC ACCOUNTANTS – Tightening of Registration Requirements with effect from 1 Feb 2015

Singapore, 1 August 2014 – The Accounting and Corporate Regulatory Authority (ACRA) announced today more stringent registration requirements for public accountants (PA). Applicants will have to acquire more years of work experience and this includes specific audit management experience which will be made mandatory.

2. The change will take effect from 1 February 2015. It ensures closer alignment of the practical experience requirements with a public accountant's core responsibility of ensuring high quality audits of financial statements, which the public relies on. In Singapore, only a public accountant or an accounting entity approved by ACRA may provide an audit opinion on financial statements¹.

3. The new requirements were announced today by Mr Kenneth Yap, Chief Executive of ACRA during his keynote address at the Auditing and Assurance Conference organised by the Institute of Singapore Chartered Accountants (ISCA). Reflecting on the tightening of the registration requirements, Mr Kenneth Yap said, "Audit is a cornerstone of public confidence in capital markets. We must ensure that audits in Singapore remain of the highest quality. Audit opinions rest on sound judgement and healthy scepticism, the application of which can only be gained through adequate and relevant experience. ACRA is raising the bar to ensure that all new public accountants are sufficiently experienced for their responsibility."

4. The revised requirements were drawn up in consultation with the professional accountancy bodies and representatives from both large and small audit firms. A public consultation was also conducted in 2012 which showed broad support for the proposed new requirements. The changes are also in line with current market practice under which most audit managers tend to accumulate more than the current requirement of three years of practical audit experience before applying to become a public accountant.

¹ Registration as a public accountant is required for the purpose of audit and reporting on financial statements and the doing of other such acts required by written law to be done by a public accountant. Registration is not required for other professional accounting services.

5. From 1 February 2015, all applicants must have gained 2,500 hours of experience in audit management, which would take about two years. As part of this, the applicants must have independently and competently performed certain key audit functions involving planning and leading an audit, and forming and reporting on the audit's conclusions.

6. To ensure that the audit management experience is gained at an appropriately senior level, the 2,500 hours will only count after an applicant has completed their professional accountancy training, as follows:

- a. Members of ISCA will need to have gained the 2500 hours after qualifying as a full member, which normally takes one to three years of post-qualification experience (i.e. such as after gaining an accountancy degree). Non-ISCA members must demonstrate that they had completed an equivalent amount of post-qualification experience before accumulating their 2500 hours.
- b. As announced in April 2013, from 1 January 2019, all applicants to be a public accountant will need to have completed the Singapore Qualification Programme (Singapore QP) or a recognised equivalent professional qualification.² Applicants who gain the Singapore QP or a recognised equivalent professional qualification after 1 January 2019 will need to have gained their 2500 hours of QAE after they have completed the qualification.

7. Thus, in practice, an applicant would need at least five years of experience before registering as a public accountant compared to the current three years of experience. In addition, the applicants experience needs to be supervised and attested by an Audit Principal. Audit Principals should have five years of experience as a public accountant and a good track record with ACRA. Details of the new practical experience requirements are set out in the attached Annex A.

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Attachments:

Annex A: Details of the new practical experience requirements for Public Accountants in Singapore

² Information about future changes to the qualification requirement for registration as a public accountant is available on ACRA's website at:
http://www.acra.gov.sg/Public_Accountants/News_and_Events/Future_Changes_to_the_Qualifications_Requirement_for_Registration_as_a_Public_Accountant/

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About ACRA

The Accounting and Corporate Regulatory Authority (ACRA) is the national regulator of business entities and public accountants in Singapore. ACRA also plays the role of a facilitator for the development of business entities and the public accountancy profession.

The mission of ACRA is to provide a responsive and trusted regulatory environment for businesses and public accountants. As at 30 June 2014, 441,899 business entities and 1,005 public accountants practising in public accounting firms, accounting limited liability partnerships and accounting corporations are registered with ACRA.

For more information, please visit www.acra.gov.sg

DETAILS OF NEW PRACTICAL EXPERIENCE REQUIREMENTS FOR REGISTRATION AS A PUBLIC ACCOUNTANT

The new practical experience requirements will apply to all applications received on or after 1 February 2015. ACRA is announcing the new requirements now to give time to prepare to those who plan to apply after that date. The requirements will be prescribed in the Accountants (Public Accountants) Rules, under the Accountants Act.

2. Potential applicants who plan to apply to be a public accountant **from 1 February 2015** onwards are advised to familiarise themselves with the requirements and consider what information they will need to have in order to support their application.

3. In summary, from 1 February 2015, all applicants to be a public accountant will need to have:

- a. Acquired 2,500 hours (i.e. about two years) of **Qualifying Audit Experience (QAE)**. The 2,500 hours will only count after an applicant has completed their professional accountancy training, as follows:
 - c. Members of ISCA will need to have gained the 2500 hours after qualifying as a full member, which normally takes one to three years of post-qualification experience (i.e. such as after gaining an accountancy degree). Non-ISCA members must demonstrate that they had completed an equivalent amount of post-qualification experience before accumulating their 2,500 hours.
 - d. As announced in April 2013, from 1 January 2019, all applicants to be a public accountant will need to have completed the Singapore Qualification Programme (Singapore QP) or a recognised equivalent professional qualification.³ Applicants who gain the Singapore QP or a recognised equivalent professional qualification after 1 January 2019 will need to have gained their 2500 hours of QAE after they have completed the qualification.
- b. Performed certain **Key Audit Functions (KAF)** (see Appendix 1) related to audit management, independently and competently, under the supervision of an **Audit Principal (AP)**, i.e. a public accountant who has been registered for at least 5 years.

³ Information about future changes to the qualification requirement for registration as a public accountant is available on ACRA's website at:
http://www.acra.gov.sg/Public_Accountants/News_and_Events/Future_Changes_to_the_Qualifications_Requirement_for_Registration_as_a_Public_Accountant/

List of New Practical Experience Requirements

4. From 1 February 2015, applicants will need to have met the practical experience requirements set out below.

- a. **Period of experience:** Within 5 years of the application to register as a public accountant, applicants must have gained 2,500 hours of QAE, gained after becoming a full member of ISCA or, in the case of applicants who had not yet applied for ISCA membership, after having completed an equivalent amount of post-qualification experience. (Applicants who gain the Singapore Qualification Programme or a recognised equivalent professional qualification after 1 January 2019 will need to have gained their 2500 hours of QAE after they have completed the qualification).
- b. **Nature of experience:** QAE is work in an audit management, audit quality review or a senior audit technical role, and applicants should have performed the KAF of planning and leading the engagement, and forming and reporting conclusions and opinions. Applicants relying on experience in an audit quality review or a senior audit technical role must have at least 1,250 hours (approximately 1 year) of experience in the KAF.
- c. **Supervision of experience:** The applicants, and one or more AP(s), must declare that the applicant has completed the 2,500 hours of QAE, and has independently and competently performed the KAF under the supervision of the AP.⁴ A minimum of 1,250 hours of QAE should be gained with the same firm or with the same AP. This is to ensure that the applicant has a stable period of accumulating experience. Exemptions may be available to applicants who fall just short of this requirement.
- d. **Location of experience:** At least 1,250 hours (approximately 1 year) of QAE must be gained in Singapore, i.e. foreign experience of up to 1 year will be recognised. This is the same as the current requirement of 1 year of Singapore experience, and will be subject to similar criteria (such as being gained under audit standards that are equivalent to that of Singapore).

(see [Appendix 2](#) for Key Differences Between the Current and New Requirements)

⁴ An Audit Principal (AP) must have been a public accountant for 5 years and not have failed an audit inspection with hot review (unless the Public Accountants Oversight Committee allows otherwise) or failed with more serious orders under the Practice Monitoring Programme (PMP)

Transitional Arrangements

5. The new requirements will have immediate effect from **1 February 2015**. As such, the following transitional arrangements will be in place:

- a. Applicants will be able to count their practical experience gained before 1 February 2015 provided that it:
 - i) meets the requirements to be counted as QAE and KAF,
 - ii) was gained within the five years immediately preceding the application, and
 - iii) was gained under an Approved Principal⁵ as defined under the current requirements that will apply until 31 January 2015.
- b. Approved Principals may sign the declaration supporting experience gained before 1 February 2015 provided that the applicant has adequate records to support the completion of 2,500 hours of QAE, and he knows that the applicant has independently and competently performed the KAF because it was performed under his or her supervision.

⁵ An Approved Principal (not the same as Audit Principal in the proposed new requirements) means a public accountant who has at least 5 years' post-qualifying experience in public practice or in any other organisation recognised by the Public Accountants Oversight Committee.

APPENDIX 1: The Key Audit Functions

The Key Audit Functions (KAF) are functions relating to planning an audit engagement, leading the engagement, and forming and reporting conclusions and opinions.

A. Planning

- i) Reviewing and forming conclusions on acceptance and continuation of client relationships and compliance with independence requirements.
- ii) Developing the scope and objective of the audit.
- iii) Evaluating the client's profile and risk and the implications for the audit engagement.
- iv) Reviewing and approving the planned audit approach prior to the start of audit fieldwork.
- v) Ensuring that staffing and resources are adequate, taking into account the required competencies and capabilities.

B. Leading the Engagement

- i) Directing and monitoring the engagement progress, in compliance with professional standards and regulatory and legal requirements; and against timelines and budget.
- ii) Supervising and mentoring the other professional staff on the engagement.
- iii) Communicating and consulting with the engagement partner and members of the engagement team about issues that need attention, and resolving audit issues.
- iv) Liaising and communicating with the client, for example, about the scope of the audit, timelines, and audit results and issues.

C. Forming and Reporting Conclusions and Opinions

- i) Reviewing engagement working papers and performing sufficient review of the audit work to ensure that the procedures performed are adequate and in compliance with standards.
- ii) Forming opinions based on sufficient audit evidence and in accordance with the applicable standards.
- iii) Communicating and discussing the audit findings with the audit client.
- iv) Preparing or supervising the preparation of audit reports and audit deliverables to client management.

APPENDIX 2: Current Practical Experience Requirements and Key Differences between the Current and New Requirements

A. Current Requirements

An applicant may gain experience based on categories A, B or C.

A. Local Experience: 3 Years according to (i) or (ii)		B. Foreign Experience: 3 Years
(i)	(ii)	
At least 1 year of structured PE (practical experience) acquired before passing the final exam; and	At least 2 years of structured PE acquired after passing the final exam; and	Qualifying foreign experience; and
At least 1 year of structured PE acquired after passing the final exam; and		
At least 1 year of structured or unstructured PE after passing the final exam.	At least 1 year of structured or unstructured PE acquired after passing the final exam.	At least 1 year of Singapore PE, obtained before or after passing the final exam, structured or unstructured, but no more than 12 months of unstructured PE.
C. Other experience: 6 Years		
At least 6 years (in aggregate) of Singapore PE, whether structured or unstructured, and whether obtained before or after passing the final exam, provided the PAOC is satisfied that the practical experience: <ul style="list-style-type: none"> • Is of sufficient breadth and depth; and • Includes practical experience that is sufficiently recent 		

B. Key Differences Between the Current and New Requirements

Current requirements	New requirements
<p>3 years of experience (including at least 2 years after final exams).</p>	<p>2,500 hours (approximately 2 years) of qualifying audit experience (QAE) after obtaining full membership of ISCA or , in the case of applicants who are non-ISCA members (i.e. members of other accountancy professional bodies or those who had not yet applied for ISCA membership), after having completed an equivalent amount of post-qualification experience. Applicants who gain the Singapore QP or recognised equivalent professional qualification after 1 January 2019 will need to have gained their 2500 hours of QAE after they have completed the qualification.</p> <p>[In practice, this generally means that applicants will have at least 5 years of work experience (3 years to gain full membership of ISCA or to complete the practical experience requirements as part of the Singapore QP and 2 years of QAE)].</p>
<p>Audit management experience is not mandatory</p>	<p>Applicants will be required to have QAE. QAE is experience in audit management, audit quality review, and senior technical roles, such that the applicant would have performed the key audit functions (KAF) in planning, leading the engagement and forming and reporting conclusions and opinions.</p> <p>Those relying on experience in audit quality review and senior technical roles must have at least 1,250 hours (approximately 1 year) of recent experience in KAF.</p>
<p>1 of the 3 years experience need not be 'structured' i.e. need not be obtained and recorded under the supervision of an approved public accountant.</p>	<p>All of the experience must have been gained under the supervision of an Audit Principal (AP). A declaration is required from one or more APs that the applicant has</p> <ul style="list-style-type: none"> (a) completed 2,500 hours of QAE; and (b) competently and independently performed the KAF under the AP's oversight.

Current requirements	New requirements
<p>An Approved Principal must have 5 years of experience. There is no requirement to have passed his practice review under the Practice Monitoring Programme.</p>	<p>The AP should have 5 years of experience as a public accountant, and not have failed a practice review with the following sanctions:</p> <ul style="list-style-type: none"> • Hot review order (unless the Public Accountants Oversight Committee agrees otherwise) • Restriction • Suspension • Cancellation
<p>12 months of continuous experience must be gained under the same Approved Principal.</p>	<p>At least 1,250 hours (approximately 1 year) of experience must be gained with the same AP or firm.</p>
<p>At least 1 year of experience must be gained in Singapore to ensure that applicants are conversant with local laws and regulations.</p>	<p>At least 1,250 hours (approximately 1 year) of QAE must be gained in Singapore.</p>
<p>The experience must be gained within 7 years and, of this, 1 year must be gained within the last 3 years.</p>	<p>The QAE must be gained in the 5 years immediately preceding application.</p>
<p>There is an alternative discretionary category, where applicants with at least 6 years of experience but whose experience does not fit existing requirements, will be approved if the PAOC considers the experience to be of sufficient breadth and depth and sufficiently recent.</p>	<p>Discretionary category to be removed.</p> <p>However, there will be an avenue for exemptions supported by particular reasons about why the applicant could not meet the required criteria.</p>