



**THE REGISTRATION FRAMEWORK FOR PUBLIC  
ACCOUNTANTS  
“PATH TO BECOMING A PUBLIC ACCOUNTANT”**

**Consultation Document**

**July 2007**

The Accounting & Corporate Regulatory Authority (ACRA) is Singapore's corporate regulator as well as the independent regulator for public accountants. It was formed from the merger of the Registry of Companies and Businesses (RCB) and the Public Accountants Board (PAB) on 1st April 2004.

ACRA's primary role is that of the regulator of businesses and public accountants. Its secondary role is that of a facilitator of businesses.

ACRA plays an important role in facilitating the doing of business in Singapore but our main role remains that of a regulator. In line with the need to create a responsive and trusted regulatory environment, ACRA seeks to facilitate a pro-enterprise environment. ACRA is committed to continually reviewing the legislation and reducing the regulatory burden to be in tune with business needs and international developments and to help promote entrepreneurship and enterprise. To this end, ACRA sees confidence in corporate reporting and governance as vital to the healthy functioning of businesses and the market, and making a significant contribution to the overall economy and Singapore's competitiveness in international markets.

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## **EXECUTIVE SUMMARY**

The current registration framework for public accountants comprises five elements:

- (a) Academic qualifications;
- (b) Practical experience;
- (c) Continuing professional education;
- (d) Completing the course on ethics and professional practice subjects as determined by the Public Accountants Oversight Committee; and
- (e) Membership with the Institute of Certified Public Accountants of Singapore.

The Accounting & Corporate Regulatory Authority (ACRA) has launched this inaugural public consultation to review whether Singapore's registration framework for public accountants remains sufficiently relevant and robust, especially in light of international developments in recent years. Public consultation is sought for the following:

- (a) Facilitating the entry of international auditors, former public accountants and mid-career entrants into the audit profession;
- (b) Exploring alternative pathways for becoming a public accountant; and
- (c) Regulating "associated persons" in the audit process who contribute significantly to the formation of the audit opinion expressed by the audit engagement partner.

ACRA's desired outcome in embarking on this consultative process is to promote dialogue and transparency which would move Singapore towards an environment of high audit quality.

## ONE - OBJECTIVE OF CONSULTATION PAPER

1.1 One of the Accounting & Corporate Regulatory Authority (ACRA)'s strategic regulatory objectives is to promote high quality audit and corporate financial reporting.

### ***High Quality Audit and Corporate Financial Reporting***

*We will promote high quality audit and corporate financial reporting to build confidence in Singapore's corporate financial reports.*

1.2 This consultation paper seeks to gather views from stakeholders involved in the corporate financial reporting process on whether the existing registration framework for public accountants is sufficiently relevant and robust in producing quality public accountants. Specifically, the paper invites feedback on how the existing registration requirements can be enhanced as well as comments on the possible policy changes to the registration and regulatory framework for public accountants in Singapore.

1.3 The views gathered in this consultation will help ACRA undertake a comprehensive analysis of the specific areas to focus on and to fully assess the costs and benefits of proposed policies with regard to promoting high quality audit.

1.4 Further details on responding to this paper can be found in Section Eleven.

## TWO - BACKGROUND

2.1 ACRA is Singapore's corporate regulator as well as the independent regulator for public accountants. Public accountants *are persons who are registered with ACRA in accordance with the Accountants Act (the "Act") to provide public accountancy services of audit and reporting on financial statements or any other professional services that are required by any written law to be done by a public accountant.* Typically, public accountants are also referred to as the audit partners of the public accounting firms.

2.2 In Singapore, registration as a public accountant is required under the Act in order for one to provide public accountancy services<sup>1</sup>. The Public Accountants Oversight Committee (PAOC) is a committee established under the Act to administer ACRA's regulatory oversight of the public accountancy profession. The PAOC's oversight includes the registration of public accountants and the accounting entities which provide public accountancy services.

2.3 In deciding whether to allow an applicant to be registered as a public accountant, the Act provides that the PAOC must be satisfied that the applicant meets the essential prescribed requirements for registration as a public accountant. Specifically, the current registration framework requires an applicant to satisfy the following conditions:

- (i) Holding the prescribed academic qualifications (professional examinations);
- (ii) Having the prescribed practical experience;
- (iii) Having the requisite continuing professional education;

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<sup>1</sup> Public accountancy services means "*the audit and reporting on financial statements and the doing of such other acts that are required by any written law to be done by a public accountant*". For the purposes of this consultation paper, public accountancy services is also referred to as auditing services.

- (iv) Completing the course on ethics & professional practice subjects as determined by the PAOC; and
- (v) Being a member of the Institute of Certified Public Accountants of Singapore (ICPAS).

2.4 The next few sections that follow will review and discuss each of these registration requirements in greater detail and list out the specific areas for public consultation and feedback.

## **THREE – QUALIFICATIONS**

3.1 In deciding whether to allow a person to be a public accountant, the PAOC must be satisfied that the applicant meets the essential requirements as set out in the legislation.

3.2 This section discusses the legislative framework pertaining to the recognition of academic and professional qualifications from tertiary institutions and professional accountancy bodies for the purpose of registering public accountants in Singapore.

### ***Academic Qualifications***

3.3 The current registration framework recognises accountancy examinations from our local tertiary institutions as well as examinations from professional accountancy bodies. The list of examinations recognised in the legislation for the purpose of registering public accountants is set out in Annex B. The PAOC is currently carrying out a review, in a separate exercise, to ascertain the relevancy of the curriculums of all the listed foreign examinations for the purpose of registering public accountants in Singapore.

3.4 In reviewing the element of qualifications in the registration framework, the focus of ACRA is to ensure the quality and relevancy of the recognised qualifications as well as to facilitate wider options of quality qualifications a person can take towards becoming a public accountant in Singapore.

**Consultation Point 1:**

**We would like to have your views on:**

- (a) The strength and relevancy of the existing qualification requirements for the registration of public accountants for both routes of the tertiary and professional qualifications;**
- (b) The sufficiency of the existing listing of recognised qualifications, whether there are other suitable qualifications that should be recognised in the registration framework.**

## **FOUR - PRACTICAL EXPERIENCE**

4.1 The quality of practical experience encompasses the breadth and depth of practical experience. Currently, an applicant is allowed to obtain a combination of experience in accounting, taxation and audit work towards the fulfillment of the practical experience requirement; but a substantial portion of the requisite experience pertains to audit work.

4.2 The Act currently requires an applicant to have at least three years of practical experience mainly in audit, accounting and taxation. This practical experience comprises a blend of structured and unstructured practical experience. This is similar to the registration requirements of Australia and Hong Kong and is consistent with the minimal benchmark promulgated by the International Federation of Accountants (IFAC)<sup>2</sup>.

4.3 The business environment in which the public accountants operate is fast-changing and there are increasing public expectations and demands placed on the work of the profession. There is thus a need to ensure that the practical experience to be acquired in becoming a good public accountant remains relevant and effective. On this note, this paper proposes to study the area from two perspectives:

- (a) the need for greater scrutiny into the nature of the practical experience required for registration; and
- (b) the need for recency and continuity of being involved in audit work for renewal purposes.

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<sup>2</sup> IFAC is an independent standard-setting board which develops international standards on ethics, auditing and assurance, education, and public sector accounting standards.

## *Nature and depth of practical experience*

4.4 International Education Standard (IES) 8 “*Competence Requirements for Audit Professionals*” issued by IFAC in July 2006 sets out the essential requirements expected of an audit professional and an engagement partner.

4.5 An audit professional is defined as “*a professional accountant who has responsibility, or has been delegated responsibility, for significant judgments in an audit of historical financial information*”. With respect to the adequacy of practical experience, an audit professional is expected to “*acquire a period of relevant practical experience of not less than three years, of which at least two years should be spent in the area of audit of historical financial information under the guidance of an engagement partner*”. The role of an audit professional as defined by IFAC could generally cover audit supervisors and audit managers in Singapore’s context.

4.6 An engagement partner is defined as “*the partner or other person in the audit organization who is responsible for the engagement and its performance, and for the audit report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body*”. In terms of practical experience, an engagement partner is expected to acquire practical experience beyond what is prescribed in IES 8. Public accountants in Singapore would normally fall into this category. IES 8 goes further to add that engagement partners would need to be able to demonstrate competence in the following traits:<sup>3</sup>

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<sup>3</sup> Refer to International Education Standard 8 which is freely available at the following URL <http://www.ifac.org/Store/Category.tpl?Category=Education> for a complete list of the traits that an audit engagement partner would need to demonstrate competence in.

- (a) Leadership responsibility for the quality of audits;
- (b) Assignment of engagement teams, ensuring the collective capabilities and competence to perform the engagement and issue an audit report; and
- (c) Development of the audit report that is appropriate and supported by sufficient appropriate audit evidence.

### ***Recency and Continuity of Practical Experience***

4.7 In Australia, auditors must include details about the nature and complexity of major audit work that they have undertaken in their annual statements to the Australian Securities and Investments Commission (ASIC). The Companies Auditors and Liquidators Disciplinary Board (CALDB) may take action when auditors cease to have the practical experience necessary for carrying out audits, as demonstrated by a failure to perform audit work during a continuous period of 5 years (Corporations Act 2001 Sect 1292 (1) (b) (i)). On the other hand, the UK legislation (in which recognised supervisory bodies are the licensors of auditors) does not specifically require supervisory bodies to have rules requiring a certain amount of audits to be performed. At the same time, there is a general requirement for the supervisory bodies to have rules and practices designed to ensure that persons eligible under its rules for appointment as a company auditor continue to maintain an appropriate level of competence in the conduct of company audits.

4.8 Practical experience is an integral component of the registration framework. The period of practical experience should be sufficiently relevant and extensive to permit applicants to demonstrate that they have obtained the professional skills and knowledge for conducting audit. Specifically, an applicant would need to show that he had had responsibility for the exercising of professional or significant judgment in the audit of historical financial information. Practical experience

would also need to be relevant and kept up-to-date that would commensurate with the nature and size of audit engagements that the applicant is or will be undertaking.

**Consultation Point 2:**

**We would like to have your views on:**

- (a) What are the essential components of practical experience which should be considered for registering public accountants?**
- (b) The nature of the practical experience that should be in place for in registering public accountants, e.g. requiring applicants to specifically have acquired experience in exercising 'professional judgment' or have played a significant part in the audit engagements they have undertaken;**
- (c) The duration of practical experience which is considered sufficient for registering public accountants;**
- (d) The merits of differentiating the practical experience requirement for the purpose of conducting audits of public interest entities versus audits of non-public interest entities?**
- (e) The consideration of requiring public accountants to maintain a certain minimum level of post-registration practical experience in audit engagements, as a pre-requisite for successful renewal of a public accountant's registration.**

## **FIVE - CONTINUING PROFESSIONAL EDUCATION**

5.1 The objectives of Continuing Professional Education (CPE) are to:

- (a) Ensure that public accountants maintain an adequate level of knowledge, skills and abilities to enable them to carry out their work competently and professionally, in the face of current developments, especially in the auditing and financial reporting standards and changing market demands; and
- (b) Maintain public confidence in the public accountancy profession vis-à-vis its continuing ability to provide quality audits.

5.2 Currently, public accountants are required to have 40 CPE hours, for first-time registration as well as for annual renewal purposes.

### ***Rolling Three-Year Period for Administering CPE***

5.3 ACRA's current CPE approach is similar to the input-based approach stated in International Education Standard 7 (IES 7) issued by IFAC. IES 7 specifically defines an input-based approach as:

*“establishing a set amount of learning activity that is considered appropriate to develop and maintain competence”.*

5.4 The IFAC approach allows a professional accountant to complete at least 120 hours or equivalent learning units of relevant professional development activity in each rolling three-year period, of which 60 hours or equivalent learning

units should be verifiable. The professional accountant is required to complete a minimum of 20 hours or equivalent learning units in each year.

5.5 The IFAC approach allows a certain degree of flexibility for a public accountant to meet the CPE requirement, especially in terms of managing his commitment as a professional as well as commitment to his clients. In many jurisdictions, the CPE requirement is mandatory for the annual renewal of an auditor's registration. Many jurisdictions whose professional bodies are members of IFAC have adopted the rolling three-year period approach in administering the CPE.

### ***Recognised Training Organisations***

5.6 Currently, ACRA does not accredit CPE courses and course providers. Many public accounting firms provide in-house training courses for their staff and these in-house courses may not be readily recognised for purposes of fulfilling the CPE requirement. For the purpose of studying a more effective regulatory model, this consultation paper seeks views on the merits of accrediting training organisations for the provision of quality CPE courses for maintaining the competence and professionalism of public accountants. The paper also seeks suggestions on the various approaches towards carrying out such an accreditation.

**Consultation Point 3:**

**We would like to have your views on:**

- (a) Whether the current CPE requirements, with respect to first-time registration and the subsequent renewal, are sufficiently robust;**
- (b) In lieu of requiring a fixed 40 CPE hour requirement, should we have a more flexible, rolling three-year period for administering the CPE requirement?**
- (c) The merits of accrediting the various training organisations (e.g. public accountancy firms) which conduct training programmes, for the purpose of administering the pre-registration and annual renewal requirements for public accountants (in relation to CPE).**

## **SIX - ETHICS AND PROFESSIONAL PRACTICE SUBJECTS**

6.1 Legislation<sup>4</sup> currently prescribes that applicants for registration as public accountants shall complete a course on ethics and professional practice subjects as determined by the PAOC. The purpose of this requirement is to instill applicants with the professional and ethical attributes that a public accountant is expected to have.

6.2 Applicants who wish to register as public accountants are currently required to complete the ‘pre-admission’ course conducted by ICPAS<sup>5</sup>. The ‘pre-admission’ course would cover the following modules over a five day period:

- (a) Accounting;
- (b) Auditing;
- (c) Ethics;
- (d) Legal requirements; and
- (e) Taxation.

6.3 Upholding high standards of ethics remains of paramount importance in fostering public confidence and professionalism of the profession. Feedback and comments are sought on the effectiveness and relevancy of the current approach to fulfill the requirement on ethics and professional practice subjects. Specifically, we would be interested to gather suggestions for areas of improvements that can be introduced to further enhance this element of the registration framework.

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<sup>4</sup> Paragraph 5 of the Accountants (Public Accountants) Rules R1.

<sup>5</sup> Practice Direction No.1 of 2005 “Application for Registration as a Public Accountant”.

**Consultation Point 4:**

**We would like to have your views on:**

- (a) The existing requirement for a course on ethics and professional practice subjects. Is there any particular approach which should be considered, so as to better achieve the fulfillment of this requirement;**
- (b) Do you think that the modules to be completed by a person who wish to become a public accountant are adequate?**
- (c) Do you think that there are other subjects which an applicant should be proficient in and should be made a mandatory requirement in order for one to become a public accountant?**

## **SEVEN - MEMBERSHIP WITH THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF SINGAPORE**

7.1 Membership of a professional accountancy body continues to be a fundamental element as to what it means to be a professional. Professional bodies have played, and will continue to play, a crucial role in maintaining the quality and integrity of the accountancy profession and ensuring that it serves the public interest.

7.2 ICPAS is the sole professional accountancy body recognised for the purpose of registering public accountants in Singapore. There are similar membership requirements for auditors in the United Kingdom, New Zealand and Hong Kong. ACRA views ICPAS as its strategic partner in the regulation of the profession. We would like to seek feedback on the areas to further strengthen this strategic partnership as well as to strengthen the relationship ACRA has with the other professional bodies. We see working with the professional bodies as critical in the regulatory role and seek feedback on how this link with the professional bodies can be further strengthened.

**Consultation Point 5:**

**We would like to have your views on:**

- (a) How the professional membership requirement should be leveraged on in strengthening the quality of our registration framework for public accountants;**
- (b) The different roles the regulator, ICPAS and the other professional bodies could play for the profession;**
- (c) The level of oversight the regulator should have over the professional body for which membership is recognised for the purpose of registering public accountants;**
- (d) What do you think are the areas of strategic interest which ACRA, as the regulator, could pursue in ACRA's relationship with ICPAS and the other professional bodies?**

## **EIGHT – REGISTRATION FRAMEWORK**

### ***Registration***

8.1 Our current regulatory framework requires the registration of individual public accountants and the accounting entities. Currently, ACRA applies a single set of registration requirements for all public accountants. The current registration framework does not differentiate the registration requirements between public accountants carrying out audits of public interest entities<sup>6</sup> (PIEs) and those carrying out audits of non-PIEs only.

8.2 In terms of regulation, ACRA places greater focus on regulating public accountants who carry out audits of PIEs through its practice monitoring programme (PMP). Similarly, the Code of Professional Conduct and Ethics<sup>7</sup> places more stringent requirements for public accountants carrying out audits of public companies.

8.3 Greater public demands and expectations are being placed on public accountants conducting audits of PIEs. As such, the registration and regulatory requirements for this group of public accountants could arguably be differentiated from that for the public accountants carrying out audits of only non-PIEs only.

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<sup>6</sup> Public interest entities generally fall under either one of the following categories: (i) companies listed on the Singapore Exchange (e.g. entities which issues securities in the market to raise capital); (ii) companies in regulated industries (e.g. banks and insurance companies); and (iii) other entities which raise public funds (e.g. charities and co-operatives).

<sup>7</sup> Fourth Schedule to the Accountants (Public Accountants) Rules R1.

**Consultation Point 6:**

**We would like to have your views on:**

- (a) The merits and consideration of having a differentiated system for registering public accountants engaged in audits of public interest entities vis-a-vis those engaged in the audits of non-public interest entities only;**
- (b) If there is a differentiated system of registration, what would be the areas of differentiation in terms of registration requirements and regulatory focus on the public accountants who audit public interest entities versus those who audit non-public interest entities only?**

***“Associated Persons”***

8.4 Audit engagements typically involve a team led by the audit engagement partner assisted by a team of audit professionals, including an audit manager, supervisors, seniors and assistants. These persons associated with the audit engagement (“associated persons”) are generally qualified professionals, holding the relevant academic qualifications and having some practical experience. These associated persons are often heavily involved in the audit process. The audit engagement partner also places significant reliance on the work of these associated persons.

8.5 The Act currently provides ACRA with the regulatory powers to carry out review work and impose consequences only on registered public accountants. The current situation is such that non-public accountants (i.e. the rest of the engagement team members other than the audit engagement partner) do not come under the direct ambit of ACRA’s regulatory work.

### *Extending Registration to “Associated Persons”*

8.6 This consultation paper seeks views on the merits of extending the regulatory oversight to persons associated with an audit engagement, i.e. “associated persons” covering a range of persons, including professional employees involved in an audit. The purpose is to better achieve the regulatory objective of promoting higher quality of audit and, in so doing, foster greater public confidence in the quality and work of the profession.

8.7 The intent is to focus on persons in the audit process who contribute significantly to the formation of the audit opinion expressed by the audit engagement partner. It is envisaged that if “associated persons” were to be regulated, the overall regulatory oversight framework would need to be calibrated equitably such that the degree of responsibility attributed to an “associated person” for any particular audit is proportionate to that person’s level of responsibilities and extent of involvement in that audit engagement.

#### **Consultation Point 7:**

**We would like to have your views on the merits and considerations in extending the registration and regulatory oversight of ACRA to include members of an audit team who are involved in the audit engagements, i.e. the “associated persons”.**

## **NINE – FLOW OF TALENT**

9.1 A current concern within the profession is the “crunch” with attracting and retaining people into the profession. The “people crunch” is generally felt across all the segments within the profession.

9.2 There are many factors which influence the supply and demand of quality audit professionals. Economic growth, especially in certain sectors such as banking and finance, has opened up many alternative career opportunities for accountancy graduates. The increased mobility and adaptability of accountancy graduates would have also encouraged a flow of local audit professionals to foreign countries. All these factors, coupled by the demanding work nature of the profession, have resulted in a high flow of talent out of the profession.

9.3 The profession on its part has responded to the challenges. For example, the local Big-4<sup>8</sup> public accounting firms recently announced increased remuneration packages for accountancy graduates to better attract people into the accountancy profession. Efforts have also been made to address and enhance the non-monetary aspects of the career paths within the profession, such as growth opportunities, work-life balance and future job prospects.

### ***Supply of people into the profession***

9.4 On the supply side, there has been an increasing supply of audit professionals into the profession over the years. The existing supply of people into the profession comes from two main sources - the tertiary institutions such as NTU and the professional institutions administering professional examinations

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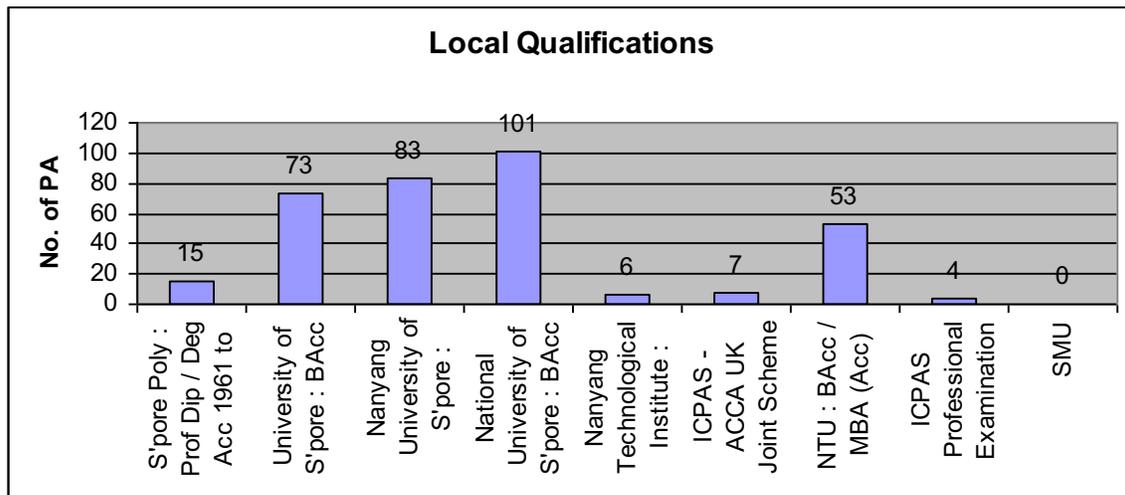
<sup>8</sup> For the purpose of this report, the Big-4 accounting firms refer to Deloitte & Touche, Ernst & Young, KPMG and PricewaterhouseCoopers.

such as the ICPAS, ACCA and CPA Australia. The number of local tertiary institutions providing accountancy related degree courses is also expected to increase over time.

***Current Profile of Registered Public Accountants***

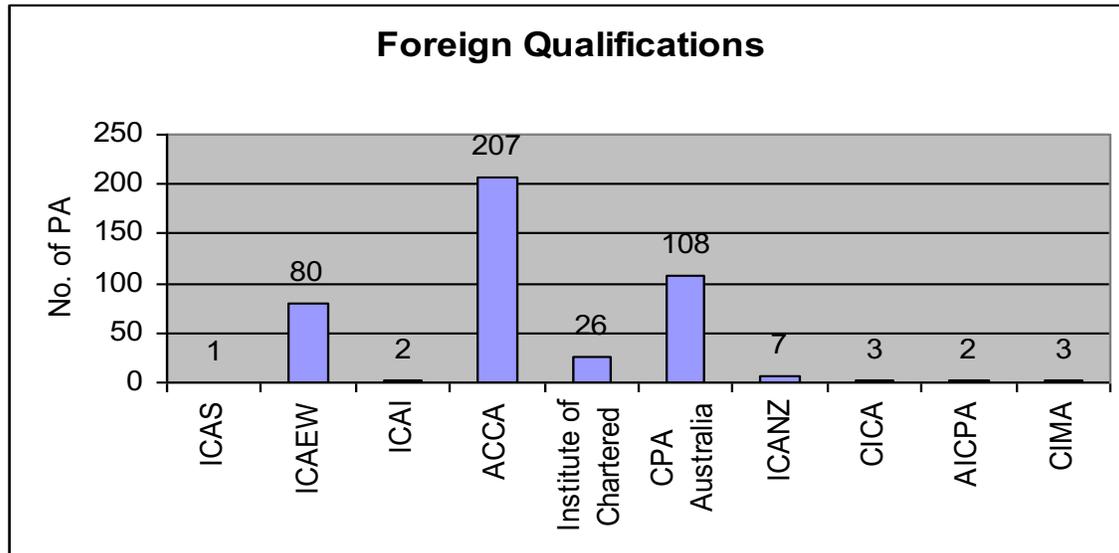
9.5 The profile of registered public accountants could provide a snapshot of the overall profile of the public accountancy profession. As at 31 March 2007, there were 781 public accountants registered with ACRA. From these, 44% (342) public accountants had qualifications from the local tertiary institutions and the ICPAS (Figure 1).

**Figure 1**



9.6 A good 56% (439) of the existing public accountants had qualifications from the foreign professional institutions (Figure 2).

**Figure 2**



### ***Attraction and Retention***

9.7 The attraction and retention policies of the public accounting firms are critical in helping the profession to attract and retain talent, in the overall context of maintaining audit quality. A recent study<sup>9</sup> conducted by the American Institute of Certified Public Accountants (AICPA) concluded that there are different driving forces that influence the recruitment and retention patterns in the accounting industry. In that study, partners from accounting firms believe that the pay package (tangible) is the main determinant behind a new recruit's decision to join and stay with the organization. On the other hand, fresh graduates and audit professionals cited growth opportunities (intangible) as the main factor that influences their decision. There is thus a need for the profession to keep pace and stay relevant with the evolving expectations and desires of the new generation

<sup>9</sup> Top Talent Survey conducted by the Private Companies Practice Section of the AICPA in March 2007.

workforce so as to remain as an attractive career proposition in an increasingly competitive and global environment.

9.8 Another factor that could influence the attraction and retention of audit professionals is the degree of regulation. Internationally, some have argued that unduly stringent regulations and demands on the profession could be a deterrent that discourages potential entrants into the profession.

9.9 ACRA would thus like to gather feedback and comments on the underlying factors which may influence the flow of talent into the accountancy profession. On the regulatory aspect, ACRA is mindful of the need to strike a balance between dual roles as a regulator and as a facilitator in achieving a level of regulation that would be beneficial to the corporate and investor stakeholder groups while at the same time not giving rise to undue barriers which could hinder the flow of people into the profession.

**Consultation Point 8:**

**We would like to have your views on:**

- (a) Areas that ACRA could work with the profession and/or areas that the professional bodies could look into to help foster a sustainable supply of quality people into the profession.**
- (b) Areas involving regulatory rules and regulation for the profession that may have an impact, either positive or negative, on the supply of quality people into the profession.**

### *International Auditors*

9.10 ACRA sees the facilitation of the entry of foreign auditors serving a two-fold purpose, firstly in supplementing the supply of quality people into the profession and secondly in improving the overall audit quality by injecting diversity and additional specialist expertise into the public accountancy profession in Singapore.

9.11 The question arises as to what would serve as a sufficiently robust framework for registering international auditors who wish to practise in Singapore. In particular, how the regulator should facilitate the flow of quality foreign auditors from the different jurisdictions into the Singapore profession while upholding the overall quality of the profession.

9.12 Assessment of the quality of international practical experience would benefit from an objective evaluation of the quality of audit in overseas jurisdictions. ACRA believes that the effective application of International Standards on Auditing (ISA) issued by the IFAC's Auditing and Assurance Standards Board could be considered as an objective baseline indication of the quality of audit in a particular jurisdiction.

9.13 Among the models considered in this consultation paper are those from Hong Kong and Australia. The Hong Kong model recognises overseas practical experience as long as there is in force an agreement of mutual or reciprocal recognition between the Hong Kong Institute of Certified Public Accountants and the overseas professional body. These mutual recognition agreements are usually undertaken on a 'professional-body-to-professional-body basis'.

9.14 The Australian model recognises practical experience obtained overseas, either from the United States or from countries whose professional accountancy bodies are members of the IFAC<sup>10</sup>, and who apply all, or substantially all, of the ISA. The Australian model appears to be an objective, efficient and effective means of facilitating the entry of international auditors.

***Proficiency in local laws***

9.15 To ensure proficiency in local laws, an applicant with foreign professional qualification but with less than two years of practical experience in Singapore is currently required to complete a course on local laws<sup>11</sup>. The rationale is to ensure that persons with foreign practical experience are sufficiently equipped with the requisite knowledge of local corporate and tax laws in order to perform good quality audits.

**Consultation Point 9**

**We would like to have your views on:**

- (a) Facilitating the entry of international auditors vis-à-vis audit quality;**
- (b) The approaches that could be taken to effectively and efficiently facilitate the entry of international auditors, given the varied quality in different jurisdictions.**

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<sup>10</sup> IFAC currently have about 130 member bodies.

<sup>11</sup> Paragraph 6(1) of the Accountants (Public Accountants) Rules defines this to mean an examinations in the following subjects: (a) Singapore Company Law and (b) Singapore Taxation and Tax Management.

### *Former Public Accountants*

9.16 Public accountants may leave the profession for various reasons, such as better prospects in alternative careers, family commitments, or illness etc. It is reasonable to assume that the longer the time one is out of contact with an area of work, the more ‘dated’ his prior working experience could become. It is also likely that someone who has been out of the profession for some time may not be up-to-date with the applicable accounting and auditing standards.

#### **Consultation Point 10:**

**We would like to have your views on:**

- (a) Facilitating the entry of former public accountants into the profession vis-à-vis audit quality;**
- (b) How facilitation could be carried out in terms of the regulatory and registration requirements?**

### *Mid-career entrants*

9.17 For the purpose of this consultation paper, ACRA has defined “mid-career entrants” to include:

- (a) people who have worked in other professional settings, but decided to make a career switch to the audit industry; and
- (b) people equipped with the basic accountancy qualifications, but had chosen not to engage in any accountancy work in the early stages of their career.

9.18 Mid-career entrants include professionals with specialist skills, like bankers, financial analysts, etc. The question arises on whether the lack of prior experience in audit would hamper his ability to perform good quality audits. One view is that professionals from alternative specialised industries often are experts in their own fields. These “experts” could make significant contributions to the audit profession by bringing in valuable knowledge and strengthen the audit team by adding to the team’s range of expertise. Where the mid-career entrant aspires to become a public accountant, he could acquire the necessary audit experience under a public accountant before seeking to be registered.

**Consultation Point 11:**

**We would like to have your views on:**

- (a) Facilitating the entry of mid-career entrants into the audit profession vis-à-vis audit quality;**
- (b) The registration requirements which should be applied to mid-career entrants;**
- (c) Whether any of the following registration requirement should be waived for mid-career entrants:**
  - (i) Academic qualifications (professional examinations);**
  - (ii) Practical experience;**
  - (iii) Continuing professional education;**
  - (iv) Completing the course on ethics & professional practice subjects as determined by the PAOC; and**
  - (v) Membership with the Institute of Certified Public Accountants of Singapore (ICPAS).**

## TEN - ROLE OF THE REGULATOR

10.1 ACRA looks forward to any additional feedback which could assist us in achieving our desired strategic outcome of being an effective and efficient regulator as we all strive to develop in Singapore the most trusted and enabling environment for businesses.

10.2 We would welcome views on areas which ACRA as a regulator should do more, or do less, with respect to the registration and regulation of public accountants.

**Consultation Point 12:**

**We would like to seek views on areas which ACRA as a regulator should do more, or do less, with respect to the registration and regulation of public accountants.**

## **ELEVEN - HOW TO RESPOND**

We invite views on the specific consultation points posed in this document, as well as views on any other matters relevant to this consultation exercise. To assist us in giving due consideration to your feedback, we would appreciate it if you provide an elaboration of the background and reasons for your views and suggestions.

For ease of reference, the specific consultation points are:

**Consultation Point 1:** We would like to have your views on:

- (a) The strength and relevancy of the existing qualification requirements for the registration of public accountants for both routes of the tertiary and professional qualifications;
- (b) The sufficiency of the existing listing of recognised qualifications, whether there are other suitable qualifications that should be recognised in the registration framework.

**Consultation Point 2:** We would like to have your views on

- (a) What are the essential components of practical experience which should be considered for registering public accountants?
- (b) The nature of the practical experience that should be in place for in registering public accountants, e.g. requiring applicants to specifically have acquired experience in exercising ‘professional judgment’ or have played a significant part in the audit engagements they have undertaken;
- (c) The duration of practical experience which is considered sufficient for registering public accountants;
- (d) The merits of differentiating the practical experience requirement for the purpose of conducting audits of public interest entities versus audits of non-public interest entities?

- (e) The consideration of requiring public accountants to maintain a certain minimum level of post-registration practical experience in audit engagements, as a pre-requisite for successful renewal of a public accountant's registration.

**Consultation Point 3:** We would like to have your views on:

- (a) Whether the current CPE requirements, with respect to first-time registration and the subsequent renewal, are sufficiently robust;
- (b) In lieu of requiring a fixed 40 CPE hour requirement, should we have a more flexible, rolling three-year period for administering the CPE requirement?
- (c) The merits of accrediting the various training organisations (e.g. public accountancy firms) which conduct training programmes, for the purpose of administering the pre-registration and annual renewal requirements for public accountants (in relation to CPE).

**Consultation Point 4:** We would like to have your views on:

- (a) The existing requirement for a course on ethics and professional practice subjects. Is there any particular approach which should be considered, so as to better achieve the fulfillment of this requirement;
- (b) Do you think that the modules to be completed by a person who wish to become a public accountant are adequate?
- (c) Do you think that there are other subjects which an applicant should be proficient in and should be made a mandatory requirement in order for one to become a public accountant?

**Consultation Point 5:** We would like to have your views on:

- (a) How the professional membership requirement should be leveraged on in strengthening the quality of our registration framework for public accountants;
- (b) The different roles the regulator, ICPAS and the other professional bodies could play for the profession;

- (c) The level of oversight the regulator should have over the professional body for which membership is recognised for the purpose of registering public accountants;
- (d) What do you think are the areas of strategic interest which ACRA, as the regulator, could pursue in ACRA’s relationship with ICPAS and the other professional bodies?

**Consultation Point 6:** We would like to have your views on:

- (a) The merits and consideration of having a differentiated system for registering public accountants engaged in audits of public interest entities vis-à-vis those engaged in the audits of non-public interest entities only;
- (b) If there is a differentiated system of registration, what would be the areas of differentiation in terms of registration requirements and regulatory focus on the public accountants who audit public interest entities versus those who audit non-public interest entities only?

**Consultation Point 7:** We would like to have your views on the merits and considerations in extending the registration and regulatory oversight of ACRA to include members of an audit team who are involved in the audit engagements, i.e. the “associated persons”.

**Consultation Point 8:** We would like to have your views on:

- (a) Areas that ACRA could work with the profession and/or areas that the professional bodies could look into to help foster a sustainable supply of quality people into the profession;
- (b) Areas involving regulatory rules and regulation for the profession that may have an impact, either positive or negative, on the supply of quality people into the profession.

**Consultation Point 9:** We would like to have your views on:

- (a) Facilitating the entry of international auditors vis-à-vis audit quality;
- (b) The approaches that could be taken to effectively and efficiently facilitate the entry of international auditors, given the varied quality in different jurisdictions.

**Consultation Point 10:** We would like to have your views on:

- (a) Facilitating the entry of former public accountants into the profession vis-à-vis audit quality;
- (b) How facilitation could be carried out in terms of the regulatory and registration requirements?

**Consultation Point 11:** We would like to have your views on:

- (a) Facilitating the entry of mid-career entrants into the audit profession vis-à-vis audit quality;
- (b) The registration requirements which should be applied to mid-career entrants;
- (c) Whether any of the following registration requirement should be waived for mid-career entrants:
  - (i) Academic qualifications (professional examinations);
  - (ii) Practical experience;
  - (iii) Continuing professional education;
  - (iv) Completing the course on ethics & professional practice subjects as determined by the PAOC; and
  - (v) Membership with the Institute of Certified Public Accountants of Singapore (ICPAS).

**Consultation Point 12:** We would like to seek views on areas which ACRA as a regulator should do more, or do less, with respect to the registration and regulation of public accountants.

Comments on the consultation document may be sent by 24 August 2007, to:

**ACRA**

**Strategy & Planning Unit**

**10 Anson Road, #05-01/15**

**International Plaza**

**Singapore 079903**

**E-mail:**

**[HTTP://WWW.ACRA.GOV.SG/FEEDBACK](http://www.acra.gov.sg/feedback)**

**For general information about ACRA, please visit our website at:**

**[www.acra.gov.sg](http://www.acra.gov.sg)**

**Professional Examination**

An applicant must at the time of his application for registration —

- (a) have passed the final examination in accountancy of one of the following:
  - (i) the Singapore Polytechnic for the professional diploma and for the degree course in accountancy for the years 1961 to 1969;
  - (ii) the University of Singapore for the degree of Bachelor of Accountancy;
  - (iii) the Nanyang University of Singapore for the degree of Bachelor of Commerce (Accountancy) or Bachelor of Accountancy;
  - (iv) the National University of Singapore for the degree of Bachelor of Accountancy;
  - (v) the Nanyang Technological Institute for the degree of Bachelor of Accountancy;
  - (vi) the Institute of Certified Public Accountants of Singapore (formerly known as the Singapore Society of Accountants) — Association of Chartered Certified Accountants of the United Kingdom Joint Scheme;
  - (vii) the Nanyang Technological University for the degree of Bachelor of Accountancy or Master of Business Administration (Accountancy);
  - (viii) the Institute of Certified Public Accountants of Singapore Professional Examination; or
  - (ix) the Singapore Management University for the degree of Bachelor of Accountancy or Master of Professional Accountancy; or

(b) have passed the final examination in accountancy of one of the following or its recognised equivalent:

- (i) the Institute of Chartered Accountants of Scotland (ICAS);
- (ii) the Institute of Chartered Accountants in England and Wales (ICAEW);
- (iii) the Institute of Chartered Accountants in Ireland (ICAI);
- (iv) the Association of Chartered Certified Accountants (ACCA) (formerly known as the Chartered Association of Certified Accountants);
- (v) the Institute of Chartered Accountants in Australia (ICAA);
- (vi) CPA Australia (formerly known as the Australian Society of Certified Practising Accountants);
- (vii) the Institute of Chartered Accountants of New Zealand (ICANZ) (formerly known as the New Zealand Society of Accountants);
- (viii) the Canadian Institute of Chartered Accountants (CICA);
- (ix) the American Institute of Certified Public Accountants (AICPA); or
- (x) the Chartered Institute of Management Accountants of the United Kingdom (CIMA), except that CIMA members shall have passed the following subjects:

- (A) Financial Reporting Environment;
- (B) Accounting and Audit Practice;
- (C) Advanced Taxation; and
- (D) Company Law and Corporate Governance;

and shall have also passed such other examination and have fulfilled such other requirements as may be determined by the Oversight Committee.

**Background Information on the Regulation of Public Accountants in Singapore**

Public accountants are regulated under the Accountants Act Cap. 2 and the regulations made thereunder. The provision of "public accountancy services" is regulated by statute.

Public accountants (registered under the Accountants Act) and accounting firms, accounting corporations and accounting limited liability partnerships (approved under the Accountants Act) are entitled to provide public accountancy services in Singapore. "Public accountancy services" is defined in section 2 of the Accountants Act to mean "the audit and reporting on financial statements and the doing of such other acts that are required by written law to be done by a public accountant". In particular, only a public accountant, accounting firm, accounting corporation or accounting limited liability partnership ("accounting LLP") may be appointed as a company auditor under the Companies Act. Companies incorporated in Singapore are required to have their financial statements audited under section 205 of the Companies Act unless they are exempted from the auditing requirements under section 205B or 205C of the Accountants Act.

Current legislation states that up to one-third of the owners of an accounting firm, accounting corporation or accounting LLP (or at least one partner where the partnership or LLP consists of only 2 partners) may be non-public accountants and such accounting entities may, in addition to public accountancy services, provide liquidation, bookkeeping, corporate finance and tax consultancy services.

While only a person registered as a public accountant under the Accountants Act may call and hold him or herself to be a "public accountant", the use of the title of "accountant" is not regulated. Any person with the requisite educational or professional qualifications may justifiably use the term "accountant". While many "accountants" in Singapore are members of ICPAS (the Institute of Certified Public Accountants of Singapore) and membership of ICPAS is a condition for registration as a public accountant under the Accountants Act, membership with ICPAS is not compulsory before a person may describe him or herself as an "accountant".



Accounting and Corporate Regulatory Authority

10 Anson Road

#05-01/15, International Plaza

Singapore 079903

Website: [www.acra.gov.sg](http://www.acra.gov.sg)