

PRACTICE DIRECTION NO. 1 of 2026

EXTERNAL PRIVATE CAPITAL ARRANGEMENTS IN ACCOUNTING ENTITIES

Aim

1. This practice direction sets out the key considerations and regulatory expectations for accounting entities that are considering, implementing, or operating under external private capital arrangements¹ that may affect their ownership, governance or control structures.

Background

2. In recent years, there has been growing interest in external private capital arrangements in accounting entities, both globally and in Singapore. The potential benefits of such arrangements include but are not limited to providing accounting entities with access to capital to expand their service offerings, invest in technology and pursue strategic acquisitions. However, changes in ownership, governance and control structures, if not properly managed, may create commercial pressures and conflicts of interest which could adversely affect audit quality.

3. ACRA recognises the potential benefits of external private capital in accounting entities. However, accounting entities should be aware of legislative requirements before embarking on such arrangements, whilst ensuring that audit quality or professional ethics are not compromised.

Legislation

4. Sections 17, 18 and 18A of the Accountants Act 2004 set out the requirements for the approval of accounting corporations, accounting firms and accounting limited liability partnerships (“LLPs”) respectively. These provisions require that:

- a. At least two-thirds of the directors (for accounting corporations) or partners (for accounting firms and accounting LLPs) must be public accountants; and

¹ For the purposes of this Practice Direction, “external private capital arrangements” refer to arrangements that introduce non-public accountant ownership or economic participation in an accounting entity. These may include, but are not limited to:

- (a) Minority or majority equity investments by private equity firms, venture capital funds, family offices or other external investors;
- (b) Holding company, platform or group structures; and
- (c) Other capital restructuring arrangements that result in changes to ownership, governance or control.

- b. The business of the accounting entity, so far as it relates to the provision of public accountancy services in Singapore, must be under the control and management² of public accountants ordinarily resident in Singapore.

5. Accounting entities and public accountants must comply with the Code of Professional Conduct and Ethics Applicable to Public Accountants and Accounting Entities as prescribed under the Accountants (Prescribed Standards and Code of Professional Conduct and Ethics) Order 2023 (“ACRA Code”).

6. The ACRA Code requires public accountants and accounting entities to maintain independence in audit and assurance engagements. It also requires them to apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles³, including threats that may arise from financial interests, business relationships, remuneration arrangements, arrangements that give rise to influence or control over professional judgement and any form of undue pressure or influence.

Regulatory expectations

7. Accounting entities considering, implementing or operating under such arrangements must demonstrate continued compliance with all applicable legal and regulatory requirements and ensure that audit quality, professional ethics and independence are not compromised, both in substance and in form. This includes but is not limited to:

- a. Control and Management

- Public accountants must retain effective control and management over the provision of public accountancy services.

- b. Ethical and Independence Framework

- The conceptual framework under the ACRA Code is applied on a continuous basis to identify and evaluate threats to compliance with the fundamental principles and independence requirements, including threats arising from financial interests, business relationships, remuneration arrangements, arrangements that give rise to influence or control over professional judgement and any form of undue pressure or influence.

² Examples of control and management include, but not limited to, day-to-day operational management, supervision and direction of audit work, implementation of quality control systems and processes, and ultimate decision-making authority over matters relating to the provision of public accountancy services.

³ The ACRA Code sets out the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour

- Appropriate safeguards are implemented to eliminate or reduce identified threats to an acceptable level, taking into consideration the nature and significance of the threats.

c. Ethical Culture and Safeguards

- Measures to preserve and promote an ethical culture within the accounting entity, including establishing clear boundaries on investor involvement in audit matters and restrictions on access to confidential client information should be implemented.
- Additionally, accounting entities must assess and address the potential implications of external private capital arrangements on the firm's culture, including changes to financial incentives, key performance indicators, growth targets, or operational pressures that could compromise audit quality, professional judgement, or compliance with ethical requirements.

d. Independence Considerations, including Firm and Network Boundaries

- Accounting entities should assess how external private capital arrangements may expand the firm's boundaries to include entities or individuals or established network relationships that could introduce additional independence considerations. Given the inherent complexity and sophistication of such arrangements, accounting entities will need to conduct a thorough due diligence when analysing new or revised ownership structures.
- External private capital arrangements may introduce additional independence considerations that warrant further assessment. These include:
 - Financial interest conflicts where prohibited interests may exist in audit clients or portfolio companies;
 - Business or family relationships that could create self-interest or familiarity threats; and
 - Complexities arising from the provision of non-assurance services to audit clients, particularly where growth strategies involve cross-selling services to portfolio companies or expansion through mergers and acquisitions.

e. Documentation and Ongoing Assessment

- Accounting entities are expected to document assessments, conclusions and safeguards, and update these in a timely manner when facts and circumstances change, including post-investment developments.

Engagement with ACRA

8. Given the complexity of external private capital arrangements and their potential regulatory implications, accounting entities considering such arrangements should engage with ACRA early in their planning process.

9. ACRA will continue to monitor developments in this area. This practice direction will be reviewed and updated as appropriate to reflect evolving practices.

Additional Resources

10. For further guidance on international ethics and independence considerations relating to private equity investment in accounting firms, accounting entities may refer to IESBA Staff Alert "[Private Equity Investment in Accounting Firms: Key Ethics and Independence Considerations](#)" (July 2025).

Legal Provisions

11. The legal provisions relevant to and referred to in this Practice Direction are:

- a. Sections 17, 18 and 18A of the Accountants Act 2004; and
- b. Accountants (Prescribed Standards and Code of Professional Conduct and Ethics) Order 2023.

Further Information

12. Enquiries and feedback can be sent through <https://www.acra.gov.sg/feedback>

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