

GUIDANCE TO AUDIT FIRMS ON ACRA'S AUDIT QUALITY INDICATORS DISCLOSURE FRAMEWORK



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OVERVIEW

ACRA has introduced an Audit Quality Indicators (AQIs) Disclosure Framework (the “Framework”) to enhance discussions between audit committees and audit firms on elements that contribute to or are indicative of audit quality.

The Framework comprises eight (8) AQIs, which are to be disclosed at engagement and/or firm-level as follows:

No.	AQI	 Engagement-Level  Firm-Level
1	AUDIT HOURS Time Spent by Senior Audit Team Members	
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	INDEPENDENCE Compliance with Independence Requirements	 & 
6	QUALITY CONTROL Headcount in Quality Control Functions	
7	STAFF OVERSIGHT Staff per Partner / Manager Ratio	
8	ATTRITION RATE Degree of Personnel Losses	

For details on the Framework and a sample presentation format, please refer to the [Guidance to Audit Committees on ACRA’s AQIs Disclosure Framework](#)¹.

To guide audit firms to prepare AQI data consistently, ACRA has developed this Guidance to Audit Firms on ACRA’s AQI Disclosure Framework. The aim is to ensure the comparability of the AQI data provided by audit firms, which will then allow for meaningful analysis by audit committees. Through its Practice Monitoring Programme, ACRA will perform sample checks to ensure that AQI data provided by audit firms are prepared in accordance with the basis set out in this guidance.

The measurement bases for each AQI are set out in the following sections.

Disclaimer:

The contents of this publication are provided for the guidance of audit firms in preparing the AQI data in accordance with the Framework. They may not exhaustively define all circumstances faced by each firm. Further enquiries on the measurement basis can be sent through AskACRA² under the subject matter “AQI”. ACRA reserves the right to revise the Framework and the measurement basis of each AQI from time to time as deemed necessary.

¹ https://www.acra.gov.sg/Publications/Guides/Guidance_to_ACs_on_AQI_Framework/

² https://www.acra.gov.sg/ask_ACRA_FAQs

AUDIT HOURS

Time Spent by Senior Audit Team Members

GRANULARITY: 

DEFINITION

This AQI highlights the number of hours spent by senior audit team members, comprising the lead audit partner³, concurring partner⁴, other partner(s)⁵ and audit manager(s)⁶ in the audit engagement. This comprises hours incurred by the Singapore audit team and those of member firms of the same network.

This AQI is presented in absolute and relative (as a % of total audit hours) terms.

MEASUREMENT BASIS

Measurement Period:

Throughout the entire audit (i.e. audit planning, fieldwork and completion). To disclose for the past two years⁷.

Computation Method:

i) Lead Audit Partner, Concurring Partner, Other Partner(s) and Audit Manager(s) Hours

The number of audit hours:

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

ii) Lead Audit Partner, Concurring Partner, Other Partner(s) and Audit Manager(s) Hours as a % of Total Audit Hours

$$\text{Computation formula} = \frac{\text{Partners + Audit Manager(s) Hours}}{\text{Total Audit Hours}}$$

Composition of Total Audit Hours:

Includes	Excludes
<ul style="list-style-type: none">• Audit hours incurred for audits of group entities (e.g. subsidiaries, joint ventures and associates) by the Singapore firm and its member firms of the same network. They <u>include</u> statutory audits of these entities.• Audit hours incurred by specialists (both internal and external of the firm) 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.	<ul style="list-style-type: none">• Audit hours incurred by non-professional staff (e.g. interns, temporary staff and administrative support staff).

³ Lead audit partner refers to the partner in charge of the overall audit engagement.

⁴ Concurring partner refers to the quality control review partner who objectively evaluates the significant judgments the audit team makes and the conclusions the audit team reaches in formulating the audit opinion.

⁵ 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 lead audit partner relied to support the overall audit opinion.

⁶ Audit manager(s) refers to auditors performing managerial duties under the direct supervision of the audit partners. This would exclude auditors designated as assistant managers and below.

⁷ For audit tenders, please provide budgeted hours of the proposed audit team for the first year audit. At the end of the first year audit, please provide a comparison of actual hours against budgeted hours. At the end of the second and subsequent year audit, please provide actual hours for the past two years.

EXPERIENCE

Years of Audit Experience and Industry Specialisation

GRANULARITY: 

DEFINITION

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

- i) Lead Audit Partner;
- ii) Concurring Partner;
- 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 lead audit partner, the concurring partner and the audit manager(s)) involved in the audit engagement.

MEASUREMENT BASIS

Measurement Period:

Audit experience as of the financial year end of the audit for the two past years⁹.

Computation Method:

- i) For categories with more than one auditor (e.g. 6 auditors 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 mid-career hires, prior audit experience is recognised to the extent that it commensurates 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 the Audit Team Members:

Includes	Excludes
<ul style="list-style-type: none">Professional staff based in outsourced offices or seconded from an overseas member firm to the Singapore firm.	<ul style="list-style-type: none">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 lead audit partner, the concurring partner and the audit manager(s) is to be provided.

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

⁹ For audit tenders, please provide estimated years of experience of the proposed audit team for the first year audit.

At the end of the first year audit, please provide a comparison of actual years of experience against budgeted figures.

At the end of the second and subsequent year audit, please provide actual years of experience for the past two years.

TRAINING

Average Training Hours and Industry Specific Training

GRANULARITY:  & 

DEFINITION

This AQI highlights the average structured training hours received by the auditors in the past year.

At the audit firm-level, this AQI is presented by the following categories:

- i) Audit Partner;
- 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 industry specific training for senior audit team members (i.e. the lead audit partner, the concurring partner and the audit manager(s)) involved in the audit engagement.

MEASUREMENT BASIS

Measurement Period:

12 months ended 30 September of each year. To disclose for the past two years.

Computation Method:

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

Composition of Training Hours:

The type of structured 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).

	Includes	Excludes
Training type	<ul style="list-style-type: none"> • Classroom-based training. • Technology-based learning (e.g. e-learning, web-based training). 	<ul style="list-style-type: none"> • On-the-job training. • Technical consultations.
Staff category	<ul style="list-style-type: none"> • Professional staff seconded from an overseas member firm to the Singapore firm. 	<ul style="list-style-type: none"> • 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 and administrative support staff).

INSPECTIONS

Results of External and Internal Inspections

GRANULARITY:  & 

DEFINITION

This AQI highlights the outcome of audit quality inspections carried out on audit engagements:

- i) by an external audit regulator (external inspections)¹⁰;
 - ii) within the audit firm (internal inspections)¹¹; and
- the action taken to remediate the findings from these inspections.

DISCLOSURE

Firm-Level (Inspection Results)

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-Level (Inspection Results of Lead Audit Partner and Concurring Partner)

Where applicable, to disclose:

- i) the most recent results of any external/internal inspections carried out on audits of the lead audit partner and concurring partner;
- 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 follow the rating system or outcome arising from the inspections. E.g. For inspections carried out by ACRA, the results will be disclosed by the number of pass / fail cases.

¹⁰ 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://www.acra.gov.sg/Publications/Reports/Practice_Monitoring_Programme_Public_Reports) for the latest inspection report by ACRA.

¹¹ Internal inspections are conducted by the audit firm, either by a local or international quality review team as part of its quality monitoring programme.

INDEPENDENCE

Compliance with Independence Requirements

GRANULARITY:  & 

DEFINITION

This AQI highlights independence breaches under ACRA's Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities identified by the audit firms. It also describes independence breaches involving team members in the audit engagement (if any).

DISCLOSURE

Firm-Level (Independence Compliance Testing Results / Description of Breaches)

To disclose:

- i) the statistics relating to the audit firm's independence monitoring and compliance programme for the 12 months ended 30 September for the past two years:
 - a) Areas of independence compliance tested (e.g. Partner, Manager and Professional Staff Independence Testing and/or Client Independence Testing¹²);
 - b) Scope of testing;
 - c) Sample sizes selected for each area tested; and
 - d) Results of firm's independence testing.
- ii) Description of breaches, if any, and the follow-up actions taken. This covers breaches identified through the independence compliance testing and other sources (e.g. self-reported).

Engagement-Level (Compliance by Audit Team Members)

To disclose whether any independence breaches involving members of the audit team had been detected. If yes, to describe the breach and the follow-up actions taken.

¹² Partner, Manager and Professional Staff Independence Testing: To ascertain whether the auditor holds any financial interest in the firm's audit clients.
Client Independence Testing: To ascertain whether the firm's provision of non-audit services, its business relationships and audit / non-audit fee arrangements with the audit client are in line with the audit firm's independence requirements.

QUALITY CONTROL

Headcount in Quality Control Functions

GRANULARITY: 

DEFINITION

This AQI highlights partner and manager 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 Function	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 (as a % of total audit resources) terms as follows:

- i) Full-time equivalent (FTE) partners and managers headcount in QCF;
- ii) Ratio of QCF partners to total audit partners 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:

12 months ended 30 September of each year for the past two years.

Computation Method:

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

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

i) Full-Time Equivalent (FTE) of Partners and Managers Headcount in each QCF

- Partner or manager serving in each QCF on full-time basis with no audit portfolio will be counted as one FTE.
- Should the partner or manager 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 Partners & Total Audit Managers

- Computed based on the average of month-end headcount of audit partners / audit managers in the audit firm for the Measurement Period in question.

Composition of Partners and Managers in QCF:

Includes	Excludes
<ul style="list-style-type: none"> • QCF Partners and Managers seconded from an overseas member firm to the Singapore firm. • QCF Partners and Managers located in the firm's international or regional network office that provide direct and dedicated audit support to the Singapore firm. 	<ul style="list-style-type: none"> • QCF Partners and Managers seconded from the Singapore firm to an overseas member firm.

STAFF OVERSIGHT

Staff per Partner / Manager Ratio

GRANULARITY: 

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:

12 months ended 30 September of each year for the past two years.

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 / audit service work (e.g. the audit partner's portfolio size vis-à-vis the typical portfolio size of a full-time partner).

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 / audit service work.
- Should the audit managers and audit professional staff be assigned responsibilities other than audit / audit service 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 / audit service work.
- Audit professional staff headcount comprises auditors below managerial level.

Composition of Auditors:

Includes	Excludes
<ul style="list-style-type: none">• Professional staff seconded from an overseas member firm to the Singapore firm.	<ul style="list-style-type: none">• 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).

ATTRITION RATE

Degree of Personnel Losses

GRANULARITY: 

DEFINITION

This AQI highlights the percentage of auditors that left the audit firm in the past years.

MEASUREMENT BASIS

Measurement Period:

12 months ended 30 September of each year for the past two years.

Computation Method:

$$\text{Staff Turnover Rate} = \frac{\text{No. of Auditors who Left the Audit Firm}}{\text{Total Auditors in the Audit Firm}}$$

- 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 Measurement Period in question.

Composition of Total Auditors in the Audit Firm:

Includes	Excludes
<ul style="list-style-type: none">Professional staff seconded from an overseas member firm to the Singapore firm.	<ul style="list-style-type: none">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).

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