

Clarifications to Questions on Hot Review

Public Accountant (PA) under hot review order

1. What are the legal provisions which provide the Oversight Committee with the power to issue hot review orders?

The legal provisions governing this initiative are section 38(1)(b) and 38(2)(b)(iii) of the Accountants Act.

2. What is the objective of the hot review?

The purpose of subjecting the work of the PA to a hot review is to uphold audit quality, by enabling the PA to improve his work under the supervision of a suitably qualified PA or former PA (the hot reviewer).

The hot reviewer serves as a mentor assisting the PA under review to review the quality of the audit process undertaken. The focus is on helping the PA to improve the quality of his audit process. Notwithstanding the review, the responsibility of the PA who is under review in signing off the audit report with respect to the audit judgment and opinion issued remains unchanged.

That is, the PA, being the audit engagement partner, remains solely responsible for the audit engagements that have been signed off notwithstanding that the engagement has been reviewed by a hot reviewer.

Timing of hot review

3. Is hot review required concurrently as the audit progresses?

Yes, the PA should ensure he engages the hot reviewer throughout the audit process (i.e., from the initial planning phase (where practicable) through the completion phase of the audit) in a timely manner. The hot review process must be completed prior to the conclusion of the audit and the date of the audit report.

Selection of audit engagements

4. How many audit engagements will be subject to hot review?

There are different orders issued by the Oversight Committee depending on the severity of findings made during the practice review.

The number of audit engagements to be subject to hot review within a specified hot review period will be stated in the order issued by the Oversight Committee.

5. Are there any criteria for the selection of the audit engagements, if not expressly stated in the order issued by the Oversight Committee?

The PA should bear in mind that the objective of the hot review is to provide an opportunity to improve on his audit process under the guidance of another suitably qualified PA or former PA.

Whilst it is not a requirement, the PA is encouraged to select audit engagements that are relevant to the inspection finding(s).

As a reminder, the selection of the audit engagements must not be for audits of dormant companies. If the PA does not have the requisite number of engagements with each entity having a turnover greater than S\$10 million, the PA should form the requisite number of cases in the manner below:

- Firstly, to include all existing audit engagements with each entity having a turnover greater than S\$10 million;
- Then make up the balance by including any other audit engagements, but these must not be audits of dormant companies.

In any case, the PA is still required to subject the requisite number of engagements to hot reviews within the period specified.

6. What if the PA is unable to comply with the number of audit engagements to be subjected to hot review?

What should the PA do if he/she knows that he/she is not able to comply with the hot review order prior to the expiry of his/her hot review date?

The PA is required to inform ACRA at least one month prior to the expiry of his/her hot review period. The PA has to provide evidence to substantiate the application for a variation in the order for the Oversight Committee's consideration.

The Oversight Committee may consider varying the order to require other files to be hot reviewed.

Hot reviewer

7. Who can be engaged as a hot reviewer?

The PA can engage any suitably qualified PA or former PA, subject to ACRA's approval, to be the hot reviewer so long as there are no conflict of interest or independence issues.

8. Who is considered a suitably qualified hot reviewer?

A registered PA who has obtained a satisfactory outcome from ACRA's practice review is considered a suitably qualified hot reviewer.

Alternatively, a former PA who has obtained a satisfactory outcome from the practice review and has kept himself sufficiently abreast of the changes to audit processes may also be considered a suitably qualified hot reviewer.

PAs who do not have a hot reviewer in mind may wish to refer to the list of hot reviewers that can be found at [<https://isca.org.sg/member-support/PMP-review-panel/HotPeer-review-panel>] as reference.

9. Does the PA need to seek approval from ACRA for the hot reviewer selected?

Yes, the PA needs to seek prior approval from ACRA for the hot reviewer selected within 2 weeks from the date of order.

10. Can a PA or former PA decline to be appointed as hot reviewer if he/she is not comfortable with the work of the PA who did not obtain a satisfactory outcome from his/her practice review?

Hot reviewers should in the first place assess whether he/she is in the position to act as the PA's mentor to improve audit quality. If the hot reviewer is not confident of doing so, including having sufficient time to commit to the hot review process, the hot reviewer should not accept the appointment.

11. Is the hot reviewer to be compensated?

Any compensation (if any) made to a hot reviewer is to be determined by way of private arrangement between the PA and the hot reviewer.

12. Are there any guidelines on the number of hours for reviewing an engagement file or fees to bill a PA?

No, as the hours incurred or fees billed should depend on the complexity of the file reviewed.

13. Does the compensation arrangement need to be reported to ACRA?

No, the compensation arrangement need not be reported to ACRA. For clarity, the appointment of a hot reviewer should be confirmed in an engagement letter that should cover matters such as those pertaining to the scope of engagement, remuneration, confidentiality, responsibility and professional conduct. The details of the engagement letter are privately agreed upon between the PA and the hot reviewer.

14. What should be covered in the hot reviewer's appointment letter?

The appointment letter should cover matters pertaining to scope of engagements, remuneration, confidentiality, responsibilities and professional conduct etc.

15. What if a PA is unable to find another PA or former PA to be his/her hot reviewer?

PAs can refer to the list of hot reviewers in ISCA website (<https://isca.org.sg/member-support/PMP-review-panel/HotPeer-review-panel>) for reference. If this fails, please contact ACRA's officer stated within the order letter.

16. What if no one wants to be appointed as the hot reviewer? How can ACRA help in such situation?

The PA should inform ACRA and ACRA will liaise with the pool of available hot reviewers as necessary.

17. What if a PA requires more time to appoint the hot reviewer? (Note: a PA has to submit the hot reviewer appointment within 2 weeks from the date of order)

PA must contact ACRA and ask for an extension of time within 2 weeks from the date of the written notification to the PA about the order.

18. During the PA's hot review period, should the duly approved hot reviewer fail to obtain a satisfactory outcome from his own PMP, is there a requirement to change the hot reviewer?

The PA has to assess the suitability of the hot reviewer at the outset and again when new factors come to his knowledge. As a matter of practice, ACRA will allow a hot reviewer to continue as the hot reviewer for the PA in respect of the ongoing engagement for the specific hot review. However, ACRA will not allow such hot reviewers to be appointed for any future hot reviews.

Responsibility under the hot review

19. Are there any checklists or manuals that (a) the hot reviewer needs to refer to; or (b) will guide the hot reviewer during the hot review process?

The hot reviewer will exercise his professional judgement to conduct the hot review in a manner as he considers necessary so as to meet the objective of providing guidance to the PA to improve the quality of his audit process. The hot reviewer should also request for the complete set of findings report issued by ACRA and a copy of the remediation plan drawn up by the public accountant to address the audit deficiencies noted in the Oversight Committee's order letter. The hot reviewer should assist the PA in implementing the action plans (where relevant) noted in his remediation plan.

The PA and the hot reviewer should take note that the audit should be conducted in accordance with the Singapore Standards on Auditing and the audited financial statements should be properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap 50 and the applicable accounting framework. The PA and the hot reviewer should refer to ACRA's Practice Direction 2 of 2024 on Hot Review for further details on the scope of the hot review process.

20. What is the extent of review a hot reviewer should perform?

The hot reviewer should request the PA to submit the whole audit file, including the permanent audit file for hot review. Key audit issues and high-risk areas should also be discussed with the PA to determine whether the PA has firstly identified the key risk areas and any audit issues. The hot reviewer should be reviewing the work papers to assess that appropriate steps have been taken to address the key audit issues and high-risk areas.

21. What if the hot reviewer is too busy to review the files prior to the expiry of the hot review period?

This should be addressed upfront during appointment of a hot reviewer. If there is any valid reason for a delay, the PA has to inform ACRA one month prior to the expiry of his/her hot review period to request for extension. ACRA reserves the right to exercise discretion to grant extension on a case-by-case basis.

22. What if the PA had not given the hot reviewer adequate time to review the file? Is there a minimum time frame stipulated?

There is no stipulated time frame within the hot review period. However, the PA should start planning once notified of the order and allow sufficient time for the hot reviewer to review the file, bearing in mind the intended sign-off date, the end of hot review period and the hot reviewer's workload.

This is to ensure that the hot reviewer has adequate time to mentor the PA. The hot reviewer should clearly communicate this in the appointment letter.

23. Does a report arising from the hot review need to be prepared?

Yes, a report should be prepared so that the PA can provide documentary evidence that the hot review process had taken place and demonstrate compliance with the hot review order issued by the Oversight Committee. Although the format of the hot review report is at the discretion of the hot reviewer, the hot review report should at least contain minimum information as listed in Annex A.

24. Who should the hot review report be submitted to?

No submission is required until notified by ACRA. ACRA will request for the hot review reports report as necessary and review the hot review reports to assess the effectiveness of the hot review process and PA's compliance with the hot review order.

Compliance of hot review order

25. Will any disciplinary action be taken against the PA for non-compliance of the hot review order?

ACRA takes a serious view of PAs who fail to comply with the Oversight Committee's orders for hot reviews. Non-compliance with the hot review order may result in disciplinary and/or enforcement action.

Basic information to be included in the hot review report

- Name of Public Accountant (PA) under review;
- Name of PA acting as hot reviewer and registration number;
- For the engagements selected for review:
 - Name of entity;
 - Financial year-end;
 - Date of audit engagement letter;
 - Number of years on audit engagement for partner/manager;
 - Type of auditor's report issued;
 - Sign-off date of auditor's report;
 - Date of subsequent events performed;
 - Principal activities;
 - Materiality, performance materiality and uncorrected detected misstatements;
 - Audit approach;
 - Risk areas identified by the PA;
 - Summary of key issues by the PA;
 - Discussion of key issues and basis of key judgements between the hot reviewer and the PA;
 - Number of hours spent on the hot review;
- List of findings raised in relation to each of the engagements reviewed;
- Dates of commencement and completion of the hot review;
- Signature of hot reviewer; and
- Date of hot review report

Suggested Hot Review Report Template

THIS SECTION TO BE COMPLETED BY THE PUBLIC ACCOUNTANTS UNDER HOT REVIEW ORDER

SECTION A: ENGAGEMENT INFORMATION

1. Name of PA: _____
2. Name of PA firm: _____
3. Name of hot reviewer: _____
4. Name of entity under hot review: _____
5. Financial year ended: _____
6. Date of audit engagement letter: _____
7. Number of years the audit engagement partner has been on this audit engagement:
_____ years
8. Number of years the audit engagement manager has been on this audit engagement:
_____ years
9. Principal activities of the company:

10. Materiality used:
 - a) Group materiality (if applicable): _____
 - b) Performance materiality: _____
 - c) Uncorrected detected misstatements: _____
11. Audit approach:

14. Date of the subsequent events review is performed up to _____

15. Type of audit opinion issued: _____

16. Date of auditor's report: _____

_____ [signature of PA on hot review order]

[Name of PA on hot review order]

[PA's registration number]

