

PRACTICE DIRECTION NO. 2 OF 2024
PRACTICE MONITORING PROGRAMME – “HOT REVIEW” ORDER

1. This Practice Direction sets out the criteria and responsibility of a reviewer appointed under the “hot review” order issued under the Practice Monitoring Programme (PMP) and serves as supplementary information for public accountants subjected to a hot review.

Background

2. Section 38(1)(b) and 38(2)(b)(iii) of the Accountants Act states that where compliance with professional standards by public accountants is partially satisfactory or not satisfactory, the Public Accountants Oversight Committee may make “an order requiring the public accountant to take any other steps specified by the Oversight Committee to improve the public accountant’s practice in relation to his or her compliance with the professional standards”.

3. One of the orders that may be issued by the Oversight Committee is for the work of the public accountant to be subject to a review (also commonly known as a “hot review”) for a stipulated period, by another suitably qualified person, when he provides public accountancy services. Under this order, a public accountant cannot sign off an audit engagement unless an independent reviewer (also commonly known as a “hot reviewer”) has reviewed the audit work that has been performed.

Criteria and Responsibility of a Reviewer

4. The purpose of subjecting the work of the public accountant to a review is to uphold audit quality by enabling the public accountant to improve his work under the supervision of a suitably qualified public accountant or former public accountant. The public accountant under review may engage any suitably qualified public accountant or former public accountant to be the reviewer, subject to ACRA’s prior approval, so long as there are no conflict of interest or independence issues.

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

Scope of Hot Review Process

6. The hot review process should not be a cursory review and must be of sufficient breadth and depth so that the public accountant can learn and improve from the process. The public accountant should engage the hot reviewer throughout the audit process in a timely manner. The hot reviewer should discuss with the public accountant the adequacy and appropriateness of audit procedures undertaken. This includes assessing the sufficiency and appropriateness of audit evidence obtained to address key audit issues and to support the basis of key judgments made, particularly in high-risk areas.

7. The hot review process must be completed prior to the conclusion of the audit and the sign-off on the audit report. The hot reviewer should document the date of the completion of the hot review process when he signs off the hot review report (refer to paragraph 10 below).

8. For engagements that are already subjected to Engagement Quality Review under SSQM¹, the hot reviewer adds an additional layer of review with specific focus on guiding the public accountant to improve on his audit process.

9. 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 public accountant in implementing the action plans (where relevant) noted in his remediation plan.

Documentation of the Hot Review Process

10. Although the format of the hot review report is at the discretion of the hot reviewer, the hot review report should contain at least minimal basic information as listed below:

- Name of entity;
- Financial year-end;
- Date of audit engagement letter;
- Number of years on audit engagement for partner/manager;
- Type of auditors' report issued;
- Sign-off date of auditors' report;
- Date of subsequent events performed;
- Principal activities;
- Materiality, performance materiality and uncorrected detected misstatements;
- Audit approach;
- Risk areas identified by the public accountant;
- Summary of key issues identified by the public accountant;
- Summary of the discussion of between the hot reviewer and the public accountant of key issues and basis of key judgments;

¹ SSQM – Please refer to the requirements on Engagement Quality Review in SSQM 1 and 2 for further details.

- Number of hours spent on the hot review;
- Dates of commencement and completion of the hot review;
- Signature of hot reviewer; and
- Date of hot review report.

ACRA would like to highlight that a mere completion and sign-off of a checklist may not provide sufficient evidence of the role performed by the hot reviewer.

Approval of Hot Reviewer

11. Upon receipt of the Oversight Committee's order letter, the public accountant must write in to seek ACRA's approval on the hot reviewer(s) proposed within 2 weeks from the date of the order letter.

12. Please refer to [Clarifications to Questions on Hot Review](#) for more information.

Effective Date

13. This Practice Direction is effective for hot reviews issued on or after 2 September 2024.

Legal Provision

14. The legal provision relevant to and referred to in this Practice Direction is section 38 of the Accountants Act.

Further Clarification

15. Further enquiries can be sent through <https://www.acra.gov.sg/feedback>

Issued on 2 September 2024

Mr Tan Puay Boon

Chairman

Public Accountants Oversight Committee