



Ensuring High Quality Financial Reporting

Annual Public Accountants Conference

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- Who We Are & What We Do –
Background on ACRA's Financial Reporting Oversight Role
- What Regulatory Actions Have We Taken –
Key Observations and Messages from the Regulator
- What's New –
ACRA's Collaboration with ICPAS's Financial Statements Review Committee



Who We Are & What We Do – Background on ACRA’s Financial Reporting Oversight Role

Financial Reporting Surveillance Office

- *To strengthen the integrity of corporate financial reporting in Singapore.*

XBRL Office

- *To create a trusted central value-adding Repository of Financial Information.*

The Financial Reporting Surveillance Office

Financial Reporting Surveillance Programme

- Proactive review of listco's with qualified financial statements.
- Act decisively against breaches of accounting standards by company directors.

Companies Act Applications (related to financial reporting)

- Tightening of exemptions granted.
- Process improvement.

Financial Reporting Surveillance Office

- To strengthen the integrity of financial reporting in Singapore -

Regulatory Strategy

- Collaboration with other regulatory agencies on enhancing corporate governance practices.
- Risk-based identification and analysis of financials statements.
- Leverage off XBRL financials to enhance surveillance.

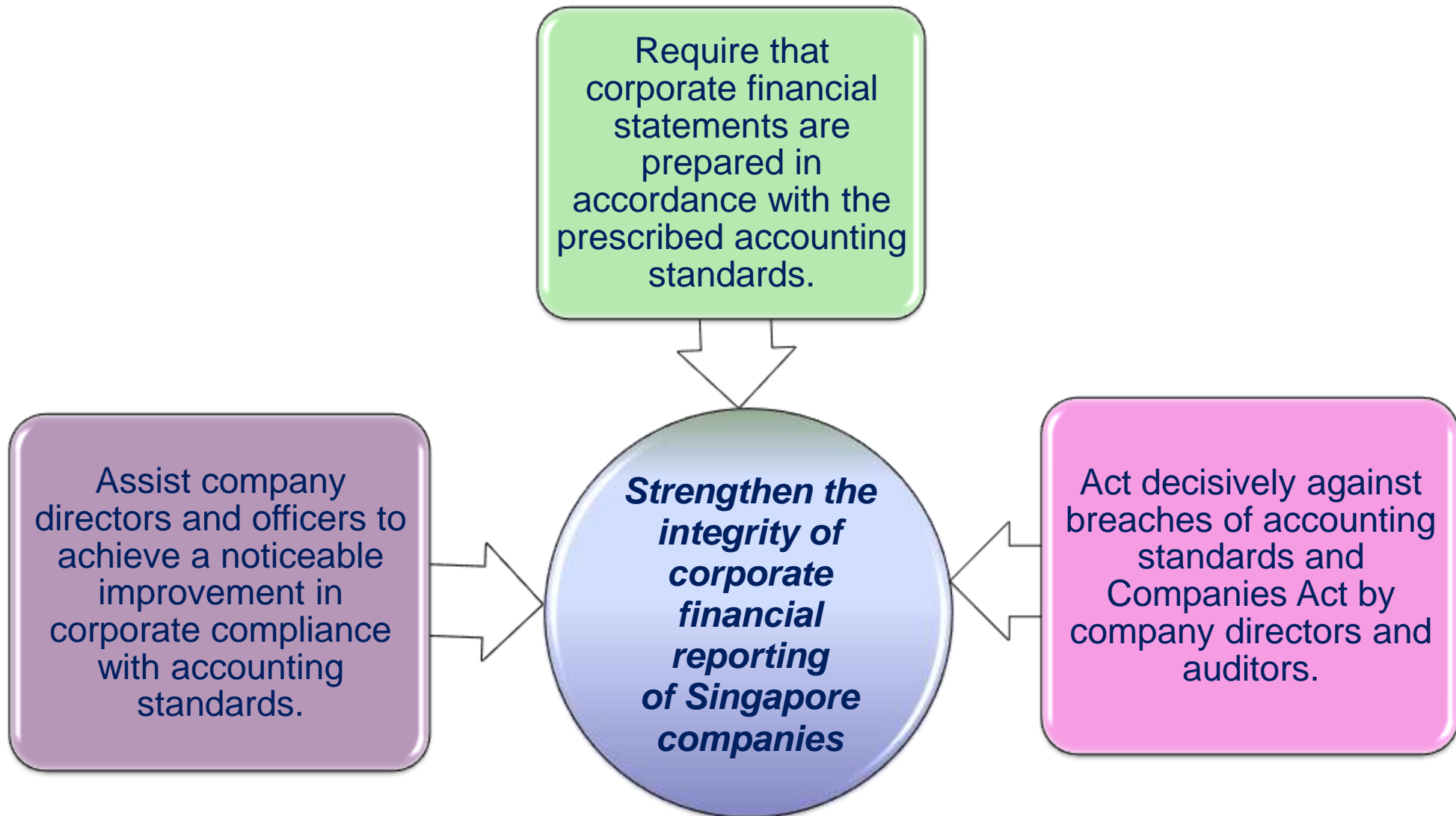
Research

- Conduct global scan of practices and developments of fellow regulators and leverage on learning points to enhance surveillance.
- Learning points from recent corporate governance failures to fine tune existing policies.

Financial Reporting Surveillance Programme

- Focus on strengthening the integrity of corporate financial reporting, especially by listed Singapore companies as financial statements are relied by stakeholders.
- Designed to encourage overall high quality financial reporting in Singapore while establishing an effective regulatory environment that enables optimal compliance of the accounting standards and the Companies Act.
- The purpose in raising matters noted in our surveillance is to highlight to preparers of the financial statements areas where financial reporting could be improved.
- Complements and has synergy with the auditors' oversight function of ACRA when both regulatory actions are taken in an integrated manner.

Financial Reporting Surveillance Programme



ACRA's Internal Customers

- Enhance surveillance capabilities.
- Improve database for research and statistics.
- Assist policy formulation.

Public Sector Agencies

- Assist regulatory and policy formulation objectives.
- Synergise use of Government wide data sources (i.e. geospatial and financial).

XBRL Office

- *To create a trusted central value-adding Financial Information Repository -*

Private Sector

- Provide relevant information to assist decision making and reduce reporting burden on business entities.
- Provide access to international capital for Singapore companies (especially SMEs).
- Unlock innovative use of data.
- Catalyse B2B use of data.

International Space

- Allow cross-border analysis of financial statements.
- Promote Singapore as an international financial centre.
- Raise the profile of Singapore companies in the international space.



What Regulatory Actions We Have Taken – Key Observations and Messages from the Regulator

Financial Reporting Surveillance Programme

Regulatory Actions

- Focused on prima facie non-compliance with FRS and the Companies Act (“CA”).
- Our review encompassed -
 - Financial statements with qualified audit opinion
 - Selected financial statements based on thematic risks identified
 - Complaints from stakeholders
 - Financial reporting issues noted from listco’s announcements and other media alerts
- Regulatory actions taken -
 - Clarification letters
 - Warning and Advisory letters
 - Show cause letters to at least 5 companies

Financial Reporting Surveillance Programme

Key Messages

- Common themes of FRS non-compliance
 - Different interpretation of FRS between directors and auditors
 - Non-consolidation of entities.
 - Non-disclosure of commercially sensitive information e.g. revenue and GP margin
 - Significant judgement by management.
- Common themes of CA non-compliance (relating to financial reporting)
 - Adoption of other accounting standards other than Singapore FRS without prior approval from ACRA.
 - Companies to keep proper records in accordance with s199 of CA.
- Companies actions in response to our regulatory actions were positive
 - Most clarifications from directors were forthcoming.
 - Recommended corrective actions were taken up by the directors, either by restatement of prior year's numbers or corrections made to current year's financial statements.

Companies Act Applications

Regulatory Actions

- ~70 exemption requests under s201(14);
~ 40 exemption requests under s200(3);
~ 520 exemption requests under s202;
~ 200 exemption requests under s373(5)
~ 180 exemption requests under s373(7)
- Established technical non-compliance with FRS and the Companies Act (“CA”) in some instances and enforcement actions were taken.
- Non-compliance of the CA - adoption of accounting standards other than FRS without prior approval from the Registrar, non-alignment of subsidiaries year-end with the company.
- Non-compliance of FRS – non-disclosure of commercially sensitive information as required by FRS.

Key Messages

- Always good to engage the regulators early.
- Be aware of your CA obligations and penalties for non-compliance when conducting business.
- Industry specific issues can be raised in various platforms (ASC, ACRA, Industry forums).
- Exemptions are only considered for very limited and exceptional circumstances.
- Companies seeking exemptions must demonstrate the uniqueness of their circumstances vis a vis other similar companies.

XBRL Exemptions and Notices of Errors

Regulatory Actions

- Exemptions from XBRL Filing
 - ~ 20 exemption requests yearly.
 - Generally, requests are approved when the financial statements are incompatible with ACRA's Taxonomy / FS Manager.
- Rectification of errors in XBRL financial statements
 - Incorrect/incomplete/inconsistent information in XBRL (e.g. incorrect selection of currency unit, incomplete option A Full XBRL filing).
 - Identified close to 6000 cases for rectification by companies.

Key Messages

- Companies should ensure the accuracy of their XBRL financial statements filed.
 - Rectification → Cost to company
- Non-compliance with any FRS may result in inability to file under Option A and B due to validation rules in FS Manager.



**What's New –
ACRA's Collaboration with ICPAS's
Financial Statements Review Committee**

Objective of FSRC Collaboration

- To improve corporate financial reporting by the constituents in the corporate sector like the directors, management and CFOs.
- Focus not on the Auditors as this group is already subject to the Practice Monitoring Programme.
- Primary responsibility for the preparation of financial statements rests with companies and their directors.

Broad Terms of Collaboration

- Appointment of members to FSRC by ICPAS with input from ACRA on composition, experience, background.
- If necessary, enforcement action will be initiated by ACRA against companies and auditors for serious cases of non-compliance.
- To facilitate the reviews by FSRC, ACRA will provide financial statements of private companies to FSRC.
- The FSRC reviews will be followed by a communiqué on the findings and targeted education sessions for relevant companies' officers.

- Thank you -