

REGISTRAR'S INTERPRETATION NO. 5 OF 2016

DESCRIPTION OF COMPANY DIRECTORS' RESPONSIBILITIES FOR THE OVERSIGHT OF FINANCIAL REPORTING PROCESS OF SINGAPORE-INCORPORATED COMPANIES – PARAGRAPH A49 OF THE SINGAPORE STANDARD ON AUDITING 700 (REVISED), *FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS*

Summary

1. This Registrar's Interpretation serves to clarify ACRA's view that the statement in the enhanced auditor's report required by paragraph A49 of the Singapore Standard on Auditing 700 (Revised), *Forming an Opinion and Reporting on Financial Statements* ("Revised SSA 700") that the directors' responsibilities include overseeing the company's/ group's financial reporting process does not exceed what the Companies Act (Cap 50) requires of directors in respect of their company's financial statements, and in the case where the company is a parent company, the group's consolidated financial statements.

Explanation

2. The Companies Act requires all companies which are not exempt from audit to audit their financial statements and stipulates duties and responsibilities of directors, including with respect to their companies' financial statements.

3. Paragraph A49 of Revised SSA 700 requires the enhanced auditor's report for a Singapore-incorporated company to contain the following statement: "The directors' responsibilities include overseeing the company's/group's¹ financial reporting process."

4. The Singapore Standards on Auditing, including Revised SSA 700, constitute the auditing standards that public accountants registered and regulated by ACRA under the Accountants Act (Cap 2) are required to observe in performing their audits of financial statements².

5. ACRA, in consultation with the Institute of Singapore Chartered Accountants' Auditing and Assurance Standards Committee and the Panel of the Institute of

¹ For group audits, the word "company" will be replaced by the word "group", as set out in Illustration 2 of the Independent Auditor's Report on Financial Statements at page 36 of the Revised SSA 700.

² Rule 10 of the Accountants (Public Accountants) Rules provides: "For the purposes of passing a practice monitoring programme under Part V of the Act, a public accountant must comply with such auditing standards and professional and technical pronouncements as may be issued or adopted by the Oversight Committee from time to time."

Corporate Law, takes the view that the statement required by paragraph A49 of Revised SSA 700 to be included in the enhanced auditor's report of a Singapore-incorporated company does not extend the duties and responsibilities imposed on directors of a Singapore company beyond what the Companies Act already requires of such directors in respect of their company's financial statements, and in the case where the company is a parent company, the group's consolidated financial statements, including sections 157³, 199⁴, 201⁵ and 157C⁶ of the Companies Act.

6. This Registrar's Interpretation is applicable until such time as the Revised SSA 700 is reviewed.

Further clarification

7. If you have any clarifications, you may contact ACRA's Helpdesk at 62486028.

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³ Section 157(1) provides that a director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office.

⁴ Section 199(2A) and 199(6) require the officers of every public company and every subsidiary company of a public company to devise and maintain a system of internal accounting controls sufficient to provide a reasonable assurance that (a) assets are safeguarded against loss from unauthorised use or disposition; and (b) transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

⁵ Section 201(1), (2) and (5) require the directors of every company to lay the company's financial statements (in the case of a parent company, the consolidated financial statements and a balance-sheet) before the company at its annual general meeting and provide that the financial statements shall comply with the requirements of the Accounting Standards and give a true and fair view of the relevant matters.

⁶ Section 157C provides that a director of a company may, when exercising powers or performing duties as a director, rely on reports, statements, financial data and other information prepared or supplied, and on professional or expert advice given, by (a) an employee of the company whom the director believes on reasonable grounds to be reliable and competent in relation to the matters concerned; (b) a professional adviser or an expert in relation to matters which the director believes on reasonable grounds to be within the person's professional or expert competence; or (c) any other director or any committee of directors upon which the director did not serve in relation to matters within that other director's or committee's designated authority, where the director — (a) acts in good faith; (b) makes proper inquiry where the need for inquiry is indicated by the circumstances; and (c) has no knowledge that such reliance is unwarranted.