

**WELCOME AND OPENING ADDRESS  
BY MR ONG KHIAW HONG, CHIEF EXECUTIVE,  
ACCOUNTING AND CORPORATE REGULATORY AUTHORITY (ACRA)  
ON 16 JAN 2019, 9:00AM  
AT THE ACRA-SGX-SID AUDIT COMMITTEE SEMINAR 2019**

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Mr Tham Sai Choy, Chairman of SID  
Mr Tan Boon Gin, Chief Executive Officer of Singapore Exchange Regulation  
Distinguished guests  
Ladies and gentlemen

Good morning. On behalf of ACRA and my fellow organisers, we welcome you to our annual seminar for audit committees. This year's theme notes that the corporate reporting landscape has undergone significant changes i.e. a new normal. Amidst global trade tensions, digital technology disrupting business models and greater calls for corporate accountability and transparency, it is important that companies continue to maintain high corporate governance standards. We are therefore heartened that attendance at this year's event, now in its fifth year, remains strong.

**The role of regulators and stakeholders in upholding market confidence**

2. Singapore's regulatory framework for corporate governance is premised on a disclosure-based approach. Market participants have access to information to judge the quality of corporate governance of the companies and take responsibility for their own decisions. But a disclosure-based approach works well only if it is backed by a sufficiently robust enforcement regime to curb potential abuses and wrongful acts, while allowing room for growth and appropriate risk-taking.

3. In August last year, the Monetary Authority of Singapore (MAS) issued the revised Code of Corporate Governance to strengthen directors' independence, and encourage board renewal and diversity. SGX Regco made revisions to its Listing Rules to clarify its expectations on compliance with the Code under the comply-or-explain regime, and to ensure that companies provide meaningful disclosures to their stakeholders.

4. In ACRA, we continued to uphold financial reporting and audit quality by taking errant companies and auditors to task for lapses. Our Practice Monitoring Programme inspects the statutory audits performed by public accountants, and those with serious audit deficiencies will have their licences suspended or cancelled. Since 2017, we have also published the names of public accountants who have failed two successive audit inspections and received a hot review or restriction order<sup>1</sup>. The Accountants Act will be amended this year to empower ACRA to conduct firm-level inspections and impose sanctions for lapses, with a view to improving audit quality.

5. As the business environment continues to evolve, our regulations must stay agile and keep pace. In the past year, some companies have been criticised for questionable corporate governance practices. There were also calls for the regulators to take stronger and prompt actions against them.

6. Regulators are always open to making changes and improvements to the regulatory regime. ACRA, MAS, SGX Regco and other regulators work closely together and regularly look at ways to be more effective. I can share that we have been reviewing our roles, and examining how coordination between agencies can be improved. Our aim is to bring about even more effective regulation and enforcement of the Singapore capital markets. Areas being

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<sup>1</sup> Previously, ACRA's publicising regime was limited to just public accountants who have failed the audit inspections with suspension and cancellation order.

looked at include audit requirements on companies incorporated overseas and listed on SGX. I understand that my fellow regulator, Boon Gin from SGX Regco will say more on this later this morning. More details including other areas that the regulators are looking into, will be shared when they are ready.

7. That said, regulations alone, no matter how robust, are not sufficient. Besides regulators, other stakeholders including directors and audit committees, auditors and investors, have to play their part in ensuring the sound functioning of the capital markets.

8. Audit committees in particular, have a pivotal oversight role in the financial reporting and audit function. Regulatory initiatives and standards, such as the Audit Quality Indicators Disclosure Framework and the Enhanced Auditor Reporting Standards, are meaningful only if audit committees use them to help raise the quality of audits and financial reports.

9. This morning, I would like to highlight three areas that audit committees should take note of, and act on, for the upcoming reporting season.

(i) **Providing high quality disclosures and deeper insights into companies' financials**

10. First, I encourage audit committees to raise the quality and transparency in financial reporting. To provide value-added disclosures to investors and users of the financial reports, audit committees should strive to go beyond the basic compliance requirements of the accounting standards. With the 1<sup>st</sup> year of adoption of the Singapore Financial Reporting Standards (International), or SFRS(I) 15 on Revenue in 2018, we look forward to companies providing entity-specific disclosures on revenues and not rely on boilerplate statements.

11. Audit committees should also be upfront in providing their views on significant accounting and audit issues via AC commentaries. I am encouraged to note, from the PwC's report on the 2<sup>nd</sup> year adoption of the enhanced auditor's report in Singapore, that 60% of annual reports carried AC commentaries. This is up from 40% last year.

12. Nonetheless, the report also noted that there is room to enhance the quality of the commentaries. For audit committees that have not provided commentaries, I urge you to do so. These efforts to increase transparency and quality of financial reporting should be viewed as opportunities to deepen investor relations and communications. Investors in turn will benefit from the additional information and insights for decision-making.

**(ii) Preparing for changes in accounting processes and controls arising from the new accounting standard on leases**

13. Second, audit committees should pay attention to the new SFRS(I) 16 on Leases which is effective from 1 January this year. This standard is likely to have wide ranging implications such as changes to accounting processes and controls for companies.

14. By now, audit committees and management should have assessed and quantified the potential impact of the new standard on the companies' business and financials. For those who have not, I urge you to work closely with your management to assess the impact and work out a smooth and effective implementation of the standard.

15. You can also refer to the Mini-Guide for Audit Committees which is handed out to all attendees this morning. It provides guidance on what audit

committees should focus on with regard to the new and upcoming accounting standards.

**(iii) Financial Reporting – Timely and Reliable Disclosure for Investors’ Benefit**

16. Lastly, audit committees should seek to remediate any financial reporting gaps and where necessary, communicate their effects to the public in a timely manner.

17. To facilitate this, the Companies Act was amended in April 2018 to allow directors to voluntarily revise their defective financial statements without the need to obtain a court order.

**Conclusion**

18. To conclude, maintaining a well-functioning capital market and upholding market confidence is a collective responsibility. If Singapore is to maintain its reputation for trust and integrity and its pole position as a regional financial centre, we must keep working together to strengthen our corporate governance eco-system. While regulators must play their roles, I would like to suggest that we must aspire to move to a more enlightened regulatory approach, one where those regulated believe in the purpose of the regulations and that complying with the regulations is the right thing to do. I do believe this would be the expectations of the investing community as well. But I am not delusional nor naive. I know that the approach would have to be backed by a well-calibrated enforcement and penalty regime where those who deliberately choose to not comply or even worse defraud the system, will be taken to task. I believe that this is right way to go for Singapore, with trust and reliability as our key competitive advantage. Let’s work together to make this happen.

19. On that note, I wish you all a fruitful session this morning, and a bountiful year ahead. Thank you.