

## **MEDIA RELEASE**

### **HELPING AUDIT COMMITTEES RISE ABOVE COMPLEXITIES**

- **New initiatives and revised regulatory approach to help audit committees discharge their oversight duties over financial reporting and governance**

**Singapore, 13 January 2017** – This morning, over 500 audit committee members and senior management of listed companies heard first-hand from the regulators, professionals and leading directors on key regulatory and industry developments in Singapore for 2017. The 3<sup>rd</sup> annual audit committee seminar (Seminar) is jointly organised by the Accounting and Corporate Regulatory Authority (ACRA), Singapore Exchange (SGX) and Singapore Institute of Directors (SID). The Seminar also saw robust discussions on key challenges that audit committees face when overseeing their companies' financial reporting, audit processes, internal controls, and regulatory compliance.

2 Amidst a challenging business environment and rising expectations for more transparency in corporate reporting, several new initiatives were announced at the Seminar to help audit committees discharge their duties more effectively. The Audit Committee Guide<sup>1</sup> (AC Guide) was launched at the Seminar. The new AC Guide incorporates the content of the Guidebook for Audit Committees in Singapore, first issued by ACRA, the Monetary Authority of Singapore (MAS) and SGX in 2008 and updated in 2012. Produced by SID with the support of ACRA, SGX and MAS, the AC Guide covers key concepts, principles and approaches relating to duties and responsibilities of ACs. It also sets out the leading practices that will help ACs achieve higher standards of corporate governance.

3 Audit committee members can also tap on a 2017 mini-guide jointly produced by ACRA, SID and PwC Singapore that provides a handy and quick reference to current and upcoming regulatory developments, such as the enhanced auditor's report and new accounting standards.

4 In addition to the guides, SID announced the establishment of an Audit Committee Chapter (AC Chapter). Aimed at building capacity and enhancing the effectiveness of the audit committee community, the AC Chapter seeks to provide a platform to discuss and improve understanding of current issues, developments, trends and other matters relevant to audit committees. *(For details on the new AC Chapter, please refer to Annex A).*

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<sup>1</sup> . The Audit Committee Guide is one of the major Guides in a series of seven Corporate Governance Guides produced by SID for Boards and Board Committees in Singapore.

5 In his opening remarks, SID Chairman Mr Willie Cheng said, “The slew of initiatives – the AC Guide, the 2017 AC mini-guide, and the SID AC Chapter – are indicative of, as well as our response to, the avalanche of demands and complexities faced by audit committees. We hope that the SID AC Chapter will be a beneficial support group for AC members to be effective in this new era of greater financial accountability.”

6 Commenting on the AC Guide, Mr Tan Boon Gin, Chief Regulatory Officer of SGX said, “Developments in 2016 underscore the importance of accurate and timely disclosures in areas such as interested persons transactions and financial reporting. Both the market and the exchange have been quick to discipline those which had fallen short. SGX is increasing engagements with companies to help improve the quality of disclosures following our review of Mainboard companies’ compliance with the Code of Corporate Governance. The new guide for the AC launched today will be a useful tool for companies in this regard.”

7 In his keynote address at the AC seminar, ACRA’s Chief Executive Mr Kenneth Yap noted that later this year, ACRA will be empowered to apply to court to compel companies to restate their financial statements. Directors will also be empowered to voluntarily correct defective accounts. He announced that the Financial Reporting Surveillance Programme (FRSP) would move towards a “restatement first” approach in FY2017 to ensure that companies rectify misstatements in financial statements on a timely basis, and communicate these promptly for the benefit of investors. Sanctions against directors will be considered only when the company refuses to comply or in egregious cases. Said Mr Yap, “ACRA will soon be able to apply to court to compel companies to restate financial statements where necessary. Investors can thereby be assured that companies will remediate financial reporting gaps promptly. Only when companies refuse to do so, will we hold directors accountable.” *(For details on the new approach, please refer to Annex B).*

*Attachments:*

*Annex A: About SID’s Audit Committee Chapter (AC Chapter)*

*Annex B: About ACRA’s Financial Reporting Surveillance Programme (FRSP)*

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## **About ACRA**

The Accounting and Corporate Regulatory Authority (ACRA) is the national regulator of business entities, public accountants and corporate service providers in Singapore. ACRA also facilitates the development of business entities and the public accountancy profession.

As a regulator and facilitator, ACRA constantly strives to provide a responsive and trusted regulatory environment for businesses, public accountants and corporate service providers and make Singapore the best and trusted place for doing business. ACRA's role is to achieve synergies between the monitoring of corporate compliance with disclosure requirements and regulation of public accountants performing statutory audit. ACRA's goal is to make good corporate governance, quality corporate financial reporting and high quality audit the hallmarks of our financial and corporate sectors.

For more information, please visit: [www.acra.gov.sg](http://www.acra.gov.sg)

## **About Singapore Exchange**

Singapore Exchange (SGX) is Asia's leading and trusted market infrastructure, operating equity, fixed income and derivatives markets to the highest regulatory standards. As Asia's most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and 75% of listed bonds originating outside of Singapore.

SGX is the world's most liquid offshore market for the benchmark equity indices of China, India, Japan and ASEAN and offers commodities and currency derivatives products. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit [www.sgx.com](http://www.sgx.com).

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## **About Singapore Institute of Directors**

Singapore Institute of Directors (SID) is the national association of company directors. SID promotes the professional development of directors and corporate leaders. It works closely with the authorities and regulators, its network of members and professionals, such as accountants and lawyers, to identify ways to uphold and enhance the highest standards of corporate governance and ethical conduct. Its programmes include professional development, advocacy and research, and membership services.

For more information, please visit [www.sid.org.sg](http://www.sid.org.sg)

## About SID Audit Committee Chapter

An Audit Committee Chapter (AC Chapter) has been set up by SID with the objective of building capacity and improving the effectiveness of ACs. It will be a community of people involved with ACs – AC chairmen and members, management personnel in companies who provide support to or interact closely with ACs, and professionals who provide support to ACs.

The AC Chapter aims to:

- Provide a platform for active discussion on issues relevant to ACs with a view to helping ACs to carry out their roles effectively.
- Develop thought leadership for ACs through articles in the SID Bulletin, press and other publications.
- Contribute to the professional development of ACs through courses and seminars.
- Advocate on issues that are relevant to ACs.

AC Chapter members are SID members who sign up to be Chapter members. There is no chapter membership fees. Those interested in joining SID and/or the AC Chapter are requested to submit the attached application form to SID secretariat or email to [membership@sid.org.sg](mailto:membership@sid.org.sg).

## AC Chapter Pit Stops

The AC Chapter Committee will be organising a series of “pit stop” sessions to specially help members deep dive into specific areas of significance to ACs in 2017. These pit stops will cover the following topics:

- Relevance of the enhanced auditor’s report to directors, ACs and management
- Practical implications of FRS 115 *Revenue from Contracts with Customers*
- Practical implications of FRS 109 *Accounting for Financial Instruments*
- Demystifying sustainability reporting and integrated reporting

## Relevant SID Professional Development Courses for AC Members

In addition to the specially arranged Pit Stops, SID’s regular curriculum includes several professional development courses that are relevant to AC members.

These include:

- **Director’s Financial Reporting Essentials**

This 6-hour course provides directors who have little financial and accounting background with the essential accounting knowledge and practical tips, and equips them with the key considerations necessary when reviewing a company’s financial statements.

- **Financial Management & Accountability**

This 3.5 hour course, which is part of the Non-Profit Directors Course, examines the compliance requirements for financial reporting in non-profits, including the latest approaches to measuring social impact.

- **Audit Committee Essentials**

This 4-hour course is the second module in the Listed Company Director (LCD) series that guides participants on the general compliance requirements faced by listed companies, their boards and ACs, and on their personal obligations as directors.

- **Sustainability For Directors**

This 4-hour course equips the board in fulfilling its role to look at the long term viability of the company whilst understanding and respecting the competing needs of all its stakeholders, including shareholders, investors, directors, employees, customers, suppliers, authorities, society and the environment.

- **Finance for Directors**

This 3-day course is part of the SID-SMU Directorship Certification Programme. It is structured around the key concepts of accounting, finance and creating shareholder value. It is designed to highlight the financial indicators and thinking needed for finance to play a strategic role for the business and not from a controller's perspective.

- **AC Chairmen's Conversation**

The objective of the Chairmen's Conversation is to provide a forum for peer chairmen to learn and exchange views and perspectives on a relevant topic of interest to the chairmen over lunch or dinner. The session is by invitation only, and conducted in partnership with a major accounting firm.

- **ACRA-SGX-SID Audit Committee Seminar**

In this annual half-day seminar, AC chairmen and members will be updated on the latest developments in regulations, standards and other requirements in accounting, audit and corporate governance.

Those interested to attend the above courses and pit stop sessions may register with SID at [www.sid.org.sg](http://www.sid.org.sg).

## About ACRA's Financial Reporting Surveillance Programme (FRSP)

Under the FRSP, ACRA reviews selected financial statements of listed companies for compliance with the prescribed accounting standards in Singapore.

### Revisions to the FRSP Approach

In September 2016, ACRA issued its second FRSP annual report<sup>2</sup>, in which it noted encouraging results. There were fewer cases with findings in the second review cycle as compared to the first review cycle. Many listed companies also took quick action to remediate financial reporting gaps highlighted by the FRSP.

With the completion of two FRSP review cycles, ACRA undertook a review of the programme in the second half of 2016. Feedback from three stakeholders group (directors, chief financial officers and auditors) suggested that improvements could be made to enhance transparency of regulatory outcomes and to promote timely remediation to financial statements by companies found to be in breach. Accordingly, ACRA will make the following key revisions<sup>3</sup> to the FRSP policies and processes effective from 1 April 2017:

- **“Restatements-first” policy**
  - In cases with serious breaches, companies will be required to remediate by restating, re-auditing and re-filing past years' financial statements, on top of the restatements of comparatives in the current year's financial statements.
  - In cases with less severe breaches, companies will be required to remediate by restating comparatives or add/improve disclosures in the current year's financial statements.
  - Sanctions against directors will be considered only when companies refuse to comply or in egregious cases. These sanctions include warning, fine by offer of composition or prosecution leading to fines and/or imprisonment.
- **Streamlined enquiries.** In complex cases, facts will first be obtained via meetings with company representatives and/or e-mail correspondences with CFOs. Enquiry letters will be streamlined to seek directors' views mainly on potential breaches.
- **Indicate outcome early.** For cases with serious breaches, closing meeting will be held with directors before finalising the regulatory outcome. For cases with less severe breaches, remedial actions will be indicated in enquiry letters, where practicable.

<sup>2</sup> The FRSP reports can be found at: <https://www.acra.gov.sg/Publications/Reports>.

<sup>3</sup> The details can be found in FRSP Operating Procedures that will be issued in 1st quarter 2017.

- **Hearing other views.** For selected serious breaches (e.g. complex judgemental issues), auditors and specialists will be involved formally.
- **Timely restatements and transparency.** Entity-specific press notice will be issued when a company does not restate or announce within the prescribed time in relation to breaches that materially affect key financial statements line items. Such announcement will keep investors informed on a timely basis.