

# AUDIT COMMITTEES' RESPONSE TO RECENT DEVELOPMENTS IN FINANCIAL REPORTING

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# AGENDA

- Key regulatory developments impacting ACs in 2017
- How well did listcos and ACS respond, and should watch out for, going forward?
- How is the SID AC chapter helping?



# REGULATORY DEVELOPMENTS 2017

- IFRS Convergence
- New Accounting Standards wef 1 Jan 2018:
  - SFRS(I) 15 – Revenue from contracts with customers
  - SFRS(I) 9 – Financial Instruments
- Enhanced Auditor's Report
- Audit Quality Indicators
- FRSP – Financial Reporting Surveillance Programme

# IFRS CONVERGENCE

## 2017 SFRS



## 2018 SFRS(I)

- “Not a Big Problem” to “huge challenge”
- Late appreciation impact analysis
- Need
- Complexity

- Must nail it down
- SFRS(I) 1
- SFRS(I) 9, 15

# NEW ACCOUNTING STANDARDS

## **EFFECTIVE 1 JAN 2018**

- SFRS(I) 15 : Larger listcos more prepared, smaller ones struggle with limited resources.
- SFRS(I) 9 : Similar pattern.

## **EFFECTIVE 1 JAN 2019**

- SFRS(I) 16 : Requires preparation in 2018.

# ENHANCED AUDITOR'S REPORT

## Effective 2017 : KAMs and “Other Information”

### 2017

- KAMs
  - too much/too little
  - looking for the “sweet spot”
  - Average KAMs in 2017 = 2.3
- AC Commentary
  - 33% provided
  - Only 11% three-part expectation

### 2018

- Greater scrutiny by regulators
- Proactively discuss KAMs with auditors and at AGMs
- Do AC Commentary, and provide deeper insights

# AUDIT QUALITY INDICATORS

- 8 AQIs first introduced in 2015, 6 targets introduced in 2016
- Rich tool for auditor evaluation but:
  - Under-used, or
  - Lack of comparatives?

1. Audit hours
2. Experience of team
3. Training
4. Inspection results
5. Independence
6. Quality control
7. Staff oversight
8. Attrition rate

# FRSP

- FRSP enhanced in 2014
- ACRA provides lessons from each round of review.
- 2017 change: “Restatements First” policy
- Focus for 2018:
  - Communication of impact of IFRS changes
  - Impairment and valuation
  - Cash flow classification



# ACS' RESPONSE TO RECENT DEVELOPMENTS IN FINANCIAL REPORTING

- What are the implications?
- Demands on ACs will continue to increase – a reality we have to get used to.
- To be effective, ACs need to be continually formed and kept up to date.

# AC CHAPTER

- Formed January 2017 to support ACs
- AC Pit-Stops
  - 2-hr learning by professional firms & ACRA on hot topics
  - 6 Pit stops in 2017

- **Jan** – EAR by Deloitte
- **Apr** – FRSP and AQIs by ACRA
- **Jul** – IFRS(I) 15 by KPMG
- **Sep** – IFRS(I) 9 by PwC
- **Nov** – Valuation and Impairment by Deloitte
- **Nov** – Sustainability Reporting and IR by EY

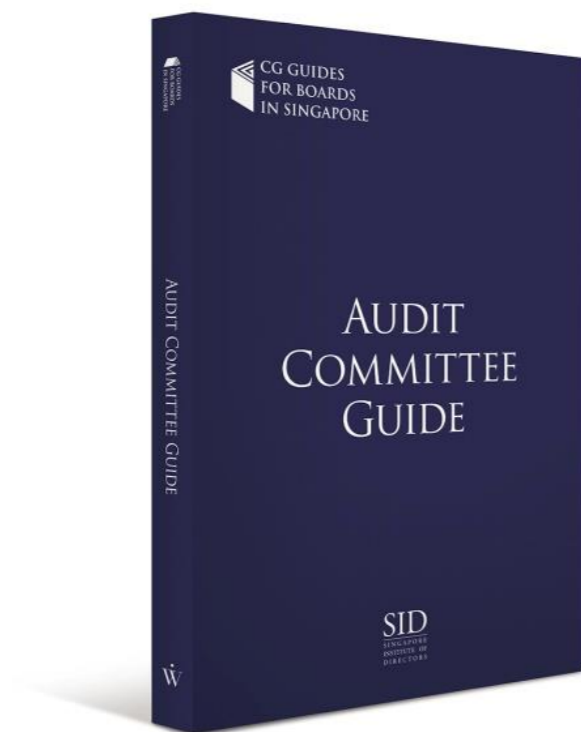
# AC CHAPTER

- Thought Leadership Articles for Acs
  - Curated and easy to access on SID Website
  - Articles in SID Bulletin
- **What We Did For IFRS Convergence In 2017**
- Pit-stops:
  - IFRS Convergence,
  - SG-IFRS 9
  - SG-IFRS 15
- 2 Articles in BT and Directors' Bulletin
- Collaboration with ISCA on IFRS Convergence 2018 Implementation Roadmap

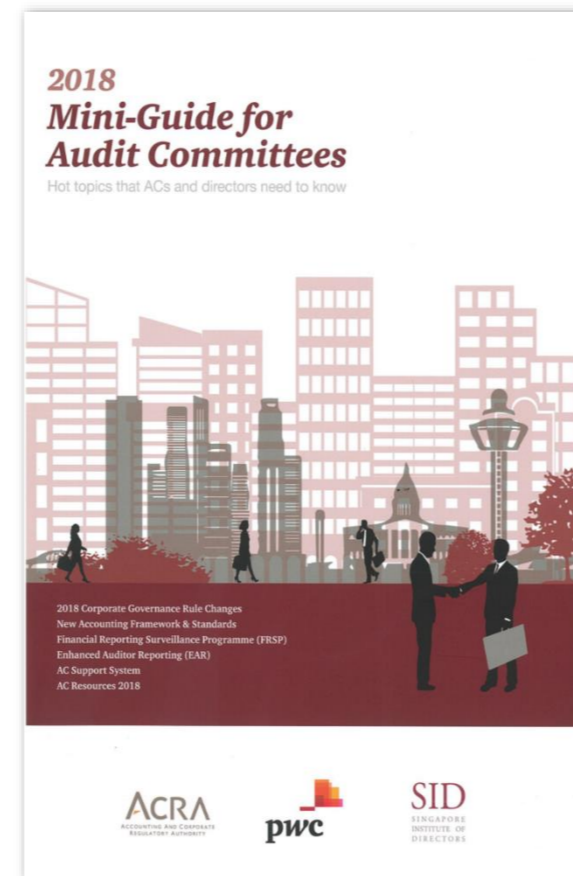


2018

**The ACRA-SGX-SID AC Seminar**  
*“Rebooting Corporate Governance”*  
16 Jan 2018, Marina Mandarin



*Updated for Revised Code  
in second half 2018*



## AC Pit Stops

8 Jan : EAR & IFRS Conv  
29 Mar : AML/CFT  
23 May: Crisis management  
29 Jun : FRS 116 (Leases)  
19 Jul : Harnessing IA  
21 Sep : BEPS  
26 Nov: Big Data & regulatory  
technology

More PD sessions on AC-related topics available

# THANK YOU

