

## MEDIA RELEASE

### **MORE INSIGHTFUL AUDITOR'S REPORTS LEADING TO GREATER CORPORATE DISCLOSURES**

**– Study on implementation of enhanced auditor's report also reveals greater investor confidence on financial reporting.**

**Singapore, 3 October 2017** – Companies are stepping up their corporate disclosures. This is in response to new and revised auditor reporting standards that came into effect at the end of last year. Auditor's reports now contain more insightful information in the form of key audit matters (KAMs). The enhanced transparency will enable investors to focus on critical areas including key accounting and audit issues in the financial statements. This was one of the key findings in a study to examine the impact of first-year implementation of enhanced auditor reporting standards in Singapore.

2 A collaboration between the Accounting and Corporate Regulatory Authority (ACRA), the Association of Chartered Certified Accountants (ACCA), the Institute of Singapore Chartered Accountants (ISCA) and Nanyang Technological University (NTU), the study analysed enhanced auditor's reports (EARs) and annual reports of 180 entities listed on the Singapore Exchange and the views of over 270 audit committees<sup>1</sup> and investors.

3 The findings were released at the Singapore Accountancy and Audit Convention 2017 this morning. Organised by ACRA, ISCA and the Singapore Accountancy Commission (SAC), the annual event was attended by over 1,100 accountants, auditors and business leaders. This year's convention discusses growth opportunities for the accountancy sector by embracing technology and meeting stakeholders' expectations for high quality audits and financial reporting.

4 The study's key findings are:

- **Management added more disclosures and in greater depth to the financial statements:** More than a third (40%) of the 180 analysed financial statements disclosed more and in greater depth those areas covered by

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<sup>1</sup> This term is used throughout the report to refer to individuals who are audit committee chairs and members.

KAMs than in previous year's financial statements. These areas include the assumptions used in impairment testing and sensitivity analysis of key assumptions. Slightly over half (52%) of the surveyed audit committees said the process of considering KAMs and reviewing EARs had resulted in their companies making moderate to significant improvements to the financial statements.

- ***Investors were using EARs to identify significant accounting and audit issues, before reading through the financial statements:*** A vast majority (89%) of 133 investors surveyed said that they were more likely to read the auditor's report before reading the financial statements. The KAMs enabled them to identify significant accounting and audit issues to pay attention to when reading the financial statements.
- ***Audit committees had more robust deliberation over key audit matters:*** A majority (74%) of the 109 surveyed audit committees reported more robust discussions with management and auditors over KAMs. Over half (57%) felt that they had gained moderately or significantly deeper insights into the financial reporting risks of their entities.
- ***Audit committee were more forthcoming in their views on significant accounting matters:*** In a third (33%) of the analysed annual reports, audit committees voluntarily reported their views on significant accounting matters, which in most instances were also reported as KAMs by the auditors.
- ***Both audit committees and investors now have more confidence in audit quality:*** Nearly two thirds of audit committees (63%) and investors (60%) surveyed were of the view that EARs gave them moderately to significantly deeper insights into how their auditors conducted the audits. Probably as a result of these insights, over half of the surveyed audit committees (56%) and investors (57%) indicated that they had developed moderately to significantly more confidence in audit quality.

5 Commenting on the findings from the study, Mr Ong Khiaw Hong, Chief Executive of ACRA said: "This is a promising start and bodes well for our on-going efforts to enhance corporate transparency. I urge company management and audit committees to continue to raise the quality of their corporate disclosures."

6 Mr Lee Fook Chiew, Chief Executive Officer of ISCA, said: "For a first-year of implementation, the results are indeed encouraging. At the same time, we see room for the enhanced auditor's report to improve further to contribute to higher financial reporting quality and more meaningful engagement among the stakeholders. ISCA will

continue to provide implementation support to the audit profession and promote disclosures that are valued by investors.”

7 Ms Helen Brand OBE, Chief Executive, ACCA said: “Key Audit Matters were introduced to give better information on the audit process to investors. In addition to achieving that, our work also identified improvements all the way through the financial reporting chain: better conversations between management, audit committees and auditors, and higher quality financial reporting. This is encouraging and we hope will in time lead to greater realisation of the value of audit.”

8 Professor Neo Boon Siong, Dean of Nanyang Business School said: “This study has shown promising signs of the enhanced auditor’s report revitalising corporate reporting and adding value to the investors. I urge the audit profession to continuously innovate and tailor the key audit matters to the entities over time and truly rise to the challenge of increasing the communicative value of the auditor’s report.”

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## **About ACCA**

The Association of Chartered Certified Accountants (ACCA) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 198,000 members and 486,000 students in 180 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. We work through a network of 101 offices and centres and 7,291 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

For more information, please visit [www.accaglobal.com](http://www.accaglobal.com).

## **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.

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

## **About ISCA**

The Institute of Singapore Chartered Accountants (ISCA) is the national accountancy body of Singapore. ISCA's vision is to be a globally recognised professional accountancy body, bringing value to our members, the profession and wider

community. There are over 32,000 ISCA members making their stride in businesses across industries in Singapore and around the world.

Established in 1963, ISCA is an advocate of the interests of the profession. Possessing a Global Mindset, with Asian Insights, ISCA leverages its regional expertise, knowledge, and networks with diverse stakeholders to contribute towards Singapore's transformation into a global accountancy hub.

ISCA is the Administrator of the Singapore CA Qualification and the Designated Entity to confer the Chartered Accountant of Singapore - CA (Singapore) - designation.

ISCA is a member of Chartered Accountants Worldwide (CAW). CAW brings together 11 chartered accountancy bodies connecting and representing the interests of over 1.6 million members and students globally.

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

### **About Nanyang Technological University, Singapore**

A research-intensive public university, Nanyang Technological University, Singapore (NTU Singapore) has 33,500 undergraduate and postgraduate students in the colleges of Engineering, Business, Science, Humanities, Arts, & Social Sciences, and its Interdisciplinary Graduate School. It also has a medical school, the Lee Kong Chian School of Medicine, set up jointly with Imperial College London.

NTU is also home to world-class autonomous institutes – the National Institute of Education, S Rajaratnam School of International Studies, Earth Observatory of Singapore, and Singapore Centre for Environmental Life Sciences Engineering – and various leading research centres such as the Nanyang Environment & Water Research Institute (NEWRI), Energy Research Institute @ NTU ([ERI@N](#)) and the Institute on Asian Consumer Insight (ACI).

Ranked 11th in the world, NTU has also been ranked the world's top young university for the last four years running. The University's main campus has been named one of the Top 15 Most Beautiful in the World. NTU also has a campus in Novena, Singapore's medical district.

For more information, visit [www.ntu.edu.sg](http://www.ntu.edu.sg)