

**WELCOME SPEECH BY
MR KENNETH YAP, CHIEF EXECUTIVE,
ACCOUNTING AND CORPORATE REGULATORY AUTHORITY
AT THE ACRA-SGX-SID AUDIT COMMITTEE SEMINAR
WEDNESDAY, 7 JANUARY 2015, SGX AUDITORIUM**

Mr Magnus Bocker, CEO of Singapore Exchange

Mr Willie Cheng, Chairman of the Singapore Institute of Directors
Audit Committee Members

Ladies and Gentlemen

First off, let me warmly welcome you on behalf of ACRA and my partners from the Singapore Stock Exchange and the Singapore Institute of Directors to the inaugural Audit Committee Seminar. We know your time is most valuable and we thank you for taking the time to attend this event.

2. Today's seminar marks the first time that ACRA, SGX and SID have come together to host an event focusing on corporate reporting. The timing is opportune, for there is an ever-present risk that financial reporting failures that have arisen elsewhere may very well materialise in Singapore.

Trusted Financial Information: Key to Investor Confidence in the Financial Marketplace

3. Earlier this year, the UK retail giant Tesco announced that its profit forecasts for the first half of 2014 had been overstated by 250 million pounds. In one day, Tesco's share price plunged to an eleven-year low, wiping off more than two billion pounds from its market capitalisation. Hard questions are now being asked of both the Tesco Board and of the company's external auditors. The Financial Reporting Council, Britain's audit authority, also announced in December that it would be investigating Tesco's accounts for the last three financial years. Regardless, the damage to public confidence in the reliability of financial reports in the UK has been done.

4. While no market can remain completely immune from financial scandal, we can take measures to minimise the risk of unreliable or misleading financial reports being released.

5. Many in the business community have heard this message from ACRA or SGX on multiple occasions. It is usually accompanied by grouses that compliance requirements are time-consuming and costly, or are exercises of form over substance. Rest assured that we are aware of these concerns, and will continue to do our best to ensure that surveillance and enforcement is targeted and focused on key risk areas.

6. I think we all agree that some measure of preventive medicine and tough love is necessary to ensure financial stability and market protection. Where we may differ is the right balance between reducing risk and encouraging growth. I hope this seminar can serve as a platform where regulators can share our observations and constraints, while taking in feedback on how regulation can be optimised and improved.

7. While my colleagues will soon be elaborating on these points, let me highlight four insights which I hope you will take away from today's sessions.

Audit Committees and Regulators: Collaborating to Boost Corporate Reporting Quality

8. First, ACRA's Financial Reporting Surveillance Programme. Some of you may have recently received letters from ACRA in relation to compliance with accounting standards in your financial statements. This programme is critical because hitherto there had been little enforcement in relation to the board's duty to ensure that financial statements provide a true and fair view of company's finances. Supported by third party accounting experts who identify and collate the findings, the programme is intended to help companies identify blind-spots in their financial reporting, and thereby raise standards over time. It is not intended to nit-pick or be unnecessarily punitive. I would urge audit committees to deep

dive into any findings that have been made, and take the chance to review and effect changes that will further strengthen the governance of your company's finance function.

9. Second, ACRA's Practice Monitoring Programme or the PMP. Under the PMP, ACRA inspects and assesses the quality of work performed by the company's external auditors. I urge audit committees to engage the external auditors on these findings, so that more informed assessment can be made of the value the external auditors bring to safeguarding corporate reporting.

10. Third, I would like to draw your attention to the latest edition of the *Guidebook for Audit Committees* jointly issued by the Monetary Authority of Singapore, ACRA and SGX in August last year. It is a sharp and precise guide, and is especially useful to helping audit committees evaluate the quality of work performed by their external auditors.

11. Finally, let me make a pitch for a training course that is greatly subsidised and highly recommended. Launched late last year, the *Director Financial Reporting Essentials Programme*, is an SID-ISCA¹ collaboration in partnership with ACRA, aimed at raising financial reporting competency among directors. Close to \$1 million in subsidies have been set aside by ACRA for the first 3,000 directors who attend the training before 31 March 2016. I am happy to report that the response from participants thus far has been most encouraging.

Conclusion

12. As you can see, our focus and attention is now very much on audit committees, given your unique position overseeing both company management and external auditors.

13. Over the next two hours, I look forward to a frank and in-depth discussion as we discuss the latest regulatory developments and the challenges that lie ahead.

¹ ISCA – Institute of Singapore Chartered Accountants

14. On this note, let me wish you a fruitful seminar, and also a happy and successful year in 2015. Thank you.