

WELCOME AND OPENING ADDRESS
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AT THE ACRA-SGX-SID AUDIT COMMITTEE SEMINAR 2020

Distinguished guests
Ladies and gentlemen

Good morning. On behalf of ACRA, SGX Regco and SID, I welcome you to the 6th annual Audit Committee Seminar.

Background

2 The growing complexities of the business landscape have presented companies with many challenges today. With rising economic uncertainties, many may also be under pressure to perform. Hence, strong corporate governance and sound financials are even more crucial to uphold investor confidence in the capital market.

3 The theme for today's seminar, "Looking Beyond the Veneer of Numbers" is a timely reminder for audit committees to uphold the integrity of the financial reporting process.

Fostering voluntary compliance

4 At last year's Seminar, I spoke about the aspiration to move towards an enlightened regulatory approach, one where those regulated believe in the purpose of the regulations, and that complying with the law is the right thing to do.

5 Regulators will of course continue to strengthen their capability to take strong enforcement actions against those who deliberately choose not to comply, or even defraud the system. To this end, ACRA and MAS have set up a joint forum, to co-ordinate efforts to better monitor and review accounting and disclosure lapses. This will enable both agencies to take errant companies to task more promptly.

6 Strengthening enforcement capabilities is essential to motivate stakeholders to act in the public interest and comply with the law. It provides the necessary deterrence against non-compliance, so that those who comply on their own do so in the knowledge that the system is fair to all. This sets the ground for regulators like ACRA to forge strong partnerships with stakeholders, to engender the right behaviours amongst stakeholders in the eco-system.

7 This morning, ACRA will share two initiatives as part of this enlightened regulatory approach.

Driving improvements in financial reporting

8 The first relates to efforts to drive improvements in financial reporting through our Financial Reporting Surveillance Programme. Our study shows that the proportion of listed companies with modified audit reports rose from 6% in FY2016, to 9% in FY2018. To facilitate the provision of reliable financial information to investors, ACRA will continue to focus our review on financial statements with modified audit reports and take

enforcement action if necessary, to deter non-compliance with accounting standards.

9 However, taking enforcement action against companies and directors can be a long drawn and costly process. A more sustainable approach, in my view, is for the various stakeholders to work together to deliver the best quality financial statements. For example, audit committees can guide management to resolve auditor's concerns with accounting and audit issues, and auditors can help by highlighting and flagging these issues early, so that audit committees and management have sufficient time to address them.

10 To help audit committees review FY2019 financial statements, ACRA had brought forward the release of the focus areas for review of financial reporting for this year. My colleague, Yap Kim, will share more about this as well as the findings in the latest review cycle of our Financial Reporting Surveillance Programme.

Revisions to the AQI Disclosure Framework

11 The second initiative relates to our Audit Quality Indicator (AQI) Framework, which we launched in 2015 to help audit committees in their evaluation of statutory auditors. We are heartened to note that many audit committees have been using the AQIs, based on findings from SID's 2017 Survey on Directors.

12 Later this morning, my colleague, Meow Ling, will share with you the key revisions to the AQI Framework, aimed at providing more useful and more relevant information to audit committees.

13 These revisions were made in consultation with the audit firms and audit committees. I would like to thank SID for facilitating a focus group discussion with the audit committees, and the audit firms and audit committees who had provided invaluable feedback and contributed to the refinement of the AQI framework. This is an excellent example of regulators and stakeholders working together for a better compliance outcome.

Conclusion

14 To conclude, an economic climate of uncertainty presents an opportunity for companies to assure investors that the fundamentals of their companies remain strong.

15 Audit committees can reinforce this assurance by ensuring the integrity of the financial reporting of their companies, and providing transparent and timely disclosures. Together, we can continue to make Singapore a trusted and vibrant place for businesses to grow and flourish.

16 I wish you all a productive seminar this morning, and a fruitful year ahead. Thank you.
