Regulatory and institutional foundations for high-quality corporate reporting

Presented by

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Chief Executive
Accounting and Corporate Regulatory Authority
Singapore
High Quality Corporate Financial Reporting is critical to ACRA’s vision of Singapore as the Trusted and Best Place for Business
ACRA’s Role in Financial Reporting Value Chain

- **ACRA Oversight**: Compliance with Accounting Standards
- **ACRA Oversight**: Compliance with Auditing Standards
- **ACRA Oversight**: Compliance with Filing Requirements

**Auditors**

**Preparers** (Directors)

**Enhance Level of Assurance**

**Filer**

**Filing**

**Users**
Overview of Singapore’s Financial Reporting System

MAS: Financial Services Regulator

Ministry of Finance

Singapore Exchange (SGX)

ACRA

ICPAS (Assists ACRA with non-public interest audits)

Accounting Standards Council

Policy

Standard Setting

Monitoring & Enforcement

Big Accounting Firms

Private Providers

Universities

Specialisation Institutions

Singapor Accountancy Commission

Professional Bodies

Industry Development & Promotion

Academic & Professional Learning

Legend:

Government Bodies

Statutory Bodies

Professional bodies

Independent Organisations
ACRA’s Experience

A. **Eco-system Approach:** Take account of eco-system beyond Institution’s specific purview and ensure all parties understand and perform their role

B. **Show the Value:** Members of eco-system should understand the value of compliance and be involved at each stage of development and implementation

C. **Change Management:** Development and supporting voluntary compliance ahead of targeted enforcement
**A: Eco-system Approach:** Take account of the eco-system beyond the institution’s specific purview and ensure all parties understand and perform their role.
Financial Reporting Eco-System

Quality creates value

People value high quality financial reporting

Priority given to quality financial reporting

All understand their role

Users/Investors

Preparers/Directors

Auditors

People value high quality financial reporting

Quality creates value

Priority given to quality financial reporting

All understand their role
Developing the Eco-System

Committee to Develop the Accountancy Sector (2010)

Annual Public Accountants Conference
B. Show the Value: Members of eco-system should understand the value of compliance and be involved at each stage of development and implementation
Creating Value from Financial Information

Ratings to encourage compliance

Simple Business and Financial Info Products

Corporate Compliance And Financial Profile

<table>
<thead>
<tr>
<th>Business Profile</th>
<th>Company Basics: e.g. Officers, Charge, Auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Compliance</td>
<td>Compliance Rating Audit Opinion Directors’ Opinion</td>
</tr>
<tr>
<td>Financial Profile</td>
<td>3 Yrs Comparative Data, from Balance Sheet, P&amp;L, Cash Flow, Financial Ratios</td>
</tr>
</tbody>
</table>

Online tools to make financial analysis accessible to all
Promoting Value of High Quality Financial Reporting

The SME Magazine, Jul/Aug 2012 issue

The Straits Times, 15 Aug 2012
(National newspaper)
Promoting Value amongst Stakeholders

Research by Partners (ACCA/SIAS)

The Value of Audit: Views from retail (private) investors (2011): What source of information do you typically use to help you make investment decisions?

- Media reports: 73%
- Prospective information and projections by analysts: 69%
- Audited financial statements: 66%
- Recommendation by brokers: 34%
- Recommendation by colleagues: 14%
- Others: 11%

Awards by Associations and NGOs

Securities Investors Association (Singapore)

1Source: http://www.acca.co.uk/pubs/general/activities/library/audit/audit_pubs/views_from_retail.pdf
Setting FRS for Small Entities in a Way that Promotes Compliance

Focus Groups with SMEs to set thresholds

Training and seminars
C. Change Management: Development and supporting voluntary compliance ahead of targeted enforcement
Voluntary Compliance and Change Management

Acra refresher course for directors who slip up

By JONATHAN KWOK

DOZENS of company directors who failed to exercise some of their duties properly attended a one-day course yesterday to remind them of their responsibilities.

The 50 or so participants used case studies to discuss best practices and common mistakes to avoid. Yesterday’s course, called the Directors Proficiency Programme, was the first of what will be a quarterly series.

It is part of an Acra initiative to improve governance and compliance among companies.

The number of companies required to have a director was about 10,000 last year, with about 20,000 required currently.

A quarter of directors do not have the required knowledge and skills, according to Acra chief executive Jithika Ramanathan. “A good director can add a lot of value to a company,” she said. “This is one way to ensure that all directors are well-versed in their duties.”

Yesterday’s course covered topics such as directors’ responsibilities, governance, and compliance.

The course is free and those who complete the training will get their names on the Acra website.

It will select participants based on factors like previous offence records and their level of knowledge on regulatory requirements.

The course is free and those who complete the training will get their names on the Acra website.

“Instead of viewing compliance as an administrative and regulatory burden, companies have much to benefit from complying with regulatory requirements,” said Acra chief executive Jithika Ramanathan. “A good compliance record enhances a company’s brand equity and also strengthens investor confidence.”

Acra conducted a pilot run of the programme earlier this year. All but one of the 14 directors who attended it saw their companies improve within a month of the training.

Available for free download at http://www.acra.gov.sg/Publications/Guidebook+for+Directors.htm
Potential Changes to Audit Report

- Public Education necessary to address possible expectation gap
- Development of capabilities of auditors and audit teams
Thank You
REFERENCE SLIDE: KEY STATISTICS
<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>180,101 Exempt Private Companies</td>
<td>180,101</td>
</tr>
<tr>
<td>240,461 Local Companies</td>
<td>240,461</td>
</tr>
<tr>
<td>57,626 Private Companies</td>
<td>57,626</td>
</tr>
<tr>
<td>2,704 Public Companies</td>
<td>2,704</td>
</tr>
<tr>
<td>10,424 Limited Liability Partnerships</td>
<td>10,424</td>
</tr>
<tr>
<td>104 Limited Partnerships</td>
<td>104</td>
</tr>
<tr>
<td>151,623 Sole-Proprietorships &amp; Partnerships</td>
<td>151,623</td>
</tr>
<tr>
<td>58,000 Accounts filed via XBRL [2011]</td>
<td>58,000</td>
</tr>
<tr>
<td>69.42% Companies with Green Tick+ of Compliance 1 Jul to 30 Sep 2012</td>
<td>69,426</td>
</tr>
<tr>
<td>986 Public Accountants (Auditors)</td>
<td>986</td>
</tr>
</tbody>
</table>

* Statistics in orange bubbles are accurate as at 30 September 2012 unless otherwise stated.

* Based on Companies' Annual Return (AR) filed in compliance with 3 statutory requirements under the Companies Act, namely s175 [holding of Annual General Meeting (AGM)], s197 [filing of AR] and s201 [laying of financial statements at AGM].

Need not file FS, or audit FS if revenue below $5m

Must file audited FS