
**Intergovernmental Working Group of Experts on
International
Standards of Accounting and Reporting
(ISAR)**

29th SESSION

31 October – 2 November 2012
Room XIX, Palais des Nations, Geneva

Thursday, 1 November 2012
Morning Session

**Regulatory and institutional foundations for high-
quality corporate reporting**

Presented by

Juthika Ramanathan
Chief Executive, Accounting and Corporate Regulatory Authority,
Singapore

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UNCTAD ISAR SESSION 29

1 November 2012

Juthika Ramanathan

Chief Executive

Accounting and Corporate Regulatory Authority

Singapore

A wide-angle photograph of the Singapore skyline, featuring numerous modern skyscrapers with glass facades. The buildings are reflected in the water of a bay or river in the foreground. A bridge with several arches spans across the water. The sky is clear and blue.

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



Filer

Filing

Users



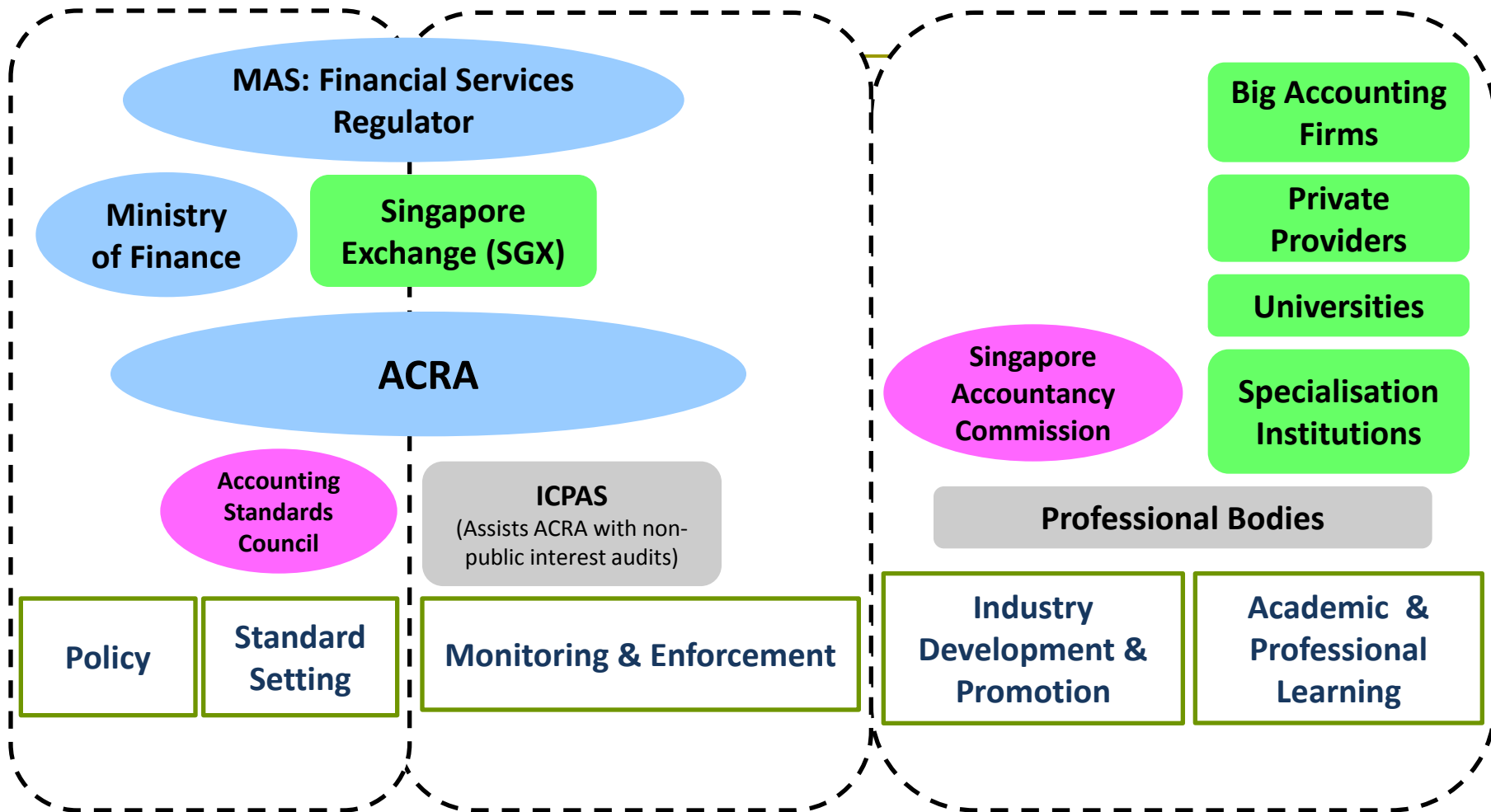
**Preparers
(Directors)**



Enhance Level
of Assurance



Overview of Singapore's Financial Reporting System



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

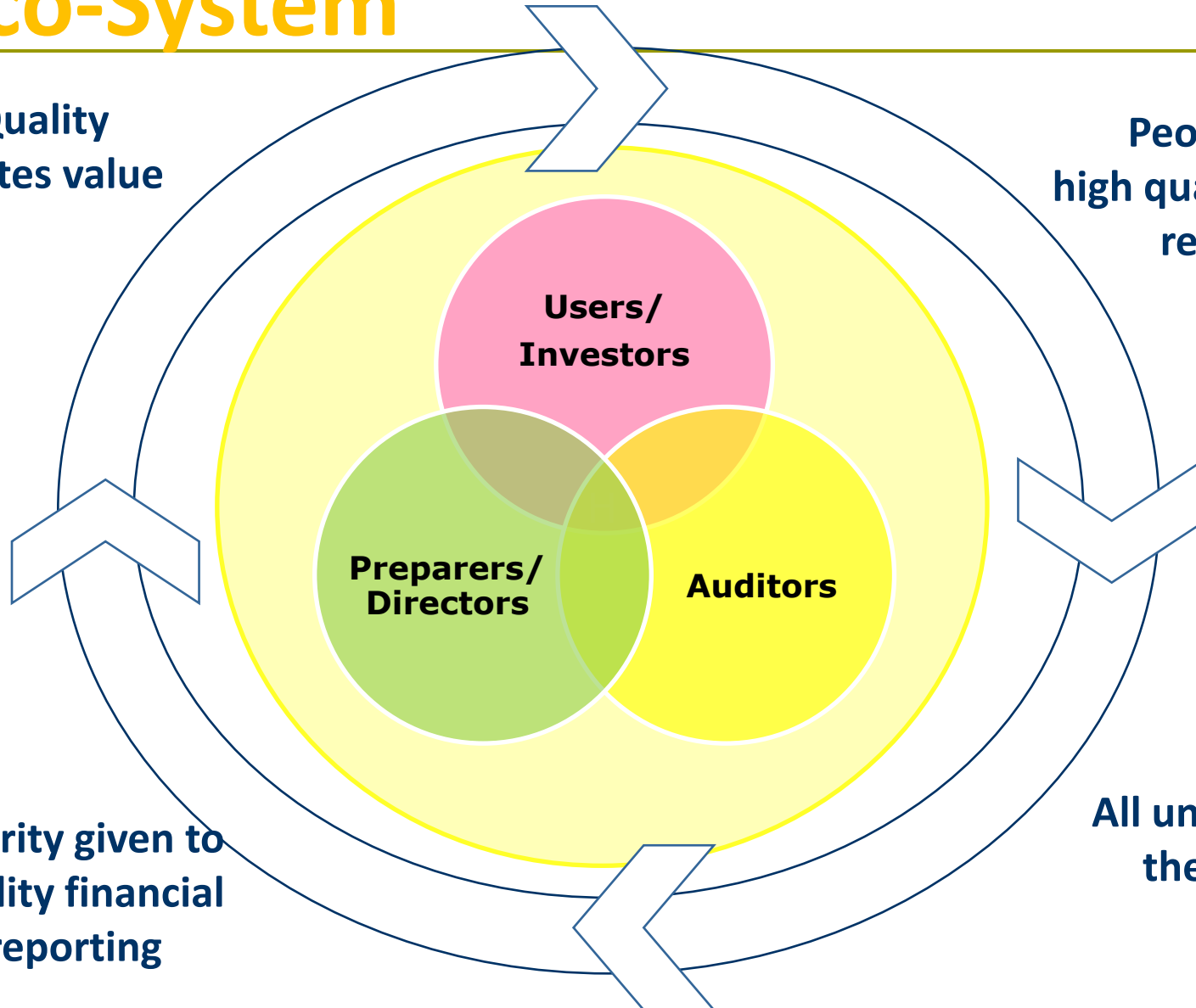
- c. **Change Management:** Development and supporting voluntary compliance ahead of targeted enforcement

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**

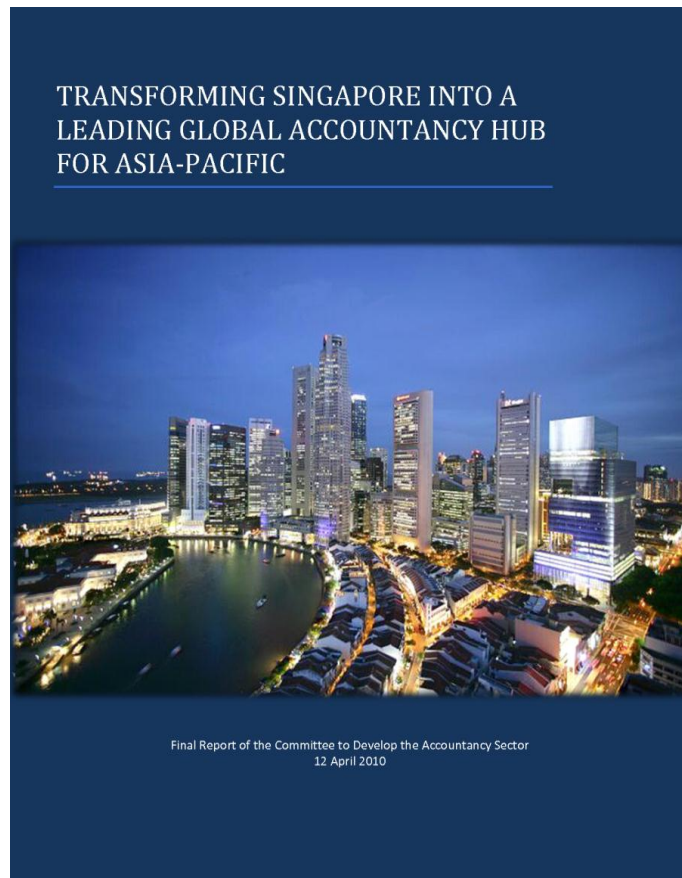


**Priority given to
quality financial
reporting**

**All understand
their role**

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

Status	Compliance Rating for Annual Filing <small>Click on flag for details of compliance record</small>
Live	✘
Live	✘
Live	✔
In liquidation -	

Online tools to make financial analysis accessible to all



Singapore Financials Direct

Simple Business and Financial Info Products

Corporate Compliance And Financial Profile

Business Profile

Company Basics: e.g. Officers, Charge, Auditors

Corporate Compliance

Compliance Rating
Audit Opinion
Directors' Opinion

Financial Profile

3 Yrs Comparative Data, from Balance Sheet, P&L, Cash Flow, Financial Ratios

Promoting Value of High Quality Financial Reporting

Smart Capital

IN TODAY'S world, SMEs can no longer afford to produce their accounts long after the month-end or year-end. For the auditors to do their work, they need to see the accounts as they are prepared. This means that accurate financial information is the difference between growth and stagnation, or uncertainty and security.

The most SMEs will benefit of accounting is a business that without seeing its hidden value.

Good accounts can reveal the up-side, the most profitable products and the most unproductive activities. The answer an SME needs this information, the better.

A good audit can enhance more value than the accounts. Auditors can identify areas of opportunity such as unaccounted for production costs, and even spot production wastage that is where industry norms, and so help the company retain its productivity.

"We have SMEs who do not take value by producing their accounting until it is too late," says Lee, an auditor from Philip Lee & Co, before that this applies to a fair number of SMEs. Some SMEs see audit as a last-minute exercise, a necessary evil. Auditors, on the other hand, struggle to effectively purchase quality audits with limited time and resources, while still providing value-add to their clients.

Mr Lee says that clients should change their mindset and see auditors as business partners instead of a pain. "Auditors monitor many aspects of the business, like the environment it operates in, its risks and its operational efficiencies, just to name a few."

"This work leads to robust information, such as gross margin by product or location, which tells an SME the best growth areas to deploy its resources. Classified data, on the other hand, if wrong and used for decision-making, can prove costly."

But to gain the most value from an audit, an SME needs greater records that will stand up to the rigour of an audit. An auditor should verify accounting records and understand financial statements will be audited. These are the tasks in the audit that he can give an SME.

Mr Lee says that auditors can also play their part to make the audit more productive, and it is all about communication. "Auditors spend time communicating, communicate and communicate to reduce clients' anxiety about the auditing process. They will ensure a client is satisfied as well that it has provided and seen something for themselves."

An SME client, worried about cost control:

HOW TO MAXIMIZE THE VALUE OF YOUR ACCOUNTING AND AUDIT PROCESS

- **Support from the top:** A good "tone at the top" helps convince everyone that good accounting is important.
- **Timely follow-up:** Low overhead accounting leads to lower operating costs and it is a top line. Help a senior manager to take timely actions throughout the year.
- **Professional excellence:** An excellent budget for quality audit leads companies may find audit has a certain level of value.
- **Proactive open management:** should review the accounts before the audit, to make sure that the audit is efficient and smooth.



A BETTER SET OF ACCOUNTS & BETTER SLEEP

Good accounting and auditing can boost an SME's productivity

Mr Lee's advice to improve the audit process, which was necessary to gain an unqualified audit opinion. Eventually, he agreed and found that the better records not only saved him money but also helped him sleep better at night.

The company will agree upon how best to audit and maintain the value of its financial statements. There was no proper accountability, and the company did not comply with accounting standards.

Mr Lee tried to convince Lee that to avoid this work at least once a year and have good records of matters such as the number and cost of each part and whether any were damaged or obsolete. Without this, the auditor could not say whether the stock figures were a true and fair picture.

It took the client several hours to get the data.

He could get by with estimates and be locked into a system. He finally agreed to assign someone to work full-time for two months to sort, train and improve the books.

Mr Lee's team was impressed with the results when they attended the year-end audit. The client later thanked him for his help and for being going through the painful process, to find a robust understanding of his work environment and could work up accordingly. This resulted in cost savings for his business.

The writer is the Assistant Director of the Strategic and External Relations Division at the Accounting and Corporate Regulatory Authority (ACRA).

SMEs reap benefits of working with auditors

Financial info helps firms make better decisions, and issues are highlighted

By JONATHAN KWOK



GSK Global's CEO Eric Tan has found that the numbers the auditor churned out helped him to set a strategic vision for the firm. ST PHOTO: KEVIN LIM

AUDITORS are usually called in as a matter of routine to run the rule over a firm's financial figures but some small- and medium-sized enterprises (SMEs) find unexpected gains in working with them.

The number-crunchers cannot provide business advice as this would jeopardise their independence, yet companies can learn a lot from their findings and the questions they pose.

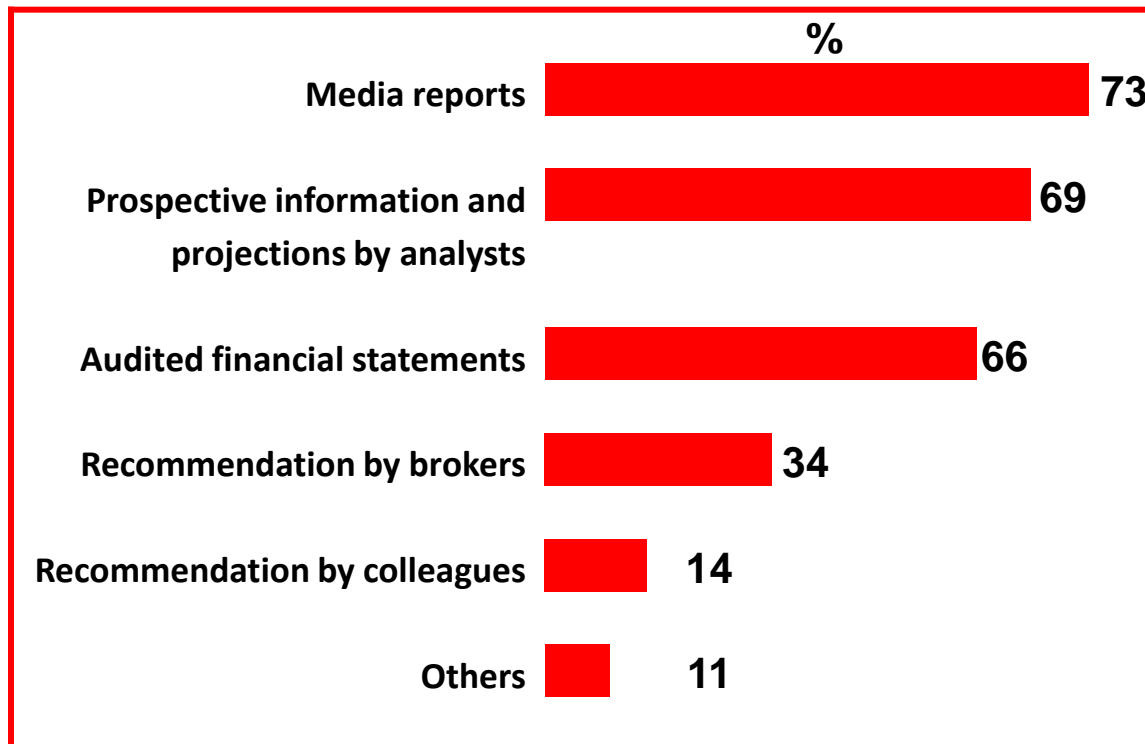
Just ask Mr Eric Tan, chief executive of real estate consultant GSK Global Group, which started in 1993.

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)¹: *What source of information do you typically use to help you make investment decisions?*



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

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 quar-

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

About 10,000 summaries against directors - unlisted small and medium enterprises - but the number of offenders may be lower as some may receive warnings.

to lower this figure by educating directors on their responsibilities as many offenders did not know about



The Directors Proficiency Programme in session yesterday. It forms part of an Acra initiative to improve governance and compliance among companies. PHOTO: ACRA

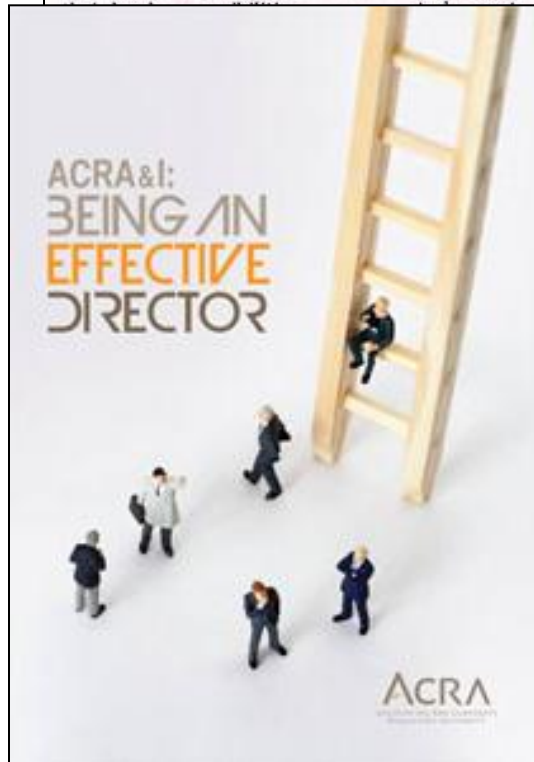
It will select participants based on factors like previous offence records and their level of knowledge on regulatory requirements.

The course is free and those who complete the training will get their fines reduced.

"Instead of viewing compliance as an administrative and regulatory burden, companies have much to benefit from complying with regulatory requirements," said Acra chief executive Juthika 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 rectified their failings within a month of the training.

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Potential Changes to Audit Report

- **Public Education necessary to address possible expectation gap**
- **Development of capabilities of auditors and audit teams**

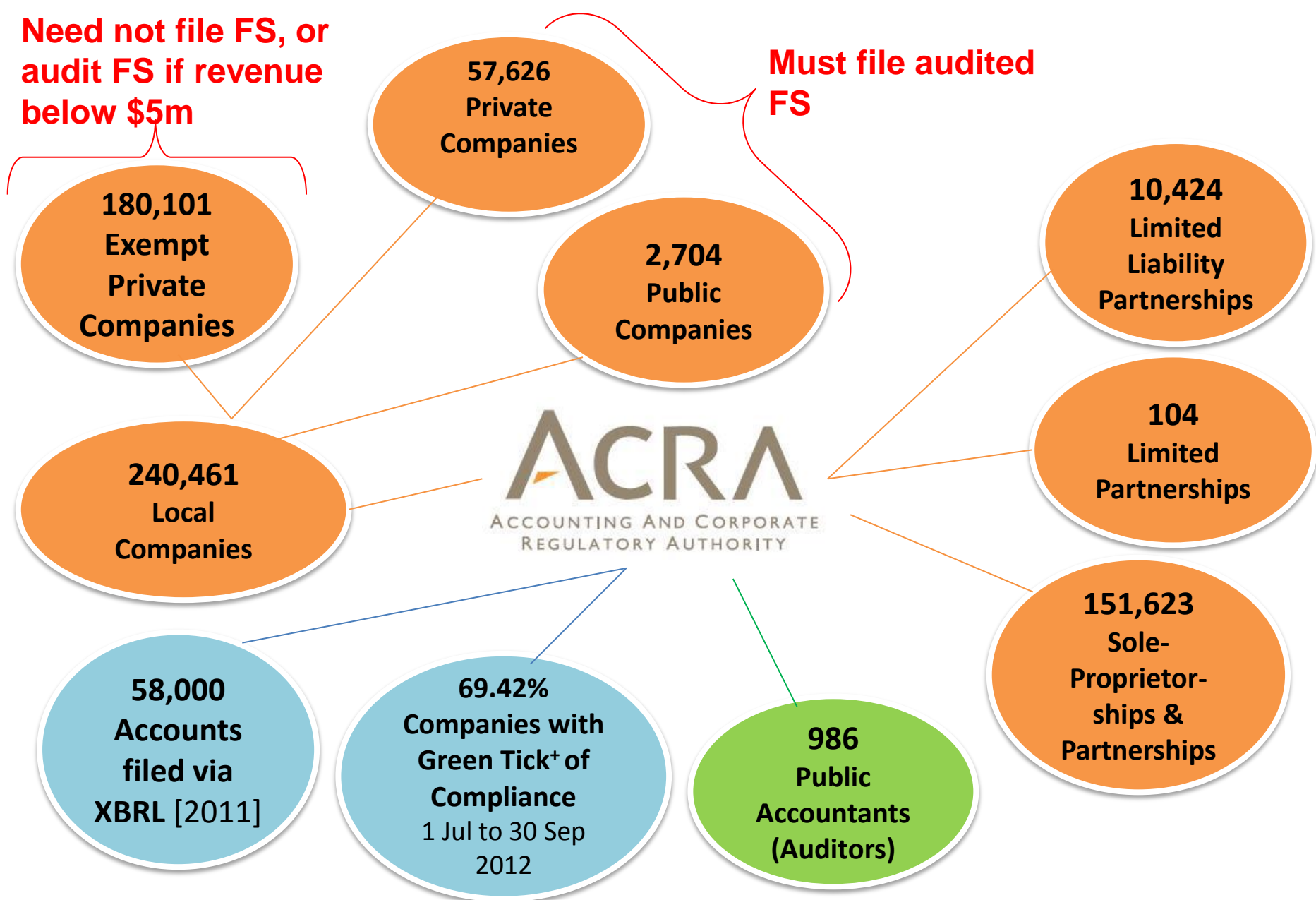
Current	Proposed
Introductory paragraph	Auditor's opinion
Management's responsibility	Basis for opinion
Auditor's responsibility	Going concern
Auditor's Opinion	Auditor commentary
Other reporting responsibility	Other information
Signature and date	Management's responsibility
	Auditor's responsibility
	Other reporting responsibility
	Signature and date

Thank You

REFERENCE SLIDE: KEY STATISTICS

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

**Must file audited
FS**



**180,101
Exempt
Private
Companies**

**57,626
Private
Companies**

**2,704
Public
Companies**

**10,424
Limited
Liability
Partnerships**

**240,461
Local
Companies**

**104
Limited
Partnerships**

**58,000
Accounts
filed via
XBRL [2011]**

**69.42%
Companies with
Green Tick+ of
Compliance
1 Jul to 30 Sep
2012**

**986
Public
Accountants
(Auditors)**

**151,623
Sole-
Proprietor-
ships &
Partnerships**

* 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]