Guidance on good practices in the area of compliance monitoring and enforcement

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Guidance on Good Practices in the Area of Compliance, Monitoring and Enforcement

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Contents

• Monitoring of Compliance & Enforcement (MC&E) Stakeholders In Singapore

• How Singapore Achieves an Efficient & Effective MC&E System
  □ Initiatives & Good Practices
    ◆ SGX
    ◆ ACRA
    ◆ ISCA

• Challenges
MC&E Stakeholders in Singapore

Other Stakeholders who complement MC&E in Singapore
Regulators – Initiatives & Good Practices

3 independent Listings Committees set up to strengthen listing policy-making and review process, and enhance how Listing Rules are enforced:

- Listings Advisory Committee (LAC)
- Listings Disciplinary Committee (LDC)
- Listings Appeals Committee (LApC)
Regulators – Initiatives & Good Practices

- Financial Reporting Surveillance Programme
- Practice Monitoring Program
- Enhanced Licensing Requirements to be a PA
ACRA’s Financial Reporting Surveillance Program

Public-private collaboration to strengthen quality of financial reporting by companies

- ACRA & ISCA combining resources and sharing expertise to increase breadth/depth of financial reporting surveillance regime in Singapore

- ISCA will share its observations on potential non-compliances in financial statements with ACRA, which will deliberate and take enforcement action against directors under Companies Act, if necessary

Enforces Section 201 of Companies Act

- Directors’ duties to prepare financial statements in accordance with prescribed Accounting Standards in Singapore
ACRA’s Financial Reporting Surveillance Program

Risk-based approach:

Public Listed Co. with:
1) Significant Public Interest
2) Modified audit reports
3) Significant Accounting Judgment
4) Listing/trading status or key stakeholders change

Non Public Listed Co. with:
1) Modified audit reports
2) Significant Accounting Judgment

SELECT

ISCA identifies material & substantive points

ISCA gathers relevant information and discusses with ACRA to conclude/recommend

ACRA sends Enquiry Letters to Directors

ENQUIRE

ACRA & ISCA evaluates Directors’ responses

ISCA provides expert views & ACRA decides on Regulatory Outcome

Source: ACRA’s Financial Reporting Surveillance Programme Inaugural Report
ACRA’s Financial Reporting Surveillance Program

SANCTION

Severity

Low

- Closure

- Advisory

- Warning

- Composition

High

- Prosecution

Less serious breaches; not a regulatory sanction

SGX Rule 704 (7) and App 7.4.1(k)
Directors to announce at appointment / re-appointment. If he has been issued warning by regulatory authority

SGX Rule 703
Listed co. to announce immediately if sanction is “material info… Likely to materially affect share price”

Source: ACRA’s Financial Reporting Surveillance Programme Inaugural Report
ISCA - Initiatives, Mechanism & Good Practices

Mandatory
- Practice Monitoring Program
- Continuing Professional Education Audit

Voluntary
- Quality Assurance Review (QAR)
  - File Review (Engagement)
  - SSQC1 Review (Firm Practice)

Disciplinary
- Investigation & Disciplinary Committee (I&DC)
Challenges

- Unpopularity of FRSP among Directors
- Attitude toward Continuing Professional Development (CPD)
Thank You

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