

# ACRA launches framework to improve quality of financial reporting in Singapore

Big four audit firms agree to provide audit committees of listed companies with a set of comparable indicators

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OCT 15, 2015 5:50 AM

Singapore

THE Accounting and Corporate Regulatory Authority (ACRA) on Wednesday introduced an Audit Quality Indicators (AQIs) Disclosure Framework which marks the first time the big four audit firms have collectively agreed to provide audit committees of listed companies with a set of comparable indicators on the auditors' ability and commitment to deliver quality audits.

This, said ACRA, is crucial in helping audit committees better evaluate and select the right auditors.

Announcing the AQIs Framework during his keynote address at the CPA Australia Congress conference, ACRA chief executive Kenneth Yap urged audit committees to view the AQIs as key tools that can help them obtain higher-quality audits.

He also noted that "the AQIs alone are not a silver bullet that guarantee high-quality audits. They do, however, provide audit committees with a comparable basis on which to conduct a conversation on the effort, experience and resources that an audit firm will bring to bear on a particular audit."

ACRA noted that while many audit committees recognise the difference the right auditor can make in terms of audit quality, there is a widely held perception that it is difficult or unnecessary to differentiate between the larger audit firms during the selection process as they would uphold the same high standards of audit quality. In actual fact, the larger audit firms are run very differently, and these differences could affect the process undertaken to gather audit evidence and resolve complex accounting issues.

"Audit committees should therefore take great care and effort to differentiate and choose the audit firm best suited to the size and complexity of their companies," said ACRA.

The AQIs comprise eight comparable quality markers that correlate closely with audit quality based on ACRA's observations from inspecting auditors over the past decade. These include hours spent by senior audit team members involved in the audit, relevant experience of the senior audit team members, and results from internal and external inspections of auditors.

The AQIs Disclosure Framework is the first of its kind in the region.

Audit committees will be able to utilise the AQIs Framework from Jan 1, 2016. The big four accounting firms have confirmed their support for the framework and will communicate their

AQIs data directly to audit committees each year when the process to reappoint the incumbent auditor or appoint a new auditor is carried out.

Said Mr Yap: "I am confident that audit committees that utilise the AQIs will see audit quality improve over time. This bodes well for Singapore's reputation as a transparent and trusted business hub."

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