

WELCOME AND OPENING ADDRESS
BY MR ONG KHIAW HONG, CHIEF EXECUTIVE,
ACCOUNTING AND CORPORATE REGULATORY AUTHORITY
ON 11 JANUARY 2023, 9:30AM
AT THE ACRA-SGX-SID AUDIT AND RISK COMMITTEE SEMINAR
2023

Distinguished guests
Ladies and gentlemen

Good morning. On behalf of ACRA and my fellow organisers – welcome to the 9th Audit and Risk Committee Seminar.

Background

1. There are growing calls for greater transparency on companies' sustainability measures as investors increasingly demand such information for their decision making.
2. Companies are increasingly held accountable not just for their financial performance but also their obligations as good corporate citizens to the environment and society. Sustainability considerations are beginning to impact a company's business strategy and operations. Hence there is a need to account and report on the impact of such considerations, both from financial and non-financial perspective.
3. As financial stewards of the companies, it is important for audit committees to consider the risk and opportunities of issues related to sustainability to the company's business and reporting.

Accounting for climate-related risks

4. Most prominent amongst sustainability issues is the effect of climate change.

i) Impact of climate-related risks to financial statements

5. Many companies may already or will likely be impacted by climate-related risks from new regulations, increased cost of production, and changing consumer preference. These risks may have a material impact on your companies' financial performance or even affect business models in the long run. Hence, audit committees will need to consider these relevant accounting implications to the financial statements.

6. In November last year, ACRA issued a Financial Reporting Practice Guidance to guide directors, especially audit committees, in assessing how climate risks can impact their FY2022 financial statements. I urge all of you to consider how such risks may be relevant to your companies. Besides climate risks, the Guidance also sets out accounting considerations arising from geopolitical and macroeconomic uncertainties as well as areas where audit committees should engage their auditors in.

7. Last week, ACRA has also issued its 4th Financial Reporting Surveillance Programme Report. The Report aims to assist companies to avoid common pitfalls and improve their financial reporting by enhancing their understanding of the application and interpretation of the Accounting Standards and the requirements of the Companies Act.

ii) Sustainability Reporting - Progress of the Sustainability Reporting Advisory Committee (SRAC)

8. Moving beyond the financial reporting, I would like to touch on sustainability reporting, beyond climate-related risks, and what ACRA has been doing in this area. Together with SGX Regco, we have set up a private-sector led Sustainability Reporting Advisory Committee to help us propose recommendations on a sustainability reporting roadmap for Singapore-incorporated companies. This is going beyond listed companies.

9. The SRAC's work is multi-faceted, looking not just into sustainability reporting requirements and scope, but also the need for external assurance of sustainability reports, industry capacity and capability building. A public consultation on the SRAC's recommendations will be conducted later this year and I look forward to all your feedback.

Initiative to help Audit Committees oversee their auditors

10. Besides sustainability-related considerations, I would also like to briefly cover two initiatives that ACRA is doing that has relevance to audit committees.

11. The first is how audit committees engage their auditors. We understand audit committees would like to have greater transparency over the performance of their auditors. ACRA is doing its part to facilitate this. In October last year, we passed amendments to the Accountants Act to require auditors who have obtained a "Not Satisfactory" inspection

outcome to disclose their audit inspection findings to the audit client of the inspected engagement.

12. This will allow audit committees to understand the root cause of the audit inspection findings and the remediation action taken by the auditors. Audit committees should also assess the potential implication of the findings to the company's financial reporting and discuss future audits approaches and processes with the auditor. We aim for this change to take effect in the 2nd quarter of this year, so do look out for that.

Initiative to unlock the value of intangible assets for business

13. The 2nd area relates to helping companies unlock the value of their intangible assets. Companies are increasingly seeing a need to communicate the value of their intangibles, beyond what is recognised and reported in the financial statements.

14. However, there is lack of a disclosure framework guiding companies on the appropriate disclosures today for intangibles. To address this, ACRA and the Intellectual Property Office of Singapore (IPOS) have worked closely with the Intangibles Disclosure Industry Working Group, comprising representatives from the accounting, valuation, legal and finance sectors, to develop an Intangibles Disclosure Framework.

15. The Framework, which is voluntary, aims to provide stakeholders with standardised information about a company's intangibles, to enhance information transparency. This will facilitate the commercialisation of intangibles by increasing access to financing.

16. We have launched a public consultation on this Framework last month and this exercise will run until end of February. I encourage all of you to provide your feedback to help shape the Framework.

Conclusion

17. In closing, ACRA will continue to support audit committees in their role to promote high quality reporting. The role played by the audit committees is not an easy one and we recognise that. However, we believe that with the right mindset of setting out to do the right thing, compliance would naturally follow. Hence, I like to encourage you to work with us to achieve the common objective of fostering a trusted and vibrant business environment in Singapore.

18. With that, I wish you all a fruitful seminar this morning, and a safe year ahead. Thank you.

