



AUDIT COMMITTEES' DAUNTING CHALLENGES

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The last line of defence



By **WILLIE CHENG**
Chairman, SID



DIRECTIONS

The audit committee is often regarded as the most important of the board committees.

SID's Statement of Good Practices No. 4 says that this is because it is "the last line of defence for a company to prevent fraud and manage risks". Its importance is highlighted by the fact that the audit committee (but not other board committees) is mandatory for listed companies, and audit committee chairmen and members usually receive higher director fees than their peers.

I have been on more than a dozen audit committees. It is the benefit – or burden – of coming from an accounting background. My accountancy colleagues tell me that they usually land in the audit committee on their first directorship. Some then try to wiggle out of it in subsequent directorships.

Many want out because it is a tough job. And it is getting tougher, with more regulations on disclosures, greater regulatory scrutiny, and an avalanche of new and revised financial reporting standards that are increasingly reliant on estimates, judgment and valuation.

In this issue of Directors' Bulletin, we focus on the audit committee. Our lead feature explores the topics covered at the inaugural ACRA-SGX-SID Audit Committee seminar: ACRA's financial surveillance, SGX's regulatory considerations, the Audit Committee Guidebook, and audit adjustments (see page 6).

Audit committees rely heavily on the auditors, both internal and external. In "Counting Beans"

(page 26), Yeoh Oon Jin looks at how the committee should expect more from the internal auditor.

Investors and boards have had concerns with external auditors and their audits. We examine some of them in this edition: re-inspiring confidence in audit (page 18), the relationship between external auditors and audit committees (page 24), and proposed audit market reforms (page 20).

Meanwhile, we explore how management, the internal auditor, the external auditor are all important lines of defence in risk management for the audit committee and the board. The latest thinking on effective risk management is to bring all these together in what is called "combined assurance" (see page 28).

These are all weighty issues that need to be tackled not just by audit committee members but by all directors.

That said, when we, as audit committee members, prepare and attend our meetings, our job is to read the story that the numbers tell much more critically, look for discrepancies, ask the tough questions of management, and listen and consult with both the internal and external auditors. All while trying to figure out how the latest financial reporting standards and regulations have changed the status quo.

The audit committee - yes, it's a tough job but it's also one that many of us will persevere to the very end. After all, we are the last line of defence. ■

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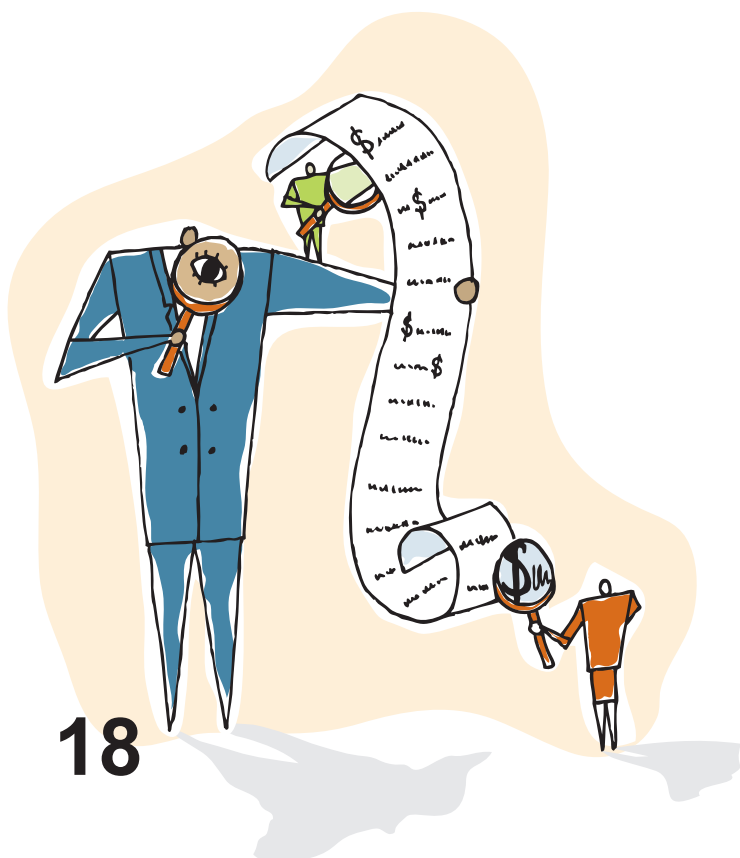
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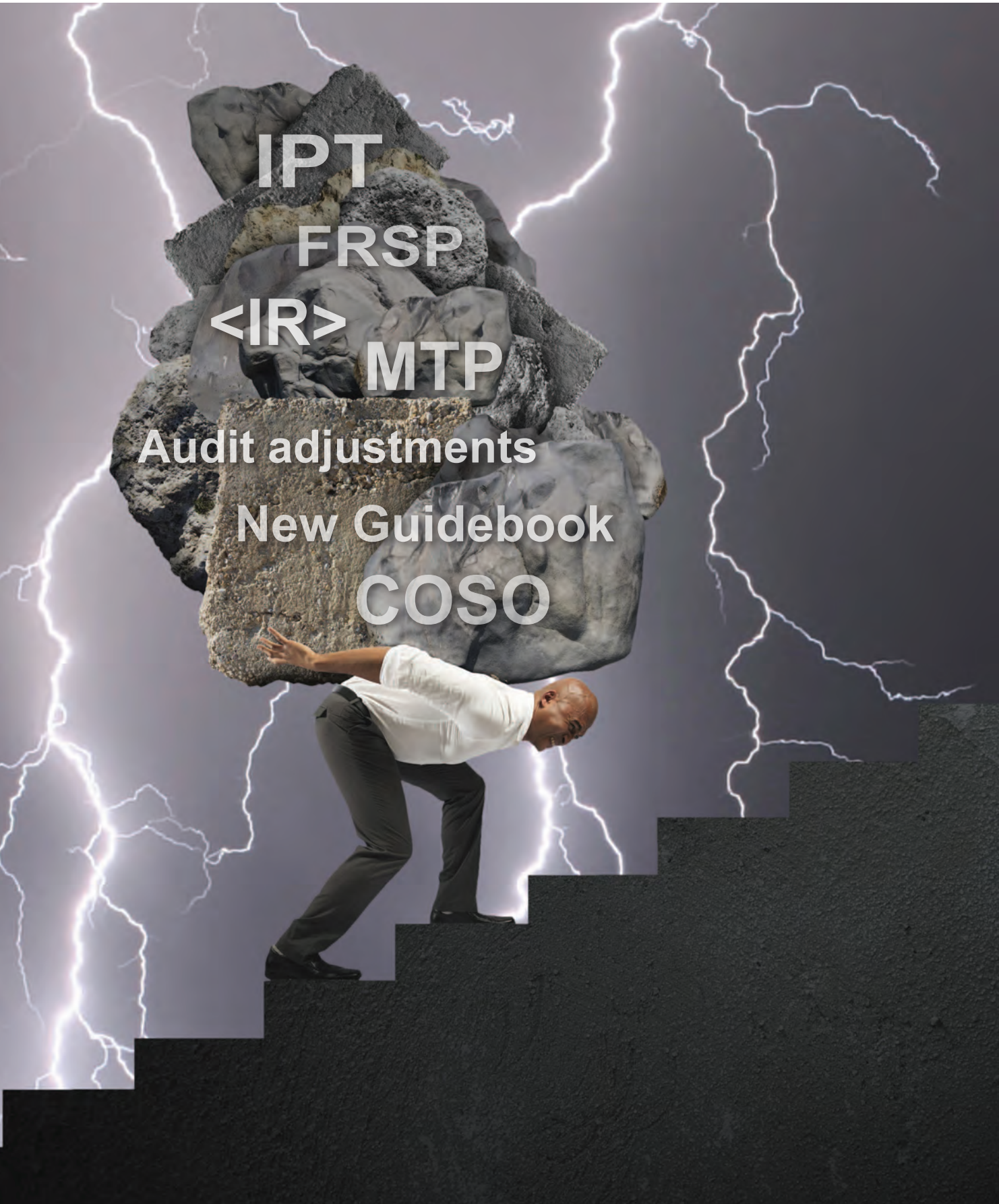
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AUDIT COMMITTEES' DUTIES & CONCERNS

Regulators' powwow with audit committees

A regulatory storm was felt by directors who packed the SGX Auditorium at the inaugural Audit Committee Seminar organised by ACRA, SGX and SID on 7 January 2015.

Most of those present were audit committee (AC) chairs and members and they were jolted by exhortations by the regulators to "Read, Understand and Ask" and take charge of financial reporting. Some sparks flew as directors present lament the increasing work and

regulations, coupled with the limited support they sometimes get from the auditors.

We summarise here the key takeaways from speakers and participants at the event as follows:

- SGX's Regulatory Considerations for Audit Committees
- ACRA's Financial Reporting Surveillance Programme
- Guidebook for Audit Committees in Singapore
- Audit Adjustments
- Overheard at the Seminar

SGX's Regulatory Considerations for Audit Committees

Interested Party Transactions (IPTs)

- Scope of IPT General Mandate should not include those of a recurring revenue or trading nature (SGX Listing Rule 920).
- IPT General Mandate should also be limited to specific interested persons and not a generic class of persons.

Business Expansion

- Acquisition of more than 20 per cent (Rule 1006 figures) is a major transaction and requires shareholders' approval. Exchange may aggregate separate transactions completed within 12 months and treat them as one transaction (Listing Rule 1014 and 1005).
- Those diversifying into Mineral, Oil & Gas (MOG) activities must comply with applicable rules if the MOG activities of the group make up 50 per cent or more of total assets, revenue or operating expenses, or if the group is largest contributor to the MOG assets, revenue or operating expenses. (Practice Note 6.3)
- For business diversification, shareholder circulars should contain sufficient information about proposed new business that are not within the core business.

Remuneration Disclosure

- Many issuers are not properly complying with Guidelines 9.2 and 9.3 of the Code of Corporate Governance to disclose:
 - o Specific remuneration of directors and CEO on named basis
 - o Remuneration of top five management team in bands of \$250,000
 - o Aggregate sum paid to top five management team



“Diversified management and board improve company performance in many ways, including reducing the probability of ‘groupthink’ which is associated with less critical endorsement of proposals and a reluctance to adopt innovation.”

**Mr Magnus Bocker
CEO, SGX**

“Some issuers are not providing a meaningful explanation for deviating from recommended disclosure. For example, some issuers explain that the reason for not disclosing the remuneration of a director who is a controlling shareholder is due to concerns of poaching.”

Ms June Sim
VP & Head, Listing Compliance, SGX



Appointment of Auditors

- Audit firm appointed must be suitable and meet Rule 712. They should be registered with ACRA, or otherwise acceptable to SGX.
- Only PRC audit firms on the China Securities Regulatory Commission list of qualified audit firms are recognised.
- AC is encouraged to engage the same audit firm for the company as well its significant foreign-incorporated subsidiaries and associated companies.

Audit Qualification or Disclaimer

- Where there is a qualification or disclaimer, the announcement must include the board's opinion on whether the issuer is able to operate as a going concern; whether trading can continue in an orderly manner; and the basis of the board's opinion.
- Exchange reserves right to suspend trading under certain conditions.

Minimum Trading Price (MTP)

- MTP of \$0.20 computed on six-month volume weighted average price will be effective from March 2015, with a 12-month Transition Period, and a 36-month Cure Period.
- Corporate actions to comply can include share consolidation, transfer to catalyst board, restructuring or reverse takeover.

Sustainability Reporting

- Companies should see sustainability disclosures not as a regulatory burden but an opportunity for them to compete on equal terms with other markets. Approximately US\$13 trillion of assets under management incorporate environmental and social governance in their investment selection processes.
- SGX is working on the steps to advance sustainability reporting in Singapore, whether through 'comply or explain' requirements or other means.

Diversity

- Boards should have diversity of skills, experience, gender, knowledge of the company and core competencies. ACs should go beyond technical skills such as auditing and finance, to consider soft skills such as independent critical thinking.
- SGX is concerned with low level of gender representation in boards in Singapore which is about half the levels seen in Australia, Europe and US. Expect actions from the Diversity Action Committee in due course.
- SGX has developed the *Investor Guide on Board Diversity*.

ACRA's financial reporting surveillance



“**Audit Committees have oversight of both management accounting and external auditing. Under ACRA's Practice Monitoring Programme, ACRA inspects audit engagements and assesses the quality of the external auditor's work. By engaging the external auditor on these findings, the AC can make a more informed assessment of the value the auditor brings in ensuring quality corporate reporting for the company.**”

Mr Kenneth Yap
CEO, ACRA

Directors' Duties

- Directors are responsible for preparing financial statements that are true and fair, and compliant with accounting standards (Section 201 of the Companies Act).
- Fine and imprisonment for breach of duty (Section 204).

Regulators' Role

- Regulators' role is to protect public interest by ensuring the provision of trusted financial information to investors.
- Accounting standards are enforced via financial reporting surveillance.
- Auditing standards are enforced via inspections of auditors.

Financial Reporting Surveillance Programme (FRSP)

- FRSP was introduced in 2011 and enhanced in 2014.
- Full review of selective financial statements by ISCA's Financial Statements Review Committee:
 - o Committee comprises about 30 senior and experienced audit partners
 - o Committee only provides the expert opinion, ACRA decides on regulatory outcome
- Selection of accounts based on risk factors:
 - o Those with significant public interests (e.g. listed companies)
 - o Industries susceptible to accounting changes during the year
 - o Qualified accounts
- After each review, there could be first and second enquiry letters from ACRA, followed by interviews with ACRA, as needed.

- Regulatory outcome decided by ACRA can be (in order of severity):
 - o Closure
 - o Advisory letters (not a regulatory sanction, typically issued for less serious breaches)
 - o Warning letters (Directors to announce at his appointment if he has been issued warning by regulatory authority – SGX App 7.4.1 [k])
 - o Composition fines (Listco to announce immediately if sanction is “material information... likely to materially affect price” – SGX Rule 703)
 - o Prosecution
- Up to 31 December 2014, 45 per cent of cases closed with immediate closure or advisory letters after first enquiry. Remaining 55 per cent are proceeding to second enquiry letters due to incomplete or unsatisfactory answers provided.



Takeaways for Audit Committees

- Ensure rigour of the financial reporting and the audit process.
- Review financial statements thoroughly (Read, understand and ask if the matter is not clear).
- Do not hesitate to question judgmental treatments and disclosures.
- Build a team of competent and well-resourced finance team.
- Appoint individuals with integrity and competence.
- Seek external help where needed.

Director Financial Training

- All directors, not just AC members, require a minimum level of financial literacy.
- SID and ISCA are jointly conducting a monthly training course, “Director Financial Reporting Essentials” for directors with little financial background.
- ACRA is providing \$1 million in subsidies for the first 3,000 directors to attend the training before March 2016.

“When Audit Committees receive the enquiry letters, they should get into the details of the findings of the independent third party experts of the Financial Statements Review Committee. They should be leveraging these findings to review and improve the company’s finance function.”

**Ms Julia Tay
Deputy Chief Executive, ACRA**

Guidebook for Audit Committees

History of Guidebook

- *Guidebook for Audit Committees in Singapore* issued by Working Group established by ACRA, MAS and SGX.
- First edition issued in 2008.
- Second edition issued in 2014 to reflect the changes to corporate legislation and regulations.
- Objective of the guidebook remains the same: Assist AC members with best practices and practical guidance for achieving higher standards of corporate governance.

What Changed in Second Edition?

- Restructured into six main sections with supporting detailed annexes.
- Updated references to Singapore Companies Act, SGX Listing Manual, Code of Corporate Governance, ACRA Practice Directions and Financial Reporting Standards.
- More practical insights and examples: There are 10 per cent more topics, 24 per cent more FAQs and case studies, and 42 per cent more pages.
- Enhanced guidance all round.

Summary of changes between Edition 1 and 2 of Guidebook

2008 Guidebook for ACs	2014 Guidebook for ACs	Level of Change
AC Composition	Section 1: AC Composition	MODERATE
Section VI: Other Duties and Responsibilities A. Interested Person Transaction B. Conduct of Meetings C. Performance Assessment D. Whistle-blowing E. Training	Section 2: AC Agenda	MODERATE
Section I: Internal Controls Section II: Risk Management	Section 3: Risk Management and Internal Controls	SIGNIFICANT
Section III: Internal Audit	Section 4: Internal Audit	MINIMAL
Section IV: Financial Reporting	Section 5: Financial Reporting	MINIMAL
Section V: External Audit	Section 6: External Audit	MINIMAL

Source: KPMG Risk Consulting, Singapore

Highlights of Specific Changes in Second Edition

- AC Composition
 - Enhanced sample terms of reference (TOR)
 - New TOR for Audit and Risk Committee (where the AC has responsibility for risk governance)
- AC Agenda
 - Guidance on minuting of dissenting views
 - New AC self-assessment guide
 - Revised guideline for IPTs, and differences between IPT and related party transactions (RPT)
 - More examples of indicators of RPT fraud
- Risk Management & Internal Controls
 - AC to adopt higher standard of revised Code on adequacy and effectiveness of risk management and internal controls
 - Adoption of an ERM framework (e.g. COSO)
 - New FAQs for risk oversight of small and large companies
 - New guidance on “risk-aware” culture, data analytics, control deficiencies considerations and evaluation, and due diligence of CEO/ CFO assurance
- Internal Audit
 - Revised comparison of IA sourcing options
 - Revised IA activity charter, measurement criteria and evaluation
- Financial Reporting
 - New guidance on due diligence by AC on financial statement and management remedial actions to regulatory matters
 - New recommendation on anti-bribery and anti-fraud laws of all applicable jurisdictions, and on exit interviews of key management personnel
- External audit
 - New recommendation for external auditor (EA) to define materiality
 - List of questions to ask EA in private session, and sample checklist for evaluation of EA



“AC members often struggle with how the risk appetite and tolerance levels are articulated and operationalised in the organisation. Having this well understood is key to the board's and AC's ability to opine on the adequacy and effectiveness of internal controls and risk management.”

Ms Emilie Williams
Director of Risk Consulting, KPMG Singapore

What Should AC Members Do?

- Read the guidebook.
- Attend a briefing on the new guidebook to share insights. (Several of the public accounting firms are conducting such sessions, or ask your external auditor to do one for your AC).
- Review whether your AC's current terms of reference reflect actual and expected AC's roles and responsibilities.
- Validate that the mechanisms and processes in your company exist to provide the timely, accurate and complete insights into the risk management and internal controls systems.

Audit adjustments

The Study

- Study conducted by SMU, commissioned by ACRA.
- Reviewed accounts of listed companies for financial year ended 31 December 2013 from seven audit firms.
- Audit adjustments are accounting adjustments proposed by auditors before issuing audit report. They indicate gap between unaudited financial statements prepared by management and what is required under accounting standards.

Findings

- Total of 3,222 sets of adjusting entries adding up to \$33.9 billion in 257 listed companies (market cap of \$288 billion or 31 per cent of SGX's total market cap).

- Quality of financial statements varies: Average adjusting entry per company was 12, median was five.
- The majority of adjustments came from minority of companies: 13 per cent contributes \$24.7 billion (73 per cent) of the adjustments, with more than 20 adjustments each.
- By type of adjustments: The majority were factual (36 per cent by value) and misclassifications (51 per cent). Nine per cent were judgemental.
- By accounts: The most frequently adjusted were expenses (26 per cent of lines but 10 per cent of value), and the most by amount were revenue and payables (23 per cent of lines but 47 per cent of value).



“Companies must take more responsibility for their financial statements. The fewer adjustments there are, the higher is the quality of the financial statements.”

Dr Themin Suwardy
Associate Professor of Accounting, SMU

- By industry: Manufacturing companies (32 per cent of population) accounted for 59 per cent of proposed adjustments. Its proportion of factual and misclassifications was higher than other industries.
- By size: Growing companies should expand accounting capacity and capability; Companies with market caps of \$100 to \$500 million (32 per cent of population) accounted for 65 per cent of proposed adjustments.
- Accepted adjustments: Approximately 65 per cent of proposed accounting entries representing 89 per cent of value were accepted and adjusted in the final audited financial statements. Auditors should continue to hold their line.

Implications for Boards and ACs

- Tone from the top is important.
 - Ensure that company has an effective finance function and internal control systems allowing for high quality financial reporting with minimal audit adjustments
 - Support CFOs and finance teams in receiving cooperation from other parts of the organisation
- Set realistic targets.
 - Set targets to reduce number of proposed audit adjustments over time, especially factual differences and misclassifications
 - Investigate the root causes of all proposed adjustments and adjust internal processes to prevent recurrence
- Take more ownership of accounting.
 - Stay abreast of financial reporting developments to be able to understand and discuss issues
 - Relying fully on finance team's or auditor's representation does not relieve directors of fiduciary duties



“ External auditors will report and review the unadjusted audit differences with the ACs. They often do not, but should share also the adjusted audit differences that have been already agreed with management because this presents a more complete picture of the state of financial reporting in the company. ”

Mr Kyle Lee
Chairman and Member of
several audit committees

Overheard at the seminar

The AC is critical

“Audit Committees play a central role in governance... A successful committee must include leadership, vision and discipline, as well as the courage to ask tough questions.”

Mr Magnus Bocker
CEO, SGX



“The Audit Committee is arguably the most important and difficult of the board committees.”

Ms Poh Mui Hoon
Council Member, SID

The AC's job is meant to be tough

“AC Members should firstly read, secondly understand, and thirdly ask questions of the company's financial statements ...”

Ms Julia Tay
Deputy Chief Executive, ACRA

“And if you don't ask questions of the financial statements that should be asked, the regulator will ask you those questions ...”

Ms June Sim
VP & Head, Listing Compliance, SGX

“And when you ask, please ask the management first, rather than your auditor. The financial statements are prepared by the management and not the auditor.”



Mr Chaly Mah
CEO, Deloitte Asia Pacific

The regulator's job is also tough

“We hear the ground concerns that compliance requirements can be time-consuming and costly. However, some measure of preventive medicine and tough love is necessary to ensure financial stability and market protection. Where we may differ is the right balance between reducing risk and encouraging growth.”

Mr Kenneth Yap
CEO, ACRA



It does not seem so tough for the auditor



“Although there has been a heightened awareness of the responsibilities of directors in relation to financial statements and internal controls of their companies, we should guard against the pendulum of responsibility swinging too much from the external auditors to directors. In my



“In the aftermath of Enron and other major accounting scandals, the auditors

have been fairly successful at ringfencing their exposure and liability, but it also raises questions on the value of the audit report.”

opinion, the Audit Committee should see auditors as an integral part of a company's controls in depth. The first layer of defence is the business, the second is the finance function, the third is the internal audit and, last but not least, the fourth is the external auditor.”

Mr Yap Chee Keong
Chair and Member of several audit committees

Mr Willie Cheng
Chairman, SID

Those who need to, are not here



“The people who should be here are not, and for those who are here - we are preaching to the converted.”

Mr Irving Low
Head of Risk Consulting, Partner, KPMG



“Seminars like this should be organised for owner-chairman and directors of family-owned businesses. They, more than most other directors, need to appreciate the importance of good corporate governance.”

Mr Rodolfo Balmater
independent director



Re-inspiring confidence in audit

By **ONG PANG THYE**
KPMG in Singapore

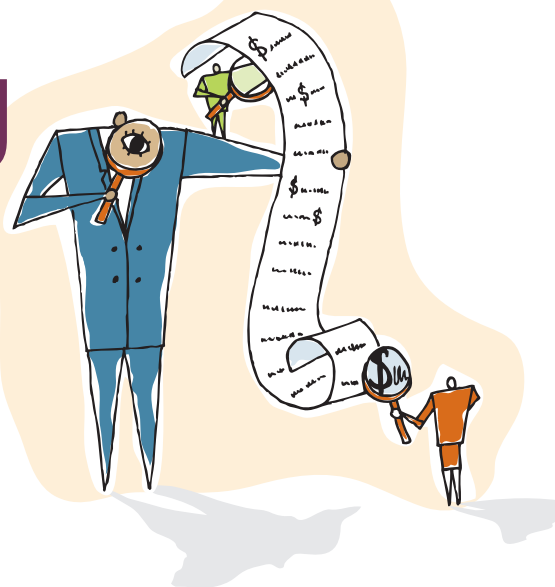
How audit adds value to capital markets has always been a hotly debated topic and it became more so when the financial crisis of 2008 brought it once again into the full glare of the global spotlight.

Beyond meeting legal and regulatory requirements, audit derives its value – indeed its legitimacy – from the quality of its processes; from the probing, independent and skeptical approach which auditors take to derive trustworthy outcomes.

That auditing creates real value is not in doubt and many smart stakeholders attach an intrinsic one when it comes to having third-party attestation. Banks making loans, private equity firms and other potential investors and creditors all demand it.

A recent ACRA-SMU study on Audit Adjustments noted that auditors proposed 3,222 adjusting entries worth S\$33.9 billion for 257 companies in 2013. (Ed: check out page 14). Without audits, some investors could have paid erroneous amounts for the stocks of these companies.

A clean audit opinion provides assurance that the assets of the company are appropriately recorded; liabilities and results are completely and fairly recorded. A failure to be audited or to receive



a qualified opinion would have an effect on how stakeholders perceive a company.

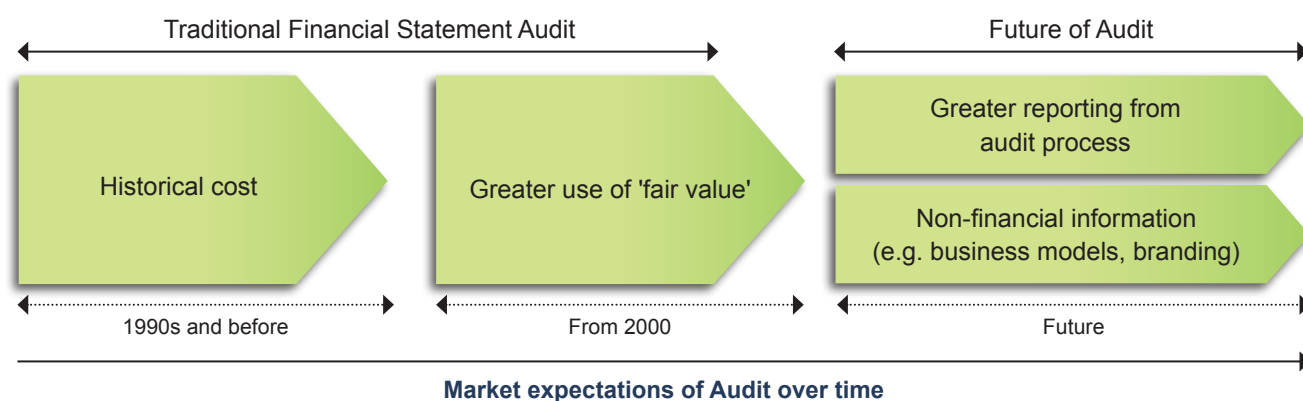
Demand for More Financial and Non-financial Information

Since the past decade, business models have become more complex. At the same time, economic turmoil and large-scale corporate failures have led to serious questions over the value of an audit and how audit processes and outcomes can be improved.

Those questions partly arise from the higher value that investors now attach to branding, and various intangibles created by companies. Where current values of tangible assets and liabilities differ from historical values, these are now recorded as estimated 'fair values'.

In response to investors' expectations for more non-financial information, companies now report more, including on their business models, brand value, strategy and sustainability. For example, measures such as drug pipeline for pharmaceutical companies or like-for-like store growth in retail.

In tandem, capital markets expect ever more out of audits (see diagram). Where assurance over historical financial data once sufficed, investors now actively seek independent views on internal



Market expectations of Audit over time

controls and other non-financial data to be included in the audit report.

A window of opportunity exists for the audit profession to demonstrate and expand its value to capital markets. The independent, probing approach of audit can be applied to this wider reporting.

Expanded Audit Reports

Apart from giving assurance on non-financial information, stakeholders have asked for auditors to provide commentary on the insights they gained during an audit, such as the quality of controls or risk management.

One means mooted is to have audit reports accompanied by a longer report. In this expanded report, auditors might explain risk areas that came to their attention during the audit, and what they had done to address those risks.

Some of these ideas are already being tested in several jurisdictions. In 2014, KPMG in the UK field-tested a new long-form audit report, in partnership with Rolls Royce and New World Resources. The reports reveal, for the first time ever, what specific matters the auditor saw as the major risks concerning management, investors and the audit committee.

Here in Singapore, the Institute of Singapore Chartered Accountants is studying how best to apply the enhanced audit report required by the International Auditing and Assurance Standards Board.

Going Above and Beyond

Clearly, there is wide scope for innovation within audit that would enable its continued relevance. For example, continuous auditing techniques can be adopted to create time and cost savings through shorter audit cycles and continuous real-time feedback for transactions and controls. Predictive data analysis can also deliver a more robust audit.

Meeting this future requires crucial improvements in the profession, including a greater openness to change and investment in new capabilities.

Extending the audit will come at a cost, which companies are unlikely to pay for if it is only compliance or regulatory driven. But with investors' decision-making processes becoming more sophisticated, they will demand more information beyond the financial statements, which external auditors will in due course be expected to extend credibility to.

Increasingly, companies may find that access to capital comes only when they provide such wider assurance. If it can be demonstrated that bringing additional attestation on areas such as risk, internal control and contracts contributes to performance, companies will seek out such assurance. The onus may well be on the audit profession to do that. ■

Ong Pang Thye is the Head of Audit of KPMG in Singapore.



Reforming the audit market

Confidence in audit quality and auditor's independence is taking a hit. Will the proposed audit market reforms, in particular auditor rotation and limitations on non-audit services, turn things around?

By
DR TAN BOON SENG & PROFESSOR HO YEW KEE

All is not well with the public confidence in audit quality of late.

Triggered first by the US accounting scandals in companies such as Enron in 2000 and more recently, the Tesco trouble in 2014, this crisis in confidence, coupled with the shortening periodicity of audit failures, has given rise to on-going audit market reforms.

The Sarbanes Oxley Act 2002 (SOX) marks the end of professional self-regulation for US auditors with the establishment of the Public Company Accounting Oversight Board. In Singapore, auditing standards are still set by the profession (ISCA), but accounting standards are set by the regulator (Council on Corporate Disclosure and Governance 2002-2007 and Accounting Standards Council since 2007), and auditors have been regulated by the Accountants (Public Accountants) Rule since 2000.

Recent European Union (EU) reforms on the auditing profession include:

- Mandating audit firm rotation for Public Interest Entities after 10 years, extendable by 10 years if public tenders are called, or by 14 years for joint-audits;
- Strengthening the audit committee by qualifying its members;
- Prohibiting incumbent auditors to provide certain non-audit services (NAS) and capping allowable NAS;
- Prohibiting third parties from imposing "Big-Four auditor only" restrictions in contracts.

The International Auditing and Assurance Standards Board (IAASB) has revised several auditing standards to enhance disclosure in audit reports. The enhanced independent auditor report is effective for audits of financial statements for periods ending on or after December 15, 2016 (Ed: please check out "Re-inspiring confidence in audit" on page 18).

Despite these efforts, a December 2013 article in *The Economist* states: "Auditors have a conflict

of interest at the heart of their business – they are paid by the companies they are supposed to assess objectively. Unless that changes, there will be no substitute for investors doing their own due diligence."

Auditors being paid by the firm and appearing beholden to the paymaster is a practice that dates back to medieval England (see "How audits and the issue of auditor independence arose").

Safeguarding Auditor Independence

Since Enron, there have been many measures to deal with the vexing issue of auditor independence.

One of the early devices was the formalisation of audit committee to effect independence between management and the auditor. The audit committee came into prominence with the 1992 UK Cadbury's Report and again in SOX 2002. In Singapore, as early as 2004, Section 201B of the Companies Act prescribes that listed companies require audit committees to oversee internal audit, appoint the external auditor and review the external audit report.

External auditors are also regulated. In addition to criminal laws and tort laws applicable to professionals in general – auditors come under the ambit of the Accountants Act and the subordinate Accountants (Public Accountants) Rules. The Accountants Act, through the Public Accountant Oversight Committee, mandates the registration of auditor and auditing business which are then subjected to sanctions. The Rules – particularly Rule 10 (Practice Monitoring Programme) – provides the mechanism for detecting non-compliance with the Singapore Standards on Auditing.

Similar safeguards are common in many capital markets with varying quality of enforcement. The safeguards are not fool proof and reforms follow with each round of crisis.

We examine here two major audit reforms recently proposed by the EU: mandatory audit rotation and restriction on NAS.

Mandatory Audit Rotation

There are two shades of meaning in audit rotation: firm rotation and partner rotation.

In Singapore, the Monetary Authority of Singapore used to require banks to rotate audit firm every five years under Sections 54A and 58 of the Banking Act. This requirement was suspended in 2008 in view of the financial crisis and has yet to be reinstated. For listed companies, SGX Listing Rule 713 mandates partner rotation after five consecutive years with a two-year “cooling-off” period.

Globally, mandatory audit rotation became common after SOX. A 2012 study by the Institute of Chartered Accountants in Scotland shows that 45 per cent of the jurisdictions mandate firm rotation while 59 per cent mandate partner rotation. Of the 69 jurisdictions in the study, 16 per cent have repealed the mandatory firm rotation by 2012, but none have repealed partner rotation. This suggests better market acceptability of partner rotation.

The basis for audit rotation is that long audit tenures threaten independence arising from familiarity and the incentive to retain a client. This then results in lower audit quality. The counter-argument is that long audit tenures allow auditors to acquire firm-specific and industry-specific knowledge to improve detection of material misstatements in financial reports.

Whether mandatory audit rotation affects audit quality remains unsettled and controversial. Overall, there is some empirical support – although there is no consensus – that mandatory firm rotation does not increase audit quality. The lack of a universal audit quality measure

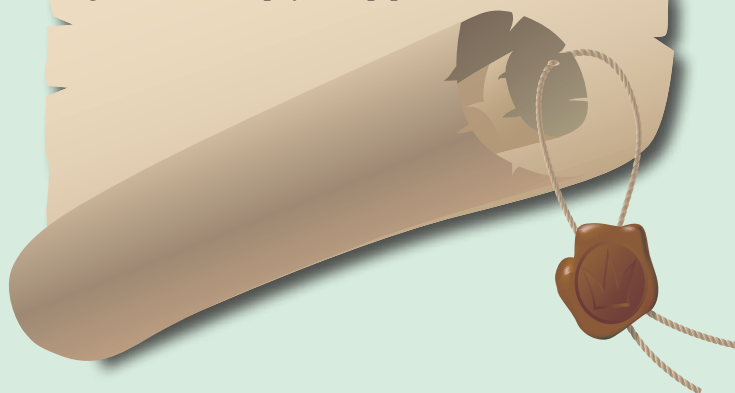
HOW AUDITS AND THE ISSUE OF AUDITOR INDEPENDENCE AROSE

Historically, in medieval England, the lords appointed bailiffs to manage their estates and hired auditors, who were employees, to keep the bailiffs honest. This practice of companies paying auditors continued after external auditors are appointed and remains today.

To understand why, we should go back to the purpose of the audit. In today’s context, it is to reduce or eliminate the asymmetry of information that can exist between outside investors and those in the company. The audit opinion is valuable to the investors and thus the smooth functioning of the capital market.

However, audit opinions are information-goods which remain just as valuable no matter how many times the information is used. This characteristic of information-good gives rise to the free-rider problem: consumers of such information – current and potential shareholders – are often not willing to be the first to hire and pay the auditor to produce the information. The free-rider problem is more serious in larger companies that tend to have diffused ownership.

The solution to the free-rider problem is the statutory audit paid by the companies. However, this in turn creates a substantial concern of auditor independence – as the saying goes: “He who pays the piper calls the tune”.



contributes significantly to the inability to arrive at a conclusion.

There are fewer empirical studies for partner rotation because of data availability. The results are also mixed.

Restriction on NAS

Slow audit revenue growth and the diversification of business conducted by audit firms in the last three decades have caused NAS to become a rising, and at times, a significant revenue contributor. This happens particularly in the area of consultancy.

Policy makers are worried as to whether the auditor's independence is threatened when an incumbent audit firm takes on NAS for its audit clients. This concern resulted in provisions to restrict NAS: SOX section 201 prohibits the incumbent auditor to provide most NAS. The EU reform specifies prohibited NAS and limits the allowed NAS.

There are two main concerns about an incumbent auditor providing NAS. First, the auditor becomes beholden to the management because it wishes to retain the additional income from NAS. Secondly, the auditor identifies too closely with the management and loses its "professional scepticism".

The argument of reduced independence means that the provision of NAS should not be allowed, or at least, limited. There is strong empirical evidence that the provision of NAS by the incumbent auditor reduces perceived independence, but the evidence is mixed for the effect on real independence that uses audit quality as proxy.

In Singapore, SGX Listing Rule 1207(6)b requires evidence that the audit committee is satisfied that NAS provided by the incumbent auditor does not threaten auditor independence. The Accountants (Public Accountants) Rule 9 (Code of Professional

Conduct and Ethics) prescribes that auditors and audit firms must comply with the Code. The Code sets forth the principles of the threat to independence that can occur when the incumbent auditor provides NAS (in Schedule 4, sections 290.158 to 290.210).

Compared to other jurisdictions, Singapore's current approach gives more discretion to companies and their auditors in the decision for obtaining NAS from the incumbent auditors. The Code set forth in 290.206 to 290.207A (Fee-Relative Size) the situations that auditors need to be extra careful in safe guarding auditor independence – when the NAS fee exceeds 50 per cent of the audit fee for a public company client; and when the audit fee of an engagement exceeds 50 per cent of the total annual billing of a public accountant.

The rationale to prohibit NAS is reasonable. However, there is no consensus from empirical evidence to support what kind of NAS should be prohibited, or the effect of NAS on audit quality, or whether there is a threshold for NAS which will not affect the independence of the auditor.

Whither the Reforms

The economic logic of the companies-pay-auditors arrangement gives rise to the independence problem in audit and the proliferation of audit reforms to fix this independent problem.

There are other proposals – such as public provision of audit and financial statement insurance – that fundamentally revamp the companies-pay-auditors model. These proposals have their inherent implementation challenges and are not discussed here. ■

Dr Tan Boon Seng is Assistant Director, Technical Research of the Institute of Singapore Chartered Accountants, and Professor Ho Yew Kee is the Head, Department of Accounting of the NUS Business School, National University of Singapore.



Getting audit committees and external auditors to work better together

By

CHALY MAH

Chief Executive Officer, Deloitte Asia Pacific

Not only do audit committees and external auditors have roles and skills that highly complement each other but good dynamics between the two is key in keeping the corporate governance eco-system balanced and checked. Chaly Mah suggests ways to make the working relationship better.

The roles of the audit committee (AC) and the external auditor (EA) are clear.

The AC helps the board fulfill its corporate governance role and oversees responsibilities around an entity's financial reporting, internal controls, risk management system, and internal and external audit functions; and the EA provides an independent and unbiased audit report on the financial statements, assurance over the financial information prepared by

the company as well as recommendations on areas where improvements can be made to the financial reporting system.

With the goal of ensuring the highest audit quality and effectiveness in today's modern capital markets, the AC and EA, more so than before, need to work better together. To make that happen, they will need to communicate, and more importantly, always strive to higher standards by going beyond what are required of them.

Making it better

Businesses are becoming increasingly complex and risky, which increases the risk of miscommunication. Regular, substantive and transparent communication between the AC and EA addresses this risk. This can be done through open and frank discussions on complex areas of accounting and unusual business transactions. A strong working relationship, built on trust, between the AC chairperson and the audit

partner can result in crisper communication, which in turn creates an environment that gives rise to effective audit, benefitting all stakeholders.

With more requests for “value-adds”, EAs are expected to go beyond the minimum compliance requirements and aspire to higher standards for a quality audit. Increasingly, ACs and boards are asking for “*AuditPlus*”, to go beyond the standard audit. EAs are well-positioned to provide independent business insights arising from the audit work done or through applying of data analytics, review of internal controls, cyber-security trends, sometimes even calibrate their view on management. This is because in today’s context, a quality audit is not just the issuance of an audit report but the auditor’s insights into the business and beyond. For example, a recent implementation of enhanced auditors reports in the UK has seen good reception from various stakeholders because the content and form of the reports have been designed to bridge the “audit expectation gap”.

What more can the AC do?

On the part of the AC, who plays a pivotal role in involving the management and ensuring appropriate divisions of responsibility and accountability, a few things can be done.

First, the AC can work with the EA to achieve a quality audit by making the right requests, increasing cross-communication between AC, internal auditors (IA) and EA. Such requests include qualifications, independence and experience of the audit team; evidence used for the audit that led to the audit conclusions; internal and external regulatory inspection findings and industry trends or views on management estimates and judgments used. Often we do not see this happening.

The AC can help ensure that a qualified and experienced accounting team is employed to meet requirements by reviewing their skills, competence, training etc. The AC can also develop

a strong independent IA team to ensure proper internal controls are in place and IA and EA should work together to improve audit efficiency.

Holding private sessions between AC and EA to discuss audit and accounting issues in an open and transparent manner will help enhance audit quality. However, we often hear that private views shared by the auditors regarding management or their practices are communicated to the management resulting in a difficult situation. In such instances, it is important to emphasise that trust must be in place and it is such that the environment allows for the sharing of views in a transparent manner. Remember that the end goal is to meet the expectations of all stakeholders.

What more can the EA do?

The AC appreciates the EA asking the right questions at AC meetings. A proactive EA that exercises a degree of professional skepticism (by asking the probing questions) is more welcomed than most will think. It is in asking the right questions will better results emerge.

While tempting, the EA has to do more than just be a watchdog. When an issue has been identified, EA should work closely with IA to follow up on investigations and prevent duplication of work performed by IA and EA.

In the interest of getting high quality and effective audits, EA should allocate appropriate and sufficient resources including internal specialists, use innovative practices (e.g. data analytics) and involve the audit engagement partner throughout the audit. After all, deep industry knowledge and staff continuity are key enablers for an effective and quality audit.

In conclusion, as businesses evolve and become more complex, a well-balanced corporate governance eco-system is imperative and a good relationship between AC and EA can help achieve that balance. ■

Making internal audit the AC's best ally



By **YEOH OON JIN**
Vice-chairman, SID



COUNTING BEANS

Internal audit's perceived credibility as an organisation's watchdog is on the decline lately and it may very well be linked to the misalignment of expectations between management and the function. We dig deep in to this peculiar phenomenon.

It behoves the internal audit profession to raise its game to remain relevant.

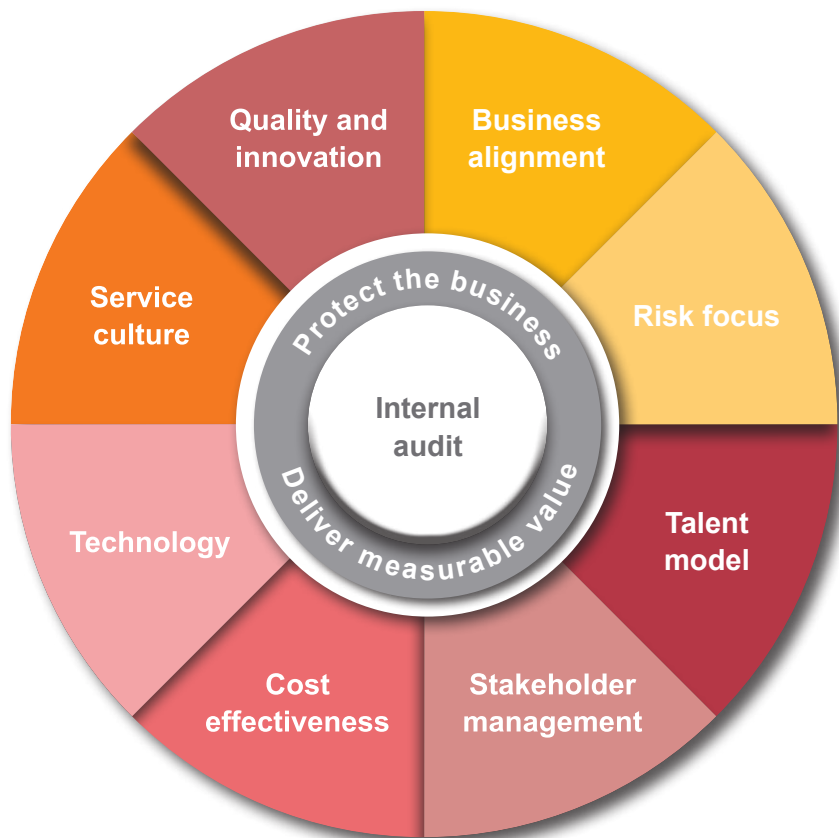
It appears that management and audit committee (AC) members are not seeing eye-to-eye when it comes to perception of internal audit's value and performance.

Research by PwC found that a far greater percentage of AC members than management believe in internal audit's value to an organisation. The survey looked at the perceptions relative to eight foundational attributes of internal audit (see diagram).

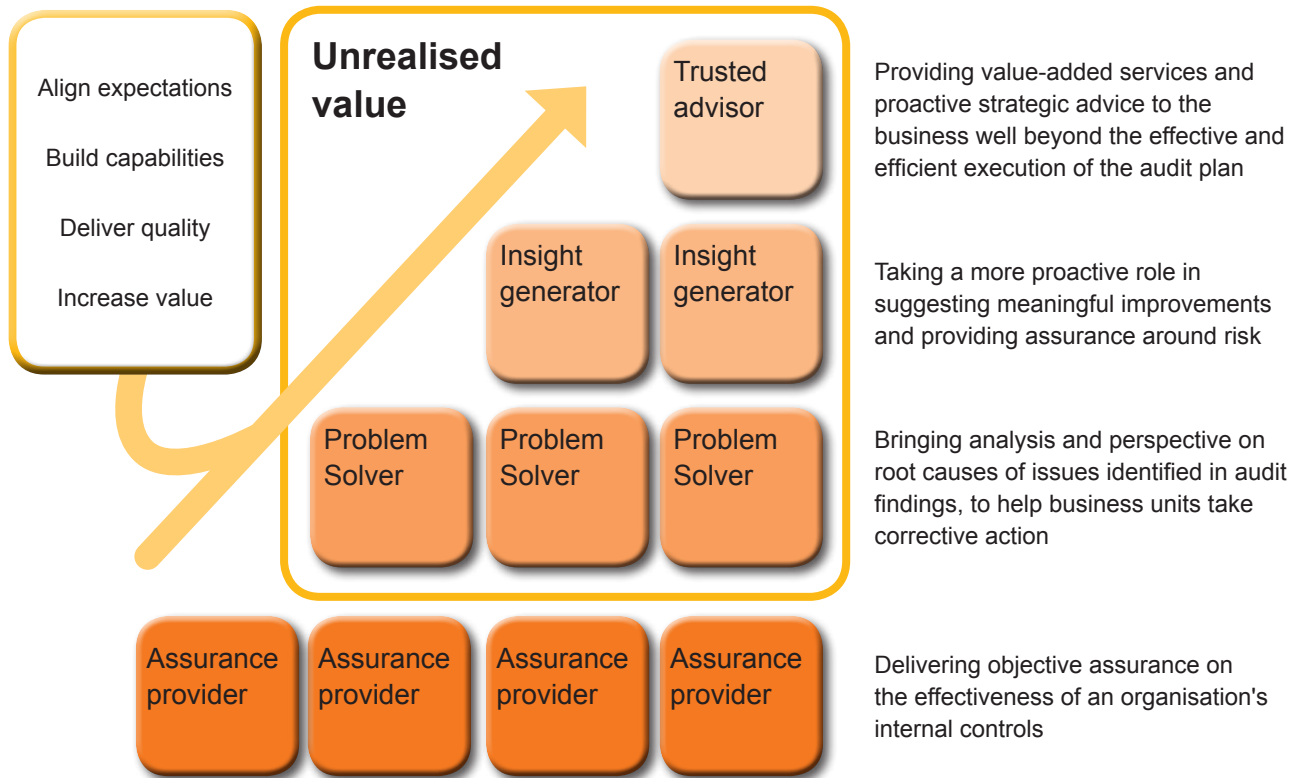
Some statistics that stood out were: half of AC members and about one third of management rated internal audit's performance as strong and less than 50 per cent of management believes internal audit is contributing significant value or performing well on any of the eight attributes.

Most AC members see value in internal audit yet do not consider the function's performance to be strong in several critical performance areas, including the fundamental area of promoting quality improvements and innovation. AC members may also see internal audit's use of technology and its ability to acquire and use the right talent lagging.

These figures suggest not only that internal audit's performance is far from stellar (hence it



Eight foundational attributes of internal audit



The journey to capture unrealised value

must be addressed to improve the function's standing and relevance within organisations) but also the misalignment in expectations between the AC and management need to be resolved in order for the true potential of internal audit to shine and its value delivered back to the stakeholders.

The Journey to Unrealised Value

Stakeholders have the option to "take matters into their own hands" by finding the value themselves. In fact, there are many internal audit functions that can provide value across a spectrum of delivery approaches which include being an assurance provider, problem solver, insight generator and ultimately, a trusted advisor.

The AC and management often do not realise that tapping on this spectrum of functions can bring

more value than just trying to milk more out of the traditional assurance provider role.

No doubt, high-performing internal audit functions provide a higher level of service in the traditional areas in which they are involved but the AC and management need to recognise when done well, these traditional areas provide a good foundation necessary to expand and build upon the new areas (i.e. problem solving, insight generating, advice providing), in the end generating more value for the organisation. They must also probe more and ask the tough questions. In short, hold the function more accountable.

A key player in the "third line of defence", internal audit by virtue of its functional reporting line is at the AC's full disposal. As AC's most dependable and powerful ally, internal audit is perhaps just waiting for the AC to unleash its full potential. ■




The ins and outs of combined assurance

By

UANTCHERN LOH

Chief Executive, Singapore Accountancy Commission



In a world with an increasing reliance on technology, risks become more uncertain, making the jobs of assurance providers tougher than before. However, combined assurance can optimise the level of assurance coverage and yield significant benefits for companies.

All organisations face risks. This is the only certainty when it comes to dealing with them.

Paradoxically, risk has been defined as the “effect of uncertainty on objectives”. Uncertainty makes managing risk a challenging task at best, and a catch-up game most of the time.

This has been the case of late with technology-related risks. In the Global Risks Report 2014 published by the World Economic Forum, cyberspace risk management has been described as being next to impossible because the “underlying dynamic of the online world has always been that it is easier to attack than defend”. The report also portends of “digital disintegration” and suggests the Internet will cease to be a trusted medium for communication or commerce.

In the context of today’s Information Age, what can an organization do to deal with all the known and unknown risks of cyberspace? Some would say that they are already a slew of assurance providers involved with companies to deal with all such risks.

The Promise of Assurance

But first, what is assurance? In distilling the word, assurance is, in essence, a promise.

In the context of companies and boards, this promise can be delivered by the assurance providers – both internal and external.

The board of directors and senior management are the primary internal assurance providers. They are responsible for designing and implementing internal controls, a key element in managing risks. Internal controls seek to ensure the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

There are other departments that could serve as internal assurance providers: operations, finance, internal audit, compliance, risk management, IT security and human resources. In fact, the board of directors and senior management oft-times rely on them as their eyes, hands and feet to make sure that the organisation’s risks are monitored, managed and adequately addressed. Of course, the level of assurance hinges on the provider’s authority, ability and independence.

External assurance providers include external auditors, suppliers, outsourced providers, regulators and whistle blowers. The level of assurance provided by external assurance providers may be lower than that of internal assurance providers.

In the face of all these assurance providers, why are the experts still pessimistic of the risk management capability of companies? That's partly due to the dire nature of cyber threats in the new cyber normal. At the same time, many companies are not fully leveraging the value of their assurance providers.

It already does not help matters when internal assurance providers work in silos simply because there is a dearth in enterprise-wide risk management and control framework such as COSO. This can result in risk gaps and control overlaps.

Fresh thinking is needed indeed in an increasingly complex and risky business environment.

Enter Combined Assurance

On the upside, such thinking is already surfacing and we call it "combined assurance".

The 2009 King III Report, often cited as a leading authority on corporate governance, defines combined assurance as "integrating and aligning assurance processes in a company to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the audit and risk committee, considering the company's risk appetite".

So what does combined assurance look like? In practical terms, this means bringing together all the organisation's assurance providers, both internal and external, with a common understanding of the risks facing the organisation, and combining their beliefs on how these risks are managed through controls, so that this is easily reported to stakeholders.

Walmart's minimum requirement for suppliers is a good example. In this instance, suppliers assume the role of custodian for a range of areas in the Walmart's supply chain, alerting the brand on any risks that can threaten the status quo.

For a less direct approach to external assurance, companies can opt for publicly available scores via rating agencies, for example, or even social media platforms – the likes of Facebook, LinkedIn, Twitter, YouTube and Instagram. These social media platforms produce the Internet chatter that can provide organisations with early warning signs on unknown risks.

The obvious risk here though is that such platforms may not be correctly informed of the ins and outs of an organisation but can nevertheless be important signposts. For example, a company's reputation on Glassdoor can have a real impact on its ability to attract staff. Such warnings, which range from customer complaints and employee rants, can permeate day-to-day business but cause no immediate harm. However, these near misses can be harbingers when left unwatched and may erupt into a crisis.

A case to illustrate this is Apple's iPhone 4 launch in June 2010. What started out as customer complaints on dropped calls and poor signal strength escalated into class action lawsuits because the then CEO Steve Jobs dismissed them as a "non-issue". Consumers found this stance arrogant and Apple's reputation took a hit with first-tier media declining to recommend the iPhone 4. The moral of the story: had Apple recognised consumers' forbearance as an ongoing near miss and proactively fixed the phones' technical problems instead, they could have avoided the crisis.

Elements of Combined Assurance

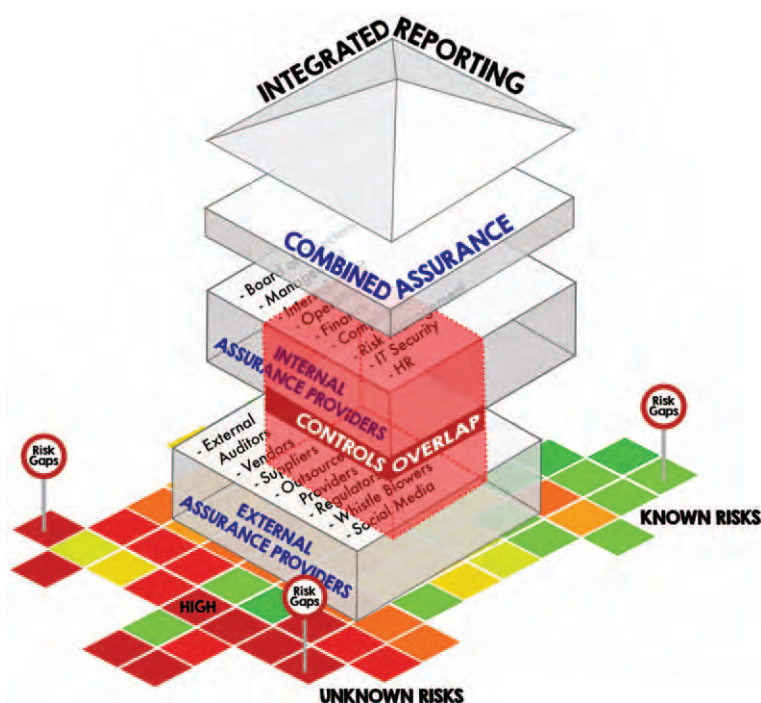
So, where do we start and what does success look like?

As with all significant matters related to corporate governance, the starting point for combined assurance should begin with the right tone at the top. The King III Report advocates

that "the audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities" (Principle 3.5).

The combined assurance model should then have the following elements to be adopted by the organisation's internal and external assurance providers:

- A common framework for identifying, managing and monitoring risks;
- A common methodology for providing assurance on risks, highlighting the risk gaps not covered by any assurance provider, and controls overlaps due to duplication of efforts by assurance providers;
- A reporting template that integrates all the assurances, and detailing the action steps to deal with the risk gaps and controls overlaps that can be communicated to stakeholders.



A combined assurance model

Internal audit (IA) can play a key role in the adoption of combined assurance in organisations. IA is an independent function that reports directly to the audit committee and it has the authority, ability and independence, therefore equipped with all the elements necessary to give highest level of assurance to the organisation. IA can effectively "accredit" other internal and external assurance providers as to their abilities to provide reliable assurance to the organisation. One can almost see the role of the head of IA as the "Chief Belief Officer".

Bringing It All Together

Integrated reporting <IR> was also introduced alongside combined assurance in the King III report. The framework bodes well for companies as it helps it create value such as competitive advantage.

While <IR> does not imply the need for combined assurance, it may be argued that the

two complement each other. The link between <IR> and combined assurance is made even stronger as no single group, internal or external, can provide assurance on the areas involved for <IR>. This is unlike the traditional annual report which relies on a limited number of assurance providers.

True <IR>, as opposed to just an integrated report, implies a framework for communication of strategy and performance that emanates from and unites all business and support functions in an organisation. In such a scenario, having a combined or integrated approach to support controls seems relevant. The framework for <IR> highlights the need to holistically define risks that are material to the organisation and its risk mitigation processes, and calls for an "evolution in assurance practices" which is pressing now more than ever before. ■

Catalysing corporate innovation



By **ROBERT CHEW**
SID Council Member



INNOVATION

Innovation in recent years has tended to be associated with startups that have scaled very rapidly. Many corporates are seeking to catalyse corporate innovation through investment in and nurturing such startups via corporate venture capital and accelerators.

Last year marked a shift in the recognition of the importance of innovation to organisations, small and large. And we are not talking about incremental innovation. It's the 10X innovations – those that deliver an order of magnitude impact to the organisation.

From 2013, we saw successful startups such as Airbnb (a community marketplace for people to list and rent accommodation on short or long term basis) and TaskRabbit (people are listed for hire on this online site to carry out tasks from delivering goods, cleaning homes to queuing in line for a newly launched iPhone) catapult to the limelight. They have but a singular aim: challenge the dominant industry players and disrupt existing business models.

Corporations need to respond to these challenges lest they end up in the laundry list of once-invincible chains of stores and franchises that have their shutters forced down (e.g. Borders in the face of competition from Amazon and eBay) or have their livelihood challenged (e.g. taxi companies and their drivers threatened by the likes of Uber and GrabTaxi).

Lessons from 3M

One corporation which has survived the innovation challenge is 3M. For over 100 years, it has responded

with original, practical, innovative and customer-focused solutions – most notably with its humble Post-It note. The background as to how it came to be that way is instructive.

In 1902, five Minnesota businessmen pooled their resources to start a mining venture, Minnesota Mining and Manufacturing Co. (3M). When the mine failed to turn up anything of value, they had to rethink their strategy. They went on to make sandpaper using imported materials, diversified their product line, and hired engineers to oversee product innovation. With that, they laid the foundations for an entrepreneurial and innovative spirit that has shaped 3M to the present day.

However, most large corporations – even till today – tend to be slow moving and are overly focused on existing “cash cows”. This makes it hard for them to come up with innovative products or services.

To overcome this inertia in the mother company, two approaches that are currently hot to catapult corporate innovations are corporate venture capital and accelerators.

Capitalising on CVC

Corporate venture capital (CVC) is an approach by which corporations invest in high potential, privately held businesses through a fund. Commonly, the fund may seek to invest in sub-sectors which are of interest to the parent company.

These venture capital arms invest in startups and growth stage companies, which operate on a smaller scale, innovate faster, conduct research



on disruptive technologies and which could potentially pre-empt competitors. They are an efficient way for companies to explore potential acquisition targets. Companies can also use their venture arms to influence their industry's ecosystem by identifying new markets and building their existing businesses.

CVC is hot. Consider the companies with corporate venture funds: American Express Ventures, Citi Ventures, Google Ventures, Intel Capital, Microsoft Ventures, Salesforce Ventures, Samsung Ventures, Tencent Ventures, Unilever Ventures, and SingTel innov8. And that's just the short list.

One of the biggest and most successful CVCs is Intel Capital. Since 1991, it has invested well in excess of US\$11 billion in over 1,400 companies. Another successful, though relatively new CVC, is Google Ventures. Incepted in 2009, it has invested in more than 250 companies.

Stepping on the Accelerator

Alternatively or additionally, corporations set up accelerators. An accelerator is a programme that provides mentoring, networking, office space and funding to help startups establish their

businesses more rapidly. Two of the most successful accelerators are Y Combinator (which helped launch startups like Airbnb and DropBox) and TechStars (which helped corporations like Barclays and Microsoft to develop their own accelerator programmes).

There has been a surge of corporate accelerators launched in the recent years: from Allianz, Coca-Cola, and SingTel to Warner Bros. The Disney Accelerator, launched in 2014, and partnering with TechStars, selects 10 technology-enabled startups in the media and entertainment

space each year. The first batch (the 2014 alumni) includes some exciting startups such as Naritiv, a marketing and analytics platform for micro-content that seeded one of the newest, fastest growing social networking startup called Snapchat. In the Singapore context, MediaCorp too has a similar programme set up, called The Mediapreneur.

The accelerator approach is compatible with the trend of corporations adopting an open innovation model and outsourcing research and development. This has allowed corporations to take smaller bets on new technologies and new business models, and nurturing the startups before bringing them in through acquisitions.

Interestingly, accelerator programmes could also help to improve the image of large companies, helping them to engage the young and the innovative, the next generation of consumers and leaders.

Innovation is the engine for growth and the world needs corporations to lead and keep this engine running. ■

Companies Act reforms – what did not make it



By **ADRIAN CHAN**
Vice-chairman, SID

SID
SINGAPORE
INSTITUTE OF
DIRECTORS

**BOARDROOM
MATTERS**

The recent amendments to the Companies Act were seven years in the making. Why did it take so long?

One reason is that this was the most comprehensive set of changes – more than 200 amendments in all – since the Act was first passed in 1967.

When the Steering Committee for the Review of the Companies Act was appointed in end 2007, its goal was to conduct a thorough reform and update of the Act to reflect modern socio-economic conditions. The process was extensive and rigorous. For example, there were five Working Groups under the Steering Committee – I served on the one for Director’s Duties. Apart from wide-ranging research, comparing our laws with other jurisdictions, extensive internal debates, and many focus groups, there were no less than nine public consultations at various stages.

The Government issued its responses to the Steering Committee’s recommendations in October 2012 and the amendments were finally passed by Parliament in October 2014. What is less visible are the many amendments that were debated and then dropped.

Let me share a few that related to directorships.

What Makes a Director?

There was considerable discussion about the definition and qualifications of a director. A proposal to allow a new form of directorship –

the corporate director – was dropped. Presently, only an individual over 18 years can be a director.

It was argued that the availability of corporate directorships would encourage the growth of incorporations in Singapore, especially from jurisdictions such as Hong Kong, the UK, the Cayman Islands and the British Virgin Islands where corporate directorships are available.

In the end, the Committee concluded that there was “no compelling reason” to allow corporate directorships in Singapore, “especially in view of the difficulties in determining the person who is actually controlling a company and applying sanctions against corporate directors”.

Another question was whether the Act should prescribe academic / professional qualifications, or mandatory training for directors. The Committee concluded that the Act should do neither as this would not necessarily ensure good quality directors, and it could, instead, deter potentially good candidates. The Committee felt that current non-legislative means still work well, pointing out that SID “conducts extensive and systematic training for directors”. It should be noted that SID’s Continuing Professional Development policy does mandate minimum training hours for its members.

The Committee also decided not to mandate the retirement age of directors. In practice, though, retirement is usually provided for in a company’s

constitution, and for listed companies, there are guidelines (such as the nine-year rule) in the Code of Corporate Governance.

Fiduciary Duties

The scope of certain director's duties were clarified by the amendments, and these were covered in a previous Boardroom Matters article "Companies Act reform – impact on directors".

One aspect that was debated but which did not make the cut was the codification of directors' fiduciary duties. The term "fiduciary duties" does not appear specifically in the Act, though section 157 requires a director to act honestly and diligently; with other aspects of fiduciary duties contained in judge-made case law (or common law).

In 2006, the UK Companies Act was amended to codify directors' fiduciary duties in such a way that statutory duties replaced corresponding common law rules. The purpose of the codification was to create certainty and accessibility.

After extensive discussions, the Steering Committee decided that it "would not be desirable" to follow the UK example as "this may not be best for business efficacy." It felt that there would be a loss of flexibility of the law to develop and adapt to changing circumstances, and judges would be less able to tailor their decisions according to justice.

Liability

Under section 157(3) of the Act, a breach of a director's fiduciary duties renders him liable both civilly and criminally. The latter could mean a jail sentence.

A proposal to decriminalise the breach of fiduciary duties was considered but rejected for now. This



was notwithstanding the different position taken in jurisdictions such as the UK and New Zealand where criminal liability has been removed and consequences of a breach are civil in nature only. The Committee indicated that criminal sanctions should continue to act as a deterrent so as not to send the wrong signal and encourage misconduct. The government had noted that the possible introduction of a civil penalties regime is an issue left open and that the current penalties regime will be reviewed by ACRA.

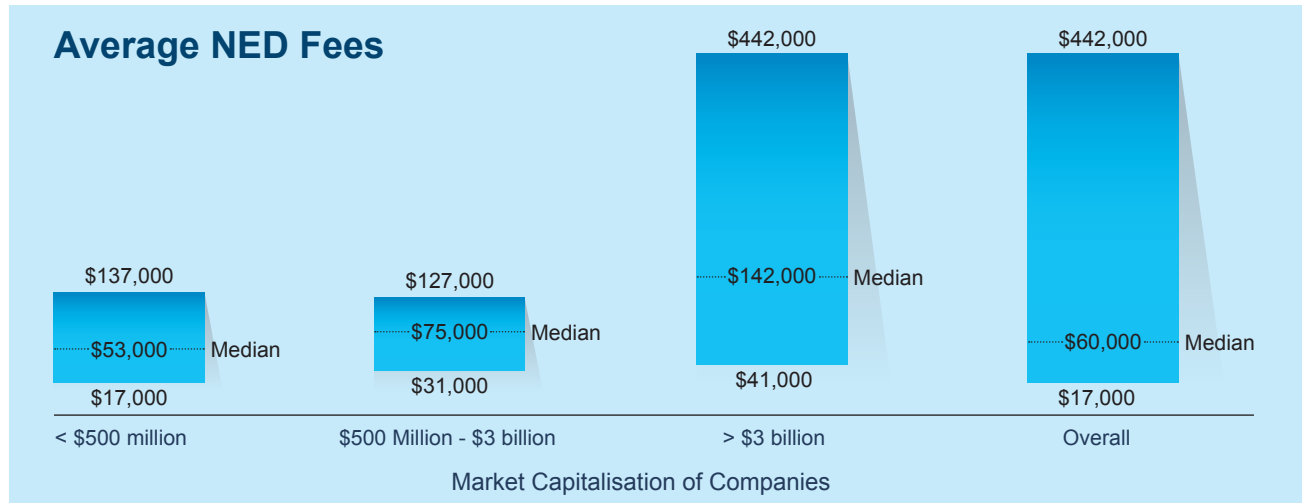
In my view, this was a missed opportunity to re-calibrate the scope of a director's fiduciary duties. Of all professionals in Singapore, directors are that rare species that is subject to criminal sanctions when negligent. A fairer position would be to retain the threat of jail and a criminal record for offences involving fraud or dishonesty, but to decriminalise the breach of a duty to exercise reasonable care and diligence. The failure to act diligently can and, should be, subject to a civil penalty regime rather than a criminal one.

This should be made a priority to consider when the Act is next revised. ■

Boardroom Matters is a weekly column by SID for The Business Times and its online financial portal, BT Invest, where this article was first and recently published.

Non-executive directors' fees

Highlights from *Board Remuneration and Practice in Singapore 2015** by Hay Group



Highlights of Market Trends in 2014

Directors' Fees:

- A 7.1 per cent increase in median average director's fee or \$60,000 per annum, compared to \$56,000, in the previous FY.
- Both large and medium-sized companies had a larger increase of 15 per cent in average directors' fees, compared to the 6 per cent of small-sized companies.
- A growth of 7 to 10 per cent in the directors' fees for the next two to three years is expected, given Singapore's limited pool of independent directors, greater accountability of the independent director and increasing market demand due to the new Code.

Corporate Governance Practices:

- More companies are disclosing their NED fee structure.
- Risk management committees are more prevalent, and more commonly established in the finance and transport/storage/communication sectors.
- In FY 2014, 58 per cent of the companies with a non-independent chairman have met the requirement of the minimum 50 per cent of independent directors on their boards, a 11 per cent increase from 47 per cent last FY. ■

Components of a NED's fee

1. Basic retainer as board member	<p>Board Chairman: \$46,200 to 730,000 (Median = \$110,000)</p> <p>Board Member: \$34,200 to \$80,000 (Median = \$45,000)</p>
2. Retainer as committee member	<p>Committee Chairman: \$6,775 to \$60,000</p> <p>Committee member: \$4,075 to \$39,000</p> <p>(Risk and Audit Committees tend to be higher than the other Committees)</p>
3. Meeting fee	Usually \$1,000 to \$5,000 per meeting. Median = \$2,000 per board meeting, \$1,500 per committee meeting.
4. Benefits and allowance	Typically few and low in amounts. Median accounts for 4 per cent of total director's fee.
5. Share-based remuneration	Less than 10 per cent of companies offer this: Median value: \$56,000.
6. Total director's Fee	1 + 2 + 3 + 4 + 5 (See chart above for range of total director fees based on market capitalisation of companies)

*Analysis of 235 SGX listed companies based on annual reports released between 29 November 2013 and 29 November 2014.

Singapore scores on corporate governance

A global study of comparative corporate governance (CG) practices across 25 markets was recently undertaken by ACCA and KPMG International. Their report, *Balancing Rules And Flexibility* looked at CG requirements in terms of clarity and completeness of content, degree of enforceability and prevalence, and emerging trends. We sum up the report's key findings.

1. CG Codes provide clarity but are not a 'one-stop-shop' for corporate governance requirements

A majority of markets (22 out of 25) have a CG Code (or equivalent) in place. While some CG Codes provide references to the relevant legislation/better practice guidelines (as exemplified by the UK), this is not consistent across all markets.

2. Multiple instruments can lead to inconsistencies and misalignment between requirements

For example, the SGX Listing Rules specify that the board must provide an opinion on the adequacy of internal controls, whereas the Singapore Code of Corporate Governance specifies that the board must comment on the adequacy and effectiveness of risk management and internal control systems.

3. Some markets have not kept pace with developments in CG requirements

The highest scoring markets revised their codes 3.4 times on average, compared to the lowest scoring markets at only 1.8 times. Three markets (Indonesia, Korea and China) did not revise their CG Codes after the Global Financial Crisis of 2008.



SINGAPORE'S SCORECARD

- Singapore corporate governance scored third worldwide, after UK (first) and US (second).
- It is highest in Asia Pacific, followed by Australia, Malaysia and Hong Kong.
- Singapore adopted 63 per cent of OECD related principles.
- Singapore's strengths: assurance, audit committee and financial integrity, disclosures, risk governance.
- Singapore's weaknesses: board diversity, performance evaluation, shareholder engagement and communication, and board composition.

4. Well-defined CG requirements are critical in building confidence in capital markets

On the whole, developed markets received higher scores on average than developing markets. Six out of the top ten highest scoring markets were classified as developed.

5. "Structural" CG requirements are better defined than "behavioural" aspects

Most well-defined: remuneration committee, audit committee and financial integrity, director independence, role of the board, nomination committee.

Least well-defined: director's time and resources, performance evaluation, risk governance, stakeholder engagement and communication, board diversity.

6. Strong alignment with OECD Principles

16 out of 25 markets have aligned with OECD principles, signaling they have played a part in shaping CG requirements globally. Some markets (Laos, Myanmar, Brunei and Canada) have failed to incorporate more than 50 per cent of OECD principles. ■



Tax returns for directors

By MARK AMATYA & SAKAYA JOHNS RANI

It's that time of the year again. Here's a guide for directors filing their individual income tax returns.

Watch the Deadlines

- The deadline for filing personal income tax return is 15 April (18 April if you e-file).
- However, you need not file a personal tax return if all the companies in which you are a director e-file your compensation directly with IRAS, and you have no other income or non-standard claims to make.
- Be sure to retain your records (for at least five years) so that you can back up your claims upon request.

Check your Income

- Director fees from Singapore companies are taxable when you are entitled to receive them (usually when it is approved at the AGM). The reporting timing could be different from when you actually receive payment.
- Director fees from companies not tax resident in Singapore, are subject to tax in the respective overseas countries. The fees are not subject to Singapore tax even if you receive the fees in Singapore as long as you did not perform any duties in Singapore for those companies.

Claim your Deductions

- Unreimbursed business expenses
 - ✦ These are deductible if incurred wholly and exclusively in the production of your income, when you are carrying out your official duties, and are not of a capital or private nature.
 - ✦ Typical allowable expenses: client entertainment, the cost of work-related phone calls, and travel to client sites in taxis or public transport.

- ✦ Typically not allowable expenses: Home-to-office commuting costs, the cost of any travel in your own car, and the purchase of capital items such as computers.
- ✦ For non-executive directors, claims could be limited because you are not involved in day-to-day operations to meet the "wholly and exclusively" test.
- Subscriptions to SID and other professional bodies
 - ✦ Membership should be considered necessary for professional updates and networking purposes. (SID certainly qualifies if you are a director and both entrance and subscription fees are claimable.)
 - ✦ Where company pays your professional subscription, they would report it on your Form 8E as taxable income, so do remember to also claim this as an expense.

Claim your Reliefs

- Course Fee Reliefs (including attendance at SID directorship courses – but not networking socials) can be claimed up to a maximum of \$5,500 per year. If you do not have any taxable income this year, you may defer claiming Course Fee Relief for up to two years.
- Many other reliefs (such as charitable donations, spouse/parent/child relief, CPF cash top up, SRS and life insurance) are available to resident directors and non-directors. Check out the IRAS website (www.iras.gov.sg). ■

Mark Amatya is a Senior Manager and Sakaya Johns Rani is a Partner of PwC International Assignment Services (Singapore) Pte Ltd.

High time for boards to get diverse

After much concerns expressed on the low number of women directors (8.3 per cent for listed boards) here, different groups are swinging into action to close the gender divide.

Kicking off the initiatives for the new year is the launch of a set of best practices by five major executive search firms with the Diversity Action Committee (DAC) on 15 January 2015.

The DAC was formed towards the end of 2014 to establish the infrastructure and processes for a more gender-diverse culture at Singapore corporate boards. Chaired by SGX CEO Magnus Bocker, it comprised 24 leaders from the private, public and people sectors, including two SID Council members, Mr Willie Cheng and Ms Junie Foo.

The five leading executive search firms are Egon Zehnder, Heidrick & Struggles, Korn Ferry, Russell Reynolds Associates, and Spencer Stuart. They have partnered with the DAC to issue a “Statement of Good Practice” for board appointments and board diversity.

The Statement sets out a comprehensive process from the start of the search assignment to the appointment of director and post-appointment follow-up.

It advocates that search firms first consider the existing strengths of the board and define the complementary capabilities required to serve the corporate strategy. It encourages boards to widen candidate pool to include top calibre and diverse candidates (including women). The guidelines



also emphasise the importance of comprehensive induction programmes for new directors and post-appointment follow-up with the whole board in order for companies to benefit more fully from board diversity.



At the Women In Leadership Summit on 29 January 2015, Minister in the Prime Minister’s Office Grace Fu, who has been a champion of having more women directors, said that “even if we are not ready for 50:50 representation [of women on boards], we should at least aim for 20 per cent”. She added that it was not about achieving an “optical balance” but about tapping the talent available to companies.

In the meantime, SID is working with BoardAgender for the latter’s members to join SID and benefit from its many activities, in particular, SID training programmes such as “So, You Want To Be A Director”. ■

Live life, learn lessons



By **RAMLEE BUANG**
SID Council Member

A long time believer in life-long learning, Ramlee Buang continues his quest to find meaning in enrichment courses and directorships.

American author, Ralph Waldo Emerson once said that “life is a succession of lessons which must be lived to be understood.”

Emerson’s words ring true for me. Early on in my career, I realised that I did not wish to just live off my accounting credentials and settle on being a “bean counter”.

I spent many good years taking on courses, ranging from marketing and information technology to general management programmes, to develop a broader range of competencies.

That was the easy part. I later learned that applying what I had acquired was harder. I also realised that paper qualification sometimes pale in comparison to having a great set of soft skills.

When I retired from executive life in 2014, I thought I was going to devote my time to charity and golf. However, I find that both golf and charity work did not keep me fully occupied. I tried briefly to rejoin the corporate workplace but employers were not ready for an old owl like me.

I thought I would set up an advisory human capital consultancy as, in my last job, I was heavily involved in many human resource initiatives such as work-life balance programmes, management development programme, talent



EXPANDING HORIZONS

management and employee engagement. Working with people and developing staff was the most enjoyable part of it all.

I decided to beef up the human capital aspect of my skill sets and took up various specialised courses. Today, I am a certified Hermann Brain Dominance Instrument Practitioner, PassionWork consultant and a trained Co-Active Coach.

It was through these courses that it truly dawned on me: there is no limit to learning, especially about people, about life. For example, most of my classmates at the Co-Active coach training were relatively younger than me. Their aspirations, hope and life experiences have touched me in so many ways.

Most of them put their ambitions in the back seat and were eager to instead create an impact in their communities by eradicating poverty, championing women’s rights, helping the underprivileged, and so on. It is through my interactions with them that I discovered my life’s calling: to unlock human potential and help people work towards leading a fulfilling life.

It might seem lofty and over-reaching to some but what’s life when you don’t even dare to dream it, right?

Self Awareness and Change

And that brings me to the importance of being self-aware, of understanding your personality, strengths, weaknesses, views, thoughts, beliefs, motivation and emotion. Being aware of yourself allows you to understand yourself and other

people, how they perceive you, your attitude and your responses to them in the moment. I believe, having self-awareness is the first step to being a great business owner, leader, in fact, a great person.

That said, knowing oneself but not possessing the willingness to do something about flaws we have is a pitfall. Unfortunately, awareness does not always lead to change.

Knowing that we have a preference or certain traits that may blind-side us in any decision-making process is good. Even better is the ability to compensate for these preferences or biasness.

For example, if you are not a detail-oriented person, the best way to overcome this may be to ensure your team has someone who can look into the nitty-gritty. If you are visionary and creative, it is critical that you have a colleague or staff who is more logical and down to earth, who could help you address the practical concerns.

I know of good leaders who are very objective in their planning, typically action and goal oriented but with little or no inkling of the impact of their decisions on their employees.

Indeed, if there is one thing that I have learnt is this: both self-awareness and commitment to change are needed as we continue to live a life of lessons.

Directors and Change

This lesson, I feel, applies too to directors and their boards.

The diversity of skills and backgrounds needed for an effective board is in its own way a form of self-awareness of the board that not every director can excel at everything. The board members are there to complement each other to move the company forward.

At the same time, directors must be committed to change – changing the company and themselves – so that a company can progress and stay relevant.

One way in which directors can do so is by staying abreast of the changes in their companies' business and environment. They need to keep themselves relevant through training, seminars, networking and learning from different constituents of peers.

Directorship is a meaningful profession, and can be made all the more so, by life-long learning. ■





Directors workshop on COSO frameworks

An inaugural workshop on the COSO Frameworks was specially held for directors on 30 January 2015.

COSO or the Commission of Sponsoring Organisation of the Treadway Commission is a joint initiative of five private sector organisations in the U.S. dedicated to thought leadership on frameworks and guidance of enterprise risk management, internal controls and fraud deterrence.

The COSO Academy in Singapore was recently set up by global risk and business consultancy Protiviti and the Singapore Accountancy Commission (SAC) to offer directors and executives access to insights and tools on the COSO frameworks.

At the event specially organised by the partners of COSO in collaboration with SID, Mr Keith Kawashima, Managing Director of Protiviti explained COSO's Enterprise Risk Management – Integrated Framework, and COSO's Internal Control – Integrated Framework.

Mr Uantchern Loh, Chief Executive of SAC described how controls overlap, and how the various assurance providers (internal and external) can be brought together for a more effective approach to risk management under the concept of Combined Assurance [Ed: see page 28 for explanation of Combined Assurance].

Mr Kawashima said that risks are “barriers to achieving organisational goals” but they are a necessary part of the business landscape. The COSO frameworks enable these risks to be properly understood and managed so that the organisation can achieve its strategic goals and objectives in the context of an effective governance structure.

The COSO frameworks are the only internationally recognised framework which integrates internal control and risk management. While it has been widely adopted by publicly listed companies in the US, Japan and China, its adoption in Singapore has been less widespread.

Mr Loh said that the COSO components and key principles are “aligned and consistent” with Singapore's regulatory guidelines and best practice context. In fact, COSO has been broadly accepted and recommended in the Guidebook for Audit Committees in Singapore.

Participants were urged to implement the COSO frameworks to raise the level of corporate governance, preserve long term enterprise value and facilitate effective fraud risk management.

More directors' workshops on the COSO frameworks are planned for every subsequent quarter of the year. ■

Financial reporting course for non-financial directors

More so than ever, directors – and not just those who are members in the audit committee – are required to know their financial reporting know-hows. With the SID-ISCA's course on Director Financial Reporting Essentials (DFE), directors with limited or no background in finance and accounting can now get up to speed on the subjects.

The training is a collaboration by SID and ISCA, supported by the Accounting and Corporate Regulatory Authority (ACRA). The course is part of ACRA's strategic thrust to work with its key stakeholders to ensure that the market remains confident in the level of transparency, integrity and quality of financial reporting. Towards this end, ACRA is subsidising the first 3,000 directors who voluntarily attend the course before 31 March 2016. The subsidy is \$300 of the \$618 course fee per director.

The inaugural session of DFE was held on 2 December 2014, followed by another session on 27 January 2015. With the anticipated demand for this course, the organisers are scheduling the programme on a monthly basis for the year.

This new programme is for the directors of listed and large non-listed companies who do not have a financial or accounting background. It seeks to equip them with the basic accounting knowledge as well as practical tips and considerations when reviewing companies' financial statements for approval. This includes how to work with the auditors to resolve concerns raised and how to address complex accounting issues.

Some of the course topics include:

- Accounting framework and standards
- Basic financial reporting requirements
- Internal controls over financial reporting
- Questions to be raised when reviewing financial statements
- Findings from ACRA's Financial Reporting Surveillance Programme
- What an audit entails and how to work with auditors to resolve issues
- XBRL filings – directors' responsibility in respect of the review required ■



Money talks

About 100 corporate directors and management turned up to listen to the forum on the 2014 Hay Group Director & Executive Remuneration Survey held on 28 January 2015.



Mr Kevin Goh, Director of Hay Group Singapore (Hay) provided participants with a preview of Hay's "Board Remuneration and Practice in Singapore" and "Singapore Top Executive

Remuneration Report"; the two reports were released a month later.

Highlights from the first report are found on page 36 ("Non-executive directors' fees").

The second report concluded that CEO median pay has remained flat at about \$1.1 million per

annum, with CEOs in the finance sector followed by the property sector leading the way.

Hay expects that going forward, shareholders and the public will put more pressure on senior executives' pay, pay for performance will be more scrutinised, and long term incentive pay will find more favour. Mr Goh warned directors present that the remuneration committee will bear more reputational risks as transparency increases. ■



What cyber security means for the board?

Recent global, high-profile cyber security breaches have made cyber security a hot-button issue to be featured highly on the agendas of boards and audit committees around the world.

This was the central topic during a breakfast talk held by SID and KPMG on 20 January 2015.



Mr Michael McGowan, Principal Consultant of KPMG in Singapore set the scene by explaining the changing cyber landscape and complexity of cyber threats. Based on *KPMG Cyber Vulnerability Index 2012*, Singapore was listed the top 10 most targeted countries in Asia for cyber attacks.

Mr McGowan shared the five principles which he believes could help boards and organisations better manage cyber threats:

- Prepare – understand the current state of preparedness
- Protect – design and reinforce a cyber defence infrastructure
- Detect – investigate and respond to cyber attacks
- Integrate – implant cyber security in culture and strategy planning
- Transform – change and improve organisation's cyber security

With this understanding, boards have been encouraged to be more proactive and play critical roles in ensuring that their organisations have in place robust cyber security defences. ■

Financial reporting challenges

Financial reporting and its challenges was spotlighted during a seminar jointly held by SID and Moore Stephens LLP.

During the seminar on 3 February, Ms Poh Lay Choo, Partner of Training, Compliance and Methodology and Mr Wong Koon Min, Director of Technical, Compliance and Methodology at Moore Stephens covered the practical aspects of financial reporting from a director's perspective, including:

- Directors' responsibilities for financial reporting
- Key accounting standards that will take effect in 2014 and 2015
- Common pitfalls in financial reporting such as asset impairment, asset valuation, financial risk disclosures and related party transactions disclosures
- Developments in financial reporting post-2015 ■



Compiled and written by Chia Yi Hui

Past events (Jan – Mar 2015)

DATE	TYPE	EVENT DETAILS
7 Jan 2015	PD	Audit Committee Seminar – Preparing for 2015
8 Jan 2015	PD	SID-ACRA Directors Compliance Programme
15 Jan 2015	PD	LCD Module 1: Understanding the Regulatory Environment in Singapore
17 Jan 2015	PD	SID-ACRA Directors Compliance Programme
20 Jan 2015	PD	SID-KPMG: Cyber Security – What Does It Mean for the Board?
22 Jan 2015	PD	SID-ACRA Directors Compliance Programme
27 Jan 2015	PD	SID-ISCA Directors Financial Reporting Essentials
28 Jan 2015	PD	SID-Hay Group: Director and Executive Remuneration Survey – Re-evaluating Rewards
29 Jan 2015	PD	SID-ACRA Directors Compliance Programme
3 Feb 2015	PD	SID-Moore Stephens: Financial Reporting Standards Update – Challenges in 2014 and Beyond
5 Feb 2015	PD	SID-ACRA Directors Compliance Programme
3 Mar 2015	PD	So, You Want to be a Director
10 Mar 2015	PD	SID-IP Academy: Intellectual Property for Directors
11 Mar 2015	PD	LCD Module 1: Understanding the Regulatory Environment in Singapore
17 Mar 2015	PD	SID-ISCA Directors Financial Reporting Essentials
24 Mar 2015	PD	Board & Director Fundamentals
25 Mar 2015	PD	LCD Module 2: Audit Committee Essentials
26 Mar 2015	PD	LCD Module 3: Risk Management Essentials

Every breath I take

Tai Chi your way to health and happiness



By **POH MUI HOON**
SID Council Member

Martial art aficionado Poh Mui Hoon explains why Tai Chi is integral to her whole being.

I started out in martial arts training early in life.

When I was 10 years old, I took up Tae Kwon Do as a martial art because I wanted to win the frequent fist fights with my dear brother. I have always been athletic – so picking up the martial sport came easy.

As I progressed in life, I began searching for a softer martial art that can be part of my life going forward – something without brute force and more mindful in nature.

Chancing upon Wu Style Tai Chi was a blessing for me as it fitted me well. Tai Chi has, of course, existed for more than 600 years. I had long heard of Tai Chi and seen people practised it. However,



AFTER HOURS

I was not attracted to it as it seemed too slow and non-martial. For me, it had to be a martial art, not just an exercise. It was upon meeting Ms Saw Phaik Hwa, a martial art veteran who is passionate about Wu Style Tai Chi that my view of this particular art changed.

Tai Chi's key proposition of using softness to conquer strength (以柔克刚 – yi rou ke gang) appealed to me. The notion of being able to “use four ounces to move a thousand pounds” (四兩撥千斤 – si liang bo qian jin) is fascinating.

Tai Chi's unique movement requirements are a peaceful mind; loose body; natural breathing; agility with lightness, sinking, roundness and continuity; upper and lower coordination; clarity in differentiation of full and empty; softness containing power; and the use of intention to create movement.



The Wu Style's differentiation is its soft warding, light and natural movements that are continuous, refined and agile. Its distinctive body form and its emphasis on parallel footwork and small circle hand techniques differ from the other Tai Chi family styles (such as Yang or Chen) martially. After being exposed to it, I was convinced that this is the martial art for me going forward.

Today, I train on Wu Style Tai Chi with a group of dedicated and selfless instructors an average of two to three times a week. I have been at this for 11 years now. It has been a captivating though challenging journey for me – when I thought I have mastered it, there is a next level of learning that opens up. I am still at it - and still finding things that I do not know in my daily practice.

What has been most fulfilling for me is becoming a disciple of Sifu Eddie Wu Kuang Yu. He is a Grandmaster and Fifth Generation Leader (掌門人) of Wu Style Tai Chi Chuan globally. In fact, Sifu Eddie Wu is the direct descendant of Grandmaster Wu Chuan Yu, the founder of Wu Style Tai Chi Chuan late in the 19th century. I felt predestined to be Sifu's disciple.

In my training, I practise using the open palm and fist, weapons (spear and sabre) and sparring with Push Hands.

There are two key aspects to Tai Chi for me – the spiritual and the physical. The spiritual is the essence and the physical is the application. The spiritual aspect of Tai Chi is developed through yi (意 – intent] and shen (神 – awareness).

The physical is the learning of the form or movements, coupled with qi (气 – breath energy) and jing (劲 – metabolic energy). The physical form is always practised with utmost mindfulness of the synchronised movement of every part of the body. When the physical form is matched with the spiritual, it is experienced in



the body and mind - this then is the practice of Tai Chi as a martial art.

Besides the regular training sessions with my instructors, Tai Chi is something I do on my own for a good part of the morning before breakfast. It is a great way to start the day.

I am happy that Tai Chi is a part of my life, in fact, a big part of my life. And it will be so for a long time to come. ■

Upcoming events

Core Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
LCD Module 4: Nominating Committee Essentials	2 Apr 2015	0900 – 1230	Capital Tower
SID-SMU Executive Certificate in Directorship Module 1: The Role of Directors	6 – 8 Apr 2015	0900 – 1700	SMU Campus
LCD Module 5: Remuneration Committee Essentials	8 Apr 2015	0900 – 1230	Marina Mandarin Singapore
Board & Director Fundamentals	13 Apr 2015	0900 – 1730	Capital Tower
LCD Module 6: Investor and Media Relations	15 Apr 2015	0900 – 1230	Marina Mandarin Singapore
SID-ISCA Directors Financial Reporting Essentials	20 Apr 2015	0900 – 1730	Capital Tower
EBL Module 1: Effective Board	23 Apr 2015	0900 – 1230	Marina Mandarin Singapore
SID-ACRA Directors Compliance Programme	24 Apr 2015	0900 – 1330	Capital Tower
SID-ACRA Directors Compliance Programme	25 Apr 2015	0900 – 1330	Capital Tower
SID-ACRA Directors Compliance Programme	28 Apr 2015	1300 – 1730	Capital Tower
Board and Director Fundamentals	5 May 2015	0900 – 1730	Capital Tower
LCD Module 1: Understanding the Regulatory Environment in Singapore	6 May 2015	0900 – 1730	Marina Mandarin Singapore
SID-ACRA Directors Compliance Programme	7 May 2015	0900 – 1330	Capital Tower
SID-SMU Executive Certificate in Directorship Module 3: Finance for Directors	11 – 13 May 2015	0900 – 1700	SMU Campus
EBL Module 2: Board and Fund Raising	14 May 2015	0900 – 1230	Marina Mandarin Singapore
SID-ACRA Directors Compliance Programme	15 May 2015	1300 – 1730	Capital Tower
EBL Module 3: Enterprise Risk Management	19 May 2015	0900 – 1230	Marina Mandarin Singapore
SID-ACRA Directors Compliance Programme	21 May 2015	0900 – 1330	Capital Tower
EBL Module 4: Financial Literacy and Governance	26 May 2015	0900 – 1230	Marina Mandarin Singapore
SID-ISCA Directors Financial Reporting Essentials	27 May 2015	0900 – 1730	Capital Tower
SID-ACRA Directors Compliance Programme	28 May 2015	1300 – 1730	Capital Tower
SID-SMU Executive Certificate in Directorship Module 4: Risk and Crisis Management	10 – 11 Jun 2015	0900 – 1700	SMU Campus
INSEAD International Directors Programme Module 1: Board Effectiveness and Dynamics	14 – 17 Jun 2015	0900 – 1730	INSEAD Campus
SID-ISCA Directors Financial Reporting Essentials	24 Jun 2015	0900 – 1730	Capital Tower
So, You Want to be a Director	30 Jun 2015	1000 – 1230	Capital Tower
SID-SMU Executive Certificate in Directorship Module 1: The Role of Directors	6 – 8 Jul 2015	0900 – 1700	SMU Campus
LCD Module 1: Understanding the Regulatory Environment in Singapore	7 Jul 2015	0900 – 1730	Marina Mandarin Singapore
LCD Module 2: Audit Committee Essentials	8 Jul 2015	0900 – 1230	Marina Mandarin Singapore
LCD Module 3: Risk Management Essentials	8 Jul 2015	1230 – 1730	Marina Mandarin Singapore
LCD Module 4: Nominating Committee Essentials	9 Jul 2015	0900 – 1230	Marina Mandarin Singapore
LCD Module 5: Remuneration Committee Essentials	9 Jul 2015	1230 – 1730	Marina Mandarin Singapore
LCD Module 6: Investor and Media Relations Essentials	10 Jul 2015	0900 – 1230	Marina Mandarin Singapore
Board and Director Fundamentals	14 Jul 2015	0900 – 1730	Capital Tower
SID-ISCA Directors Financial Reporting Essentials	23 Jul 2015	0900 – 1730	Capital Tower
SID-SMU Executive Certificate in Directorship Module 5: Strategic CSR and Investor Relations	13 – 14 Aug 2015	0900 – 1700	SMU Campus

Core Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
SID-SMU Executive Certificate in Directorship Module 3: Finance for Directors	17 – 19 Aug 2015	0900 – 1700	SMU Campus
SID-ISCA Directors Financial Reporting Essentials	25 Aug 2015	0900 – 1730	Capital Tower
SID-SMU Executive Certificate in Directorship Module 6: Effective Succession Planning and Compensation	7 – 8 Sep 2015	0900 – 1700	SMU Campus
LCD Module 2: Audit Committee Essentials	22 Sep 2015	0900 – 1230	Marina Mandarin Singapore
SID-ISCA Directors Financial Reporting Essentials	29 Sep 2015	0900 – 1730	Capital Tower
LCD Module 3: Risk Management Essentials	30 Sep 2015	0900 – 1230	Marina Mandarin Singapore

Other Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
What is Tax Evasion and the Consequences	9 Apr 2015	0900 – 1100	Marina Mandarin Singapore
Board Risk Committee Chairmen's Conversation	17 Apr 2015	1100 – 1300	To be advised
Audit Committee Chairmen's Conversation	18 May 2015	1100 – 1300	To be advised
SID-PwC: Emerging Markets Risk	29 May 2015	0900 – 1100	Marina Mandarin Singapore
SID-Caux Roundtable: Sustainability	4 Jun 2015	0900 – 1300	Marina Mandarin Singapore
SID-SingTel: Cyber Security	25 Jun 2015	0930 – 1300	SingTel ComCentre
SID-Watatawa: Strategic Communication	26 Jun 2015	0900 – 1100	Marina Mandarin Singapore
Investment and the Board	6 Jul 2015	0900 – 1100	Marina Mandarin Singapore
Board Chairmen's Conversation	18 Aug 2015	1100 – 1300	To be advised
Nominating Committee Chairmen's Conversation	21 Aug 2015	1100 – 1300	To be advised
SID-Board Accord: Board Evaluation	24 Aug 2015	0900 – 1100	Marina Mandarin Singapore
Board Chairmen's Conversation	17 Sep 2015	1100 – 1300	To be advised
SID-DPI: Strategic Thinking	18 Sep 2015	0900 – 1100	Marina Mandarin Singapore

Major Events

EVENT	DATE	TIME	VENUE
ASEAN Corporate Governance Scorecard	30 Apr 2015	0900 – 1100	InterContinental Singapore
SID Annual Directors' Conference 2015: Boards and Innovation	16 Sep 2015	0900 – 1730	Marina Bay Sands

Socials

EVENT	DATE	TIME	VENUE
Members' Night: An Evening with Noel Tichy	1 Apr 2015	1700 – 2000	One Raffles Link
Members' Networking	27 Jun 2015	1100 – 1300	Changi Prison
Golf Tournament	28 Jun 2015	1100 – 2100	Sentosa Golf Club
Members' Networking	27 Aug 2015	1800 – 1900	To be advised

Course dates are subject to change. Please refer to www.sid.org.sg for the latest updates.

Welcome to the family

January 2015

Allen Ciaran
 Banerji Sujit
 Chan Yu Meng
 Chin Margaret
 Goh Chong Theng
 Grundlingh Morne
 Ibarat Iriawan Alex
 Kang Hwee Hoon, Judy
 Kerr Raymond
 Lam May Yih
 Lambert Pascal
 Larsen Mikkel
 Li Yinhui
 Liu Cindy
 Meyers Paul Irwin
 Mota Jean-Philippe
 New Chin Yong

Prasad Rajindera
 Ramdas Krishnan
 Sim Tzi Yong
 Singh Sukhbir
 Tan Tee Meng
 Toh Yang Kang
 Turquois Jean Emmanuel

February 2015

Alexandra De Mello
 Ang Athena Georgene
 Ang Iris Hidayathulla
 Annur Basheer
 Campos Andrew Gilbert
 Chee Andrea
 Chew Cheng Huan, Gerald Paul
 Chin Wei-Li, Audrey Marie
 Chow Wai San

Da Silveira Paladino Renato
 Gault Stephanie
 Hardwick Matthew
 Lim Khai-Wei, Cheryl
 Lim Kien Kim
 Low Chin Loo
 Murthy Rajashree
 Nafrey Gauri
 Ng Kelvin
 Oh Jasmine
 Patwardhan Anju
 Sharples Derek
 Sim Puay Jain, Edwin
 Sohmen-Pao Doris
 Stimpson Wendy Helen
 Tan Zhi Tai, Colin
 Tay Wei Yuan, Lionel
 Wang Huanran, Ricard

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Adrian Chan Pengee

SECOND VICE-CHAIRMAN

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TREASURER

Soh Gim Teik

IMMEDIATE PAST-CHAIRMAN

John Lim Kok Min

COUNCIL MEMBERS

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 Kevin Kwok
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 Elaine Lim
 Irving Low
 Poh Mui Hoon
 Andy Tan Chye Guan
 Tan Yen Yen
 Richard Teng
 Wong Su-Yen

SID Secretariat 2015

EXECUTIVE DIRECTOR

Joyce Koh

ACCOUNTS & ADMINISTRATION

Jane Tan

COMMUNICATIONS & EVENTS

Chia Yi Hui

GOVERNANCE & RESEARCH

Christopher Tan

MEMBERSHIP SERVICES

Adeline Tay
 Jemmie Yee

OPERATIONS & LOGISTICS

Florence Lum

PROFESSIONAL DEVELOPMENT

Ani Dinasan

PROFESSIONAL DEVELOPMENT ADMINISTRATION

Cecilia Cho

SPECIAL PROJECTS

Gabriel Teh

WEBSITE & GRAPHIC DESIGN

Juliana Boey

Who among the crowd will be the winners in this 10th anniversary of the Singapore Corporate Awards?



The Singapore Corporate Awards honours the best in corporate governance among listed companies in Singapore. The awards are for:

- **Best Annual Report**
- **Best Chief Executive Officer**
- **Best Investor Relations**
- **Best Managed Board**
- **Best Chief Financial Officer**
- **The Distinguished Contribution to Corporate Governance**

Winners will be announced at a gala dinner to be held as follows:

Date: Wednesday, 8 July 2015
 Venue: Resorts World Convention Centre, Compass Ballroom
 Guest of Honour: Dr Tony Tan Keng Yam,
 President of Republic of Singapore



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