AUDIT COMMITTEES' RESPONSE TO RECENT DEVELOPMENTS IN FINANCIAL REPORTING

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- Key regulatory developments impacting ACs in 2017
- How well did listcos and ACS respond, and should watch out for, \bullet going forward?
- How is the SID AC chapter helping?







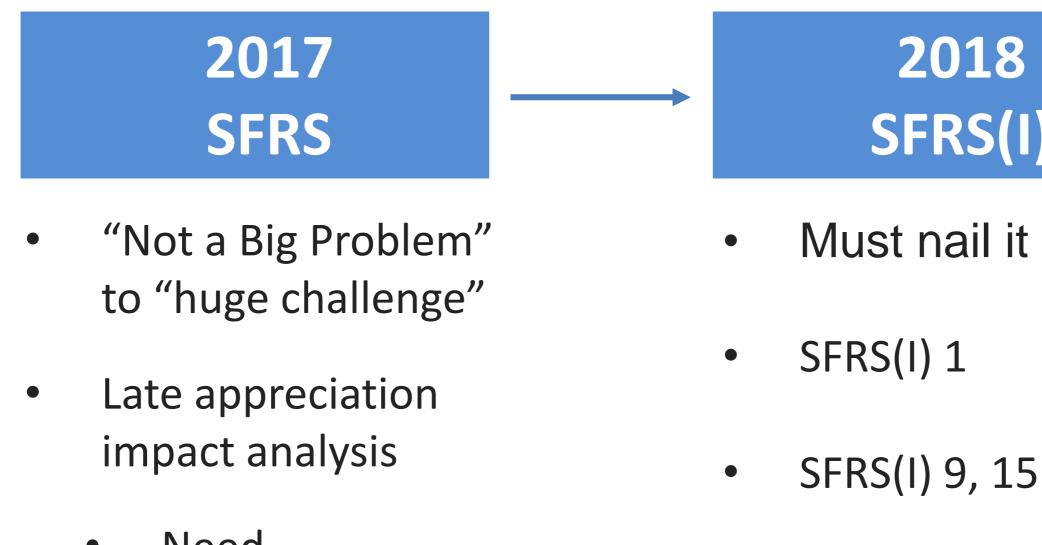
REGULATORY DEVELOPMENTS 2017

- **IFRS** Convergence
- New Accounting Standards wef 1 Jan 2018:
 - SFRS(I) 15 Revenue from contracts with customers lacksquare
 - SFRS(I) 9 Financial Instruments lacksquare
- Enhanced Auditor's Report
- Audit Quality Indicators
- FRSP Financial Reporting Surveillance Programme





IFRS CONVERGENCE



- Need
- Complexity
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2018 SFRS(I)

- Must nail it down

NEW ACCOUNTING STANDARDS

EFFECTIVE 1 JAN 2018

- SFRS(I) 15 : Larger listcos more prepared, smaller ones struggle ulletwith limited resources.
- SFRS(I) 9 : Similar pattern. lacksquare

EFFECTIVE 1 JAN 2019

• SFRS(I) 16 : Requires preparation in 2018.





ENHANCED AUDITOR'S REPORT

Effective 2017 : KAMs and "Other Information" 2017

- KAMs
 - too much/too little lacksquare
 - looking for the "sweet spot" lacksquare
 - Average KAMs in 2017 = 2.3
- AC Commentary
 - 33% provided \bullet
 - Only 11% three-part expectation \bullet

- Greater scrutiny by regulators
- Proactively discuss KAMs with auditors and at AGMs
 - Do AC Commentary, and provide deeper insights

 \bullet





2018

AUDIT QUALITY INDICATORS

- 8 AQIs first introduced in 2015, 6 targets introduced in 2016
- Rich tool for auditor evaluation but:
 - Under-used, or
 - Lack of comparatives?

- 1. Audit hours
- 3. Training

- 8. Attrition rate





2. Experience of team 4. Inspection results 5. Independence 6. Quality control 7. Staff oversight



- FRSP enhanced in 2014
- ACRA provides lessons from each round of review.
- 2017 change: "Restatements First" policy •
- Focus for 2018:
 - Communication of impact of IFRS changes
 - Impairment and valuation
 - Cash flow classification





ACS' RESPONSE TO RECENT DEVELOPMENTS IN FINANCIAL REPORTING

- What are the implications?
- Demands on ACs will continue to increase a reality we have to get used to.
- To be effective, ACs need to be continually formed and kept up to date.





AC CHAPTER

- Formed January 2017 to support ACs
- AC Pit-Stops
 - 2-hr learning by professional firms ullet& ACRA on hot topics
 - 6 Pit stops in 2017 lacksquare

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- \bullet
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Jan – EAR by Deloitte **Apr** – FRSP and AQIs by ACRA Jul – IFRS(I) 15 by KPMG Sep – IFRS(I) 9 by PwC **Nov** – Valuation and Impairment by Deloitte **Nov** – Sustainability Reporting and IR by EY

AC CHAPTER

- **Thought Leadership Articles for Acs**
 - Curated and easy to access on SID Website
 - Articles in SID Bulletin \bullet
- What We Did For IFRS Convergence In 2017 \bullet
- Pit-stops:
 - IFRS Convergence, \bullet
 - SG-IFRS 9 \bullet
 - SG-IFRS 15 \bullet
- 2 Articles in BT and Directors' Bulletin
- Collaboration with ISCA on IFRS Convergence 2018 lacksquareImplementation Roadmap





standards?

According to a recent study by KPMG, as of 30 April 2017, only about 30 per cent and 35 per cent of 396 listed companies in Singapore have explained where they stand when it comes to the new accounting standard on revenue and financial instruments respectively in their 2016 Financial Statements.

That is not a good result, especially if you consider unded companies and their directors in 2016 through Practice Guidance No. 1 to disclose ir status of preparedness, including reasonably titative information on the expected impact in their 2016 accounts. And almost no mpany provided any numbers.

How much progress have listed companies made since 30 April 2016? Anecdotally, speaking to rofessionals who are helping companies with he implementation of such requirements, no one seems to be appropriately excited about going "live" on the new requirements in January 2018.

The reality is that massive changes in the accounting Urgent action needed framework and standards are going to take time





COUNTING BEANS

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Immediate Action on the New Accounting Standa

Form a workgroup. This working group should be sponsored by the board and the CFO for immediate mobilisation.

Organise a kickoff workshop. The workshop ould involve all internal stakeholders impacted by the new standards: finance, business heads, legal, sales, treasury, operations and any others that can help in compiling the information needed to assess the impact. Given the little time left, finance alone will not be able to get it all done in time.

Collect the information. After the workshop, all stakeholders should collect the necessary information (for example, sales contract types) and provide them back to the workgroup. The information should then be analysed to identify clusters of similar data or contracts. The clusters should then be analysed to quantify the accounting impact.

nise a second workshop. This wor

· Extrapolate the data. Consi materiality (which should i external auditors), the clust should be used to extrapola quantitative impact on the tatements as a whole. This may be of sufficient accurate purposes in the 2017 finance

Refine the numbers. A mo computation of numbers s on an ongoing basis for imin 2018. The next key dead first interim results annou those numbers will have to new requirements, includ mparative information

 Prepare a longer-term pre A proper plan is needed t from the plan B process to



mpanies on SGX need to apply a new ig framework identical to the icial Reporting Standard RS). Alongside this, there is an overhaul of nting standards on reve 1 (IFRS 15) and financi

- for these net

to be understood, interpre and embraced. It cannot be

as usual".

To this end, the entire fit cosystem, from preparer and auditors to regulat all have to play their rolin-hand to deal with the ch

creating awareness, educating stakeh allowing for the flexibility that is needed when it comes to interpreting how accounting standards should be applied in practice.

Most of all, it means that companies have to gear up and prepare for the new accounting standards

Their most urgent task is to prepare for the disclosures in the 2017 Financial Statements on the readiness of applying the two new standards As both standards are applicable from 1 January 2018 onwards, expectations are that some form of quantitative impact will be included in the 2017 disclosures.

Catching stakeholders by surprise with the firs interim results announcement under the new standards during 2018 is certainly not advisable. The regulators have made it clear what their expectations are: meaningful and comprehensi explanation of the impact of the new standards.

Boards, and especially ACs, need to ensure that Boards need to act they provide the necessary oversight in this undertaking. Directors could start by first asking the right questions of finance:

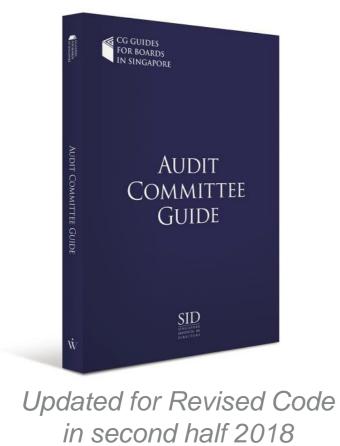
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IFRS Convergence 2018 Implementation Roadmap

2018

The ACRA-SGX-SID AC Seminar

"Rebooting Corporate Governance" 16 Jan 2018, Marina Mandarin





- 29 Mar : AML/CFT

- 19 Jul : Harnessing IA
- 21 Sep : BEPS

More PD sessions on AC-related topics available



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AC Pit Stops 8 Jan : EAR & IFRS Conv 23 May: Crisis management 29 Jun : FRS 116 (Leases) 26 Nov: Big Data & regulatory technology

THANK YOU

