

CORPORATE compliance is often viewed as an administrative and regulatory burden. Some small and medium-sized enterprises (SMEs) see the effort needed to comply with regulatory requirements, such as filing up-to-date corporate and financial information, as a waste of time since it does not generate any revenue for the business.

But good compliance is essential for the health and well-being of any company, and there are many benefits to be gained. The key benefits are:

- Complying with regulatory requirements not only helps companies avoid legal risks and hefty fines and penalties, it also enhances a company's brand equity and strengthens investors' confidence.
- Companies which are fully compliant with the three statutory requirements on (a) prompt holding of annual general meeting (AGM); (b) laying up-to-date financial statements at AGM; and (c) filing annual returns on time; are rated with a green tick and are eligible for the Certificate of Compliance which recognises their good track records. Since its introduction in April 2010, more than 3,000 requests for the certificate have been made by these companies for various purposes.

Increasingly, shareholders and potential investors are referring to the corporate and financial information that companies lodge with the Accounting and Corporate Regulatory Authority (Acra) to make better informed decisions when dealing with the company concerned. Last year, Acra also received some 1.9 million requests for business information.

Directors play a key role in the efficient management of the company, and to ensure that it has a good corporate compliance record. There are over 240,000 "live" companies on Acra's register. Currently, about 13 per cent of them are found to be non-compliant with annual filing requirements.

Most of these offences are committed by directors of SMEs. An often cited reason for their non-compliance is ignorance of statutory requirements, and lack of awareness of their duties and responsibilities.

Some of the offences result from common misconceptions among directors regarding their statutory obligations, such as:

- A director is not responsible for the due compliance of the law if he is an "inactive" or a "nominee" director; only the active directors are responsible for ensuring compliance;
- There is no need to hold an AGM and file annual returns if the company has been dormant during the year;
- The company has been exempted by the Inland Revenue Authority of Singapore (IRAS) from filing tax returns. Since IRAS has granted the exemption, Acra will apply the same exemption.

These perceptions are erroneous as the law does not distinguish between an "inactive" and a "nominee" director. Furthermore, even though a company is dormant or exempted from filing tax returns by IRAS, the law requires companies to still file annual returns every calendar year so that

GOOD COMPLIANCE IS GOOD FOR BUSINESS

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the status of the company continues to be transparent to its stakeholders.

In 2011, Acra introduced an iPhone application *ACRA On the Go*, which comes with an AGM calculator to help companies plan their coming AGMs. One need only to enter the company's financial year end date and the previous AGM date to know when the next AGM is due.

In the same year, Acra produced a handbook for directors titled *ACRA @ 1: Being an Effective Director*. The handbook is written from the regulator's perspective based on past experiences with directors in default. Simple terms are used to avoid legal jargon so that lay directors can understand. The handbook can be

downloaded free at the Acra website (www.acra.gov.sg).

Acra has also collaborated with professional partners – the Institute of Certified Public Accountants of Singapore; the Singapore Association of the Institute of Chartered Secretaries and Administrators; and the Singapore Institute of Directors – to develop a training programme for persistently defaulting directors to raise their competency in basic corporate compliance. A pilot run was conducted in early 2012. One participant from the pilot run shared that his views on being a director "changed 180 degrees". He noted that "with proper filing and knowledge of directors' responsibilities, you are making

a good investment for your company's future". The programme was inaugurated in September, and will be held quarterly. Coming up next year will be a training programme to help new and aspiring directors get the fundamentals of corporate compliance right from the start. More information will be available soon.

With increased emphasis by investors and shareholders on the need for good corporate governance, good corporate compliance is not just a statutory requirement but also essential for business success. ■

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