

**KEYNOTE ADDRESS BY MS INDRANEE RAJAH,
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PREPARING FOR THE NEW BUSINESS ENVIRONMENT OF TOMORROW

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Distinguished guests

Ladies and gentlemen

Introduction

1. Good morning. Thank you for inviting me to the Singapore Accountancy and Audit Convention 2017.
2. I am pleased to attend today's conference, which is organised by three important stakeholders in the accountancy sector – ISCA, ACRA and SAC. Good partnership between the Government and the professional bodies bodes well for Singapore's efforts to be a global accountancy hub.
3. We live in an age of disruption. Today, the technology revolution has swept through the business landscape, resulting in new opportunities and threats. As technology disrupts traditional business models, it is crucial that investors' continue to place their trust and confidence in our capital markets.
4. High quality corporate disclosures and regulations are hallmarks of leading capital markets. With these in mind, I will touch on three recent and upcoming regulatory changes that will improve corporate transparency, raise audit quality and enhance information comparability.

Improving Corporate Transparency: Enhanced Auditor Reporting

5. The first is the implementation of Enhanced Auditor Reporting. Since late last year, auditors are required to report Key Audit Matters, or KAMs in short, the Enhanced Auditors' Report. Put simply, KAMs are matters that the auditors spent a significant amount of time auditing before issuing an opinion on the financial statements. KAMs include areas where the financial statements are most susceptible to

misstatements. They provide investors and other stakeholders with greater insights into an entity's financial health.

6. At this convention last year, I spoke of the need for company management and audit committees to respond positively to this initiative to improve corporate transparency. It is encouraging to note the results of a recent study that examined the impact of the first-year implementation of Enhanced Auditor Reporting standards in Singapore. This study shows that companies have stepped up on their corporate disclosures.
 - a. Compared to the previous year's financial statements 40% of the 180 listed companies surveyed have discussed in greater depth the areas covered by KAMs.
 - b. Audit committees from one-third of the same companies surveyed have also proactively reported their views on significant accounting matters. In most cases, their views were also covered as KAMs by the auditors.
7. This move towards greater transparency is boosting investor confidence. Two in three of the 133 investors surveyed found that the reporting by audit committees is useful. There was assurance that significant issues were being looked at by audit committees. So let me take this opportunity to commend those who have responded positively, and I urge other audit committees and company management that have yet to enhance their disclosures to follow suit.
8. I will also like to commend the auditors for your efforts in implementing the EAR. Over half of audit committees and investors surveyed said they now have more confidence in audit quality. Slightly over half of the surveyed retail investors also responded that KAMs have changed their approach in analysing the investment risks of entities. These findings have validated the value of audits.
9. I urge all stakeholders to continue working together to provide insightful disclosures and further increase corporate transparency in Singapore.

Raising audit quality: The Accountants Act review

10. The second regulatory change is the review of the Accountants Act. While the Asian Corporate Governance Association has commended ACRA's audit inspection programme "to be among the best in the region"¹, Singapore must continue our efforts to raise the bar for audit quality. In this regard, the Ministry of Finance and ACRA have embarked on this review.

¹ From Corporate Governance Watch 2016 biennial report released by the Asian Corporate Governance Association.

11. Amongst others, we are looking into empowering ACRA to conduct firm-level inspections and where necessary, mete out sanctions for non-compliance through this review. This is in line with the audit regulatory regimes in the US, UK and Australia.
12. More details of the review will be released in due course. I encourage you to provide your feedback during the public consultation that will take place next year.

Enhancing information comparability: IFRS convergence

13. The third regulatory change relates to financial reporting for SGX-listed Singapore companies. From Financial Year 2018 onwards, these companies will apply a new financial reporting framework that will allow them to include a statement of compliance with IFRS in their financial statements. The Accounting Standards Council and ISCA have collectively issued a set of Q&As to help listed companies implement the new framework.
14. This change will place our listed companies on a level playing field with global companies that use IFRS. This will enhance the global comparability of our companies' financial information, and support the internationalisation efforts of these companies.

Embracing technology

15. Singapore's regulations have to evolve to meet the changing demands of the market. However, regulatory changes *per se* are insufficient for Singapore to be a global accountancy hub. The profession must be ready for the technology revolution.
16. A survey by the World Economic Forum suggests that up to 30% of corporate audits can be performed by Artificial Intelligence by 2025. However, a 2016 ISCA survey suggests that only two in three audit firms in Singapore use technology in their daily operations. As the use of technology in the workplace intensifies, firms must innovate and use more technology to offer higher-value, insight-driven services. While there are existing initiatives, firms can look out for upcoming announcements by SAC on new initiatives to adopt and intensify the use of technology.

Schemes to help the profession thrive in the new business environment of tomorrow

17. The technology revolution is changing the nature of the jobs within the accountancy sector. While some jobs may be at risk, new jobs are also being created in areas like business valuation, risk management, forensics and cybersecurity. To stay relevant, it is crucial for the profession to transform and adapt. In the last segment of this speech, let me outline the initiatives available to help the profession.
18. First, those interested in the accountancy sector may refer to the Skills Framework for Accountancy. This customised framework is jointly developed by SAC and SkillsFuture Singapore, in collaboration with professional accountancy bodies. Validated by more than 100 accounting leaders, this framework provides an overview of the career pathways available and the skills required for job roles in the accountancy sector. You can find out more at the booth outside. Beyond the framework, professionals can apply for the SkillsFuture Study Awards to up-skill and develop specialist skills.
19. Second, Singaporeans who wish to join or move within the accountancy sector can tap on programmes under Workforce Singapore's Adapt and Grow initiative. These programmes will help Singaporeans identify skills requirements, bridge skill gaps and embark on new career options. Workforce Singapore, in collaboration with SAC and accountancy professional bodies, is also developing a Professional Conversion Programme to help experienced mid-career professionals make career transitions to the accountancy sector from within or outside the sector. More details will be announced later this year.
20. Third, accountancy firms seeking to transform their workplaces can tap on Workforce Singapore's Transform and Grow – SAPPHIRE for the Accountancy Sector initiative. This initiative is developed by SAC and the Singapore National Employers Federation, with support from Workforce Singapore. Under the SAPPHIRE initiative, accountancy firms can apply for a 70% subsidy from Workforce Singapore. This subsidy will cover up to 100 hours of consultancy advice for companies to transform into progressive lean organisations to meet the demands of the new business environment.
21. So I urge the profession to leverage on the schemes to adapt and transform.

Conclusion

22. Technology will create challenges for the accountancy profession. But more importantly, there will be new opportunities. So let's prepare ourselves for the challenges ahead and seize the opportunities that the new business environment of tomorrow presents us.
23. On this note, let me wish all of you a very fruitful and successful convention.

Thank you very much.