



## **MEDIA RELEASE**

### **AUDIT FIRMS SHOW IMPROVEMENTS IN AUDIT QUALITY**

**Singapore, 3 October 2017** –The Accounting and Corporate Regulatory Authority (ACRA)’s latest round of audit inspections show noticeable improvements in audit quality. This is significant because investors rely on high quality audits to assure themselves of the quality of financial information. The findings were revealed in the ACRA’s Practice Monitoring Programme (PMP) annual report on audit inspections issued today.

2. For this year, the segment comprising firms auditing non-listed companies shows noticeable improvements in audit quality. The proportion of inspected audit engagements with at least one finding has dropped 15 per cent compared to 2016. This encouraging result can be attributed to some public accountants taking steps to address recurring audit deficiencies. However, they formed a small number; other firms continue to show recurring audit deficiencies. Said Mr Lee Tze Shiong, Senior Director, Public Accountancy Division of ACRA, “Improvement in the quality of audits for non-listed companies while encouraging, needs to be more broad-based for the segment to make long term sustainable progress. We urge audit firms that have yet to show improvements to put in place action plans to address the recurring audit deficiencies.”

3. Larger firms auditing listed companies continue to maintain high levels of audit quality. This segment is on track to achieve a 25% reduction in the percentage of inspected audits with at least one finding, over a period of four years (2015-2019). This is in line with the global target set by the International Forum of Independent Audit Regulators (IFIAR) for GPPC<sup>1</sup> networks.

4 ACRA also observed continued improvements by audit firms in meeting three of the six Audit Quality Indicators (AQIs) targets that ACRA introduced last year<sup>2</sup>. Audit firms have continued to meet the AQIs at the engagement level, with partners and managers spending more time supervising and directing the audit engagements.

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<sup>1</sup> The GPPC networks comprise BDO International Limited, Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited, Grant Thornton International Limited, KPMG International Cooperative and PricewaterhouseCoopers International Limited. Collectively, they are referred to as “GPPC networks” reflecting their common membership in IFIAR’s Global Public Policy Committee (GPPC).

<sup>2</sup> For more details on the AQI targets, please see ACRA press release “New Regulatory Measures to Further Raise the Audit Quality Bar” (issued on 25 Aug 2016) at: [www.acra.gov.sg/news\\_and\\_events](http://www.acra.gov.sg/news_and_events)

However, while the Big Four firms have demonstrated improvements in the firm level AQIs for staff oversight, the results in the other firm level AQIs were mixed. Audit firms will need to closely monitor these indicators as they have a direct impact on audit quality.

## **Reviewing Legislation to Further Raise Audit Quality**

5. To further raise audit quality standards for the accountancy sector, the Ministry of Finance and ACRA are embarking on a review of the Accountants Act. The review seeks to ensure that the audit regulatory framework remains robust and progressive. One area under consideration is the proposal to make firm-level inspection a statutory requirement, in line with other leading jurisdictions. This will enable ACRA to inspect audit firms' quality controls and audit policies and where necessary, sanction audit firms for lapses. A firm-level inspection assesses if the audit firm has put in place an effective system of audit quality controls compliant with SSQC1<sup>3</sup>. Firm-level inspections complement the current statutory engagement inspections that review the work of individual public accountants for compliance with the Singapore Standards on Auditing.

6. Commenting on the review of the Accountants Act, Prof Tan Cheng Han, S.C, Chairman of the Public Accountants Oversight Committee said "The trust that investors place in our markets is due in part to the robust audit oversight we have in place. Such legislative reviews help ensure high audit quality standards are upheld." ACRA will be inviting the public accountancy sector and the general public to provide feedback on proposed legislative amendments to the Accountants Act in due course.

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### **About ACRA**

The Accounting and Corporate Regulatory Authority (ACRA) is the national regulator of business entities, public accountants and corporate service providers in Singapore. ACRA also facilitates the development of business entities and the public accountancy profession. As a regulator and facilitator, ACRA constantly strives to provide a responsive and trusted regulatory environment for businesses, public accountants and

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<sup>3</sup> Singapore Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements.

corporate service providers and make Singapore the best and trusted place for doing business.

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