

WELCOME AND OPENING ADDRESS
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AT THE ACRA-SGX-SID AUDIT AND RISK COMMITTEE SEMINAR
2025

Distinguished guests
Ladies and gentlemen

Good morning. On behalf of ACRA, SGX Regco and SID, I would like to extend a very warm welcome to all of you at this Audit and Risk Committee Seminar. This is my first time attending the Audit and Risk Committee Seminar, but it is the 11th such seminar since it first began in 2015. It is a therefore a real pleasure for me to be here today.

2. The longevity of this seminar is a testament to its enduring value to our business community. It was initiated with the vision of enhancing the quality of financial reporting and strengthening corporate governance in Singapore. The fact that we continue to gather year after year underscores the seminar's importance in equipping audit committee members and directors with useful insights and best practices.

3. As we move into 2025, ACRA remains committed to serving the business community through initiatives like this seminar. We recognise that the disclosure of NRIC numbers on the People Search function on Bizfile portal has caused public concerns. ACRA takes this matter seriously and will draw lessons from this.

Background

4. The theme for today's seminar, "Elevating Shareholder Value through Good Governance", highlights the critical role that directors play in promoting good governance. As directors, especially those serving on audit committees, you are at the forefront of ensuring your company operates with integrity, transparency, and accountability. Today, I would like to share with you three areas where you can contribute towards enhancing good governance practices. I will also take the opportunity to highlight how ACRA can support you in these areas, namely:

- (a) driving robust sustainability reporting practices;
- (b) enhancing integrity of the financial reporting process; and lastly,
- (c) working with auditors to ensure delivery of high-quality audits.

Driving Robust Sustainability Reporting Practices

5. Many of you may be aware that in February last year, ACRA and the Singapore Exchange Regulation announced the phased introduction of mandatory climate disclosures. Mandatory climate reporting will apply to listed issuers in FY2025 first and will extend to larger non-listed companies¹ in FY2027. External limited assurance requirements will follow two years after the mandatory reporting requirements for these companies. The early announcement made in 2024 gives companies sufficient time to prepare for the new reporting requirements, which will include the disclosure of Scope 1 and 2 greenhouse gas emissions.

6. With these changes, directors now bear expanded stewardship responsibilities. You play a crucial role in steering companies towards achieving three core objectives:

¹ Annual revenue of at least S\$1 billion and total assets of at least S\$500 million

- Setting clear climate-related targets,
- Overseeing the development and implementation of sustainability strategies, and
- Ensuring these strategies align with the company's long-term objectives and contribute to shareholder value.

7. As we begin the new year, I strongly encourage directors to start preparing for the upcoming sustainability reporting requirements, if you have not already done so. Start by ensuring that your corporate governance framework has an appropriate focus on sustainability. You should review your governance frameworks to ensure that climate-related risks and sustainability factors are adequately addressed. In addition, you should also put in place internal processes to support the data collection and monitoring of sustainability metrics. As robust internal processes lay a strong foundation for trusted, high-quality reporting, these are proactive measures that will help your company get ready for the reporting and subsequently meet the limited assurance requirements.

8. Companies must also ensure that staff are equipped with the knowledge and skills necessary to prepare for climate-related disclosures. To uplift standards in the training ecosystem for sustainability reporting and assurance, ACRA is developing a Body of Knowledge (BOK) to guide training providers in designing specialist training programmes to equip professionals with the necessary skills. We aim to complete the Body of Knowledge in the coming months. ACRA will encourage the adoption of the Body of Knowledge by training providers, and in so doing, support the ecosystem by boosting the quality of training.

9. Directors are encouraged to view sustainability reporting as a purposeful commitment to decarbonisation and not just as a compliance exercise. By adopting this mindset, sustainability reporting becomes a strategic tool that drives action, creates competitive advantages, and enhances the resilience of your company — all of which contribute to the long-term value creation.

Enhancing Integrity of the Financial Reporting Process

10. While sustainability reporting is an emerging priority, it is important not to lose sight of the Board's fundamental role in financial reporting, with the audit committee serving as a key point in ensuring its integrity. The integrity and reliability of financial statements are crucial to instil confidence in investors and to help maintain a trusted business environment in Singapore.

11. ACRA's Financial Reporting Surveillance Programme (FRSP), established in 2014, has a clear mandate to uplift the quality of financial reporting. In doing so, we will not hesitate to take action against non-compliance with accounting standards, as can be seen from recent enforcement action against a director for the company's failure to recognise impairment losses in its financial statements. Directors should ultimately be responsible for accurate and reliable financial reporting, and not place undue reliance on auditors. Over the years, ACRA has observed, through our interactions with companies and their directors, significant progress in directors in undertaking this responsibility. We applaud your commitment and we encourage you to continue strengthening your role in this area.

12. On how ACRA is supporting the business community, last November, we issued the [Financial Reporting Practice Guidance](#) for 2024. The guidance outlines the key areas that ACRA prioritises when reviewing financial statements. It also acts as a valuable resource for preparers and directors in their preparation and review of financial statements, ensuring that the statements reflect true and fair financial performance and position of the company.

13. Building on the guidance issued last year, my colleague, Wee Khim, will be sharing the results of our surveillance efforts and outlining key findings and observations from our reviews of financial statements, in her session later this morning. The aim of this sharing is to raise awareness on the common issues and to encourage companies to focus on areas where improvements are most needed. We believe that education and awareness are essential for promoting voluntary compliance with financial reporting standards, apart from the enforcement efforts that ACRA undertakes. We therefore encourage directors to use these insights to improve their financial reporting practices.

Working with Auditors to Ensure Delivery of High Quality Audits

14. While directors should not place undue reliance on auditors, it is important to acknowledge the significant role that auditors play in the financial reporting process. In fact, a key part of the responsibility of the audit committee is to select the right auditor — one who is qualified, independent, and committed to delivering high-quality audits.

15. To assist in this selection process, ACRA introduced the Audit Quality Indicators (AQIs) framework in 2015. Developed based on insights

from ACRA’s inspections and also feedback from both audit firms and audit committees, this framework is designed to facilitate meaningful conversations about audit quality between the two parties. A review of the AQIs is currently underway to ensure that the framework remain relevant and useful to audit committees. I strongly encourage you to incorporate the AQIs when evaluating and selecting the right auditor.

16. Besides the AQIs, we also require auditors who receive a "Not Satisfactory" inspection outcome in their audits of public interest entities to share these findings with the relevant audit committees. This requirement provides greater transparency and allows audit committees to better evaluate the quality and effectiveness of their auditors.

Conclusion

17. In closing, as directors, your leadership in upholding good governance is essential in navigating the complexities that lie ahead, including evolving business needs and regulatory requirements as well as increasing stakeholder expectations. ACRA is committed to supporting you in this journey. Together, we can foster a culture of integrity, transparency, and accountability that will contribute towards the long-term success of your companies and our wider economy.

18. With that, I wish you a very fruitful seminar this morning, and a happy Lunar New Year in the week ahead. Thank you.
