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## **MEDIA RELEASE**

### **SINGAPORE DEEPENS COMMITMENT TO INTERNATIONAL EFFORTS TO BOOST AUDIT QUALITY**

**- ACRA joins IFIAR Investor and Other Stakeholders Working Group as latest global audit inspection findings highlight need for further improvement in audit quality.**

**Singapore, 11 April 2014** – The Accounting and Corporate Regulatory Authority (ACRA) has accepted an invitation to join the Investor and Other Stakeholders Working Group (IWG) of the International Forum of Independent Audit Regulators (IFIAR). Currently serving a four year term as a member of the Advisory Council of IFIAR, ACRA joins fellow members from the United States, Canada, France, Japan, Korea, Netherlands and the United Kingdom in this group that engages investors and other stakeholders with an interest in improving audit quality.

2 Established in 2006, IFIAR brings together independent audit regulators from 50 jurisdictions to promote collaboration and consistency in regulatory activity and share knowledge on audit market environment and practical experience in audit oversight activities such as audit inspections.

3 ACRA's inclusion into the IWG took place at the 2014 International Forum of Independent Audit Regulators (IFIAR) Plenary meeting (the "Plenary") held from 7 to 9 Apr 2014. ACRA was represented at the meeting by Chief Executive Kenneth Yap and Assistant Chief Executive (Accountancy & Finance) Julia Tay. Mr Yap was also invited to present on the latest audit regulatory developments in the ASEAN region where he highlighted cooperation among the South-East Asian IFIAR members via the ASEAN Audit Regulators Group (AARG)<sup>1</sup>. The AARG engages the leadership of regional audit firms on expectations of audit quality matters.

4 Reflecting on ACRA's deepening involvement with IFIAR, Mr Yap said, "We are honoured to serve on the Investor and Other Stakeholders Working Group. It is vital that we ensure audit and audit regulation continues to provide value to

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<sup>1</sup> The AARG is an informal cooperation group, comprising audit regulators who are similarly IFIAR members from Malaysia, Singapore and Thailand.

investors. We look forward to encouraging greater participation from investors, audit committees and other stakeholders in the drive to improve audit quality”.

5 The Meeting also saw the IWG and the Global Public Policy Committee (GPPC) Working Group<sup>2</sup> - of which ACRA is also a member - hosting a joint session involving representatives from audit committees, investor groups, audit firms and company management. The GPPC working group coordinates IFIAR’s ongoing dialogue with the member firms of the six largest international audit networks. They discussed investors’ expectations from audit committees, how audit committees and auditors can best meet the needs of investors and the role of audit regulators in helping audit committees effectively discharge their oversight function.

6 Please refer to IFIAR’s press release in [Annex A](#) for more information on the plenary meeting.

### **The Second IFIAR Global Survey of Audit Inspection Findings and Significance to Singapore**

7 Following the plenary meeting, IFIAR issued its second global survey of audit inspection findings. Findings came primarily from inspections conducted by members of IFIAR<sup>3</sup> on audit firms affiliated with the six largest global networks and focused on audits on public interest entities or public companies and systemically important financial institutions.

8 As an aggregated survey, the findings do not indicate trends about deficiencies about audit quality in particular countries. However, the IFIAR survey does broadly indicate that common and persistent deficiencies were found in the audits and acts a useful reference for discussions about areas where audit quality may need to improve. It also highlights the important role of audit regulators in identifying weak areas and ensuring that audit firms address these in the best interests of investors and others who rely on audited financial statements.

9 ACRA’s inspections on audit firms in Singapore through its Practice Monitoring Programme (PMP) are based on the same auditing standards and some similarities in findings with those in the IFIAR survey were observed. Last year, ACRA’s 7th annual PMP public report highlighted findings relating to engagement quality control review and the adequacy of review and supervision. It was also observed that steady progress to improve audit quality was being made. Audit firms in Singapore had generally taken well to the PMP with some audit firms in the public

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<sup>2</sup> The GPPC Working Group is responsible for coordinating IFIAR’s ongoing dialogue with the member firms of the GPPC, which comprise the six largest international audit networks (BDO, Deloitte & Touche, EY, Grant Thornton, KPMG and PWC).

<sup>3</sup> The survey also covered inspection findings relating to systemically important financial institutions, including global systemically important banks, of which none are present in Singapore.

interest entity segment establishing strong quality controls even in the midst of an increasingly challenging audit environment.

10 Mr Kenneth Yap said, “ACRA’s audit inspections give us a good picture of audit quality in Singapore and what the profession needs to work on to further protect investors. Audit quality in Singapore is fundamentally sound but there is room for further improvement. IFIAR’s work at the global level complements our efforts to get audit firms to address recurring shortcomings observed in ACRA’s inspections, in order to preserve public trust in Singapore’s financial information system.”

11. Please refer to IFIAR’s press release in [Annex B](#) for more information on the global survey of audit inspection findings.

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**About ACRA**

The Accounting and Corporate Regulatory Authority (ACRA) is the national regulator of business entities and public accountants in Singapore. ACRA also plays the role of a facilitator for the development of business entities and the public accountancy profession.

The mission of ACRA is to provide a responsive and trusted regulatory environment for businesses and public accountants. As at 31 March 2014, 433,165 business entities and 997 public accountants practising in public accounting firms, accounting limited liability partnerships and accounting corporations are registered with ACRA.

For more information, please visit [www.acra.gov.sg](http://www.acra.gov.sg)



**Delegates from Over 40 Independent Audit Regulators Met  
To Focus on Issues Related to Improving Audit Quality**

**Washington, DC, April 10, 2014** – Members of the International Forum of Independent Audit Regulators (IFIAR) met this week in Washington, DC at its 14<sup>th</sup> plenary meeting to share insights and discuss key issues of interest to audit regulators. The Public Company Accounting Oversight Board hosted the meeting.

These regulators together conduct independent oversight of public company audits in jurisdictions representing approximately 80 percent of total global market capitalization.

The topics relevant to audit regulation today discussed by members included:

- Whether the evolving economic and business model of audit firms presents a risk to audit quality, which was addressed with the chief executive officers of six global network audit firms
- How the audit can better serve investors and audit committee members
- Audit quality indicators
- How to identify key systemic risks, and address them in dynamic audit regulation
- What is the importance of audit regulation to capital markets, addressed in a keynote speech delivered by Paul Volcker, former U.S. Federal Reserve Chairman, and the origins of the Sarbanes-Oxley Act, addressed in a keynote speech delivered by former U.S. Senator Paul Sarbanes

In a [report](#) issued today, IFIAR announced the results of its second survey of members' inspection findings, which reflected continued deficiencies in key areas of audit, and expressed concern about the implications of the findings for audit quality.

IFIAR is determined to enhance cooperation among its members with the goal of improving audit quality.

A [fact sheet](#) on the 2014 plenary meeting also is available.



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**International Audit Regulators Report Persistent Deficiencies  
In Critical Areas of Audits of Public Companies  
*IFIAR Calls on Auditors to Improve Audit Quality in Key Areas***

**Washington, DC, April 10, 2014** – Audits of public companies around the world suffer from persistent deficiencies in critical audit areas, raising increasing concern among international audit regulators, the International Forum of Independent Audit Regulators (IFIAR) reported today.

“The high rate and severity of inspection deficiencies in critical aspects of the audit, and at some of the world’s largest and systemically important financial institutions, is a wake-up call to firms and regulators alike: More must be done to improve the reliability of audit work performed globally on behalf of investors,” said Lewis H. Ferguson, IFIAR Chair and Board member of the U.S. Public Company Accounting Oversight Board.

**Report on Inspection Findings**

[IFIAR’s Report on 2013 Inspection Findings Survey](#) summarizes key inspection results from audits of public companies, including systemically important financial institutions, submitted by 30 IFIAR members. These results came from inspection reports issued during the members’ most recent annual reporting periods that ended by July 2013.

- The leading areas of deficiency in inspected audits of listed public interest entities, or public companies, relate to auditing fair value measurements; internal control testing; and procedures to assess the adequacy of financial statement presentation and disclosures.
- The leading areas of deficiency in audits of systemically important financial institutions, including global systemically important banks, relate to auditing of allowance for loan losses and loan impairments; internal control testing; and auditing of the valuation of investments and securities.
- Audit firms’ own quality control systems had the highest number of inspection findings in the areas of engagement performance; human resources; and independence and ethics requirements.

“The survey makes clear that these important inspection findings are prevalent across many nations and firms,” said Chair Ferguson. “IFIAR has an important role to play in monitoring and promoting audit quality across borders.”

Inspection findings are deficiencies in audit procedures that indicate that the audit firm did not obtain sufficient appropriate audit evidence to support its opinion. Most of these findings are consistent with the results of IFIAR’s [inaugural survey](#) issued last year, although the survey does not provide an adequate basis for year-to-year comparison of the quality of audit performance.

The findings discussed in the survey are primarily from inspections of audit firms affiliated with the six largest international audit firm networks, which are BDO International Limited, Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited, Grant Thornton International Limited, KPMG International Cooperative, and PricewaterhouseCoopers International Limited. In many cases, a regulator’s response to an inspection finding is to require the audit firm to perform additional procedures necessary to complete the audit satisfactory.

### **Root-Cause Analysis Needed**

Measures undertaken by IFIAR to improve global audit quality include meetings with global network firm leaders to discuss inspection results and actions the firms will take to show demonstrable improvement in audit performance; and using the survey results in members’ home countries to inform their respective inspection and standard-setting activities.

In its meetings with global audit firm leaders, IFIAR expects the firms to provide information about the results of root-cause analyses, the performance measures used to assess progress, and whether measurable improvements are being made. The global network firms with which IFIAR meets have agreed to provide such information.

“The firms should develop robust root-cause analysis to gain a clearer understanding of the factors that underlie inspection findings and to take appropriate remedial actions,” said Janine van Diggelen, IFIAR Vice Chair, and Head of the Audit & Reporting Quality Division at the Netherlands Authority for the Financial Markets.

“Only with a thorough understanding of the underlying factors that have led to findings can audit firms take appropriate measures. These measures should be aimed at improving their auditing techniques, as well as their oversight policies and procedures, but also consider the cultural and behavioral influences in the firms that were relevant to the deficiencies. Both audit firms and regulators must do more to improve audit quality,” added Vice Chair van Diggelen.

In monitoring the firms’ progress in these areas, IFIAR hopes to gain insight into whether the firms are successful in addressing firm-wide issues and, accordingly, promoting consistency in the execution of their audits.

A [fact sheet](#) on the 2013 survey also is available.