

Moore Stephens Financial Reporting and Corporate Governance Seminar 2015

Friday 20 November 2015
Parkroyal on Pickering

Singapore directors and corporate management will face increasing levels of responsibilities for financial reporting, corporate governance and risk management, according to speakers at the Moore Stephens Financial Reporting and Corporate Governance Seminar 2015, held at Parkroyal on Pickering on 20 November 2015. The seminar was attended by more than 130 participants including directors, CFOs, and finance executives.



Mr. Mick Aw, Senior Partner, Moore Stephens LLP presenting a token of appreciation to both guest speakers, Professor Ng Eng Juan, Associate Director, Nanyang Business School, Nanyang Technological University and Mr. Bernard Lui, Partner, Morgan Lewis Stamford LLC



Mr. Neo Keng Jin, Partner, Moore Stephens LLP starting off the seminar



Delegates at the Moore Stephens Financial Reporting and Corporate Governance Seminar 2015

Financial Reporting Seminar

Speaking on recent developments in financial reporting, Mr. Wong Koon Min, Partner and Head of Professional Standards at Moore Stephens LLP, highlighted the recent escalation in the scope and depth of the Financial Reporting Surveillance Program by the Accounting and Corporate Regulatory Authority (ACRA) of Singapore. As a result of its recent examination of 49 financial reports of listed companies issued for 2013 financial year ends, ACRA identified 4 instances of severe non-compliance, 54 instances of other non-compliance and 74 areas for improvement. In a landmark deviation from past practices, the warning and advisory letters arising from the examination have been addressed to company directors instead of auditors. As a result of the examination, ACRA published its Financial Reporting Surveillance Program Inaugural Report in September 2015. The report highlighted key findings from the review, which extended across diverse areas including cash flows, properties, financial assets, construction contracts and business acquisitions. In addition, the second phase of the Companies Amendment Act taking effect from 3 January 2016 will also provide ACRA with wider powers to apply to the Court directly with regards to restatement of companies' financial reports.

In the meantime, active developments loom on the horizon in both the global and local financial reporting arena. In particular, new paradigms in revenue recognition and financial instruments accounting are scheduled to take effect in 2018, according to Associate Professor Ng Eng Juan of the Nanyang Technological University of Singapore, a renowned specialist in financial

reporting and author of more than 30 professional accounting books. Professor Ng highlighted that the new Financial Reporting Standard (FRS) 115 Revenue from Contracts with Customers, and its global counterpart, will both take effect in 2018. Revenue recognition will be based on a new 5-step approach which will involve much more judgment and can significantly change the revenue recognition pattern in certain industries such as software, telecommunications, and property development.

Similarly, the new FRS 109 Financial Instruments will implement a new model in respect of the accounting for financial instruments. Among the key changes is the acceleration of impairment charges for financial instruments. Under the existing rules, an impairment indicator, such as debt default, bankruptcy, or other objective evidence of non-recoverability, must occur prior to the recognition of impairment charges. Some experts have viewed this requirement to be one of the causes of the 2008 global financial crisis. It resulted in many banks delaying impairment charges as the impairment indicators did not crystallise until it was too late. Under the new rules, impairment charges should be based on expected losses and will be recognised regardless of the occurrence of impairment indicators. Another key change relates to the simplification of rules for hedge accounting, with the complex quantitative requirements for hedge effectiveness testing being no longer mandatory from 2018 onwards. Other key changes taking effect in 2018 include a new requirement to consider business models when classifying financial assets, and the requirement to state all equity investments at fair value.



Mr. Wong Koon Min, Partner, Moore Stephens LLP



Professor Ng Eng Juan, Associate Director, Nanyang Business School, Nanyang Technological University



Mr. Lim Peng Huat, Senior Consultant, Moore Stephens LLP

Lessees, including ship charterers, will have to prepare for fundamental changes in lease accounting, according to Mr. Wong. Starting in 2019, lessees will have to capitalise all significant leases exceeding 12 months in duration. This is based on an update issued by the International Accounting Standards Board (IASB) in October 2015. According to the update, IASB is targeting to finalise and issue the new lease requirements by the end of 2015, and mandate its application in 2019. Mr. Wong opined that the Accounting Standards Council (ASC) in Singapore is likely to adopt the corresponding requirements in due course thereafter. Companies should be aware that the impending lease accounting changes may result in a potential impact on taxation and eligibility for tax incentives, according to Mr. Lim Peng Huat, Director of Accounting and Taxation Services at Complete Corporate Services Pte Ltd.

The morning session closed with a lively question and answer session. Most of the queries reflected participants concerns on how they should prepare for the upcoming developments. The key advice is: prepare early.



Q & A Session : (L) to (R) Professor Ng Eng Juan, Associate Director, Nanyang Business School, Nanyang Technological University, Mr. Lim Peng Huat, Senior Consultant, Moore Stephens LLP, and Mr. Wong Koon Min, Partner, Moore Stephens LLP



Delegates discussing their views during the Q & A Session



Mr. Mick Aw, Senior Partner, Moore Stephens LLP

Corporate Governance Seminar

The afternoon seminar kicked-off with an update on the latest developments in corporate governance presented by Mr. Bernard Lui, partner at law firm Morgan Lewis Stamford LLC. Mr. Lui provided participants with comprehensive insight into directors' responsibilities under the Companies Act, listing rules, as well as the Singapore Code of Corporate Governance. Among other duties, there are general requirements for directors to participate adequately in strategic assessment, risk management, obtain adequate training, and seek professional advice on important matters. In the disclosure-based regime adopted in Singapore, directors should also ensure the adequate disclosure of information where a reasonable person will expect such information to have a material impact on listed securities prices. Indeed, past cases have established that failure to disclose such material information to the Singapore Exchange (SGX) could constitute an offence.

Directors should also ensure that companies meet the "comply or explain" requirement of the Singapore Code of Corporate Governance. Mr. Lui provided participants with a concise and clear explanation of a labyrinth of requirements in the Code that deals with diverse matters including Board Composition, various board sub-committees, and risk management and internal controls. From January 2014, SGX has also been provided with additional powers. SGX can issue public queries to companies upon occurrence of unusual trading activity, and require "Trade with Caution" announcements to be

used. Companies must also maintain lists of people privy to price-sensitive information not known to the public.

Thereafter, Mr. Chris Johnson, Partner of Moore Stephens LLP, provided an insight into the development of an effective enterprise risk management system (ERM). Mr. Johnson highlighted that an effective ERM framework should encompass strategic, operations, reporting, and compliance elements, and work at all levels ranging from the business-process level to enterprise-wide activities. Skilled internal auditors, armed with an effective risk-based auditing approach and valuable tools such as risk registers, can play an important role in assisting the board to monitor, examine, and evaluate the implementation of an effective ERM, as well as provide valuable insights into opportunities for improvements.

In today's increasingly global and well-connected world, anti-money laundering and counter-terrorism financing (AML/CFT) is becoming more important, and this has implications for corporations and directors, according to Ms. Lao Mei Leng, Partner and Head of Risk Management at Moore Stephens LLP. Since 1992, Singapore has been a member of the Financial Action Task Force (FATF), an inter-governmental body set up in 1989 to deal with AML/CFT issues, and has implemented the Terrorism (Suppression of Financing) Act (Cap. 325). The ultimate responsibility to comply with these requirements lies with directors and senior corporate management. An effective AML/CFT defence should involve an holistic risk management process that takes into account internal controls, policies and procedures, training, screening and reporting, record retention, and an



Mr. Bernard Lui, Partner, Morgan Lewis Stamford LLC



Mr. Chris Johnson, Partner, Moore Stephens LLP



Ms. Lao Mei Leng, Partner, Moore Stephens LLP

effective internal audit. Companies can also consider the designation of a specific AML/ CFT compliance officer.

Another threat from an increasingly-connected global environment is cybersecurity. Using a series of recent real-life cases, Mr. Choo Kwong Chee, Director of IT Solutions at Moore Stephens LLP, demonstrated the security threat posed by increasingly-sophisticated cyberspace criminals. While cybersecurity has traditionally been viewed as the responsibility of the Information Technology (IT) department, the potentially massive damage that can be caused by cyberattacks, through loss of data, privacy breaches, and loss of trust, means that other organisational members, including directors, can no longer afford to ignore this threat. Effective cybersecurity plans backed by strong corporate policies and procedures are essential for corporations.

The afternoon session concluded with a lively panel discussion between the speakers and audience. The panel session kick-started with an audience poll on corporate governance and risk management issues, facilitated by the RYT polling software supplied by Complete Corporate Services Pte Ltd. Based on the poll, key challenges to effective corporate governance include the development of effective risk management systems, increasingly-complex transactions and cyberattacks.



Mr. Choo Kwong Chee, Director, Moore Stephens LLP



Delegate discussing his view during the Panel Discussion



Panel Discussion: (L) to (R) Mr. Bernard Lui, Partner, Morgan Lewis Stamford LLC, Mr. Chris Johnson, Partner, Moore Stephens LLP, Ms. Lao Mei Leng, Partner, Moore Stephens LLP, and Mr. Choo Kwong Chee, Director, Moore Stephens LLP



Mr. Mick Aw, Senior Partner, Moore Stephens organised the interactive real-time polling session



Delegates casting their votes through the real-time polling devices

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(L) to (R) Mr. Wong Koon Min, Partner, Moore Stephens LLP, Professor Ng Eng Juan, Associate Director, Nanyang Business School, Nanyang Technological University, Mr. Lim Peng Huat, Senior Consultant, Moore Stephens LLP, and Mr. Mick Aw, Senior Partner, Moore Stephens LLP



(L) to (R) Mr. Bernard Lui, Partner, Morgan Lewis Stamford LLC, Mr. Mick Aw, Senior Partner, Moore Stephens LLP, Ms. Lao Mei Leng, Partner, Moore Stephens LLP, Mr. Choo Kwong Chee, Director, Moore Stephens LLP and Mr. Chris Johnson, Partner, Moore Stephens LLP



(L) to (R): Ms. Daphne Aw, Manager, Moore Stephens LLP, Ms. Wendy Isabel Wong, Group Financial Officer, Global Invacom Group Limited, Mr. Albert Lin, Senior Manager, Complete Corporate Services Pte Ltd, Ms Teo Ser Cher, Admin & HR Manager, Global Invacom Group Limited and Ms. Cindy Eng Sor Keng, Accountant, Global Invacom Group Limited



(L) to (R): Ms. Lao Mei Leng, Partner, Moore Stephens LLP, Mr. Dimitrios Belbas, Managing Director, Eurofin Group Holdings Pte Ltd and Mr. Chris Johnson, Partner, Moore Stephens LLP



(L) to (R): Mr. Jack Tan, Financial Controller, Magnus Energy Group Ltd, Mr. Willy Ng, Partner, Moore Stephens, Mr. Arturo Cuadra, Financial Controller, Mid-Continent Equipment Group Pte Ltd and Mr. Clement Lim, Finance Director, Flagship Corporation Far East Pte Ltd



(L) to (R): Mr. George Kypraios, Chief Executive, Yefira Consulting Pte Ltd, Mr. Iain Cawte, CFO, Avation PLC and Mr. Mick Aw, Senior Partner, Moore Stephens LLP



(L) to (R): Mr. Mick Aw, Senior Partner, Moore Stephens LLP, Mr. Lien Kait Long, Lead Independent Director, China Jishan Holdings Limited and Mr. Bernard Lui, Partner, Morgan Lewis Stamford LLC



(L) to (R): Mr. Stephen Fordham, Executive Chairman, Masterbulk Pte Ltd and Mr. Bernard Juay, Director, Moore Stephens LLP



(L) to (R): Mr. Victor Ng, Chairman, Caregiver Asia and Mr. Tan Kok Hiang, Director, Enviro-Hub Holdings Limited



(L) to (R): Ms. Danielle Lee An Loon, Senior Accountant, Wellard Ships Pte. Ltd, Mr. Sulaiman Halith, Senior Manager, Wellard Ships Pte. Ltd , and Ms. Eileen Koh, Associate Director, Complete Corporate Services Pte Ltd



(L) to (R): Ms. Katrina Asuncion Francisco, Senior Manager, Moore Stephens LLP, Ms. Lin Kwan Peng Eunice, Finance Manager, Saa Architects Pte Ltd, and Ms. Lee Li Ling Assistant. Accounts Manager, Saa Architects Pte Ltd

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