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**Singapore calls for raising standards of financial reporting
in the region**

Mr Warren Allen

President, International Federation of Accountants

Dr Ernest Kan

President, Institute of Certified Public Accountants of Singapore

Distinguished guests

Ladies and Gentlemen

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1. Good morning. A warm welcome to today's Symposium, which is jointly organised by the International Federation of Accountants (IFAC) and the Global Public Policy Committee (GPPC), and supported by the Institute of Certified Public Accountants of Singapore (ICPAS). This is the first time that the

Symposium is being held in Asia, and Singapore is honoured to host this event.

2. The topic for the Symposium – “*ASEAN Capital Markets: The Importance of a Strong Financial Reporting Environment*”, is relevant and timely.

ASEAN as an engine for growth

3. While the global economic outlook remains uncertain, ASEAN has grown steadily over the last 5 years, averaging 4.8% annually from 2008 to 2012¹. The Asian Development Bank (ADB) has projected growth of 5.4% in ASEAN this year and a further 5.7% in 2014.

4. There are other encouraging developments that augur well for the region’s future prospects, such as political stability, rising levels of education, and growing incomes in many countries. In the last decade, poverty has been reduced. GDP per capita has also more than doubled from an average of US\$5,500 in 1995 to US\$12,300 in 2011. This is the average GDP per capita across all the ASEAN countries. Rising incomes in a region with over 600 million people creates a

¹ Based on the Asian Development Bank Outlook 2012

strong consumer base which will be a significant driver of growth.

5. An ASEAN Economic Community (AEC) is taking shape and making good progress. Closer integration of regional economies will bring about a single market and production base. With freer movement of goods, services, investment, labour and capital, the economic outlook for the region is bright.

6. This positive trajectory is an exciting one but not necessarily a given. A key success factor will be the ability of governments to rise to the challenge of providing adequate economic and social infrastructure to support growth. At the same time, governments must find the means to finance the development of much-needed infrastructure. As regional economies move up the value chain, they will also need Foreign Direct Investment, and the advanced technologies and more sophisticated business practices that come with them.

7. There is, at present, significant under-investment in infrastructure in parts of ASEAN. The ADB has estimated that ASEAN needs about US\$600 billion between 2010 and 2020 to build up infrastructure for power, transport, water and sanitation as well as telecommunications.

8. Public sector financing is unlikely to be sufficient to meet these needs, and governments will have to find ways to catalyse private-sector financing and investments. That is why the development of capital markets is an important strategy that the ASEAN Economic Community (AEC) must pursue as part of its blueprint.

9. Well-run and integrated capital markets will facilitate the efficient intermediation of finance flows to meet the longer term demands of our economies, and also enable investors to have access to a wider range of investment products across the region.

Harmonising disclosure standards

10. An important step towards more efficient and integrated capital markets is the harmonisation of standards across the region. One such effort is the implementation of the ASEAN Disclosure Standards Scheme. Singapore, together with Malaysia and Thailand, has implemented a fully-harmonised set of disclosure rules for cross-border securities offerings.

11. This means that a firm issuing equity and debt in more than one of these jurisdictions will only need to prepare a single set of disclosure documents, bringing about greater efficiency and cost savings to firms raising capital across borders. This will also facilitate regional fund-raising activities and enhance the investment opportunities within the ASEAN capital markets.

Building a strong corporate governance and financial reporting environment

12. With the growing financing needs, more can be done to attract and retain investors with a longer-term investment horizon to the ASEAN region and to enhance the attractiveness of ASEAN as an asset class.

13. To attract such investors, it will help to have a high quality financial reporting regime and strong corporate governance practices applied consistently across our economies.

14. To borrow the words of one wise banker, “No transparency, no trust; no trust, no credit; no credit, no investment; no investment, no growth!” He has summarised in stark terms why financial reporting and corporate governance matter, especially for a region critically in need of investments.

15. The ASEAN Corporate Governance Initiative has been developed by the ASEAN Capital Market Forum to raise corporate governance standards among ASEAN listed companies and build investor confidence. Through periodic assessments and ranking according to the ASEAN Corporate Governance Scorecard, ASEAN listed companies are effectively benchmarked against international best practices.

16. In addition, high quality financial reports are needed to provide transparency to investors. This will help minimise information asymmetry between investors and investees and reduce the level of risk premium attached to investing in emerging markets, thereby lowering the cost of capital.

Raising the bar for accounting professionals in Singapore and the region

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17. As many of our participants will be familiar with, financial reporting involves a whole chain of processes starting from preparation of financial statements, audit and independent oversight of auditors by regulators. The chain is only as strong as its weakest link.

18. The first link in the value chain is the accountancy practitioners and preparers of financial statements. In Singapore, recognising the need to continuously raise the bar, we established the Singapore Accountancy Commission in April this year to oversee the strategic development of our accountancy sector and raise the level of competence.

19. We will also be launching the Singapore Qualification Programme (Singapore QP) next month to strengthen professionalism among accounting practitioners. The Singapore QP builds on the rigorous academic curriculum of the local accountancy degree programmes and ensures our accountancy graduates apply their knowledge in a practice-oriented environment.

20. ICPAS, which supports the Symposium today, will play an important role as the administrator of the Singapore QP and as the Designated Entity to confer the new Chartered Accountant of Singapore title to members who have completed the Singapore QP. It has a role not only in conferring, but ICPAS will have the responsibility of disciplining and maintaining high standards of conduct amongst the Chartered Accountants of Singapore. ICPAS has also been supporting the profession by providing continuous training and education for its members.

And over the last several years, it has stepped up a lot of its activities in building up the profession.

21. At the same time, we are also working closely with our regional counterparts to support competency development of accounting practitioners across ASEAN economies. ICPAS, for example, is partnering the World Bank to develop a capacity-building programme for professional accountancy bodies in ASEAN.

Improving the quality of audit

22. The second link in the financial reporting value chain is the independent auditors. Auditors are given the task of certifying the accuracy, completeness, and reliability of financial statements issued by companies. Investors must therefore trust that the auditors are not only knowledgeable and experienced, but also independent and possess the highest levels of integrity. High quality independent audits are critical to the efficient functioning of capital markets and market confidence.

23. This brings me to the importance of audit regulation, the third vital link in the financial reporting value chain. The Singapore Accounting and Corporate Regulatory Authority

(ACRA), for example, has benchmarked its audit regulation with international practices and has active in the international fora on audit regulation.

24. Not only was ACRA one of the founding members of the International Forum of Independent Audit Regulator (IFIAR), it has recently been elected to the Advisory Council of IFIAR. ACRA brings to the Advisory Council, a Southeast Asian perspective to audit regulation and can share with other IFIAR members some unique challenges to audit quality in the region.

25. Together with its counterparts in Malaysia and Thailand, ACRA formed the ASEAN Audit Regulator Group (AARG) in 2011 to share best practices and more importantly, help one another increase effectiveness in audit regulation.

26. While this group is new, it has already embarked on initiatives to build capacity in audit regulation in the region. In January last year, ACRA organised the inaugural audit inspection workshop which was attended by audit regulators from other ASEAN countries and Japan.

Conclusion

27. As a financial centre, Singapore is keenly aware of the importance of robust financial reporting and good corporate governance practices. I have highlighted Singapore's efforts to improve the three vital links in the financial reporting value chain. We believe there is also room to collaborate with our counterparts to step up the quality of financial reporting across the region. For example, the ASEAN Audit Regulator Group can enhance your outreach to other ASEAN jurisdictions which are still in the process of setting up their own independent audit regulation framework. By sharing experiences, we can shorten their learning curve and quicken the pace of improvement in financial reporting within ASEAN.

28. Finally, let me thank IFAC and GPPC once again for bringing the Symposium to this part of the world, and also ICPAS for making this event possible. You have helped to raise awareness of an important issue that impacts the development of the ASEAN economies. I trust that our participants will have lively discussions and meaningful exchanges. I wish everyone a very fruitful day ahead.

29. Thank you.