

One-fifth of Singapore listcos account for S\$62b of proposed audit adjustments in 2018-2020: Acra

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ABOUT one-fifth of 412 Singapore-listed companies accounted for S\$62.3 billion worth of proposed audit adjustments from 2018 to 2020, according to a recent study commissioned by the Accounting and Corporate Regulatory Authority (Acra).

The study, titled *Audit adjustments matter: What they reveal about companies' financial reporting*, analysed the proposed audit adjustments made by auditors to 1,236 financial statements of 412 Singapore-listed companies over a 3-year period.

According to the study, auditors proposed 22,051 audit adjustments amounting to S\$78.7 billion for 412 listed companies between 2018 and 2020.

It notably revealed that a minority of companies accounted for most of the proposed audit adjustments, some with "persistently" high levels of adjustments each year.

Over the 3-year period, there were 165 sets of financial statements from 87 companies, which collectively accounted for S\$62.3 billion or close to 80 per cent of the proposed audit adjustments in the study.

Out of these 165 financial statements, 28 companies had over

S\$100 million of proposed adjustments every year during the period, accounting for nearly 50 per cent of the total proposed audit adjustments.

In addition, the study disclosed that about S\$67.1 billion or 85 per cent of the total proposed audit adjustments were primarily to correct factual or misclassification errors in the financial statements.

These proposed adjustments amounted to an overall reduction in net income of S\$1.1 billion in the financial statements over the 3 years.

More than one-third or 36 per cent of proposed audit adjustments were "late client adjustments", the study also noted, mean-

ing they were identified by the companies themselves during the course of the audit.

About 80 per cent of these late client adjustments relate to factual or misclassification adjustments, it said.

Ong Khiaw Hong, Acra's chief executive, said the study's key findings show that there is room to further strengthen the finance functions of companies in Singapore so as to improve the preparation of financial statements.

"Acra will work with professional bodies and other stakeholders in the financial reporting ecosystem to help companies raise their accounting capabilities and provide guidance on areas they

should pay attention to," he said.

He added that Acra will also continue to focus its monitoring and enforcement efforts on companies that display a higher risk of making financial misstatements.

This is the second edition of Acra's study, which was first published in 2014. It was conducted by Associate Professor Themin Suwardy from Singapore Management University and Dr Lim Chu Yeong from Nanyang Technological University.

The study also surveyed close to 280 audit committee chairs and heads of finance of these companies to gather their views on the effectiveness of their companies' finance functions.