

# [Regulatury framework of financial reporting in singapore](https://assignbuster.com/regulatury-framework-of-financial-reporting-in-singapore/)

Roles of Organisations

\* ASC (Accounting Standard Council) – sets the accounting standards for both corporate and non-corporate organizations, and also for charitable organizations. \* CCDG (Council of Corporate Disclosure and Governance) – function mainly on corporate governance \* ICPAS (Institute of Certified Public Accountants of Singapore) – independent organization of the accountancy profession in Singapore that serves to register members and provide services to them \* ACRA – serves to regulate the accounting profession and overseeing accountants e. . registration of companies and review of work by practicing accountants. Role of the External Auditor \* The role is to check whether the company and the directors have actually adhered to the rules set out by the Companies Act and the ASC.

\* The auditor will issue an opinion to shareholders that everything is OKAY. Opinion and Certification \* Opinion is a point of view given by an auditor based on his level of experience and personal judgment. \* Certification is to make a positive statement about some factual occurrence. It is not possible for an auditor to provide certification because the auditor is not able to check and verify all the transactions in the company in a short period of time. \* He always conducts sample checks and sampling is not able to assist the auditor to provide a certification. Audit An audit is defined as a process by which a competent, independent person accumulates and evaluates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria.

External Auditor VS Internal Auditor \* External auditors audit the company’s financial statements and issue an audit opinion. \* Internal auditors review if the operations of the company are efficient and effective. Responsibility of Management 1. adopting sound accounting policies 2. maintaining adequate internal control 3. making fair representations in the financial statements 4. prevention and detection of fraud Responsibility of Auditors Reporting only to shareholders of company when expressing opinion on financial statements. Material

Misstatements are considered material if the combined uncorrected errors and fraud in the financial statements would likely to have changed or influenced the decisions of a reasonable person using the statements. Reasonable assurance Reasons why auditors is responsible for reasonable but not absolute assurance:

1. Most audit evidence results from testing a sample of a population which inevitably includes some risk of not uncovering a material misstatement.

2. Accounting presentations contain complex estimates, which inherently involve uncertainty and can be affected by future events.

3. Fraudulently prepared financial statements are often extremely difficult, if not impossible for the auditors to detect, especially when there is collusion among management. Error Refers to unintentional misstatement in the financial statements. Fraud \* refers to intentional act by one or more individuals to obtain an unjust or illegal advantage. \* Two types of fraud relevant to auditors: a) misstatements resulting from fraudulent financial reporting b) misstatements resulting from misappropriation of assets

Professional Skepticism Requires that an audit be designed to provide reasonable assurance of detecting both material errors and fraud in the financial statements. Code of Professional Ethics A set of codes which governs an auditor’s practice, and his relationships with clients, fellow members of the ICPAS and the general public. Auditor Independence The auditor auditing a company must be free from any relationships with the company that may prevent him from giving an unbiased opinion on the company’s financial statements.