



M2K Advisors



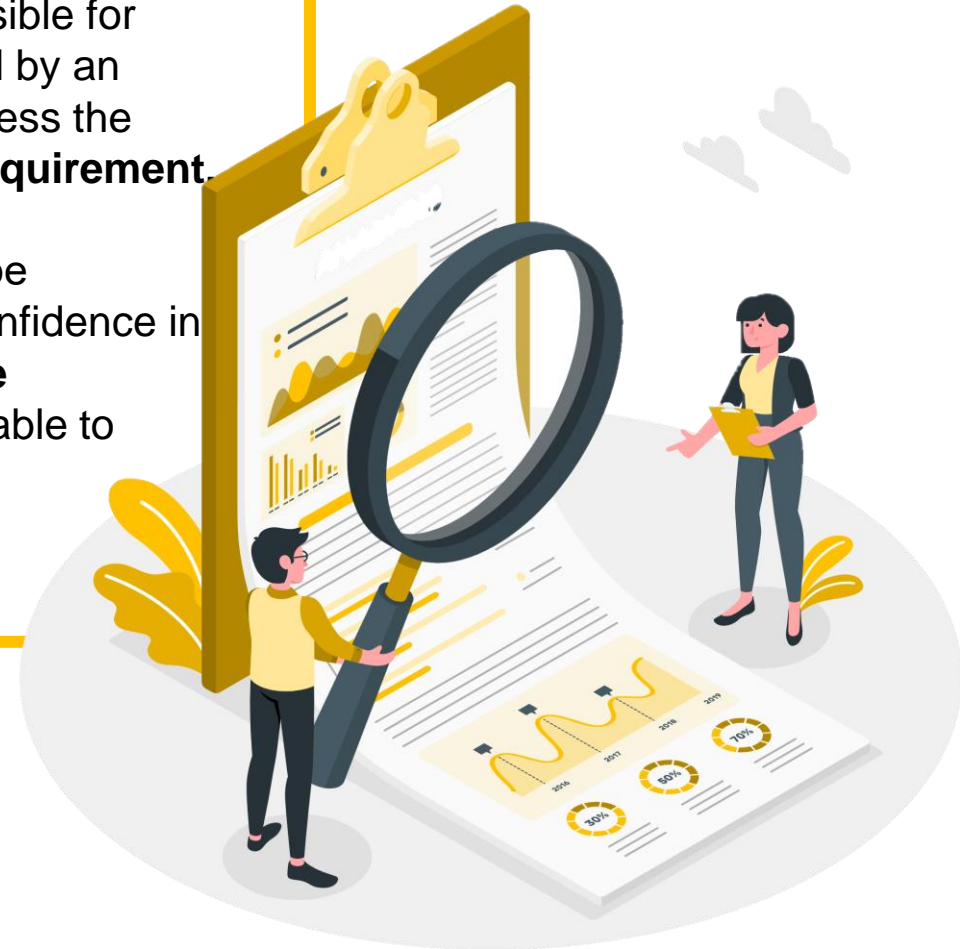
SINGAPORE KNOWLEDGE SERIES #9 – AUDIT REQUIREMENTS



Audit in Singapore

In Singapore, every company is mandatorily responsible for getting its financial statements and accounts audited by an external auditor **at least once a year** (annually), unless the company meets the **Singapore audit exemption requirement**.

Auditing allows a company's accounting records to be examined objectively giving shareholders greater confidence in the business. Additionally, **proper records are to be maintained** by the company and shall be kept available to auditors executing the yearly review and inspection.



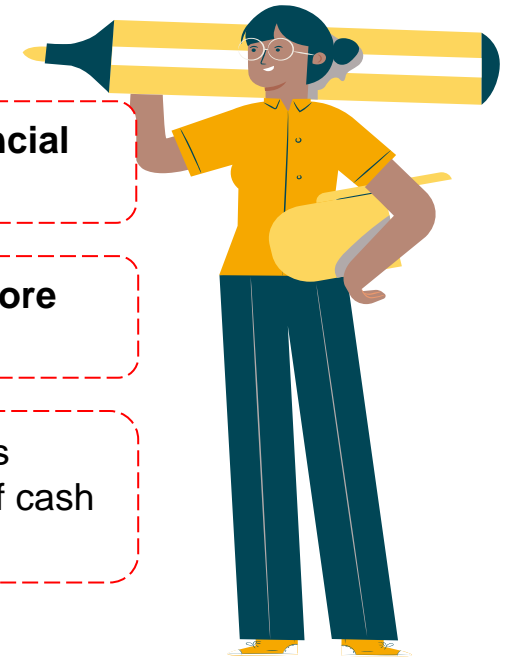
Audit Exemption

Certain **companies are exempted** under Singaporean laws from audit requirements such as – (i) dormant companies, (ii) small company & (iii) small group company (Refer **Slide #4** to understand what constitutes small company). For dormant companies* to qualify for audit exemption, the company must have been dormant from the **time of its formation; or since the end of the previous financial year.**

Companies that are exempted from the audit are still required to prepare a **full set of unaudited Financial Statements including explanatory notes** with the directors' statement.

Additionally, companies need to prepare statements according to the stipulation laid out by the **Singapore Financial Reporting Standards (SFRS).**

Unaudited statements have the following statements - statement of comprehensive income, director's statement, statement of financial position (balance sheet), statement of changes in equity, statement of cash flows & notes to the financial documents

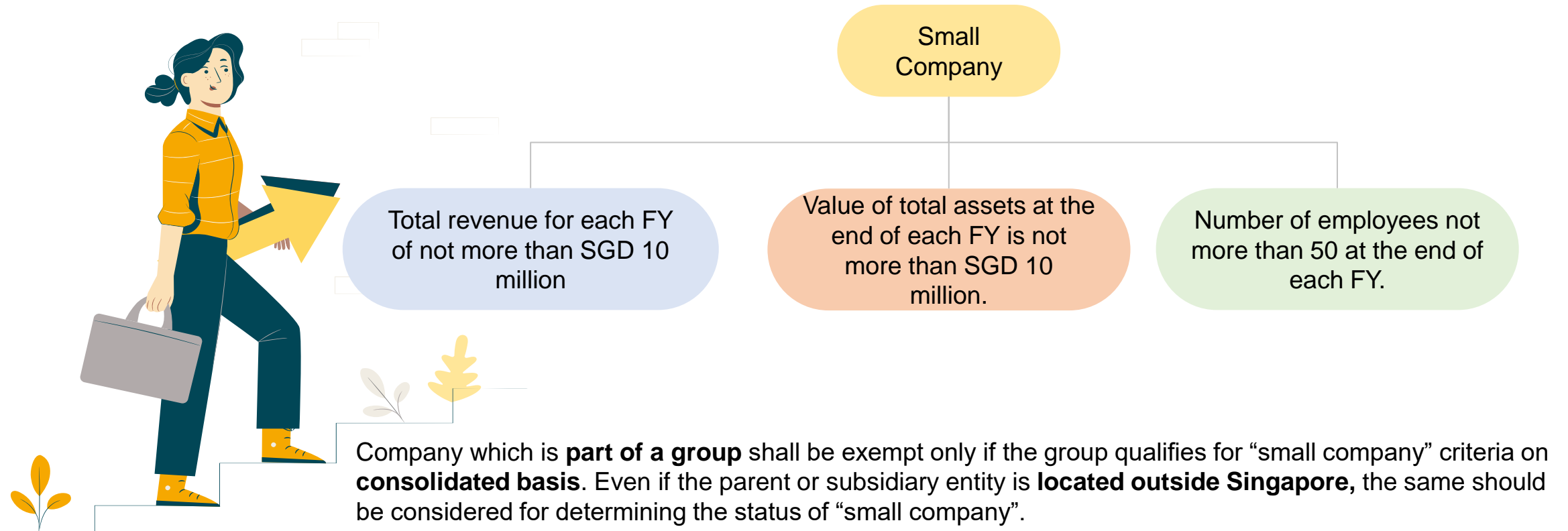


Exception to Exemption : Even if a company is exempt from audit requirements, the Registrar may still require the company to lodge its audited financial statements and an auditor's report if it is satisfied that the company has breached laws relating to the - (i) keeping of accounting records or (ii) laying of its financial statements at its AGM (Refer [Series #7](#))

**Any company which has carried out a financial transaction in the previous accounting year would not be considered as a dormant company.*

Small Company

Audit is exempt for a “**small company**” (private limited company) for a particular financial year (FY) that **meets at least two of three quantitative criteria** (as listed below) for the immediate **past two** FYs:



For a newly incorporated entity, it shall be exempt from audit if it is a private limited company & qualifies the quantitative criteria i.e., at least 2 conditions, for its first & second year of operation respectively.

Disqualifications of Small Company

A Singapore company that has successfully become a small company **remains a small company** for subsequent years **until it gets disqualified**.



A disqualification occurs if:

- The company **stops being a private company** at any time during the financial year.
- The company does not meet **at least 2 of the 3** quantitative criteria (Refer [Slide #4](#)) for the **immediate past two consecutive financial** years.
- If a group successfully obtains the small group status, it remains such for subsequent financial years until it **fails to meet at least 2 of the 3** qualifying criteria for the **immediate past two consecutive years**.

Appointment of auditors

Listed companies are technically large corporations and are automatically subject to the annual statutory audit requirement. A listed company must form an audit committee **with a minimum number of three directors / members of the company** who form a part of the audit committee. Provided any executive director or any person directly/ indirectly related to the executive director can not be a member of the committee.

Auditors are required to be appointed by directors of the company **within three months of company incorporation**. Auditors appointed under this section are required to stay in office till the **first annual general meeting**.

The auditor will hold the office until the **conclusion of the next annual general meeting** in the company. If an auditor is not appointed by the directors within the prescribed timeline, any individual in the company can make an application to the ACRA. The **ACRA will appoint an auditor** as per the requirements.



Companies are required to disclose auditor remuneration in a general meeting if a request for details of all payments paid to the company auditor is made by - **at least 5%** of the **total number of members** of the company; **or** shareholders **who hold at least 5%** of the **total number of issued** company shares.

Upcoming Singapore Knowledge Series

Please find below the list of completed & upcoming alerts from the series. In case you have missed the previous alerts, click on the hyperlink for the completed alerts to refer the same.

1. [Incorporation of Company](#)
2. [Allotment of shares](#)
3. [Issuance of share certificate](#)
4. [Register of registerable controllers](#)
5. [Employment Pass](#)
6. [XBRL Filing](#)
7. [Annual General Meeting](#)
8. [ACRA Return filing](#)
9. [Audit requirements](#)
10. Strike off company

**Corporate
law related**

11. Taxability of individuals
12. Taxability of corporates
13. Certificate of Residence (TRC)
14. Dormant Company
15. Estimate Tax Chargeable
16. Tax Return Requirements
17. Withholding tax
18. Auto Inclusion Submission

**Income Tax
Related**

19. GST Registration
20. GST Filing Requirement
21. Implication of late GST Filing
22. Input Tax Credit - Basics
23. Blocked Credits
24. Basic Invoicing Rules
25. Record Keeping

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