

Firms cheer proposed changes

by Yasmine Yahya

Idea to spare smaller companies from audits especially popular

CORPORATE Singapore, particularly small companies, have welcomed the proposed changes to the Companies Act.

A recommendation to spare smaller firms from audits has drawn especially strong backing.

Dr Ernest Kan, president of the Institute of Certified Public Accountants of Singapore, called the proposals "comprehensive and judicious".

"They are in line with developments in the current business environment and will support Singapore's growth as a global business hub," he added.

The proposal to exempt smaller firms from audits is popular as it would reduce or eliminate costs, Dr Kan said.

To qualify as a small company, a firm must meet two of three criteria: total annual revenue of no more than \$10 million; or total gross assets of no more than \$10 million; or no more than 50 staff.

Currently, only dormant or "exempt private companies" – those with not more than 20 staff and shareholders – are exempt from audit.

The change would allow more companies to qualify for an audit exemption, noted Dr Kan.

Mr Mark Billington, the regional director for South-east Asia at the Institute of Chartered Accountants in England and Wales, added: "Reducing red tape for smaller businesses is an important strategy for helping them contribute effectively to the country's growth."

Business owners told The Straits Times they were happy that they could be spared this burden.

"As a small company, it takes us a lot of time and resources to sort out the paperwork

involved in getting an audit done," said KAI Square chief executive Neo Shi Yong.

KAI Square designs and manufactures video surveillance equipment and software.

"And since we are still small, we would prefer to focus more on getting sales and growing our business, instead of administrative issues."

But some small companies are likely to continue undergoing annual audits even if the recommended change to the Companies Act is passed.

The managing director of food manufacturer Pomefresh, Mr Chen Bin, said: "Having an audit helps us to have a proper check on our finances every year, which is good for us.

"Being a small company, we don't have the in-house expertise of good accountants, so to make sure we comply with all accounting rules and regulations, an external auditor is essential."

Mr Vincent Low, vice-president of consultancy G-Energy Global, noted that having access to the firm's audited records would ensure peace of mind among its various shareholders, especially if it is not family-run.

G-Energy is owned by four shareholders – Mr Low, two other managers and a financial investor.

"Of course it would help to have an audit as it would maintain transparency," Mr Low said.

Other proposed changes have sparked debate. One would allow custodian and nominee banks to appoint multiple proxies to attend and vote at shareholder meetings instead of the current limit of two.

Another recommendation is to allow investors using Central Provident Fund (CPF) savings to attend and vote at the meetings of companies in which they hold shares.

Singapore-listed **Boustead**, which currently

allows CPF investors to attend its meetings as observers, backs these recommendations.

"The new proposal is welcome as it provides the investor with the right to vote directly, as he is rightly a shareholder, even if his shares are held under a nominee bank," said **Boustead's** vice-president of corporate marketing and investor relations, Mr Keith Chu.

"This is akin to giving a voice to the hidden minority."

But a spokesman from another listed firm disagreed.

"We may end up having more proxies than

shareholders at our annual general meeting if there are no limits imposed on the number of proxies.

"We may need to change our articles of association to accommodate such an amendment."

The spokesman suggested instead that each custodian or nominee bank should be allowed to appoint only two proxies who are not shareholders.

Beyond that, all other proxies should own shares in the firm whose meeting they are attending.