

Singapore: The EY disclaimer of opinion

8th November 2019

Wirecard requires audited financials in Singapore to get a license without which they cannot operate in Singapore post 1st January 2020. This may prove challenging due to their late filings and EY's "disclaimed opinion".

We continue to track Wirecard's delayed filings around the world.

Wirecard has two subsidiaries in Singapore, Wirecard Asia Holdings Pte Ltd (WDAH) and Wirecard Singapore Pte Ltd (WDSG). Both have been consistently late in filing audited financials. The 2018 accounts remain outstanding for both subsidiaries. This report focuses on WDSG:

- **The 2017 annual report, filed over a year late, in October 2019, had a disclaimed opinion by EY, who also raised concern over preceding years. This is extremely unusual and demonstrates significant concern by EY**
- **The Singapore Payment Services Act requires audited financials and transactions for licensees. Wirecard does not yet hold a license in Singapore, and we believe will not qualify for one without audited financials**
- **The 2016 annual report, also filed late, in June 2018, shows that material information was not provided to EY about the whistleblower investigation that began in March 2018**
- **On the 2017 numbers, the business is loss-making, shrinking, and insolvent, only surviving on a €30M loan from Wirecard Sales International**

2017

The 2017 financials for WDSG were filed on the 18th of October 2019, over a year late. Ernst & Young (EY) chose to disclaim their opinion on the accounts, a rare situation where the auditors judge that they have the inability to obtain sufficient appropriate audit evidence, and they also judge that the effects on the financial statements are material and pervasive.

<i>Nature of Matter Giving Rise to the Modification</i>	<i>Auditor's Judgment about the Pervasiveness of the Effects or Possible Effects on the Financial Statements</i>	
	<i>Material but Not Pervasive</i>	<i>Material and Pervasive</i>
Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

Source: <https://isca.org.sg/media/2240868/ssa-705r-nov-2018.pdf>

The directors' report claims that the financial statements are drawn up to give a true and fair view of the financial position of the company. However, EY does not confirm that statement.

EY's Disclaimer of Opinion Statement in full:

Disclaimer of Opinion

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. **Ongoing investigations and inquiries into affairs of the Company**

As disclosed in Note 1 to the financial statements, the ultimate holding company Wirecard AG has appointed external professional firms to conduct an independent review on the allegations made by whistleblower which became public knowledge through public media in early 2019. The allegations mainly concerned fictitious transactions relating to the procurement and sale of software and also associated circular payments ('roundtripping'). In addition, the legitimacy of payments or the economic substance of contracts was questioned. Furthermore, the Commercial Affairs Department ('CAD') is conducting an investigation on the affairs of the Company. At the date of this report, the CAD investigations are ongoing. The outcome of these investigations may uncover other information which might require adjustments and/or additional disclosures or other consequential effect in respect of current and prior year financial statements.

2. Availability of certain accounting records and explanations

Certain accounting records were not available to us during the course of audit as the documents have been retained by CAD. Additionally, we were unable to obtain adequate explanation for certain accounting records and transactions due to turnover in client personnel or insufficient time. As a result, we were unable to obtain sufficient appropriate audit evidence to complete our planned audit procedures in respect of various account balances.

In view of the matters set out in the preceding paragraphs, we are unable to determine the appropriateness, completeness and accuracy of the financial statements, nor are we able to quantify the extent of any adjustments that might be necessary in respect of the financial statements of the Company for the financial year ended 31 December 2017 and preceding years.

This raises grave questions for Wirecard's ability to gain a license in Singapore under the new [Payment Services Act](#) (PSA) which they will need to operate their local business from the 1st of January 2020. Section 37 of the PSA states that licensees must appoint an auditor and submit a report of the audit to the Monetary Authority of Singapore (MAS). The MAS can then request additional information from auditors or demand an enlarged scope audit. Until 2018 accounts are filed, with all prior accounts thrown into doubt by EY's disclaimer of opinion, it seems unlikely that Wirecard will receive a license.

It is also worth addressing some deeply misleading comments from the Wirecard CEO on the 3Q19 earnings call which took place on 5 November 2019.

"The other direction was there is a new license or new regulation came out concerning financial services licenses, so you need now financial services license to do acquiring and issuing. We have in Singapore our own acquiring and issuing license."

He is correct that Wirecard need a financial services license. He then states that in Singapore they have an acquiring and issuing license. And while this is technically correct, because Wirecard has a Visa/Mastercard license, it is deeply and deliberately misleading. **This is not the financial services license which they will need from 2020.**

We urge interested parties to check the register at the Monetary Authority of Singapore website. Wirecard does not have any licenses.

<https://eservices.mas.gov.sg/fid/institution?term=wirecard>

2016

Wirecard has been late in filing accounts in Singapore for years.

Subsidiary	FYE	AGM	Filing	Lateness	
		Deadline	Deadline	Actual Filing (Days)	
Wirecard Asia Holding 2016 Accounts	31/12/2016	01/07/2017	31/07/2017	20/04/2018	263
Wirecard Asia Holding 2017 Accounts	31/12/2017	01/07/2018	31/07/2018	12/02/2019	196
Wirecard Asia Holding 2018 Accounts Pre Extension	31/12/2018	01/07/2019	31/07/2019		Late
Wirecard Asia Holding 2018 Accounts Post Extension	31/12/2018	29/08/2019	29/09/2019		Late
Wirecard Singapore 2016 Accounts	31/12/2016	01/07/2017	31/07/2017	22/06/2018	326
Wirecard Singapore 2017 Accounts	31/12/2017	31/07/2018	30/08/2018	18/10/2019	413
Wirecard Singapore 2018 Accounts	31/12/2018	01/07/2019	31/07/2019		Late

WDSG filed 2016 financials on the 18th of June 2018, 326 days late, which received a clean, unqualified audit opinion from EY. This is surprising as Rajah & Tann (R&T) had [finished on the 4th of May 2018](#) a report that showed preliminary findings of fraud at WDSG. The evidence they had investigated included the email inboxes of Irene Chai, Head of Finance at WDSG, and James Wardhana, International Finance Project Manager, Finance and Controlling Asia Pacific at WDSG.

It seems extremely unlikely that Wirecard shared the news of the R&T investigation with EY prior to the June 18, 2018 completion of the 2016 audit. If they had, it would have been at least a material “post-balance sheet event”, if not a reason to disclaim the 2016 audit entirely. Did Wirecard hide this investigation from their own auditors?

The financials

We cannot put much faith in the financials given the disclaimed opinion. However, we note that the revenues shrank in both 2016 and 2017, and the business had a €7.3M loan from Wirecard Sales International as of 31st December 2017, that was extended to €30M as of 27th August 2019.

Sources:

[2017 WDSG Annual Report](#)

[2016 WDSG Annual Report](#)