

Audit Oversight Board

Conversation with Audit Committees

Good Practices for Audit Committees in Supporting Audit Quality

Alex Ooi Thiam Poh, Executive Officer

7 April 2022

These slides and their contents are not to be cited, copied or circulated without the express permission from the SC's Audit Oversight Board.

The views expressed are those of the speakers and do not necessarily reflect the views of the audit regulator, its members, or staff.

- Shared Responsibilities in the Financial Reporting Process
- Audit Landscape
- Good Practices for Audit Committees in Supporting Audit Quality
 - ❖ Recommending appointment and re-appointment of external auditor
 - ❖ Facilitating audit process
 - ❖ Communicating with auditor

Shared Responsibilities in the Financial Reporting Process



Registration and Recognition Statistics

Registration statistics as at 31 Dec 2021

Profile of audit firms	No. of audit firms	No. of individual auditors	No. of PIEs	% of Market Capitalisation
≥10 partners	8	228	898	96.1%
5 – 9 partners	18	84	239	3.3%
Less than 5 partners	11	33	61	0.4%
TOTAL	37	345	1,198	99.8%

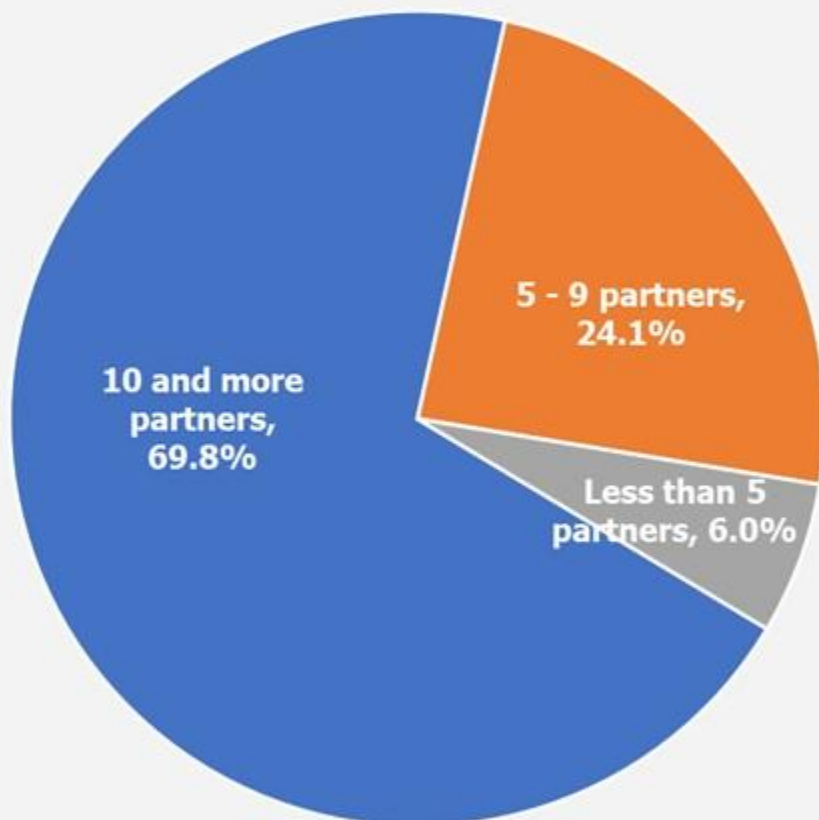


Recognition statistics as at 31 Dec 2021

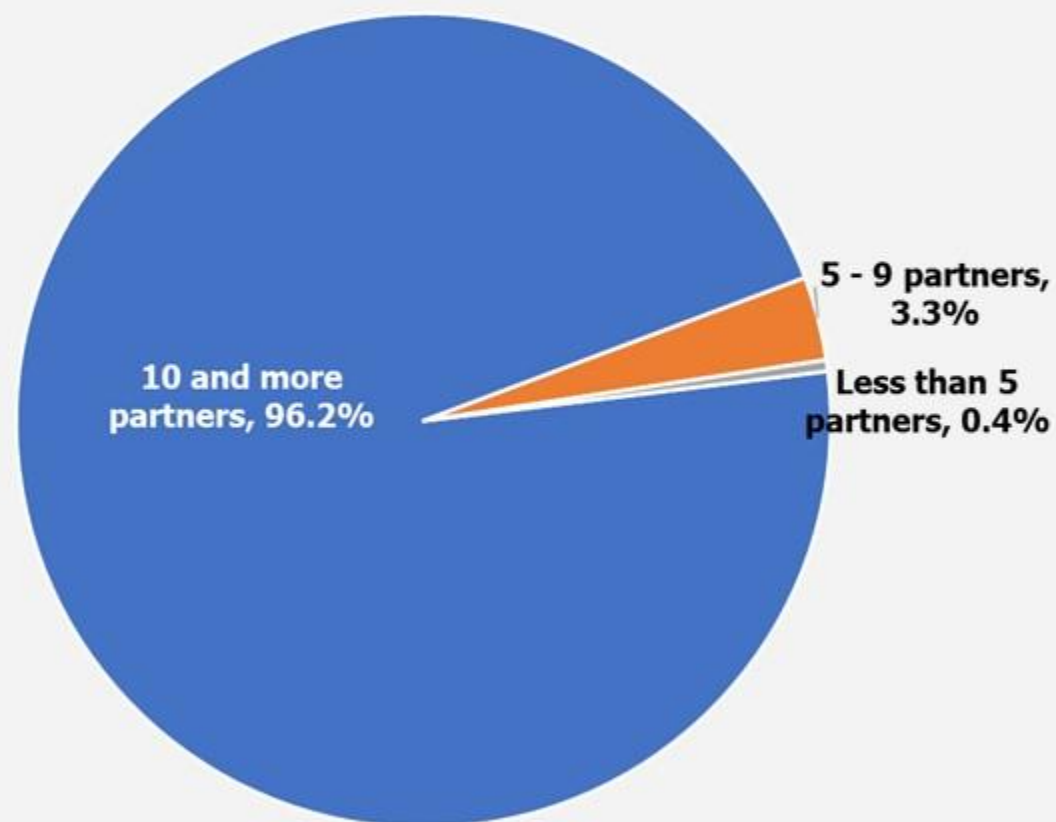
Profile of audit firms	No. of audit firms	No. of individual auditors	No. of PIEs	% of Market Capitalisation
Singapore / Hong Kong / United Kingdom	4	12	5	<1%

PLCs Distribution in Audit Firms

No. of PLCs



Market Capitalisation of PLCs



Statistics data as at 31 Dec 2021

Recommending appointment and re-appointment of external auditor

Malaysian Code of Corporate Governance

❑ Audit committees are required to:

- ❖ Consider information presented in **Annual Transparency Report**
- ❖ Address the **appropriateness of audit fees** to support audit quality
- ❖ **Approve provision of non-audit services**

❑ **Former audit partner** to have **cooling-off period of at least three years** before being appointed as an audit committee

- Conduct **audit tender independently of management**
- Ensure that **audit fees** charged are **adequate** to support audit work required
- Assess auditors based on **audit quality criteria**
- Discuss matters relating to **independence** with auditor annually



Facilitating audit process

SC Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries

Directors of listed corporations and their subsidiaries are required to:

- ❖ **Maintain proper accounting and other records** to enable them to be conveniently and properly audited
- ❖ Have adequate **group wide framework** for co-operation and communication in the Group

- Ensure that the **finance function** of the company is **competent**
- Review if the financial reporting **deadlines** set by the management and auditor are **practical**
- **Challenge** the accounting estimates and treatments applied in the financial report
- Consider and address **risks highlighted by auditors**, particularly for those arising from **COVID-19 pandemic**



Poll Question 1

Which areas of the financial statement did you spend more time reviewing during the COVID-19 pandemic?

- ☐ Management's assessment of the company's ability to continue as a going concern;
- ☐ Impairment of assets (goodwill, trade receivables and other assets);
- ☐ Loans and borrowings;
- ☐ Other areas; and
- ☐ No, I did not spend any additional time in my review.

Impacts of COVID-19 pandemic in financial reporting

Increased risks associated with working remotely

- ☐ Effective transition into working remotely for both management and auditor
- ☐ Assess the impact of COVID-19 pandemic on internal controls over financial reporting
- ☐ Assessment of cyber-related risks (cybersecurity)

Areas of review focus in the financial statements

- ☐ **Going concern**
- ☐ Impairment of assets
- ☐ Borrowings
- ☐ Inventories

Going Concern

Management

- Make a **case-by-case assessment** on the company's ability to continue as going concern for at least **12 months from the end of the reporting period**
- **Adequately disclose significant assumptions and judgements made**

Auditor

- **Evaluate management's assessment** of the company's ability to continue as a going concern
- **Remain alert throughout the audit** for audit evidence of any events or conditions

Audit Committees

- **Challenge management** on the significant assumptions and judgements
- **Discuss with auditor** on the management's assessment and ensure all the assumptions and judgements had been challenged



Poll Question 2

Were your communications with the auditors affected during the COVID-19 pandemic?

- ☐ Yes, increased frequency;
- ☐ Yes, increase in matters discussed; and
- ☐ No, there was no change.

- ☐ **Discuss** the following with auditor:
 - ❖ **Continuing impacts of COVID-19 pandemic**
 - ❖ Information in the **AOB Annual Inspection Report**
 - ❖ Draft **Key Audit Matters** and its impacts on financial reporting
- ☐ Understand the reasons for an **auditor's resignation** and any issues to be addressed
- ☐ Ensure that auditor has **unfettered access** to audit committees
- ☐ Meet with auditor **without management's presence** and **seek feedback** if there is any lack of cooperation from management



Thank you