



Suruhanjaya Sekuriti
Securities Commission
Malaysia

Audit Oversight Board

Conversation with Audit Firms

Survey with the Audit Committees
on Transparency Reporting by
Audit Firms

8 September 2022

Restricted

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Agenda

- ☐ Overview of the Survey
- ☐ Survey Results



Overview of the Survey

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Survey with the Audit Committees on Transparency Reporting by Audit Firms

Objectives of the Survey

- To understand how Audit Committees (AC) make use of the audit firm transparency reports
- To identify any areas for improvement



Survey Period: 21 April to 30 June 2022

- Circulated to **715** AC members from **338** public listed companies

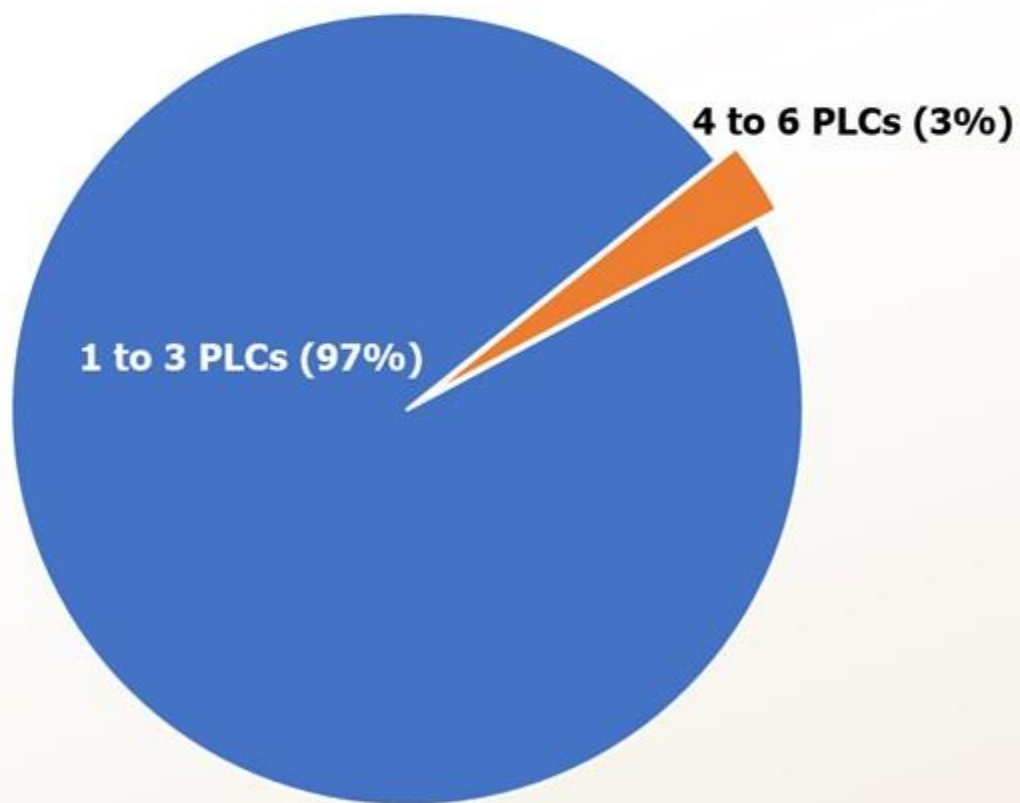


**Received
151
responses**

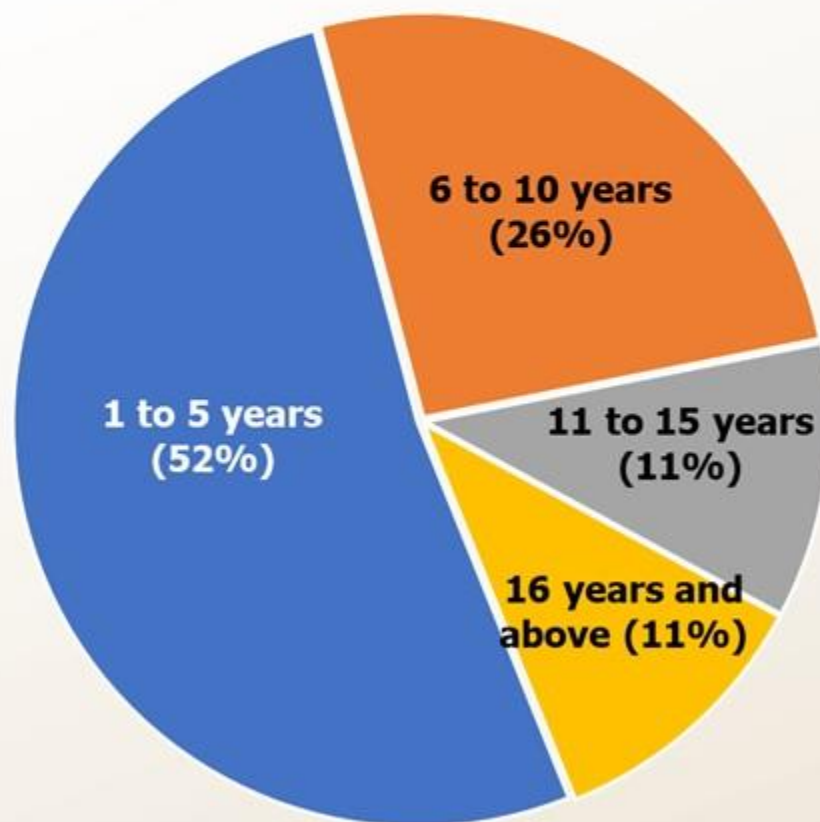
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Profile of the Survey Respondents

Audit Committee Representation



Years of experience as an AC member





Survey Results

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Respondents' Awareness of the Transparency Reports Produced by Audit Firms

**Respondent is aware of the
reporting criteria applicable to PIE
audit firms***



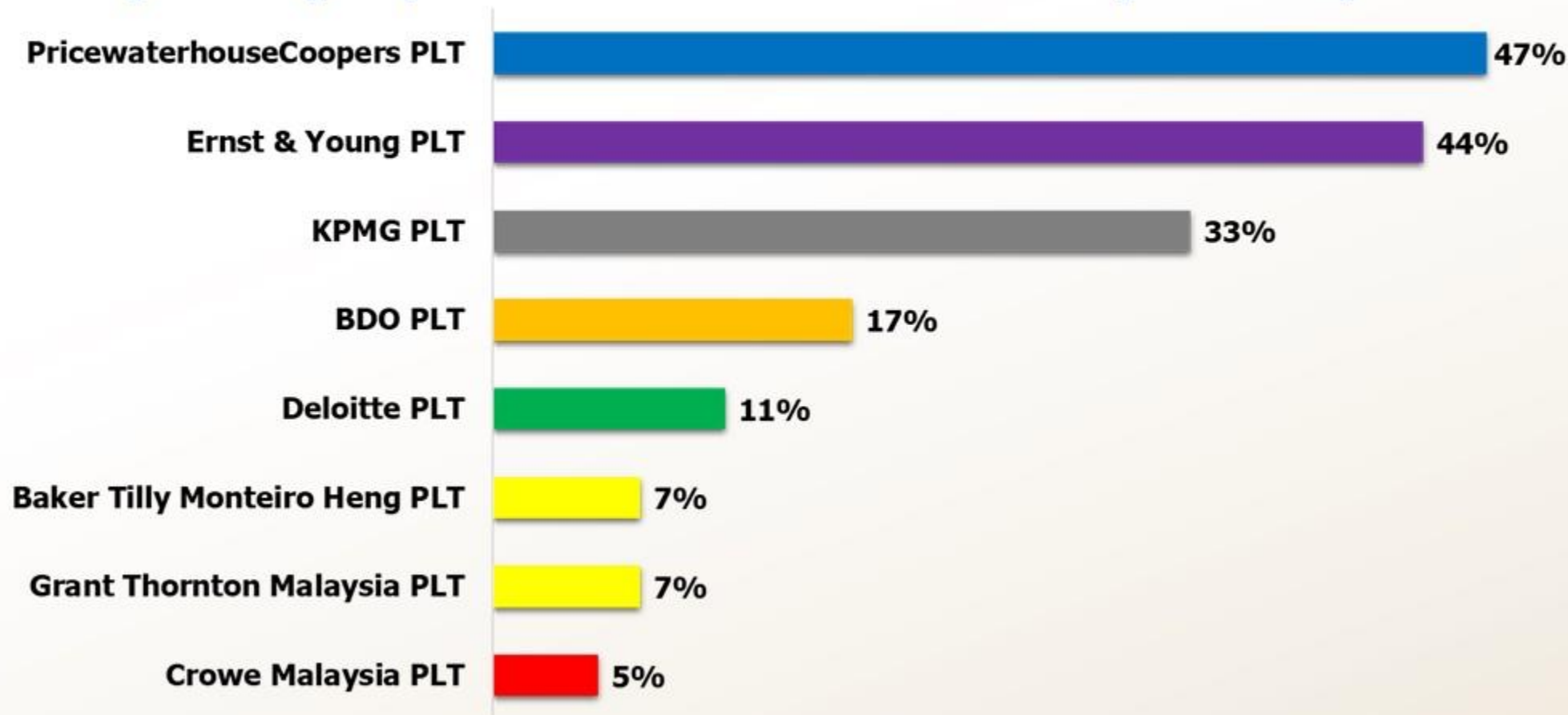
Respondent has read the report



** Audit firms are required to produce an annual transparency report if they have more than 50 PIE audit clients and the total market capitalisation of the audit firms' PIE clients exceeds RM10 billion for two consecutive years*

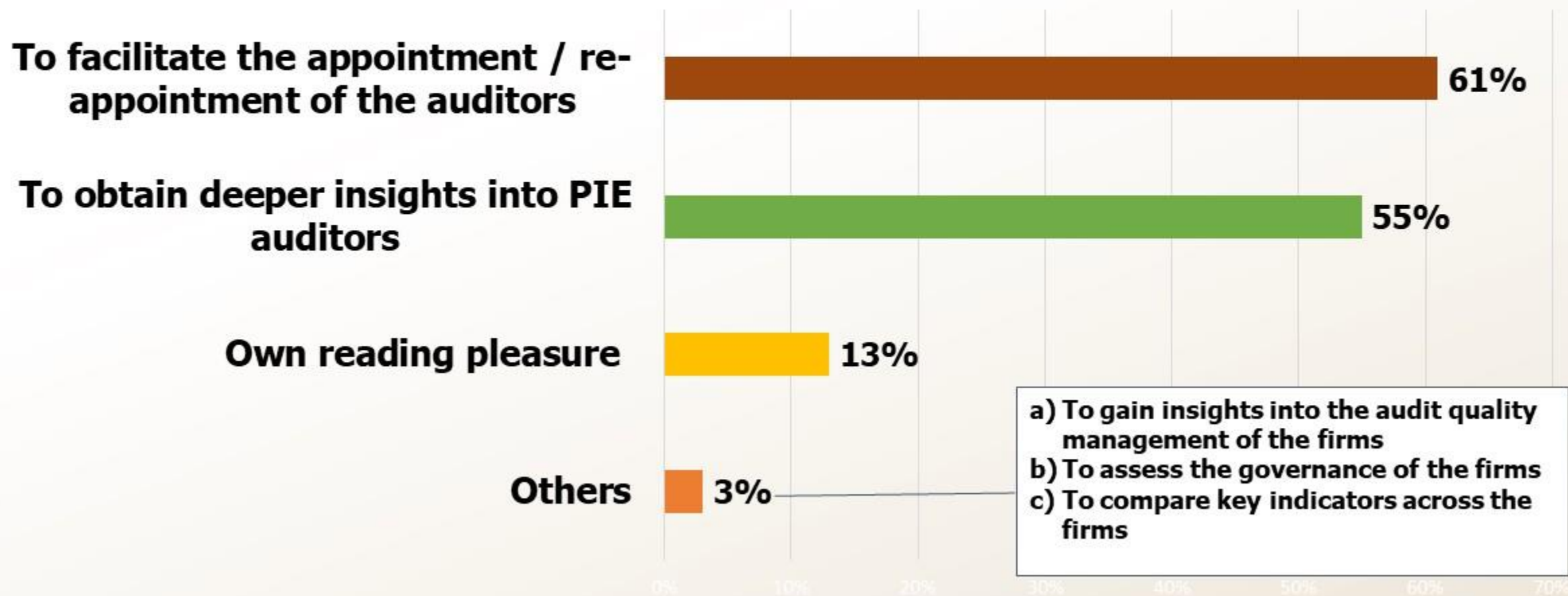
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Transparency reports that have been read by the respondents



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Respondents' Purpose for Reading the Transparency Reports



Evaluation of the Contents of the Transparency Reports

Respondents were asked to indicate their agreement on a scale of
1 = "strongly disagree" to 5 = "strongly agree"

1. The report provided the respondents with a good understanding of:

- a) the audit firm's legal and governance structure
- b) the measures taken by the audit firm to uphold audit quality
- c) how the audit firm manages its risks

2. The report is fairly presented and not oriented towards marketing or selling of services

3. Sufficient explanation has been provided by the firm on the firm's audit quality indicators ("AQIs")

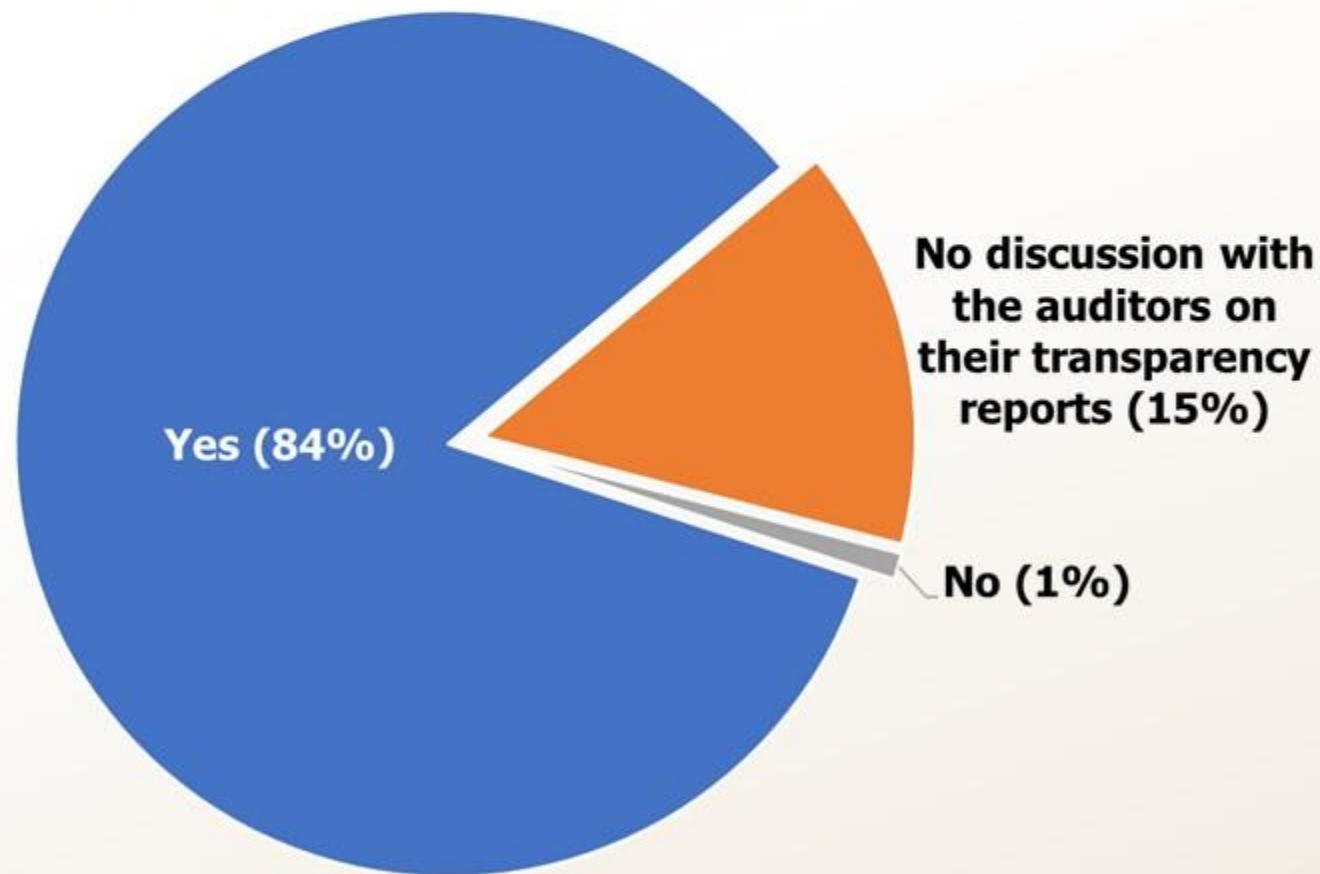
Evaluation of the Contents of the Transparency Reports (Cont'd)

Audit Firms	A	B	C	D	E	F	G	H
1. The report provided me with a good understanding on:								
a) the audit firm's legal and governance structure	4.3	4.4	4.3	4.0	3.9	3.6	3.2	3.5
b) the measures taken by the audit firm to uphold audit quality	4.4	4.4	4.3	4.1	4.0	3.7	3.4	3.1
c) how the audit firm manages its risks	4.4	4.3	4.3	3.9	3.9	3.8	3.3	3.1
2. The report is fairly presented and not oriented towards marketing or selling of services	4.2	4.3	4.2	4.2	3.9	3.4	3.4	3.3
3. Sufficiency of the explanation on the AQI	4.1	4.2	4.1	4.0	4.0	3.6	3.5	3.0
Total Average Score	4.3	4.3	4.2	4.0	3.9	3.6	3.4	3.2

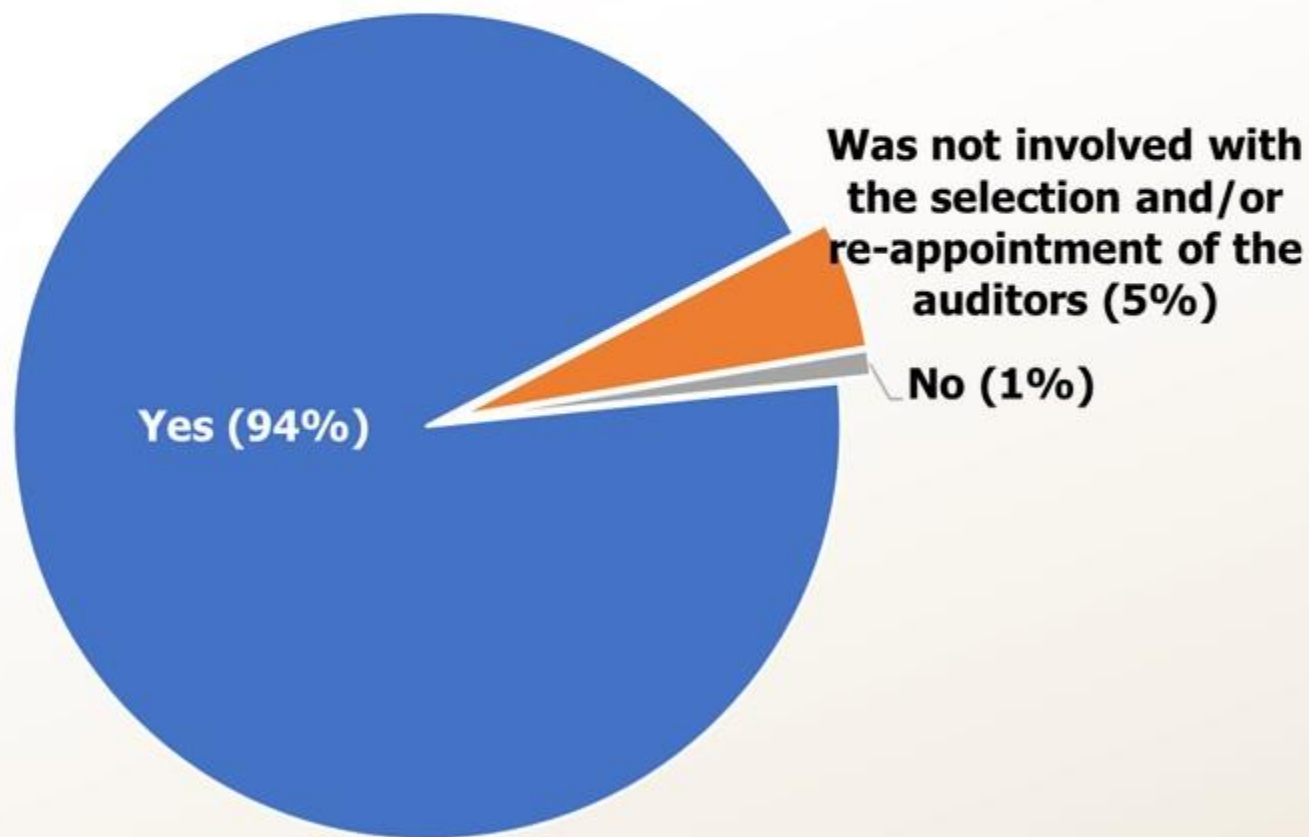


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Were the queries raised by the AC in relation to the transparency reports satisfactorily addressed by the auditors?



Was the information disclosed in the transparency reports useful to facilitate the selection and/or re-appointment of the auditors?



Areas for Improvement Based on Survey Feedback

1. Increase disclosure in the annual transparency reports

- | | |
|---|--|
| a) Litigations faced by the firm * | e) Training program and support given to staff to pursue professional qualifications |
| b) Any actions taken by the regulators and authorities * | |
| c) Fee dependency on audit clients * | f) Client profile (e.g. number of clients by industry) |
| d) Internal and external monitoring review findings including remediation efforts | g) ESG initiatives including initiatives to address employee well-being |

** Consideration to include this in the reporting guidelines*

Areas for Improvement Based on Survey Feedback

2. Audit Quality Indicators

- a) AQI statistics should be presented in a standardised format and benchmarked to peers to facilitate comparison
 - The average AQI statistics have been included in the annual inspection report
- b) Firms to provide more explanation on the AQI presented in their reports



Important Reminder

The transparency reports submitted to AOB are subject to verification and must be supported, failing which, a firm may be deemed as not in compliance with Section 152(2)(a) of the SCMA

Under Section 152(2)(a) of the SCMA, information disclosed by the firms to the SC shall not be false or misleading.



Questions?