



Suruhanjaya Sekuriti
Securities Commission
Malaysia

Audit Oversight Board

Conversation with Audit Firms

Audit Quality Indicators

18 August 2022

Restricted

Audit Oversight Board

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Agenda

- ☐ Overview of the Audit Quality Indicators ("AQI")
- ☐ AQI statistics
- ☐ What should the firm do?



Overview of the Audit Quality Indicators ("AQI")

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Background

Annual Statistics Gathering and Analysis ("SGA") Exercise

- In 2020, AOB commenced with the annual data gathering for the Other Audit Firms*
- Data collected is for the period from 1 July to 30 June the following year



Types of Data Gathered

- | | |
|--|---|
| <ul style="list-style-type: none">▪ Firm's financial information▪ Human resources▪ Training▪ Staff utilisation▪ Partner workload | <ul style="list-style-type: none">▪ Monitoring activities and results▪ Quality control headcount▪ Firm's client portfolio |
|--|---|

**Audit firms other than Major Audit Firms. Major Audit Firms are audit firms with more than 10 partners and has more than 50 PIE audit clients with a total market capitalisation of above RM15 billion.*

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What AOB does with the data gathered?



** In 2022, the AOB has engaged with **10** firms to discuss on the respective firm's AQI*



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AQIs monitored by the AOB





AQI Statistics

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Workload of PIE Audit Partner

	2020	2021
Average PIE per partner	2.9	3.1
Average entities related to PIE per partner	22.3	26.3
Average non-PIE per partner	127.8	124.6

Auditor Independence

	2020	2021
Breakdown of fee income derived from audit clients		
- Statutory audit	80%	79%
- Other assurance services	5%	5%
- Non-audit practice	15%	16%
Proportion of fee income from the audit practice relative to the non-audit practice	69%	71%

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Capacity and Competence of Audit Practice

	2020	2021
Percentage of audit managerial staff with professional qualifications	72%	68%
Staff turnover rate	23%	34%
Average years of audit experience:		
- Partner	23.2	23.5
- Managerial staff	10.1	9.4
- Non-managerial staff	2.1	2.2

Audit Engagement Supervision

	2020	2021
Staff to partner ratio	9.2	9.1
Staff to manager ratio	5.1	5.0

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Training

	2020	2021
Average training hours provided:		
- Managerial staff	39	56
- Non-managerial staff	30	30

Monitoring Reviews

	2019	2020
Percentage of firm that performed firm-level reviews *	67%	77%
Percentage of firm that performed cold engagement reviews *	60%	73%

** Based on calendar year*



What should the firm do?

1



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Review the firm's AQI statistics under the "AQI" tab in the SGA worksheet

STATISTICS GATHERING AND ANALYSIS 2022

Audit firm

Reporting period01/07/2021 - 30/06/2022

No.	Audit quality indicators	30/6/2022
Sustainability of audit practice		
1	Firm's revenue growth	#DIV/0!
2	Firm's profitability growth	#DIV/0!
Workload of the PIE audit partners (i.e. partners that have acted in the capacity of PIE audit engagement partner/signing partner during the year)		
3	Ratio of average number of PIEs per PIE audit partner	#DIV/0!
4	Ratio of average number of entities related to PIEs per PIE audit partner	#DIV/0!
5	Ratio of average number of non-PIEs per PIE audit partner	#DIV/0!
6	Average audit clients portfolio fees per PIE audit partner	#DIV/0!
Auditor independence:		
7	Proportion of fee income derived from audit clients segregated into (%):	
	- Statutory audit	#DIV/0!
	- Other assurance services	#DIV/0!
	- Services provided by the non-audit practice	#DIV/0!
8	Proportion of fee income between (%):	
	- Audit practice	#DIV/0!
	- Non-audit practice	#DIV/0!
Capacity and competence of the audit practice:		
9	Headcount of the audit personnel:	
	- Partner	-
	- Managerial staff	-
	- Non-managerial staff	-
	- Total	-
10	Headcount of audit personnel with professional qualifications:	
	- With professional qualifications and/or MIA membership	-
	- Pursuing professional qualifications and/or MIA membership	-
	- Without professional qualifications and/or MIA membership	-
11	Audit managerial staff with professional qualifications and/or MIA membership (%)	#DIV/0!

Growth rate of headcount in audit practice (%)#DIV/0!

Turnover rate for audit personnel (%)#DIV/0!

Average years of experience of audit personnel:

- Partner#DIV/0!

- Managerial staff#DIV/0!

- Non-managerial staff#DIV/0!

Audit engagement supervision:

Staff to partner ratio#DIV/0!

Staff to manager ratio#DIV/0!

Client acceptance and continuance:

Number of discontinued PIE audit clients-

Audit firm's investment to uphold audit quality:

Hours of training provided by the firm to its audit personnel: (Note 2)

- Partners#DIV/0!

- Managerial staff#DIV/0!

- Non-managerial staff#DIV/0!

Headcount of quality control functions (Note 3)

- Risk management-

- Training-

- Technical-

- Others-

- Ratio of quality control staff to audit staff#DIV/0!

Internal and external monitoring reviews: (Note 4)31-Dec-21

Has the firm performed firm level review?No

Number of engagements that were subjected to cold file review by the local firm

Cover

Definitions and guidance

AQI

Fin info

Utilisation

HR-1

HR-2

HR-3

2 Set internal targets for the AQIs and perform periodic monitoring

3 Take timely corrective actions to address concerns that have arisen during the monitoring process

Important Reminder

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