

Sectorial Dialogue with Audit Firms

Regulatory Updates and Sharing of Best Practices

10 November 2014

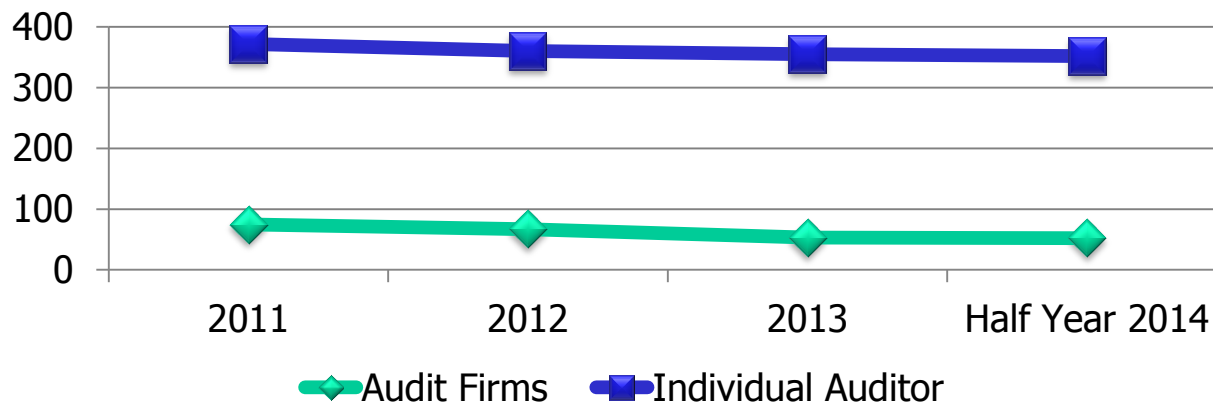
Agenda

1. AOB Updates
2. Regulatory Updates
 - New Auditor's Reporting
 - Auditor's Responsibilities Relating to Other Information and Disclosures
 - Long Association of Personnel with an Audit or Assurance Client
3. Key Initiatives and Best Practices – Panel Discussion
4. Any Other Issues



AOB Updates

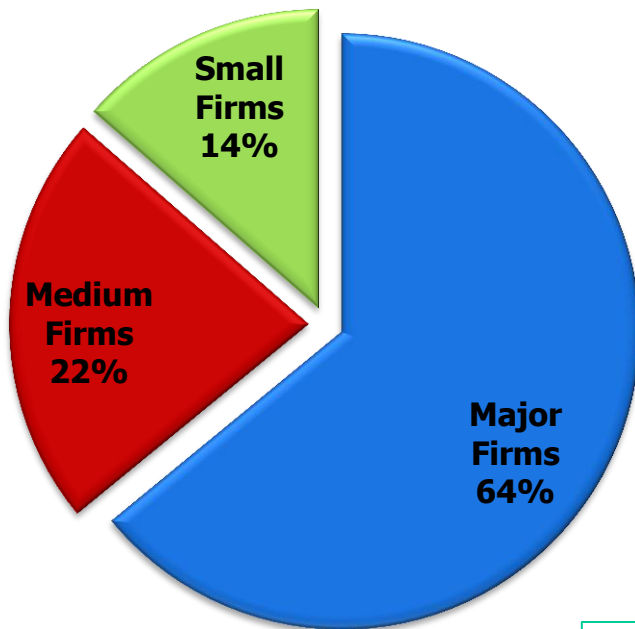
**Number of Registered Audit Firms and Individual Auditors
from 2011 to 30 June 2014**



Profile of audit firms	No. of Audit Firms				No. of Auditors			
	2011	2012	2013	Half Year 2014	2011	2012	2013	Half Year 2014
10 partners and above	6	6	8	8	138	144	178	180
5 – 9 partners	8	9	6	6	38	44	30	29
2 – 4 partners	48	43	36	35	108	96	91	88
Sole proprietors	13	9	3	3	13	9	3	3
Total	75	67	53	52	297	293	302	300

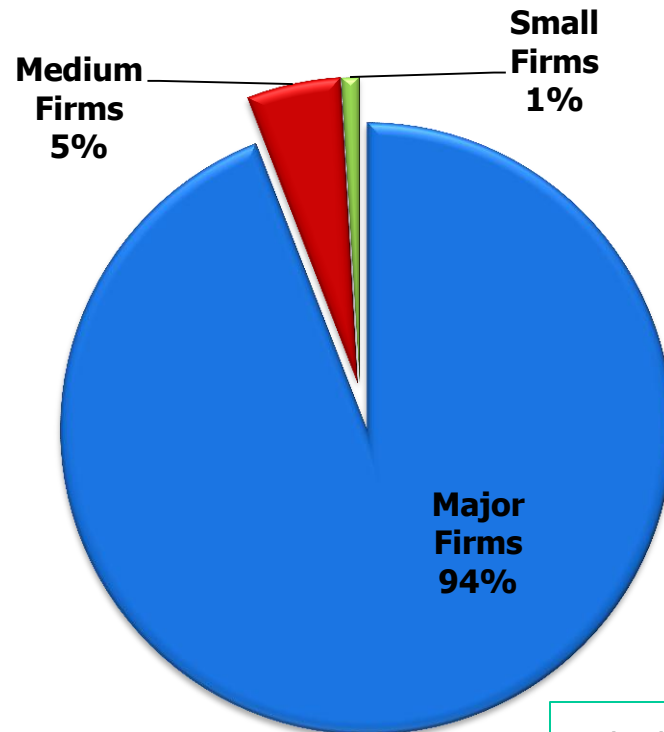
PLCs Distribution in Audit Firms by Category

Number of PLC






Total PLC
= 907

Market Capitalisation of the PLC






Total Market Capitalisation =
RM1,664,425 million

Profile	Big 6 Firms (market cap > RM15 bil.)	Medium Firms	Small Firms
<u>The Landscape</u>			
Total PIEs (2014/13)	813 / 815 	216 / 192 	122 / 140 
Total Market Cap. %	94%	5%	1%
Total Firms	6	8	40
Total Registered Partner	158	44	98
<u>Inspection Coverage</u>			
PIEs inspected	107	26	29
Firms inspected	6	8	22
% Partners inspected (net)	55%	41%	21%

	Key Messages
1	Leadership to drive changes in partner's behaviour that will enhance the professional conduct to mitigate risk of audit failure
2	Further enhance capacity building, training and infrastructure to improve audit quality
3	Enhance technical competency in accounting and auditing
4	Consistency of performance of partners
5	Effectiveness of internal monitoring system
6	Focus on root cause analysis of deficiencies to develop relevant remediation plan
7	Constantly & timeliness in monitoring remediation plan
8	Measure effectiveness of remediation plan

Regulatory Updates

- New Auditor's Reporting 
- Auditor's Responsibilities – Other Information and Disclosures 
- Long Association of Personnel with an Audit or Assurance Client 

Key Initiatives and Best Practices

– Panel Discussion –

Moderator:

Lim Fen Nee

Panellists:

PCCO PLT – Chuah Sue Yin

Folks DFK & Co. – Ooi Chee Kun

Any Other Issues

Thank you

Appendices

**IAASB Exposure Draft
*Reporting on Audited Financial Statements:
Proposed New and Revised ISAs***

Key proposed amendments to the auditor's report:

- Prominent placement of auditor's opinion & basis of opinion
- Reporting on "Key Audit Matters" → those matters that, in the auditor's judgement, were of most significance in the audit of the current period financial statements.
- Reporting on "Going Concern"
- Reporting on "Other Information"
- Explicit statements:
 - Auditor is independent of audited entity
 - Auditor has fulfilled other relevant ethical responsibilities (with disclosure of sources of those requirements)
- Disclosure of name of engagement partner
- Improved descriptions of auditor's responsibilities and key features of audit (may be relocated to an appendix or reference made to website of appropriate authority)

**IAASB Exposure Draft on ISA 720 (Revised) [re-exposure]
*The Auditor's Responsibilities Relating to Other Information***

Key enhancements from ED-720 (2012):

- Scope is limited to financial or non-financial information included in an entity's annual report.
- Performance of limited procedures to evaluate whether there is material inconsistency:
 - a. Between other information and financial statements; and
 - b. Between other information and auditor's knowledge obtained during the course of audit.
- To include a statement in the auditor's report:

That the auditor has nothing to report	If auditor has <u>not</u> determined that there is an uncorrected material misstatement of other information
Describing the material misstatement	If auditor has determined that there is an uncorrected material misstatement

IAASB Exposure Draft *Addressing Disclosures in the Audit of Financial Statements*

Key proposed amendments:

- Enhanced definition of “financial statements” →
- Greater weightage given to assertions about presentation and disclosure
- Increased focus on auditing disclosure requirements → Increased emphasis on the need for early consideration of audit work needed relating to these disclosures.
- Attention drawn to information from systems and processes that are not part of the GL system. E.g. risk management system, valuation reports, etc.
- Auditors to consider possibility that management disclosures are intended to obscure information.

A structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources or claims against the entity at a point in time or changes therein for a period of time in accordance with a financial reporting framework. Disclosures comprise explanatory or descriptive information on the face of the financial statements, information in the related notes, or information incorporated by cross-reference when permitted by the applicable financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement.

IESBA Exposure Draft

Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client

Key proposed amendments to the IESBA Code:

- Proposals for more stringent mandatory cooling-off requirements:
 - If EP any time during 7-year (Malaysia: 5-year) period → 5 years
 - If other key audit partners → 2 years
- Strengthened restrictions during cooling-off period are related to:
 - Consultation with engagement team / client
 - Leading or co-ordination of firm's professional services to the client
 - Overseeing firm's relationship with the client
 - Undertaking a role with respect to the client, including provision of non-assurance services
- To obtain concurrence of TCWG regarding application of certain exceptions to rotation requirements.