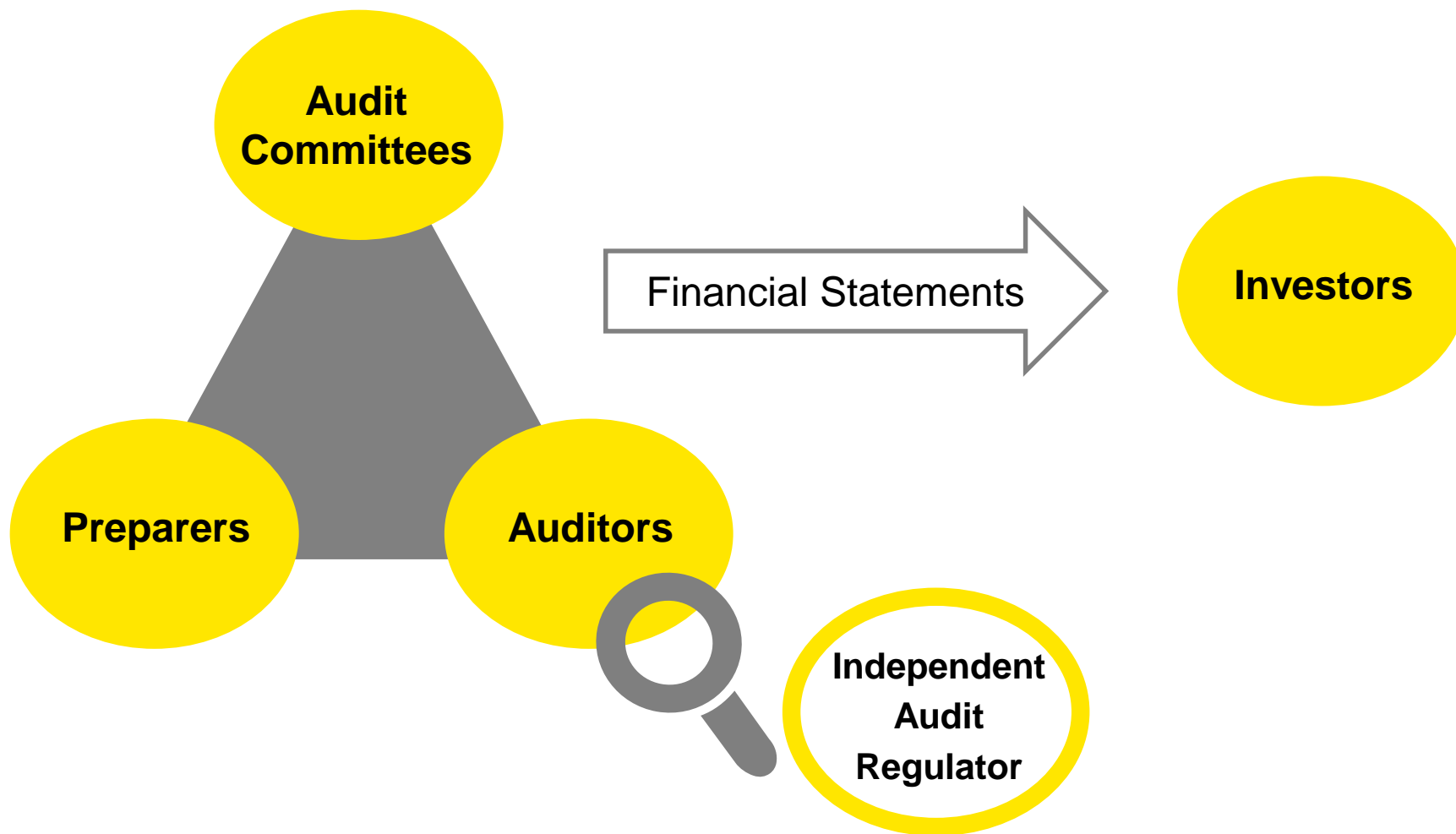


# Auditor Workshop

Julia Tay, Asia-Pacific Public Policy Leader  
Mumbai, 14 November 2017

# Key stakeholders in financial reporting

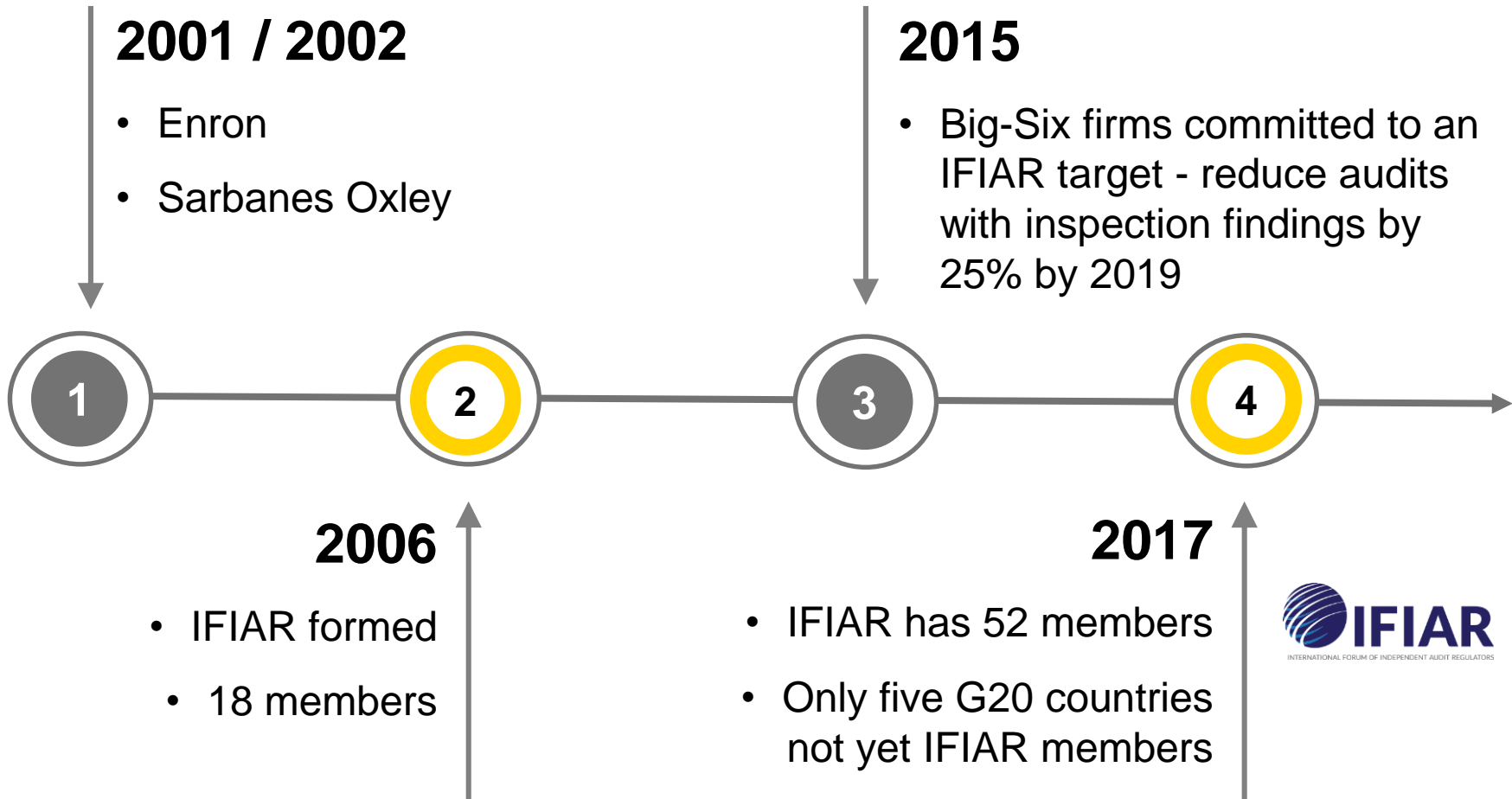
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# Independent audit regulation

- has helped improved audit quality in the last 15 years

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# Independent audit regulation

- communication by regulators benefits investors but is currently varied

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 Private disclosure of inspection findings to AC of listed company

 Public reports of inspection results of specific firms, but without disclosure of findings on specific audits

 Public reports of inspection results on an aggregated basis

 Annual report of activities

# Independence of ACs

- important for effective oversight role

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**Q6 of AC survey – What are the impediments to an effective AC?**

**90%**

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Over-reliance on management or external auditors

**87%**

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Lack of challenging mindset



**81%**

Clearer definition in listing rules or CG codes



**74%**

Higher minimum competence levels



**52%**

Nomination by minority shareholders

# Competencies of ACs

- enhances ability of ACs to be effective in oversight role

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**Q8 – On oversight of financial statements, what are the main deficiencies in the work of ACs?**

**77%**

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No challenge of aggressive accounting

**71%**

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No challenge of poor quality disclosures



**Q18 – What competencies do audit committees need to develop to enhance their effectiveness?**

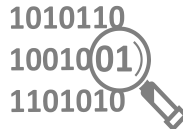
**86%**

Understanding of new accounting and auditing standards



**76%**

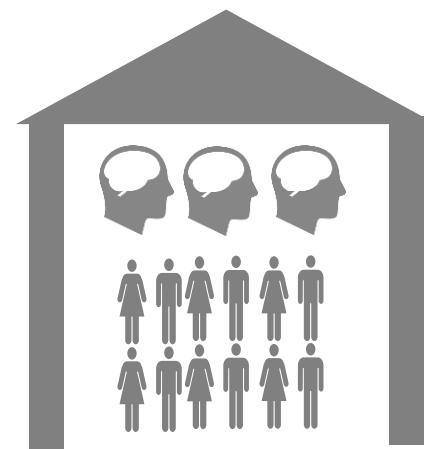
Understanding of cybersecurity and other technological risk management issues



**69%**

Understanding of data analytics and use of technological innovation

# HR Capacity of CPA Firms



Audit quality is correlated to adequacy of HR capacity but CPA firms are facing.....

## High Attrition

**MY** 28%  
**SG** 35%

*As reported by audit regulators for Year 2015*

## Low "Retention"

	<u>#CPAs</u>	<u>#Practising</u>
<b>HK</b>	42K	5K (11%)
<b>SG</b>	24K	1K (5%)

## Mismatch of Resources vs Complexity

**UK** 20 firms with <20 partners auditing 43 PIEs  
**MY** 32 firms with <4 partners auditing 110 PIEs

# Discussion – Independent audit regulation

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1. What has been the effects of independent audit regulation on corporate governance? How can there be greater positive effects?
2. What (and how) should be communicated about independent audit regulation?
3. What other areas should independent audit regulation focus on?



# Discussion – Independence of ACs

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1. How can the AC appointment process be enhanced to increase their independence? Should there be additional disclosure on this process for improved shareholders' understanding and confidence?
2. How can ACs be better supported (by the board or shareholders) to exercise a challenging mindset?
3. What (and how) should be communicated about AC oversight to demonstrate their independence and effectiveness?

# Discussion – Competencies of ACs

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1. Has AC competencies generally matched up to the roles that they are intended to play? What have been the greatest gaps?
2. With companies facing more risks amidst disruptive times, will ACs be expected to expand their oversight scope and if so, what additional competencies are needed?
3. What additional disclosures would be useful for investors to assess the adequacy of AC competence?

# Discussion – HR capacity in CPA firms

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1. What significant changes are needed to improve the HR capacity of CPA firms?
2. What HR-related indicators would be useful for assessing the capacity of audit firms?
3. Is there market understanding and appetite to pay the right level of audit fees to enable CPA firms to have adequate HR capacity to perform quality audits?