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A Survey of Audit Committee Members of Public Listed Companies in Singapore

Commissioned by Audit Committee Guidance Committee (ACGC)
10 June 2008

LEONG Kwong Sin, Themin SUWARDY, and PANG Yang Hoong



About the Survey

This report summarises the results of the survey of audit committee members of public listed companies in Singapore commissioned by the Audit Committee Guidance Committee (ACGC). Funding for this project was provided by School of Accountancy, Singapore Management University.

The sampling frame was locally-domiciled audit committee members of publicly listed companies in Singapore. A sample size of 711 would have been adequate to achieve a 95% confidence level, and a 3% confidence interval. The survey was sent out to 873 names and addresses provided by the Accounting and Corporate Regulatory of Singapore on 14 March 2008, with a reminder on 4 April 2008. A total of 199 usable responses were received, representing an effective net response rate of 23%.

The respondents represented a good cross-section of audit committee members across various industry sectors, experience and qualifications. Half of the respondents are current chairmen of their audit committees and a further 12% were previously chairmen of their audit committees. 78% of the respondents were board members with more than 4 years of experience on company boards. 70% of the respondents had been members of audit committees for at least 4 years. Half of the respondents are currently serving as the Chairman of their respective audit committee, and an additional 12% have previously served as an audit committee chairman.

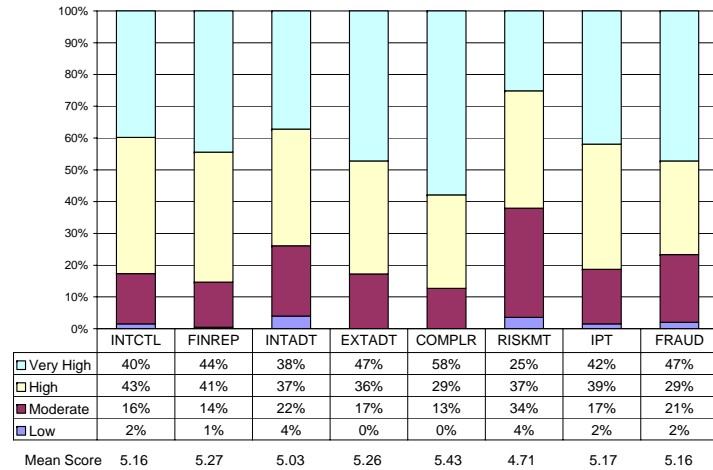


More than two-thirds of the respondents possess some professional qualifications or have had formal education in accounting, business and/or finance, while the remaining one-third gained their knowledge of these fields through work experience or executive programmes. About 75% of current and previous audit committee chairmen have a formal education and/or professional qualification. This indicates that audit committee members in Singapore are well qualified and possess the required knowledge to function effectively in their roles on the audit committees.

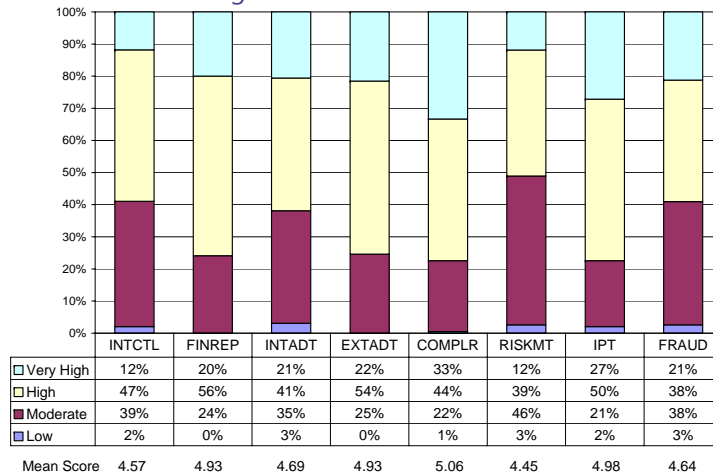
The research team identified the following eight functional areas that ACs have the responsibility to review, namely: Internal Controls (INTCTL); Financial Reporting (FINREP); Internal Audit (INTADT); External Audit (EXTADT); Compliance with Law and Regulations (COMPLR); Risk Management (RISKMT); Interested Person Transactions (IPT); and Fraud.

Major Findings

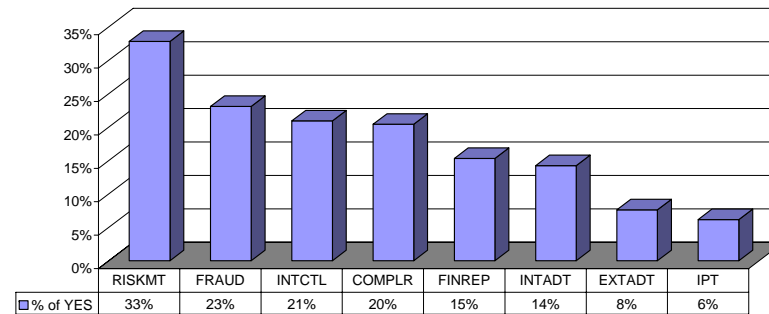
1 Audit committees give the highest emphasis to Compliance with Law and Regulations, Financial Reporting and External Audit. The lowest emphasis mean score was on Risk Management.



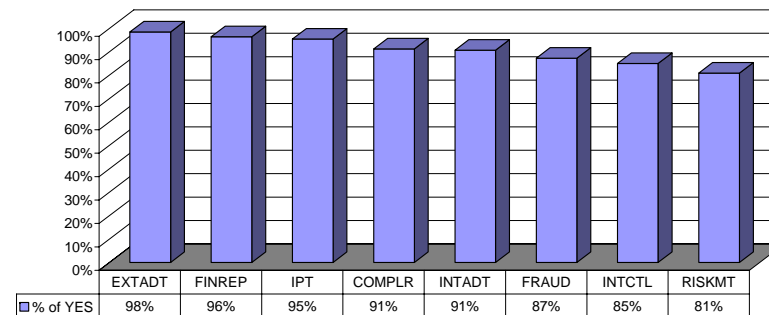
2 The area of Compliance with Laws and Regulations, for which audit committees provided most emphasis on, was also the area in which respondents felt their audit committees were most effective. Audit committees also believe they are highly effective in Interested Person Transactions and Financial Reporting. The lowest effectiveness mean score was in Risk Management.



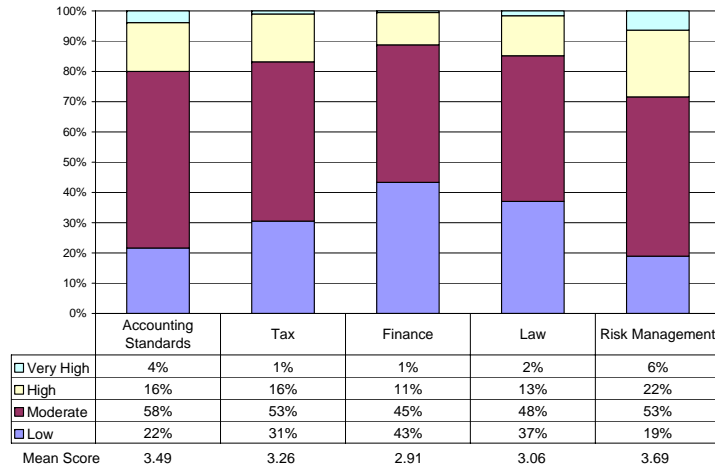
3 The areas where audit committees were deemed to be lacking in effectiveness were also the areas where audit committee members felt they needed practical guidance, and vice versa. One-third of the respondents would like to have guidance on Risk Management, followed by Fraud and Internal Controls. The lowest need for additional practical guidance was Interested Person Transactions. Experience on audit committees, and formal education/knowledge in accounting and finance were not factors associated with lesser need for practical guidance.



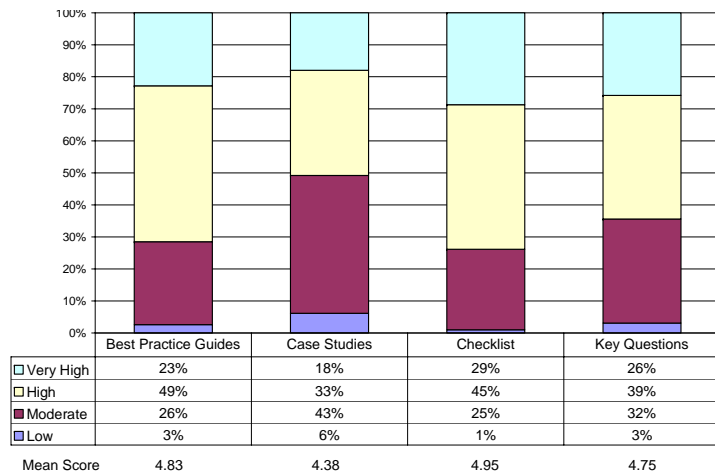
4 Generally, audit committee members felt that they had been given adequate information to function effectively. Audit committee members felt that the areas where their audit committees were least effective in, i.e., the areas of Risk Management, Internal Controls and Fraud, were the ones for which they had the least adequate information. Therefore, it is clear that, to enable audit committees to function effectively, it is vital that they should be given regular and timely access to the appropriate information by management.



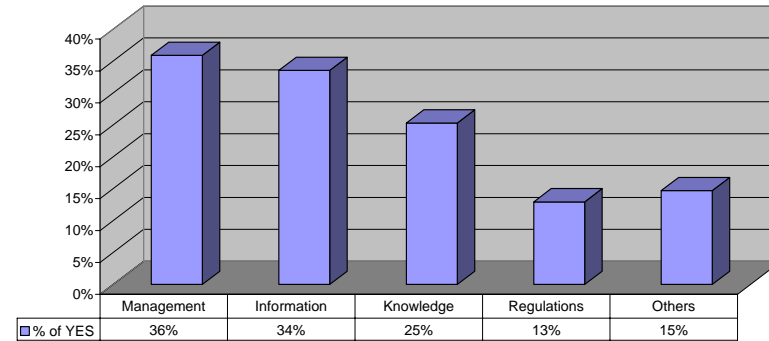
5 Audit committee members also indicated that the areas where they felt the greatest need for training were Risk Management, Accounting Standards and Taxation.



6 In terms of the type of guidance, respondents indicated their strong preferences for "Checklists of most critical issues", "Best practice guides" and "Key questions to ask". Respondents indicated that the best form of guidance that the ACGC can provide them with are in the form of guidelines, such as a Best Practices Guide or a Handbook, and Real Life Cases involving company failures or fraud, and the Pitfalls to avoid.



7 The main challenges that audit committee members faced appeared to be ones related to internal governance of their companies, particularly in the case of family-owned companies. Other challenges faced by audit committee members included the need to keep up-to-date with developments and changes in laws and regulations, and to be better trained in the areas of accounting and finance.



8 Respondents were asked to indicate the "one thing" that could improve their audit committee's effectiveness. Most of the responses can be summarised into areas related to broad governance issues, knowledge and training requirements.

