Singapore Institute of Technology

ACRA — Accounting and Corporate Regulatory Authority

SGX

SID — Singapore Institute of Directors

ISCA — Institute of Singapore Chartered Accountants

A STUDY ON THE PROFILE OF AUDIT COMMITTEES OF LISTED COMPANIES IN SINGAPORE 2020

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Executive Summary

The 2020 Study on "The Profile of Audit Committees of Listed Companies in Singapore" is the fourth study of audit committees (ACs) of listed companies in Singapore. The first three studies were conducted in 2009, 2011 and 2015. These studies provided a baseline benchmark to calibrate the progress of ACs of listed companies in Singapore inter-temporally.

The AC is a very important governance mechanism established by the Companies Act for listed companies to manage the agency problem arising from the conflict of interests between shareholders and management. It also addresses the moral hazard faced by the board arising from management having more information than the board or shareholders with regards to the financial performance and health of the company. An effective AC can help to ensure that the financial statements of listed companies have integrity and are presented in a true and fair manner. This is all the more important in the current landscape where the integrity of the capital markets can be significantly affected by fraudulent or misleading financial statements.

This study provides information on the effectiveness and efficiency of ACs. These include:

- frequency of AC meetings;
- multiple AC directorships;
- diversity in board and AC;
- size of AC;
- independence of AC members;
- financial expertise of AC members;
- tenure of AC members; and
- adherence of ACs with the Singapore Code of Corporate Governance (2018) (CG Code 2018) and the Singapore Exchange Listing Rules (SGX LR): disclosures of terms of reference of ACs, auditors' fees, whistle blowing policy, trainings of AC members, assessment of adequacy and effectiveness of internal controls and risk management.

This study covers the ACs of 650 listed companies in SGX that have published their annual reports for the financial year ended between 1 January 2019 and 31 December 2019. The study covers 2,129 AC members comprising of 467 unique individuals who served as Chairman and 1,213 unique individuals who served as members.

A longitudinal comparison of the findings with the 2009, 2011 and 2015 studies suggests that companies have made progress to comply with the regulations and adopted the best practices of ACs over the years. In addition, companies appear to have been receptive to the new requirements in the CG Code 2018 and changes in additional requirements both in the legislation and best practices. The overall view is that the 2020 Study continues to present an improving AC landscape in Singapore.

Three particular areas are worth noting. Firstly, the percentage of companies with directors holding several AC memberships of listed company concurrently had declined consistently since 2015 for both Chairmen and members. The second finding is that the participation of female members in AC has been on an increasing trend since the 2009 study. The percentage of female AC members (including chairmen) had increased from 4.8% in 2009 to 11.1% in 2020. However, the rate of increase is very slow and could be further encouraged. Finally, the percentage of long serving AC members had increased since 2015 (ie. AC members with greater than 10 years of directorship had increased from 18.6% in 2015 to 28.0% in 2020). By 2022, special voting requirements would have to be instituted. Companies may need to take note of this impending requirement and take appropriate actions to address this in advance.

The findings from the online survey, interviews and group discussions with selected AC chairmen and members provide additional insights into the resource adequacy and workload of AC. Generally, respondents opined that companies provided adequate resources for ACs to discharge their duties in the light of increasing complexities and scope of AC functions and roles. It also provides understanding on the role of ACs in moderating the disclosure of KAMs. We find that digitalization and the Covid-19 have significantly increased the workload of the ACs. In general, the findings affirm the current extant literature on the roles and attributes of an effective AC.

In summary, this report provides a comprehensive and holistic view of the ACs of listed companies in Singapore as at the end of 2019. It serves as a baseline benchmark on what regulators and listed companies can further consider in improving the effectiveness of ACs.

1. Introduction

1.1 The Audit Committee (AC) has been mandated in the Companies Act as a necessary organ of every locally incorporated listed companies in Singapore. The Singapore Code of Corporate Governance 2018 (CG Code 2018) prescribes a key duty of an AC and it is to review "the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance".

1.2 Three Audit Committee (AC) studies of listed companies in Singapore had been published (2009, 2011 and 2015) and they provided "an understanding of the compliance of ACs with the various regulations and best practices such as the CG Code 2012, a general description of the state of the ACs of listed companies in Singapore and a comparative analysis of the development of ACs over time".

1.3 This Study provides a snapshot of the state of the ACs in listed companies in Singapore as at the end of 2019. It documents the composition, attributes, functions and new roles of the AC.

1.4 This Study will provide information on the state of the AC to allow the promulgation or review of policies governing AC. In addition, it also seeks to document how much the best practices advocated for the ACs have been implemented in the listed companies. Finally, this Study is to be used as a record of the AC journey in Singapore over the years.

1.5 Information on the ACs are documented through three research methods. Firstly, we partner Handshakes, a data provider, and employ research assistants to hand collect data on ACs from the annual reports of listed companies in Singapore. Secondly, we conduct an online survey of AC members on selected areas of the AC. Finally, the results of the online survey are verified through interviews and focus group discussions.

2. Coverage of the 2020 Study

2.1 The 2020 Study covers the following key areas:

2.1.1 Assessment of AC attributes:

i. Composition of ACs;
ii. Qualifications of AC members;
iii. Experience of AC members

2.1.2 Assessment of best practices adopted by AC

2.1.3 Assessment of new and current issues facing ACs

i. Disclosure on the roles of AC on internal audit, internal controls and risk management, terms of reference, audit fees and whistle blowing policy
ii. Resource adequacy of ACs
iii. Workload of AC
iv. Disclosure on the assessment of key audit matters (KAMs)
v. Impact of digitalization on the roles of ACs
vi. Impact of Covid-19 on the roles of ACs

3. Legislation and Code of Best Practices on Audit Committees

3.1 Agency theory posits the important role of the board of directors appointed by the shareholders to oversee the management. Specifically, the AC is a sub-committee established by the board to mitigate the agency problem by ensuring the integrity of the financial reports, reviewing the internal controls and risk management, appointing and making recommendations to the board on terms of engagement of the external auditor, and overseeing the internal audit function (CG Code, 2018). Given its pivotal role in the governance of companies, there are legislations and best practices to guide the composition and functioning of AC.

3.2 In Singapore, there are five major sources of regulations or prescription of best practices governing ACs.

3.3 The five major sources are :

a. The Companies Act (Chapter 50), Section 201B [Companies Act];
b. The Singapore Code of Corporate Governance (2018) [CG Code 2018] [1];
c. The Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers which are Incorporated in Singapore (2013) by the Monetary Authority of Singapore [GCG-Banks 2013];
d. The Singapore Exchange Listing Rules [SGX LR]; and
e. Guidebook for Audit Committees in Singapore – Second Edition (2014) by the Work Group to review the Guidebook for Audit Committees in Singapore [GAC 2014].

3.4 The provisions can be summarized below:

a. It is a legal requirement for all listed companies in Singapore to have an AC;[2]
b. The AC must have a minimum of three members;[3]
c. The chairman of the AC must be an independent director;[4]
d. The AC must be deemed to be independent and this means that the AC shall not consist of a majority of executive directors, or relations of executive directors, or any person having any relationships with the company, its related corporations, substantial shareholders or officers that would interfere or perceived to interfere in the exercise of its judgment;[5]
e. At least two members of the AC (including the chairman) must have recent and relevant accounting or related financial management expertise or experience (hereafter called "financially-trained" individuals);[6]
f. The functions, duties and roles of the AC should be specified;[7] and
g. There are guidelines for the tenure of the AC.[8]

3.5 In a letter issued by ACRA, MAS and SGX on 24 January 2017, the authorities strongly encourage ACs to share their views and perspectives on the KAMs reported in the annual report. The purpose of the AC commentary is to increase transparency, deepen the investors' trust that ACs have responded 'pointedly and in a targeted fashion'[9] to issues raised by auditors; and have discharged their oversight responsibilities appropriately.

NOTE:

1 On 6 August 2018, the Monetary Authority of Singapore (MAS) issued the revised Code of Corporate Governance (CG Code 2018) along with the new SGX Practice Guidance. The CG Code 2018, together with associated changes to the listing rules (LR), took effect for the financial year beginning from 1 January 2019, except for specified requirements that take effect in 2022. Important requirements of the CG Code 2018 are shifted to SGX LR for mandatory compliance.

2 Companies Act (Chapter 50), Section 201B(1); Rule 210(5)(e) of the SGX LR (Mainboard) / Rule 406(3)(e) of the SGX LR (Catalist).

3 Companies Act (Chapter 50), Section 201B(2); CG Code 2018 (Provisions 10.2); GAC 2014 (Guideline 1.2.1); LR 704(8).

4 Companies Act (Chapter 50), Section 201B(3); CG Code 2018 (Provisions 10.2) and GAC 2014 (Guideline 1.2.10). The Companies Act requires the chairman who is "not an executive director or employee of the company or any related corporation", which implicitly assumes that he/she is independent (Section 201B(3)).

5 Companies Act (Chapter 50), Section 201B(2). The Companies Act is less stringent than the CG Code 2018 (Provisions 10.2) which requires "The AC comprises at least three directors, all of whom are non-executive" while the Companies Act only requires "a majority" shall not be executive director or employee of the company or any related corporation.

6 CG Code 2018 (Provisions 10.2) and GAC 2014 (Guideline 1.2.5).

7 Companies Act (Chapter 50), Section 201B(5); CG Code 2018 (Provisions 10.1, 10.4 & 10.5); GAC 2014 (Guidelines 2.3.2 to 2.3.3); SGX Practice Guidance 10: Audit Committees.

8 GAC 2014 (Guidelines 1.2.12, 1.2.16-1.2.17).

9 As highlighted in a press release *Address by ACRA Chief Executive Mr Kenneth Yap at the ACRA-SGX-SID Audit Committee Seminar 2017*, issued by Accounting and Corporate Regulatory Authority (ACRA).

3.6 The AC commentary should consider disclosing AC's perspectives on the KAMs reported by the external auditors, how ACs assess and conclude each KAM and the basis for AC's agreement with management's conclusion on issues involving significant judgments.[10]

4. Methodology of the Study and Description of the Sample

4.1 There are 723[11] companies which had a listing on the Singapore Exchange as of December 2019. The sample[12] comprises all listed companies that filed an annual report with the SGX for their financial year ended between 1 January 2019 and 31 December 2019. The sample consists of 650 companies, including 602 companies (396 listed on the Mainboard and 206 listed on Catalist), 11 business trusts and 37 REITs.

4.2 The sample has been classified into three mutually exclusive groups based on their market capitalization and listing as at 31 December 2019:

a. Companies listed on the Mainboard with a market capitalization of S$500 million and above;
b. Companies listed on the Mainboard with a market capitalization of less than S$500 million; and
c. Companies listed on the Catalist.

4.3 Table 1 provides a description of the current sample vis-à-vis the 2015 and 2011 studies. The total number of companies covered has decreased by 9.3%, from 717 in the 2015 to 650 in the current study. For 2020, 21.7% of the listed companies have market capitalization of S$500 million and above, which is fairly close to the 22.9% in 2015. The number of Catalist companies however has increased significantly by 43% from 144 in 2015 to 206 in 2020.

4.4 The total number of directors sitting on the ACs has declined by 7.9% from 2,312 in 2015 to 2,129[13] in 2020. The number of unique AC chairmen decreased by 3.1%, from 482 in 2015 to 467 in 2020. There were 7 companies which did not disclose the identity of the Chairman in the annual report or where there was no appointed chairman. The unique number of individuals who served as members of AC also reduced by a bigger margin of 4.0%, from 1,263 in 2015 to 1,213 in 2020.

4.5 Finally, the number of financial institutions remained fairly constant over the three studies with a decrease of one financial institution in 2020 (2020: 26; 2015: 27).

NOTE:
10 Audit Committee Bulletin Issue 3, 2018 issued by Ernst & Yong LLP.
11 SGX Market Statistics Report December 2019.
12 73 companies were excluded because of incomplete information and it arises from activities like recent corporate restructuring or no annual reports for 2019.
13 The total number of unique individuals who were chairmen (467) or members (1,213) of ACs does not add up to the 1,539 unique individuals serving on the ACs because some chairmen also serve as members in other ACs. In fact, altogether there were 1,539 unique individuals serving on all the ACs in this study.

Table 1: Sample Size of the Study

	2020 Study	2015 Study	2011 Study
Companies listed on the Mainboard with Market Cap of S$500m and above (≥S$500m)	141 (21.7%)	164 (22.9%)	148 (20.4%)
Companies listed on the Mainboard with Market Cap less than S$500m (<S$500m)	303 (46.6%)	409 (57.0%)	453 (62.6%)
Companies listed on the Catalist (Catalist)	206 (31.7%)	144 (20.1%)	123 (17.0%)
TOTAL	**650 (100%)**	**717 (100%)**	**724 (100%)**
Number of Financial Institutions	**26 (4.0%)**	**27 (3.8%)**	**25 (3.5%)**

Total number of directors in ACs	2,129	2,312	2,353
Total number of unique individuals who serve as Chairmen	467	482	460
Total number of unique individuals who serve as members	1,213	1,263	1,258

5. Study Findings

5.1 Frequency of AC Meetings

5.1.1 Studies have shown that the frequency of AC meetings is negatively related to earnings management. The frequency of AC meeting is also positively related to audit fees (a proxy for audit quality) and non-audit service fees, implementation of a stronger internal whistle-blowing system.

5.1.2 Table 2 shows the distribution of the frequency of AC meetings. The majority of the 650 listed companies (77.8%) in 2020 reported four or more AC meetings (2015: 78.5%; 2011: 71.8%).

Table 2: Distribution of the Frequency of AC Meetings

Frequency of AC Meetings	2020 Study	2015 Study	2011 Study
0	1 (0.2%)	1 (0.1%)	3 (0.4%)
1	4 (0.6%)	7 (1.0%)	15 (2.1%)
2	97 (14.9%)	112 (15.6%)	123 (17.0%)
3	33 (5.0%)	33 (4.6%)	59 (8.1%)
4 or more	506 (77.8%)	563 (78.5%)	520 (71.8%)
No Disclosure	9 (1.5%)	1 (0.1%)	4 (0.6%)
TOTAL	**650 (100%)**	**717 (100%)**	**724 (100%)**

5.1.3 From Table 3, the average number of AC meetings in 2020 is relatively consistent with 2015 and 2011 studies, except for Catalist companies that saw an increase to an average of 3.3 meetings from 3.0 in 2015 and 2011. The median number of AC meetings for Catalist companies has also increased to 4.0 as compared to 3.0 in 2015 and 2011 studies.

Table 3: Statistics on the Frequency of AC Meetings

Statistics	≥S$500m			<S$500m			Catalist		
	2020 Study	2015 Study	2011 Study	2020 Study	2015 Study	2011 Study	2020 Study	2015 Study	2011 Study
Average	4.5	4.6	4.2	4.0	4.0	3.8	3.3	3.0	3.0
Median	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0
Minimum	2.0	2.0	0.0	0.0	1.0	0.0	1.0	0.0	0.0
Maximum	12.0	14.0	8.0	8.0	12.0	7.0	6.0	7.0	7.0

5.1.4 The convergence to a median or average of four AC meetings per year could be explained by the mandatory quarterly reporting where ACs need to meet and deliberate on the recommendations to the Board for the release of quarterly results.[14] With effect from 7 February 2020, quarterly reporting (QR) is no longer mandatory and companies are only required to do semi-annual reporting. However, QR is still required for companies which do not have an unqualified audit opinions or companies which face financial and regulatory compliance issues.

5.2 Multiple AC Directorships

5.2.1 For busy directors, it is argued that they are not able to devote as much attention to their roles as AC members. However, it is argued that a busy director is one who is highly sought after for his expertise and reputation. A busy director would exercise self-discipline to protect his/her reputation. Nonetheless, multiple AC directorships is still viewed as a negative effect on AC effectiveness.

5.2.2 The distribution of the number of chairmanship and membership of ACs held by individuals is presented in Table 4. The highest number of chairmanship for ACs held by any individual was five. A significant majority of the individuals held only one chairmanship position (76.0%) or served as a member in one AC (83.9%).

5.2.3 The number of individuals with multiple chairmanship or membership in AC has been decreasing systematically over time. This decrease is a positive development for the ACs in Singapore and it seems to suggest that busy directors are systematically reducing the number of AC membership held. This is consistent with the pervasive view that busy directors may be detrimental to the effectiveness of an AC.

Table 4 : Distribution of the Number of Chairmanship and Membership of ACs Held

Chairmanship of AC	2020 Study	2015 Study	2011 Study
1	355 (76.0%)	345 (71.6%)	323 (70.2%)
2	69 (14.8%)	74 (15.4%)	72 (15.7%)
3	24 (5.1%)	40 (8.3%)	27 (5.9%)
4 and above	19 (4.1%)	23 (4.7%)	38 (8.2%)
TOTAL	**467 (100%)**	**482 (100%)**	**460 (100%)**

Members of AC	2020 Study	2015 Study	2011 Study
1	1,016 (83.9%)	1,047 (82.9%)	1,026 (81.6%)
2	141 (11.4%)	140 (11.1%)	153 (12.2%)
3	44 (3.7%)	48 (3.8%)	43 (3.4%)
4 and above	12 (1.0%)	28 (2.2%)	36 (2.8%)
TOTAL	**1,213 (100%)**	**1,263 (100%)**	**1,258 (100%)**

NOTE:
14 SGX scrapped quarterly reporting and adopted a risk-based approach in place of quarterly reporting in January 2020.

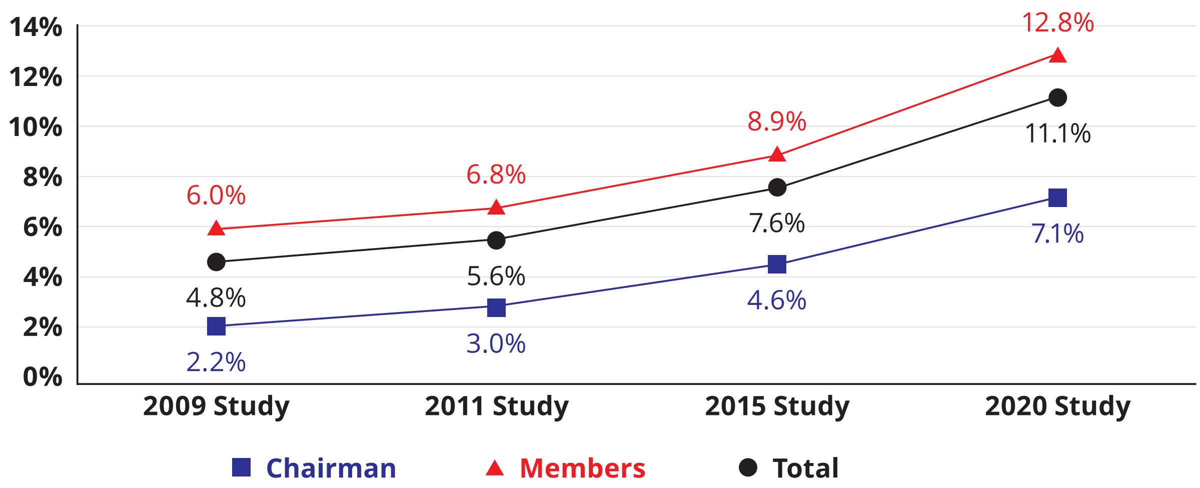
5.3 Diversity in Board and AC

5.3.1 Board diversity is an important attribute of board effectiveness. Board diversity is much more than just gender diversity. However, it is challenging to measure different aspect of board diversity other than gender.

5.3.2 Studies have shown that given the innate qualities of women, they may be more risk-adverse and conservative which may influence the quality of financial reporting. In addition, female directors are participative and may bring about different perspectives which can lead to better quality decisions, improves compliance with related party disclosures and companies being less tax aggressive.

5.3.3 Figure 1 shows the percentage of the chairmanship and membership of AC who are female. It suggests a systematic increase in the percentage of female in both chairmanship and membership of ACs. Since the first study in 2009, the percentage of female AC members (including chairmen) had increased from 4.8% to 11.1% in 2020. Despite the increase, it will take another 5 years just to reach 14% given the current growth trend. Greater efforts may need to be expended to encourage the participation of female directors as AC chairmen or members.

Figure 1 : Percentage of AC Memberships who are Female



5.4. Size of AC

5.4.1 Studies have found that larger AC has a negative effect on earnings management, is better in monitoring fraudulent financial reporting, resulting in more disclosures, higher audit quality and less tax aggressive.

5.4.2 Table 5 shows that the number of directors and number of members of an AC are significantly influenced by the company size. For example, for companies with market capitalization of S$500m and above, the average number of directors on the board and number of members are greater than those from companies with less than S$500m in market capitalization and Catalist companies.

Table 5 : Summary Statistics of Number of Company Directors and AC Members

	Market Cap of S$500m and above											
	2020				2015				2011			
	Min	Max	Ave	Med	Min	Max	Ave	Med	Min	Max	Ave	Med
No of Directors	5	17	8.5	8	4	20	8.7	8	5	22	8.6	8
No of AC Members	2	5	3.5	3	2	7	3.5	3	3	6	3.4	3
% of AC Members/ Directors	21.4%	83.3%	44.0%	42.9%	20.0%	80.0%	42.4%	42.9%	18.0%	80.0%	42.0%	43.0%

	Market Cap of Less than S$500m											
	2020				2015				2011			
	Min	Max	Ave	Med	Min	Max	Ave	Med	Min	Max	Ave	Med
No of Directors	3	13	6.2	6	3	12	6.3	6	3	12	6.5	6
No of AC Members	2	6	3.3	3	2	5	3.2	3	1	5	3.2	3
% of AC Members/ Directors	25.0%	100.0%	55.3%	50.0%	27.3%	100.0%	52.6%	50.0%	25.0%	80.0%	51.0%	50.0%

	Catalist											
	2020				2015				2011			
	Min	Max	Ave	Med	Min	Max	Ave	Med	Min	Max	Ave	Med
No of Directors	3	9	5.5	5	3	9	5.7	6	4	10	5.8	6
No of AC Members	2	5	3.1	3	2	5	3.1	3	3	4	3.2	3
% of AC Members/ Directors	33.3%	100.0%	59.3%	60.0%	33.3%	100.0%	56.5%	57.1%	33.0%	80.0%	56.0%	60.0%

5.4.3 Table 6 shows the distribution of the actual size of the ACs. For companies with market capitalization of S$500 million or more, all but one company have at least three members in the AC.

5.4.4 Table 6 shows that for companies with less than S$500 million of market capitalization, there are eight companies which have two members or fewer in the AC. The corresponding size for Catalist companies is five. Companies with fewer AC members must pay special attention and expend efforts to meet the minimum requirement of 3 members.

Table 6 : Distribution of AC Memberships According to Types of Companies

Market Cap ≥S$500m	2020 Study	2015 Study	2011 Study
Two Members in AC	1 (0.7%)	0 (0.0%)	0 (0%)
Three Members in AC	82 (58.2%)	101 (61.6%)	94 (63.5%)
Four or more Members in AC	58 (41.1%)	63 (38.4%)	54 (36.5%)
TOTAL	**141(100%)**	**164 (100%)**	**148 (100%)**

Market Cap < S$500m	2020 Study	2015 Study	2011 Study
One Member in AC	0 (0%)	0 (0.0%)	1 (0.2%)
Two Members in AC	8 (2.6%)	9 (2.2%)	5 (1.1%)
Three Members in AC	220 (72.6%)	328 (80.2%)	378 (83.4%)
Four or more Members in AC	75 (24.8%)	72 (17.6%)	69 (15.3%)
TOTAL	**303 (100%)**	**409 (100%)**	**453 (100%)**

Catalist	2020 Study	2015 Study	2011 Study
Two Members in AC	5 (2.4%)	5 (3.5%)	0 (0.0%)
Three Members in AC	174 (84.5%)	119 (82.6%)	104 (84.6%)
Four or more Members in AC	27 (13.1%)	20 (13.9%)	19 (15.4%)
TOTAL	**206 (100%)**	**144 (100%)**	**123 (100%)**

Overall	2020 Study	2015 Study	2011 Study
One Member in AC	0 (0%)	0 (0.0%)	1 (0.1%)
Two Members in AC	14 (2.2%)	14 (2.0%)	5 (0.7%)
Three Members in AC	476 (73.2%)	548 (76.4%)	576 (79.6%)
Four or more Members in AC	160 (24.6%)	155 (21.6%)	142 (19.6%)
TOTAL	**650 (100%)**	**717 (100%)**	**724 (100%)**

5.4.5 There is a general increase in the percentage of ACs with four or more members except for Catalist companies.

5.5 Independence of AC Members

5.5.1 The Companies Act Section 201B(2a) requires that the majority of an AC shall not be "executive directors of the company or any related corporation". In addition, Companies Act Section 201B(3) requires the Chairman to be a non-executive director. However, CG Code 2018 requires all members to be "non-executive and the majority of whom, including the AC Chairman, are independent." Therefore, compliance with the guidelines of CG Code 2018 will also result in the compliance with the Companies Act but not necessarily the reverse.

5.5.2 For an AC to fulfil its monitoring role and protect shareholders' interests, it needs to be independent from the management. The key belief is that AC independence is generally associated with higher audited financial reporting quality.

5.5.3 Table 7 Panel A shows that 99.8% of the chairman of ACs are independent. From Table 7 Panel B, 98.2% of the members of AC are either independent or non-executive directors. Overall, there is a strong element of independence in ACs as 98.7% of the chairmen and members of AC are either independent or non-executive directors as shown in Table 7 Panel C. This has remained relatively stable since 2011 (2015: 98.4%; 2011: 97.2%). Table 7 Panel C shows that there are 24 executive directors in the ACs despite the CG Code 2018 recommends for all AC members to be non-executive. The number of alternate directors has increased to two in 2020 from one in 2015 and it is a significant decrease from 20 in 2011.

Table 7 : Types of Directors in the ACs

Panel A : Chairmen of All Companies	2020 Study	2015 Study	2011 Study
Independent Director	642 (99.8%)	706 (99.2%)	718 (99.3%)
Non-Executive Director	1 (0.2%)	6 (0.8%)	1 (0.1%)
Executive Director	0 (0.0%)	0 (0.0%)	3 (0.4%)
Alternate Director	0 (0.0%)	0 (0.0%)	1 (0.1%)
Others (no information)	0 (0.0%)	0 (0.0%)	0 (0.0%)
TOTAL	**643 (100%)**	**712 (100%)**	**723 (100%)**

Panel B : Members for All Companies	2020 Study	2015 Study	2011 Study
Independent Director	1,256 (84.5%)	1,302 (81.4%)	1,281(78.6%)
Non-Executive Director	204 (13.7%)	259 (16.2%)	285 (17.5%)
Executive Director	24 (1.6%)	38 (2.4%)	41 (2.5%)
Alternate Director	2 (0.1%)	1 (0.1%)	19 (1.2%)
Others (no information)	0 (0.0%)	0 (0.0%)	4 (0.2%)
TOTAL	**1,486 (100%)**	**1,600 (100%)**	**1,630 (100%)**

Panel C : Total for All Companies	2020 Study	2015 Study	2011 Study
Independent Director	1,898 (89.1%)	2,008 (86.9%)	1,999 (85.0%)
Non-Executive Director	205 (9.6%)	265 (11.5%)	286 (12.2%)
Executive Director	24 (1.1%)	38 (1.6%)	44 (1.9%)
Alternate Director	2 (0.1%)	1 (0.0%)	20 (0.8%)
Others (no information)	0 (0.0%)	0 (0.0%)	4 (0.2%)
TOTAL	**2,129 (100%)**	**2,312 (100%)**	**2,353 (100%)**

5.5.4 Table 8 reports the association between the percentages of executive directors in ACs and the size of ACs. Amongst the 650 companies, all the companies comply with the Companies Act provisions on non-executive directors on the AC. However, CG Code 2018 recommends all AC members to be non-executive directors.

Table 8 : Companies which have Executive Directors in their ACs

No of Members in the AC	2020 Study					2015 Study				
	No of Companies	Proportion of Executive Directors in the AC Members				No of Companies	Proportion of Executive Directors in the AC Members			
		20%	25%	33%	50%		20%	25%	33%	50%
2	14	0	0	0	0	14	0	0	0	0
3	476	0	0	17	0	548	0	0	18	0
4	129	0	5	0	1	137	0	15	0	1
5	29	0	0	0	0	15	3	0	0	0
6	2	0	0	0	0	2	0	0	0	0
7	0	0	0	0	0	1	0	0	0	0
TOTAL	**650**	**0**	**5**	**17**	**1**	**717**	**3**	**15**	**18**	**1**

5.6 Financial Expertise of AC Members

5.6.1 As mentioned earlier, the CG Code 2018 specifies that at least two members of the AC (including the chairman) should have recent and relevant accounting or related financial management expertise or experience. Research has largely shown that AC financial expertise is associated with better financial reporting quality or lower earnings management, mitigate the relationship between financial reporting complexity and negative reporting outcomes, for example, financial misstatements, constrain tax aggression, better corporate disclosures, timely financial reporting, increase in analyst following, implementation of a stronger internal whistle-blowing system, pay higher audit fees, which is a proxy for audit efforts, influences the way external auditors communicate with the ACs, amongst others. The evidence clearly shows that AC financial expertise is crucial for an effective AC.

5.6.2 Table 9 shows that the percentage of chairman with graduate or postgraduate education, or professional qualifications, continues to be high (2020 : 93.6%; 2015 : 94.6%) and this is the case too for members of the AC (2020 : 84.7%; 2015 : 88.2%). This fact speaks well of the formal educational qualifications of the chairmen and members of the AC in Singapore listed companies.

5.6.3 Overall, there is still insufficient information in terms of disclosures in the annual reports on the educational qualifications for a small percentage of the chairmen (2020:4.1%; 2015:4.4%) and members (2020:12.4%; 2015:9.0%) of ACs.

Table 9 : Distribution of Educational Qualifications of AC Members[15]

	2020 Study			2015 Study		
	Chairmen	**Members**	**Total**	**Chairmen**	**Members**	**Total**
Doctorate/LLD	22 (4.7%)	74 (6.1%)	88 (5.7%)	29 (6.0%)	97 (7.7%)	110 (6.9%)
Post Graduate Qualifications	127 (27.2%)	312 (25.8%)	396 (25.7%)	143 (29.7%)	397 (31.4%)	494 (31.0%)
Bachelor/LLB	195 (41.8%)	568 (46.8%)	704 (45.7%)	215 (44.6%)	559 (44.3%)	705 (44.3%)
Professional Qualifications	93 (19.9%)	73 (6.0%)	143 (9.3%)	69 (14.3%)	61 (4.8%)	115 (7.2%)
Post-Secondary/ Diploma	10 (2.1%)	33 (2.7%)	40 (2.6%)	5 (1.0%)	33 (2.6%)	36 (2.3%)
Secondary	1 (0.2%)	3 (0.2%)	3 (0.2%)	0 (0.0%)	2 (0.2%)	2 (0.1%)
Insufficient Information	19 (4.1%)	150 (12.4%)	165 (10.7%)	21 (4.4%)	114 (9.0%)	131 (8.2%)
TOTAL	**467 (100%)**	**1,213 (100%)**	**1,539 (100%)**	**482 (100%)**	**1,263 (100%)**	**1,593 (100%)**

5.6.4 From Table 10, 54.6% of AC chairmen major in accountancy and finance, which is a significant improvement from the 2015 Study of 41.9%. In the overall sample, 30.7% of all the chairmen and members of the ACs have formal educational qualifications in accountancy and finance in the 2020 Study. This is also a significant improvement from 2015 where the proportion stood at 24.0%.

Table 10 : Distribution of Major Areas of Education of AC Members

	2020			2015		
	Chairmen	**Members**	**Total**	**Chairmen**	**Members**	**Total**
Accountancy and Finance	255 (54.6%)	294 (24.2%)	473 (30.7%)	202 (41.9%)	245 (19.4%)	382 (24.0%)
Economics	25 (5.4%)	81 (6.7%)	101 (6.6%)	25 (5.2%)	88 (7.0%)	102 (6.4%)
Management	60 (12.8%)	146 (12.0%)	192 (12.5%)	120 (24.9%)	302 (23.9%)	388 (24.4%)
Law	22 (4.7%)	175 (14.4%)	187 (12.2%)	32 (6.6%)	199 (15.8%)	216 (13.6%)
Engineering	26 (5.5%)	117 (9.6%)	131 (8.5%)	27 (5.6%)	147 (11.6%)	165 (10.4%)
Arts	14 (3.0%)	42 (3.5%)	52 (3.4%)	13 (2.7%)	42 (3.3%)	48 (3.0%)
Science	25 (5.4%)	102 (8.4%)	118 (7.7%)	22 (4.6%)	61 (4.8%)	75 (4.7%)
Others	15 (3.2%)	92 (7.7%)	104 (6.8%)	9 (1.9%)	61 (4.8%)	70 (4.4%)
Insufficient information	25 (5.4%)	164 (13.5%)	181 (11.8%)	32 (6.6%)	118 (9.3%)	147 (9.2%)
TOTAL	**467 (100%)**	**1,213 (100%)**	**1,539 (100%)**	**482 (100%)**	**1,263 (100%)**	**1,593 (100%)**

5.6.5 Table 11 shows the full-time experiences of the chairmen and members of the AC. The proportion of chairmen and members who had accountancy/auditing or banking/finance/investment as their full-time experience has declined to 25.6% (2015: 31.2%). Despite the decline, a large percentage of the ACs are still led by financially qualified chairmen (42.4%) and members (21.8%) as shown in Table 11.

NOTE:

15 For Tables 9 to 11, the total number of unique individuals who were chairmen (467) or members (1,213) of ACs does not add up to the 1,539 unique individuals serving on the ACs because some chairmen also serve as members in other ACs. In fact, altogether there are 1,539 unique individuals serving on all the ACs in this study.

5.6.6 The statistics suggest that listed companies in Singapore are making efforts to ensure that financially qualified individuals are present in AC. This is to comply with the CG Code 2018 and the GAC 2014. However more needs to be done to have AC members who have full-time experiences in accountancy/auditing or banking/finance/investment. A possible disconcerting trend is that accountancy/auditing or banking/finance/investment experienced individuals are replaced by individuals with senior management experiences

Table 11 : Distribution of Full-Time Experiences of AC Members

	2020			2015		
	Chairmen	Members	Total	Chairmen	Members	Total
Accountancy/ Auditing / Banking / Finance / Investment	198 (42.4%)	264 (21.8%)	394 (25.6%)	271 (56.2%)	308 (24.4%)	497 (31.2%)
Senior Management	186 (39.8%)	609 (50.2%)	752 (48.9%)	98 (20.3%)	373 (29.5%)	436 (27.4%)
Academia	9 (1.9%)	34 (2.8%)	40 (2.6%)	6 (1.2%)	29 (2.3%)	32 (2.0%)
Civil Service	7 (1.5%)	26 (2.1%)	28 (1.8%)	9 (1.9%)	29 (2.3%)	33 (2.1%)
Legal Practices	17 (3.6%)	130 (10.7%)	135 (9.8%)	21 (4.4%)	174 (13.8%)	183 (11.5%)
Others	26 (5.6%)	91 (7.5%)	113 (7.3%)	70 (14.5%)	317 (25.1%)	372 (23.4%)
Insufficient Information	24 (5.1%)	59 (4.9%)	77 (5.0%)	7 (1.5%)	33 (2.6%)	40 (2.5%)
TOTAL	**467 (100%)**	**1,213 (100%)**	**1,539 (100%)**	**482 (100%)**	**1,263 (100%)**	**1,593 (100%)**

5.6.7 An often-articulated concern for listed companies in Singapore is the lack of financially trained[16] individuals available for appointment to the ACs. Table 12 shows the summary statistics on the number of AC members who are deemed to be financially trained.

5.6.8 The overall percentage of ACs with two or more members who are financially trained is 64.4% in 2020 as compared to 67.6% in 2015. This is, however, a significant increase from the 2011 Study (2011: 44.3%).

5.6.9 In 2020, there was 5.8% of the sample or 38 ACs with no "financially-trained" AC member. This is indeed a concern as the proper functioning of the AC can be affected. This could be due to the lack of description in the annual report. However, it is important for companies to assure the investing public that there are "financially-trained" individuals in the AC. Equally important is that it is difficult to see how the lack of presence of any "financially-trained" AC members could result in an effective AC.

5.6.10 SID contributes to the training of AC members by establishing an AC Chapter in January 2017. The AC Chapter is to build capacity and improve the effectiveness of ACs by curating publications and training programmes for directors.

NOTE:
16 Defined as individual with recent and relevant accounting or related financial management expertise or experience, consistent with the Singapore Code of Corporate Governance (2018)

Table 12 : Summary Statistics of AC Members who Are Financially Trained

No. of Financially-Trained Members in AC	2020 Study			
	≥S$500m	<S$500m	Catalist	Total
	Number of Companies			
0	11 (7.8%)	17 (5.6%)	10 (4.9%)	38 (5.8%)
1	39 (27.7%)	96 (31.7%)	59 (28.6%)	194 (29.8%)
2 or more	91 (64.5%)	190 (62.7%)	137 (66.5%)	418 (64.4%)
TOTAL	**141 (100%)**	**303 (100%)**	**206 (100%)**	**650 (100%)**

No. of Financially-Trained Members in AC	2015 Study			
	≥S$500m	<S$500m	Catalist	Total
	Number of Companies			
0	4 (2.4%)	18 (4.4%)	8 (5.6%)	30 (4.2%)
1	43 (26.2%)	128 (31.3%)	31 (21.5%)	202 (28.2%)
2 or more	117 (71.4%)	263 (64.3%)	105 (72.9%)	485 (67.6%)
TOTAL	**164 (100%)**	**409 (100%)**	**144 (100%)**	**717 (100%)**

No. of Financially-Trained Members in AC	2011 Study			
	≥S$500m	<S$500m	Catalist	Total
	Number of Companies			
0	15 (10.1%)	55 (12.1%)	14 (11.4%)	84 (11.6%)
1	53 (35.8%)	217 (47.9%)	49 (39.8%)	319 (44.1%)
2 or more	80 (54.1%)	181 (40.0%)	60 (48.8%)	321 (44.3%)
TOTAL	**148 (100%)**	**453 (100%)**	**123 (100%)**	**724 (100%)**

5.7 Tenure of AC members

5.7.1 Studies have shown that AC members with long tenure may become so comfortable with the management that they are less scrutinizing and may accept management's judgment and decisions more readily. Research argues that long tenured board members are more closely affiliated with management and therefore have a greater tendency to approve excessive compensation for the CEO. Hence there should be a term limit for board membership. However, there are contrary studies which find that earnings management is less likely in the presence of AC members with longer tenure and long tenure of AC has a positive impact in constraining tax aggressiveness.

5.7.2 Table 13 shows that only 1.7% of the chairmen of AC (2015: 18.5%) and 3.0% of the members of the AC (2015: 22.4%) have been with the company for one year or less. However, slightly more than 40% of the AC chairmen and members have been with the company for 5 years or less. It would seem to suggest that most chairmen and members of AC have been with the companies for some years and the turnover of Chairmen and members in 2020 has slowed down significantly as compared to 2015.

Table 13 : Number of Years AC Members have been with the Companies

	2020 Study			2015 Study		
	Chairmen	**Members**	**Total**	**Chairmen**	**Members**	**Total**
Less than or equal to One year	11 (1.7%)	45 (3.0%)	56 (2.6%)	132 (18.5%)	358 (22.4%)	490 (21.2%)
More than One Year to Five Years	232 (36.1%)	600 (40.4%)	832 (39.1%)	207 (29.1%)	519 (32.4%)	726 (31.4%)
More than Five Years to Ten Years	186 (28.9%) 159 (24.7%)*	450 (30.3%) 386 (26.0%)*	636 (29.9%) 545 (25.6%)*	213 (29.9%)	409 (25.6%)	622 (26.9%)
Greater than Ten Years	212 (33.0%) 239 (37.2%)**	384 (25.8%) 448 (30.1%)**	596 (28.0%) 687 (32.3%)**	150 (21.1%)	281 (17.6%)	431 (18.6%)
Insufficient Information	2 (0.3%)	7 (0.5%)	9 (0.4%)	10 (1.4%)	33 (2.1%)	43 (1.9%)
TOTAL	**643 (100%)**	**1,486 (100%)**	**2,129 (100%)**	**712 (100%)**	**1,600 (100%)**	**2,312 (100%)**

* More than Five Years to Nine Years
** Greater than Nine Years

5.7.3 A large percentage of chairmen and members (33.0% and 25.8% respectively) have been with the company for 10 years or more. The new 9-year independent director rule would prima facie deem all these directors as non-independent. Companies will then have to explain why they are still considered independent and should continue to serve in the ACs. In addition, as the 9-year rule comes into effect on 1 January 2022, directors who have served more than 9 years would be subjected to a two-tier vote and action has to be taken to renew the board or subject the AC members to a two-tier vote by 31 December 2021. Companies may do well to note these and take the necessary action.

5.8 Adherence of ACs with CG Code 2018 and SGX LR

5.8.1 Table 14 shows that majority of the companies (2020: 99.7%) made reference to the terms of reference of their ACs and most of the references (2020: 99.5%) were made in the corporate governance section of the annual report.

Table 14 : Disclosure of the Terms of Reference for ACs

	2020 Study		2015 Study	
Section of Disclosure	**No. of Companies**	**%**	**No. of Companies**	**%**
Corporate Governance Section of the Annual Report	647	99.5%	707	98.6%
Director Statement Section of the Annual Report	1	0.2%	7	1.0%
No Disclosure	2	0.3%	3	0.4%
Total	**650**	**100.0%**	**717**	**100.0%**

5.8.2 Table 15 provides a distribution of the description of the roles and duties of the ACs in the Annual Reports for the 650 companies. It shows that the descriptions of the roles of the AC in the annual reports generally conform to the requirements in the Companies Act, CG Code 2018 and GAC 2014. In comparison to 2015, the annual reports of companies are more extensive in disclosure and coverage.

5.8.3 However, only 39.5% of the companies 'state the maximum number of listed company board representations which directors may hold'.

Table 15 : Description of the Roles of the ACs in the Terms of Reference

			2020 Study		2015 Study	
Roles of AC in the Terms of Reference	**CG Code 2018 Provisions (Prov) / SGX LR Practice Guide (PG) 10**	**GAC 2014 Guidelines**	**N**	**%**	**N**	**%**
Undertake the statutory and regulatory functions of the AC as prescribed by law	Prov 1.1	Sections 4 and 6	551	84.8%	222	31.0%
Review issues related to compliance	Prov 1.1	Appendix B	615	94.6%	439	61.2%
Review regulatory filings (such as with SGX)	Prov 1.1	Appendix B	546	84.0%	226	31.5%
Review impact of new or proposed accounting principles or regulatory requirements	Prov 1.2	Section 5	549	84.5%	245	34.2%
Review issues related to conflicts of interest (interested persons transactions)	Prov 4.4	Section 2 : 2.2.32 – 2.2.50	554	85.2%	643	89.7%
State the maximum number of listed company board representations which directors may hold	Prov 4.5	Section 1 : 1.2.16 – 1.2.17	257	39.5%	404	56.3%
Review financial statements and financial reporting	Prov 10.1(a)	Section 4	646	99.4%	663	92.5%
Review risk management controls	Prov 10.1(b)	Section 3	645	99.2%	627	87.4%
Review internal controls	Prov 10.1(b)&(c)	Section 3	648	99.7%	611	85.2%
Recommend the re-appointment and compensation of the external auditor to the board	Prov 10.1(d)	Section 6	641	98.6%	673	93.9%
Review adequacy, scope, and results of external audit	Prov 10.1(e)	Section 6	648	99.7%	638	89.0%
Review adequacy, scope, and results of internal audit	Prov 10.1(e)	Section 4	647	99.5%	555	77.4%
Commission and review internal investigations (such as fraud, legal cases etc.)	Prov 10.1(f)	Appendix A	634	97.5%	491	68.5%
Reviewing the level of non-audit services	PG 10(d)	Section 6	640	98.5%	673	93.9%
Review of whistle blowing programmes	PG 10(f)	Section 2 : 2.2.51 – 2.2.65	585	90.0%	216	30.1%

5.8.4 Table 16 shows the distribution of the disclosure of auditors' fees for the 650 companies in their annual report. 99.5% of the 650 companies disclosed the aggregate amount of auditors' fees paid with 98.3% of these companies breaking down the fees into those paid for audit services and those for non-audit services. The high compliance rate is an improvement from the 2015 study.

Table 16 : Distribution of the Disclosure of Auditors Fees

	2020 Study	**2015 Study**
Auditors' Fees	**%**	**%**
Disclosure of the aggregate amount of fees paid to external auditors	99.5%	97.5%
Disclosure of the breakdown of the fees paid to the external auditor for audit and non-audit services	98.3%	95.3%

5.8.5 Table 17 shows the frequency of companies' disclosure of the existence of a whistle blowing policy and the procedures for raising concerns in the whistle blowing policy. 97.2% of the companies disclosed the existence of a whistle blowing policy and 66% of the companies disclosed the procedure for raising concerns under the whistle blowing policy. Both are improvements as compared to 2015.

Table 17 : Disclosure of Whistle Blowing Policy

	2020 Study	**2015 Study**
Whistle Blowing Policy	**%**	**%**
Disclosure of the existence of a whistle blowing policy	97.2%	93.9%
Disclosure of the procedure to raise the concerns	66.0%	37.9%

5.8.6 Table 18 shows the channels in which a whistle blower can report a concern. The most popular channel is the AC while the rest are relatively insignificant in percentage. The proportion of companies that did not disclose the reporting channel has dropped slightly to 30.1%.

Table 18 : Channels for Reporting Concerns Under Whistle Blowing Policy

	2020 Study	**2015 Study**
Channels of Reporting.	**%**	**%**
AC	49.7%	50.2%
AC / Management / Internal auditor / external party	11.4%	9.0%
External party	0.5%	2.9%
Management	3.4%	2.5%
Internal auditor	2.3%	1.4%
Other	2.6%	0.0%
No Disclosure	30.1%	34.0%
Total	**100%**	**100%**

5.8.7 Table 19 shows that there are marked increases in percentage of disclosures for 2020 for the number of companies that keep their AC updated of relevant changes to accounting standards and issues which have a direct impact on financial statements, whether by the external auditors, presentations conducted by external parties, or training attended by the AC members.

Table 19: Major Sources of Training for the AC Members on Changes to Accounting Standards and Issues which have a Direct Impact on Financial Statements

Description	2020 Study %	2015 Study %
The AC is kept informed on relevant changes on a regular basis by external auditors	77.8%	20.6%
The AC is kept informed on relevant changes on a regular basis by parties other than the external auditors	47.7%	8.4%
The AC is kept informed by attending training conducted by external parties	41.7%	7.8%

5.8.8 There has been continued emphasis on risk management in both the CG Code 2018 and GAC 2014. In the sample of 650 companies, only 17.4% (2015: 14.5%) of them had separate board risk committee (BRC). In fact, 83.2% (2015: 83.8%) of the companies sampled deemed the AC as having the basic responsibility for overseeing risk management and internal control.

5.8.9 Table 20 shows that 95.1% of the ACs commented on the adequacy of the internal controls while 90.6% commented on the effectiveness of the company's internal control system. For adequacy and effectiveness of the risk management system, 90.2% and 87.2% of the companies indicated their comments respectively.

5.8.10 The findings from Table 20 suggest a significant improvement in comparison to 2015, implying that most ACs recognize the heightened importance of internal controls and risk management and comply with the CG Code 2018 and GAC 2014.

Table 20 : Disclosure of the Assessment of the Internal Control and Risk Management Systems

	2020 Study		2015 Study	
Description	N	%	N	%
Internal controls - adequacy	618	95.1%	683	95.3%
Internal controls - effectiveness	589	90.6%	331	46.2%
Risk management - adequacy	586	90.2%	474	66.1%
Risk management - effectiveness	567	87.2%	295	41.1%

6. Findings from Survey and Interview

6.1 Research Method

6.1.1 This study uses a survey and interview approach coupled with focus group discussions to obtain insights on the role of Audit Committee (AC) from chairmen and members of AC directly. The information pertains to five key areas relating to AC:

a. Resource Adequacy
b. Workload
c. Disclosure and assessment of KAMs
d. Impact of Digitalisation
e. Impact of COVID-19

6.1.2 The survey questionnaire was reviewed by Accounting and Corporate Regulatory Authority (ACRA), Singapore Exchange (SGX), Singapore Institute of Directors (SID) and Institute of Singapore Chartered Accountants (ISCA) prior to distribution.

6.1.3 The online questionnaire survey was conducted from 14 to 30 October 2020. After the close of the survey, focus group discussions and one-to-one interviews were arranged to capture the AC directors' insights into the five key areas relating to AC as gathered from the online survey.

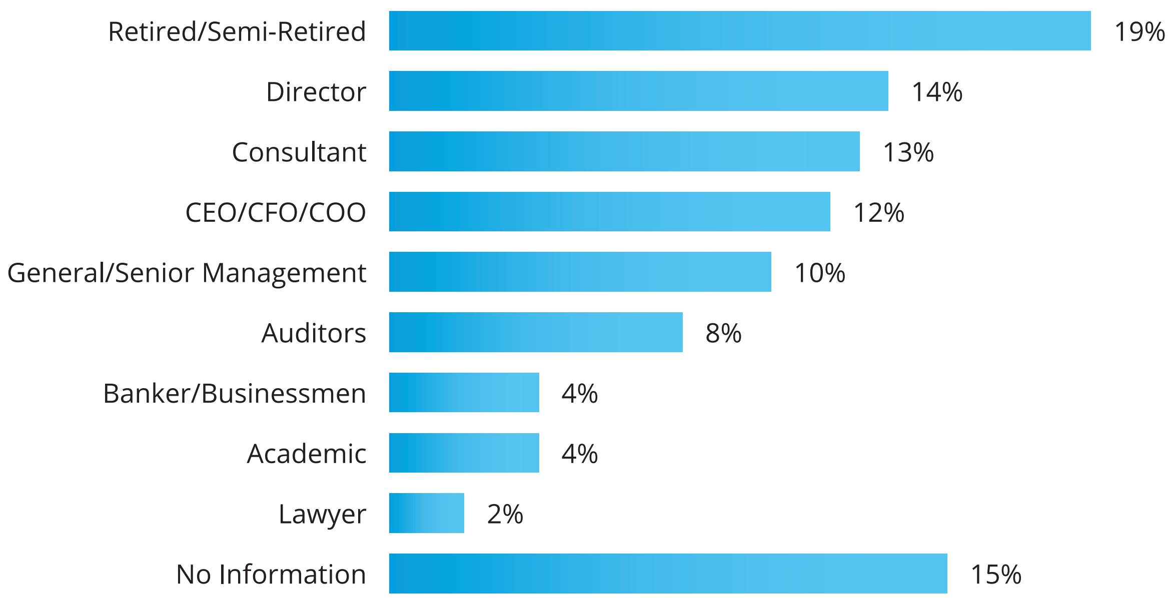
6.2 Participants

6.2.1 SID and ISCA helped to distribute the online survey instrument via emails to 492 members who are AC Chairmen or members. SID and ISCA followed up with two rounds of email reminders to the participants. There were 139 respondents of which 126 completed survey responses were usable. The final response rate was 25.6%, which is comparable with other AC surveys.

6.2.2 For the 126 respondents, 47% of them serve only in one AC. 70% of them have more than 5 years of experience in an AC while 60% of them are 61 years and above. 94% of them are financially trained with 68% serving as chairmen of AC. However, only 6% of the respondents are female.

6.2.3 The current full-time experience of the respondents is shown in Figure 2 below.

Figure 2 : Current Full-Time Experience of Respondents



6.2.4 After the close of the survey, two focus group discussions and five individual interviews were conducted. A total of 15 AC Chairmen/members, representing 26 SGX-listed companies participated in the focus group discussions and interviews. 62% of the interviewees are Chairmen of AC while 87% of the interviewees are male. 35% of the respondents are members of AC of companies with market capitalization of S$500m or above while 65% are below S$500m. 77% of the respondents sit on mainboard listed companies while the rest (23%) are on Catalist companies.

6.3 Resource Adequacy

6.3.1 From Table 21. 88.8% of the survey participants agree or strongly agree that the internal audit (IA) department is effective in supporting the AC while 94.4% agree or strongly agree that the finance department is effective. This positive sentiment is echoed by the interviewees.

6.3.2 However, some AC directors opined that internal audit work scope may be constrained by cost concerns. They shared that it is difficult for smaller companies to maintain an in-house IA as staff retention is a challenge. As there may be a lack of training resources, the IA staff's depth of knowledge may be limited too.

6.3.3 From Table 21, 82.6% of the survey participants opined that their AC can attract experienced AC members. In further discussions with the interviewees, they shared that this may depend on the company's size and reputation. The selection of AC members is currently still very much "an old boys club", so companies may not have cast the net wide enough to source for the best fit in the AC. SID offers a set of affordable board appointment services that companies can tap on to find and appoint suitable directors. The service provides companies an opportunity to go beyond the directors' personal networks. The service taps on SID's extensive directory of directors who are willing to serve as independent directors on boards.

Table 21 : Responses on Resource Adequacy

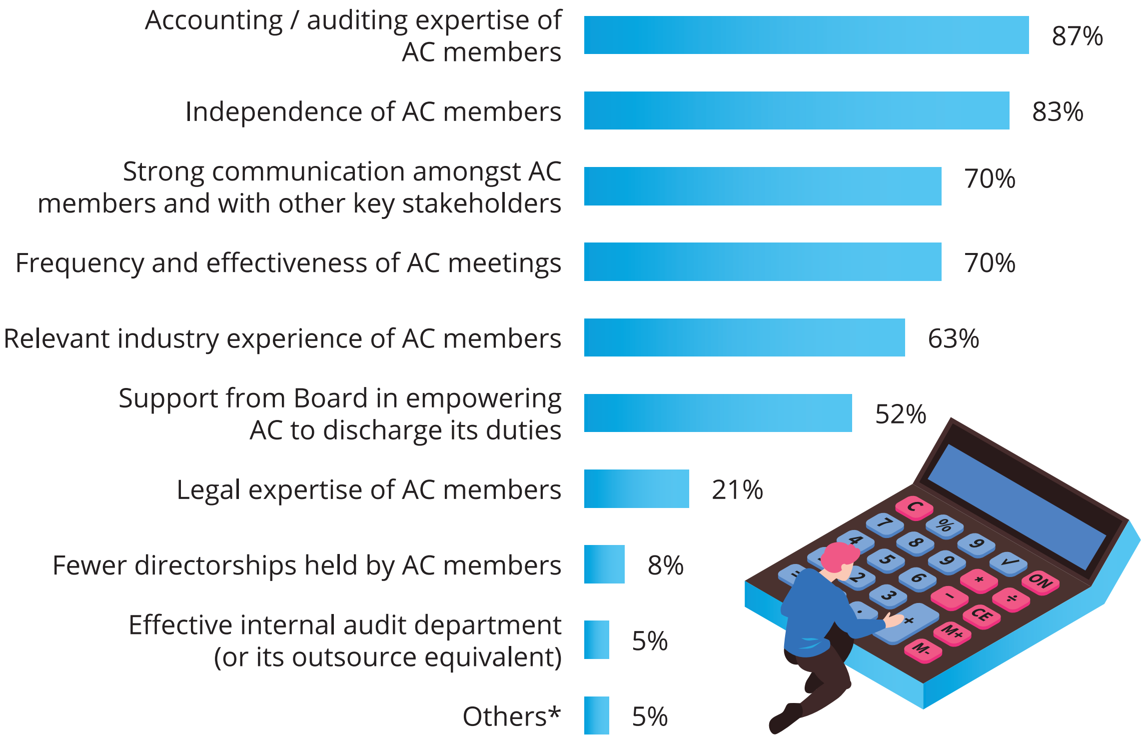
	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Average
The internal audit department (or its outsource equivalent) is effective in supporting the works of the AC.	2	2	10	71	41	4.2
	1.6%	1.6%	7.9%	56.3%	32.5%	
The finance department is effective in supporting the works of the AC.	1	2	4	76	43	4.3
	0.8%	1.6%	3.2%	60.3%	34.1%	
My AC can attract experienced AC members with deep accounting and/or auditing knowledge.	1	3	18	66	38	4.1
	0.8%	2.4%	14.3%	52.4%	30.2%	

6.3.4 The CFO and the finance department are also key in supporting the AC. Some interviewees opined that smaller companies may face difficulty attracting better quality CFO or finance staff who tend to join larger companies for better career prospects. Due to a lower level of resource support, AC members need to put in greater efforts and time in smaller companies. In coping with the new accounting standards, companies' finance departments often need to seek advice from the external auditors on how to deal with the changes.

6.3.5 Some interviewees opined that it is more difficult for Catalist companies to get AC members because individuals may prefer reputable companies as some see this as reputation building for themselves. Also, smaller companies may be perceived to have greater risk. Several interviewees shared that organization culture and leadership from the Board Chairman is crucial.

6.3.6 Figure 3 presents the key attributes of an effective AC and the top five attributes came as no surprise. Prior empirical studies have also shown that attributes such as accounting and financial expertise, independence, AC diligence and relevant industry experience make an effective AC. The interviewees generally agreed with these attributes based on the survey results, some commented they are "the standard boilerplate qualities of a good AC".

Figure 3 : Key Attributes of an Effective AC



*Others include the ability to ask relevant questions to the Management, personal motivation, diversity and adequate resources.

6.3.7 Interviewees agree that AC members need to be intellectually curious, have the ability and courage to ask the right questions to the management and auditors. It is crucial for AC directors to ask tough questions and not just be a "nice guy" or remain silent in discussions.

6.3.8 Another attribute mentioned by several interviewees was the diversity of skillset and gender in the AC to provide different perspectives. One mentioned that "it is not a good thing to have all accountants in an AC". On the other hand, if there is only one AC member with accounting/financial expertise, he/she becomes the key person whose professional judgment is sought and relied upon. It exposes the AC and company to "key-man" risk.

6.4 Workload

6.4.1 From Table 22, an overwhelming 89.7% of the survey participants agree or strongly agree that AC is taking on more responsibilities than before. In addition, 69.8% of them opined that "AC is taking on responsibilities beyond the scope of what is expected as set out in Provision 10.1 on the duties of the AC in the Code of Corporate Governance 2018". It is a concern that 42.8% of the participants feel that there is a dilution of the ACs' work on financial reporting. This phenomenon may be explained by our interview findings below.

Table 22 : Opinions on Workload of AC

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Average
I find that AC is taking on more responsibilities as compared to the past.	1	1	11	61	52	4.3
	0.8%	0.8%	8.7%	48.4%	41.3%	
I feel that the AC is taking on responsibilities beyond the scope of what is expected as set out in Provision 10.1 on the duties of the AC in the Code of Corporate Governance 2018.	1	12	25	62	26	3.8
	0.8%	9.5%	19.8%	49.2%	20.6%	
I find that the additional scope of work dilutes the AC attention towards financial reporting and audit	4	20	48	46	8	3.3
	3.2%	15.9%	38.1%	36.5%	6.3%	
The director fee for AC Chairmanship/Membership does not commensurate with the work done as an AC Chairman/ Member.	2	5	35	55	29	3.8
	1.6%	4.0%	27.8%	43.7%	23.0%	
There are clear criteria to assess the performance of the AC and the individual AC members.	1	4	28	88	5	3.7
	0.8%	3.2%	22.2%	69.8%	4.0%	
I am concerned with the impact of a modified audit opinion, including the need to perform periodic (including quarterly or half-yearly) reporting on the AC work.	3	5	35	54	29	3.8
	2.4%	4.0%	27.8%	42.9%	23.0%	

6.4.2 All interviewees shared that AC responsibilities have indeed expanded over the years, and the tasks are non-trivial. The added tasks take away time from the AC in their core work of financial reporting. However, they feel that it is good that at least the AC is looking at the wider business risks.

6.4.3 The expanded scope is important for smaller companies which may not have other committees to review areas like business, operational, reputation risk or cybersecurity which may increase financial reporting risk to the company over time. The interviewees opined that in a way, it is important for AC to be involved in tasks such as risk management as it impacts the effectiveness of controls and ultimately affects the integrity of the financial statements.

6.4.4 Surprisingly, only 66.7% of the respondents agree or strongly agree that the director fee does not commensurate with the work done as an AC director. We expect a higher percentage to agree that the fee does not commensurate with the work of AC in view of the expansion in job scope.

6.4.5 One interviewee explained that the adequacy of the director fee depends on how much work is done by the AC, how well supported they are by the management, internal auditors and empowerment by the Board. Since the AC is mainly made up of independent directors whose role is more of consulting and advisory, the director fee is appropriate if the company is well-run. If this is not the case, the risk for AC member may be too high.

6.4.6 Bigger companies generally pay higher director fee as their operations tend to be more complex, so the AC role can be more challenging, thus warranting the directors to be paid more. On the other hand, we note that for smaller companies, AC may do the same amount of work, if not even more due to lower level of resource support and may possibly take on more risks, yet they are paid lower director's fee.

6.4.7 From Table 22, 73.8% of the respondents opined that there are clear criteria to assess the performance of the AC and the individual AC members.

6.4.8 Although 65.9% of the respondents indicated that they are concerned with the impact of a modified audit opinion, however, when we interviewed the AC directors, they expressed great concern about modified audit opinions. It is a valid assumption that neither the AC, management nor the auditors would want to have a modified audit opinion and they would work together to resolve any outstanding audit matters. However, when it comes to going concern qualification, the issue may be beyond the control of the AC. This is when it is most important for AC members to stay engaged with management, auditors and stakeholders instead of resigning.

Table 23 : Percentage of Time Spent by AC*

	Max	**Average**
Review of financial statements and announcements.	90.0%	28.1%
Review of the adequacy and effectiveness of internal controls (including financial, operational, compliance and information technology controls) and risk management systems of the company.	30.0%	13.5%
Review of the scope and results of the external audits and the independence, adequacy and objectivity of the external auditor.	30.0%	12.7%
Review and discussion on the key audit matters (KAMs) and other areas in auditors' report.	30.0%	10.5%
Review of the scope, results, independence, adequacy and objectivity of the internal auditor.	25.0%	10.1%
Feedback to the Board and Management on internal controls, KAMs and/or significant observations noted in the Company's financial disclosures.	20.0%	9.0%
Cash flow forecast and compliance with bank covenants, if any.	30.0%	8.9%
Review of significant matters raised through the whistle-blowing channel.	20.0%	5.2%
Other**	20.0%	9.0%

**Average % of time spent for various activities are calculated; they do not add up to 100%*
***Other includes business/strategy/planning matters, going concern, diversity of business, human resource, integrated reporting, cybersecurity and technology issues.*

6.4.9 While the AC's responsibilities have expanded over the years, from Table 23, AC's primary focus is still on the review of financial statements and compliance with SGX LR, which is evident from the survey results as this is where they spend most amount of time. This is corroborated by the interviews and focus group discussions. The interviewees added that this is especially so in recent years due to the changes in the financial reporting standards.

6.4.10 The AC also spends much time reviewing the adequacy and effectiveness of the internal controls and results of the internal and external auditors, as they directly affect the integrity of the financial reports. The survey results showed that only 8.9% of the time is spent on reviewing company's cashflow forecast and compliance with bank covenants. However, some interviewees shared that the amount of time depends on the state of cashflow and how it can affect the bank covenants. They commented that more attention has been given to cash flow forecasts and compliance with the bank covenants during the Covid-19 pandemic.

6.4.11 We sought the interviewees' input regarding the abolition of quarterly reporting. The interviewees opined that the AC still reviews the company's financial statements every quarter, just that there is no need to publish the quarterly financial statements. So, they generally feel some easing of pressure and companies can save costs by not having to engage auditors to review the quarterly reports. However, the amount of work for the AC and the number of AC meetings per year remain unchanged.

6.5 Disclosure and assessment of KAMs

6.5.1 The disclosure of key audit matters (KAMs) is to convey unique information about the audit engagement to intended users and thus, enhancing the communicative value of the auditor's report by providing a 'roadmap to help users better navigate complex financial reports and focus them on matters likely to be important to their decision making' (IAASB 2011, para 36). There is a whole host of recent studies on KAMs. For example, KAMs are found to contain informational value as participants access KAM-related disclosures more rapidly and are more attentive to them. In addition, the presence of KAMs impacts the financial reporting behavior of management positively as management tends not to make aggressive financial reporting decisions. KAMs serve to improve the accountability of management as greater transparency reduces the likelihood of earnings management leading to higher financial reporting quality.

6.5.2 Suitable comparisons are made with the PwC 2018 Study[17] which was a survey of auditors in Singapore for entities listed on the SGX, with financial year ended on 31 December 2017. The aim of the PWC study was to draw interesting insights from the observations that could help in facilitating audit committees in the production of more meaningful commentaries that are of value to readers of financial statements.

6.5.3 From Table 24, the average ratings range between 3.4 and 3.6 out of 5, indicating "Neutral" to "Agree" on the three survey statements on KAM. When we asked the interviewees about the disclosure and assessment of KAMs, the general feedback is that the AC does not spend too much time on KAMs as they are part of the audit workplan under the purview of the external auditor and they are based on the external auditors' judgement on what is of importance to them. AC generally does not challenge the KAMs raised by external auditors because they would have discussed with management and auditors about the KAMs before annual reports are published. A lack of AC commentary is probably because the AC concurs with the KAMs raised by the auditors. In the Asian context, it is unlikely that the AC and the auditors would want to openly disagree on KAMs in public.

Table 24 : Opinions on the Disclosure and Assessment of KAMs

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Average
I am concerned with the impact of KAMs disclosure requirements on AC work.	4	15	36	58	13	3.5
	3.2%	11.9%	28.6%	46.0%	10.3%	
The AC spent quite an amount of time discussing the KAMs disclosure with the external auditors.	3	9	31	71	12	3.6
	2.4%	7.1%	24.6%	56.3%	9.5%	
I believe there should be disclosure in the annual report on how AC reviews the KAMs and its response.	2	18	45	51	10	3.4
	1.6%	14.3%	35.7%	40.5%	7.9%	

NOTE:
17 2018 PwC report on the second-year adoption of the Enhanced Auditor's Report in Singapore.

6.5.4 The interviewees opined that the disclosure of KAMs has not increased audit efforts and time significantly as the KAMs have been raised and discussed internally with the Board/Management all along. The disclosures in the annual report only make them available to the shareholders and public. However, time spent in wording the KAMs appropriately in the annual report is probably non-trivial and it increases the cost to the auditors with no assurance that the KAMs provide more information to the readers or that it enhances the integrity of the financial.

6.5.5 The interviewees also opined that shareholders do not ask any questions about KAMs at the AGMs. KAMs may seem redundant to shareholders when there is an unqualified audit opinion. It is assumed that KAMs have been considered duly closed or passé. For the general public or shareholders, there may also not be enough visibility on KAMs especially in the annual reports. Auditors may help to educate or emphasize the importance of KAMs.

6.5.6 Table 25 shows the minimum, maximum and average number of KAMs by industry sector. The 2020 Study observes that the average number of KAMs is 1.9, which is lower than the 2.2 observed in the PwC 2018 Study. The average numbers of KAMs across the different industry categories range from 1.6 to 2.7, as compared to the range of 1.9 to 3.7 in the PwC 2018 Study. There seems to be a downward trend in the number of KAMs disclosed. One plausible reason could be that management and ACs have worked to resolve the issues over time, such that some of the matters are no longer of key concerns or audit matters to the auditors.

Table 25 : Minimum, Maximum and Average Number of KAMs by Industry Sector

	Min	**Max**	**Average of No. of KAM**
Banking and Financial Services	0.0	4.0	1.8
Construction	0.0	4.0	1.9
Healthcare	1.0	4.0	2.1
Manufacturing	0.0	6.0	1.9
Marine & Offshore	2.0	2.0	2.0
Multi-industry	0.0	8.0	1.7
Natural Resources	0.0	3.0	1.6
Real Estate	0.0	5.0	2.0
Retail	0.0	4.0	1.7
Services	0.0	5.0	2.0
Technology	0.0	4.0	1.8
Telecommunication	0.0	5.0	2.2
Transportation	1.0	4.0	2.7
Utilities	1.0	4.0	2.6
Overall	**0.0**	**8.0**	**1.9**

6.5.7 From Table 26, 50 (7.7%) listed companies did not have any KAM in their annual reports. However, only 2 (1.4%) listed companies with market capitalization of $500m and above did not have any KAMs reported. More than 60% of the listed companies across all three size categories have 1 or 2 KAMs in their annual reports.

Table 26 : Number of Companies with KAMs by Size Categories

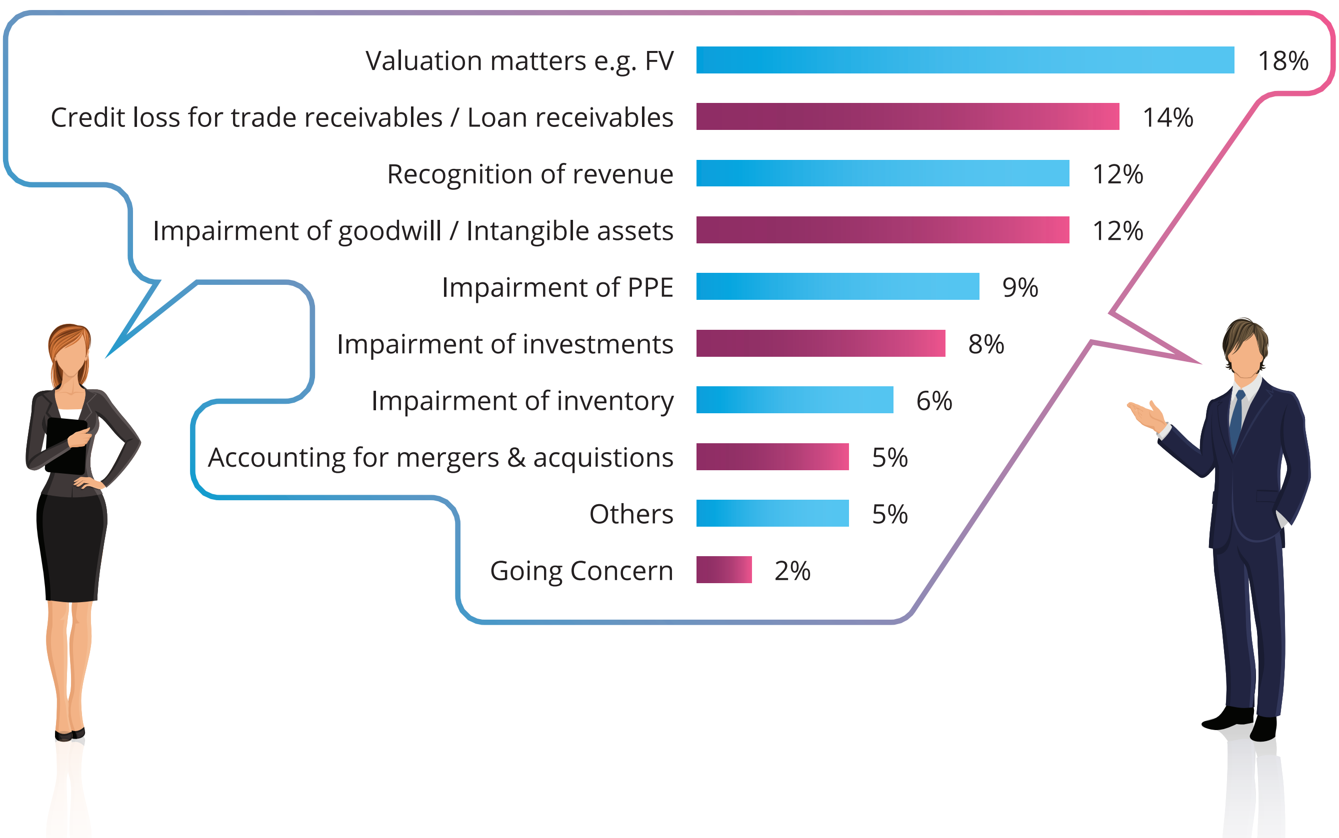
No. of KAMs	≥$500m	<$500m	Catalist	Total
0	2 (1.4%)	26 (8.6%)	22 (10.7%)	50 (7.7%)
1	47 (33.3%)	76 (25.1%)	77 (37.4%)	200 (30.8%)
2	51 (36.2%)	117 (38.6%)	67 (32.5%)	235 (36.2%)
3	25 (17.7%)	58 (19.1%)	25 (12.1%)	108 (16.6%)
4	13 (9.2%)	21 (6.9%)	11 (5.3%)	45 (6.9%)
5	2 (1.4%)	5 (1.7%)	3 (1.5%)	10 (1.5%)
6	0 (0.0%)	0 (0.0%)	1 (0.5%)	1 (0.2%)
8	1 (0.7%)	0 (0.0%)	0 (0.0%)	1 (0.2%)
No. of companies	**141** (100%)	**303** (100%)	**206** (100%)	**650** (100%)
Average number of KAMs per company	**2.1**	**2.0**	**1.7**	**1.9**

6.5.8 Though it is not mandatory in Singapore to have AC commentary, 61% of the sampled annual reports included AC commentary on KAM disclosures, which is just a slight increase from the 60% found in the PwC 2018 Study. There seems to be minimal improvement in the number of ACs that recognize the significance of AC commentary.

6.5.9 We also document that ACs of companies which are S$500m and above provide commentary more frequently (77%) as compared to the companies with market capitalization less than $500m (59%) or Catalist companies (52%).

6.5.10 Figure 4 shows the top ten topics reported in KAMs, which are similar to those found in the PwC 2018 Study. The most frequently reported KAM pertains to valuation matters, especially, fair value estimation.

Figure 4 : Top 10 topics reported in KAMs



6.6 Impact of Digitalisation

6.6.1 The rapid advancement of technology has brought about both additional risks and opportunities to organizations and added new responsibilities to the AC. Studies have highlighted the impact of technology on the finance organization's 'talent, efficiency, and added value' as one of the top seven items of the 2020 Audit Committee agenda. The finance function is in a good position to guide the company's technology agenda in using new technologies, such as robotics, cloud technologies, data analytics and artificial intelligence. As ACs monitor and guide finance's progress in this area, they should understand what the organization's plans in leveraging new technologies to automate manual activities, reduce costs, and improve efficiencies.

6.6.2 One of the most serious risks that businesses face today is the risk of cybersecurity. A successful cyber-attack could lead to economic and business paralysis that can gravely affect the financial health of a company. As ACs understand the changing operating environment of the organizations, they should also assess the risks posed by digital transformation. The AC is responsible for the review of 'the adequacy and effectiveness of the company's internal control and risk management systems' (CG Code 2018) which is affected by digital transformation. AC should work with the organization's chief audit executive and chief risk officer to identify the key risks posed by digital transformation and help ensure that internal audit is focused on those risks and related controls.

6.6.3 In the 2019 Mini-Guide for Audit Committees, it was suggested that AC can be supported by the internal audit function in reviewing areas, such as the organization's cyber risk management framework and cybersecurity process, 'existing controls against any ongoing digitalisation initiatives or technological changes and conducting penetration and other simulated attacks to test the resilience of the organization'.[18]

6.6.4 From Table 27, the average ratings are between 3.3 and 3.8 out of 5, indicating "Neutral" to "Agree" on the three survey statements. 69.0% of the respondents opined that they view the use of digital tools by the external auditors to be very important to provide assurance on the effectiveness of the audit work. However, in our discussions with the interviewees, the feedback was that the AC's choice of external auditor is not affected by the extent of the auditor's digitalisation at all. This is because the use of digital tools is meant to help the auditors to perform their work more efficiently, which is not perceived as a concern or responsibility of the AC.

6.6.5 More than 50.0% of the respondents had opined that they had been briefed by the external auditors concerning their digital approach in the external audit.

6.6.6 Interestingly, only 42.8% of the participants opined that they are concerned that digitalisation increases company's risk. However, in speaking with the interviewees, many expressed their great concerns on cyber-security risk which is a relatively new area for ACs. It is possible that ACs may not have considered the full extent of cybersecurity risk.

NOTE:
18 The guide was jointly issued by ACRA, SGX, SID and PWC.

Table 27 : Opinions on Impact of Digitalisation

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Average
I view the use of digital tools by the external auditors to be very important to provide assurance on the effectiveness of the audit work.	0	3	36	72	15	3.8
	0.0%	2.4%	28.6%	57.1%	11.9%	
I have been briefed by the external auditors concerning their digital approach in the external audit.	0	17	34	66	9	3.5
	0.0%	13.5%	27.0%	52.4%	7.1%	
Digitalisation increases company's risk and I am concerned.	1	28	43	46	8	3.3
	0.8%	22.2%	34.1%	36.5%	6.3%	

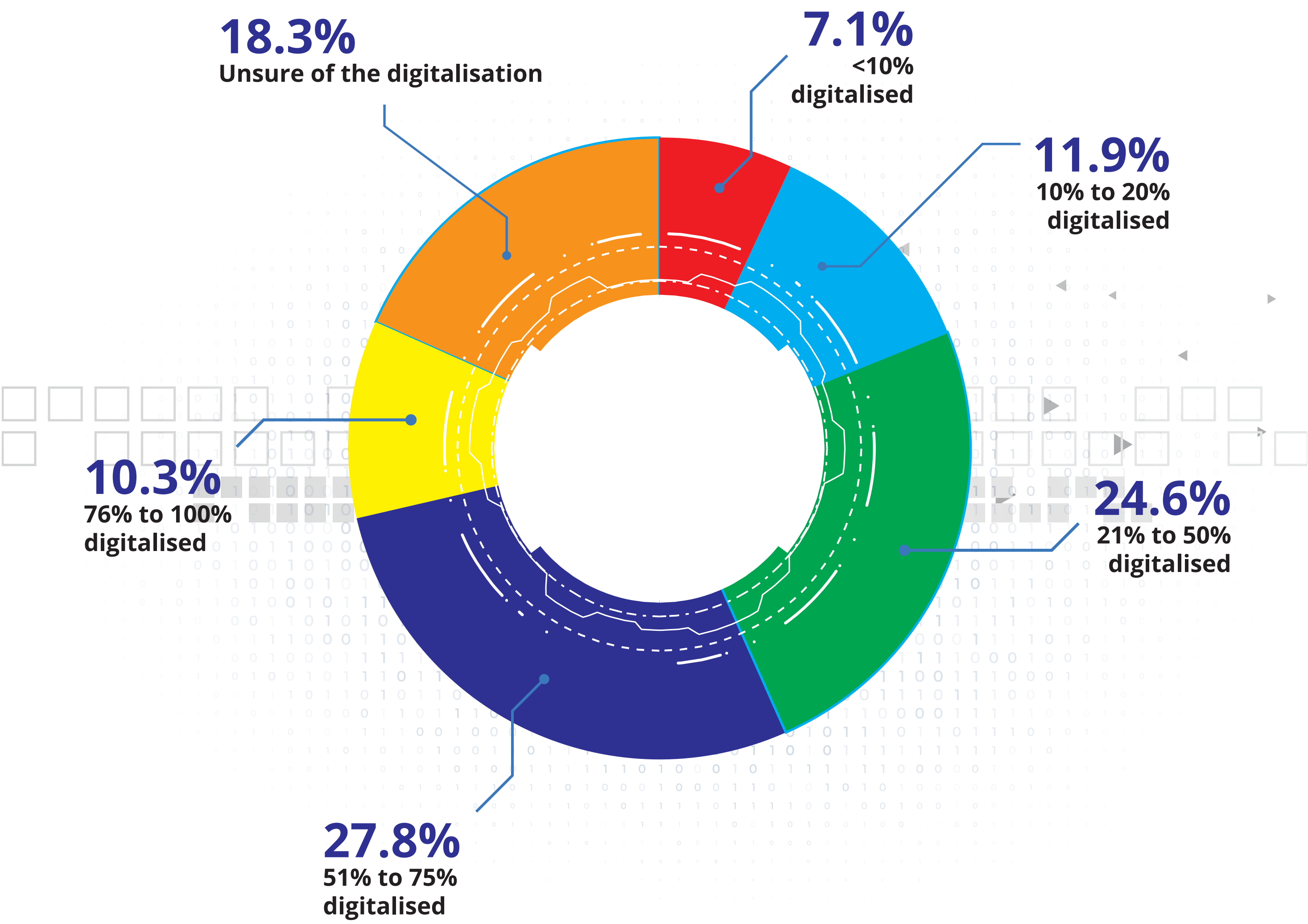
6.6.7 Digitalisation may increase operating and cyber risks to companies as data are centralized, and any data loss is significant and has great detrimental impact on the companies (not including the legal sanctions and costs involved in addressing information loss). It can also be argued that greater professional judgement and human interpretation are required given the huge volume of information and data available.

6.6.8 The Covid-19 pandemic has also shown how important digitalisation is and a Board needs to understand the role of digitalisation in its business and operations. The interviewees shared that digitalisation makes the ACs role more complicated. The high-profile cyber-risk cases (e.g. SingHealth) serve as reminders to companies to devote resources to guard against cyber-attacks. AC can play the role of asking the right questions to help management identify any possible blind spots.

6.6.9 The interviewees had much to advise on digitalisation and risk. With digitalisation, companies adopt new ways of doing things. The Board and AC must be forward-looking and embrace the change. As cyber risk is new, it presents a steep learning curve for AC and auditors. As this is a virgin territory, it also presents a new source of risk to the company as potential for fraud is much higher in the digital world. Hence, a good organisation culture is important. While having strong controls and processes are important, it is crucial to have employees with integrity as collusion among staff can override controls that have been put in place.

6.6.10 Figure 5 shows that slightly more than half of the participants indicated the extent of the company’s digitalisation in financial reporting is between 21% to 75%. As high as 18.3% of the respondents are unsure of the digitalisation extent in their companies. We note from the interviewees that the pace of digitalisation varies significantly across companies and is very much dependent on the industry. Financial companies are taking the lead in the area of digitalisation. Interestingly, amid digital disruption, nothing significant has changed for financial reporting which was reinforced by the responses to the next survey question. The job of the AC, however, is made more complicated due to the changes in internal controls and operational processes relating to digitalisation.

Figure 5 : Current Extent of Company's Digitalisation in Financial Reporting



6.6.11 52% of the respondents opined that their companies do not identify digitalisation in financial reporting as a strategic priority. This may be due to the priority on business operational systems and facilitating employees to work remotely given the ongoing Covid-19 pandemic which is likely to continue at least in the short run.

6.6.12 In the survey, we also asked how AC members are managing the changes brought by digitalisation. As cybersecurity is a very technical area, the AC may not be adequately equipped with the knowledge and experience to deal with it. Many respondents opined that external consultants may need to be engaged to review the adequacy of the control system if required. In keeping abreast with digitalisation, many also shared that the Board and AC members receive briefings by management, IT department and IT experts. The briefings are generally to update the Board and AC members on IT and cyber-related matters. Training sessions are also conducted to enhance the directors' knowledge in these areas. AC directors keep themselves up to date on digitalisation developments by attending relevant trainings. Some also shared that the ACs work closely with the internal and external auditors to ensure that their audit plans include reviews of the areas affected by digitalisation.

6.7 Impact of COVID-19

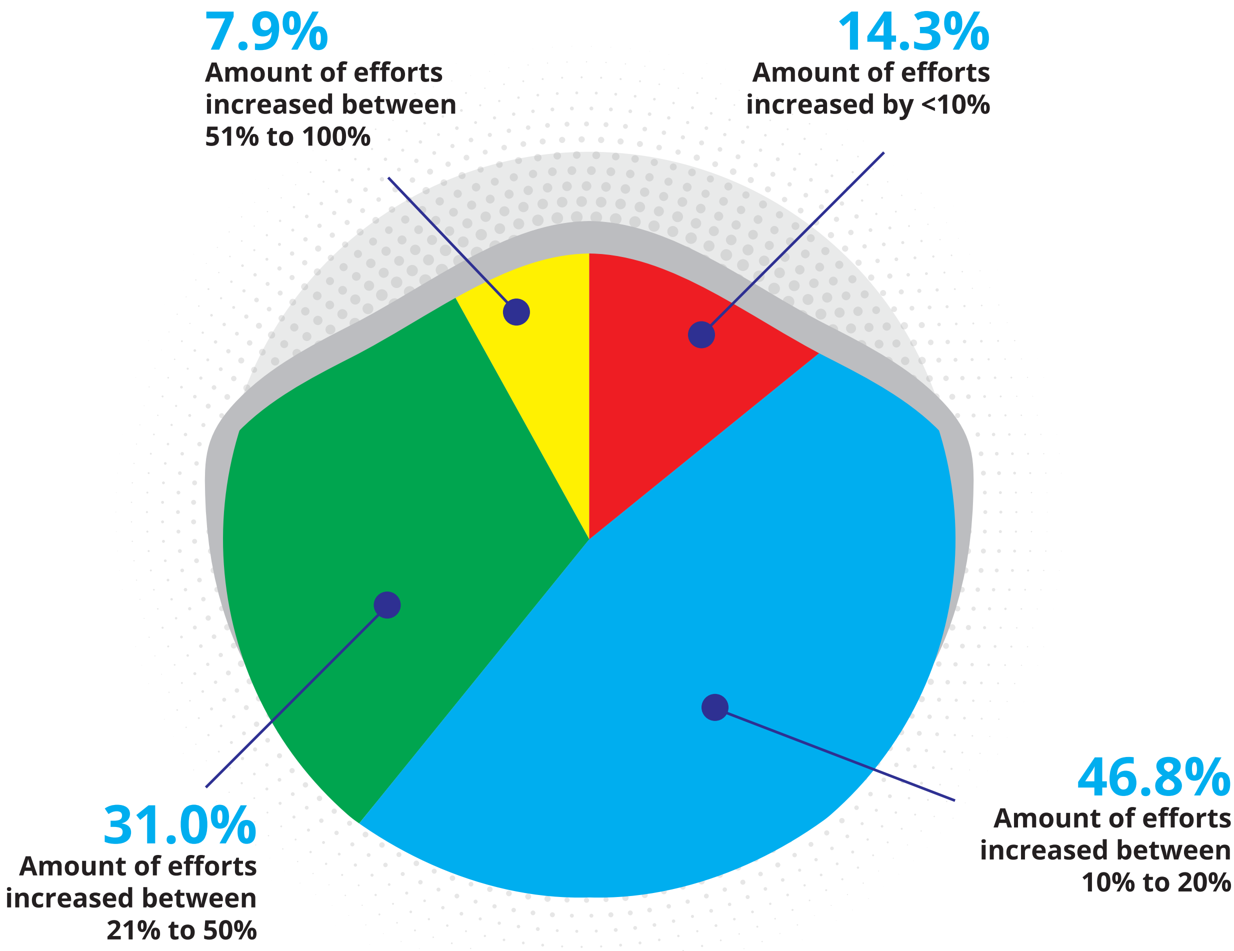
6.7.1 From Table 28, 66.7% of the respondents indicated that Covid-19 has increased the AC's workload for the current financial year-end while 73.1% agree or strongly agree that the pandemic has increased the amount of efforts the AC has placed on ensuring that internal controls remain adequate and efficient. These results are reinforced by the interview findings. Some interviewees shared that additional board meetings were required to make the required disclosures to SGX. There was also increased monitoring by the Board and AC on contracts, customers, cashflows, bank covenants, business continuity plan and budget revision due to Covid-19.

Table 28 : Impact of Covid-19

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Average
The COVID-19 pandemic has increased the AC's workload for the current financial year-end.	0	5	37	68	16	3.8
	0.0%	4.0%	29.4%	54.0%	12.7%	
The COVID-19 pandemic has increased the amount of efforts the AC has placed on ensuring that internal controls remain adequate and efficient (e.g. more frequent checks to ensure no management override of controls). (24)	0	4	30	70	22	3.9
	0.0%	3.2%	23.8%	55.6%	17.5%	

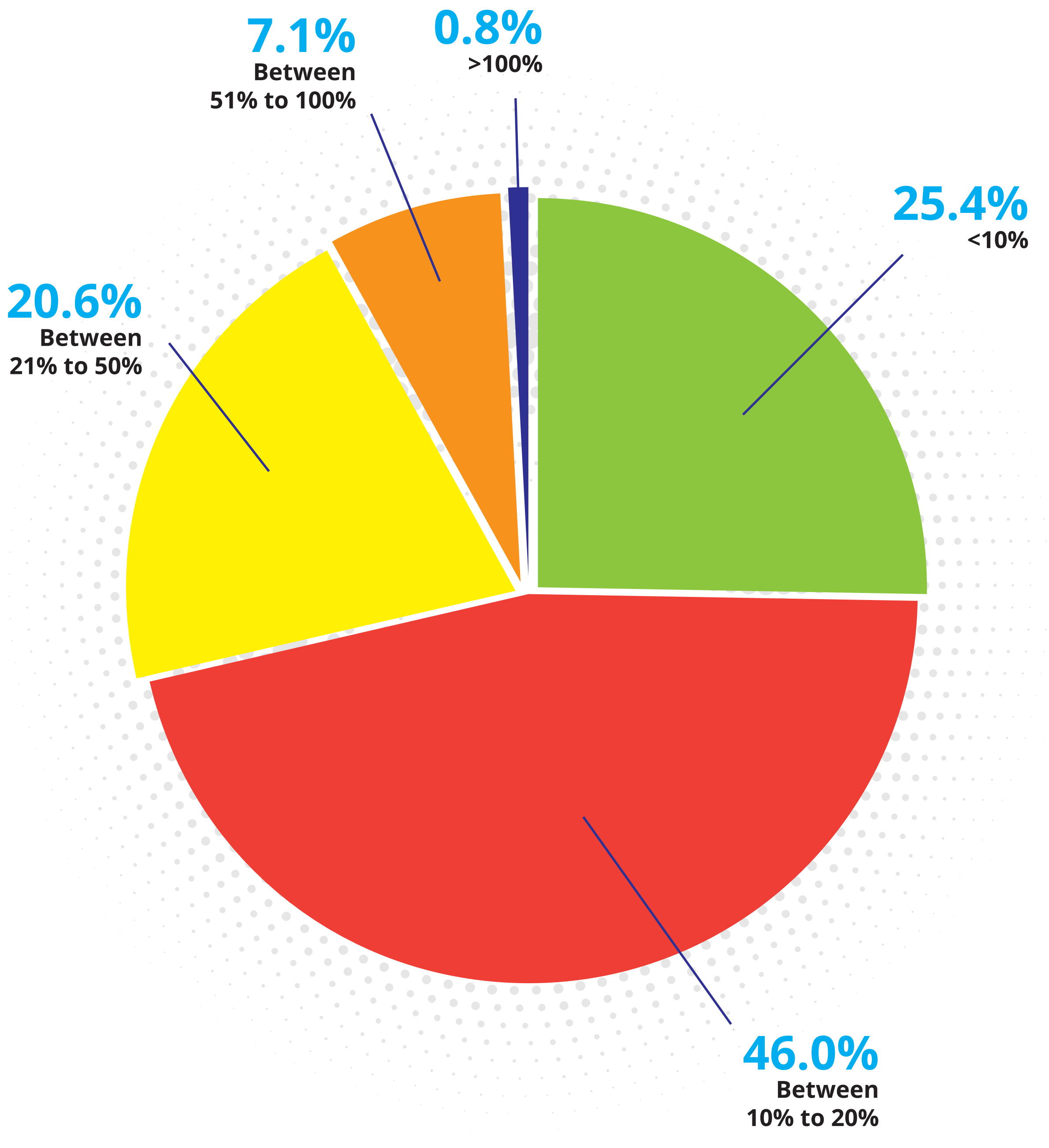
6.7.2 In Figure 6, 77.8% of the respondents indicate that the amount of efforts increased from 10% to 50% due to Covid-19. As Covid-19 hastens the pace of digitalisation in many companies, there may be rapid changes to companies' operations, systems and processes. For example, by enabling employees to work from home, this adds risk to companies and requires more monitoring. In addition, some interviewees opined that due to lockdown and travel restrictions during the pandemic period, internal auditors were not able to do their fieldwork especially in overseas offices. The Board and AC directors were also unable to travel to visit overseas offices which made it more difficult to meet the people there and conveyed a message that the Board had close oversight. All these heightened the risk exposure of companies.

Figure 6 : To what extent has the COVID-19 pandemic increased the amount of efforts the AC has placed on the integrity of the financial statements?



6.7.3 In Figure 7, 46.0% of the respondents indicated 10% to 20% change in the disclosure in the annual report and only 7.1% indicated a 51% to 100% change. However, SGX requires immediate disclosure of material developments brought about by COVID-19 including impact on company's earnings, liquidity, operations, asset valuations, contractual obligations and threats to viability. Hence, annual reports for the financial year ending 2020 are expected to be affected by the uncertainties and challenges from Covid-19 on companies business, its ability to operate as a going–concern and viability.

Figure 7 : To what extent has disclosure in the annual report changed as a result of COVID-19?



6.7.4 In Figure 8, 83% of the respondents indicated impairment in asset valuation as one of their key concerns. This concern does not come as a surprise given the significant economic uncertainties brought by the pandemic which directly impacts the valuation of assets. The pandemic makes it more difficult and subjective to ensure impairment is adequate.

Figure 8 : In light of the COVID-19 pandemic, rank the Top 5 concerns for your company

6.7.5 It should be noted that while "going concern and liquidity" was ranked third in Figure 8, the greatest number of respondents (48%) selected it as the top concern. Indeed, Covid-19 is unprecedented, and it has shifted the Board's and management's attention from long term growth (for example business acquisition) to short-term survival. Covid-19 has also changed the focus of the Board, AC and management. It directs attention on operational and risk management, re-forecast of financial performance, business continuity plan and dividend payout.

6.7.6 When interviewees were asked how they are managing the impacts of COVID-19 with relation to their AC duties, they opined the importance of constant and active engagement with management to assess ongoing operational and financial impacts, closer monitoring of internal controls and financial statements by working with the finance function, internal and external auditors. This includes keeping abreast of latest developments on the pandemic to assess impacts on the business as a whole. Many have expressed they attended more frequent and longer AC meetings to review the varied issues arising from the Covid-19 pandemic.

7. Conclusion

7.1 This is the fourth study in Singapore on the ACs of listed companies. The 2020 Study follows closely the methodology used in the three earlier studies to provide a longitudinal comparison of the development of ACs over time.

7.2 There are changes in legislation and best practices for ACs in Singapore and particularly with the introduction of the new CG Code 2018 and other regulations and best practices.

7.3 The Study provides a description of the attributes of ACs and their members from the 650 listed companies on SGX. The Study covers 1,539 unique individuals as AC chairmen or members. The total number of directors sitting on these 650 listed companies was 2,129.

7.4 On an overall basis, we observe a systematic progression in the attributes of the AC members arising from the adoption of best practices. Accounting/auditing expertise of members is one of the top attributes of an effective AC.

7.5 There is no systematic pattern of non-compliance with the legislation or best practices. Any deviations like having fewer than 3 members in the AC or having executive directors in the AC were confined to a small number of companies. This suggests that listed companies do take the regulations and best practices seriously even though these requirements have been increasing over time.

7.6 One major finding is that there are fewer "busy" AC Chairmen or members as compared to the previous studies.

7.7 The number of female AC members has been increasing albeit at a very slow rate. More can be done to encourage the participation of female directors in AC.

7.8 The required disclosures on the roles and functions of ACs are also adequate and the compliance rate with the relevant regulations and best practices on disclosure of the terms of reference of AC, auditors' fees, whistle blowing policy, assessment of the adequacy and effectiveness of internal controls and risk management are generally in the high 90 percentile. The findings suggest that the ACs of listed companies in Singapore are fulfilling the legislative and best practices requirements in order to have an effective AC.

7.9 One concern is that close to 30% of the current AC members have been with the company for more than 10 years and their independence will be further tested come 1 January 2022. Companies should seriously consider taking the appropriate actions before 2022.

7.10 Even though the survey found that there should be disclosure in the annual report on how AC reviews the KAMs, however, only 60% of the ACs had commented on KAMs.

7.11 An online survey consisting of 126 respondents, and interviews and focus group discussions with 15 AC Chairmen and members provided additional insights in understanding the following key matters.

a. Resource Adequacy
b. Workload
c. Disclosure and assessment of KAMs
d. Impact of Digitalisation
e. Impact of COVID-19

7.12 In summary, the ACs and their members have consistently improved their compliance with legislation and best practices for AC over the years and they are able to cope with new challenges as they adapt to the rapid changes brought by challenging business environment.

Acknowledgements

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About the Institute of Singapore Chartered Accountants

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Established in 1963, ISCA is an advocate of the interests of the profession. Possessing a Global Mindset, with Asian Insights, ISCA leverages its regional expertise, knowledge, and networks with diverse stakeholders to contribute towards Singapore's transformation into a global accountancy hub.

ISCA is the Designated Entity to confer the Chartered Accountant of Singapore - CA (Singapore) - designation.

ISCA is a member of Chartered Accountants Worldwide, a global family that brings together the members of leading institutes to create a community of over 1.8 million Chartered Accountants and students in more than 190 countries.

For more information, visit www.isca.org.sg.

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