



## Guidance Note on Corporate Actions

19 June 2024

## Guidance Note on Change of Auditors

### 1. Introduction

Issuers may wish to appoint a new auditor in place of its existing auditors for several reasons, including enhancement of corporate governance, evolving business needs, or the retirement or resignation of the existing auditors. Auditors with the appropriate expertise and experience will likely enhance the quality of financial reporting thereby improving investors' confidence in the issuer as well as offer fresh perspectives and approaches to the audit process. Therefore, it is imperative for issuers and their audit committees to ensure that the incoming auditors are suitably qualified and adequately resourced to perform their duties effectively.

This Guidance Note serves to guide issuers and their audit committees on the SGX RegCo's approach in assessing an issuer's application to SGX RegCo for change of auditors ("**Application**"). Our intention in doing so is to uphold the audit quality of issuers. For the avoidance of doubt, the information set out in this guidance note is not exhaustive and does not take into account specific circumstances of each issuer.

### 2. Auditors are expected to demonstrate a high standard and competency

#### *Mainboard / Catalist Rule 712*

Mainboard / Catalist Rule 712(1) provides, among others, that in assessing the suitability of the auditing firm to meet the issuer's audit obligations, the issuer should have regard to the adequacy of the resources and experience of the auditing firm and the audit partner-in-charge, the audit firm's other audit engagements and the size and complexity of the issuer group as well as the number and experience of supervisory and professional staff the auditing firm has assigned to the issuer. Mainboard / Catalist Rules 712(2) and 712(2A) also prescribe certain requirements in relation to the qualification of the auditing firm.

Where incoming auditors are appointed to replace the existing auditors, due regard must also be given to the time and effort required by the incoming auditors to familiarise themselves with the issuer's operations and other ongoing processes. The transition process must be managed to ensure that incoming auditors have sufficient time to prepare and execute a thorough audit ahead of the financial reporting deadline. As far as possible, a change of auditors should only be conducted after the end of the term of office for which the auditors were appointed, to minimise any disruption to the ongoing audit for the current financial reporting period.

Additionally, issuers and audit committees are encouraged to evaluate the incoming auditors against the Audit Quality Indicators (“AQIs”) Disclosure Framework issued by the Accounting and Corporate Regulatory Authority (“ACRA”). These indicators, which correlate closely with audit quality, include time spent by audit team members, years of audit experience and industry specialisation, training hours, results of inspections, quality control, staff oversight and attrition rate.

To further enhance the assessment process, SGX RegCo, in consultation with ACRA, has introduced a checklist in the *Appendix* to assist issuers and audit committees in their evaluation of the incoming auditors. This checklist sets out both quantitative and qualitative measures of the incoming auditors with respect to areas such as staff strength, professional experience and track record. It also takes into account the risk profile of issuers. This checklist **must be completed and submitted to SGX RegCo**, along with the Application. Should the checklist identify any potential concerns in relation to the competencies or capabilities of the incoming auditors, issuers must **pre-consult SGX RegCo** prior to submitting the Application.

A downloadable version of the change of auditors checklist can be found [here](#).

### 3. Issuers to disclose important information for decision-making

#### *Mainboard / Catalyst Rule 712(3) and Mainboard Rule 1203(5)*

Auditors are accountable to shareholders of a company as they are responsible for providing assurance that a company’s financial statements are free from material misstatements. Shareholders’ approval is therefore required for a change of auditors, under Mainboard / Catalyst Rule 712(3). When seeking shareholders’ approval, SGX RegCo expects issuers to disclose all relevant information in the circular to shareholders to enable shareholders to make an informed voting decision. Such information should include minimally the following, in addition to the requirements in SGX Mainboard Rule 1203(5) / Catalyst Rule 712(3):

- (a) the names of the proposed incoming and outgoing audit firms and audit partners-in-charge;
- (b) the specific reasons for the outgoing auditors’ discontinuation as auditors of the issuer. Where the reason for the change in auditors is due to cost considerations, to quantify the quantum of audit fees saved and disclose whether there are any changes in the scope of audit. SGX RegCo may, where it considers necessary, request for a copy of the outgoing auditors’ written statement of the reasons for their resignation;
- (c) the audit committees’ assessment of the incoming auditors with regard to each of the following:
  - (i) the AQIs Disclosure Framework issued by ACRA, including comparison to industry averages and ranges;
  - (ii) experience of the incoming audit partner-in-charge, including years in practice and whether the incoming audit partner-in-charge has any prior experience in auditing SGX-listed issuers and entities with similar industry and jurisdiction to the issuer; and
  - (iii) resources of the incoming auditors, including the size of the audit firm and the engagement team based in Singapore, and the engagement team’s composition, for example, the number of partners, managers and staff;

- (d) track record of the incoming auditors, including the outcome of any recent inspections (including the Practice Monitoring Programme and Quality Control Reviews by ACRA) and whether the incoming auditors have been subject to any current or past restrictions, disciplinary actions and/or conditions imposed by any regulatory authority or professional body. The audit committees should discuss their review of these matters in the circular to shareholders, including how the adverse findings identified in the exercise have been remediated, if any;
- (e) whether the incoming auditors will audit the company's significant foreign-incorporated subsidiaries and associated companies, and if not, whether Mainboard / Catalist Rule 715(2) has been complied with; and
- (f) whether the company intends to appoint different audit firms for its Singapore-incorporated subsidiaries and significant associated companies, and if so, please disclose: (i) the identities of the audit firm(s); and (ii) the confirmations from the issuer's board of directors and audit committee, as required under Mainboard / Catalist Rule 716(1), providing details on the audit arrangements to ensure that the standard and effectiveness of the audit of the issuer will not be compromised.

## Appendix – Assessment Checklist

In circumstances where issuers answer “No” to both questions 4 and 5, or to any of questions 9 to 11, the issuers must pre-consult SGX RegCo prior to submitting the Application to SGX RegCo.

#	Question	Response
<b>Firm Level</b>		
1	Please state the name of the audit firm being appointed (“ <b>Incoming Audit Firm</b> ”).	[Free text]
2	Please state whether the Incoming Audit Firm is a member or an affiliate of a global network.	Yes / No
3	Please state whether the Incoming Audit Firm has a minimum of 50 audit professionals based in Singapore.	Yes / No
4	<p>Please state whether the Incoming Audit Firm has prior experience auditing SGX-listed issuers within the past 3 years.</p> <p>If the answer is “Yes”, please provide the relevant details, including the issuer’s name, engagement period and whether such issuers are listed on the Mainboard or the Catalist.</p>	<p>Yes / No</p> <p>[Free text]</p>
5	<p>Please confirm that the Incoming Audit Firm has obtained a satisfactory outcome* in its latest Quality Control Review Process pursuant to Part 5A of the Accountants Act 2004 which came into operation on 1 July 2023. Please state the date of such review (if applicable). If the Incoming Audit Firm has not yet been subject to any Quality Control Review Process, please state so accordingly.</p> <p>If the answer is “Yes” or “NA”, please skip to question 6. Otherwise, please proceed to answer question 5(i) below.</p> <p><i>*Note: Satisfactory outcome refers to “satisfactory”, “satisfactory but with findings” and equivalent based on the prevailing framework.</i></p>	<p>Yes / No / NA</p> <p>[Insert date / text]</p>
(i)	If the answer is “No”, please provide details of the findings, and state whether and how such findings have been remediated satisfactorily.	[Free text]
6	Please state whether the Incoming Audit Firm has any technical partner to provide consultation on areas where specialized technical expertise may be required, or on technical accounting and auditing issues. If so, please state the name(s) of the technical partner(s) and provide the relevant experience of the technical partner(s).	[Free text]
<b>Engagement Level</b>		
7	Please state the name of the audit partner-in-charge being appointed (“ <b>Incoming Audit Partner</b> ”).	[Free text]

#	Question	Response
8	<p>Please state whether the audit engagement team comprises a minimum of:</p> <p><b>For audit firms which have undertaken audit engagements for SGX-listed issuers within the past 3 years:</b> 1 audit partner, 1 Engagement Quality Reviewer (as defined in the Singapore Standard on Quality Management 2), 1 manager and between 2 and 5 staff; or</p> <p><b>For audit firms with no relevant prior experience:</b> 1 audit partner, 1 Engagement Quality Reviewer, 1 manager and between 3 and 8 staff.</p> <p>Note: Notwithstanding the above, the audit engagement team must be adequately sized. The extent and seniority of required audit resources will vary depending on, amongst others, the scope of the audit, the size and complexity of the issuer group.</p>	Yes / No
9	<p>Please state whether the Incoming Audit Partner and the Engagement Quality Reviewer each have prior experience at a managerial level (or above), auditing SGX-listed issuers and entities in similar industry and jurisdiction within the past 3 years.</p> <p>If the answer is “Yes”, please provide the relevant details, including his/her role and responsibility, name of issuer/entity, engagement period and whether such issuers are listed on the Mainboard or the Catalist.</p>	<p>Yes / No</p> <p>[Free text]</p>
10	<p>Please state whether the Incoming Audit Partner and the Engagement Quality Reviewer have attained a satisfactory outcome* in the last Practice Monitoring Programme (“PMP”) carried out by ACRA. Please state the date of such PMP review (if applicable). If the Incoming Audit Partner and/or the Engagement Quality Reviewer have not yet been subject to any PMP review, please state so accordingly.</p> <p>If the answer is “Yes” or “NA”, please skip to question 11. Otherwise, please proceed to answer question 10(i) below.</p> <p><i>*Note: Satisfactory outcome refers to “passed” (prior 1 July 2023), “satisfactory”, “satisfactory but with findings” (from 1 July 2023) and equivalent based on the prevailing framework.</i></p>	<p>Yes / No / NA</p> <p>[Insert date / text]</p>
(i)	<p>If the answer is “No”, please provide the relevant details, including the year in which the PMP was conducted, the issues identified, the conditions imposed, and to state whether and how the Incoming Audit Partner and/or the Engagement Quality Reviewer have successfully remediated the deficiencies identified in the PMP.</p>	[Free text]

#	Question	Response
11	<p>Please confirm that the Incoming Audit Partner has not been subject to any current or past restrictions and/or disciplinary actions and/or conditions imposed by any regulatory authority or professional body in Singapore or elsewhere.</p> <p>If the answer is “No”, please provide details of such disciplinary actions taken against the Incoming Audit Partner, and to explain how the Incoming Audit Partner is fit and proper to be appointed as auditor of the issuer.</p>	<p>Yes / No</p> <p>[Free text]</p>
<b>Others (please note that an issuer should not appoint an audit firm which is not currently an auditor of any SGX-listed issuer(s), if any of the answers below is “No”)</b>		
12	<p>Please confirm that the audit committee has assessed the AQIs relating to the Incoming Audit Firm, and is satisfied that the Incoming Audit Firm possesses sufficient knowledge and resources to perform the audit effectively.</p> <p>Please be prepared that the submission form and review documentations may be requested by SGX RegCo for verification of assessment process by the audit committee.</p>	Yes / No
13	Please confirm whether the issuer’s auditor has issued an unmodified opinion for the most recently completed financial year.	Yes / No
14	Please confirm that there is no material uncertainty concerning the issuer’s ability to continue as a going concern.	Yes / No
15	Please confirm that the issuer has not been subject to any current or past investigation or special audit.	Yes / No