



The Future of Audit in APAC

Webinar

mazars



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Introduction

Mazars at a glance

Global coverage

1

global partnership

90+

countries & territories

42,000+*

professionals

* 26,000+ professionals in Mazars' integrated partnership, 16,000 via Mazars North America Alliance

1,100

Partners

These figures are valid as of 1 January 2021.
For current up-to-date information, please visit:
www.mazars.com/keydata



Asia - Pacific



- Afghanistan
- Australia
- Bangladesh*
- China
- Hong Kong
- India
- Indonesia
- Japan
- Kazakhstan*
- Korea
- Kyrgyzstan
- Malaysia
- New Caledonia*
- New Zealand*
- Pakistan
- Philippines
- Singapore
- Sri Lanka*
- Taiwan
- Thailand
- Uzbekistan
- Vietnam

* Countries covered by correspondent agreements, representative offices or the Praxity Alliance

Introduction

Foreword by Pascal Jauffret and Rick Chan

Financial audit is the foundation on which trust and integrity are built into financial markets around the world. However, the profession in Asia-Pacific faces a decisive moment and the public interest is at stake.

Audit is, and always has been, at the heart of what we do at Mazars. It is our responsibility to work with other stakeholders to elevate its relevance and quality.

In the face of shifting market expectations and unprecedented change, Mazars released an independent global report titled 'The future of audit: market view' to dispel audit myths and address key questions to policymakers surrounding its evolution.

Inspired by the report, we hosted The Future of Audit in Asia-Pacific webinar to take the pulse of the APAC market's view on the expectations and future direction of audit.

During the webinar, a panel of our in-house audit experts and leading business leaders delved into the research findings and shared their diverse insights on the most impactful changes that will move the audit profession forward.

The guest speakers and our Mazars experts have extensive breadth of expertise in a wide range of industries in APAC. Each emerging market brings with it specific challenges to the audit function and requires a unique approach.

As a leading international audit, tax and advisory firm, Mazars has always remained true to our founder's belief that technical excellence is the key to success. We constantly innovate and develop our people and practices to meet our stakeholders' evolving needs. This includes our enduring commitment in enhancing the quality of audit in order to reach its full potential.

There are many drivers for change within the audit profession. Audit must continue its transformation by

exploring technology, human capital, and collective intelligence.

With the APAC region at the forefront of the global economy, we know that improving financial transparency and accountability will help secure its growth prospects.

This is a clarion call for the market – regulators, policymakers, other audit professionals and businesses in the region – to reexamine today's audit expectations and realities.

Together, we can work towards an audit reform that addresses the current challenges and meets contemporary needs, while evolving audit for its future applications and purpose.



Pascal Jauffret
Mazars
Member of the Group Executive Board



Rick Chan
Mazars
Head of Audit & Assurance APAC

Introduction

Our methodology

About our Global Report

In February 2021, Mazars released an independent global report 'The future of audit: market view' which surveyed 501 audit users and decision makers.

Highlighting six 'standout findings' concerning the world of audit, the study indicates that a vast majority of audit users strongly supports audit reform (93%) and 87 percent are favourable to joint audit.

The findings challenge common myths relating to audit and shed critical light on four main areas: appetite for joint audit is higher than frequently assumed; companies expect technology to empower the diverse skillsets of auditors, rather than replace them; respondents would welcome a broader, not narrower range of services from their auditor; and there is a disconnect between what companies view as the 'mission' of auditors and the benefits of an audit of their company.

The report also provides insight on how to improve the audit service by addressing three important questions to policymakers and regulators. Supported by our quantitative data, the questions surrounding audit reform, the broadening of auditing services and the use of technology in the practice of audit help to explore future developments that could improve audit for the market and economies at large.

About our webinar

On 9 September 2021, Mazars in Asia-Pacific hosted "The Future of Audit in APAC" webinar to take a deep-dive into the expectations and future direction of audit in the region.

During the webinar, our in-house audit leaders and guest speakers from Essilor, Publicis Groupe, and Medi Lifestyle, explored industry needs and perception surrounding the evolution of audit.

Our moderators:

- Pascal Jauffret, Member of the Group Executive Board (Mazars)
- Rick Chan, APAC Audit Leader and Managing Partner (Mazars in Singapore)

Our audit experts:

- Robinson Hua, Country Audit Leader (Mazars in China)
- Rose Megale, Country Audit Leader (Mazars in Australia)
- Lee Soo Eng, Country Audit Leader (Mazars in Malaysia)

Our guest speakers:

- Emmanuel Bordry, Head of Finance & Accounting – Asia Operations, Essilor
- Josie Teaño, Managing Director, SVP, Philippines and Thailand, Publicis Groupe
- Dato' Ken Low, Executive Chairman, Medi Lifestyle

About our interactive poll

During the webinar, we introduced a quantitative poll to offer a fresh regional perspective on audit realities, as we seek to rethink the profession in an increasingly digital economy. The primary objective of this poll was to glean key insights from industry users and decision makers in APAC and see how they compare to audit experiences and plans around the region.

By asking companies for their expectations surrounding audit and the professionals who deliver it, their perception of audit reform and how the service can evolve, the poll provides valuable input on today's audit market and will aid us in shaping the future of audit in APAC.

The poll garnered responses from 393 audit decision makers from 12 countries (Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Thailand and Vietnam). As expected, the poll findings underline the compelling need for a reimagined audit profession, as the Covid-19 pandemic reinforces the value of innovation.

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Expected mission of auditors VS Expected benefits of a company audit

Global leaders view objectivity, confidence and performance improvement as the primary goals of an audit. Yet, there are higher expectations for auditors to detect fraud and fight corruption. This calls for more open, transparent conversations.

A high performing audit should add value for the entire company, as well as provide assurance to stakeholders.

An audit function serves to deliver insights into gaps and best practices in addition to enhancing continuous improvement and oversight.

Virtually all the webinar survey respondents (99%) view audit as an opportunity for a company to make improvements, as do 52% of respondents of the global study.

However, when asked for the most important mission of the audit profession, 43% of APAC respondents chose 'detect fraud and fight corruption' as their response.

These results reveal a stark disconnect between the perceived mission of auditors and the expected benefits of an audit.

Fundamentally, company audits are not intended to detect and prevent a fraudulent occurrence. The auditor's main task has always been to provide assurance on the financials of the organisations that have appointed them.

To create meaningful change, we need to drive more conversations surrounding the scope of audit and stakeholders expectations.

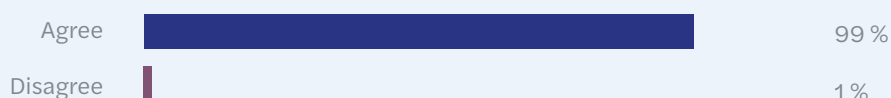
The way ahead for auditors is to have a better understanding of clients and establish clearly defined objectives and strategy.

"In detecting fraud, the weight of responsibility falls heavier on internal auditors rather than external auditors. We understand that this is a challenge as fraudulent transactions can be elaborate in exploiting the loopholes in the system."



Dato' Ken Low
MediLifestyle
Executive Chairman

Audit is an opportunity for a company to make improvements:



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Evolution of audit – increasing support for non-financial reporting

There is a growing appetite for broader audit services in the market. Auditors are encouraged to expand their offerings beyond financial reporting into areas including assurance and non-financial matters to stay ahead of the curve.

Non-financial reporting is gaining pace in APAC. According to the global report, 50% of respondents in the region say that non-financial reporting is very important compared to 62% in Europe.

While the progress in these markets is not as rapid as their global counterparts, there is an increased interest in sustainability disclosures from shareholders and regulators alike.

Environmental, Social and Governance (ESG) principles are becoming a priority for companies, especially public-interest entities in APAC countries where reporting is mandatory. In line with this development, investors are now calling for Integrated Reporting, which is focused on bringing greater cohesion and efficiency to drive agile business strategy.

The role of auditors in ESG oversight is becoming increasingly important with the rise of stakeholder expectations and regulatory demands. Alongside providing assurance on financial as well as non-financial performance, companies are looking for auditors to offer training for capability enhancement.

"Sustainability reporting has become a critical part of communication that we seek from our audit partners. We want to ensure that our international footprint in Asia delivers great performance in terms of sustainability, environment and social welfare."

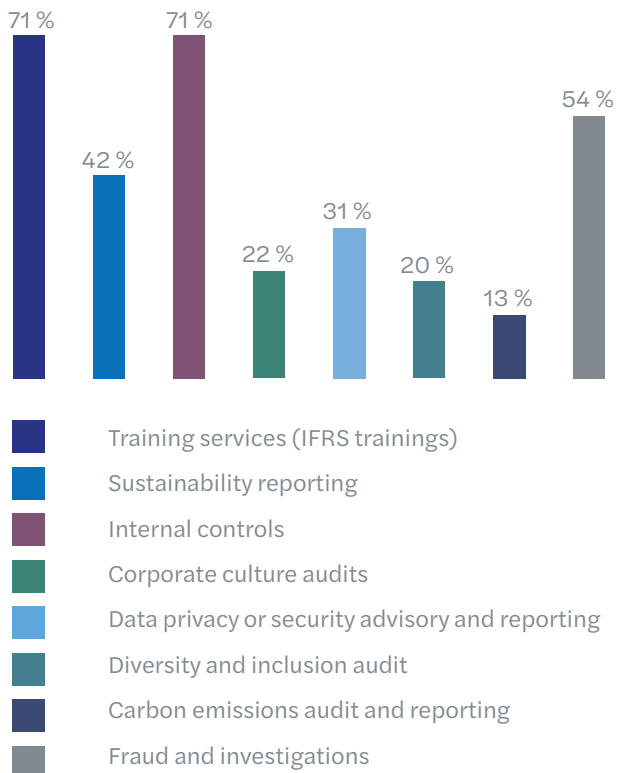


Emmanuel Bordry
Essilor
Head of Finance & Accounting - Asia Operations

For the companies – are you looking forward to additional services potentially proposed by your statutory auditors?



What type of services you expect from the statutory auditors?





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Attitudes toward auditing technologies

Technology is at the core of audit's future developments. Advanced digital technologies are poised to elevate auditors' performance in empowering ways.

Businesses are becoming more and more complex, compelling audit processes to evolve and move away from traditional management software. The future trends of auditing in the digital era must comprise advanced technologies to help clients cope with emerging challenges.

The use of technology is tremendously welcomed in the audit process, with 88% of respondents of the webinar poll say that technology is key to a successful audit.

This is in line with the global findings that 96% of audit decision makers say they are favourable to the use of new auditing technologies by auditors.

Most importantly, technology exists to empower auditors, not replace them. While data analytics present opportunities to improve performance, save time, reduce costs, and manage risks, it is the human expertise that help to make financial reporting more reliable.

Without auditors' insights into client's business needs, the data would not reach its full potential. Transforming raw data into actionable insights is the first step to anticipating problems before they arise and identifying opportunities for growth. As businesses become increasingly reliant on technology, it is crucial for auditors to provide insights on key technology challenges and future trends.

"Efficiency and accuracy are very important in audit processes. I believe advanced technologies will facilitate the communication between auditors and companies to solve problems and provide timely reporting. We can't choose between auditors and technology; it is best to have a combination of both."



Josie Teano
Publicis Groupe
Managing Director, SVP, Philippines
and Thailand

88%

think the use of technologies by their statutory auditors is key to the success of the audit.

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How do we make sure auditors develop the right skillset for the future?

While technology plays a pivotal role in the future of audit, human capital matters more. Businesses value auditors' skills and competencies behind the screen.

Rapid automation and adoption of new technologies will not change the enduring need for auditors.

What they do is change the way audit teams are structured, where a combination of technical skills and unique human skills, are highly valued. In a multidisciplinary audit team, there is a specialist in every subject area, from manufacturing to healthcare.

Companies in APAC seek auditors who have a rich understanding of their business and industry. They look for auditors who speak their language and understand their business needs.

It is essential for audit professionals to constantly develop their sectoral expertise to be able to identify lurking threats and provide bespoke solutions to clients from different industries.

The global report revealed that listening is the most important attribute in an auditor (33%), followed by 'agility and flexibility' (17%). Many of the most selected qualities valued from an auditor are skills which cannot be replicated easily by technology.

While technology is a significant investment, it must be made in tandem with human capital development and professional growth. As powerful as these tools are, they will need to be harnessed by talented auditors to provide the highest value of audit quality.

“Auditors need to be able to speak the language of the industry. We expect audit teams to have a clear understanding of our business sector which may require different skillsets and resources. We will typically select those who possess experience within our industry to prevent potential misunderstanding and misanalysis from occurring.”



Dato' Ken Low
MediLifestyle
Executive Chairman

Webinar

How will the growth of APAC impact the future of audit?

As a region that experiences dynamic growth, countries must ensure that regulation does not impede the audit of the future but keep pace with it.

Asia-Pacific is the fastest growing market in the world. Changing trade patterns and emerging technologies have brought about major disruption across the region.

For the profession to remain relevant in the future, it must adapt to the changing needs of businesses.

Agility and curiosity are important elements in an auditor. Auditors need to consistently learn and unlearn to understand the complexities of an increasingly competitive market and grow together with their clients.

Rapid growth in sub-regions will create key differences that require a unique approach, compared to audit expectations in more mature regions. To ride the market waves and become a trusted partner, auditors must have the competence to anticipate risks and opportunities for their clients.



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Support for audit reform in APAC

Mazars holds the fundamental belief that audit forms the foundations of a fair and prosperous world.

Joint audit is a tested and proven mechanism to facilitate the emergence of a diverse audit sector. A series of corporate collapses globally and across the region reinforces our call to restore the public trust in audit.

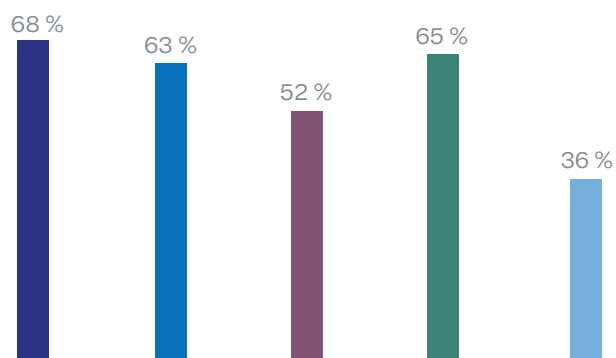
Audit reform is a growing area of interest across the region, where stakeholders are demanding more from company executives and auditors to strengthen corporate governance.

At present, many countries in APAC are at different stages of the discussion. We have seen significant deficiencies and lapses of corporate judgement by the larger firms on the market, followed by the introduction of new regulatory measures.

There is a general market acceptability towards audit rotation and joint audit. Based on the webinar poll, the highly expected benefits of joint audit include increased stakeholder confidence (68%), reduced reliance on single auditors and promotes continuity of knowledge in the event of rotation of one of the joint auditors (65%) and reduced risk of biasness or corruption or human error (63%).

Any agenda for audit reform must have audit quality at its forefront. While progress has been slow, APAC shows promising changes on the horizon.

For the public interests entities, how will joint audits benefit them?



- Increase stakeholder confidence
- Reduced risk of biasness or corruption or human error
- Enable companies to benefit from a broader range of technical expertise
- Reduced reliance on single auditors and promotes continuity of knowledge in the event of rotation of one of the joint auditors
- Promotes choices of auditors in the market

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws

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