







# Audit Committees: A Must-Know for Public and Private Companies

If you're steering a company, the term "audit committee" has likely crossed your desk. It's a critical piece of corporate governance that's often misunderstood, especially by smaller or private businesses. Let's break it down and clarify what it means for your company.

## What Exactly Is an Audit Committee?

An audit committee is a specialized group within a company's board, tasked with ensuring financial accuracy and compliance. They don't dive into daily operations but focus on reviewing financial statements, managing risks, and ensuring the company's books are above board. Their role is to provide independent oversight, fostering trust among investors, regulators, and other stakeholders.

## Why Audit Committees Are Essential

Audit committees exist to maintain financial integrity. For public companies, they're a legal requirement, driven by regulations and stock exchange rules. In Singapore, for example, companies listed on the SGX must have an audit committee with at least three members, predominantly independent, and at least one with financial expertise. This ensures the company's financials are scrutinized without bias.

Private companies aren't typically required to have one, but many choose to anyway. Why? It's a smart way to signal strong governance, attract investors, or prepare for a future IPO. Even a simplified version of financial oversight can prevent costly mistakes and boost credibility.

## How It Works in Practice

In Singapore's public companies, audit committees have a clear mandate. They review financial reports, assess audit findings, recommend external auditors, and ensure no conflicts of interest. Regular meetings and detailed documentation are non-negotiable, and failure to comply can lead to penalties or regulatory issues.

Private companies have more flexibility. They might opt for an informal oversight group with financial advisors instead of a full committee. This lighter approach still provides accountability without the regulatory complexity.

## The Compliance Challenge



Managing an audit committee is no small feat. You need to ensure members are independent, meetings are scheduled, minutes are recorded, and filings are accurate. Regulations can change, and staying compliant is a constant task. This is where company secretarial services shine, particularly in compliance-driven markets like Singapore.

Secretarial services can:

- Determine if an audit committee is necessary for your business
- Set it up to meet legal standards
- Handle administrative tasks like scheduling and documentation

