Monetary Authority of Singapore

Good Practices for Auditors of Fund Management Companies

Auditors are a key stakeholder in promoting strong internal controls, risk management practices and business conduct by fund management companies (FMCs). Here are some good practices to adopt.

Be familiar with regulatory requirements for FMCs and check for compliance during audits

Examples

- Changes at FMCs which require MAS' prior approval, e.g. CEO and director appointments.
- Changes which require timely notifications to MAS.
- Financial reporting requirements and their filing timelines which are summarized in the Compliance Toolkit for FMCs.

Maintain independence

by avoiding the provision of both external audit and internal audit to the same FMC.

Report regulatory non-compliance to MAS or advise FMCs to self-report with remedial actions taken

Examples

- Base capital has fallen below the minimum requirement, and FMC has not notified MAS.
- Changes in shareholders or key appointment holders without obtaining MAS' prior approval.
- Subsidiary or branch set up without obtaining MAS' prior approval.

Check that FMCs' financial regulatory returns are properly drawn up

Examples

- In the computation of base capital, the following items should not be included:
  - shareholder loans
  - unaudited net profits.
- In the computation of financial resources (FR) and total risk ratios:
  - charged assets that are not available for use by the FMC must be deducted from FR, as an illiquidity adjustment
  - redeemable preference shares with < 2 years redemption period should be excluded from FR.

Support FMCs in their adoption of good risk management practices and internal controls

Requirements that apply to financial institutions including FMCs such as those set out in:

- AML/CFT Notice and Guidelines
- Guidelines on Outsourcing
- Guidelines on Technology Risk Management

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