

FSC PROPOSES 1-YEAR POSTPONEMENT OF EXTERNAL AUDIT ON CONSOLIDATED INTERNAL ACCOUNTING CONTROL

The FSC proposed a postponement of external audit on the consolidated internal accounting control system for one year as many firms are experiencing difficulty in setting up the internal accounting management system due to COVID-19. The FSC introduced its proposal through revisions to the Enforcement Decree of the Act on External Audit of Stock Companies, which will be put up for public notice from July 14 to August 23.

Under the current regulatory regime, stock companies with KRW2 trillion or more in assets would be required to set up and operate an internal accounting control system under a consolidated basis and be subject to an external audit from 2022. However, for many companies that have foreign affiliates and are unable to travel overseas due to COVID-19, it has been difficult to set up a consolidated internal accounting control system. As such, the revised Enforcement Decree proposes that the external audit on consolidated internal accounting control system be postponed for one year,¹ while early implementation also remains an option for companies that wish to follow the previously set schedule.

Aside from the postponement, the revision proposal also introduced measures to control external audit quality and to sanction registered auditors if they are found to have violated the duty to maintain certain registration requirements.

The authorities plan to finish the revision process by the end of 2021.

#

For press inquiry, please contact Foreign Media Relations at fsc_media@korea.kr.

¹ KRW2 trillion or more (2022→2023), KRW500 billion or more (2023→2024), others (2024→2025)