

IFIAR 2021 Member Profile – AOB

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| 1. Jurisdiction | 1.1 Insert the name of the jurisdiction in English: Malaysia |
| 2. Member¹ | 2.1 Insert the name of the Member, both in the local language and in English: Audit Oversight Board, Securities Commission Malaysia (Lembaga Pemantauan Audit, Suruhanjaya Sekuriti Malaysia) |
| | 2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: No 3 Persiaran Bukit Kiara Bukit Kiara, 50490, Kuala Lumpur, Malaysia <i>General Line:</i> +60362048900 <i>Fax:</i> +60362011888 <i>General Email:</i> aob@seccom.com.my <i>Website :</i> https://www.sc.com.my/aob/ |
| | 2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation: The AOB was established on 1 April 2010 by the Securities Commission Malaysia (“SC”) under Part IIIA of the Securities Commission Malaysia Act 1993 (“SCMA”) to discharge the statutory functions of the SC pursuant to section 31B of the SCMA which are – <ul style="list-style-type: none"> • To promote and develop an effective and robust audit oversight framework in Malaysia; • To promote confidence in the quality and reliability of audited financial statements in Malaysia; • To regulate auditors of public interest entities or schedule funds; and • To exercise oversight over any person who prepares a report in relation to financial information required to be submitted under the securities laws, guidelines issued by the commission or the rules of a stock exchange, by - <ul style="list-style-type: none"> (i) a public interest entity or schedule fund |

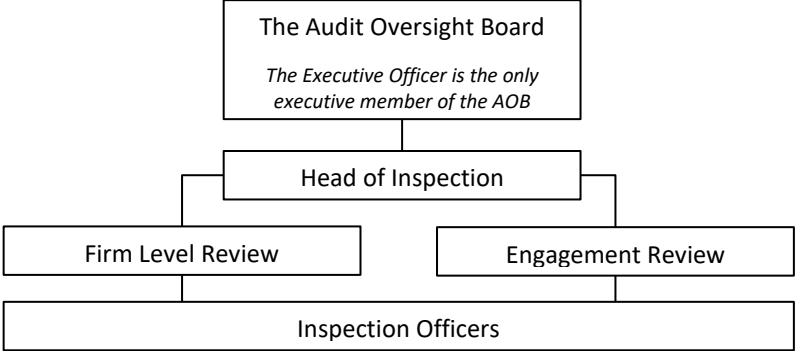
¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

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| | <p style="text-align: center;">(ii) a non-public interest entity seeking approval to become a public listed company or a corporation</p> <p>The AOB's responsibilities as set out in section 31E of the SCMA are –</p> <ul style="list-style-type: none"> • To implement policies and programmes in ensuring an effective audit oversight system in Malaysia; • To register or recognise auditors of public interest entities or schedule funds for the purposes of SCMA; • To direct the Malaysian Institute of Accountants to establish or adopt, or by way of both, the auditing and ethical standards to be applied by auditors; • To conduct inspections and monitoring programmes on auditors to assess the degree of compliance of auditing and ethical standards; • To conduct inquiries and impose appropriate sanctions against auditors who fail to comply with auditing and ethical standards; • To cooperate with relevant authorities in formulating and implementing strategies for enhancing standards of financial disclosures of public interest entities or schedule funds; • To liaise and cooperate with oversight bodies outside Malaysia to enhance the standing of the auditing profession in Malaysia and internationally; • To carry out inspection on person specified under paragraph 31B(d); and • To perform such other duties or functions as the Audit Oversight Board determines necessary or appropriate to promote high professional standards of auditors and to improve the quality of audit services provided by auditors. <p>2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> |
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| <p>3. Governing Body Composition and members</p> | <p>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> |

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

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| | <p>As at 1 January 2021, the AOB Board's composition is as follows:</p> <p>Chairman</p> <ol style="list-style-type: none"> 1. Dato' Anantham Kasinather <p>Executive Officer</p> <ol style="list-style-type: none"> 1. Alex Ooi Thiam Poh <p>Non-Executive Members</p> <ol style="list-style-type: none"> 1. Dato' Darawati Hussain 2. Hew Ee-Lu 3. Salmah Bee Mohd Mydin 4. Nor Azimah Abdul Aziz 5. Dato' Seri Ahmad Johan Mohammad Raslan <p>Based on the definition provided below, all our Board Members are independent from the audit profession.</p> <ol style="list-style-type: none"> 1. Dato' Gumuri Hussain retired as the non-executive chairman of the AOB Board with effect from 23 November 2020 2. Dato' Anantham Kasinather was appointed as the non-executive chairman of the AOB Board with effect from 1 December 2020. 3. Dato' Seri Ahmad Johan Mohammad Raslan was appointed as the AOB Board Member with effect from 1 December 2020. |
| | <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>Referring to section 31C(2) of the SCMA, the AOB shall consist of seven members appointed by the Board of SC including a Non-Executive Chairman, an Executive Officer and five Non-Executive Members.</p> <p>Section 31C(3) of the SCMA provides that the AOB shall consist of a diverse group of individuals who must –</p> <ul style="list-style-type: none"> • Possess knowledge and experience in finance, business or in any relevant discipline; • Be individuals of integrity and reputation who have demonstrated commitment to the interests of investors; and • Understand the responsibilities for and the nature of financial disclosures as required by public interest entities or schedule funds. |
| | <p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> |

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| | <p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p style="text-align: right;">N/A</p> <hr/> <p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p style="text-align: right;">N/A</p> <hr/> <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>Current auditor who joins AOB as member of the governing body, management team or staff will have to recuse himself/herself from being involved in any audit oversight functions and/or making any decisions with respect of their past firm for a period of one year.</p> |
| | <p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p> <p style="text-align: right;">N/A</p> |
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| <p>4. Funding Arrangements</p> | <p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>Capital expenditure and all other operational costs of AOB including the cost of inspections are funded by the Securities Commission Malaysia (SC) . The AOB collects the following fees:</p> <ul style="list-style-type: none"> • RM8,000 of application for registration of an individual auditor as a registered auditor (new registration) • RM8,000 of existing registered individual auditor who wish to continue to be registered with AOB in the current year |

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| | <ul style="list-style-type: none"> • RM8,000 of application for recognition of a foreign individual auditor as a recognised auditor • Late payment fee of RM100 for every day that the payment is late, subject to a maximum limit of RM3,000. <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>Other than the fees collected in 4.1 above, the majority of the funding is provided by SC, which is independent of the profession.</p> |
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| <p>5. Inspection System</p> | <p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>Section 31V of the SCMA provides that the AOB shall, from time to time, conduct inspections to assess—</p> <p>(a) the degree of compliance with the auditing and ethical standards by an auditor; and</p> <p>(b) the sufficiency and appropriateness of the audit evidence obtained in relation to the audit report prepared by an auditor relating to the audited financial statements of public interest entities or schedule funds.</p> <p>The inspections shall be carried out by any officers of the AOB or any person authorised by the Audit Oversight Board who is referred to as an “Inspection Officer” in this Division.</p> <div style="text-align: center;">  <pre> graph TD AOB["The Audit Oversight Board <i>The Executive Officer is the only executive member of the AOB</i>"] --> HOI["Head of Inspection"] HOI --> FLR["Firm Level Review"] HOI --> ER["Engagement Review"] FLR --> IO["Inspection Officers"] ER --> IO </pre> </div> |

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| | <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <p style="text-align: center;">N/A</p> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>The AOB may inspect an audit firm of public interest entity or schedule fund either under regular inspection or special inspection -</p> <ul style="list-style-type: none"> • Regular inspection refers to an inspection that is conducted on a routine basis to ensure all audit firms of public interest entities or schedule funds are at least reviewed within a pre-determined cycle. The pre-determined cycle is set and updated according to the AOB’s strategic plan. • Special inspection which is sometimes referred as “ad-hoc inspection” refers to an inspection on which could be driven by specific concerns relating to industry (thematic inspection) or event-driven. |
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| <p>6. Audit and Financial Market</p> | <p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <p>As of 31 Dec 2020, there are 38 audit firms and 339 individual auditors registered with the AOB and 4 foreign audit firms and 13 foreign individual auditors recognised with the AOB. All the registered audit firms and individual auditors are subjected to AOB’s inspection on a risk based basis within a pre-determined cycle.</p> <p>Pursuant to the Part I of the Schedule 1 of the SCMA, the public interest entities are defined as –</p> <ol style="list-style-type: none"> (a) a public listed company or a corporation listed on the stock exchange; (b) a bank licensed under the Financial Services Act 2013 [Act 758]; (c) an insurer licensed under the Financial Services Act 2013; (d) a takaful operator licensed under the Islamic Financial Services Act 2013 [Act 759]; (e) an Islamic bank licensed under the Islamic Financial Services Act 2013; (f) a person prescribed as a prescribed financial institution under section 212 of the Financial Services Act 2013 or a person prescribed as a prescribed Islamic financial institution prescribed under section 223 of the Islamic Financial Services Act 2013; (g) a development financial institution prescribed under the Development Financial Institutions Act 2002 [Act 618]; |

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| | <p>(h) a holder of the Capital Markets Services Licence for the carrying on of the regulated activities of dealing in securities, dealing in derivatives or fund management;</p> <p>(i) an exchange holding company approved under the securities laws;</p> <p>(j) an exchange approved under the securities laws;</p> <p>(k) a central depository approved under the securities laws;</p> <p>(l) a clearing house approved under the securities laws;</p> <p>(m) a self-regulatory organization recognized under the securities laws;</p> <p>(n) a private retirement scheme administrator approved under the securities laws;</p> <p>(o) a trade repository approved under the securities laws;</p> <p>(p) the Capital Market Compensation Fund Corporation;</p> <p>(q) any other person as the Minister may prescribe by order published in the Gazette.</p> <p>Part 2 of the Schedule 1 of the SCMA describes the schedule funds as follows:</p> <p>(a) a private retirement scheme approved by the SC under the Capital Markets and Services Act 2007;</p> <p>(b) a unit trust scheme approved, authorized or recognized by the SC under the Capital Markets and Services Act 2007;</p> <p>(c) any other capital market funds as may be specified by the SC.</p> <p>There are 1,189 public interest entities as at 31 Dec 2020 and 1,149 schedule funds as at 31 Dec 2020.</p> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <p>The size of each of the six largest audit firms by percentage of market capitalisation of public listed company clients (as at 31 Dec 2020) is estimated as follows:</p> <p>Ernst & Young (30.25%) PricewaterhouseCoopers PLT (25.61%) KPMG (19.40%) BDO PLT (8.35%) Deloitte PLT (5.86%) Crowe Malaysia PLT (2.92%)</p> |
| <p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p> | <p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p><input checked="" type="checkbox"/> Registration/Licensing</p> <p><input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting</p> <p><input type="checkbox"/> Permanent Education of Auditors</p> |

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| | <p><input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____</p> <hr/> <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>The AOB is empowered by Division 4 in the Part IIIA of the SCMA to register audit firms and individual auditors of public interest entities or schedule funds. The board also recognises foreign auditors who audit foreign corporations listed on Bursa Malaysia (Stock Exchange).</p> <hr/> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>Pursuant to Division 5 in Part IIIA of the SCMA, AOB has responsibility for setting auditing and ethical standards. AOB is empowered by section 31U of the SCMA to adopt the auditing and ethical standards to be complied by an auditor. Also AOB may direct the Malaysian Institute of Accountants (national professional accountancy body) to establish or adopt the auditing and ethical standards to be applied by auditors.</p> <hr/> <p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other</p> |
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| | <p>organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p style="text-align: center;">N/A</p> |
| | <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>If there is a breach of any provisions of Part IIIA of the SCMA or any condition, written notice or guidelines, the AOB is empowered by Section 31Z of the SCMA to take action against such person in breach. The sanctions that can be imposed by the AOB are proportionate to the severity of the breach.</p> <p>The range of sanctions available are as follows:</p> <ul style="list-style-type: none"> (a) Directing the person concerned to comply with the provisions of Part IIIA of the SCMA or any condition, written notice or guidelines; (b) Reprimand the person concerned; (c) Requiring the person in breach to remedy the breach as directed by the Board; (d) Requiring professional education to be undertaken by the person concerned; (e) Assigning a reviewer to oversee an audit that is undertaken by the person concerned; (f) Prohibiting the person concerned from accepting any public interest entity or schedule fund as its client or preparing reports in relation to financial information of any public interest entity or schedule fund, as may be required under the securities laws or guidelines issued by SC, for a period not exceeding twelve months; (g) Prohibiting the person concerned from auditing financial statements or preparing reports in relation to financial information of a public interest entity or schedule fund, as may be required under the securities laws or guidelines issued by SC, for a period not exceeding twelve months or permanently; and (h) Imposition a penalty not exceeding RM500,000 on the person concerned. <p>AOB is also empowered by section 31Q of the SCMA to revoke or suspend the registration; or withdraw or suspend the recognition of an auditor for</p> |

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| | <p>failure to remain fit and proper to audit public interest entities or scheduled funds, breach of any registration or recognition conditions imposed or failure to pay any fee or charges as specified under Part IIIA of the SCMA.</p> |
| | <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p style="text-align: center;">N/A</p> |
| <p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p> | <p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p style="text-align: center;">N/A</p> |
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| <p>9. Major Events and Activities</p> | <p>9.1 Describe any recent major events and activities:</p> <p>24 March 2020 – The AOB announced a one-off training subsidy of RM30,000 per firm for existing registered firms of the AOB with less than 10 audit partners. The AOB worked together with the Malaysian Institute of Certified Public Accountants (MICPA) in devising MICPA’s training programme that is aimed at addressing common areas of audit weakness within audit firms, which the AOB encountered during its inspection.</p> <p>22 May 2020 - The AOB participated in a roundtable on the two Exposure Drafts (EDs), which are aimed at strengthening the non-audit service and the fee-related independence provisions of the International Code of Ethics for Professional Accountants (including International Independence Standards) which has been released by International Ethics Standards Board for Accountants (IESBA). The roundtable was organised by the Ethics Standards Board (ESB), a standard setting body established by the Council of the Malaysian Institute of Accountants.</p> |