



IFIAR 2018 Member Profile – AOB

<p>1. Jurisdiction</p>	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>Malaysia</p>
<p>2. Member¹</p>	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Audit Oversight Board (Lembaga Pemantauan Audit)</p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p><i>Address:</i> Audit Oversight Board No 3 Persiaran Bukit Kiara Bukit Kiara, 50490, Kuala Lumpur, Malaysia</p> <p><i>General Line:</i> +60362048900</p> <p><i>Fax:</i> +60362011888</p> <p><i>General Email:</i> aob@seccom.com.my</p> <p><i>Website :</i> https://www.sc.com.my/audit-oversight-board/</p> <hr/> <p>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:</p> <p>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 –</p> <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 (ii) a non-public interest entity seeking approval to become a

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.



	<p>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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <p>There were changes to AOB's governance which was effective on 24 November 2017. The amendments to Part IIIA of the SCMA include the following:</p> <ol style="list-style-type: none"> 1) Re-designation of the Executive Chairman of AOB to Non-Executive Chairman 2) Introduction of the position of an Executive Officer of AOB. The Executive Officer will be part of the AOB Board Members and will be responsible for the day-to-day administration of AOB 3) The composition of the AOB Board will include a Non-Executive Chairman, an Executive Officer and five Non-Executive Members. 4) The <u>Non-Executive Chairman</u> and <u>Executive Officer</u> shall not <ol style="list-style-type: none"> a. be a full time officer in or controlling shareholder of any



	<p>public interest entity or schedule fund, its related corporation or associate company;</p> <p>b. have any share in any of the profits of an accounting or auditing firm, or any of its affiliate; and</p> <p>c. receive payment from any accounting or auditing firm or from any other person as may be specified by the Commission other than fixed continuing payments under standard arrangements for retirement from an accounting or auditing firm.</p> <p>5) At all times, not more than <u>three Non-Executive Members</u> of the Audit Oversight Board shall be members of the Malaysian Institute of Accountants who are registered under the Accountants Act 1967 as a chartered accountant or a licensed accountant</p> <p>6) No members of the Audit Oversight Board shall be</p> <p>a. An approved company auditor under the Companies Act 2016; or</p> <p>b. Employed on a full-time or contractual basis, in any capacity, by a firm who acts as an auditor for any public interest entity or schedule fund; or prepares for or on behalf of any public interest entity or schedule fund, any report required by the Companies Act 2016 to be prepared by an approved auditor, or any of the firm's affiliates.</p>
<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> <p>As at 31 December 2017, the AOB Board's composition is as follows:</p> <p>Non-Executive Chairman</p> <p>1. Dato' Gumuri Hussain</p> <p>Executive Office</p> <p>1. Alex Ooi Thiam Poh</p> <p>Non-Executive Members</p> <p>1. Eugene Wong Weng Soon</p> <p>2. Marzunisham Omar</p> <p>3. Dato' Zahrah Abd Wahab Fenner</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.



	<p>4. Wong Chong Wah 5. Dato' Darawati Hussain</p> <p>Based on the definition provided below, all our Board Members are independent from the audit profession.</p>
	<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>
	<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>N/A</p>
	<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>N/A</p>
	<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 (e.g., in a management or inspection function)?</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:</p> <p>N/A</p>
<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 • 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>
<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</p>



	<p>inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <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>N/A</p> <hr/> <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. AOB conducts an annual inspection on major audit firms comprising 6 audit firms. • 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. <p>Note: Major Audit Firm refers to an audit firm with more than 10 partners and audits more than 50 public interest entity clients with a total market capitalisation of above RM25billion.</p>
<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 December 2017, there are 49 audit firms and 334 individual auditors registered 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 public listed company or a corporation listed on the stock exchange; a bank licensed under the Financial Services Act 2013 [Act 758]; an insurer licensed under the Financial Services Act 2013; a takaful operator licensed under the Islamic Financial Services Act 2013 [Act 759]; an Islamic bank licensed under the Islamic Financial Services Act 2013; a person prescribed as a prescribed financial institution under section 212 of the Financial Services Act 2013 or a person



	<p>prescribed as a prescribed Islamic financial institution prescribed under section 223 of the Islamic Financial Services Act 2013;</p> <ul style="list-style-type: none"> (g) a development financial institution prescribed under the Development Financial Institutions Act 2002 [Act 618]; (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; (i) an exchange holding company approved under the securities laws; (j) an exchange approved under the securities laws; (k) a central depository approved under the securities laws; (l) a clearing house approved under the securities laws; (m) a self-regulatory organization recognized under the securities laws; (n) a private retirement scheme administrator approved under the securities laws; (o) a trade repository approved under the securities laws; (p) the Capital Market Compensation Fund Corporation; (q) any other person as the Minister may prescribe by order published in the Gazette. <p>Part 2 of the Schedule 1 of the SCMA describes the schedule funds as follows:</p> <ul style="list-style-type: none"> (a) a private retirement scheme approved by the SC under the Capital Markets and Services Act 2007; (b) a unit trust scheme approved, authorized or recognized by the SC under the Capital Markets and Services Act 2007; (c) any other capital market funds as may be specified by the SC. <p>There are 1,155 public interest entities as at 31 December 2017 and 1,022 schedule funds as at 30 September 2017.</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 December 2017) is estimated as follows:</p> <p>PricewaterhouseCoopers (33.35%) Ernst & Young (27.97%) KPMG (21.45%) BDO (4.32 %) Deloitte (3.71%) Crowe Horwath (2.17%)</p>



	<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 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>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



	<p>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> <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 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 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>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>N/A</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>(a) AOB in February 2017 organised the ASEAN Audit Regulators Group (AARG)'s 5th Inspection Workshop and Inaugural Collaborative Workshop between the World Bank and AARG.</p> <p>(b) The AOB continued to participate in the IFIAR's 11th Inspection Workshop which was held in Athens, Greece in February 2017 plenary meeting of IFIAR and IFIAR's 3rd Enforcement Working Group Workshop which were held in Tokyo in April 2017.</p> <p>(c) AOB in July 2017 organised the "AOB Dialogue with Auditors Involved in China Audits". The session was intended for auditors involved in audits of PIEs with significant operations in China.</p> <p>(d) AOB, the Malaysian Institute of Accountants (MIA) and Association of Chartered Certified Accountants (ACCA) jointly conducted a study on "Enhanced Auditors' Report - A Review of the first-year implementation experience in Malaysia'. The study was aimed at sharing and reviewing Malaysia's first year implementation experience as well as exploring potential areas of improvement. The study includes desktop review and views collected from investors and audit committees through surveys and focus group discussions. The Report of the study is targeted to be officially launched in January 2018.</p> <p>(e) Focus group discussions on EAR were held in July and August 2017, organized by AOB, MIA and ACCA targeted at the investors and audit committees.</p>



	<p>(f) The AOB attended AARG 7th Annual Meeting in July/August 2017 held in Thailand.</p> <p>(g) In September 2016, AOB organised the “AOB Conversation with Auditors of Public Interest Entities and Schedule Funds”. The session was intended for Other Audit firms (audit firms other than Major audit Firms) involved in audits of public interest entities and schedule funds to share experiences and challenges faced in performing their duties.</p> <p>(h) AOB and Corporate Surveillance of SC jointly organised the “Conversation with Audit Committees in November 2017. The session was intended for audit committees of Public Listed Companies and was a platform to share regulatory concerns and explore implementation challenges of new accounting and auditing standards in Malaysia.</p> <p>Note: Definition of Major Audit Firm and Other Audit Firm.</p> <ol style="list-style-type: none">1) Major Audit Firm – Audit firms with more than 10 partners and audit more than 50 public interest entity clients with a total market capitalization of above RM25 billion.2) Other Audit Firm – Audit firms other than Major Audit Firms.
--	---