



Suruhanjaya Sekuriti
Securities Commission
Malaysia

AUDIT OVERSIGHT BOARD HANDBOOK FOR REGISTRATION

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Chapter 1

INTRODUCTION

- 1.01 Part IIIA of the Securities Commission Act 1993 (SCA) which takes effect on 1 April 2010 introduces a new audit oversight framework for Malaysia which seeks to enhance confidence and reliability of audited financial statements.
- 1.02 The AOB, in assisting the SC discharge its audit oversight functions, is responsible to, among others–
- (a) implement policies and programmes in ensuring an effective audit oversight system in Malaysia;
 - (b) register auditors of public-interest entities;
 - (c) direct the MIA to establish or adopt or by way of both, the auditing and ethical standards to be applied by auditors;
 - (d) conduct inspections and monitor programmes on auditors to assess the degree of compliance of auditing and ethical standards; and
 - (e) conduct inquiries and impose appropriate sanctions against auditors who fail to comply with auditing and ethical standards.
- 1.03 Audit firms and individuals who are engaged by a public-interest entity to audit its financial statements on or after 1 April 2010 must be registered with the AOB.
- 1.04 This handbook sets out the–
- (a) registration and renewal of registration regime for auditors who audit financial statements of public-interest entities under the SCA;
 - (b) registration and renewal of registration criteria to be met by an audit firm and an individual who audits the financial statements of a public-interest entity;
 - (c) application and procedures for registration, renewal and withdrawal; and
 - (d) conditions attached to the registration and renewal of registration.

Note that:

1. This handbook is issued under section 158 of the SCA and has the effect of a guideline issued by the SC.
2. Unless otherwise defined, all words have the same meaning as defined by the SCA.

1.05 For the purposes of this handbook–

Auditor	means an individual auditor or audit firm who is registered under section 310 as an auditor of a public-interest entity;
Audit firm	means a sole proprietorship, partnership or other legal entity approved to act as a company auditor under section 8 of the <i>Companies Act 1965</i> ;
BNM	means Bank Negara Malaysia;
BAFIA	means <i>Banking and Financial Institutions Act 1989</i> ;
CMSL	means Capital Markets Services Licence;
DFIA	means <i>Development Financial Institutions Act 2002</i> ;
IA	means <i>Insurance Act 1996</i> ;
ISQC 1	means International Standard on Quality Control 1;
TA	means <i>Takaful Act 1984</i> ;
IBA	means <i>Islamic Banking Act 1983</i> ;
MIA	means the Malaysian Institute of Accountants;
Recognised auditing and ethical standards	means auditing and ethical standards adopted by the AOB or which has been adopted by MIA and this includes by-laws and circulars published by MIA relating to auditing and ethical standards;
Partner	in relation to an audit firm, partner means a person occupying or acting in the position of partner of an audit firm, by whatever name called and whether or not a partner in a partnership under the <i>Partnership Act 1961</i> and must be an approved company auditor under section 8 of the <i>Companies Act 1965</i> ; or
Managing partner	means the main person who is responsible for the operations, quality control and financial matters of the audit firm by whatever named called and whether or not a partner in a partnership as defined under the <i>Partnership Act 1961</i> and does not need to be an approved company auditor under section 8 of the <i>Companies Act 1965</i> .

Chapter 2

REGISTRATION UNDER THE SCA

Who needs to be registered with the AOB?

2.01 The SCA provides that the following persons must be registered with the AOB:

- An audit firm who audits the financial statements of a public-interest entity (see Chapter 3);
- An individual who audits the financial statements of a public-interest entity (see Chapter 4).

2.02 All auditors must be registered with the AOB before the accepting any nomination for the appointment as auditor of a public interest entity.

Tenure of registration

2.03 An AOB registration is valid for a period of 12 months from the date of registration.

What is a public-interest entity?

2.04 Schedule 1 of the SCA currently specifies seven groups of public-interest entities. They are–

- public-listed companies or corporations listed on the stock exchange;
- licensed institutions licensed under the BAFIA;
- insurance companies licensed under IA;
- takaful operators registered under TA;
- Islamic banks licensed under IBA;
- development financial institutions prescribed under DFIA; and
- holders of a CMSL carrying on regulated activities of dealing in securities, trading in futures contracts or fund management.

2.05 Schedule 1 of the SCA also provides that the Minister of Finance may prescribe any other person to be a public-interest entity.

Chapter 3

REGISTRATION AND RENEWAL CRITERIA FOR AUDIT FIRMS

Fit and proper criteria

3.01 If you are an audit firm who applies for a registration or renewal of registration with the AOB, you must be fit and proper, as set out in section 31P of the SCA.

Additional criteria

3.02 In addition to the statutory fit and proper criteria provided for under section 31P of the SCA, the AOB will also take into account the following in assessing whether an audit firm is fit and proper:

- Disciplinary action;
- Business conduct;
- Auditor status of your firm's partner(s) and managing partner(s);
- Financial status of your firm's partner(s) and managing partner(s); and
- Your firm's compliance with recognised auditing and ethical standards.

Disciplinary action

3.03 The AOB will take into account whether the managing partner or partner(s) of your firm—

- (a) have been convicted of an offence under the laws administered by any regulatory authority in or outside Malaysia;
- (b) have had any enforcement action taken or sanction imposed by any regulatory authority in or outside Malaysia; or
- (c) have had any form of disciplinary proceedings or actions taken by any regulatory authority in or outside Malaysia.

Business conduct

3.04 The AOB will take into account whether the managing partner or partner(s) of your firm–

(a) have engaged in or have been associated with any other business practices or otherwise conducted themselves in such a way as to cast doubt on their competence, soundness of judgment and professionalism; and

(b) have been involved in the audit of a public-interest entity in or outside Malaysia which at the time of your audit firm's involvement, the public-interest entity had disciplinary or enforcement action taken or sanction imposed by any regulatory authority in or outside Malaysia relating to the preparation or issuance of financial statements of the public-interest entity.

Auditor status of your partners

3.05 The AOB will take into account whether the managing partner or partner(s) of your firm–

(a) have been refused or suspended as an approved auditor under section 8 of the *Companies Act 1965*;

(b) have been refused or suspended from membership of MIA or any other recognised associations of accountants whether in or outside Malaysia;

(c) have been removed as auditors of any public-interest entity; or

(d) have been disqualified under section 130 of the *Companies Act 1965*.

Financial status of your managing partner or partner(s)

3.06 The AOB will take into account whether the partner(s) or managing partner(s) of your firm are undischarged bankrupts within or outside Malaysia.

Compliance with recognised auditing and ethical standards

3.07 Your firm must comply with all recognised auditing and ethical standards in Malaysia in the performance of the audit of financial statements.

- 3.08 AOB, in registering and renewing the registration of the audit firm, will take into account the firm's compliance with ISQC 1. In this regard, the firm is required to submit Part 2 of Form 2 (which provides information to AOB of the firm's compliance with ISQC 1).
- 3.09 ISQC 1 deals with a firm's responsibilities for its system of quality control for audits and reviews of financial statements. ISQC 1 also deals with other assurance and related services engagements.
- 3.10 ISQC 1 applies to all audit firms, irrespective of the size of the firm. It also applies to sole practitioners, with or without other professional staff.
- 3.11 In determining whether the audit firm complies with ISQC 1, the AOB will assess the firm's compliance with all six key elements of ISQC 1, which are–
- leadership responsibilities within the firm;
 - ethical requirements;
 - acceptance and continuance of client relationships and specific engagements;
 - human resources;
 - engagement performances and engagement quality control review; and
 - monitoring of the firm's quality control policies and procedures.

Chapter 4

REGISTRATION AND RENEWAL CRITERIA FOR INDIVIDUAL AUDITORS

Fit and proper criteria

4.01 Persons who apply for a registration or renewal of registration by the AOB must be fit and proper, as set out in section 31P of the SCA.

Additional criteria

4.02 In addition to the statutory fit and proper criteria provided for in section 31P of the SCA, the AOB will also take into account the following in assessing whether you are fit and proper:

- Disciplinary action;
- Business conduct;
- Auditor status;
- Financial status; and
- Your compliance with recognised auditing and ethical standards.

Disciplinary action

4.03 The AOB will take into account whether you–

- (a) have been convicted of an offence under the laws administered by any regulatory authority in or outside Malaysia;
- (b) have had any enforcement action taken or sanction imposed by any regulatory authority in or outside Malaysia; or
- (c) have had any form of disciplinary proceedings or actions taken by any regulatory authority in or outside Malaysia.

Business conduct

4.04 The AOB will take into account whether you–

- (a) have engaged in or have been associated with any other business practices or otherwise conducted yourself in such a way as to cast doubt on your competence, soundness of judgment and professionalism; and
- (b) have been involved in the audit of a public-interest entity in or outside Malaysia which at the time of your audit firm's involvement, the public-interest entity had disciplinary or enforcement action taken or sanction imposed by any regulatory authority in or outside Malaysia relating to the financial statements of the public-interest entity.

Auditor status

4.05 The AOB will take into account if you–

- (a) have been refused or suspended as an approved auditor under section 8 of the *Companies Act 1965*;
- (b) have been refused or suspended from membership of MIA or any other recognised associations of accountants whether in or outside Malaysia;
- (c) have been removed as an auditor of any public-interest entity; or
- (d) have been disqualified under section 130 of the *Companies Act 1965*.

Compliance with recognised auditing and ethical standards

4.06 You must comply with all recognised auditing and ethical standards in Malaysia in the performance of the audit of financial statements.

Chapter 5

CONDITIONS OF REGISTRATION AND RENEWAL OF REGISTRATION

General

- 5.01 The AOB, may upon registration and renewal of registration, impose such conditions as it deems necessary. This chapter sets out the general conditions applicable to an auditor registered with the AOB. An auditor must comply with these conditions within the tenure of the registration.
- 5.02 The AOB may also impose other conditions on a registered auditor at the time of granting or renewing a registration or at any other time where necessary.
- 5.03 If an auditor contravenes or fails to comply with any condition, the AOB is empowered to initiate and administer a broad range of actions against the auditor under section 31Z of the SCA.

What are the general conditions in relation to an audit firm?

- 5.04 You must satisfy the following:
- (a) Comply with Part IIIA SCA, its regulations and guidelines and any other applicable law that may govern the activities carried on by your firm.
 - (b) Carry on your practice for which you are registered, honestly, competently and with fair judgment.
 - (c) Comply with all recognised auditing and ethical standards.
 - (d) Notify the AOB if you cease to be approved or registered with any other regulatory authority.
 - (e) Ensure that persons who audit the financial statements of a public-interest entity on behalf of the audit firm are appropriately qualified, sufficiently trained and competent to do so.
 - (f) To provide any information requested by the AOB from time to time.
 - (g) Inform the AOB within 10 working days when you become aware of the occurrence of any of the following events:
 - (i) Where any auditor in your firm ceases to be an auditor either through his own accord, revocation or suspension under the SCA or ceases to be fit and proper under section 31P of the SCA;

- (ii) Where any auditor in your firm fails to comply with section 31V(3) of the SCA which provides for the provision of access to information and the giving of assistance to an Inspection Officer of the AOB; or
- (iii) Where there is any change in the particulars submitted in Form 2.

What are the general conditions in relation to an individual auditor?

5.05 You must satisfy the following:

- (a) Remain fit and proper as required by the SCA.
- (b) Comply with Part IIIA of the SCA, its regulations and guidelines and any other applicable law that may govern the activities carried on by you.
- (c) Comply with all recognised auditing and ethical standards.
- (d) Carry on your practice for which you are registered, honestly, competently and with fair judgment.
- (e) Ensure compliance with recognised auditing and ethical standards in Malaysia in the performance of the audit of financial statements.
- (f) Return your notification of registration to the AOB if you cease to be registered with the AOB.
- (g) Inform AOB within 10 working days when you become aware of the occurrence of any of the following events:
 - (i) Where you cease to be an auditor either through your own accord, revocation or suspension under the SCA or cease to be fit and proper under section 31P of the SCA; or
 - (ii) Where there is any change in the particulars submitted in Form 1.

Chapter 6

APPLICATION PROCEDURES AND FEES

General

6.01 This chapter will provide you with information on–

- forms to be used for various applications;
- application procedures;
- fees to pay for applications; and
- withdrawal of registration status.

What are the procedures for application for registration and renewal of registration?

6.02 Upon satisfying the relevant criteria as set out in Part IIIA of the SCA and Chapter 3 and 4 of this Handbook, you must fill the relevant forms outlined in Table 1 to apply for registration or renewal of registration under section 310 of the SCA.

Applicant	Form
Individual auditor	Form 1: Application for registration as an individual auditor
Malaysia Audit firm	Form 2: Application for registration as an audit firm

Table 1: Relevant application forms

6.03 You can refer to Appendix 1 for the list of documents which must accompany your application.

6.04 You must also submit the registration fees at the point of submitting your application for registration or renewal of registration in the form of a bank draft made payable to the “Securities Commission”. Payment must be addressed to –

Audit Oversight Board
Securities Commission Malaysia
Suite 8-6, Level 8
Wisma UOA Damansara II
No. 6, Changkat Semantan
Damansara Heights
50490, Kuala Lumpur

Effective date of renewal of registration

6.05 The applicant will be accorded with its original date of registration if the application for renewal of registration is submitted **14 working days or more before** the date of which the registration would have expired. For example -

Registration Date (2011)	Application submission date	Registration Date (2012) – post renewal
10 April 2011	10 March 2012	10 April 2012

6.06 The applicant will be accorded with a new registration date if the application for renewal of registration is submitted **less than 14 working days** before the date of which the registration would have expired. For example -

Registration Date (2011)	Application submission date	Registration Date (2012) – post renewal
10 April 2011	6 April 2012	25 April 2012

6.07 Notwithstanding the above, the AOB has the sole discretion in determining the effective date of registration.

Note that:

1. As of 14 March 2011, all submissions of registration must be submitted online via the Auditor Registration Application System ("ARAS") on <https://esubmissions.seccom.com.my/aras>
2. An application submission is considered complete once the both the application is submitted through ARAS and payment of registration is made. Therefore, the AOB will only begin processing your application once an application submission is complete.

How much is the annual registration fee?

6.08 The annual registration fee payable to the AOB is set out in Table 2 below. The annual registration fees are prescribed under the Securities Commission (Audit Oversight Board) (Fees) (No.2) Regulations 2010.

Applicant	Fee (RM)
Individual auditor	5000.00

Table 2: Registration Fees

Annual registration fees for an individual auditor who is registered as an auditor of more than one audit firm

6.09 If you are an individual auditor who is registered as an auditor of more than one audit firm, you are required to pay the annual registration fee for each audit firm with which you are registered.

6.10 You may apply to the AOB (via Form 5, which is available on www.sc.com.my) to be exempted from payment of multiple amount of registration fees by submitting an application describing how the audit firms with which you are registered with operates as a single business unit, using the assessment criteria set out in paragraph 6.09, together with the relevant supporting documents.

6.11 The assessment criteria is as follows –

- (a) Business model of the audit firm;
- (b) Governance, human resource and remuneration structure of the audit firm;
- (c) Policies and procedures in the following areas –
 - (i) Risk management; and
 - (ii) Client acceptance and continuance procedures
- (d) Financial arrangements amongst the audit firms; and
- (e) Profit sharing arrangements between the individual and the audit firms.

6.12 The AOB's decision is on whether to accept your application is final.

Note that:

The audit firms in which you are a partner are recognised as a single audit entity only for three (3) years i.e. from 1 April 2010 to 31 March 2013. The recognition accorded to such audit firms will lapse thereafter and you will be required to pay the registration fees for each audit firm that you intend to be registered under.

Withdrawal of registered status

Individual auditor

- 6.13 You may withdraw your registered status by notifying the AOB in writing and returning your notification of registration to the AOB. However, your registration fee will not be refunded to you.
- 6.14 The withdrawal will not affect the registration status of the audit firm(s) that you are registered with unless you belong to a sole-proprietorship audit firm.
- 6.15 Your notification of withdrawal to the AOB will not take effect until and unless the AOB is satisfied that you have made adequate arrangements to meet all obligations that are outstanding in relation to your role as an auditor of public interest entities.
- 6.16 To satisfy to AOB that you have met the obligations referred to in paragraph 6.12, you are required to provide to the AOB proof of your resignation as auditor of all public interest entities; proof that your resignation(s) have taken effect and that you are no longer an auditor of any public interest entities.
- 6.17 In relation to the obligation referred to in paragraph 6.12, your notification of withdrawal to the AOB will not take effect if –
- (a) you have been notified by AOB that inspections will be conducted as provided for under section 31V of the SCA;
 - (b) AOB is conducting inspections provided for under section 31V of the SCA;
 - (c) you are subjected to an inquiry provided for under section 31W of the SCA;
 - (d) you are subjected to any sanctions provided for under section 31Z of the SCA; and
 - (e) your audit firm is registered with no registered individual auditor that is not subject to any sanction under section 31Z(2)(f) or section 31Z(2)(g) of the SCA after your withdrawal of registration takes effect.
- 6.18 Notwithstanding the above, AOB has the sole discretion in determining the effective date of your notification of withdrawal.

Audit firm

- 6.19 You may withdraw your registered status by notifying the AOB in writing and returning your notification of registration to the AOB. All registered individual auditor(s) in your audit firm is also required to return the notification of registration to the AOB.
- 6.20 The withdrawal of registration of your audit firm will automatically result in the withdrawal of registration of the individual auditor(s) registered under your audit firm.
- 6.21 Your notification of withdrawal to the AOB will not take effect until and unless the AOB is satisfied that you have made adequate arrangements to meet all obligations that are outstanding in relation to your role as an auditor of a public interest entity.
- 6.22 To satisfy to AOB that you have met the obligations referred to in paragraph 6.19, you are required to provide to the AOB proof of your resignation as auditor of public interest entities, proof that your resignation(s) have taken effect and that you are no longer an auditor of any public interest entities.
- 6.23 In relation to the obligation referred to in paragraph 6.19, your notification of withdrawal to the AOB will not take effect if –
- (a) you have been notified by AOB that inspections will be conducted as provided for under section 31V of the SCA;
 - (b) AOB is conducting inspections provided for under section 31V of the SCA;
 - (c) you are subjected to an inquiry provided for under section 31W of the SCA; and
 - (d) you are subjected to any sanctions provided for under section 31Z of the SCA.
- 6.24 Notwithstanding the above, AOB has the sole discretion in determining the effective date of your notification of withdrawal.

APPENDIX 1

Checklist for registration under the Audit Oversight Board

1. Audit Firm

Document	Yes	No	N/A
Copy of certified true copy of Form 5 (Return of Firm of Partners of Auditors) lodged with Suruhanjaya Syarikat Malaysia			
Copy of certified true copy of Certificate of Registration of Firm issued by the Malaysian Institute of Accountants			

2. Individual auditor

Document	Yes	No	N/A
Copy of the applicant's NRIC* (for Malaysian citizens) or passport* (for non-Malaysian citizens)			
Copy of certified true copy of Audit Licence issued by Jabatan Akauntan Negara under section 8 of the <i>Companies Act 1965</i>			
Copy of certified true copy of Membership Certificate issued by the Malaysian Institute of Accountants			