

Chairman's Message

I am pleased to present the Annual Report of the Audit Oversight Board (AOB) for the year ended 31 December 2019.

This report provides an overview of the AOB's activities and key highlights in respect of its progress in operationalising the AOB's Strategic Plan 2017-2020.

FOSTERING HIGH QUALITY INDEPENDENT AUDITING THROUGH AOB KEY FUNCTIONS

The quality of a company's financial report supported by an independent external audit is key to market confidence. In fulfilling the AOB's mission to foster high quality independent auditing on the financial statements of public-interest entities (PIE) and schedule funds, the AOB conducts inspection on registered audit firms and auditors. The AOB's inspection findings, observations and further analysis will be presented separately in the *2019 Annual Inspection Report (AIR)*.

An effective and independent audit function that is appropriately supported by the company is vital for audit quality. In an effort to facilitate meaningful communication between the Audit Committees of public-listed companies (PLCs) and their auditors, the AIR are distributed to the Audit Committee of PLCs. During the year, the AOB also organised the AOB's Conversation with Audit Committee to share and discuss common inspection findings and regulatory updates.



In 2019, the AOB continued to send strong signals with its enforcement actions, which ranged from revocation of registration, reprimands, prohibitions and monetary penalties. The AOB has a robust enforcement framework to determine its enforcement actions. Audit quality applies to all audit firms regardless of the size of the audit firm, and non-compliance with standards and regulation will result in enforcement action. In addition, it has no tolerance on ethical breaches and such breaches by auditors will tantamount to revocation of their AOB registration.

MOVING FORWARD

In its efforts to keep abreast with the current economic environment and emerging issues, the AOB continues to interact with domestic and international regulators and other stakeholders in the financial reporting ecosystem. The AOB will also continue with its engagement with auditors by conducting the annual dialogue sessions with the auditors of PIEs and schedule funds.

To promote accountability among audit firms and uphold audit quality, the AOB introduced the Annual Transparency Reporting for audit firms who have more than 50 PIE audit clients and the total market capitalisation of the audit firm's PIE clients must be above RM10 billion. Commencing in the year 2020, audit firms are required to disclose its legal and governance structure, measures taken to uphold audit quality and manage risks, and information on their measurement of indicators for audit quality in their transparency reports. Moving forward, the transparency report will provide boards and shareholders with relevant information for consideration in the evaluation and appointment of auditors.

ACKNOWLEDGEMENT

I wish to record my appreciation to the board members for their commitment and guidance in ensuring the AOB continues to progress towards fulfilling its mission.

This year, Dato' Zahrah Abdul Wahab Fenner, Non-Executive board member resigned on 1 July 2019, while Eugene Wong Weng Soon and Wong Chong Wah concluded their statutory terms as Non-Executive board members on 31 December 2019. I would like to take this opportunity to thank the outgoing members for their contribution and guidance, and wish them all the best for their future endeavours.

The AOB's efforts are made possible with the support and assistance from our fellow regulators, professional accountancy bodies and other stakeholders. I wish to thank them for their ongoing support.

In conclusion, I would like to express my sincere gratitude to the existing AOB management and employees who have demonstrated their commitments and dedication to ensure that we progress based on the AOB's adopted strategy.



DATO' GUMURI HUSSAIN