



**Suruhanjaya Sekuriti**  
Securities Commission  
Malaysia

# **AUDIT OVERSIGHT BOARD ANNUAL REPORT 2024**

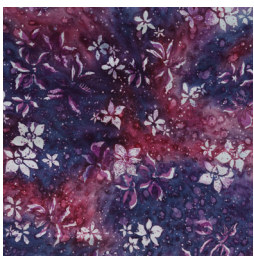
**AUDIT OVERSIGHT BOARD  
ANNUAL REPORT  
2024**



# MISSION STATEMENT

Fostering high quality independent auditing to promote confidence in the quality and reliability of audited financial statements of public-interest entities and schedule funds in Malaysia.





***ORKID SEBAGAI PENYERI HIDUP by Anggun; Nur Ain Nadhirah  
Ahmad Natzrun (team lead)***

*This theme is based on the declaration of the hibiscus as the National Flower by Prime Minister Tunku Abdul Rahman Putra Al-Haj on July 28, 1960. Its five petals symbolise the five principles of the Rukun Negara and also represent unity.*

*Design was submitted for the Batik Lestari 2024 Showcase.*

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3 Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur  
Malaysia

Tel +603 6204 8900  
Fax +603 6201 1888  
Website [www.sc.com.my/aob](http://www.sc.com.my/aob)

The cut-off date for the data included in this report was 31 December 2024.

CHAIRMAN’S MESSAGE	8
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HIGHLIGHTS

Key Highlights of the Audit Oversight Board’s Core Functions in 2024	12
Profile of the AOB’s Registered and Recognised Audit Firms Individual Auditors	13

MONITORING AND SUPERVISION OF PIEs AND SCHEDULE FUNDS AUDITORS

Registration and Recognition of Audit Firms and Individual Auditors	16
Inspection of Audit Firms and Individual Auditors	19
Enforcement on Audit Firms and Individual Auditors	22

STAKEHOLDER ENGAGEMENTS AND CAPACITY-BUILDING INITIATIVES

Engagements and Conversations on Audit Quality	28
Capacity Building and Collaboration Efforts	33

STATEMENTS

Members of the Audit Oversight Board	38
Statement on Governance	43
Financial Statements	48

OTHERS

Acronyms and Abbreviations	66
Definitions	67









## **CHAIRMAN'S MESSAGE**

# CHAIRMAN'S MESSAGE



It is my privilege to present the Annual Report of Audit Oversight Board (AOB) for the year ended 31 December 2024.

As of 31 December 2024, the AOB regulates 42 audit firms, and 393 individual auditors. Collectively, these auditors audit 1,304 public interest entities (PIEs) and 1,380 schedule funds.

While the auditing landscape is continuously changing, the emphasis in safeguarding public trust and strengthening investor confidence in the capital market remains constant. In 2024, the AOB continued to promote high quality audit practices through its key oversight activities such as registration, inspection and enforcement.

## BUILDING A RESILIENT AUDIT PROFESSION

AOB's enforcement actions reinforced the accountability of registered auditors of PIEs and schedule funds and deter non-compliance with auditing and ethical standards. While the enforcement actions send a strong signal to the auditors on the importance of upholding audit quality, the AOB is mindful of the challenges faced by audit firms in respect of capacity building.

Recognising this, the AOB utilises the monies collected from the penalty imposed to facilitate capacity-building initiatives for registered auditors through collaboration with MICPA. Targeted workshops on AOB's common inspection findings were facilitated by representatives of the AOB's Major Audit Firms. This collaborative effort between the profession, professional accountancy bodies and regulator further emphasised that audit quality in the Malaysian profession is a shared responsibility.

In 2024, the SC announced the *National Sustainability Reporting Framework* (NSRF) and an integral part of the NSRF, is on upskilling accountants on sustainability related matters. The accounting profession, once primarily responsible for financial reporting, is expected to enhance their knowledge to support the sustainability practices of companies and provide assurance services on sustainability information. Acknowledging the needs for accountants to upskill their capability, the AOB subsidised the cost for 100 accountants from AOB-registered audit firms to attend GRI Professional Certification Program which was conducted in October 2024.

## GREATER CONSISTENCY ON AUDIT OVERSIGHT

In its efforts to keep abreast with the current and emerging issues on audit and audit oversight, the AOB continues to interact with domestic and international regulators and other stakeholders in the financial reporting ecosystem.

The AOB's membership with the International Forum of Independent Audit Regulators (IFIAR) and the ASEAN Audit Regulators Group (AARG) provides valuable insights on regulatory best practices and allows greater consistency on audit oversight among fellow audit regulators. In addition to being a member of IFIAR's Investor and Other Stakeholders Working Group (IOSWG), in 2024, the AOB was accepted as a member of the IFIAR's Sustainability Assurance Task Force. Involvement in the IFIAR working groups allows the AOB to leverage the experience of other audit regulators at the global level and help drive policy changes locally in Malaysia.

## ACKNOWLEDGEMENT

To achieve a sustainable culture of quality in the financial reporting ecosystem, key stakeholders must play their respective roles effectively. Over the years, we have engaged and collaborated with Audit Committees, academicians, investors, preparers of financial statements to strengthen the financial reporting ecosystem.

On 12 June 2024, the Asian Corporate Governance Association (ACGA), in collaboration with CLSA Ltd, released the ASEAN chapter of the *Corporate Governance (CG) Watch 2023* report, titled 'Spectrum of Standards: Regulators Set the Tone on CG Progress'. CG Watch 2023 is based on the ACGA's biennial corporate governance assessment of corporate governance practices across 12 Asia Pacific markets. Malaysia secured first place in the auditors and audit regulators category, showcasing the strength of its audit oversight framework across the region. The ACGA recognises that the AOB plays a key role through regular inspections and transparent enforcement outcomes. This global recognition is an impetus for the AOB to continue its efforts to further improve audit quality.

Lastly, on behalf of the AOB, I would like to extend my gratitude to all stakeholders at both local and international levels for their support and cooperation throughout the year.



**Tan Sri Abu Samah Nordin**









# HIGHLIGHTS

KEY HIGHLIGHTS OF THE AUDIT OVERSIGHT BOARD’S CORE FUNCTIONS IN 2024



REGISTRATION

REINFORCING REGULATORY EXPECTATIONS

- Issued the revised AOB’s *Handbooks for Registration and Recognition*
- Issued AOB Alerts to Audit Committees (ACs) on audit quality related matters to assist the ACs with their oversight responsibilities on auditors
- Registered and recognised **29** new individual auditors, **1** new foreign audit firm and **3** new foreign individual auditors
- Strengthened the financial reporting ecosystem through the AOB’s Conversation series with Auditors and ACs
- Built capacity and capabilities of AOB-registered auditors by facilitating targeted training programmes



INSPECTION

STRENGTHENING THE FOCUS ON RISK-BASED INSPECTIONS

- Inspected **13** audit firms, **40** partners and **40** audit engagements



ENFORCEMENT

FOCUSED AND IMPACTFUL ENFORCEMENT OUTCOMES

- Setting the tone for quality through enforcement actions
  - **2** audit firms and **4** individual audit partners were reprimanded, prohibited from accepting as clients and auditing the financial statements of PIEs and schedule funds and a total of **RM275,000** monetary penalty imposed

## Profile of the AOB's Registered and Recognised Audit Firms and Individual Auditors as at 31 December 2024

# 377

Registered  
individual  
auditors

# 37

Registered  
audit  
firms



# 16

Recognised  
individual  
auditors

# 5

Recognised  
audit firms

AUDITED



# 1,304

 PIEs

# RM2,017

 BILLION

Public-listed companies (PLCs)  
market capitalisation

AUDITED



# 1,380

 SCHEDULE FUNDS

# RM750

 BILLION

Net asset value (NAV)









# **MONITORING AND SUPERVISION OF PIES AND SCHEDULE FUNDS AUDITORS**



# MONITORING AND SUPERVISION OF PIEs AND SCHEDULE FUNDS AUDITORS

## REGISTRATION AND RECOGNITION OF AUDIT FIRMS AND INDIVIDUAL AUDITORS

The AOB’s oversight activities include the registration and recognition of auditors of public-interest entities (PIEs) and schedule funds.

In 2024, the AOB processed 29 applications for the registration of individual auditors of which one application was refused due to failure to meet the registration criteria imposed under Section 31P of the *Securities Commission Malaysia Act 1993*.

During the year, 26 individual auditors withdrew their registration with the AOB as they were no longer involved in the audits of PIEs and schedule funds.

The AOB recognises the foreign audit firms and individual auditors of PIEs who are listed in Malaysia but incorporated outside of Malaysia.

In 2024, the AOB processed the new applications for recognition of Ernst & Young LLP (Singapore) and three of the firm’s partners. Currently, the AOB recognises five foreign audit firms from Singapore, Hong Kong and United Kingdom. Collectively, these foreign audit firms audit five foreign incorporated companies, which are listed on Bursa Malaysia.

### Registration and Recognition Statistics

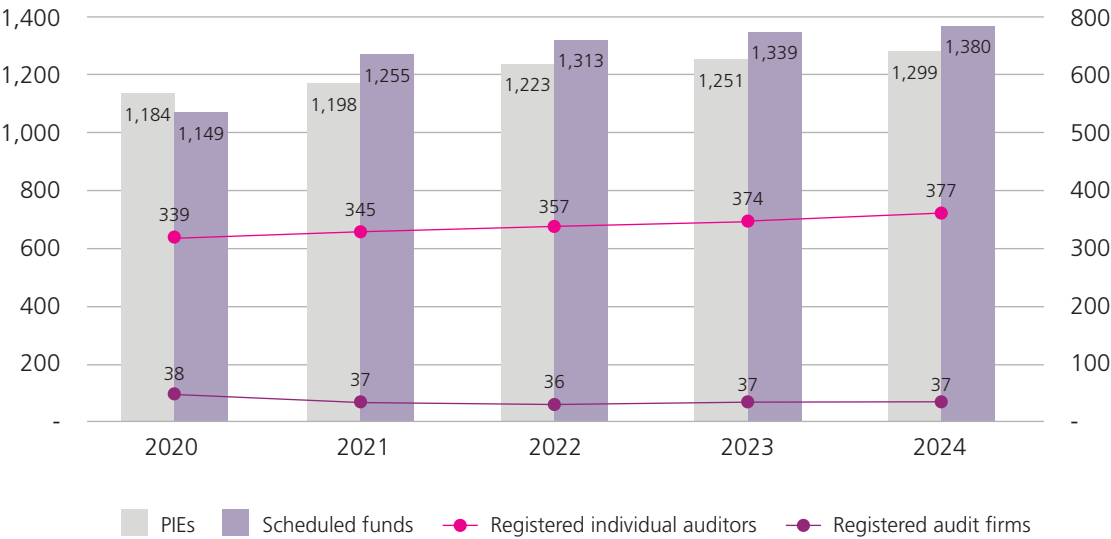
As of 31 December 2024, there are a total of 37 audit firms and 377 individual auditors registered with the AOB with another five foreign audit firms and 16 foreign individual auditors being recognised by the AOB.

Table 1 provides the breakdown of the number of PIE and schedule fund clients of these registered and recognised auditors.

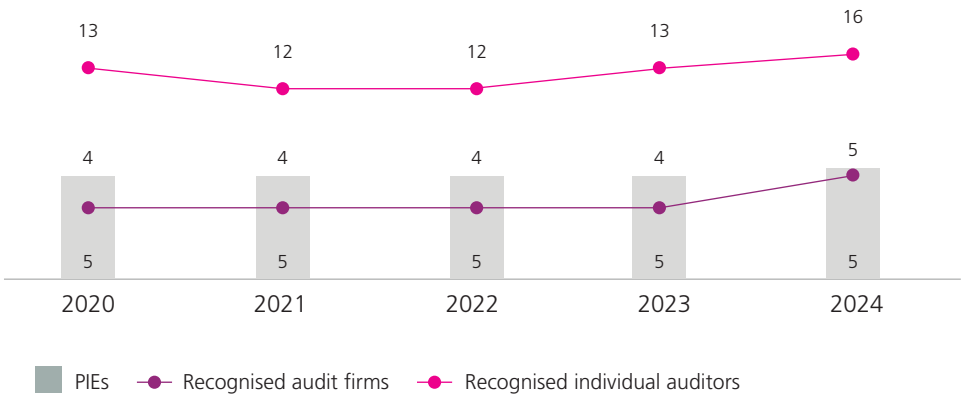
**TABLE 1**  
Number of PIE and schedule fund audit clients of AOB registered and recognised auditors as of 31 December 2024

Profile of audit firms	No. of audit firms	No. of individual auditors	No. of PIE audit clients	% of total market capitalisation	No. of schedule funds audit clients	% of total net asset value
Registered audit firms						
Major audit firms	9	247	988	95.1	1,319	99.3
Other audit firms	28	130	311	4.8	61	0.7
Sub-total	37	377	1,299	99.9	1,380	100
Recognised foreign auditors	5	16	5	0.1	-	-
TOTAL	42	393	1,304	100	1,380	100

**CHART 1**  
5-year registration statistics of registered audit firms and individual auditors



**CHART 2**  
5-year recognition statistics of recognised audit firms and individual auditors



THE AOB’S REVISED HANDBOOKS FOR REGISTRATION AND RECOGNITION

On 13 June 2024, the AOB issued the revised *AOB Handbooks for Registration and Recognition* (the Handbooks). The Handbooks set out among others the registration and recognition criteria and conditions to be met by an audit firm and an individual who audits the financial statements of a PIE or schedule fund.

The Handbooks are issued under section 158 of the *Securities Commission Malaysia Act 1993* (SCMA) and have the effect of a guideline issued by the SC. The AOB can take action against auditors for any non-compliance with the Handbooks.

The key amendments to the Handbooks are depicted in Diagram 1.

**DIAGRAM 1**  
Key Amendments to the revised *AOB Handbooks for Registration and Recognition*



## INSPECTION OF AUDIT FIRMS AND INDIVIDUAL AUDITORS

The AOB conducts inspections on auditors of PIEs and schedule funds to promote confidence in the quality and reliability of the audited financial statements in accordance with Section 31V(1) of Part IIIA of the SCMA.

Annual inspections are conducted on the Major Audit Firms\* while the Other Audit Firms are inspected at least once in five years, based on risk consideration. As at 31 December 2024, the public listed companies audited by the Major Audit Firms constitute approximately 96% of the market capitalisation of the stock exchange.

### DIAGRAM 2

Firm and engagement level reviews



#### Firm level

Assess firms' compliance with the requirements of the *International Standards on Quality Management* (ISQM) 1



#### Engagement level

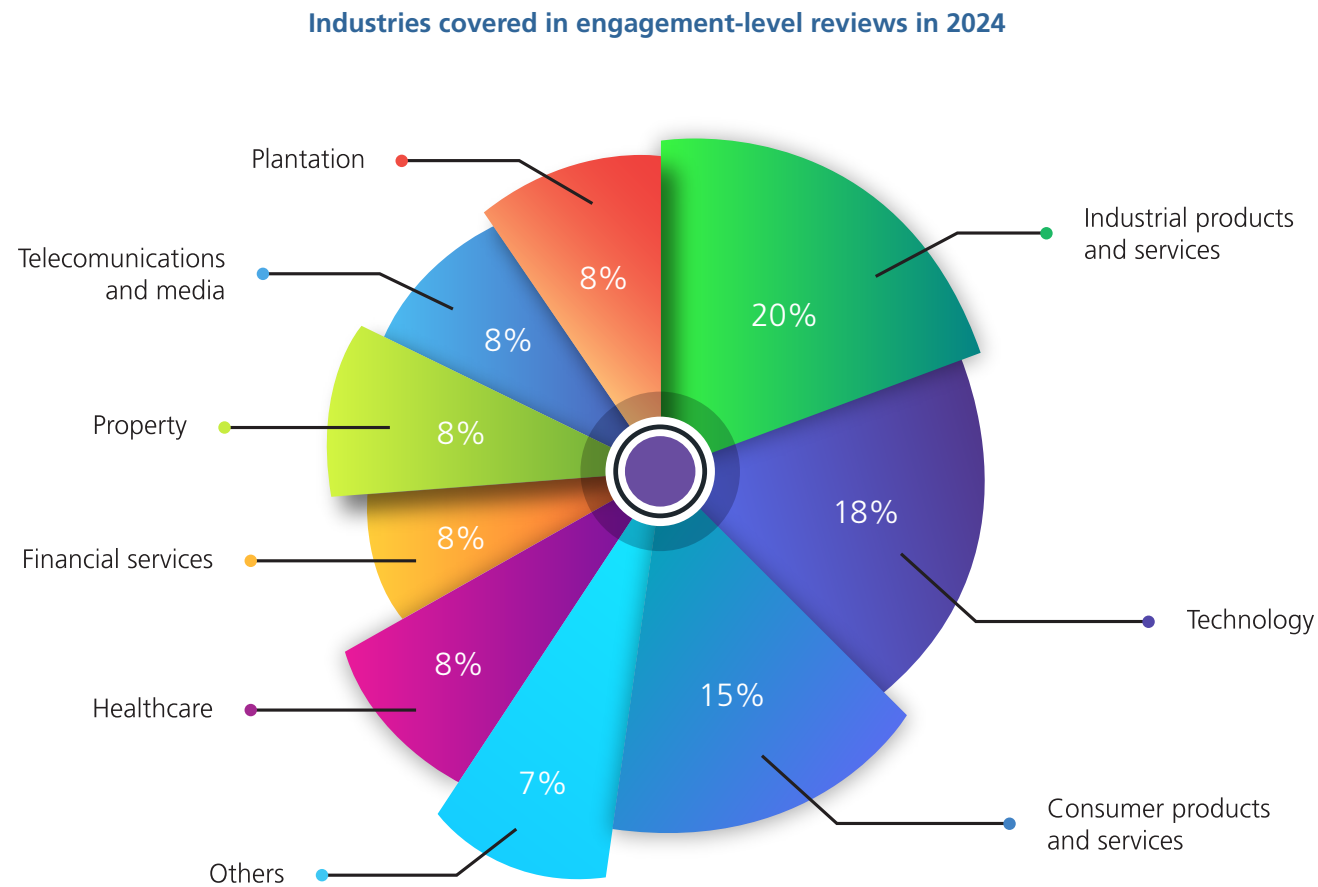
- Assess auditors' compliance with the *International Standards on Auditing* (ISAs) and relevant ethical standards; and
- Assess whether sufficient and appropriate audit evidence had been obtained in relation to the audit reports of PIEs or schedule funds.

In 2024, the AOB inspected nine Major Audit Firms and four Other Audit Firms including a total 40 audit engagements. As shown in Diagram 3, the audit engagements that have been inspected in 2024 involve audit clients with businesses spanning across various industries.

Note:

\* The Major Audit Firms are firms that have more than 10 partners who collectively audit more than 50 PIEs with a total market capitalisation exceeding RM15.0 billion. The Major Audit Firms comprises of Baker Tilly Monteiro Heng PLT, BDO PLT, Crowe Malaysia PLT, Deloitte PLT, Ernst & Young PLT, Grant Thornton Malaysia PLT, KPMG PLT, PriceWaterhouseCoopers PLT and UHY Malaysia PLT. The Other Audit Firms are firms other than the Major Audit Firms.

**DIAGRAM 3**  
Industries covered in engagement-level reviews in 2024



## HIGHLIGHTS OF KEY INSPECTION ACTIVITIES IN 2024



### Issued twelve inspection reports during the year

The AOB issues inspection reports to the audit firms detailing the deficiencies identified from the firm and engagement level reviews.



### Reviewed and approved the remedial plans for fourteen audit firms

The audit firms are required to submit a remedial plan to the AOB to address all deficiencies highlighted in the inspection report. The remedial plan, including the remediation timeframe, is subject to AOB's review and approval. In addition, the audit firms are required to update the AOB every quarter on the implementation progress of the firms' remedial plan.



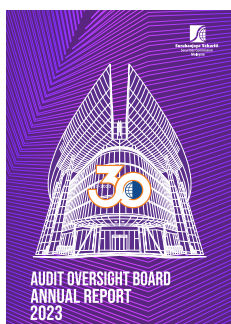
### Imposed specific remediation measures on six inspected audit firms and twelve individual auditors

The AOB may impose specific remediation measures on audit firms and individual auditors to mitigate the risks of future failures particularly when there are heightened concerns arising from the inspections.

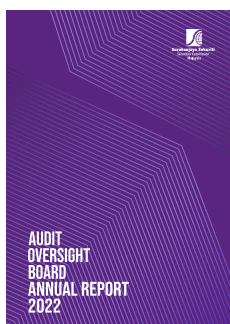


### Referred seven inspected audit engagements audited by five audit firms for enforcement proceedings due to the severity of the inspection findings

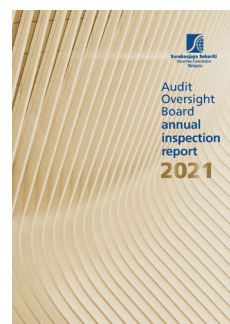
The AOB will be issuing a separate Annual Inspection Report 2024 that would provide details on the inspection programme, the common inspection findings and other observations including the remediation efforts taken by the inspected audit firms. The Annual Inspection Report is intended to generate more meaningful discussions on audit quality between the auditors and the audit committees as well as the management of PIEs and schedule funds.



Annual Inspection  
Report 2023



Annual Inspection  
Report 2022



Annual Inspection  
Report 2021



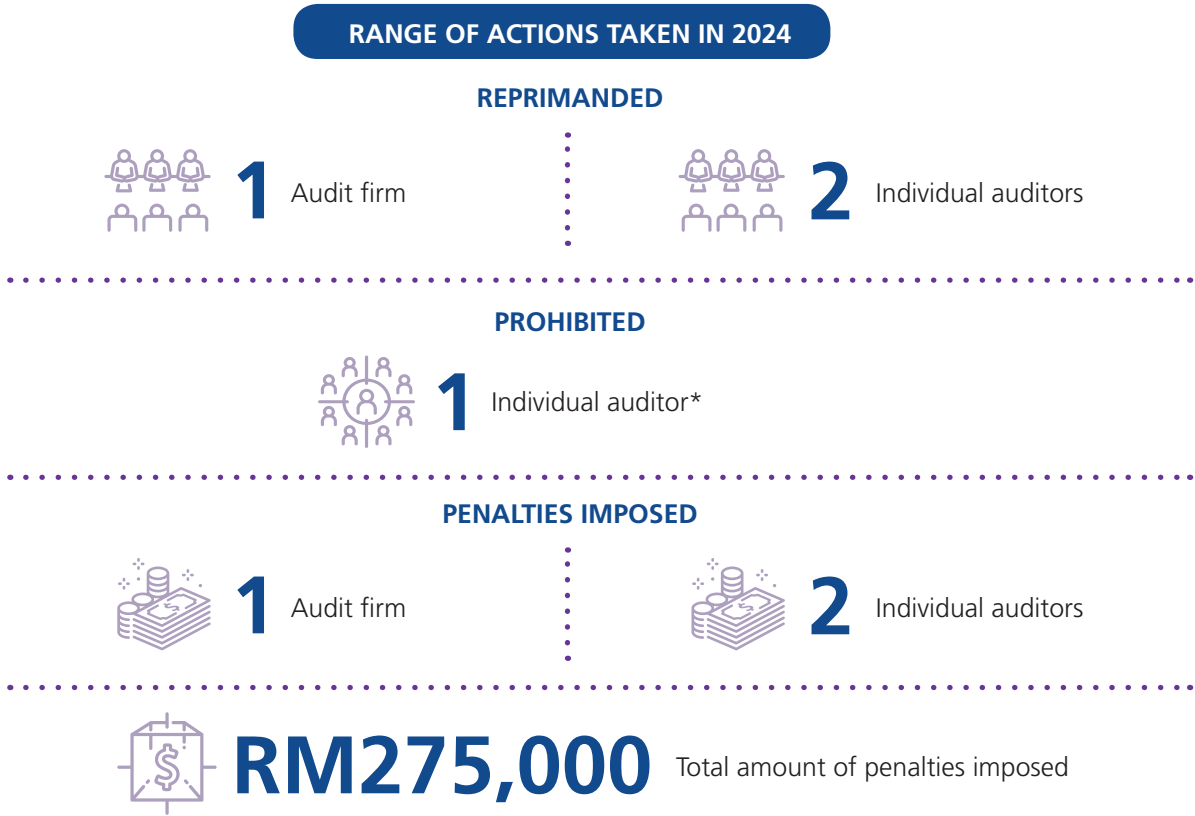
ENFORCEMENT ON AUDIT FIRMS AND INDIVIDUAL AUDITORS

Over the years, the AOB’s enforcement actions have set the regulatory expectations of auditors and sent a strong signal on the importance of upholding audit quality.

The AOB has always been objective and impartial in carrying out its enforcement function. Registered audit firms are treated equally, regardless of their size or network affiliations. The enforcement actions commensurate with the severity and impact of the findings regardless of the size of the audit firms.

Further, the enforcement actions are not restricted to individual auditors involved in the audit engagements but are also intended to hold the respective audit firm and its leadership accountable for the behaviour of their individual partners and engagement performance.

DIAGRAM 4  
Range of actions taken in 2024



Note:  
\* In addition to the prohibition, the individual auditor was also imposed with a monetary penalty.

In 2024, the AOB sanctioned audit firms and individual partners for breaching requirements of the *International Standards on Auditing* (ISA) and the *Malaysian Institute of Accountants By-Laws on Professional Ethics, Conduct and Practice* (MIA By-Laws). The details of the enforcement actions are highlighted in the Diagram 4.

There has been a range of action taken this year with the most severe being prohibition and monetary penalties. Over the years, the AOB has prohibited auditors to allow them sufficient time to reassess and build capacity. The prohibitions include prohibition from accepting as clients and auditing the financial statements of PIEs. Further, to address the issue of capacity, there has been situation where an audit firm was prohibited from accepting any new audit clients for a period of 12 months.

The quantum of monetary penalties imposed by the AOB are reflective of the severity and impact of the findings. Pursuant to the SCMA, the AOB can impose a maximum penalty of RM500,000 on auditors.

Persons aggrieved by the decision of the AOB can appeal to the Securities Commission Malaysia’s (SC) Board. The SC Board has the power to affirm, reverse or substitute the AOB’s decisions. During the year, a firm and two individual auditors had appealed to the Board of the SC in respect of the decision of the AOB on the sanctions imposed. After reviewing and considering the facts of the matters and ground of the appeals, the Board of the SC dismissed the appeal and affirmed the decision made by the AOB.

ENFORCEMENT ACTION IN 2024



Prohibited an engagement partner from accepting as clients and auditing the financial statements of PIEs and schedule funds for 12 months on the account of multiple breaches of the requirements of the ISA. A monetary penalty was also imposed on the engagement partner.



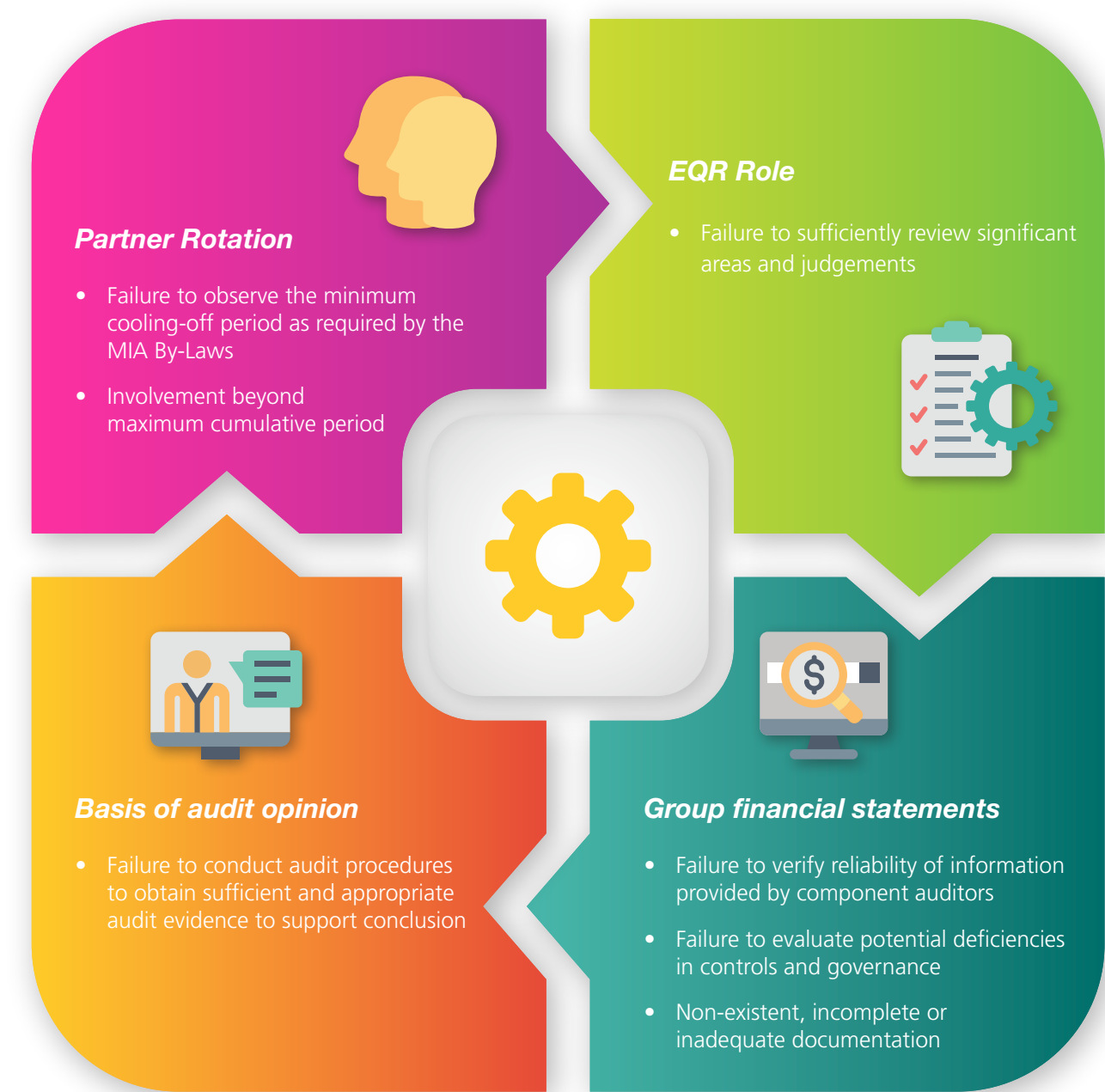
Monetary penalties imposed on an audit firm and an individual auditor for issues relating to the key audit partner rotation requirement of the MIA By-Laws which limits a key audit partner involvement to a maximum of seven cumulative years before serving a cooling-off period.



Reprimanded an audit firm, engagement partner and engagement quality control reviewer for failing to comply with relevant requirements of the ISA and ISQC 1 in the engagement review of a PIE.

ENFORCEMENT OBSERVATIONS

Figure below depicts the observations with respect to enforcement in 2024.



RESPECTING DUE PROCESS

The AOB maintains a comprehensive enforcement framework to ensure that its enforcement actions comply with the principles of proportionality, efficiency and natural justice.

In determining the type of actions to be imposed on any non-compliance, the AOB considers the nature and seriousness of the offence, conduct of the auditors, previous regulatory records, impact of the breach to the capital market and any other mitigating and/or aggravating factors.

The enforcement processes are robust, encompassing various levels of internal challenge to ensure that the enforcement actions are appropriate with its enforcement framework. The internal challenge includes review and approval from the SC’s General Counsel team to ensure consistency to the enforcement framework.

In addition, the principles of natural justice is strongly adhered to and auditors are given numerous opportunities to explain, challenge and provide information to address the AOB’s findings.

The AOB recognises that, for the enforcement action to have the necessary impact and deterrent effect, it must be completed in a timely manner. While the AOB is mindful that enforcement proceedings needs to be swift, the robustness of the enforcement process requires time which in turn has unintended consequences on the completion timelines of these cases. The impact of the actions on the reputation of the auditors necessitate that the enforcement actions are appropriate and able to withstand any challenges. Further, in certain situations, cases are prioritised and fast tracked based on the risk to the capital market. The information on the number of outstanding cases as at 31 December 2024 is presented in Table 2.

TABLE 2  
Number of enforcement cases in progress and pending completion

Year	No. of cases for enforcement proceedings received in the respective years	No. of cases completed prior to 2024	No. of cases completed in 2024	No. of cases-in-progress as at 31 December 2024
2022	4	2	1	1 *
2023	7	-	3 #	4
2024	5	-	-	5
TOTAL	16	2	4	10

Note:  
\* The referral received in 2022 is being assessed together with a referral received in 2023 as it involves the same audit firm.  
# The AOB had decided on the matter but at the date of reporting, the auditors were still able to appeal therefore the information on action were not made public.

Read more on the AOB’s Enforcement Actions at  
<https://www.sc.com.my/aob/aobs-sanctions>









# **STAKEHOLDER ENGAGEMENTS AND CAPACITY-BUILDING INITIATIVES**



# STAKEHOLDER ENGAGEMENTS AND CAPACITY-BUILDING INITIATIVES

## ENGAGEMENTS AND CONVERSATIONS ON AUDIT QUALITY

The AOB places emphasis on regular and targeted engagements with key stakeholders, which includes auditors, financial statements’ preparer, audit committees and fellow regulators. These engagements are beneficial to ensure stakeholders’ needs and concerns are translated into the AOB’s focus areas.

## THE AOB’S CAPACITY BUILDING AND COLLABORATION EFFORTS IN 2024



## GLOBAL AND REGIONAL CONSISTENCY IN AUDIT OVERSIGHT

The AOB is actively involved in the global and regional efforts of enhancing audit quality through its membership with the International Forum of Independent Audit Regulators (IFIAR) and ASEAN Audit Regulators Group (AARG). The plenary meetings and workshops held annually provide a platform for mutual sharing of emerging regulatory issues, challenges facing the audit profession, strategic approaches to sustainable audit quality and regulatory best practices, including developments in inspection techniques and common findings observed. It also serves as a platform for regulators to engage with the global and regional leadership of the six Global Public Policy Committee (GPPC) firms to discuss matters related to audit quality issues and initiatives.

Further, through its membership of the IFIAR's Investor and Other Stakeholders Working Group (IOSWG), the AOB continues to leverage the experience and knowledge from other jurisdictions on matters relating to investor protection and expectations on audit quality.

## AARG AND FINANCIAL STATEMENT SURVEILLANCE GROUP (FSSG) WORKSHOP 2024

The AOB and SC's Corporate Surveillance Department jointly hosted the AARG-FSSG Workshop from 27 to 29 August 2024 at the SC.

The workshop served as a platform for collaboration and knowledge sharing between ASEAN members of the IFIAR. Non-AARG audit regulators from Hong Kong and India were also invited to share their regulatory updates and experience.

During the three-day workshop, in depth discussions were held on key regulatory issues using case studies from the respective jurisdictions to identify best practices and initiatives. Focus areas included–

- consistency in financial reporting;
- development and innovation in inspection and surveillance activities;
- implementation of the new ISQM and approaches to the reviews; and
- enforcement strategies and efforts to drive impactful enforcement of audit regulations.

The AARG also had discussions with the regional leadership of global network audit firms.



AARG is a group of audit regulators from the region, namely the AOB, the Finance Professions Supervisory Centre in Indonesia (PPPK Indonesia), Accounting and Corporate Regulatory Authority of Singapore (ACRA Singapore), Securities and Exchange Commission Thailand (SEC Thailand) and Securities and Exchange Commission Philippines (SEC Philippines).

The AOB continued to participate in relevant events and engagements to share its insights and promotes practices to enhance the quality of financial reporting practices and the reliability of audited financial statements of PIEs and schedule funds.



IFIAR is a global forum for independent audit regulators to collaborate and share knowledge and experiences, with a focus on inspection of auditors and audit firms, towards promoting consistency in audit regulatory activities globally. Today, the IFIAR has 56 members regulators from Africa, North and South America, Asia Pacific, Europe and the Middle East.



**IFIAR’s 18<sup>th</sup> Inspection Workshop**

Hosted by the Irish Auditing & Accounting Supervisory Authority (IAASA), the workshop was held in Dublin from 5 to 7 March 2024 and was attended by over 150 participants across 46 jurisdictions. The AOB’s Inspection Officer presented on the topic ‘Rebuilding Inspection Approaches of Regulators / Changes in Supervisory Models’, sharing insights on current changes and future initiatives on its inspection approach. Other topics covered included–

- automated tools and techniques used in audits;
- inspections of Engagement Quality Reviewers (EQR);
- inspections of bank and insurance audits; and
- initial inspection of ISQM 1 implementation.



**IFIAR Plenary Meeting 2024**

The plenary meeting was held in Osaka, Japan from 16 to 18 April 2024 and was attended by IFIAR members, observers, investors and other key stakeholders from 48 IFIAR member jurisdictions. Standard setter representatives were also in attendance. Discussions focused on key developments and emerging trends in the audit industry, including–

- challenges in overcoming a new expectation gap in sustainability assurance;
- changes in audit arising from use of technology, particular the use of artificial intelligence (AI) and generative AI; and
- developments in audit firm governance in various jurisdictions.



**IFIAR’s Task Force and Working Group Webinars**

In addition to the inspection workshops, IFIAR held webinar sessions throughout the year discussing emerging issues and ongoing developments within the audit and inspection space, including–

- inspections of crypto-related audits;
- setting up Sustainability Reporting Assurance Oversight; and
- introduction to AI in audit and oversight.



## PROMOTING EFFECTIVE OVERSIGHT OF AUDITORS AND THE AUDIT PROCESS

Audit committees (AC) play an important role in promoting high quality auditing through their oversight of the audit process and auditors. Each year, the AOB connects with the ACs of PLCs via its Conversation with Audit Committees to share the AOB's oversight activities and observations on the quality of audit. In addition, these sessions also cover recent developments in the financial reporting ecosystem.

In 2024, the conversation focused on the latest developments on sustainability reporting and sustainability assurance. The speakers, from PricewaterhouseCoopers PLT provided an overview of the *National Sustainability Reporting Framework* (NSRF) requirements to help the public listed companies to better prepare their sustainability reports in accordance with *IFRS Sustainability Disclosure Standards*. There was also sharing on some practical steps that organisations can leverage as they embark on their sustainability reporting journey. These steps among others include identifying sustainability-related risks and opportunities and related information for disclosure, assess material information for disclosure and being updated on changes in legislations, rules and guidelines.

The AOB will continue to engage with the ACs of PLCs to ensure that they are informed and kept updated on developments as effective oversight by knowledgeable ACs is important to enhance audit quality.



Session held on  
19 November 2024



Attended by 278 ACs  
from 249 PLCs



ENGAGING THE LEADERSHIP OF THE AUDIT FIRMS

In 2024, the AOB’s Conversation with Audit Firms included both the Major and Other Audit Firms. This ongoing engagement with the leadership of the registered audit firms enables the AOB to ensure that audit quality remains a key priority.

The one-on-one conversation allows open sharing of views and challenges faced by auditors. It also allows AOB to make decisions if any regulatory intervention is required and reassess its priority areas.

The SC’s Chairman, Dato’ Mohammad Faiz Azmi shared his views on sustainability reporting and the need for sustainability assurance to enhance reliability of sustainability information. The profession was informed to look into capacity building and expand their capacity in the area of sustainability.

The AOB shared key findings and observations of firm and engagement reviews during its annual inspection of audit firms and auditors. In addition, there was also sharing on the key audit quality indicators for developing and supporting audit talent.





The AOB’s Conversation with Major and Other Firms held in July 2024



Attended by 81 senior auditors from the firms’ leadership



## CAPACITY BUILDING AND COLLABORATION EFFORTS

The desired outcome of the AOB's audit oversight activities is for audit firms to deliver consistent quality audits through continuous capacity building and effective audit quality framework. Capacity-building initiatives for the profession have been an important focus area for the AOB. The AOB utilises the monies collected from the penalty imposed to facilitate capacity-building initiatives for the accountancy and auditing profession. While the AOB uses its enforcement actions to send a strong signal to the auditors on the importance of upholding audit quality, the AOB is also cognisant of the challenges faced by audit firms in respect of capacity building.

### BUILDING CAPACITIES OF AOB-REGISTERED AUDITORS THROUGH COLLABORATION WITH THE MALAYSIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

In 2024, a series of workshops were organised for AOB-registered auditors to address the AOB's common findings noted during the inspection of audit firms and audit engagements.

Recognising the challenges faced by the audit profession in respect of capacity building, these series of workshops aim at strengthening audit quality and furthering the quest to develop competent professional accountants who safeguard the public interest and uphold the profession's reputation.

These workshops were facilitated by representatives of the Major Audit Firms and covers the key common inspection findings such as audit sampling, accounting estimates, group audits and root cause analysis. The strength of these workshops are that they not only focus on technical knowledge and also design practical case studies to drive the implementation of auditing and accounting standards.

There was also an engagement session designed to benefit professional accountants titled 'Accelerate Your Financial Reporting Excellence'. This session was intended to share insights on the findings identified by the Financial Statements Review Committee (FSRC) of MICPA arising from the review of financial statements disclosure requirements of selected public listed companies in Malaysia.

The insight shared at the session by FSRC aimed at promoting and encouraging high-quality financial reporting. This session also shared the insights on MFRS 18 'Presentation and Disclosure in Financial Statements' which will come into effect on 1 January, 2027.



Five sessions held from May to December 2024



176 personnel auditors and audit personnel

CAPACITY BUILDING ON SUSTAINABILITY REPORTING

Driven by the investors’ demands for consistent and reliable sustainability information, the NSRF was launched in September 2024. The NSRF addresses the use of the *IFRS Sustainability Disclosure Standards* issued by the International Sustainability Standards Board (ISSB) and the assurance requirements for sustainability reporting.

The NSRF adopts a phased and developmental implementation approach on companies in Malaysia. Main market listed issuers with market capitalisation of RM2 billion and above (Group 1) will be required to use ISSB standards in their sustainability reporting for annual reporting periods beginning on or after 1 January 2025 and followed by other main market listed issuers in 2026 and ACE market listed issuers as well as large non-listed companies in 2027.

External assurance is necessary to enhance reliability of sustainability information. The NSRF aims to mandate reasonable assurance on Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions for Group 1 starting from annual reporting periods beginning on or after 1 January 2027 and followed by other main market listed issuers in 2028 and ACE market listed issuers as well as large non-listed companies in 2029. This is to provide investors with the same level of trust and confidence akin to audited financial statements.

The accounting profession, once primarily responsible for financial reporting, is expected to expand their capacity to support the sustainability practices of companies and provide assurance services on sustainability information.

In view of the urgent needs of resources in sustainability ecosystem, PACE (Policy, Assumptions, Calculators and Education) has been set up as the implementation support hub of the NSRF. Its main task is to run NSRF-related capacity-building programs for preparers, accountants and directors, provide educational materials, general guidance and toolkits.



## The Global Reporting Initiative (GRI) Professional Certification Program

In view that 77%<sup>1</sup> of the companies that reported on environment, social and governance (ESG) had either used or made reference to GRI standards in 2022 and to enable the use of other complementary reporting frameworks, PACE has identified the GRI Professional Certification Program as one of the essential programmes to upskill the sustainability competency of accountants.

As member of the Advisory Committee on Sustainability Reporting (ACSR) and to support the capacity-building initiatives of PACE, the AOB has heavily subsidised 100 accountants from AOB-registered audit firms for the GRI Professional Certification Program. The GRI Professional Certification Program was conducted by the Securities Industry Development Corporation (SIDC) in October 2024. The accountants have gone through all the GRI Professional Certification Modules to equip them with the necessary competencies to assess, verify and provide assurance on sustainability disclosures.

To enable the preparers to use the GRI standards and ISSB standards seamlessly in their sustainability reporting, an ISSB-GRI Interoperability Module has been developed in fourth quarter of 2024. The interoperability module will demonstrate how the process and requirements of GRI-compliant reporting can be used to comply with the requirements of ISSB standards. The workshops on interoperability module will be conducted in first quarter of 2025.



<sup>1</sup> IFAC *The State of Play: Sustainability Disclosure and Assurance, 2019 – 2022 Trends & Analysis*.









# STATEMENTS

MEMBERS OF THE AUDIT OVERSIGHT BOARD



TAN SRI ABU SAMAH NORDIN



ALEX OOI THIAM POH



SALMAH BEE MOHD MYDIN



HONG CHIN PHENG



DATUK NOR AZIMAH  
ABDUL AZIZ

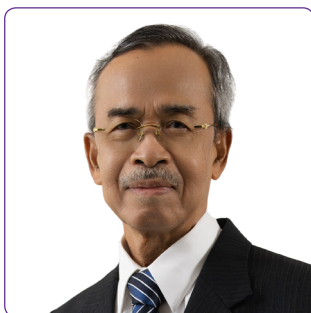


DATO' SERI AHMAD JOHAN  
MOHAMMAD RASLAN



DATO' NOORAZMAN  
ABD AZIZ

Read more on the Audit Oversight Board  
<https://www.sc.com.my/aob/about-audit-oversight-board>



### **Tan Sri Abu Samah Nordin**

*Appointed Non-Executive Chairman on 5 January 2024*

Tan Sri Abu Samah brings with him more than 40 years of experience in various capacities in the government agencies and judicial services.

Tan Sri Abu Samah was appointed as Judicial Commissioner at the Commercial Division of Kuala Lumpur High Court in 1994, before becoming the High Court Judge of the Commercial Division in 1996.

He then served as the High Court Judge in Kuantan, Shah Alam and Melaka between 1997 and 2003. He later became the Judge at the Criminal Division of Kuala Lumpur High Court in 2007. He was elevated to the Court of Appeal in the same year and the Federal Court in 2013 before retiring from judicial service in 2018.

Tan Sri Abu Samah holds a Bachelor of Law LLB (Hons) from the University of Malaya and Master of Law from University College London.



### **Alex Ooi Thiam Poh**

*Appointed Executive Officer on 24 November 2017*

Alex Ooi is currently the Executive Director of the SC who is responsible as the Executive Officer of the AOB.

Alex is currently involved in the Auditing and Assurance Standards Board, the Ethics Standards Board and the Education Board of the Malaysian Institute of Accountants (MIA). Alex serves as an Adviser to the Malaysian Accounting Standards Board and also represents the SC as a member in the Audit Licensing Committee of the Ministry of Finance Malaysia. He was a former Council Member of MIA.

He is a member of the International Forum of Independent Audit Regulators' Investor and Other Stakeholders Working Group. He is also currently a member of the CPA Australia Ethics and Professional Standards Centre of Excellence. He was previously the Malaysia Divisional President of CPA Australia in 2013 and 2014. He was a former member of the Public Practice Advisory Board of CPA Australia in Melbourne, Australia.

Alex is a Chartered Accountant of the MIA, Fellow of CPA Australia, a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and the Malaysian Institute of Certified Public Accountants (MICPA). He holds a Bachelor of Economics (Accounting) from Monash University, Australia.





**Salmah Bee Mohd Mydin**  
*Appointed Non-Executive Member on 1 January 2020*

Salmah Bee Mohd Mydin is the Executive Director of Market Development at the SC responsible for policy formulation in the areas of sustainability, corporate governance, investment product development along with the securities and derivatives development.

An important focus of the SC’s agenda is the development of a capital market that is inclusive and sustainable and Salmah leads a team that is responsible for formulating initiatives to enhance market efficiency, vibrancy and competitiveness. Salmah’s previous experiences within regulatory function include investigation, supervision and authorisation.



**Hong Chin Pheng**  
*Appointed Non-Executive Member on 11 October 2022*

Hong Chin Pheng holds a degree in accounting and is a member of the MIA and the MICPA. She has more than 25 years of supervisory experience in Bank Negara Malaysia (BNM). In her current role as the Director of the Financial Conglomerates Supervision Department, she is responsible for the prudential supervision of the domestic banking groups. She also serves as a member of the Financial Stability Committee of the Labuan Financial Services Authority (Labuan FSA) and represents BNM in the Supervision Workstream of The Network of Central Banks and Supervisors for Greening the Financial System (NGFS).



### **Datuk Nor Azimah Abdul Aziz**

*Appointed Non-Executive Member on 1 January 2020*

Datuk Nor Azimah Abdul Aziz is the Chief Executive Officer (CEO) of the Companies Commission of Malaysia (SSM). Prior to her appointment as CEO on 1 May 2020, she was the Deputy Chief Executive Officer (DCEO) of Regulatory and Enforcement and thereafter, DCEO of Corporate Services between 2016 and 2020. She joined SSM as General Manager of the Corporate Policy, Planning and Development Department in 2003. She started her career in 1992 as an Advocate and Solicitor and from there on served as a Law Lecturer at the Accounting Department, Faculty of Business and Management, Universiti Kebangsaan Malaysia (UKM). During her tenure with UKM, in July 2000, she was seconded to the Regulatory and Standards Department of the MIA.

She has extensive experience in law reform initiatives and oversaw the passing of significant pieces of legislations under the purview of SSM, among others, the *Companies Act 2016*, *Interest Schemes Act 2016*, *Limited Liability Partnership Act 2012* and *Companies (Amendment) Act 2007*. She is currently a Board Member of the AOB, Board Member for the Integrity Officer Accreditation Board (LPIB), Board Member of the Financial Reporting Foundation (FRF), Member of the Approval and Implementation Committee of the Iskandar Regional Development Authority (IRDA), Board Member of the Labuan Financial Services Authority (Labuan FSA), Executive Committee member of the Corporate Registers Forum (CRF) which is an association of international corporate registries and in 2023, was appointed as an Adjunct Professor at UKM.

She obtained her law degree from Institut Teknologi MARA (now Universiti Teknologi MARA or UiTM) and her Master of Laws (LLM in Business Law) from Aberystwyth University, United Kingdom.



### **Dato' Seri Ahmad Johan Mohammad Raslan**

*Appointed Non-Executive Member on 1 December 2020*

Dato' Seri Ahmad Johan Mohammad Raslan was Executive Chairman of PwC Malaysia from 2004 to 2012, when he retired from the firm.

Dato' Seri Johan has held several government appointments, including Chairman of the FRF from 2003 to 2009, membership of BNM's Financial Stability Executive Committee from 2009 to 2012, and membership of the International Advisory Panel of the Labuan FSA from 2004 to 2012.

In corporate governance, Dato' Seri Johan helped the SC to roll-out the first Malaysian Code on Corporate Governance (MCCG) to the market in the year 2000. Since then, he has assisted with drafting certain later versions of the MCCG.

Currently, Dato' Seri Johan is an Independent Non-Executive Director of Sime Darby Property Bhd (Sime Darby Property). He also serves as Chairman of the Audit Committee and Board Sustainability Committee of Sime Darby Property. He has been a board member of two other PLCs in the past. He is currently a board member of the Institute of Corporate Directors Malaysia.

Dato' Seri Johan holds a Bachelor of Economics (Honours) in Economics and Accountancy from the University of Hull, UK. He is a Fellow of the ICAEW and a member of the MIA and MICPA. Dato' Seri Johan served as MICPA President from 2011 to 2012.



**Dato’ Noorazman Abd Aziz**

*Appointed Non-Executive Member on 1 August 2023*

Dato’ Noorazman Abd Aziz has over 37 years of experience in banking, financial markets, treasury and investments. He has experience as a Board member from a wide range of sectors and organisations.

Dato’ Noorazman was previously Executive Director, Investments in Khazanah Nasional Bhd, Co-founder and Managing Director of Fajr Capital Ltd (a Khazanah investee company) and held key positions in Citibank Bhd, Bank Islam Malaysia Bhd, Kuala Lumpur Stock Exchange Bhd and the Labuan FSA.

In 2005, Dato’ Noorazman was named as the winner of the first Asian Banker Achievement Award for Islamic Finance.

Dato’ Noorazman is currently Chairman of the Board of Trustees of Yayasan UEM, the philanthropic arm of UEM Group, and Chairman of the Board of Trustees of International Centre for Education in Islamic Finance (INCEIF).

He also serves as Director and Chairman of the Boards of Sun Life Malaysia Assurance Bhd and Sun Life Malaysia Takaful Bhd, MUFG Bank (Malaysia) Bhd and CTOS Digital Bhd. He is a Director of Kumpulan Perangsang Selangor Bhd and a member of the Investment Panel of Kumpulan Wang Persaraan (Diperbadankan) (KWAP).

Dato’ Noorazman is a member of the Institute of Chartered Islamic Finance Professionals, Australian Institute of Corporate Directors and member of Institute of Corporate Directors, Malaysia.

Dato’ Noorazman graduated with a Bachelor of Science (Honours) degree from Louisiana State University, USA.



## STATEMENT ON GOVERNANCE

### Board Members

The Board of the AOB comprises a Non-Executive Chairman, an Executive Officer, and five other Non- Executive Members who are appointed by the SC. The Non-Executive Members are representatives from the regulators, namely BNM and SSM, the legal profession, auditing profession and the private sector. The Executive Officer is responsible for the day-to-day administration of the AOB.

The Non-Executive Chairman of the AOB is appointed for a term of three years and the Non-Executive Members of the Board are appointed for a term of two years. Both the Non-Executive Chairman and Non-Executive Members are eligible for reappointment upon the completion of their term.

A person is disqualified from holding the office of a Board member of the AOB if he or she is–

- convicted of an offence under the law;
- declared a bankrupt;
- fails to attend three consecutive Board meetings without leave; or
- not capable of discharging his or her duties.

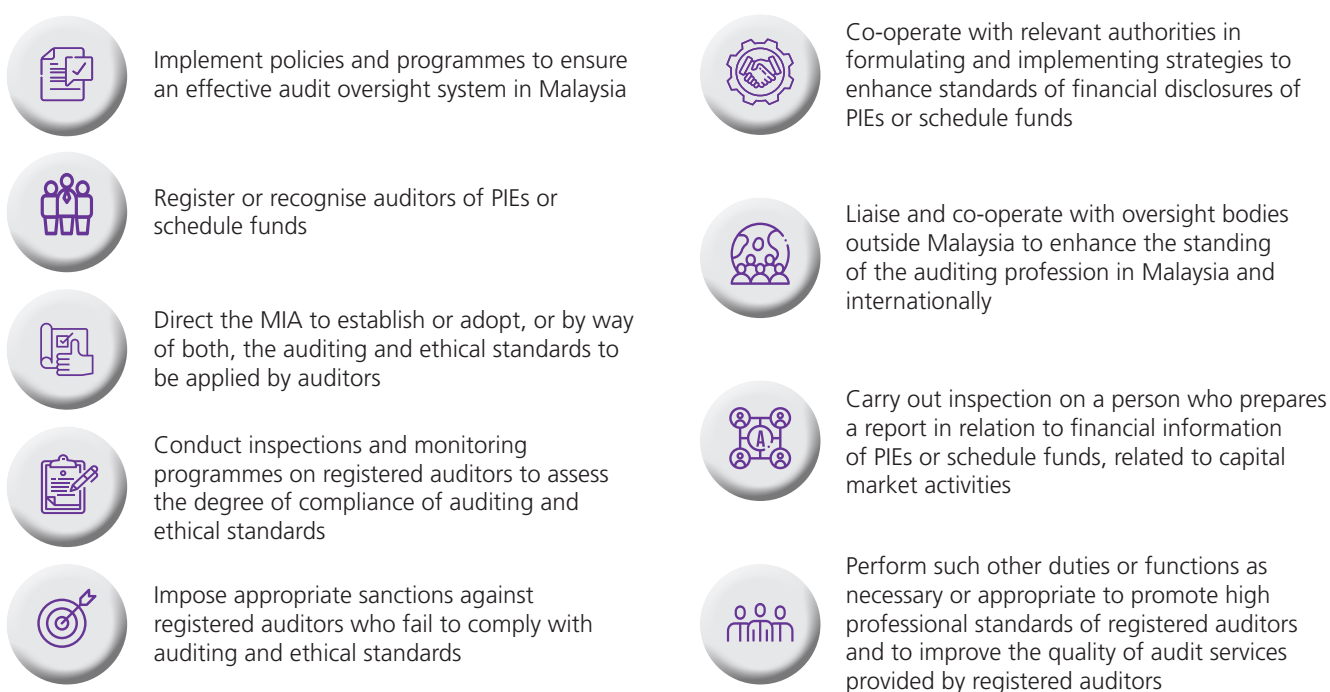
The SCMA requires a Board member to manage the conflict of interest by disclosing his or her interest in any matter under discussion by the Board. Once a disclosure is made, he or she–

- shall neither take part nor be present in any deliberation or decision of the Board or its committees; and
- shall be disregarded for the purposes of constituting quorum of the Board or its committees, relating to the matter.

### Responsibilities of the Board

The Board is responsible for assisting the SC in discharging its functions under the SCMA. The responsibilities of the Board is included in Figure 1.

**FIGURE 1**  
Board responsibilities



Board Meetings

There were 10 Board meetings held in 2024. The quorum required three members to be present. The attendance record of the Board members is set out in Table 1.

TABLE 1  
Attendance at Board meetings

Board Members	Number of Meetings Attended
Tan Sri Abu Samah Nordin	10/10
Alex Ooi Thiam Poh	10/10
Salmah Bee Mohd Mydin	10/10
Hong Chin Pheng	10/10
Datuk Nor Azimah Abdul Aziz	10/10
Dato’ Seri Ahmad Johan Mohammad Raslan	9/10
Dato’ Noorazman Abd Aziz	6/10

Committee of the AOB

The Registration Committee was established to deliberate matters regarding the registration or recognition of auditors with the AOB. Where applicable, the Registration Committee will make recommendations to the Board on matters that require further deliberation and decision.

The following are members of the Registration Committee:

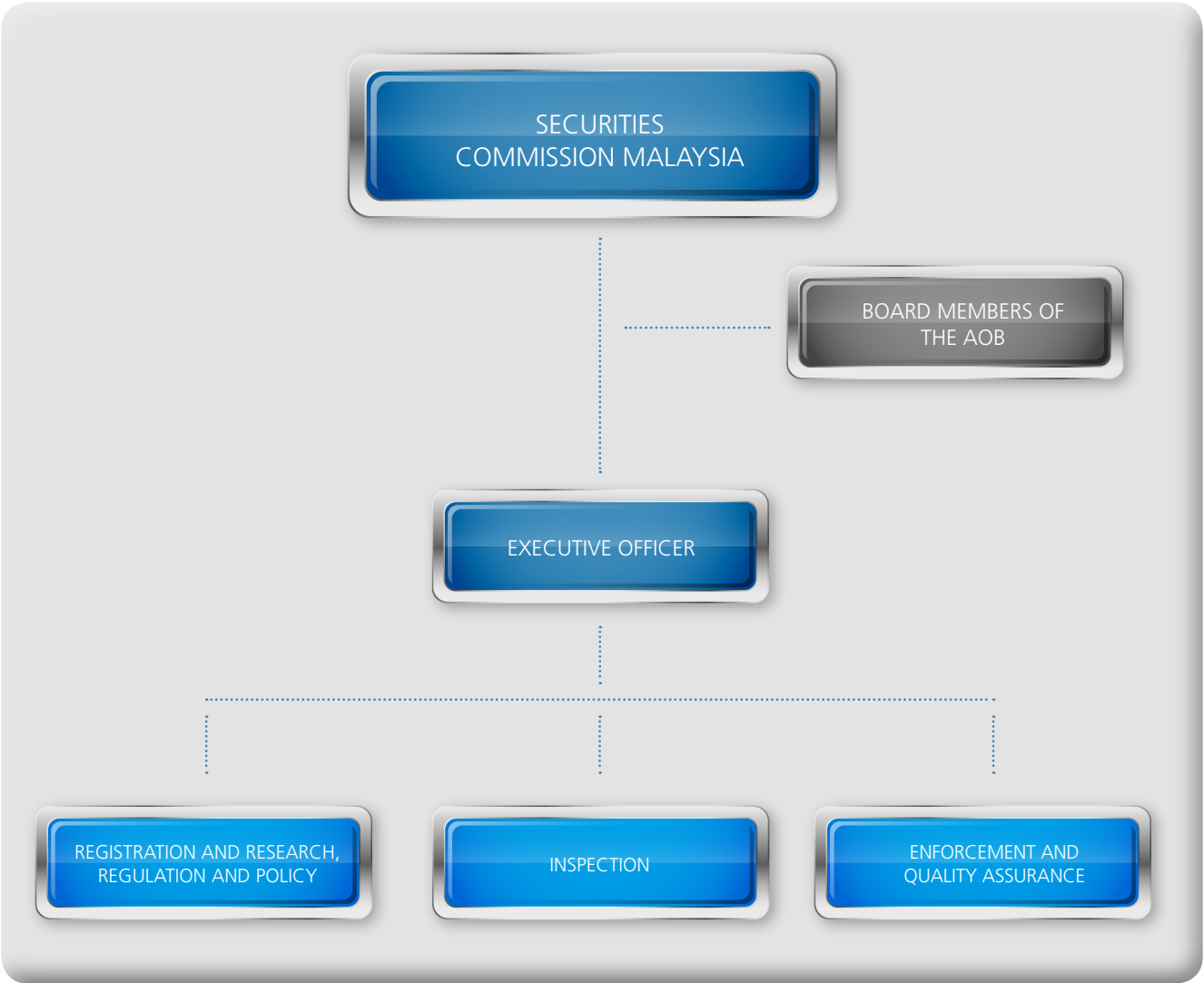
- Tan Sri Abu Samah Nordin
- Alex Ooi Thiam Poh
- Hong Chin Pheng

External Auditors

The consideration and recommended appointment of external auditors of the AOB is decided and approved by the independent non-executive members of the SC. The Chairman and Executive Officer of the AOB are excluded from decisions relating to the review and appointment or reappointment of external auditors.



Organisation Structure











# FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2024

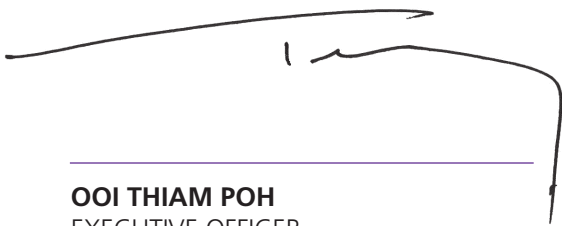
	Notes	2024 RM	2023 RM
CURRENT ASSETS			
Other receivables	4	22,644	38,191
Other investments	5	1,967,649	3,125,772
Cash and cash equivalents	6	796,321	441,917
		2,786,614	3,605,880
LESS: CURRENT LIABILITIES			
Other payables and accruals	7	(1,145,744)	(645,597)
NET CURRENT ASSETS		1,640,870	2,960,283
REPRESENTED BY:			
Funds from the Securities Commission Malaysia		46,571,438	42,516,438
Accumulated deficit	8	(44,930,568)	(39,556,155)
		1,640,870	2,960,283

The notes on pages 52 to 60 are an integral part of these financial statements.



DATO' MOHAMMAD FAIZ BIN MOHAMMAD AZMI  
CHAIRMAN  
SECURITIES COMMISSION MALAYSIA

6 February 2025



OOI THIAM POH  
EXECUTIVE OFFICER  
AUDIT OVERSIGHT BOARD

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RM	2023 RM
Registration fees		3,296,000	3,144,000
Finance income from fixed deposits		111,498	117,033
Penalty income		275,000	75,000
		3,682,498	3,336,033
Administrative expenses	9	(9,056,911)	(7,744,387)
Deficit before tax		(5,374,413)	(4,408,354)
Tax expense	10	-	-
Deficit and total comprehensive loss for the financial year		(5,374,413)	(4,408,354)

The notes on pages 52 to 60 are an integral part of these financial statements.



STATEMENT OF CHANGES IN ACCUMULATED FUNDS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Funds from the Securities Commission Malaysia RM	Accumulated deficit RM	Total RM
At 1 January 2023	38,016,438	(35,147,801)	2,868,637
Funds from the Securities Commission Malaysia	4,500,000	-	4,500,000
Deficit and total comprehensive loss for the financial year	-	(4,408,354)	(4,408,354)
At 31 December 2023/1 January 2024	42,516,438	(39,556,155)	2,960,283
Funds from the Securities Commission Malaysia	4,055,000	-	4,055,000
Deficit and total comprehensive loss for the financial year	-	(5,374,413)	(5,374,413)
At 31 December 2024	46,571,438	(44,930,568)	1,640,870

The notes on pages 52 to 60 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	2024 RM	2023 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Deficit before tax	(5,374,413)	(4,408,354)
Adjustment for:		
Finance income from fixed deposits	(111,498)	(117,033)
<b>OPERATING DEFICIT BEFORE WORKING CAPITAL CHANGES</b>	(5,485,911)	(4,525,387)
Changes in working capital:		
Other receivables	-	83,200
Other payables and accruals	500,147	282,138
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	(4,985,764)	(4,160,049)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	127,045	101,483
Movement in fixed deposit with licensed banks	1,158,123	(231,306)
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>	1,285,168	(129,823)
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Funds from the Securities Commission Malaysia	4,055,000	4,500,000
<b>NET CASH FROM FINANCING ACTIVITY</b>	4,055,000	4,500,000
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	354,404	210,128
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	441,917	231,789
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	796,321	441,917

The notes on pages 52 to 60 are an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

### 1 GENERAL INFORMATION

On 1 April 2010, the Securities Commission Malaysia (SC) established the Audit Oversight Board (AOB) under Section 31C of the *Securities Commission Malaysia Act 1993* (SCMA). The AOB was established for the purposes set out in Section 31B of the SCMA, namely:

- (a) to promote and develop an effective and robust audit oversight framework in Malaysia;
- (b) to promote confidence in the quality and reliability of audited financial statements in Malaysia;
- (c) to regulate auditors of public interest entities or schedule funds; and
- (d) 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 SC or the rules of a stock exchange of a:
  - (i) public interest entity (PIE) or schedule fund;
  - (ii) non-PIE seeking approval to become a public listed company or a corporation listed on the stock exchange; or
  - (iii) non-schedule fund seeking approval to become a schedule fund.

To facilitate the abovementioned purposes, a fund known as the AOB Fund was established under Section 31H of the SCMA. The AOB Fund is administered by the SC. The SC provides administrative and accounting support to the AOB Fund and the accounts are kept separately from the accounts of the SC in accordance with Section 31L(5) of the SCMA. The SC will continue to provide the necessary financial support to the AOB for the foreseeable future.

### 2 BASIS OF PREPARATION

- (a) Statement of compliance

The financial statements of the AOB have been prepared in accordance with *Malaysian Financial Reporting Standards* (MFRS) and *International Financial Reporting Standards* (IFRS).

- (i) Amendments to published standards that are effective

The AOB has applied the following amendments to published standards for the first time for the financial year beginning on 1 January 2024:

- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback'.
- Two amendments to MFRS 101 'Presentation of Financial Statements'.
  - The first amendments, 'Classification of Liabilities as Current or Non-current'
  - The second amendments, 'Non-current Liabilities with Covenants'
- Amendments to MFRS 107 and MFRS 7 'Supplier Finance Arrangements'.

## (ii) New standard and amendments to published standards that have been issued but not yet effective

New standard, amendments to published standards and annual improvements that are effective for financial year beginning on or after 1 January 2025 are set out below:

- Amendments to MFRS 121 'Lack of Exchangeability' (effective 1 January 2025).
- Amendments to MFRS 9 and MFRS 7 'Amendments to the Classification and Measurement of Financial Instruments' (effective 1 January 2026).
- Annual Improvements to MFRSs (Amendments to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards', Amendments to MFRS 7 'Financial Instruments: Disclosures', Amendments to MFRS 9 'Financial Instruments', Amendments to MFRS 10 'Consolidated Financial Statements' and Amendments to MFRS 107 'Statement of Cash Flows') (effective 1 January 2026).
- MFRS 18 'Presentation and Disclosure in Financial Statements' (effective 1 January 2027).

These new standard, amendments to published standards and annual improvements will be adopted on the respective effective dates. The AOB has started a preliminary assessment on the effects of the above new standard, amendments to published standards and annual improvements and the impact is still being assessed.

## (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than those as disclosed in Note 3.

## (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the AOB's functional currency. All financial information is presented in RM, unless otherwise stated.

## (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

### 3 MATERIAL ACCOUNTING POLICIES

The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the AOB, unless otherwise stated.

#### (a) Financial instruments

##### (i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the AOB becomes a party to the contractual provisions of the instrument.

A financial asset or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance.

##### (ii) Financial instrument categories and subsequent measurement

###### Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the AOB changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

###### Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Finance income and impairment loss are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Finance income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(c)) where the effective interest rate is applied to the amortised cost.

###### Financial liabilities

###### Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Finance expense is recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.



## (iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the AOB currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

## (b) Cash and cash equivalents

Cash and cash equivalents consist of balances and deposits with licensed banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the AOB in the management of its short term commitments.

## (c) Impairment

## Financial assets

The AOB recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The AOB measures loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the AOB considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the AOB's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the AOB is exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the AOB assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the AOB determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the AOB's procedures for recovery of amounts due.

(d) Registration fees

Registration fees are recognised at a point in time upon registrations of auditors.

(e) Finance income

Finance income is recognised as it accrues using effective interest method in profit or loss.

(f) Penalty Income

Penalty income is recognised at a point in time pursuant to Section 31Z of the SCMA where the AOB imposes monetary penalty on auditors for failure to comply with the AOB's registration conditions. The penalty amount is restricted and shall be utilised for planning and implementing capacity-building programmes in relation to the accounting and auditing profession.

(g) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave, contribution to social security contributions (SOCSO), Employees Provident Fund (EPF) or Private Retirement Scheme (PRS) are measured on an undiscounted basis and are expensed off as the related service is provided.

A liability is recognised for the amount expected to be paid if the AOB has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**4 OTHER RECEIVABLES**

	<b>2024 RM</b>	<b>2023 RM</b>
Accrued finance income	22,644	38,191

**5 OTHER INVESTMENTS**

Other investments represent deposits placed with licensed banks with maturity terms of more than 3 months and interest income earned at rates ranging from 2.50% - 2.80% per annum (2023: 2.30% - 3.05% per annum).

The said deposits arose from monies received from penalty income imposed by the AOB. The monies are reserved for planning and implementing capacity-building programmes in relation to the accounting and auditing profession.

**6 CASH AND CASH EQUIVALENTS**

	<b>2024 RM</b>	<b>2023 RM</b>
Cash and cash equivalents	796,321	441,917

**7 OTHER PAYABLES AND ACCRUALS**

	<b>2024 RM</b>	<b>2023 RM</b>
Registration fee received in advance	672,000	608,000
Other payables and accruals	473,744	37,597
	<b>1,145,744</b>	<b>645,597</b>

**8 ACCUMULATED DEFICIT**

Accumulated deficit is inclusive of accumulated penalty income imposed by the AOB amounting to RM2,573,351 (2023: RM3,125,772). The penalty income are reserved for planning and implementing capacity-building programmes in relation to the accounting and auditing profession.



**9 ADMINISTRATIVE EXPENSES**

	2024 RM	2023 RM
The administrative expenses consist of:		
Auditors' remuneration	29,160	28,287
Non-executive members' allowance	272,000	254,500
Other miscellaneous charges	584,198	461,083
Capacity-building programmes	872,256	34,030
Staff costs:		
Remuneration, bonus, staff medical, staff training and overtime	6,137,636	6,038,028
Defined contribution plan	992,022	726,657
Other employees benefits	169,639	201,802
	<u>9,056,911</u>	<u>7,744,387</u>

**10 TAX EXPENSE**

The AOB is a unit of the SC and is not a tax entity.

**11 FINANCIAL INSTRUMENTS****11.1 Categories of financial instruments**

The table below provides an analysis of financial instruments categorised at amortised cost (AC):

	Carrying amount RM	AC RM
<u>2024</u>		
<u>Financial assets</u>		
Other receivables	22,644	22,644
Other investments	1,967,649	1,967,649
Cash and cash equivalents	796,321	796,321
	<u>2,786,614</u>	<u>2,786,614</u>
<u>Financial liabilities</u>		
Other payables and accruals*	<u>(473,744)</u>	<u>(473,744)</u>

	Carrying amount RM	AC RM
<u>2023</u>		
<u>Financial assets</u>		
Other receivables	38,191	38,191
Other investments	3,125,772	3,125,772
Cash and cash equivalents	441,917	441,917
	<u>3,605,880</u>	<u>3,605,880</u>
<u>Financial liabilities</u>		
Other payables and accruals*	<u>(37,597)</u>	<u>(37,597)</u>

\* Exclude non-financial instruments.

## 11.2 Financial risk management

The AOB is primarily exposed to liquidity risk in the normal course of the AOB's operations. As the AOB is administered by the SC, the AOB is subject to the SC's financial risk management policies.

## 11.3 Liquidity risk

Liquidity risk is the risk that the AOB will not be able to meet its financial obligations as they fall due. The AOB's exposure to liquidity risk arises principally from its various payables.

The AOB, via the SC, monitors and maintains a level of cash and cash equivalents deemed adequate to finance the AOB's operations and receives financial support from the SC to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

### Maturity analysis

The table below summarises the maturity profile of the AOB's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

	Carrying amount RM	Contractual cash flow RM	Under 1 year RM
<u>2024</u>			
<u>Financial liabilities</u>			
Other payables and accruals	<u>473,744</u>	<u>473,744</u>	<u>473,744</u>
<u>2023</u>			
<u>Financial liabilities</u>			
Other payables and accruals	<u>37,597</u>	<u>37,597</u>	<u>37,597</u>

11.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, that will affect the AOB’s financial position or cash flows.

11.4.1 Interest rate risk

The interest rate profile of the AOB’s significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2024 RM	2023 RM
<u>Fixed rate instruments</u>		
Financial assets	1,967,649	3,125,772

Interest rate risk sensitivity analysis

*Interest rate sensitivity analysis for floating rate instruments*

The AOB does not account for any floating rate financial assets at amortised cost, and the AOB does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

11.5 Fair values

The carrying amounts of cash and cash equivalents, other receivables, other investments, other payables and accruals reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

Fair value hierarchy has not been presented as there are no financial instruments carried at fair value nor those not carried at fair value for which fair value is disclosed as at the end of the financial year.

12 FUND MANAGEMENT

The AOB’s objective is to maintain adequate reserves to safeguard the AOB’s ability to perform its duties and functions independently. The reserves are managed by the SC.

13 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 31 December 2024 were authorised by the SC for issuance and signed by the Chairman of the SC and Executive Officer of the AOB on 6 February 2025.



## STATUTORY DECLARATION

I, **Nur Fatin binti Abdul Aziz**, the officer primarily responsible for the financial management of the Audit Oversight Board, do solemnly and sincerely declare that the financial statements set out on pages 48 to 60 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the *Statutory Declarations Act, 1960*.

Subscribed and solemnly declared by the abovenamed Nur Fatin binti Abdul Aziz, at Kuala Lumpur in the Federal Territories on 6 February 2025.



**NUR FATIN BINTI ABDUL AZIZ**  
OFFICER

Before me:



No. 23, 2nd Floor,  
Jalan Medan Tuanku,  
50300 Kuala Lumpur.

# INDEPENDENT AUDITORS' REPORT TO THE AUDIT OVERSIGHT BOARD, SECURITIES COMMISSION MALAYSIA

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of the Audit Oversight Board (AOB), established by Securities Commission Malaysia (SC), which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in accumulated funds and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policies information, as set out on pages 48 to 60.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the AOB as at 31 December 2024, and of its financial performance and its cash flows for the financial year then ended in accordance with *Malaysian Financial Reporting Standards* (MFRS) and *International Financial Reporting Standards* (IFRS).

### *Basis for Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence and Other Ethical Responsibilities*

We are independent of the AOB in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants* (By-Laws) and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### *Responsibilities of the Board Members for the Financial Statements*

The Board Members of the SC are responsible for the preparation of financial statements of the AOB that give a true and fair view in accordance with MFRS and IFRS. The Board Members of the SC are also responsible for such internal control as the Board Members of the SC determine is necessary to enable the preparation of financial statements of the AOB that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the AOB, the Board Members of the SC are responsible for assessing the AOB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members of the SC either intend to liquidate the AOB or to cease operations, or have no realistic alternative but to do so.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the AOB as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the AOB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AOB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members of the SC.
- Conclude on the appropriateness of the Board Members of the SC's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AOB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the AOB or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the AOB to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the AOB, including the disclosures, and whether the financial statements of the AOB represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board Members of the SC regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## OTHER MATTERS

1. This report is made solely to the Board Members of the SC, as a statutory body and for no other purpose. We do not assume responsibility to any other person for the content of this report.
2. The financial statements of the AOB for the preceding financial year ended 31 December 2023, were audited by another auditor whose report dated 30 January 2024 expressed an unmodified opinion on the financial statements.



**Forvis Mazars PLT**  
*(formerly known as Mazars PLT)*  
 201706000496 (LLP0010622-LCA)  
 AF 001954  
 Chartered Accountants

Kuala Lumpur  
 6 February 2025



**Chong Fah Yow**  
 03004/07/2026 J  
 Chartered Accountant









**OTHERS**

ACRONYMS AND ABBREVIATIONS

AARG	ASEAN Audit Regulator Group
AC	Audit Committees
ACRA	SingaporeAccounting and Corporate Regulatory Authority of Singapore
AIR	<i>Annual Inspection Report</i>
AOB	Audit Oversight Board
BNM	Bank Negara Malaysia
ESG	environmental, social, and governance
EQR	Engagement Quality Review
IFIAR	International Forum of Independent Audit Regulators
IFRS	<i>International Financial Reporting Standards</i>
IOSWG	Investor and Other Stakeholders Working Group
ISA	<i>International Standards on Auditing</i>
ISQM	<i>International Standards on Quality Management</i>
MIA	Malaysian Institute of Accountants
MIA By-Laws	MIA By-Laws (on Professional Ethics, Conduct and Practice)
MICPA	Malaysian Institute of Certified Public Accountants
NAV	net asset value
PIE	public-interest entity
PLC	public-listed company
SC	Securities Commission Malaysia
SCMA	<i>Securities Commission Malaysia Act 1993</i>
SSM	Companies Commission of Malaysia



## DEFINITIONS

Auditor	An individual auditor or audit firm who is registered or recognised under section 310 of the SCMA as a registered auditor or recognised auditor of a PIE or schedule fund.
Major Audit Firms	Major Audit Firms are audit firms that have more than 50 PIE audit clients with a total market capitalisation of above RM15 billion.
Other Audit Firms	Audit firms other than Major Audit Firms.
Public-interest entity	<p>Entity specified in Part 1 of Schedule 1 of the SCMA—</p> <ul style="list-style-type: none"> <li>(a) a PLC or a corporation listed on the stock exchange;</li> <li>(b) a bank licensed under the <i>Financial Services Act 2013</i>;</li> <li>(c) an insurer licensed under the <i>Financial Services Act 2013</i>;</li> <li>(d) a takaful operator licensed under the <i>Islamic Financial Services Act 2013</i>;</li> <li>(e) an Islamic bank licensed under the <i>Islamic Financial Services Act 2013</i>;</li> <li>(f) a person prescribed as a prescribed financial institution under section 212 of the <i>Financial Services Act 2013</i> or a person prescribed as a prescribed Islamic financial institution under section 223 of the <i>Islamic Financial Services Act 2013</i>;</li> <li>(g) a developmental financial institution prescribed under the <i>Development Financial Institutions Act 2002</i>;</li> <li>(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;</li> <li>(i) an exchange holding company approved under the securities laws;</li> <li>(j) an exchange approved under the securities laws;</li> <li>(k) a central depository approved under the securities laws;</li> <li>(l) a clearing house approved under the securities laws;</li> <li>(m) a self-regulatory organisation recognised under the securities laws;</li> <li>(n) a private retirement scheme administrator approved under the securities laws;</li> <li>(o) a trade repository approved under the securities laws;</li> <li>(p) the Capital Market Compensation Fund Corporation;</li> <li>(q) any other person as the Minister may prescribe by order published in the <i>Gazette</i>.</li> </ul>
Schedule fund	<p>Fund specified in Part 2 of Schedule 1 of the SCMA—</p> <ul style="list-style-type: none"> <li>(a) a private retirement scheme approved by the SC under the <i>Capital Market and Services Act 2007</i> (CMSA);</li> <li>(b) a unit trust scheme approved, authorised or recognised by the SC under the CMSA; and</li> <li>(c) any other capital market funds as may be specified by the SC.</li> </ul>

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