



Suruhanjaya Sekuriti
Securities Commission
Malaysia

**AUDIT OVERSIGHT BOARD
HANDBOOK FOR REGISTRATION
(Version 7.0)**

First issued on: 1 April 2010
Revision Effective: 13 November 2015

Chapter 1

INTRODUCTION

- 1.01 Part IIIA of the *Securities Commission Malaysia Act 1993* (SCMA) establishes the audit oversight framework for Malaysia which seeks to enhance confidence and reliability of audited financial statements.
- 1.02 The Audit Oversight Board (AOB), in assisting the Securities Commission Malaysia (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 or schedule funds;
 - (c) direct the Malaysian Institute of Accountants (MIA) to establish or adopt, or by way of both, the auditing and ethical standards to be applied by auditors;
 - (d) conduct inspections and monitoring programmes on auditors to assess the degree of compliance of auditing and ethical standards;
 - (e) conduct inquiries and impose appropriate sanctions against auditors who fail to comply with auditing and ethical standards; and
 - (f) carry out inspections on any person who prepares a report in relation to financial information of public interest entities or schedule funds, in relation to capital market activities, as may be required to be prepared under the securities laws or guidelines issued by the SC.
- 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. With effect from 15 September 2015, audit firms and individuals who are engaged by a schedule fund to audit its financial statements must also be registered with the AOB.

Note that:

1. This Handbook is issued under section 158 of the SCMA 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 SCMA.

1.04 This Handbook sets out the–

- (a) registration regime for auditors who audit financial statements of public interest entities or schedule funds under the SCMA;
- (b) registration criteria to be met by an audit firm and an individual who audit the financial statements of a public interest entity or schedule fund;
- (c) application and procedures for registration and withdrawal; and
- (d) conditions attached to the registration.

1.05 For the purposes of this Handbook–

Auditor	means an individual auditor or audit firm who is registered under section 310 of the SCMA as a registered auditor of a public interest entity or schedule fund;
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> ;
Central depository	has the meaning assigned to it in the CMSA;
Clearing house	has the meaning assigned to it in the SCMA;
CMSA	means <i>Capital Markets and Services Act 2007</i> ;
Engagement Quality Control Reviewer (EQCR)	means a partner in the firm and suitably qualified person, who is not part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgements the engagement team made and the conclusions it reached in formulating the report and accordingly, must be an approved auditor under section 8 of the <i>Companies Act 1965</i> and is registered as an individual auditor with the AOB;
Exchange holding company	has the meaning assigned to it in the CMSA;
FSA	means <i>Financial Services Act 2013</i> ;
IFSA	means <i>Islamic Financial Services Act 2013</i> ;
International Standard on Quality Control 1 (ISQC 1)	means Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements;

MIA	means the Malaysian Institute of Accountants;
Recognised auditing, ethical and other assurance standards	means auditing, ethical and other assurance standards adopted by the AOB or which has been adopted by MIA and these include by-laws and circulars published by MIA relating to auditing, ethical and other assurance standards;
Partner	means, in relation to an audit firm, 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> ;
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> ;
Monitoring partner	means a partner whom is assigned responsibility for the firm's system of quality control with sufficient and appropriate experience and authority to assume that responsibility, and shall not be involved as an engagement partner or EQCR of the engagement(s) inspected;
Private retirement scheme	has the meaning assigned to it in the CMSA;
SC	means the Securities Commission Malaysia;
SCMA	means <i>Securities Commission Malaysia Act 1993</i> ;
Securities laws	has the meaning assigned to it in the SCMA;
Unit trust scheme	has the meaning assigned to it in the SCMA.

Chapter 2

REGISTRATION UNDER THE SCMA

Who needs to be registered with the AOB?

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

- An audit firm who audits financial statements of a public interest entity or schedule fund (see Chapter 3);
- An individual auditor who audits financial statements of a public interest entity or schedule fund (see Chapter 4); and
- a. In addition, the following persons must also be registered with the AOB—
 - An audit firm whose individual auditor performs the functions of an engagement quality control reviewer for audits of the financial statements of a public interest entity or schedule fund (see Chapter 3); and
 - An individual auditor who performs the function of an engagement quality control reviewer for audits of the financial statements of a public interest entity or schedule fund (see Chapter 4).

2.02 Auditors must be registered with the AOB before accepting any nomination for the appointment as auditor of a public interest entity or schedule fund.

Tenure of registration

2.03 An AOB registration is valid until and unless it is revoked or suspended by the AOB, or withdrawn.

What is a public interest entity?

2.04 Part 1 of Schedule 1 of the SCMA currently specifies 16 groups of public interest entities. They are—

- (a) a public listed company or a corporation listed on the stock exchange;
- (b) a bank licensed under the *Financial Services Act 2013* (FSA);
- (c) an insurer licensed under the FSA;
- (d) a takaful operator licensed under the *Islamic Financial Services Act 2013* (IFSA);
- (e) an Islamic bank licensed under the IFSA;

- (f) a financial institution prescribed under section 212 of the FSA or section 223 of the IFSA;
- (g) a development financial institution prescribed under the *Development Financial Institutions Act 2002*;
- (h) a holder of a Capital Markets Services Licence for the carrying on of the regulated activities of dealing in securities, dealing in derivatives or fund management;
- (i) an exchange holding company approved under the securities laws;
- (j) an exchange approved under the securities laws;
- (k) a central depository approved under the securities laws;
- (l) a clearing house approved under the securities laws;
- (m) a self-regulatory organisation recognised under the securities laws;
- (n) a private retirement scheme administrator approved under the securities laws;
- (o) a trade repository approved under the securities laws; and
- (p) the Capital Market Compensation Fund Corporation.

2.05 Part 1 of Schedule 1 of the SCMA also provides that the Minister of Finance may prescribe by order published in the Gazette, any other person to be a public interest entity.

What is a schedule fund?

2.06 Part 2 of Schedule 1 of the SCMA currently specifies two (2) types of schedule funds. They are—

- (a) a private retirement scheme approved by the SC under the CMSA; and
- (b) a unit trust scheme approved, authorised or recognised by the SC under the CMSA.

2.07 Part 2 of Schedule 1 of the SCMA also provides that the SC may specify any other capital market funds as a schedule fund.

Transitional provision

- 2.08 The Securities Commission (Amendment) Act 2015 (SCMA Amendments) came into force on 15 September 2015 and extends AOB's regulatory reach to capital market institutions and schedule funds. As a result, the auditors of these capital market institutions and schedule funds are subject to AOB's registration and supervision regime. The list of capital market institutions and schedule funds are included in paragraphs 2.04 to 2.07.
- 2.09 Audit firms and individual auditors are given a period of three (3) months from the date of operationalisation of the SCMA Amendments to ensure compliance with the new requirements.

Chapter 3

REGISTRATION CRITERIA FOR AUDIT FIRMS

Fit and proper criteria

- 3.01 Audit firms who apply for registration with the AOB must be fit and proper, as set out in section 31P of the SCMA.
- 3.01A Registered audit firms are responsible for ensuring that the audit firm and its partners registered with the AOB remain at all times fit and proper as required by the SCMA.

Assessment of fit and proper criteria

- 3.02 In assessing the fit and proper criteria provided for under section 31P of the SCMA, the AOB will take into account the following—
- (a) Disciplinary or other relevant regulatory action;
 - (b) Business conduct;
 - (c) Auditor status of the audit firm’s managing partner and partner(s);
 - (d) Financial status of the audit firm’s managing partner and partner(s); and
 - (e) Compliance with recognised auditing, ethical and other assurance standards, including compliance with ISQC 1.

These are further explained in the paragraphs below.

Disciplinary or other relevant regulatory action

- 3.03 The AOB will take into account whether your audit firm or managing partner or partner(s) of your audit firm has, among others—
- (a) [Deleted].
 - (b) had any enforcement action taken or sanction imposed by the AOB under section 31Z of the SCMA; or
 - (c) had any form of disciplinary proceedings or actions taken by any relevant 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 audit firm–
- (a) has engaged in or has been associated with any other business practices or otherwise conducted himself in such a way as to cast doubt on his competence, soundness of judgment and professionalism.
 - (b) [Deleted].

Auditor status of your audit firm’s managing partner and partner(s)

- 3.05 The AOB will take into account whether the managing partner or partner(s) of your audit firm–
- (a) has been refused or suspended as an approved auditor under section 8 of the *Companies Act 1965*;
 - (b) has been refused or suspended from membership of MIA or any other recognised associations of accountants whether in or outside Malaysia; or
 - (c) has been removed as auditors of any public interest entity or schedule fund.
 - (d) [Deleted].

Financial status of your audit firm’s managing partner and partner(s)

- 3.06 The AOB will take into account whether the partner(s) or managing partner(s) of your audit firm is an undischarged bankrupt within or outside Malaysia.

Compliance with recognised auditing, ethical and other assurance standards, including compliance with ISQC 1

- 3.07 Your audit firm must comply with all recognised auditing, ethical and other assurance standards in Malaysia in the performance of the audit of financial statements and preparation of a report in relation to financial information of public interest entities or schedule funds, in relation to capital market activities, as may be required to be prepared under the securities laws or guidelines issued by the SC.
- 3.08 AOB, in registering the audit firm, will take into account the audit firm’s compliance with ISQC 1. In this regard, the audit firm is required to provide information to AOB on the firm’s compliance with ISQC 1 in Form 2.
- 3.09 ISQC 1 deals with an audit 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 audit 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 audit firm's compliance with all six (6) key elements of ISQC 1, which are–
- leadership responsibilities for quality within the firm;
 - relevant ethical requirements;
 - acceptance and continuance of client relationships and specific engagements;
 - human resources;
 - engagement performance; and
 - monitoring of the firm's quality control policies and procedures.
- 3.12 Audit firms who apply to be registered with the AOB must name the audit firm's monitoring partner.

Chapter 4

REGISTRATION CRITERIA FOR INDIVIDUAL AUDITORS

Fit and proper criteria

4.01 Persons who apply for registration with the AOB must be fit and proper, as set out in section 31P of the SCMA.

Assessment of fit and proper criteria

4.02 In assessing the fit and proper criteria provided for under section 31P of the SCMA, the AOB will take into account the following–

- (a) Disciplinary or other relevant regulatory action;
- (b) Business conduct;
- (c) Auditor status;
- (d) Financial status; and
- (e) Compliance with recognised auditing, ethical and other assurance standards.

These are further explained in the paragraphs below.

Disciplinary or other relevant regulatory action

4.03 The AOB will take into account whether you have, among others–

- (a) [Deleted].
- (b) had any enforcement action taken or sanction imposed by the AOB under section 31Z of the SCMA; or
- (c) had any form of disciplinary proceedings or actions taken by any relevant 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.
- (b) [Deleted].

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; or
- (c) have been removed as an auditor of any public interest entity or schedule fund.
- (d) [Deleted].

Compliance with recognised auditing, ethical and other assurance standards

4.06 You must comply with all recognised auditing, ethical and other assurance standards in Malaysia in the performance of the audit of financial statements and preparation of a report in relation to financial information of public interest entities or schedule funds, in relation to capital market activities, as may be required to be prepared under the securities laws or guidelines issued by the SC.

Financial status

4.07 The AOB will take into account whether you are an undischarged bankrupt within or outside Malaysia.

Chapter 5

CONDITIONS OF REGISTRATION

General

- 5.01 The AOB may, upon 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 as long as the registration remains valid.
- 5.02 The AOB may also from time to time amend any such conditions or impose new or additional conditions on a registered auditor.
- 5.03 If an auditor contravenes or fails to comply with any condition, the AOB is empowered under the SCMA to initiate and administer a broad range of actions against the auditor under section 31Z of the SCMA.

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

- 5.04 You must satisfy the following–
- (a) Comply with Part IIIA of the SCMA, its regulations and guidelines and any other applicable laws that may govern the activities carried out by your firm;
 - (b) Carry out your practice for which you are registered, honestly, competently and with due care;
 - (c) Comply with all recognised auditing, ethical and other assurance standards in Malaysia, including compliance with ISQC 1;
 - (d) Notify the AOB if you cease to be approved or registered with any other relevant regulatory authorities;
 - (e) Ensure that persons who audit the financial statements of a public interest entity or schedule fund on behalf of your firm are appropriately qualified, sufficiently trained and competent;
 - (f) Provide any information requested by the AOB from time to time;
 - (g) [Deleted].
 - (h) Inform the AOB within 10 working days when there are changes in the particulars submitted in Form 2 or when any auditor in your firm ceases to be fit and proper under section 31P of the SCMA;
 - (i) Ensure that your firm and the partners registered with the AOB under your firm remain fit and proper at all times as required by the SCMA; and

- (j) Submit the Annual Declaration form via the Auditor Registration Application System (ARAS) to AOB within 7 working days after 30 June of each calendar year.

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

5.05 You must satisfy the following–

- (a) Remain fit and proper at all times as required by the SCMA;
- (b) Comply with Part IIIA of the SCMA, its regulations and guidelines and any other applicable laws that may govern the activities carried out by you;
- (c) Carry out your practice for which you are registered, honestly, competently and with due care;
- (d) Comply with all recognised auditing, ethical and other assurance standards in Malaysia;
- (e) Provide any information requested by the AOB from time to time; and
- (f) [Deleted].
- (g) Inform the AOB within 10 working days when there are changes in the particulars submitted in Form 1 or when you cease to be fit and proper under section 31P of the SCMA.

Chapter 6

APPLICATION PROCEDURES AND FEES

General

- 6.01 All applications for registration must be submitted online via the Auditor Registration Application System (ARAS) on <https://esubmissions.seccom.com.my/aras>.
- 6.02 The AOB will only begin processing the application once the application submission is complete. An application submission is considered complete once the application has been submitted through ARAS and payment of registration has been made.
- 6.03 This chapter will provide you with information on–
- (a) forms to be used for various applications;
 - (b) application procedures;
 - (c) fees to pay for applications; and
 - (d) withdrawal of registration status.

Procedures for application for registration

- 6.04 Upon satisfying the relevant criteria as set out in Part IIIA of the SCMA and Chapters 3 and 4 of this Handbook, the applicant must complete and submit the relevant forms outlined in Table 1 to apply for registration under section 310 of the SCMA.

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

Table 1: Relevant application forms

- 6.05 Reference can be made to Appendix 1 for the list of documents which must accompany the application.
- 6.06 The registration fee must be submitted at the point of submission of the application for registration and by each anniversary of the effective date of registration as determined by AOB thereafter in the form of a bank draft made payable to the "Audit Oversight Board". 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 registration

- 6.07 [Deleted].
- 6.08 The applicant should take note that any appointment as an auditor of public interest entity or schedule fund when not registered with AOB, will be in breach of section 31N of the SCMA.
- 6.09 The AOB has the sole discretion in determining the effective date of registration.

Registration fee

- 6.10 Subject to paragraph 6.11, the registration fee charged to an individual auditor is payable to the AOB as set out in Table 2 below.

Item	Fee (RM)
Application for registration of an individual auditor as a registered auditor	5000.00
Anniversary date of registration fee	5000.00

Table 2: Registration fee

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

- 6.11 If an applicant is an individual auditor who is registered as an auditor of more than one (1) audit firm, such applicant is required to pay the registration fee for each audit firm with which the applicant is registered.
- 6.12 [Deleted].
- 6.13 [Deleted].
- 6.14 [Deleted].

Withdrawal of registration

Individual auditor

- 6.15 An individual auditor may withdraw your registered status by notifying the AOB in writing and by using the "Withdraw" button in ARAS. However, any registration fee will not be refunded to you.
- 6.16 Such withdrawal will not affect the registration status of the audit firm(s) that you are registered with, unless your firm is a sole-proprietorship.

- 6.17 Your notification of withdrawal to the AOB will not take effect until and unless the AOB is satisfied that you have made the adequate arrangements to meet all obligations that are outstanding in relation to your role as an auditor of a public interest entity or schedule fund.
- 6.18 To satisfy AOB that you have met the obligations referred to in paragraph 6.17, you are required to provide to the AOB proof that you are no longer involved in audits of public interest entities or schedule funds.
- 6.19 In relation to the obligation referred to in paragraph 6.17, AOB will consider the following in determining the effective date of your notification of withdrawal–
- (a) Whether you have been notified by AOB in writing that inspections or inquiries will be conducted as provided for under Division 6 of the SCMA;
 - (b) Whether AOB is conducting inspections provided for under section 31V of the SCMA;
 - (c) Whether AOB is conducting inquiries provided for under section 31W of the SCMA; or
 - (d) Whether you are subjected to any sanctions provided for under section 31Z of the SCMA.
 - (e) [Deleted].
- 6.20 Notwithstanding the above, AOB has the sole discretion in determining the effective date of your notification of withdrawal.

Audit firm

- 6.21 You may withdraw your registered status by notifying the AOB in writing and by using the “Withdraw” button in ARAS.
- 6.22 The withdrawal of registration of your audit firm will automatically result in the withdrawal of registration of all individual auditor(s) registered under your audit firm.
- 6.23 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 or schedule fund.
- 6.24 To satisfy AOB that you have met the obligations referred to in paragraph 6.23, you are required to provide to the AOB proof of your resignation as auditor of public interest entities or schedule funds, proof that your resignation(s) have taken effect and that you are no longer an auditor of any public interest entities or schedule funds.

- 6.25 In relation to the obligation referred to in paragraph 6.23, AOB will consider the following in determining the effective date of your notification of withdrawal–
- (a) Whether you have been notified by AOB in writing that inspections or inquiries will be conducted as provided for under Division 6 of the SCMA;
 - (b) Whether AOB is conducting inspections provided for under section 31V of the SCMA;
 - (c) Whether AOB is conducting inquiries provided for under section 31W of the SCMA; or
 - (d) Whether you are subjected to any sanctions provided for under section 31Z of the SCMA.
- 6.26 Notwithstanding the above, AOB has the sole discretion in determining the effective date of your notification of withdrawal.

Registration fee for audit firms undergoing merger

- 6.27 An individual auditor who is registered as auditor under section 31O of the SCMA is required to pay a fee of RM5,000. Furthermore, an individual auditor who is registered under more than one (1) audit firm is required to pay fees based on the number of audit firms with which he is registered.
- 6.28 In enhancing capacity and to improve audit quality, some audit firms may consider merging. The merger process usually involves the creation of a new entity which will assume the consolidated business of the firms involved. In such case, individual auditors who are partners of audit firms undergoing merger process are required to pay multiple registration fees. To support capacity building of audit firms, AOB will be providing exemption from paying multiple registration fees for individual auditors who are partners of audit firms undergoing merger by considering such individual auditors as single individual auditors for the purposes of the collection of registration fees for a period to be determined by the AOB.
- 6.29 In determining whether such concession may be accorded to the relevant individual auditors, audit firms embarking on a merger must submit the following–
- (a) Relevant agreement pertaining to the merger;
 - (b) Implementation plan incorporating timelines where the merger should commence no longer than six (6) months from the date of the application for the waiver; and
 - (c) The time for completion of the merger should be within a reasonable timeline to be agreed by the AOB.

Submission of Annual Declaration and timely updates to AOB

- 6.30 Registered audit firms are required to submit an Annual Declaration via ARAS to the AOB within seven (7) working days after 30 June of each calendar year.
- 6.31 The Annual Declaration shall be in relation to the following–
- (a) That the firm and its partners registered with the AOB have at all times complied with the fit and proper requirements as provided by the SCMA; and
 - (b) That all information and attachments in the Annual Declaration submission as at 30 June are true and correct.
- 6.32 Registered audit firms are also responsible to ensure timely update of information in ARAS. This includes, but is not limited to, the following:
- (a) Profile and fit and proper status of the audit firm;
 - (b) Profile and fit and proper status of the individual auditor(s) registered under the audit firm; and
 - (c) Information about the audit firm’s clients, including:
 - (i) Total audit engagement hours; and
 - (ii) Auditor’s report.

APPENDIX 1

List of supporting documents to be submitted to the Audit Oversight Board for registration

Audit Firm	Individual Auditor
Certified true copy of Form 5 (Return of Partners of Firm of Auditors) lodged with Suruhanjaya Syarikat Malaysia	Copy of the applicant's NRIC* (for Malaysian citizens) or passport* (for non-Malaysian citizens)
Certified true copy of Certificate of Registration of Firm issued by the Malaysian Institute of Accountants	Certified true copy of Audit Licence issued by Jabatan Akauntan Negara under section 8 of the <i>Companies Act 1965</i>
-	Certified true copy of Membership Certificate issued by the Malaysian Institute of Accountants