



**Suruhanjaya Sekuriti**  
Securities Commission  
Malaysia

**AUDIT OVERSIGHT BOARD  
HANDBOOK FOR THE RECOGNITION  
OF FOREIGN AUDITORS  
(Version 4.0)**

First Issued: 1 January 2012  
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 where a foreign auditor who audits the financial statements of public listed corporations listed on Bursa Malaysia but incorporated outside Malaysia must seek recognition from the Audit Oversight Board (AOB).
- 1.02 The AOB, in assisting the Securities Commission Malaysia (SC) to discharge its audit oversight functions, is responsible to, among others, recognise auditors of public interest entities.
- 1.03 The following persons must be recognised with the AOB–
- (a) A foreign audit firm who audits financial statements of a foreign incorporated corporation listed on Bursa Malaysia;
  - (b) A foreign audit firm whose individual auditor performs the function of an engagement quality control reviewer for audits of the financial statements of a foreign incorporated corporation listed on Bursa Malaysia;
  - (c) A foreign individual auditor who audits financial statements of a foreign incorporated corporation listed on Bursa Malaysia;
  - (d) A foreign individual auditor who performs the function of an engagement quality control reviewer for audits of the financial statements of a foreign incorporated corporation listed on Bursa Malaysia; and
  - (e) A foreign individual auditor who performs the function of a monitoring partner.
- 1.04 The recognition framework is only applicable to the statutory auditor of a foreign incorporated corporation which is listed on Bursa Malaysia. The recognition framework is not applicable to the statutory auditor of any other type of public interest entity or schedule fund as defined under Schedule 1 of the SCMA. Such statutory auditors are governed under the registration regime of 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.

1.05 This Handbook sets out the–

- (a) recognition regime for auditors who audit financial statements of a foreign incorporated corporation listed on Bursa Malaysia;
- (b) recognition criteria to be met by a foreign audit firm and a foreign individual auditor who audit the financial statements of a foreign incorporated corporation listed on Bursa Malaysia;
- (c) conditions attached to the recognition; and
- (d) application and procedures for recognition and withdrawal.

1.06 For the purposes of this Handbook–

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 judgments the engagement team made and the conclusions it reached in formulating the report and accordingly, must be a recognised foreign individual auditor under section 310 of the SCMA;

Foreign audit firm means an audit firm that is organised and operates under the laws of a jurisdiction other than Malaysia and has received the necessary approval from the relevant regulatory authority with equivalent standing with the AOB of the home jurisdiction to act as an auditor;

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;

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; and accordingly, must be a recognised foreign individual auditor under section 310 of the SCMA;

Public interest entity means a foreign incorporated corporation listed on Bursa Malaysia;

Recognised auditor means a foreign individual auditor or foreign audit firm who is recognised under section 310 of the SCMA as an auditor of a Public interest entity;

Relevant foreign authority	means a foreign authority which exercises the functions corresponding to the AOB as specified under section 31B of the SCMA;
SC	means the Securities Commission Malaysia;
SCMA	means <i>Securities Commission Malaysia Act 1993</i> .

## Chapter 2

### RECOGNITION CRITERIA OF FOREIGN AUDIT FIRMS

#### Fit and proper criteria

- 2.01 Foreign audit firms who apply for recognition with the AOB must be fit and proper, as set out in section 31P of the SCMA.
- 2.01A Recognised audit firms are responsible for ensuring that the audit firm and its partners recognised with the AOB remain at all times fit and proper as required by the SCMA.
- 2.02 The foreign audit firm seeking to apply for recognition must complete and submit Form 4 to the AOB. Form 4 is made available through the AOB website at [www.sc.com.my](http://www.sc.com.my).
- 2.03 The foreign audit firm must be recognised with the AOB before accepting any nomination for the appointment as auditor of a public interest entity.
- 2.03A The tenure of recognition is a period of 12 months from the effective date of recognition.
- 2.04 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 foreign audit firm and its partner(s);
  - (d) Financial status of the foreign audit firm's partner(s); and
  - (e) Compliance with auditing, ethical and other assurance standards applicable in the foreign audit firm's jurisdiction.

These are further explained in the paragraphs below.

- 2.04A A foreign audit firm applying for recognition with the AOB is required to be an internationally affiliated network firm.
- 2.04B The foreign audit firm must have the following:
- (i) A minimum of three (3) partners in the foreign audit firm to be recognised with the AOB for the audit of public interest entities, including the foreign audit firm's monitoring partner;
  - (ii) Effective technical support from the foreign audit firm's network firm;

- (iii) The monitoring quality control framework must be effective and supervised by a monitoring partner; and
  - (iv) The foreign audit firm is subject to a periodic peer review conducted by its network firm to safeguard quality control issues.
- 2.04C In assessing the application for recognition, the foreign audit firm is also required to provide information on the key personnel / staff involved in the audit of public interest entities.

### **Disciplinary or other relevant regulatory action**

- 2.04D The AOB will take into account whether the foreign audit firm or foreign individual auditor(s) of the foreign audit firm has, among others–
- (a) had any enforcement action taken or sanction imposed by any relevant regulatory authority in or outside Malaysia; or
  - (b) had any form of disciplinary proceedings or actions taken by any relevant regulatory authority in or outside Malaysia.

### **Business conduct**

- 2.04E The AOB will take into account whether the foreign individual auditor(s) of the foreign audit firm 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.

### **Auditor status of the foreign audit firm and its partner(s)**

- 2.05 The AOB will take into account the following–
- (a) whether the foreign audit firm or foreign individual auditor(s) has been refused or suspended as an auditor by the relevant regulatory authority of the home jurisdiction of the foreign audit firm;
  - (b) whether the foreign audit firm or foreign individual auditor(s) has been removed as the auditor of a public listed corporation listed on a stock exchange of the home jurisdiction of the foreign audit firm; and
  - (c) whether the foreign individual auditor(s) has been refused or suspended from membership of a professional accounting body or any other recognised associations of accountants in the home jurisdiction of the foreign individual auditor.

## **Compliance with auditing, ethical and other assurance standards**

2.06 The foreign audit firm must comply with all auditing, ethical and other assurance standards that are relevant in its home jurisdiction in the performance of the audit of financial statements.

## **Compliance with International Standard on Quality Control 1 (ISQC 1) or its equivalent standard**

2.07 AOB, in recognising the foreign audit firm, will take into account the audit firm's compliance with International Standard on Quality Control 1 (ISQC 1) or its equivalent standard. In this regard, the foreign audit firm is required to provide information to AOB on the audit firm's compliance with ISQC 1 or its equivalent standard in Form 4.

2.08 In determining whether the foreign audit firm complies with ISQC 1 or its equivalent standard, the AOB will assess the audit firm's compliance with the following elements contained in ISQC 1 or its equivalent standard (if any)–

- 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.

## **Inspection by the relevant foreign authority**

2.09 In Part 7 of Form 4, the foreign audit firm is required to provide details of when the last inspection was carried out by the relevant foreign authority and information about the outcome of the inspection.

2.10 The applicant should provide information as to the outcome, deficiencies and measures which have been undertaken by the applicant to address the deficiencies and measures taken to prevent them from recurring.

2.11 The final Inspection Report from the relevant foreign authority must be submitted to the AOB. The results of the report will be considered for recognition.

## **Chapter 3**

### **RECOGNITION CRITERIA FOR FOREIGN INDIVIDUAL AUDITORS**

#### **Fit and proper criteria**

- 3.01 Foreign individual auditors who apply for recognition with the AOB must be fit and proper, as set out in section 31P of the SCMA.
- 3.02 The foreign individual auditor seeking to apply for recognition must complete and submit Form 3 to the AOB. Form 3 is made available through the AOB website at [www.sc.com.my](http://www.sc.com.my).
- 3.03 The foreign individual auditor must be recognised with the AOB before accepting any nomination for the appointment as auditor of a public interest entity.

#### **Assessment of fit and proper criteria**

- 3.04 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 auditing, ethical and other assurance standards applicable in the foreign individual auditor’s jurisdiction.

These are further explained in the paragraphs below.

#### **Disciplinary or other relevant regulatory action**

- 3.05 The AOB will take into account whether the foreign individual auditor has, among others–
  - (a) [Deleted].
  - (b) had any enforcement action taken or sanction imposed by any relevant regulatory authority in or outside Malaysia; or
  - (c) had any form of disciplinary proceedings or actions taken by any relevant regulatory authority in or outside Malaysia.



### **Business conduct**

3.06 The AOB will take into account whether the foreign individual auditor has engaged in or have 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.

### **Auditor status**

3.07 The AOB will take into account if the foreign individual auditor–

- (a) has been refused or suspended as an auditor by the relevant regulatory authority of the home jurisdiction of the foreign individual auditor;
- (b) has been refused or suspended from membership of a professional accounting body or any other recognised associations of accountants in the home jurisdiction of the foreign individual auditor; and
- (c) has been removed as the auditor of a public listed corporation listed on a stock exchange of the home jurisdiction of the foreign individual auditor.

### **Compliance with auditing, ethical and other assurance standards**

3.08 The foreign individual auditor must comply with all auditing, ethical and other assurance standards that are relevant in his home jurisdiction in the performance of the audit of financial statements.

## **Chapter 4**

### **CONDITIONS OF RECOGNITION**

#### **General**

- 4.01 The AOB may, upon recognition, impose such conditions as it deems necessary. This chapter sets out the general conditions applicable to an auditor recognised with the AOB. An auditor must comply with these conditions within the tenure of the recognition.
- 4.02 The AOB may also from time to time amend any such conditions or impose new or additional conditions on a recognised auditor.
- 4.03 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 a foreign audit firm?**

- 4.04 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 on by your firm;
  - (b) Carry out your practice for which you are recognised, honestly, competently and with due care;
  - (c) Comply with all auditing, ethical and other assurance standards applicable in your jurisdiction;
  - (d) Notify the AOB within 20 working days if your firm or your partners recognised with the AOB under your firm, cease to be approved or registered with any relevant regulatory authority;
  - (e) Ensure that persons who audit the financial statements of foreign incorporated corporations listed on Bursa Malaysia 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) Return your notification of recognition to the AOB if you cease to be recognised with the AOB;
  - (h) Inform the AOB within 10 working days when there is any change in the particulars submitted in Form 4;

- (i) Submit the inspection report of any inspection conducted on your firm by the relevant foreign authority in your home jurisdiction within 20 working days from the date of the receipt of the report;
- (j) Ensure that your firm and the partners recognised with the AOB under your firm remain fit and proper at all times as required by the SCMA.

**What are the general conditions in relation to a foreign individual auditor?**

4.05 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 on by you;
- (c) Carry out your practice for which you are recognised, honestly, competently and with due care;
- (d) Comply with all auditing, ethical and other assurance standards applicable in your jurisdiction;
- (e) Provide any information requested by the AOB from time to time;
- (f) Return your notification of recognition to the AOB if you cease to be recognised with the AOB;
- (g) Inform the AOB within 10 working days when there is any change in the particulars submitted in Form 3;
- (i) Submit the inspection report of any inspection conducted on your firm by the relevant foreign authority in your home jurisdiction within 20 working days from the date of the receipt of the report;
- (j) Notify the AOB within 20 working days if you cease to be approved or registered with any relevant regulatory authority.

## Chapter 5

### APPLICATION PROCEDURES AND FEES

#### General

- 5.01 This chapter will provide you with information on–
- forms to be used for various applications;
  - application procedures;
  - fees to pay for applications; and
  - withdrawal of recognition status.

#### Transitional provision

- 5.02 [Deleted].
- 5.03 [Deleted].

#### Procedures for application for recognition

- 5.04 Upon satisfying relevant criteria as set out in Part IIIA of the SCMA and Chapters 2 and 3 of this Handbook, the applicant must complete and submit the relevant forms outlined in Table 1 to apply for recognition under section 31O of the SCMA.

<b>Applicant</b>	<b>Form</b>
Foreign Individual Auditor	Form 3: Application for recognition as a foreign individual auditor
Foreign Audit Firm	Form 4: Application for recognition as a foreign audit firm

Table 1: Relevant application forms

- 5.05 Reference can be made to Appendix 1 for the list of documents which must accompany the application.

## Recognition fee

- 5.06 The recognition fee charged to a foreign audit firm is payable to the AOB as set out in Table 2 below.

Applicant	Fee (RM)
Foreign Audit Firm	5,000.00 per audit firm

Table 2: Recognition Fee

- 5.07 The recognition fee must be submitted **at the point of submission of the application for recognition** 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  
Malaysia

## Withdrawal of recognition

### ***Foreign audit firm and foreign individual auditor***

- 5.08 Recognition status may be withdrawn by notifying the AOB in writing and returning the notification of recognition to the AOB. However, any recognition fee will not be refunded.
- 5.08A The withdrawal of recognition of the foreign audit firm will automatically result in the withdrawal of recognition of all foreign individual auditor(s) recognised under the foreign audit firm.
- 5.09 The notification of withdrawal to the AOB will not take effect until and unless the AOB is satisfied that adequate arrangements have been made to meet all obligations that are outstanding in relation to the role as an auditor of a public interest entity.
- 5.10 To satisfy AOB that all obligations referred to in paragraph 5.09 have been met, the recognised auditor is required to provide to the AOB, proof of resignation as auditor of all public interest entities, proof that the resignation(s) have taken effect and that the auditor is no longer an auditor of any public interest entities.
- 5.11 Notwithstanding the above, AOB has the sole discretion in determining the effective date of the notification of withdrawal.

## APPENDIX 1

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

Foreign Audit Firm	Foreign Individual Auditor
Copy of certificate / notification of registration as an auditor with an authority / body with equivalent standing with the Audit Oversight Board of Malaysia	Copy of the applicant's passport (page with the applicant's photograph and personal details only)
-	Copy of certificate / notification of registration as an auditor with an authority / body with equivalent standing with the Audit Oversight Board of Malaysia
-	Copy of Membership Certificate issued by the professional accounting body