

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.



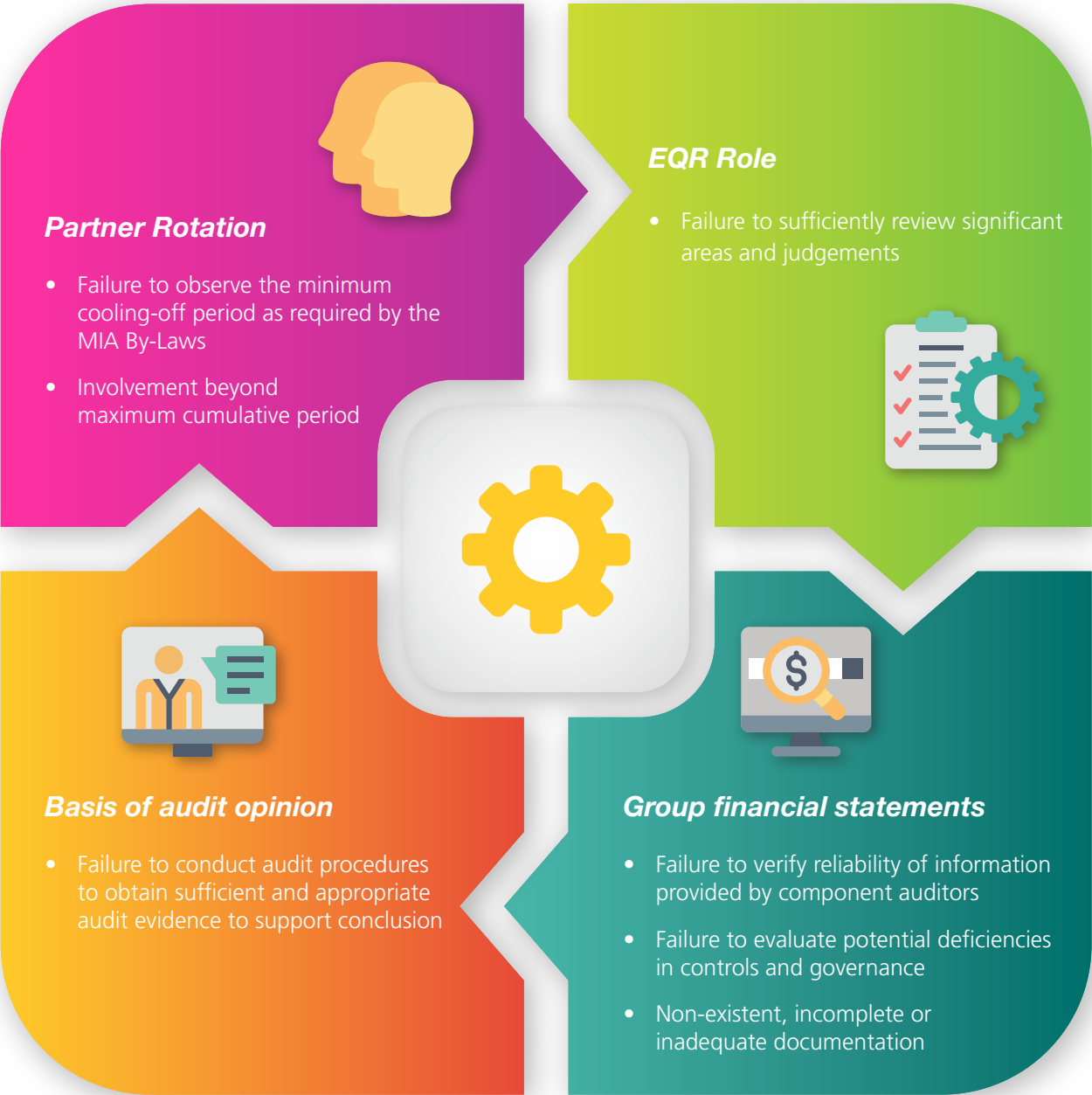
Monetary penalties imposed on an audit firm and an individual auditor for issues relating to the key audit partner rotation requirement of the MIA By-Laws which limits a key audit partner involvement to a maximum of seven cumulative years before serving a cooling-off period.



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>