



Suruhanjaya Sekuriti
Securities Commission
Malaysia

GUIDELINES ON CONTINUING OBLIGATIONS FOR REGISTERED AUDITORS

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**GUIDELINES ON CONTINUING OBLIGATIONS FOR
REGISTERED AUDITORS**

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¹ Save for the requirements in Chapters 6 and 7 which will take effect on 1 July 2024.

CONTENTS

	Page
Chapter 1 INTRODUCTION	1
Chapter 2 APPLICABILITY	2
Chapter 3 DEFINITIONS	3
Chapter 4 ANNUAL TRANSPARENCY REPORTING	4
Chapter 5 STATISTICS GATHERING AND ANALYSIS EXERCISE	5
Chapter 6 CHANGE IN AUDITOR	6
Chapter 7 RESIGNATION AND REMOVAL OF AUDITOR	7
Chapter 8 SUBMISSION PROCEDURE	8
Appendix 1 CONTENTS OF THE ANNUAL TRANSPARENCY REPORT	9

Chapter 1

INTRODUCTION

- 1.01 The *Guidelines on Continuing Obligations for Registered Auditors* (Guidelines) are issued by the Securities Commission Malaysia (SC) pursuant to section 158 of the *Securities Commission Malaysia Act 1993* (SCMA).
- 1.02 These Guidelines set out the continuing obligations including disclosure requirements that must be adhered to by a registered auditor.

Chapter 2

APPLICABILITY

- 2.01 These Guidelines apply to a registered auditor as defined in paragraph 3.01.
- 2.02 These Guidelines are in addition to and not in derogation of any other requirements provided for under securities laws or any other guidelines issued by the SC.
- 2.03 A registered auditor must ensure that all information disclosed or submitted to the AOB is true, complete and accurate.
- 2.04 Any breach or non-compliance with these Guidelines can result in the SC taking any appropriate action under the securities laws, including requiring a registered auditor to take any corrective measure when there is a breach or non-compliance with these Guidelines.

Chapter 3

DEFINITIONS

3.01 Unless otherwise defined, all words in these Guidelines shall have the same meaning as defined in the SCMA. In these Guidelines, unless the context otherwise requires:

AOB	means the Audit Oversight Board established under the SCMA;
applicable quality standards	means international quality standards as approved and adopted by MIA;
audit firm	means a partnership or other legal entity who is registered under section 265 of the <i>Companies Act 2016</i> ;
MIA	means the Malaysian Institute of Accountants established under section 3 of the <i>Accountants Act 1967</i> ;
MIA By-Laws	means By-Laws (On Professional Ethics, Conduct and Practice) of the MIA;
PIE	means the public interest entity specified in Part 1 of Schedule 1 of the SCMA;
PLC	means public listed companies or corporations listed on the stock exchange;
Relevant Audit Firm	means an audit firm registered with the AOB that meets the following criteria for two consecutive years as at 31 December of each calendar year: (a) The firm has more than 50 PIE audit clients; and (b) The total market capitalisation of the firm's PLC audit clients is more than RM15 billion;
registered auditor	means an individual auditor or audit firm registered with the AOB under section 310 of the SCMA.

Chapter 4

ANNUAL TRANSPARENCY REPORTING

- 4.01 A Relevant Audit Firm must issue and publish an Annual Transparency Report (ATR) on its website within four months from the end of the Relevant Audit Firm's financial year end (Prescribed Timeframe).

Guidance to paragraph 4.01

For an AOB registered audit firm that is not a Relevant Audit Firm, the audit firm may issue the ATR within the Prescribed Timeframe on a voluntary basis.

- 4.02 A Relevant Audit Firm must submit a copy of the ATR to the AOB via email immediately upon publication of the ATR on its website.
- 4.03 A Relevant Audit Firm must include in the ATR, the information set out in Appendix 1 and any other information as may be required by the AOB from time to time.
- 4.04 If a Relevant Audit Firm subsequently does not meet the criteria specified under paragraph 3.01, the Relevant Audit Firm—
- (a) must continue to issue the ATR on the first year in which it does not meet the criteria; and
 - (b) may continue to issue the ATR on the second and subsequent years in which it does not meet the criteria.

Chapter 5

STATISTICS GATHERING AND ANALYSIS EXERCISE

- 5.01 A Relevant Audit Firm must submit to the AOB a Statistics Gathering and Analysis form (SGA Form) prescribed by the AOB together with the submission of a copy of ATR under paragraph 4.02.
- 5.02 An AOB-registered audit firm, other than a Relevant Audit Firm, must submit the SGA Form as at 30 June of each calendar year to the AOB via email by 15 August of each calendar year.

Chapter 6

CHANGE OF AUDITOR

- 6.01 Before accepting the appointment as an auditor of a PIE, the incoming auditor must undertake the following:
- (a) Seek professional clearance from the outgoing auditor; and
 - (b) Complete the evaluation for the acceptance of a new audit engagement including relevant risk assessments in accordance with the applicable quality standards.
- 6.02 The outgoing auditor must provide a written reply to the incoming auditor on any professional reason as to why the incoming auditor should or should not accept the audit appointment, within 14 business days from the receipt of the request.
- 6.03 If consent is not provided by the PIE audit client for disclosing additional information relating to the professional reason, the outgoing auditor must—
- (a) inform the incoming auditor of the non-consent in the written reply referred to in paragraph 6.02; and
 - (b) submit a copy of the written reply to the AOB concurrently.

Chapter 7

RESIGNATION AND REMOVAL OF AUDITOR

- 7.01 Upon giving a notice of resignation as auditor to a PIE audit client, the outgoing auditor must submit the following to the AOB:
- (a) A written notification setting out—
 - (i) the specific reasons and circumstances that gave rise to the resignation; and
 - (ii) any key audit concerns that relate to the PIE audit client’s annual financial statements,within five business days after the issuance of the notice of resignation to the PIE audit client; and
 - (b) A copy of the written reply referred to in paragraph 6.02.
- 7.02 In the event that a registered auditor is removed by a PIE audit client pursuant to the *Companies Act 2016*, the registered auditor must notify the AOB of such removal and the reasons of the removal if known to the registered auditor, within 5 business days upon receipt of the notice of removal from the PIE audit client.

Chapter 8

SUBMISSION PROCEDURE

8.01 Any submission or notification made under these Guidelines to the AOB must be made via email in the following manner:

- (a) Documents must be in a text searchable Portable Document Format (PDF);
- (b) The PDF-text files must be in a readable and proper condition; and
- (c) In a size of up to 10 MB per e-mail to the respective email addresses below depending on the types of submission:

No.	Types of submission	Email address
(i)	ATR	AOBATR@seccom.com.my
(ii)	SGA Form	AOBSGA@seccom.com.my
(iii)	Other notification under these Guidelines	aobsubmission@seccom.com.my

APPENDIX 1

CONTENTS OF THE ANNUAL TRANSPARENCY REPORT

This Appendix sets out the minimum information required to be included in the ATR.

A. Audit firm’s legal and governance structure

- 1. A description of the audit firm’s legal and ownership structure that must also include disclosure of the following:
 - (a) Any affiliated firms; and
 - (b) Entities owned or entities in which the audit firm has a beneficial interest.
- 2. Information about the audit firm’s governance and leadership structure including how they provide oversight over the audit practice and the audit firm as a whole.
- 3. A description of the network and the structural arrangements in the network including the respective responsibilities of the network and the audit firms.
- 4. A disclosure on partners with substantial interest in the partnership (i.e. partners with more than 10% equity interest in the partnership). The recommended format of disclosure is as follows:

Equity interest held (%)	Number of partners
10% to 20%	
More than 20% to 30%	
More than 30% to 40%	
More than 40% to 50%	
More than 50% to 60%	
More than 60% to 70%	
More than 70% to 80%	
More than 80% to 90%	
More than 90% to 100%	

If there is no such instance, provide a statement confirming this fact.

- 5. A disclosure on family relationships between partners undertaking leadership roles or holding a substantial interest in the partnership with other partners of the audit firm. If there is no such instance, provide a statement confirming this fact.

B. Measures taken by the audit firm to uphold audit quality and manage risks

1. A description of the audit firm's internal quality control systems including measures taken to comply with the requirements of applicable quality standards and any other initiatives to enhance audit quality.
2. A description of how the audit firm holds the partners accountable for audit quality, including how performance on audit quality was assess and the extent to which this affects remuneration.
3. A description of measures taken by the audit firm to ensure auditor independence (e.g. audit firm's independence policies, independence monitoring, compliance with the MIA By-Laws).
4. A description of measures taken by the audit firm to ensure compliance with the relevant laws and regulations (e.g. adoption of policies that addresses anti-money laundering and anti-corruption practices).
5. A description of how the audit firm establishes, evaluates and monitors compliance with accounting, auditing and applicable quality standards.
6. A description of the audit firm's risk management process to identify, measure, and mitigate material risk.
7. A disclosure on litigations currently faced by the audit firm. If there is no such instance, provide a statement confirming this fact.
8. A disclosure on any actions that the authorities or regulators have taken on the audit firm or its audit partners during the year. If there is no such instance, provide a statement confirming this fact.
9. A disclosure on instances where the total fees from a PIE audit client and its related entities represent more than 15% of the total fees received by the audit firm together with an explanation on how the independence threats posed by the fee dependency is addressed. If there is no such instance, provide a statement confirming this fact.

C. Information about the audit firm's indicators of audit quality

1. The statistics relating to indicators of audit quality over a three-year period.
2. The following table lists out the audit quality indicators that must be included in the ATR and other indicators that may be included in the ATR:

Audit quality indicators	Audit quality indicators that <u>must</u> be included	Other audit quality indicators that <u>may</u> be included²
Audit partner ³ workload	<ul style="list-style-type: none"> ▪ Ratio of the average number of PIEs per PIE audit partner ▪ Ratio of the average number of entities related to PIEs per PIE audit partner ▪ Ratio of the average number of non-PIEs per PIE audit partner 	<ul style="list-style-type: none"> ▪ Average portfolio audit fees per partner ▪ Range or average number of PIE audit clients with the same financial year-end per partner ▪ Other factors that may influence partner workload such as audit team support structure (e.g. directors, principals)
Auditor independence	<ul style="list-style-type: none"> ▪ Proportion of fee income derived from audit clients segregated into statutory audit, other assurance services and services provided by the non-audit practice. ▪ Proportion of fee income between audit practice and non-audit practice (e.g. tax, corporate advisory, consulting) 	<ul style="list-style-type: none"> ▪ Results of the firm's ongoing independence monitoring process
Capacity and competence of the audit practice	<ul style="list-style-type: none"> ▪ Headcount of the audit personnel (Partner, Managerial staff, Non-managerial staff) ▪ Headcount of audit personnel with professional qualifications 	<ul style="list-style-type: none"> ▪ Outsourcing arrangements, where applicable

² Audit firms may include other audit quality indicators monitored by the audit firm that have not been listed under this column.

³ This relates to audit partner who is involved in PIE audits.

Audit quality indicators	Audit quality indicators that <u>must</u> be included	Other audit quality indicators that <u>may</u> be included²
	<ul style="list-style-type: none"> ▪ Turnover rate for audit personnel ▪ Average years of experience of audit personnel (Partner, Managerial staff, Non-managerial staff) ▪ Years of experience by staff role (Partner, Managerial and Non-managerial) 	
Audit engagement supervision	<ul style="list-style-type: none"> ▪ Staff to partner ratio ▪ Staff to manager ratio 	<ul style="list-style-type: none"> ▪ Any other factors monitored by the firm that influence engagement supervision (e.g. time spent by audit partners and managerial level staff on audit engagements)
Firm's investment to uphold audit quality	<ul style="list-style-type: none"> ▪ Hours of training provided by the firm to audit personnel (Partner, Managerial staff, Non-managerial staff) ▪ Headcount of quality control functions (e.g. training, risk management, technical functions) ▪ Ratio of quality control staff to audit staff 	<ul style="list-style-type: none"> ▪ Any other investments made by the network or local firm to uphold audit quality (e.g. IT systems, audit methodology)

Audit quality indicators	Audit quality indicators that <u>must</u> be included	Other audit quality indicators that <u>may</u> be included²
Internal and external monitoring reviews	<ul style="list-style-type: none"> ▪ Number of engagements that were subjected to cold file review by the local firm ▪ Number of engagements that were subjected to cold file review by the firm's network ▪ Results of monitoring reviews that have been carried out by the local firm or the firm's network ▪ Results of AOB inspections and compliance reviews by external bodies (e.g. MIA, professional bodies) 	<ul style="list-style-type: none"> ▪ Remedial actions taken to address results of monitoring reviews carried out by the local firm or its firm's network ▪ Remedial actions taken to address results of AOB inspections and compliance reviews by external bodies (e.g. MIA, professional bodies)

Where applicable, the method of calculation to derive the results of the audit quality indicators above must be consistent with that used in the SGA Form submitted to the AOB.

3. The relevant explanation on the audit quality indicators to provide sufficient context and understanding of these indicators.

D. Other Information

1. A listing of the audit firm's PIE clients as at the end of the audit firm's financial year end.