



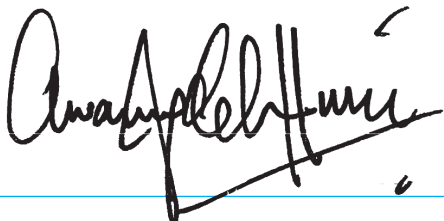
# **FINANCIAL STATEMENTS**

## STATEMENT OF FINANCIAL POSITION

### AS AT 31 DECEMBER 2022

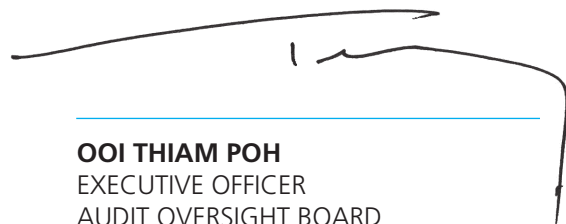
|   | Notes | 2022<br>RM       | 2021<br>RM       |
|---|-------|------------------|------------------|
| <b>CURRENT ASSETS</b>                         |       |                  |                  |
| Other receivables                             | 4     | 105,841          | 81,990           |
| Other investments                             | 5     | 2,894,466        | 2,191,477        |
| Cash and cash equivalents                     | 6     | 231,789          | 612,741          |
|   |       | <u>3,232,096</u> | <u>2,886,208</u> |
| <b>LESS: CURRENT LIABILITIES</b>              |       |                  |                  |
| Other payables and accruals                   | 7     | (363,459)        | (463,426)        |
| NET CURRENT ASSETS                            |       | <u>2,868,637</u> | <u>2,422,782</u> |
| <b>REPRESENTED BY:</b>                        |       |                  |                  |
| Funds from the Securities Commission Malaysia | 8.1   | 38,016,438       | 34,516,438       |
| Accumulated deficit                           | 8.2   | (35,147,801)     | (32,093,656)     |
|   | 8     | <u>2,868,637</u> | <u>2,422,782</u> |

The notes on pages 40 to 51 are an integral part of these financial statements.



**AWANG ADEK HUSSIN**  
CHAIRMAN  
SECURITIES COMMISSION MALAYSIA

7 February 2023



**OOI THIAM POH**  
EXECUTIVE OFFICER  
AUDIT OVERSIGHT BOARD

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

|  | Notes | 2022<br>RM         | 2021<br>RM         |
|--|-------|--------------------|--------------------|
| Registration fees                                    |       | 3,104,000          | 3,060,400          |
| Finance income from fixed deposits                   |       | 65,530             | 52,275             |
| Penalty income                                       |       | 1,014,500          | 647,500            |
| Other income   |       | 90,898             | 31,388             |
|  |       | <u>4,274,928</u>   | <u>3,791,563</u>   |
| Administrative expenses                              | 9     | (7,329,073)        | (7,048,238)        |
| Deficit before tax                                   |       | <u>(3,054,145)</u> | <u>(3,256,675)</u> |
| Tax expense  | 10    | -                  | -                  |
| Deficit and total comprehensive loss<br>for the year |       | <u>(3,054,145)</u> | <u>(3,256,675)</u> |

The notes on pages 40 to 51 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN ACCUMULATED FUNDS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

|  | Funds from<br>the Securities<br>Commission<br>Malaysia<br>RM | Accumulated<br>deficit<br>RM | Total<br>RM |
|--|--|------------------------------|-------------|
| At 1 January 2021                                    | 30,516,438   | (28,836,981)                 | 1,679,457   |
| Funds from the Securities<br>Commission Malaysia     | 4,000,000  | -                            | 4,000,000   |
| Deficit and total comprehensive loss<br>for the year | -  | (3,256,675)                  | (3,256,675) |
| At 31 December 2021/1 January 2022                   | 34,516,438   | (32,093,656)                 | 2,422,782   |
| Funds from the Securities<br>Commission Malaysia     | 3,500,000  | -                            | 3,500,000   |
| Deficit and total comprehensive loss<br>for the year | -  | (3,054,145)                  | (3,054,145) |
| At 31 December 2022                                  | 38,016,438   | (35,147,801)                 | 2,868,637   |
|  | Note 8.1   | Note 8.2                     | Note 8      |

The notes on pages 40 to 51 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

|   | 2022<br>RM  | 2021<br>RM  |
|---|-------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |             |             |
| Deficit before tax  | (3,054,145) | (3,256,675) |
| Adjustment for:<br>Finance income                           | (65,530)    | (52,275)    |
| <b>OPERATING DEFICIT BEFORE WORKING<br/>CAPITAL CHANGES</b> | (3,119,675) | (3,308,950) |
| Changes in working capital:                                 |             |             |
| Other receivables   | (13,360)    | (69,840)    |
| Other payables and accruals                                 | (99,967)    | (356,874)   |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                | (3,233,002) | (3,735,664) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |             |             |
| Interest received   | 55,039      | 47,613      |
| Increase in other investments                               | (702,989)   | (320,522)   |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                | (647,950)   | (272,909)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITY</b>                   |             |             |
| Funds from the Securities Commission Malaysia               | 3,500,000   | 4,000,000   |
| <b>NET CASH FROM FINANCING ACTIVITY</b>                     | 3,500,000   | 4,000,000   |
| <b>NET MOVEMENT IN CASH AND CASH<br/>EQUIVALENTS</b>        | (380,952)   | (8,573)     |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY                      | 612,741     | 621,314     |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER                    | 231,789     | 612,741     |

The notes on pages 40 to 51 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

### 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 Commission or the rules of a stock exchange of a:
  - (i) public-interest entity (PIE) or schedule fund;
  - (ii) non-public interest entity seeking approval to become a PLC 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 2022:

- Amendment to MFRS 16 'Covid-19-Related Rent Concessions beyond 30 June 2021'
- Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'
- Annual Improvements to MFRS 1 'Subsidiary as First-time Adopter'
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 141 'Taxation in Fair Value Measurements'

The adoption of these amendments to published standards did not have any material impact on the current period or any prior periods and is not likely to affect future periods.

- (ii) Amendments to published standards that have been issued but not yet effective

New amendments to published standards and annual improvements that are effective for financial year beginning after 1 January 2022 are set out below:

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.
- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) clarifies the seller-lessee shall determine the 'lease payments' or 'revised lease payments' in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

## (ii) Amendments to published standards that have been issued but not yet effective (continued)

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

- There are two amendments to MFRS 101 'Presentation of Financial Statements'. The first amendments, 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

The second amendments, 'Non-current Liabilities with Covenants' specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

Both amendments are effective for the annual reporting periods beginning on or after 1 January 2024.

The amendments shall be applied retrospectively.

These 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 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 SIGNIFICANT ACCOUNTING POLICIES

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.

An embedded derivative is recognised separately from host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host.

##### (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 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 cash equivalents 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) Leases

##### (i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the AOB assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- As a lessee, it has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- As a lessee, it has the right to direct the use of the asset. The AOB has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the AOB has the right to direct the use of the asset if either the AOB has the right to operate the asset or the AOB designed the asset in a way that predetermines how and for what purpose it will be used.

##### (ii) Recognition and initial measurement

As a lessee

The AOB has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The AOB recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (e) Other Income

##### (i) Registration fees

Registration fees are recognised at a point in time upon submission of registrations by registrants.

##### (ii) Finance income

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

## (iii) 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.

## (f) Employee benefits

## (i) 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 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.

## (g) Contingencies

Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the entity or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

## (h) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

**4 OTHER RECEIVABLES**

|                           | 2022<br>RM     | 2021<br>RM    |
|---------------------------|----------------|---------------|
| Other receivables         | 83,200         | 23,750        |
| Prepayments               | -              | 46,090        |
| Finance income receivable | 22,641         | 12,150        |
|                           | <u>105,841</u> | <u>81,990</u> |

**5 OTHER INVESTMENTS**

Other investments represent deposits placed with licensed banks with maturity terms of 3 months or more and interest income earned at a rate of 2.3% - 2.8% per annum (2021: 1.8% per annum).

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

**6 CASH AND CASH EQUIVALENTS**

|                           | 2022<br>RM     | 2021<br>RM     |
|---------------------------|----------------|----------------|
| Cash and cash equivalents | <u>231,789</u> | <u>612,741</u> |

**7 OTHER PAYABLES AND ACCRUALS**

|                             | 2022<br>RM     | 2021<br>RM     |
|-----------------------------|----------------|----------------|
| Prepaid registration fee    | 336,000        | 440,000        |
| Other payables and accruals | 27,459         | 23,426         |
|                             | <u>363,459</u> | <u>463,426</u> |

**8 TOTAL RESERVES**

|                                      | Notes | 2022<br>RM       | 2021<br>RM       |
|--------------------------------------|-------|------------------|------------------|
| Funds from the Securities Commission |       |                  |                  |
| Malaysia                             | 8.1   | 38,016,438       | 34,516,438       |
| Accumulated deficit                  | 8.2   | (35,147,801)     | (32,093,656)     |
| Total reserves                       |       | <u>2,868,637</u> | <u>2,422,782</u> |

## 8.1 Funds from the Securities Commission Malaysia

|                              | 2022<br>RM        | 2021<br>RM        |
|------------------------------|-------------------|-------------------|
| Contribution:                |                   |                   |
| At the beginning of the year | 34,516,438        | 30,516,438        |
| Additions                    | 3,500,000         | 4,000,000         |
| At the end of the year       | <u>38,016,438</u> | <u>34,516,438</u> |

## 8.2 Accumulated deficit

|                              | 2022<br>RM          | 2021<br>RM          |
|------------------------------|---------------------|---------------------|
| At the beginning of the year | (32,093,656)        | (28,836,981)        |
| Deficit for the year         | (3,054,145)         | (3,256,675)         |
| At the end of the year       | <u>(35,147,801)</u> | <u>(32,093,656)</u> |

## 9 ADMINISTRATIVE EXPENSES

|   | 2022<br>RM       | 2021<br>RM       |
|---|------------------|------------------|
| The administrative expenses consist of: |                  |                  |
| Auditors' remuneration                  | 24,597           | 22,100           |
| Non-executive members' allowance        | 278,000          | 314,000          |
| Other miscellaneous charges             | 694,555          | 559,453          |
| Rental of office equipment              | -                | 1,057            |
| Staff costs                             | 6,326,341        | 5,817,428        |
| Training subsidy                        | 5,580            | 334,200          |
|   | <u>7,329,073</u> | <u>7,048,238</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 as amortised cost (AC):

|                              | Carrying<br>amount<br>RM | AC<br>RM         |
|------------------------------|--------------------------|------------------|
| <u>2022</u>                  |                          |                  |
| <u>Financial assets</u>      |                          |                  |
| Other receivables            | 105,841                  | 105,841          |
| Other investments            | 2,894,466                | 2,894,466        |
| Cash and cash equivalents    | 231,789                  | 231,789          |
|                              | <u>3,232,096</u>         | <u>3,232,096</u> |
| <u>Financial liabilities</u> |                          |                  |
| Other payables and accruals* | (27,459)                 | (27,459)         |
| <u>2021</u>                  |                          |                  |
| <u>Financial assets</u>      |                          |                  |
| Other receivables*           | 35,900                   | 35,900           |
| Other investments            | 2,191,477                | 2,191,477        |
| Cash and cash equivalents    | 612,741                  | 612,741          |
|                              | <u>2,840,118</u>         | <u>2,840,118</u> |
| <u>Financial liabilities</u> |                          |                  |
| Other payables and accruals* | (23,426)                 | (23,426)         |

\* 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<br>amount<br>RM | Contractual<br>cash flow<br>RM | Under<br>1 year<br>RM |
|------------------------------|--------------------------|--------------------------------|-----------------------|
| <u>2022</u>                  |                          |                                |                       |
| <u>Financial liabilities</u> |                          |                                |                       |
| Other payables and accruals  | 27,459                   | 27,459                         | 27,459                |
| <u>2021</u>                  |                          |                                |                       |
| <u>Financial liabilities</u> |                          |                                |                       |
| Other payables and accruals  | 23,426                   | 23,426                         | 23,426                |

## 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:

|                               | 2022<br>RM | 2021<br>RM |
|-------------------------------|------------|------------|
| <u>Fixed rate instruments</u> |            |            |
| Financial assets              | 2,894,466  | 2,191,477  |

#### Interest rate risk sensitivity analysis

##### *Fair value sensitivity analysis for fixed rate instruments*

The AOB does not account for any fixed rate financial assets at fair value through profit or loss, 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 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 CONTINGENCIES

In 2019, the AOB imposed sanctions against an audit firm and its partners (the Parties) which include inter-alia a monetary penalty of RM631,000 for breaching the AOB's registration conditions under Section 31O(3) of the SCMA. The Parties appealed to the SC against the AOB's sanctions but were affirmed by the SC.

The Parties applied to the High Court for judicial review on the AOB's and the SC's decisions. The High Court quashed the sanctions imposed by the AOB and the SC against the Parties on 10 August 2020.

The SC/AOB filed an appeal to the Court of Appeal to set aside the High Court's decision on 13 August 2020. The Court of Appeal decided in favour of the SC/AOB where the High Court decision was set aside on 10 December 2021.



On 7 January 2022, the Parties applied to the Federal Court for leave to appeal against the Court of Appeal's decision. On 17 August 2022, the Federal Court ruled in favour of the SC/AOB and dismissed the Parties' leave application.

Subsequently, the Parties paid the monetary penalty of RM631,000 levied by the AOB during the financial year.

#### **14 AUTHORISATION OF FINANCIAL STATEMENTS**

The financial statements for the year ended 31 December 2022 were authorised by the SC for issuance and signed by the Chairman of the SC and Executive Officer of the AOB on 7 February 2023.