



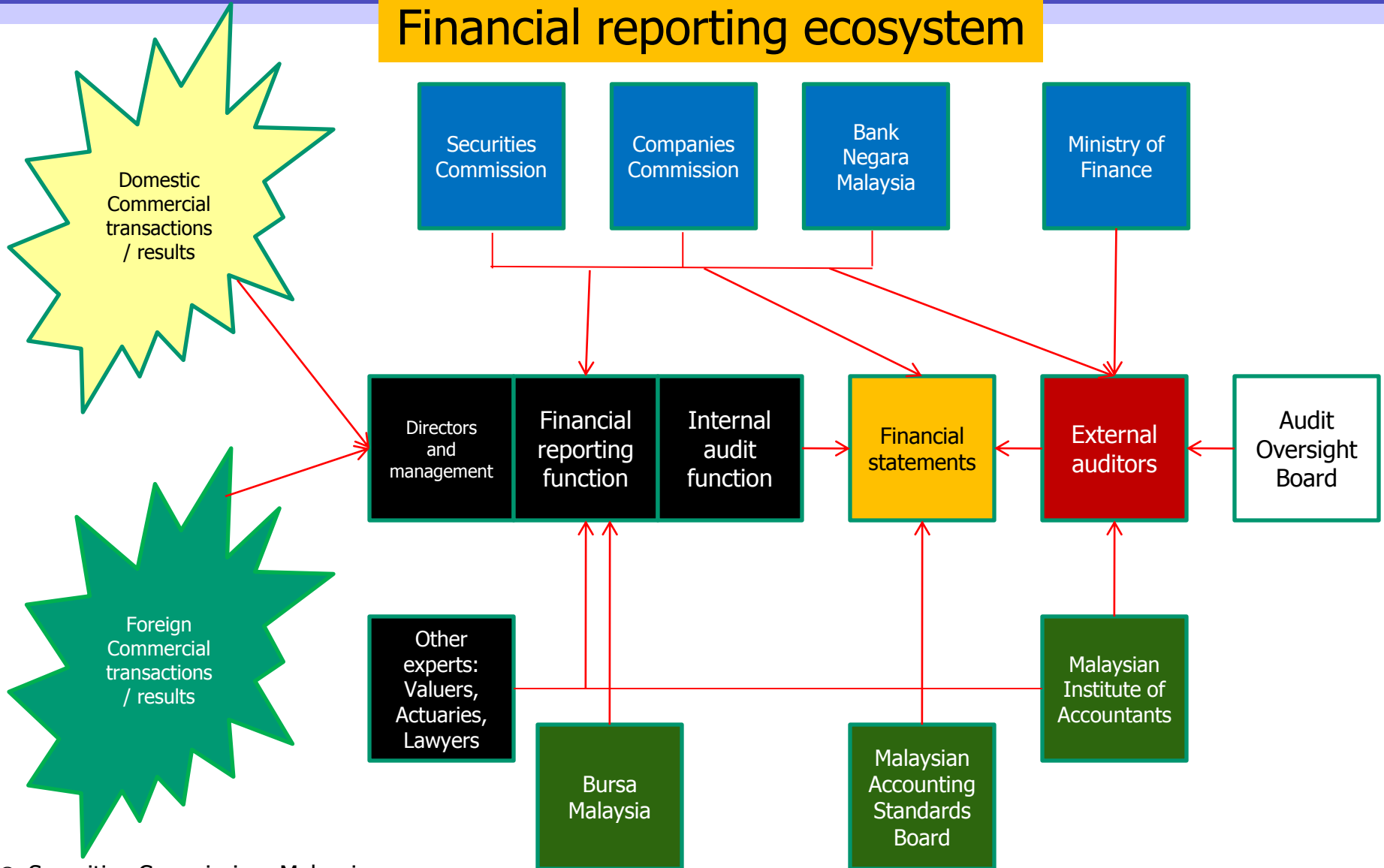
Audit Oversight Board

Agenda

1. About the Audit Oversight Board
2. Standard setting
3. Registration process
4. Inspection process
5. Inquiry and Sanctions
6. International Affairs
7. Annual reporting

About the Audit Oversight Board

Financial reporting ecosystem



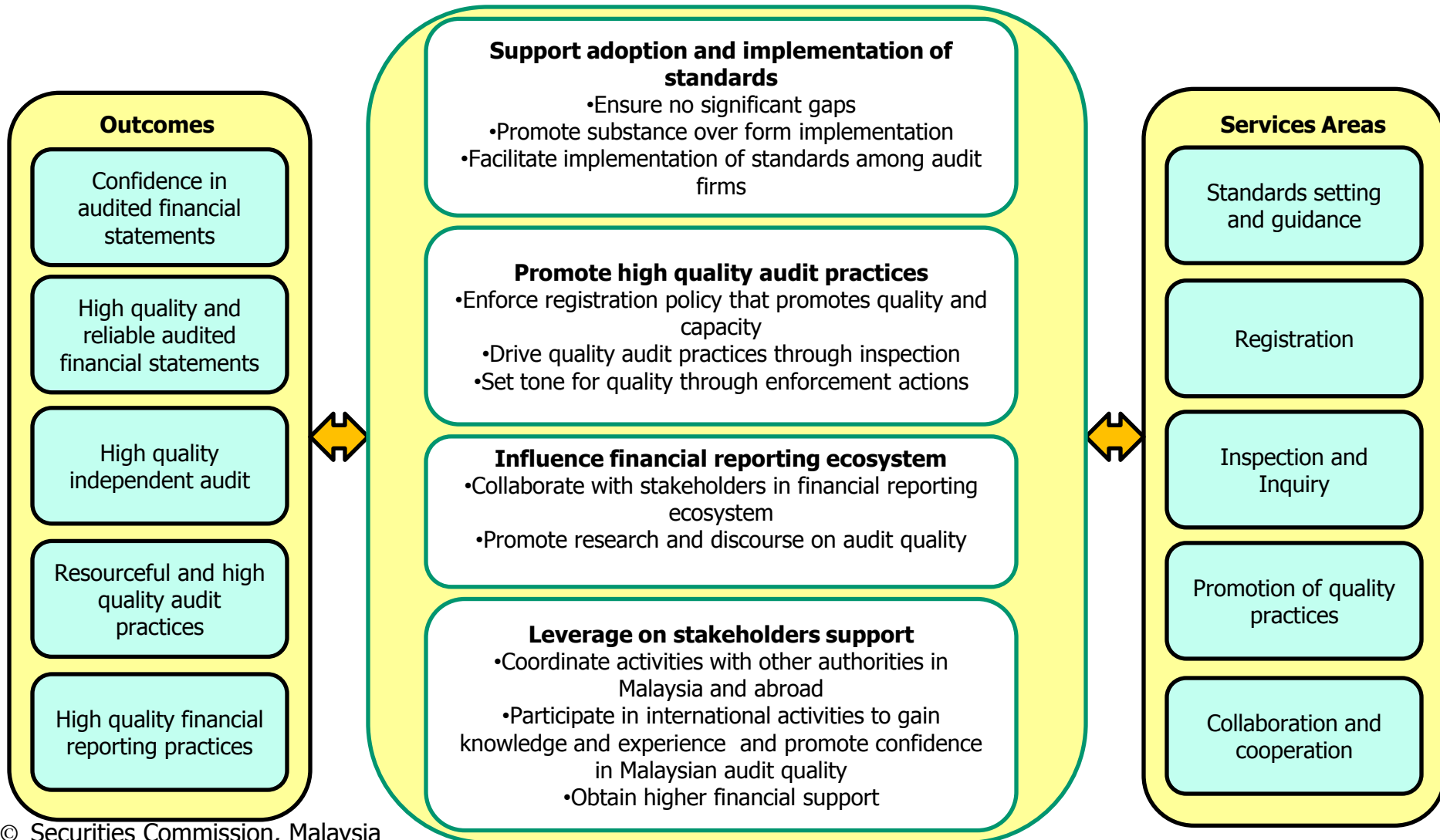
About the Audit Oversight Board

- The Securities Commission Malaysia has been given the power by Parliament to undertake these functions:
 - Promote and develop an effective and robust audit oversight framework in Malaysia:
 - Promote confidence in the quality and reliability of audited financial statements in Malaysia: and
 - Regulate auditors of Public Interest Entities (PIE)
 - The AOB was established to assist SC in discharging the above functions

About the Audit Oversight Board

Strategic Framework

"Fostering high quality independent auditing to promote confidence in the quality and reliability of audited financial statements of public interest entities in Malaysia"



About the Audit Oversight Board

- AOB became operational on 1 April 2010
- The Board consists of:
 - An executive chairman
 - 6 non-executive members
- To maintain independence of the AOB, not more than 2 non-executive members of Board are members of MIA

About the Audit Oversight Board

The members of the Audit Oversight Board are:

- Nik Mohd Hasyudeen Yusoff, Executive Chairman
- Datuk Ali Abdul Kadir, Chairman of the Financial Reporting Foundation
- Dato' Azmi Ariffin, Chief Executive Officer of the Companies Commission Malaysia
- Goh Ching Yin, Executive Director of the Securities Commission Malaysia
- Nor Shamsiah Mohd Yunus, Deputy Governor of the Central Bank of Malaysia,
- Cheong Kee Fong, Advocate and Solicitor of Cheong Kee Fong & Co
- Chok Kwee Bee, Managing Director of Teak Capital Sdn Bhd

Standard setting

- Compliance with established auditing standards is an integral aspect in maintaining reliability of the company's audited financial statements
- As Malaysian Institute of Accountants ("MIA") adopts all IFAC standards, AOB will have power to direct MIA to establish, amend, modify or alter its prescribed standards if the need should arise
- Currently auditing and ethical standards in Malaysia are on par with pronouncements issued by IAASB and IESBA

Registration process

- AOB seeks to register audit firms and individual auditors of public interest entities (PIEs) who are fit and proper which includes:
 - Auditor approved under S8 of the Companies Act
 - Not convicted of an offence involving fraud and dishonesty
 - Not a bankrupt
 - Not engaged in practices which reflect discredit in meeting professional standards
- As at 31 October 2010, 77 audit firms and 289 auditors have been registered.

Registration process

PIE Category	Number of PIEs as at 30 June 2010
Public Listed Companies	972
Licensed Financial Institutions	36
Insurance Companies	47
Takaful Operators	13
Islamic Banks	19
Developmental Financial Institutions	3
Capital Market Services License Holders	137
Total	1227

Inspection process

- The AOB will conduct regular and special inspections of audit firms and auditors determined on a risk-based approach
- Audit firms auditing high number of PIEs will be inspected annually while the rest will be inspected within 3 years
- Regular inspections are routine inspections to cover all firms based on AOB's annual audit plan
- Special inspections are industry or event-driven

Inspection process

- At the firm level, compliance with ISQC1 and the MIA By-Laws on Professional Ethics, Conduct and Practise will be reviewed:
 - Leadership and responsibilities within firm
 - Ethical requirements
 - Acceptance and continuance of audit clients
 - Human resources
 - Engagement performance
 - Monitoring

Inspection process

- At the engagement level, inspection is targeted at compliance with International Standards on Auditing
- This includes:
 - Audit planning
 - Risk assessment and risk response
 - Sufficiency and appropriateness of audit evidence
 - Documentation
 - Compliance with regulation

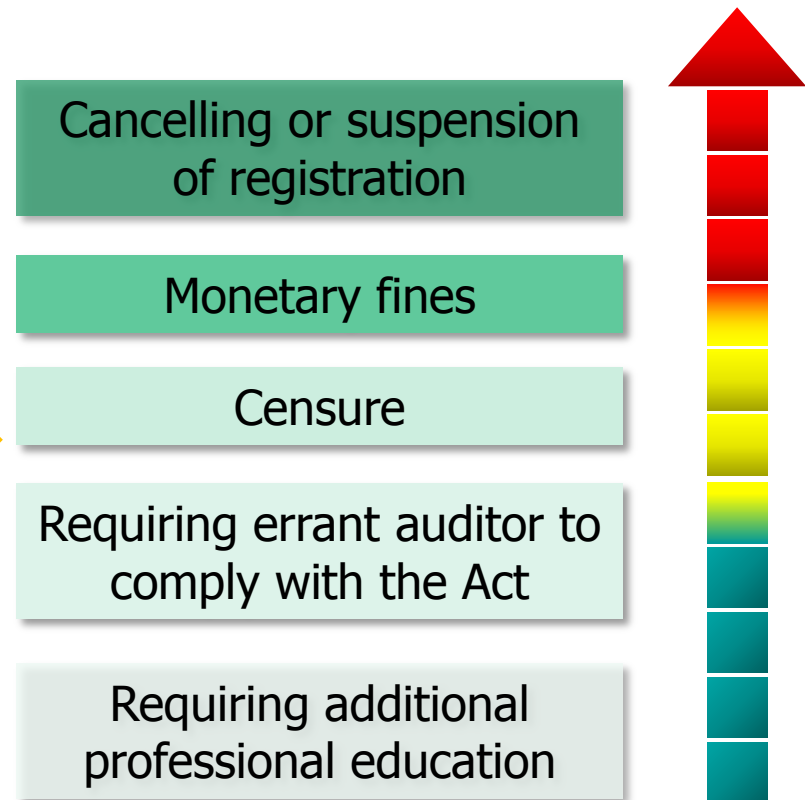
Inspection process

- At the end of the inspection process, AOB will provide the firms with inspection reports which indicate areas where firms failed to comply with auditing and ethical standards
- Firms are expected to provide AOB with their plans to remediate the non-compliances
- Notwithstanding the remediation, further action could be taken by the AOB

Inquiry and Sanctions

To enable effective and proportionate sanctions to be taken...

- Inquiry conducted when there is reason to believe that provisions of the Act, written notice or guidelines are breached, including non-compliance with auditing and ethical standards
- AOB officers will be conducting inquiries
- Inquiry officers will be appointed and will have necessary powers to conduct their duties



International affairs

- AOB has been accepted as a member of IFIAR (International Forum of Independent Audit Regulators)
- Have liaised with audit regulators in Singapore, Australia, France and UK to benchmark against our current practices and understand their challenges
- AOB will develop closer relationship with audit regulators where Malaysian businesses have significant presence

Annual reporting

- 3 months after the end of the year, AOB shall report to the SC on:
 - Assessment on the effectiveness of AOB's performance
 - Assessment on risks relating to quality and reliability of audited financial statements of PIE and measures recommended by AOB
 - Systems, procedures and practices used by AOB in measuring its performance
 - Other matters affecting the AOB in carrying out its functions
 - Financial statements

Thank You