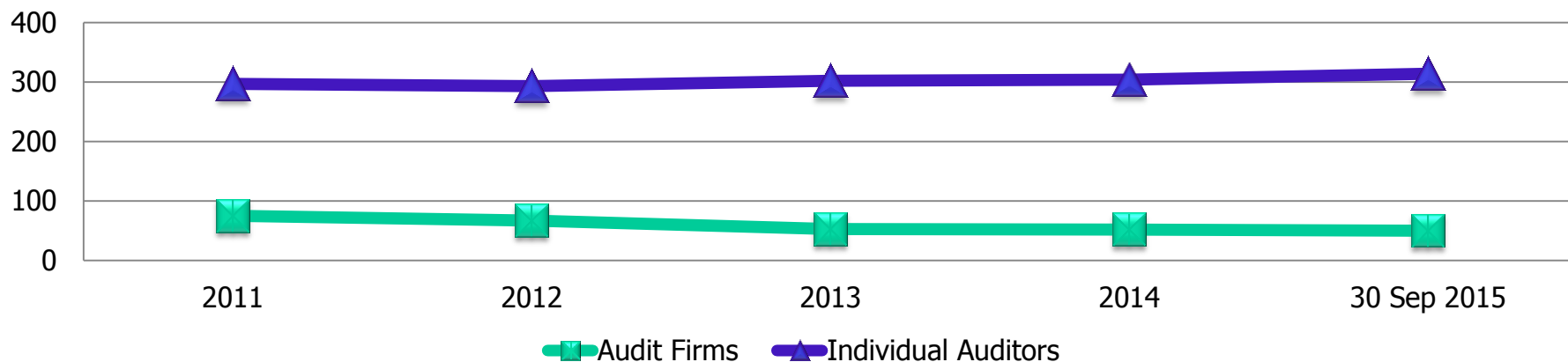


# **Audit Oversight Board**

## **Regulatory Updates and Emerging Trends**

19 October 2015

### Number of Registered Audit Firms and Individual Auditors (2011 to 30 September 2015)



Profile of audit firms	No. of Audit Firms					No. of Auditors				
	2011	2012	2013	2014	30 Sept 2015	2011	2012	2013	2014	30 Sept 2015
10 partners and above	6	6	8	8	8	138	144	178	181	191
5 – 9 partners	8	9	6	6	7	38	44	30	30	34
2 – 4 partners	48	43	36	35	34	108	96	91	90	88
Less than 2 partners	13	9	3	3	1	13	9	3	3	1
<b>Total</b>	<b>75</b>	<b>67</b>	<b>53</b>	<b>52</b>	<b>50</b>	<b>297</b>	<b>293</b>	<b>302</b>	<b>304</b>	<b>314</b>

## Remediation Efforts

1. Pace of improvement remains a concern – remediation effectiveness
2. Firm-level quality controls – design & structure in progress
3. Implementation of Firm-level quality controls remains an issue
4. Depth of root cause analysis

**The AOB will start publishing inspection reports of audit firms which failed to effectively remediate their weaknesses**

## Technical Competence

1. Building capacity in this area remains a key area for Firms
2. Impact on existing resources with the introduction of new accounting & auditing standards e.g. MPERS, New Auditors' Report

**Law Reform**  
**A Bill of Securities Commission Malaysia**  
**Act 1993**  
**[ACT 498] Amendment**

## **SCMA Amendments**

- The Bill for the SCMA Amendments was tabled and passed in the March/April 2015 Parliament session
- Effective 15 September 2015

## **SCMA Amendments**

- **Function relating to audit oversight:**
  - Oversight over any person who prepares a report in relation to financial information of PIE or schedule funds in relation to capital market activities

## SCMA Amendments

- ✓ Reporting Accountant Definition
  - **A Firm** which proposes to act as a RA for the purpose of preparing a prospectus must be a firm that is already registered with AOB as an auditor of a public interest entity or a scheduled fund. (As defined in the **Prospectus Guidelines**)
  - RA prepares report on financial information that is incorporated into a prospectus.

## **SCMA Amendments**

- **Registration:**
  - The need to renew registration has been removed
  - Power to revoke/suspend the registration or recognition for failure to pay any fee as specified by AOB



## SCMA Amendments

- **Inspection** - enhanced the wordings as follows:
  - Assess the *sufficiency and appropriateness of the audit evidence obtained in relation to the audit report*
  - AOB may direct the auditor to take any remedial measure to rectify matters raised in the inspection report

## **SCMA Amendments**

- **Inquiry**
  - May appoint inquiry officers for the purpose of carrying out an inquiry
- **Cooperation, coordination and sharing of information** – the following was included:
  - The AOB may disclose and share any findings with PIE or schedule fund inspected

# SCMA Amendments

- **Schedule 1:**
  - Enhanced the list of PIEs in Part 1
  - Included schedule fund in Part 2

## SCHEDULE 1: PART 1

- a) a public listed company or a corporation listed on the stock exchange;
- b) a bank licensed under the [Financial Services Act 2013 \[Act 758\]](#);
- c) an insurer licensed under the [Financial Services Act 2013](#);
- d) a takaful operator licensed under the [Islamic Financial Services Act 2013 \[Act 759\]](#);
- e) an Islamic bank licensed under the [Islamic Financial Services Act 2013 \[Act 759\]](#);
- f) a financial institution prescribed under section 212 or 223 of the [Financial Services Act 2013](#);
- g) a development financial institution prescribed under the [Development Financial Institutions Act 2002 \[Act 618\]](#);
- h) a holder of the Capital Markets Services Licence for the carrying on of the regulated activities of dealing in securities, dealing in derivatives or fund management;

## **SCHEDULE 1: PART 1 (CONT.)**

- i) an exchange holding company approved under the securities laws;
- j) an exchange approved under the securities laws;
- k) a central depository approved under the securities laws;
- l) a clearing house approved under the securities laws;
- m) a self-regulatory organization recognized under the securities laws;
- n) a private retirement scheme administrator approved under the securities laws;
- o) a trade repository approved under the securities laws;
- p) the Capital Market Compensation Fund Corporation;
- q) any other person as the Minister may prescribe by order published in the Gazette.

## **SCHEDULE 1: PART 2**

- a) a private retirement scheme approved by the Commission under the Capital Markets and Services Act 2007;
- b) a unit trust scheme approved, authorized or recognized by the Commission under the Capital Markets and Services Act 2007;
- c) any other capital market funds as may be specified by the Commission.



**Thank You**