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Concerns over AOB mandate

Costs, confidentiality among issues raised by accountants at forum

KUALA LUMPUR: A forum organised by professional accountants have raised some concerns over confidentiality, costs and outcome of reviews held by the Audit Oversight Board (AOB), a body formed by the Securities Commission in April.

PricewaterhouseCoopers Malaysia partner Loh Lay Choon, who presented some comments on the implications of the AOB's mandate, said costs billed to clients would almost certainly rise as audit firms that qualified to audit public interest entities were held to higher standards.

The forum was co-hosted by the Institute of Chartered Accountants in Australia and the Malaysian Institute of Certified Public Accountants.

Loh also raised a question over confidentiality where the AOB is empowered to make inspections, both at the firm and engagement levels.

"To what extent do the specifics at the engagement level get shared?" she asked, adding that the issue of confidentiality needed to be ironed out. The AOB commenced inspections of audit firms this month.

According to AOB executive chairman Nik Mohd Hasyudeen Yusoff, at the engagement level, inspection is targeted at compliance with International Standards of Auditing and relevant regulation and laws.

He said in his presentation that the performance of the engagement partner (the audit firm) and the quality control reviewer would be assessed via audit planning, risk assessment and risk response, sufficiency and appropriateness of audit evidence, documentation and compliance with regulation.

Hasyudeen stressed that leadership as embodied by the firm's directors was important as it would set the tone for quality



Hasyudeen Yusoff... 'leaders set the tone for quality audits.'

audits.

"Directors are principally responsible for setting the tone and direction plus getting the right people so that quality is not compromised," he said.

Another issue Hasyudeen stressed on was the importance of documentation. "Documentation by audit firms should be a policy that is implemented robustly as the AOB will treat non-documentation as no work being done," he added.

Meanwhile, Telekom Malaysia Bhd group chief executive officer and executive director Datuk Bazlan Osman suggested that auditors should give their consent on the outcome of the review by the AOB.

He was also concerned on how information on the review should be shared with stakeholders, particularly if the outcome was not that good.

"In highly regulated industries, such as the financial and telecommunications industries, there are legal implications," he said.

Bazlan did not see costs rising as a result of the AOB's mandate and the new requirements for audit firms but added that costs were negotiable.