Information Management and Business Review (ISSN 2220-3796)
Vol. 16, No. 2, pp. 125-136, June 2024

Evaluating Audit Oversight Board's Regulatory Impact: Analysis of Sanctions Imposed on Malaysian Audit Firms

Nor Aishah Mohd Ali, *Zaleha Mahat, Rahayu Mohd Sehat, Siti Hawa Shuid, Norhanizah Johari
Universiti Teknologi MARA, Malaysia
aishah72@uitm.edu.my, *zalehamahat@uitm.edu.my, , rahayumo@uitm.edu.my, hawashuid@uitm.edu.my, norhanizah@kuis.edu.my
*Corresponding Author: Zaleha Mahat

Abstract: This study analyzes the 12-year trend of cases involving auditor wrongdoing as disclosed on the Audit Oversight Board (AOB) Malaysia's website from 2012 to 2023. Utilizing content analysis, the research examines the nature, frequency, and severity of penalties or sanctions imposed on audit firms for various offenses. Findings indicate a dynamic pattern of regulatory actions, reflecting Malaysia's evolving landscape of audit quality and regulatory oversight. It was revealed that a total of 56 breaches of the Securities Commission Act 1993 involving 30 audit firms were reported and disclosed by the Audit Oversight Board over the period from 2012 to 2023. The findings revealed that most misconduct cases relate to the failure of audit firms to comply with the requirements of International Auditing Standards, International Standard on Quality Control and Malaysian Institute of Accountant By-Laws. There has been a notable decrease in cases involving auditors over the past six years. This could also indicate the dedication of the AOB to monitoring auditors' conduct to prevent their involvement in malpractice. This study contributes to the understanding of audit regulation effectiveness and the behavioral patterns of auditors in response to regulatory scrutiny.

Keywords: *Audit Oversight Board (AOB), sanctions, audit quality, audit firm*

1. Introduction

In the world of business, there's a high focus on publicly traded companies, especially regarding the auditing of their financial statements. This ensures that their transactions are transparent and audited with integrity. To do so, the auditors are bestowed with such responsibility. In Malaysia, auditors are obliged to abide by the International Auditing Standards (IAS), International Standards on Quality Control (ISQC) as well Malaysian Institute of Accountant By-Law (MIA By-Law) instituted by the Malaysian Institute of Accountants in performing their duties (MIA, 2023).

However, rising concerns over auditor malpractices have brought into question the thoroughness of their oversight and the need for improved audit practices. In this context, the Asian Corporate Governance Association (ACGA), in collaboration with Credit Lyonnis Securities Asia (CLSA), released its latest Corporate Governance Watch report on December 13, 2023. This report assesses the corporate governance and ESG performance across 12 markets in the Asia-Pacific region. The report has awarded the top ranking to Malaysia's regulatory body under the Audit Oversight Board for auditors and audit regulators, with a remarkable score of 92. This score places the Malaysian regulator ahead of its counterparts in Singapore (83), Japan (83), Hong Kong (80), and Australia (82). The Audit Oversight Board (AOB) of Malaysia has demonstrated exceptional performance, setting a benchmark in the region. This study aims to explore the practices of AOB Malaysia that have led to their commendable achievement in regulation, as highlighted in the ACGA report for 2023) (ACGA, 2023).

The establishment of the Audit Oversight Board (AOB) in Malaysia has been a significant development in the field of auditing and financial reporting for publicly listed companies. Instituted in 2010 under the Securities Commission Amendment Act, the AOB has extended regulatory oversight into the statutory audit domain, marking a shift from self-regulation by the auditing profession to co-regulation involving a statutory body with considerable regulatory powers. The primary function of the AOB is to oversee the auditors of publicly listed companies to enhance confidence in the quality and reliability of audited financial statements in Malaysia. AOB is empowered to inspect audit working papers, conduct inquiries, and impose sanctions against non-compliance with International Standards on Auditing and other quality control standards (Securities Commission, 2023). As of 31 December 2023, a total of 38 audit firms have registered with AOB (Securities Commission, 2023).

The importance of disclosure on sanctions by Audit Oversight Boards like the Public Company Accounting Oversight Board (PCAOB) is highlighted in several aspects of audit methodology and regulatory compliance. These disclosures are critical for maintaining the credibility of financial statements and ensuring the independence of auditors. Audit committees and management have a shared responsibility to monitor and maintain auditor independence, including compliance with auditor independence rules and considering the impact of any non-audit services provided by the auditor (The United States Securities and Exchange Commission, 2023).

In the United States, the PCAOB has implemented two sets of disclosure requirements applicable to audit firms. The first set requires firms to disclose the identity of the engagement partner, other auditors involved in the audit, and the duration of the firm's service as the auditor. This information is valuable for investors and the public, and its importance is expected to grow over time. The second set involves the establishment of a central database providing basic information about firms auditing public companies and SEC-registered broker-dealers. This database includes information on the firm's clients and certain disciplinary proceedings, serving as a crucial source of information for investors and the public (PCAOB, 2023).

These oversight and disclosure requirements play a vital role in the financial reporting systems of public companies. They enhance the independence of auditors and facilitate communication among the board of directors, management, internal auditors, and independent auditors. This effective oversight by knowledgeable and independent audit committees significantly furthers the goal of providing high-quality, reliable financial information to investors.

Indeed, the importance of disclosure on sanctions and oversight by Audit Oversight Boards lies in ensuring auditor independence, enhancing the credibility of financial statements, and maintaining the integrity of the financial reporting ecosystem. These disclosures provide critical information to investors and the public, assisting them to make informed decisions based on the reliability of the audited financial statements. It is pertinent also to highlight the Securities Commission (Amendment) Act 2017 which becomes the reference for the AOB in cases involving audit firms' malpractice. The Act which was enacted in 1993 was primarily aimed at enhancing regulatory enforcement, improving market efficiency and transparency, bolstering investor protection, aligning with international standards, and adapting to emerging trends in the financial sector.

The role of auditors in ensuring the integrity, transparency, and reliability of financial statements is pivotal. In Malaysia, the Audit Oversight Board (AOB) plays a crucial role in overseeing auditors of public interest entities. This study is motivated by the need to understand the trends and patterns of auditor wrongdoing cases disclosed on the AOB's website over 12 years (2012-2023). It seeks to analyze the nature and severity of penalties and sanctions imposed on audit firms, offering insights into the effectiveness of regulatory oversight and its implications for audit quality in Malaysia.

2. Literature Review

Impact on Audit Quality

Past studies have extensively explored the impact of the AOB on audit quality. Ismail and Mustapha (2015) conducted interviews with auditors and found that the majority believed audit quality would improve due to AOB's regulatory powers. Their study confirmed these expectations, indicating an enhancement in audit quality following the AOB's establishment. Similarly, Ismail and Theng (2015) reported a decrease in discretionary accruals after the AOB's inception, although the change was not statistically significant, suggesting a positive but moderate impact on audit quality. Whilst AOB focuses on publicly listed companies, Zainal et al. (2022) explored audit quality at the Inland Revenue Board Malaysia (IRBM). Their study, though not related to the AOB, highlighted concerns about audit quality, particularly regarding the number of aging cases, indicating that audit quality issues are not confined to the corporate sector but also extend to tax auditing.

In the United States, the Public Company Accounting Oversight Board (PCAOB) serves as the audit regulator. Lamoreaux et al. (2023) found that large audit firm offices enhance the quality of their audit following enforcement actions taken by the PCAOB against different offices in the same firm. In contrast, small firm offices, whose reactions vary based on the type of enforcement, improve their audit quality in response to enforcement actions taken against local small firm competitors. In their investigation of the PCAOB's disciplinary actions on small audit firms, Guo et al. (2021) discovered that while these firms pay more audit fees, they are less likely than peer clients who are not subject to a disciplinary order to obtain a going concern opinion. This implies that to obtain favorable audit reports, these clients could prefer to pay greater prices. Lamoreaux (2016) further discovered that auditors subject to PCAOB inspection access provide higher quality audits, evidenced by more going-concern opinions, more reported material weaknesses, and less earnings management, in comparison to auditors not subject to PCAOB inspection access. Chiu et al. (2017) highlighted that PCAOB inspections are more effective when conducted annually rather than triennially, suggesting a positive relationship between inspection frequency and audit quality. Similarly, Feng et al. (2023) emphasized that the more robust enforcement measures taken by the audit regulator, such as the suspension of audit firms in China, were associated with enhanced audit quality. This improvement was evidenced by higher accruals quality and a reduced likelihood of reporting a small profit or a small profit increase in the two years following the suspension.

Ye & Simunic (2024) found that audit regulatory oversight can enhance social surplus even in jurisdictions with robust legal systems, as it motivates auditors to improve audit quality through better control systems and greater effort. However, they also warned that excessive regulatory costs and overly stringent auditing standards might impede social surplus by burdening social planners. Ghattas et al. (2024) discovered that although the Egyptian Audit Oversight Unit (AOU) seeks to comply with global audit standards, its reliance on pre-practice checklists has not led to substantial changes in local audit firms, particularly smaller ones without international affiliation. It seems that these firms put the appearance of regulatory compliance ahead of actively addressing any gaps between regulatory standards and their implementation. In contrast, internationally affiliated audit firms tend to perform better under the AOU's oversight, signaling their compliance more effectively.

External Auditors' Perspective

Mustafa and Foong (2015) provided insights into how the AOB affects external auditors in Malaysia. Their findings showed that AOB's establishment impacted documentation and training costs and increased pressure on external auditors. This pressure was attributed not only to the AOB but also to revised accounting standards and other regulations. Similarly, Mustapha and Kong (2021) observed an increase in workload and documentation after the AOB's establishment. However, as more efforts were invested and additional work conducted, clients were charged higher fees. The results also suggested a rise in informal meetings to seek more information and clarification from the clients to address audit issues. In addition, AOB's establishment also influenced the workload of audit partners. Hussin et al. (2016) also noted a significant reduction in multiple client engagements per signing partner post-AOB suggesting that audit quality and oversight were enhanced as engagement partners could devote more time to each audit.

Rönkkö et al. (2023) found that a sizable portion (70%) of Finnish Certified Public Accountants (CPFAs) often voluntarily adopt the International Standards of Auditing (ISA) in local government audits, even though it is not strictly mandatory. Despite this, auditors criticized the documentation requirements, deeming them excessive and leading to unnecessary work. These findings highlight that some auditors may undertake additional efforts to comply with presumed or unclear requirements set forth by the Finnish Audit Oversight Board. Guo et al. (2021) examined the impact of disciplinary actions on audit firms and found that only 12 audit firms persisted in carrying out public audits in the year after the disciplinary order. Meanwhile, 146 out of 158 selected firms were held responsible when their personnel were found to have committed misconduct. This study underscores the stringent consequences of misconduct.

Impact on Audit Fees

Using data from New Zealand, Hay et al. (2023) discovered an audit inspection and heightened scrutiny by the regulatory body on audit firms resulted in a significant increase in audit fees for small, listed companies compared to both unlisted companies and large listed companies. Auditors, in response to the inspection process, tended to allocate more time and effort to prepare for inspections and address inspection reports. These increased efforts often translated into higher audit fees passed on to audit clients. Similarly, Feng et al. (2023) pointed out that suspended audit firms in China raised their audit fees in comparison to non-suspended audit firms in the aftermath of disciplinary actions imposed by the audit regulator.

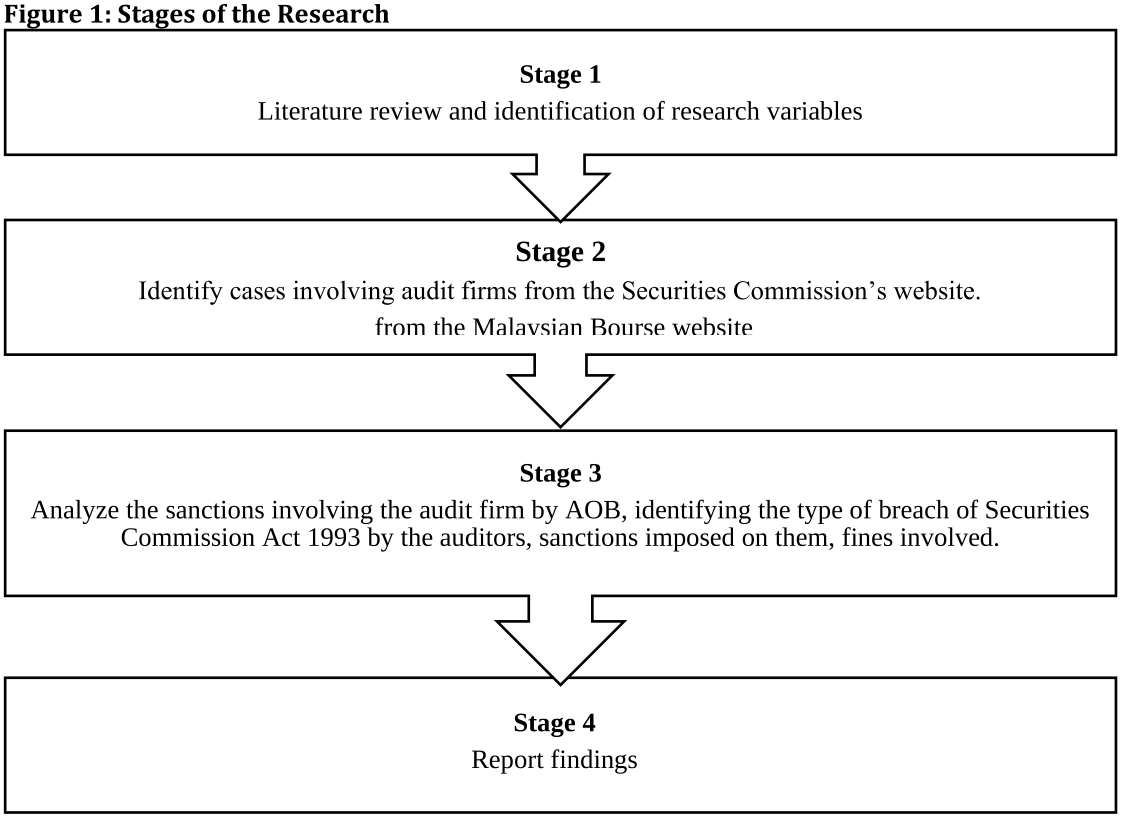
Impact on Clients of Audit Firm
In response to news of the PCAOB enforcement against Ernst & Young Indonesia (EY-Indonesia), Soepriyanto & Zudana (2020) observed that clients of EY-Indonesia saw a considerably positive market reaction compared to non-clients. The investors do not perceive PCAOB's sanction as negative news. Instead, the investors saw the sanction as an indication that EY-Indonesia's internal control would continue to strengthen in the future.

3. Methodology

This research utilizes content analysis as its primary methodology, a qualitative approach aimed at interpreting and analyzing text-based information. The focus of the study is on the cases of auditor misconduct reported on the Audit Oversight Board (AOB) Malaysia's section of the Securities Commission of Malaysia's website, covering the period from 2012 to 2023 (Securities Commission, 2023). The process involves systematic extraction of data from this website, with particular attention to disclosures about penalties or sanctions levied on audit firms for different violations. This content is then categorized and analyzed according to predetermined classifications such as the type of offense, the severity of the penalties, and the occurrence frequency of such cases spanning over 12 years.

A thematic analysis was also conducted to uncover patterns and trends that emerged from the data. The procedural flow of this study is graphically represented in Figure 1. The third stage of the study involves the extraction and summarization of sanction details by the AOB, presented in Appendix 1. This is followed by a discussion of AOB's disclosures in the findings section of the study.

Figure 1: Stages of the Research



4. Findings and Discussion

It is revealed that over 12 years (2012 to 2023), a total of 56 cases of audit quality non-compliance involving 30 audit firms were penalized in various ways by the AOB. Out of 30 audit firms, the majority (28/30. 93.3%) are small-medium practice audit firms and only two (2) cases involving Big Four (4) audit firms were noted, which are Deloitte and Ernst & Young Ptd Ltd. Appendix 1 summarizes the types of misconduct, sanctions or actions taken by AOB, amount of fine imposed, type of audit firms and which section of Securities Commission Act 1993 violated by the firms as disclosed in the AOB in the Securities Commission website.

From Appendix 1, it is revealed that from a total of 30 firms involved, there are firms that have a maximum of five (5) cases which is audit firm AF27 and four (4) firms have a record of cases in two different years, namely AF5, AF20, AF25 and AF27 with a total of two(2), three (3), two (2) and five (5) cases respectively. Analysis of the cases involved shows that most of the sanctions involved cases of failure to comply with the International Auditing Standards (IAS), International Standard on Quality Control (ISQC) as well as Malaysian Institute of Accounting By-Law. Firms were found to have failed to conduct themselves professionally as they failed to gather sufficient audit evidence to substantiate their audit opinion. The maximum single fine is RM227,000 whilst the minimum fine imposed was RM5,000. In many cases also, audit firms were only reprimanded or sanctioned from providing any audit services to the Public Interest Entity (PIE) for a minimum of nine (9) to a maximum of 12 months.

The summary in Appendix 1 shows insights into the audit quality and regulatory landscape in Malaysia, particularly in the context of the Audit Oversight Board's (AOB) influence. From a total of 30 firms involved, notable cases include audit firm AF27 with a maximum of five cases, and four firms (AF5, AF20, AF25, and AF27) with records of cases in two different years. These findings, when contrasted with earlier studies like Ismail and Mustapha (2015), and Ismail and Theng (2015), which indicated an enhancement in audit quality following the AOB's establishment, suggest a continuing trend towards improved audit practices and regulatory oversight. The nature of the offenses, primarily failures to comply with International Auditing Standards (IAS), International Standard on Quality Control (ISQC), and Malaysian Institute of Accounting By-Law, echoes the concerns raised by Zainal et al. (2022) about audit quality issues extending beyond the corporate sector. This breadth of issues underlines the widespread need for stringent audit quality control, not just in corporate auditing but across various sectors, including tax auditing. The summary of the total cases involving misconduct among the firms is depicted in Table 1 and Figure 1 respectively.

Table 1: Summary of Number of Sanction Cases and audit firms over 12 years (2012 to 2023)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Number of cases	2	6	3	1	0	1	13	12	6	3	6	3	56
Number of audit firms involved	2*	5*	3	1	0	1	7*	5	4	2	2	2	34*

*Four firms have cases in two different years. Details are disclosed in Appendix 1
(Source: Securities Commission website, 2023)

Figure 1: Number of Sanction Cases by AOB and Audit Firms involved over 12 years (2012 – 2023)

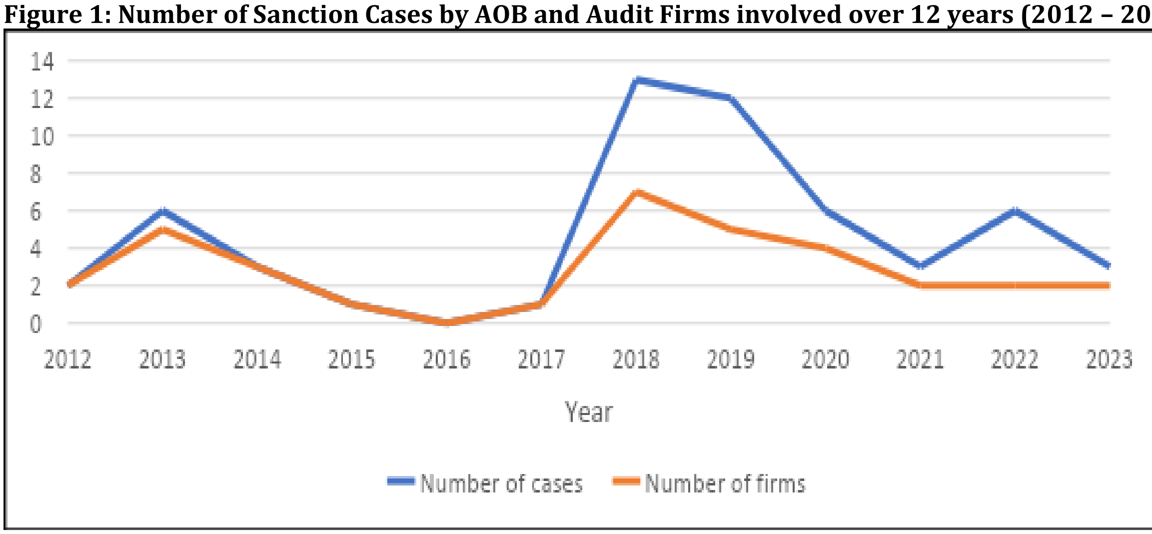


Table 1 and Figure 1 can be viewed simultaneously to show the trend of misconduct cases involving audit firms spanning 12 years from 2012 to 2023 as disclosed on the AOB section of the Securities Commission website. A total of 56 cases of misconduct were reported throughout the 12 years with no cases reported in 2016 and a maximum number of cases were reported in 2018 with 13 cases involving seven (7) firms. In line with Hussin et al. (2016), who noted a significant reduction in multiple client engagements per signing partner post-AOB, our findings show that only a small fraction (5.3%) of the total firms, including two Big Four firms, participated in misconduct cases. This could be indicative of the positive impact of reduced workload per partner as highlighted by Hussin (2016), allowing for more thorough oversight, and potentially leading to fewer instances of misconduct as suggested by Feng (2023).

The trend of increased regulatory actions over the years, with a peak in 2018 and no cases reported in 2016, reflects the AOB's commitment to enhancing audit quality and accountability, as also observed in the literature. This trend aligns with the insights provided by Mustafa and Foong (2015), who highlighted the increased pressure on external auditors due to AOB's establishment, impacting documentation and training costs. The range of sanctions imposed, from reprimands to fines and temporary service prohibitions, underscores the evolving landscape of audit regulation in Malaysia. The global recognition of Malaysia's Audit Oversight Board (AOB), as demonstrated by its higher rating from the Asian Corporate Governance Association (ACGA) in 2023, signifies the organization's effectiveness in overseeing firms' conduct, thereby contributing to the enhancement of audit quality in Malaysia.

Overall, our findings indicate a varied range of offenses committed by auditors, leading to penalties and sanctions by the AOB. The decreasing trend of penalties and sanctions over time accentuates the evolving landscape of audit regulation in Malaysia, raising pertinent questions regarding the effectiveness of existing audit practices and the role of regulatory oversight in mitigating auditor wrongdoing. This analysis not only corroborates the findings of previous studies, suggesting a positive impact of the AOB on audit quality but also provides a detailed insight into the nature and trends of audit misconduct and regulatory actions over a significant period.

5. Conclusion

The literature indicates that the AOB has played a pivotal role in enhancing audit quality in Malaysia by imposing stricter regulatory oversight and sanctions. While the auditing profession was initially self-regulated, the introduction of the AOB has led to co-regulation, ensuring stricter adherence to auditing standards and practices. Although the impact on audit quality is perceived as positive, challenges such as increased pressure on auditors and additional costs have emerged. The nature of offenses provides insights into the areas where audit firms are most vulnerable, offering opportunities for targeted interventions to enhance audit quality. The severity of penalties indicates AOB's stance on several types of offenses, shedding light on the regulatory priorities and strategies employed to enforce compliance.

This study offers a comprehensive overview of the trends and patterns of auditor wrongdoing cases as disclosed by AOB Malaysia. The findings are instrumental for policymakers, regulators, and audit firms in understanding the landscape of auditor wrongdoing and shaping future strategies to enhance audit quality and regulatory compliance in Malaysia. Future research could focus on quantifying the AOB's impact on audit quality and exploring its long-term effects on the auditing profession and financial reporting quality in Malaysia.

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Appendix 1
Summary of Sanctions Imposed by the Audit Oversight Board from 2012 to 2023

Year	Summary of Misconduct	Audit Firm*	No. of case(s)	Type of audit firm		Sanctions taken by AOB		Violation of the Securities Commission Act 1993
				Non-B4	Big 4	Sanctions	Fine (RM)	
2012	Failure to comply with auditing standards	AF20	1	✓		Reprimand		S.310(4)
	Failure to comply with MIA By-law Failure to comply with International Auditing Standard (IAS) in discharging professional duty in audit of PIE	AF1	1	✓		Reprimand and monetary penalty	5,000	S.310(4)
2013	Failure to comply with specific requirements of IAS in discharging professional duty in the audit of a Public Interest Entity (PIE)	AF4	2	✓		Reprimand for both cases		S.310(4)
	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF27	1	✓		Reprimand		S.310(4)
	Failure to comply with MIA By-law Failure to comply with IAS in discharging professional duty in the audit of PIE relating to the independence issue	AF3	1	✓		Reprimand and monetary penalty	5,000	S.310(4)
	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF5	1	✓		Reprimand		S.310(4)
	Failure to comply with MIA By-law Failure to comply with IAS in discharging professional duty in the audit of PIE relating to the independence issue	AF2	1	✓		Reprimand and penalty	10,000	S.310(4)
2014	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF7	1	✓		Reprimand		S.310(4)
	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF6	1	✓		Reprimand and monetary penalty	10,000	S.310(4)
	Failure to comply with SCA which requires audit firm to be registered with AOB Failures to comply with MIA-By Law on the independence of the auditor	AF5	1	✓		Monetary penalty 2. Prohibited to accept any PIE as clients for 12 months starting 30 June 2014	30,000	S.310(4)
Year	Summary of Misconduct	Audit Firm*	No. of case	Type of audit firm		Sanctions taken by AOB		Violation of the Securities Commission Act 1993
				Non-B4	Big 4	Sanctions	Fine (RM)	
2015	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF8	1	✓		Reprimand and penalty	50,000	S.310(3)
2017	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF9	1	✓		Penalty	75,000	S.310(3)
2018	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF15	1	✓		Reprimand and monetary penalty	225,000	S.310(3)
	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF14	2	✓		Reprimand for both cases		S.310(3)

	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF25	1	✓		Reprimand		S.310(3)
	Failure to comply with AAS namely ISQC 1 and IAS	AF13	3	✓		Cases 1 & 2 Reprimand and monetary penalty Case 3 Prohibited from auditing the FS of PIE for 9 months	Case 1 227,000 Case 2 81,000	S.310(3)
	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF12	2	✓		Reprimand for both cases		S.310(3)
	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF11	1	✓		Reprimand		S.310(3)
	Failure to comply with AAS namely ISQC 1 and International Auditing Standard	AF10	2	✓		1. Monetary penalty 2. Prohibited to accept any PIE as clients for 12 months	Case 1 123,000 Case 2 44,000	S.310(3)
	Failure to comply with International Auditing Standard and discharging duties as EQCR	AF10	1	✓		Prohibited from accepting any PIE for 12 months		S.310(3)
Year	Summary of Misconduct	Audit firm*	No. of cases	Type of audit firm		Sanctions taken by AOB		Violation of the Securities Commission Act 1993
				Non-Big 4	Big 4	Sanctions	Fine (RM)	
2019	Failure to comply with AAS namely ISQC 1 and IAS and MIA By-Law	AF20	2	✓		Monetary penalty Prohibited from accepting any PIE for 12 months Written undertaking to AOB	Case 1 298,000 Case 2 44,000	S.310(3)
	Failure to comply with AAS namely ISQC 1 and IAS and MIA By-Law	AF19	4	✓		For Case1, 2 & 4 Monetary penalty Prohibited from accepting any PIE for 12 months For case 3 Prohibited from auditing the FS of PIE for 12 months	Case 1 175.000 Case 2 57,000 Case 4 44,000	S.310(3)
	Failure to comply with AAS namely ISQC 1 and IAS	AF18	1	✓		Reprimand		S.310(3)
	Failure to comply with AAS namely ISQC 1 and International Auditing Standard	AF17	4	✓		For case 1, 2 & 4 Monetary penalty Prohibited from accepting any PIE for 12 months Case 3 Prohibited from auditing PIE for 12 months	Case 1 45,500 Case 2 88,000 Case 4 88,000	S.310(3)
	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF16	1		✓	Monetary penalty	63,000	S.310(3)

Year	Summary of Misconduct	Audit Firm*	No. of cases	Type of audit firm		Sanctions taken by AOB		Violation of the Securities Commission Act 1993
				Non-Big 4	Big 4	Sanctions	Fine (RM)	
2020	The firm reappointed as auditor to PIE when its recognition with AOB expired Failure to inform AOB within 10 working days due to retirement of partners	AF24	1	✓		Ionetary penalty	125,000	S.31O(3) S.31N(1)(a)
	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF22	1	✓		Ionetary penalty	50,000	S.31O(3)
	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF21	1		✓	Ionetary penalty	47,500	S.31O(3) S.31Z(1)
	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF23	3	✓		or both cases 1 & 2 . Monetary penalty . Prohibited from accepting any PIE for 12 months or case 3 Prohibited from auditing PIE for 12 months	Case 1 175,000 Case 2 44,000	S.31O(3)
2021	Failure to comply with IAS in discharging professional duty in the audit of PIE	AF25	1	✓		eprimand		S.31O(3)
	Failure to comply with MIA By-Law	AF26	2	✓		For case 1 Monetary penalty for 2 breaches For case 2 Monetary penalty Revocation of registration of the firm with AOB	Case 1 400,000 & 150,000 Case 2 50,000	S.31O(3) S.31Z(1)
Year	Summary of Misconduct	Audit Firm*	No of cases	Type of audit firm		Sanctions taken by AOB		Violation of the Securities Commission Act 1993
				Non-Big 4	Big 4	Sanctions	Fine (RM)	
2022	Failure to comply with IAS in discharging professional duty in the audit of PIE as the firm has: Vrongly assessed the PIE's revision from the Malaysian Financial Reporting Standards (MFRS) accounting framework to the Financial Reporting Standards (FRS). Failed to perform sufficient audit procedures and obtain sufficient audit evidence to support the conclusions reached on various	AF28	2	✓		both cases 1 & 2 Monetary penalty 2. Prohibited from accepting any PIE for 12 months	For both case 35,000	S.31O(3) S.31Z(1)

	elements of accounting estimates relating to property development costs.							
	Failure to comply with IAS in discharging professional duty in the audit of PIE as the firm for each case below: Case 1 Failed to ensure that the firm's monitoring system of quality control is operating effectively. Case 2 AOB found numerous audit deficiencies in the engagement reviews of the PIE relating to among others, revenue recognition, accuracy and existence of trade receivable and appropriateness and validity of consolidation adjustment. Case 3 Numerous deficiencies were found in the audit of PIE where the subsidiaries operate in a foreign country, particularly in the existence, accuracy and valuation of capital work in progress and current assets. Case 4 Partners have failed to sufficiently review the selected audit documentation relating to significant judgments and significant risk areas of the engagement and the basis of the conclusions reached in many items of Financial Statements.	AF27	4	✓		For case 1, 2 & 4 Monetary penalty Prohibited from accepting any PIE for 12 months Case 3 Prohibited from auditing PIE for 12 months	Case 1 227,000 Case 2 35,000 Case 4 34,000	S.31O(3) S.31Z(1)
Year	Summary of Misconduct	Audit Firm*	No of cases	Type of audit firm		Sanctions taken by AOB		Violation of the Securities Commission Act 1993
						Sanctions	Fine (RM)	
2023	Failure to comply with IAS in discharging professional duty in the audit of PIE as the firm failed to perform sufficient audit procedures to support the conclusions reached on the valuation of goodwill.	AF29	1	✓		Reprimand		S.31O(3) S.31Z(1)
	Failure to comply with IAS in discharging professional duty in the audit of PIE due to Case 1 Many audit deficiencies in the engagement review of the PIE. Case 2 Failed to sufficiently review the selected audit documentation relating to significant judgment.	AF30	2	✓		For both cases Monetary penalty Prohibited from accepting any PIE for 12 months.		S.31O(3) S.31Z(1)

Appendix 2
The List of Companies with the Number of Cases Involved is Denoted in Appendix 1

No	Year	Name of Audit Firms	Total Cases	Abbreviation in Appendix 1
1	2012	T.C. Liew & Co	1	AF1
2	2013	Aljefridean	1	AF2
3	2013	C.K. Cheah & Co	1	AF3
4	2013	STYL Associates	2	AF4
5	2013	Wong Weng Foo & Co	1	AF5
	2014		1	
6	2014	Ong Boon Bah & Co	1	AF6
7	2014	Khoo Wong & Chan	1	AF7
8	2015	Crowe Horwath	1	AF8
9	2017	Adam & Co	1	AF9
10	2018	McMillan Woods Malaysia	3	AF10
11	2018	CAS Malaysia Plt	1	AF11
12	2018	Nexia SSY	2	AF12
13	2018	Siew Boon Yeong & Associates	3	AF13
14	2018	Anuarul Azizan Chew	2	AF14
15	2018	CHI-LLTC	1	AF15
16	2019	Deloitte Plt	1	AF16
17	2019	AFTAAS Co	4	AF17
18	2019	Baker Tilly Monteiro Heng Plt	1	AF18
19	2019	Chengco	4	AF19
20	2012	UHY	1	AF20
	2019		2	
21	2020	Ernst & Young Plt	1	AF21
22	2020	Morison AAC Plt	1	AF22
23	2020	LLTH Plt	3	AF23
24	2020	UHY Hacker Young LLP	1	AF24
25	2018	PKF	1	AF25
	2021		1	
26	2021	Jamal, Amin & Partners (JAP)	2	AF26
27	2013	Ong & Wong	1	AF27
	2022		4	
28	2022	Kreston, John & Gan	2	AF28
29	2023	T.H. Kuan & Co	1	AF29
30	2023	K. C. Chia & Noor	2	AF30