

## **The Audit Oversight Board and ethical dimensions**

The concept of an Audit Oversight Board (AOB) was first mooted by the former Prime Minister of Malaysia, Y.Bhg. Dato' Seri Abdullah Ahmad Badawi in 2007. On 16 December 2009, the 3rd reading of the AOB has since been approved in Parliament with the eventual adoption by mid-2010 is expected. Will the AOB lead to further fragmentation of the auditing profession into so-called big firms versus the smaller practices? Will there be a new set of criteria to "qualify" accountants who wants to offer their professional services to the public listed companies (PLCs) as auditors and/or Reporting Accountants? What about the enforcement of International Standards of Quality Control 1 (ISQC 1)? Is there a possibility of a duplication role by Malaysian Institute of Accountants (MIA) and the AOB, which will be parked under the Securities Commission Act 1993?

In recent years, the public have become more aware of ethical issues that cut across the various professions. As a consequence, the MIA is also updating the code of ethics to be in line with public expectation. It will align the code to be in line with the recent updates of the International Federation of Accountants' (IFAC) code of ethics for professional accountants. Among other concerns, the issues of professional independence among assurance partners and personnel will once again be under the amendment spotlight. Will there be further changes to the definition of network firms that have been in place since 2006? Previously, offering of taxation services together with assurance services is not viewed as a threat to the auditors' independence if offered by the same firm. Moving forward, under the proposed amendment, such position may have shifted. The setting up of an Ethics Standards Board by MIA in June 2009 further underscore the importance of ethics education among accountants and to convince the public of accountants' compliance with certain minimum code of ethical conduct.

One thing is for certain, it is no longer business as usual and you would want to know how accountants will deal with all these impending changes now.

Attached is the presentation of the Audit Oversight Board (AOB) by the Securities Commission dated 3rd March 2010 (mind the typo mistake of the date) for your perusal.