



OFFICIAL STATEMENT FROM AFTAAS

SANCTION BY THE AUDIT OVERSIGHT BOARD (“AOB”) AGAINST AFTAAS AND THE PARTNERS UNDER SECTION 31Z OF THE SECURITIES COMMISSION MALAYSIA ACT,1993 (“SCMA”)

We refer to the announcement of sanction by the AOB against AFTAAS and its partners amongst other are as follows :

- 1) Prohibit the firm and the relevant partners from accepting and auditing any Public Interest Entities (“PIE”) or scheduled fund as its clients or preparing reports in relation financial information of a PIE or scheduled fund, as may be required by Securities Commission Malaysia for 12 months pursuant to section 31Z(2)(f) and 31Z(2)(g) of the SCMA.
- 2) Imposition of monetary penalty of RM455,000 on the firm pursuant to Section 31Z(2)(h) of SCMA.

We would like to put on record that AFTAAS and its partners are disputing the finding of guilts by the AOB and that these were communicated to the AOB on 27th June 2019. We have commenced the legal action challenging the AOB decisions in imposing additional conditions on 1st July 2019. However, the imposition of the additional conditions was superseded by the Sanctions by AOB. The Sanctions can only be challenged in the Court upon all domestic process has been exhausted by way of a Judicial Review.

Background

The AOB has carried a routine inspection of the Firm Audit Quality processes, Audit Engagement encompassing Audit Files of certain PIEs in March 2019.

We have in the process objected to the findings by AOB as by nature Auditing Standards (ISAs) are principles based and involved many a times professional judgements. The firm believed that the audit works done has been adequately addressed to arrive at the audit opinion on the those financial statements. As a matter of facts, the affected PIEs had issued their Annual Reports and complied with the legal requirements and these PIEs had not been found guilty of producing inaccurate Financial Statements by the authorities.

Subsequent to the inspection a Final Inspection Report was issued on 31 May 2019. On 13th June 2019, AOB has issued a notice that AFTAAS has breached the registration conditions and to show cause why sanctions should not be imposed on AFTAAS, and on the same day, AOB issued additional conditions on registration prohibiting AFTAAS from conducting any audit retrospectively from 31st March 2019 until further notice, AFTAAS has challenged this prohibition in court by applying to Court for an injunction and a declaration that the additional conditions are sanctions and did not comply

with Section 31Z(5). SC in return has applied to set aside our application. Prior to the hearing of the case AOB has issued the Sanctions on 28th August 2019, and has submitted to the Court that the additional conditions are academic and has been superseded by the Sanction as such our application for an injunction fell through. The matter was resolved by a consent order on 25th October 2019.

In the meantime, we had made an appeal to the SC on the Sanctions imposed by the AOB on 26th September 2019 and pursuant to Section 31ZB of the SCMA, all sanctions are ineffective until the appeal is disposed off. The press release today was the decision in relation to AFTAAS appeal and SC has upheld the sanctions imposed by the AOB.

The natural process under the common law after the domestic process has been exhausted is to seek for a judicial review at the High Court. AFTAAS is disappointed with the decision of the AOB having made the press release without due considerations of the provisions of the law and such actions appears to be mala-fide. AOB should be well aware that such announcement would be irreversible, no matter what is the outcome at the judicial review process. Perhaps AOB is having a view that being the authority vested with the powers under the SCMA, can bully small firm like AFTAAS into submission without any recourse.

CONSEQUENT To the AOB Press Release, we shall take the following actions :

- 1) In the interest of the PIEs that we are auditing, AFTAAS shall resigned from all audit engagement of PIEs effective immediately which will include audit for the financial year ending 31st December 2019 and beyond;
- 2) This will include submission of necessary forms to SSM as soon as possible;
- 3) Upon receiving the professional clearance from the incoming auditors, AFTAAS will issue the professional clearance as soon as possible to facilitate smooth handing over of the engagement to the new auditors;
- 4) AFTAAS and the partners will continue the legal process for Judicial Review at the High Court to challenge the decision of the AOB.

On behalf of the Firm and the partners, I would like to express my gratitude to all the PIE clients that had given us the trust and opportunities to carry out the engagements over the years and supported the growth of AFTAAS. Based on the survey of BDO, as at 30th June 2019 AFTAAS is ranked 12th with Clients' Market Capitalisation of RM3.21Billion out of 43 AOB Registrants.

We on our part shall continue to endeavour to improve ourselves and contribute to the nation building by providing a platform for training for chartered accountants to enhance knowledge, experience and capacity building of future business leaders.

DATUK MOHD AFRIZAN BIN HUSAIN
MANAGING PARTNER
25TH NOVEMBER 2019