

MEDIA RELEASE

NEW AUDIT QUALITY MILESTONE FOR ASEAN

- Four ASEAN audit regulators have agreed with the four largest audit firms in the region on a measurable goal to improve audit quality

Kuala Lumpur, 22 February 2017 – Four ASEAN audit regulators and Big-Four¹ audit firms in the region have collectively agreed on a measurable goal to improve audit quality. This initiative was announced at the ASEAN Audit Regulators Group (AARG)'s 5th annual Audit Inspection Workshop held in Kuala Lumpur from 21 to 22 February 2017. The Workshop also saw AARG embark for the first time, on a long term collaboration with World Bank to further strengthen audit oversight practices in the region.

2 Audits play a crucial role in upholding the reliability of financial statements and investors' confidence in capital markets. This new initiative saw the Big-Four audit firms in Malaysia, Indonesia, Singapore and Thailand agree to work towards achieving a reduction of at least 25% in the number of listed companies' audits with inspection finding(s). The AARG comprises Malaysia's Audit Oversight Board (AOB), Indonesia's Finance Professions Supervisory Center (PPPK), Singapore's Accounting and Corporate Regulatory Authority (ACRA), and Thailand's Securities and Exchange Commission. The progress towards this goal will be monitored and measured at a national level by the respective AARG members on an ongoing basis.

3 This initiative also complements a similar initiative² by the International Forum of Independent Audit Regulators (IFIAR) in March 2016 to achieve a targeted reduction in audit inspection findings globally, so as to address persistent deficiencies in listed public interest entity³ audits. To achieve this goal, the AARG will ramp up its engagement with the Big-Four audit firms' leadership to address root causes of recurring inspection findings.

¹ The Big-Four audit firms comprise Deloitte Touché Tohmatsu, EY, KPMG, and PricewaterhouseCoopers.

² This IFIAR initiative seeks at least 25% reduction in the number of listed public interest entities' audits with inspection finding(s) of the six largest global networks of audit firms (comprising BDO, Deloitte, Ernst & Young, Grant Thornton, KPMG and PricewaterhouseCoopers) by 2019. Please refer to the following link (https://www.ifiar.org/IFIAR/media/Documents/General/About%20Us/Inspection-Findings-Survey-Report_Press-Release.pdf) for the IFIAR press release.

³ Listed public interest entities comprise entities that have securities (equity or debt) traded on securities markets and exchanges, including entities that have significant public interest because of their business, size, or the fact they have a wide range of stakeholders.

4 In another first, the 5th AARG Audit Inspection Workshop marked the first collaboration between the World Bank and AARG. To complement AARG's on-going efforts to raise the standard of audit quality in ASEAN, the World Bank's Centre for Financial Reporting Reform (CFRR), in collaboration with experts from the East Asia Pacific region of the Bank's Global Governance Practice, has secured funding from various sources and is providing other technical assistance to boost capacity building efforts. These efforts are in line with the AARG's on-going work to achieve greater alignment in audit regulatory practices among ASEAN members.

5 The Workshop was attended by over 75 participants from 12 jurisdictions including audit regulators from Brunei, Cambodia, Laos, Philippines, Vietnam, China, Japan, and Hong Kong. To cater to the differing needs of the participants, the Workshop featured presentations by experts on various audit oversight models suitable for countries in the development phase of audit regulation, as well as thematic inspections suitable for countries with more established audit oversight programmes.

Comments on the goal of 25% reduction:

Dato' Gumuri Hussain, Executive Chairman of AOB (Malaysia), said "This initiative will instil a sustainable culture of audit quality across audit firms in the region which will result in enhancing the confidence in the capital market, in the quality and reliability of audited financial statements."

Mr Kenneth Yap, Chief Executive, ACRA (Singapore) said "By setting a quantifiable milestone, audit regulators and audit firms in the region have demonstrated their commitment to work together to raise audit quality in the region. This bodes well for investor confidence in ASEAN."

Mr Langgeng Subur, Head of PPPK (Indonesia) said "The PPPK is committed to support the improvement in audit quality. We believe a reduction in inspection findings will contribute towards greater public trust in financial statements. As a regional grouping, the AARG will work closely together with the audit firms to achieve this target."

Ms Nidaporn Assawateerakiat, Director of the Accounting Supervision Department, SEC (Thailand) said "High quality audits and financial reports are crucial to maintain trust and confidence in our capital markets. The AARG strongly believes that this initiative will help to achieve this objective and contribute to sustainable and long-term economic growth in the ASEAN region."

Comments on the collaboration with the World Bank:

Dato' Gumuri Hussain, Executive Chairman of AOB, said "The inaugural collaboration is an imperative step to foster a consistently aligned and strong audit regulation in the ASEAN region. We are delighted with the opportunity to host such an important event in the AARG's calendar of events."

Mr Jarett Decker, Head of World Bank's CFRR, said "The AARG has done exemplary work in building a regional knowledge-sharing forum to improve audit regulation throughout the ASEAN region. The World Bank is pleased to partner with the AARG to provide additional technical support and resources. We look forward to a strong and fruitful partnership in the years to come."

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About the AARG

The AARG comprises Malaysia's Audit Oversight Board (AOB), Indonesia's Finance Professions Supervisory Center (PPPK), Singapore's Accounting and Corporate Regulatory Authority (ACRA) and Thailand's Securities and Exchange Commission (SEC). Its formation is aimed at fostering closer collaboration amongst audit regulators to promote audit quality in the ASEAN region.

About Malaysia's AOB

The Audit Oversight Board (AOB) was set up by the Securities Commission Malaysia in 2010, to oversee the auditors of public interest entities (PIEs) and schedule funds, protect investors' interest and promote confidence in the quality and reliability of audited financial statements of PIEs and schedule funds. For more information, please visit www.sc.com.my.

About Indonesia's PPPK

Pusat Pembinaan Profesi Keuangan (Finance Professions Supervisory Center or PPPK) is a special mission unit administratively under the Secretariat General of the Ministry of Finance of The Republik of Indonesia. According to Law No. 5/2011 concerning Public Accountants, PPPK is the regulator of the accountancy profession whose primary authorities includes, among others, issuing Public Accountant (PA) practice and PA Firm (PAF) licenses, conducting regular and investigative inspection, and imposing sanction. PPPK holds the authority of inspecting all PAs and PAFs, including both administrative and technical matters. For more information, please visit www.pppk.kemenkeu.go.id.

About Singapore's ACRA

The Accounting and Corporate Regulatory Authority (ACRA) is the national regulator of business entities, public accountants and corporate service providers in Singapore. ACRA also facilitates the development of business entities and the public accountancy profession. As a regulator and facilitator, ACRA constantly strives to provide a responsive and trusted regulatory environment for businesses, public accountants and corporate service providers and make Singapore the best and trusted place for doing business. For more information, please visit www.acra.gov.sg.

About Thailand's SEC

The Securities and Exchange Commission of Thailand (SEC Thailand) is an independent public agency with the duty to supervise and develop the Thai capital market to ensure efficiency, fairness, transparency and integrity. As the SEC has direct responsibility over a supervision of the auditors of securities issuers and entities under the SEC supervision (i.e., listed companies, brokers, dealers, asset management companies and collective investment scheme), the SEC has regulated individual auditors and monitored individual auditors' work since 1993. For more information, please visit www.sec.or.th.