

# DUTIES AND RIGHTS OF AUDITOR IN MALAYSIA

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**Under the Companies Act 2016 Malaysia, all public listed companies, private limited companies (except those companies meet the requirement of audit exemption) and branch offices in Malaysia are required to appoint an approved auditor to audit the accounts of the company.**



## What is the role of auditor?

An auditor is an independent professional person qualified to inspect, review and verify the accuracy of business records to ensure 'true and fair' account of past financial performance and current financial position. Auditors primarily appointed by businesses or independent organizations to perform an audit.

Auditors are of pivotal importance, when it comes to ensuring the interests of shareholders are well protected and making sure the management of the company have acted within reason. It is the shareholders who depend on the good faith and efficiency of the company's auditor to ensure that the actions of the company in daily operations are verified. Auditors play an integral part in a company, as the financial standing of a company reflects the company's actual financial health. Let's take a closer look at the key duties and rights of auditor in Malaysia.



## **DUTY TO PROVIDE AN AUDIT REPORT**

The duties of auditors can be found under section 266 of the Companies Act 2016. The current practice relies on the statutory provision to designate the general duty on auditors to report to members on the accounts of the company on whether the financial statements of the company have been properly drawn up in accordance with the provision of the Act and approved accounting standard, so as to give a true and fair view of the state of affairs of the company and result of operations. In another words, auditors are only responsible to express an opinion on the financial statements, as the responsibility of preparation and fair presentation of financial statements of a company lies with a company's directors.

Moreover, auditor must also state, whether in their opinion, the accounting, other records and the registers required by the Act to be properly kept in accordance with the Act by the company.

## **DUTY TO REPORT INDICTABLE OFFENCES**

Section 266 stated that if an auditor engaged, in the course of the performance of his duties as auditor, has reason to believe that an offence involving fraud and dishonesty is being or has been committed against the company by officers or employees of the company, he shall forthwith report the matter in writing to the Registrar. No duty to which an auditor of a company may be subjected to shall be regarded as having been contravened by reason of his reporting in good faith to the Registrar.



# THE RIGHTS OF AUDITOR

Audit serves to provide an independent third parties verification of the company's accounts. Thus rights have been granted to an auditor to facilitate the process of audit. Section 266(4) of the Act clearly indicates the right of auditors, whereby it describes that a company's auditor has the right to access, at all reasonable times, the accounting and other records of the company, and is entitled to require from any auditor of a related company and any officer of the company such information and explanations as he/she desires for the audit's purposes. Furthermore, Section 266(7) also states that an auditor has the right to attend general meetings and be heard on any part of the business of the meeting to which

concerns the auditor in his/her capacity as an auditor. These rights are very vital to ensure that auditors' obtain the cooperation required to assess the accounts of the company in order to make necessary assessment on whether or not the accounts have been prepared to reflect a true and fair view of the financial position of the company.

**The auditor of a company has statutory rights and duties under the companies Act 2016. An auditor is a 'watch dog' not a 'bloodhound'; similarly to the duties of auditors in verification and detection. Whenever there is suspicious matter, he must go deep. His business is to establish and state true financial position of the Company as the time of audit, and his duties is confined.**

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**Assurance | Tax | Advisory | BPO**

**Kuala Lumpur | Johor | Sabah**

**PREPARED BY:**

**Siow Pey Yee**

**Assurance Department**

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