



# DPA30083: COMPANY LAW

## TOPIC 6: ACCOUNTS, REPORTS AND AUDITS

PREPARED BY:

PN. SUHANA BINTI MOHD JAMIL (POLISAS)

PN. SURIAMI BINTI SULAIMAN (PHT)

# Disclaimer and Copyright

All rights reserved. No part of this publication may be reproduced, stored in a retrieved system, or transmitted in any form of by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission from the authors. The author does not guarantee that the content is suitable for all readers but all this content is through the authoress's own experience, understanding and expertise.

Published By:

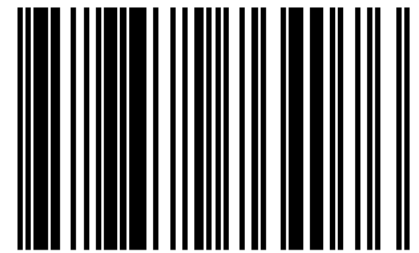
Politeknik Hulu Terengganu,  
Jalan Pengkalan Gawi Tasik Kenyir,  
Kuala Jeneris, 21700 Kuala Berang,  
Terengganu Darul Iman.

Politeknik Sultan Haji Ahmad Shah, Semambu, 25350, Kuantan, Pahang.

Email: [suriamisulaiman@pht.edu.my](mailto:suriamisulaiman@pht.edu.my)

[suhana@polisas.edu.my](mailto:suhana@polisas.edu.my)

e ISBN 978-967-2764-07-6



9 7 8 9 6 7 2 7 6 4 0 7 6

ACCOUNTS, REPORTS AND  
AUDITS

## ABOUT THE AUTHORS



Suhana Binti Mohd Jamil is a lecturer at Politeknik Sultan Haji Ahmad Shah (POLISAS), Pahang. She has more than 10 years of teaching experiences in commerce courses, such as Company Law, Fundamentals of Accounting, Business Law and Auditing.



Suriami Binti Sulaiman is a lecturer at Politeknik Hulu Terengganu (PHT), Terengganu. She has more than 10 years of teaching experiences in commerce courses, such as Company Law, Fundamentals of Accounting, Costing and Auditing.



# ACKNOWLEDGEMENT

Assalamualaikum and Syukur to Allah S.W.T that with His bounty we were also to complete our e-Book with the title Accounts, Reports and Audit. First of all, we are dedicated to the greatest power within us, our power to love and to give, and to all those who have contributed to the magic of our many successes Most of all, to our parents, who gave us so much help and support in our live, utmost gratitudes be expressed to the

We sincerely would like to express my deepest gratitude to our family, the Polytechnic e-Learning Coordinator, and colleagues for their guidance and support in the production of this e-book.

We really hope that this e-book would be of utmost advantageous to students as well as educators in Malaysia Polytechnic.

Thank you.



# PREFACE

The reference materials that follow the syllabus of the educational institution make it very easy for students to study. It will be quite challenging if there are no references, especially since the Companies Act in Malaysia has been changed from the Companies Act 1965 to the Companies Act 2016.

Previously, a text book of company law was written by Pn. Siti Salwa Jaafar and Pn. Marliana Jamaluddin under the polytechnic series published by Oxford Fajar, especially for polytechnic students. However, it is quite challenging when students need to refer to the Companies Act 2016 because the Companies Act has too much information and many pages. Now that learning methods have changed, all the references are in electronic form.

This e-book is an alternative for students to review the contents of topic 6 - Accounts, Reports and Audits of the DPA30083 's syllabus and it is designed to help the student to understand of this topic.





# TABLE OF CONTENT

TOPIC	PAGES
1-COURSE LEARNING OUTCOMES	1
2-INTRODUCTION	3
3-APPOINTMENT OF AUDITOR	5
4-QUALIFICATIONS OF AN AUDITOR	10
5-DISQUALIFICATIONS OF AN AUDITOR	11
6-DUTIES OF AN AUDITOR	12
7-TERMINATION PROCEDURES FOR A COMPANY AUDITOR	21
8-RESIGNATION PROCEDURES FOR A COMPANY AUDITOR	22
9-FINANCIAL STATEMENTS AND REPORTING	27
10-REFERENCES	31

# Course Learning Outcomes

Describe correctly the management and administration as well as the winding up of a company in accordance with Company Act 2016.  
(C2, PLO1).

At the end of this chapter, students should be able to;

1. Understand the procedures for the appointment of an auditor, their rights and responsibilities
2. Explain the termination and resignation procedure for a company auditor
3. Discuss the profit and loss account, balance sheet and consolidate accounts

# What will you learn?

Procedures for the appointment of an auditor, their rights and responsibilities

1. Appointment of auditor by Board of Director

2. Appointment of auditor in the AGM

3. Qualification of an auditor

4. Duties of an auditor under Section 266 of the Company Act 2016



# INTRODUCTION

- An audit of the financial statements of a public company is usually required for investment, financing, and tax purposes. These are usually performed by independent accountants or auditing firms.
- Results of the audit are summarized in an audit report that either provide an unqualified opinion on the financial statements or qualifications as to its fairness and accuracy.
- Companies Act 2016 requires all companies to be audited but exemption may be given and is being considered by CCM.
- All companies are required to have an auditor for each financial year of the company.

# Who is an auditor?

Is a person or a firm appointed by a company to execute and audit

A person should be certified by a regulatory authority of accounting and auditing or possess certain specified qualifications

**S263(1) CA 2016** – any person may apply to the Minister charged with the responsibility for finance to be approved as a company auditor for the purposes of this Act

## Appointment of auditor by Board of Director

- **S267(1)** – a private company shall appoint an auditor for each financial year of the company.
- **267(3)** – the Board shall appoint an auditor of the company -
  - a) For new company, at least 30 days before the end of the period submission of the 1<sup>st</sup> financial statements to the Registrar; or
  - b) To fill casual vacancy
- **267(7)** – the company and every director of the company who contravene this section commit an offence

## Appointment of auditor by Board of Director

- **S271(1)** – an auditor of public company shall be appointed for each financial year of the company.
- **271(2)** – notwithstanding subsection (1), the Board shall appoint an auditor-
  - a) At any time before the 1<sup>st</sup> AGM of the company; or
  - b) To fill casual vacancy
- **271(3)** – any auditor appointed under subsection (2) shall hold office until the conclusion of -
  - The 1<sup>st</sup> AGM for the appointment under S273(2)(a)
  - The next AGM for the appointment under S273(2)(b)

## Appointment of auditor in the AGM

- **S267(4)** – the members shall appoint an auditor by ordinary resolution –
  - a) In the case of subsequent years following the submission of its financial statements, during the **period for appointing auditors**; or
  - b) If the Board fails to appoint auditor
- **267(6)** – the period for appointing auditors means the period of 30 days –
  - a) Before the end of the period allowed for the lodgment of the previous year financial statements
  - b) If the previous year financial statement were lodged earlier, before the day on which financial statements were lodged with the Registrar

## Appointment of auditor in the AGM

- **S271(4)** – the members shall appoint an auditor by ordinary resolution –
  - a) At the AGM; or
  - b) If the company should have appointed an auditor at an AGM but failed to do so; or
  - c) If the Board fails to appoint and auditor
- **271(6)** – the company and every officer who contravene this section commit an offence



# Procedures to Appoint Auditor at a Meeting of Members

- **S280(2)** – a special notice is required to appoint an auditor at a general meeting;
  - a) For private company-
    - i. No period for appointing auditor has ended since the outgoing auditor resigned or removed
    - ii. Such a period has ended and an auditor should have been appointed but is not appointed; or
  - b) For public company-
    - i. No AGM is held since the outgoing auditor resigned or removed
    - ii. An AGM is held at which an auditor should have been appointed but is not appointed
- **S280(3)** – upon receipt of notice of such a proposed resolution, the company shall immediately send a copy of the notice to the person proposed to be appointed as an auditor

# Qualifications of an Auditor

- **S263(1)** – any person may apply to the Minister of Finance to be approved as a company auditor
- A person must have approval which is recognised in **Schedule 1 of the Accountant Act 1967**
- A member of the Malaysia Institute of Accountants (**MIA**) holding the status of **Accredited Accountant**
- Has sufficient experience in auditing work in public accountant firms (3 years), obtained with recognized academic and professional qualification
- Attend the Public Practice Program organised by MIA and paid the relevant fees

# Disqualifications of an Auditor

- **S264(1)** stated that a person is disqualified from being an auditor if:
  - He is not an approved company auditor
  - He is indebted to the company in amount of RM25,000
  - He or his spouse is an officer of the company
  - He is a partner / employer / employee of an officer of the company
  - He or his spouse is the shareholder of the company
  - He is responsible for the keeping of the register of member or the register of debenture holders of the company
  - He is has been declared bankrupt
  - He has been convicted of any offence involving fraud or dishonesty

# Duties of an auditor

## Common law duties;

- It is important for the auditor to **exercise reasonable care and skill** when performing his work.
- An auditor shall **apply the prevalent and generally accepted auditing standard** which are applied by an ordinary auditor in his course of work.
- It is also important for the auditor to be **independent**.

# Duties of an auditor under Section 266 of the Company Act 2016 (Statutory duties)

S266(1)

Every auditor shall report to the members on the financial statements, company's accounting and other records relating to financial statements

An auditor shall give a true and fair view on matters in the FS and preparation of the FS accordance to approve accounting standard

S266(2)

# Duties of an auditor under Section 266 of the Company Act 2016 (Statutory duties)

S266(3)

An auditor shall have a duty to form an opinion to each of the following:

- whether he has obtained all information
- whether proper accounting and records have been kept by the company
- whether returns received from branch offices of the company are adequate
- whether the procedures used were appropriate to the circumstances of the consolidation



# Duties of an auditor under Section 266 of the Company Act 2016 (Statutory duties)

S266(4)

An auditor has a right of access at all reasonable times to the accounting and other records

An auditor of a holding company has;

- The right of access to the accounting and other records of any subsidiary
- Entitled to require from any officer any information and explanations to

S266(5)

# Duties of an auditor under Section 266 of the Company Act 2016 (Statutory duties)

S266(6)

The auditor's report must be attached and endorsed on the FS and be read in the general meeting

An auditor is entitled to attend General Meeting and to receive all notices of communication relating to any general meeting which concerns the auditor in hi capacity as auditor

S266(7)

# Duties of an auditor under Section 266 of the Company Act 2016 (Statutory duties)

S266(8)

If an auditor found that there has been a breach of any of the provisions of Companies Act 2016, he shall report the matter in writing to the Registrar

If there is a serious offence involving fraud or dishonesty is being or has been committed, the auditor shall report the matter in writing to the Registrar

S266(9)

## Duties of an auditor under Section 266 of the Company Act 2016 (Statutory duties)

- An officer of a corporation who refuses or fails without lawful excuse to allow the auditor;
  - To have access to any accounting and other records;
  - To give any information or explanation when required; or
  - Hiders, obstructs or delays an auditor in the performance of his duties,

“commits an offence and shall be liable to imprisonment not more than 3 years and fine not exceeding RM500,000 or both”

## Duties of an auditor under Section 266 of the Company Act 2016 (Statutory duties)

- Any auditor who contravenes subsection (8) or (9) commits an offence and shall be liable to imprisonment to a term not exceeding 5 years or fine not exceeding RM3 million or both.

# What will you learn?

Termination and resignation procedure for a company auditor

Auditor's termination and resignation  
at AGM

Rights of auditor during the process



## Termination Procedures for a Company Auditor

- Members may remove an auditor by passing an ordinary resolution where special notice of the resolution must be given. This is the way to remove an auditor before his terms expires.
- A copy of the notice is to be sent to the auditor concerned. The auditor is entitled to make representations within 7 days, which are to be circulated to the members unless the representations are received too late.
- If the representation are not circulated, the auditor may require his representations to be read out during the meeting.
- The Registrar must be notified within 14 days if a resolution is passed to remove an auditor.

## Resignation Procedures for a Company Auditor

- An auditor of a company may resign by giving a notice in writing to the company. The notice will be effective after **21 days** from which the notice is given or from the date specified in the notice.
- Where an auditor resigns, the company shall send a copy of the notice to the Registrar within 7 days from the receiving of a notice resignation.
- The company and every officer who contravene this provision commit an offence.

## Resignation Procedures for a Company Auditor

- For **public companies**, the Bursa Malaysia Listing Requirements (BMLR) require the listed company to inform the Exchange and forward a copy of any written representation or written explanations of the Resignation at the same time the copies of such representation / explanations are submitted to the Registrar.

## Resignation Procedure for a Company Auditor

- For **public companies**, the auditor has the right to send a statement regarding his resignation with a requisition notice for the directors to convene a general meeting to receive and consider his explanation of the circumstances connected with his resignation. The meeting must be held within **28 days** from the date of the receipt of the requisition.
- The auditor who has made written representation regarding his resignation must submit a copy of that representation to the Registrar and to the Stock Exchange.

## Rights of Resigning Auditor of a Public Company

- The directors of the company must immediately convene a general meeting for the purposes of receiving and considering the explanation of the circumstances connected with the auditor's resignation within **28 days**.
- The auditor may request the company to circulate a statement in writing connected with the auditor's resignation. If the copy of the statement is not sent, the auditor has the right to be heard orally at the meeting.
- The court may order the costs on such application to be paid by the auditor.
- The resigning auditor has the rights to attend any general meeting of the company.

# What will you learn?

Profit and loss account, balance sheet and consolidate accounts

Determine the accounts that are required to be audited



# Financial Statements and Reporting

- CA 2016 uses the term “financial statements”, which has the same definition as that used in the approved accounting standards issued or approved by MASB. The FS must be laid out before the AGM.
- CA 2016 requires the financial statements and reports to be circulated to
  - Every member of the company
  - Every person who is entitled to receive the notice of general meeting. The notices must be sent to every member, director and auditor of the company
  - Every auditor
  - Every debenture holder upon their request

# Financial Statements and Reporting

- For a public company, the FS and reports must be circulated at least **21 days** before the date of its AGM. A shorter period is permitted if all members entitled to attend and vote at the AGM agree to it.
- For a private company, the FS and reports must be circulated **within 6 months** of its financial year end.
- FS shall be prepared in accordance with the approved accounting standards subject to any specifications, guidelines or regulations.
- The FS must be approved by board and accompanied by a statutory declaration by the director or person primarily in charge of the financial management of the company.

# Financial Statements and Reporting

- The FS shall give a true and fair view of the financial position as at the end of the financial year and the financial performance for the financial year of the company.
- The annual consolidated FS for a financial year shall:
  - Give a true and fair view of the financial position of the company and all its subsidiaries
  - Give a true and fair view of the financial performance of the company and all its subsidiaries
- Content of a FS:
  - Director's remuneration
  - Director's retirement benefits
  - Compensation to directors for loss of office and etc.

# Financial Statements and Reporting

- S250 CA 2016 – the consolidated FS for a financial year shall include all the subsidiaries of a company.
- If the FS do not deal with a subsidiary of a company, the directors shall disclose by note on the FS the reason the FS are not to be consolidated.
- The directors of a company shall prepare director's report to be attached to the FS and must be approved by the Board and signed on the directors' behalf by at least 2 directors.
- Contents of directors' report:
  - Name of directors
  - Principal activities of the company
  - Subsidiaries

# References

- 1) Siti Salwa Jaafar, Marliana Jamaluddin (2019). Company Law, ISBN: 9789834728427, Polytecnic Series: Oxford Fajar Sdn. Bhd.
- 2) Chan Wai Meng (2017). Essential Company Law in Malaysia: Navigating the Companies Act 2016, ISBN: 9789672049555, Malaysia: Sweet & Maxwell.
- 3) Chan Wai Meng (2014). Company Law in Malaysia ISBN: 9789670357317, Gale Asia: Cengage Learning Asia Pte.Ltd.
- 4) Cheah Foo Seong (2012). Guide to Company Secretarial Practice in Malaysia, 2<sup>nd</sup> Edn, ISBN:9789814359641, Malaysia : CCH MY
- 5) Companies Commission of Malaysia, <[http:// www.ssm.com.my](http://www.ssm.com.my) /Pages/ Home.aspx>
- 6) Companies Act 2016 (Act 777). Regulations, Rules & Orders. (2016). Percetakan Nasional Malaysia Berhad. Malaysia

# THANK YOU



“  
Education is  
the most **POWERFUL**  
**WEAPON!**  
which *you* can use  
to *change*  
the **WORLD.**  
”

-Nelson Mandela-

