



## DM Corporate Holding (M) Sdn Bhd

No 20A Jalan BRP 1/2 Bukit Rahman Putra 47000 Selangor Darul Ehsan  
Tel : 603-61488262 | 603-61562933 | 603-67311393 Fax: 603-27702527

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### INFORMATION ABOUT AUDITOR & ACCOUNTING

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#### ACCOUNT AND AUDIT – SECTION 167

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Every company is required to keep, at the company's registered office or such other place as the directors think fit, the proper accounting records. Such records must be made available for inspection by the company officers and all transactions must be recorded within 60 days of completion of transactions and they must give a true and fair view of state of affairs of the company and explain the company's transactions.

Directors of every company shall at some date not later than eighteen months after incorporation and subsequently at least once in every calendar year at intervals of not more than fifteen months, lay a profit and loss account at its AGM. Accounts must be made up to a date not more than 6 months before the AGM

Profit and loss account and balance sheet – section 169

Every company and its directors must present an audited profit and loss account and balance sheet together with a directors' report, signed by the directors, with regard to the state of affairs of the company at the annual general meeting (AGM). The period for such presentation to the AGM IS, Within or 18 months after incorporation of a company, and Every 5 months and once at least in every calendar year.

#### APPOINTMENT OF AUDITORS – SECTION 172

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First Auditors

The first auditor(s) of the company may be appointed by the board of directors at any time before the first annual general meeting. Any auditor(s) so appointed shall hold office until the conclusion of the first annual general meeting.

Every so appointed must give notice of consent of the appointment to Companies Commission of Malaysia within 30 days of receipt of the intimation. Beside that the auditor(s) also must provide the consent to act to the company secretary and directors.

#### HOW AUDITOR CAN BE APPOINTED?

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- S172 – Appointment of auditor
- First auditors are appointed by the directors within three months of the incorporation
- Then, the auditors are appointed at each Annual General Meeting - AGM
- Office of the auditors term= appointment à following Annual General Meeting - AGM
- In the event of death of any auditor, director may filled the office but it is not compulsory to do so ie the remaining auditors may continue to act until their term of office expires
- If not appointed as required, registrar will do so on the written application of any member
- S9(6) of CA 1965
  - o A written consent must be obtained before a person can be appointed as an auditor
  - o It a new auditor is nominated, notice of the nomination must be given by a member at least 21 days before the AGM
  - o The act seems to contemplate that individual will be appointed as auditors of companies o However, it is usual practice to appoint a firm of accountants as auditors
  - o Such an appoint operates as an appointment of all the partners of the firm at the time as auditors of the company



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### WHAT IS THE QUALIFICATION OF AN AUDITOR?

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- Approved company auditor
- Requires auditor to be competent, approved by the Minister of Finance (MoF) and must ordinarily be registered as a public accountant with the MIA under the Accountants Act 1967

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### WHO CANNOT BE A COMPANY AUDITOR?

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S9-The following cannot be a company auditor:

- (i) He is not an approved auditor
- (ii) He is indebted to the company for an amount exceeding RM2.5K
- (iii) He is:
  - a. An officer of the company
  - b. A partner, employer or employee of an officer of the company
  - c. A shareholder or his spouse is an officer of the company
- (iv) He is responsible for or he is a partner, employee, or employer of a person responsible for the making of the register of members or the register of debenture holders of the company

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### HOW AUDITOR CAN BE REMOVED OR RESIGN?

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- S172(14) - An auditor may resign if he is not the sole auditor of the company or at a general meeting of a company
- S172(11)&(12) – no person shall be appointed as auditor of the company at an AGM other than the retiring auditor unless notice of his nomination of as auditor was given to the company by a member not less than 21 days before meeting

The company must send a copy of the notice of nomination to the person nominated and to all members at least 7 days before the AGM.

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### WHAT ARE THE RIGHTS AND POWER OF AUDITORS?

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- S174(4)&(5)
  - o Rights to access accounting book/records, vouchers, and other records of the company and its subsidiaries
  - o Entitlement to require from any officer of the company and any auditor of a related company or of any subsidiaries, such information and explanation as he desires for the purpose of carrying out his duties
- S174(7)
  - o The entitlement to attend any general meeting of any company and to speak on any part of the business of that meeting that concern him in his capacity as auditor
  - o Rights to receive all notices of any other communication relating to any general meeting in which a member entitled to receive – S172 (6)-Auditor has a right to be heard at the meeting



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### WHAT ARE THE DUTIES OF AUDITORS TO COMPANY?

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- a. Statutory Duties (S174)
- b. Duty to carry out audit
- c. Duty to report to appropriate management
- d. Duty to be independent
- e. Duty to use reasonable care and skill

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### WHAT ARE THE AUDITOR'S DUTIES OR LIABILITIES TO SHAREHOLDERS AND OUTSIDERS

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- An auditor is under a duty to exercise the appropriate standard of care to shareholders and outsiders.
- Any failure to do that may lead the auditor liable in an action for the tort of negligent

It was held that a firm of accountant was not liable to outsider investor who had relied on a negligently prepared report. This was because there was no contract between the accountants and outsider and they were under no duty of care