

APPENDIX 2  
REVISED QUESTIONS & ANSWERS  
Amendments in relation to Corporate Governance & Other Requirements

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**REVISED QUESTIONS AND ANSWERS IN RELATION TO AMENDMENTS  
ON CORPORATE GOVERNANCE AND OTHER REQUIREMENTS  
(As at 29 November 2012)**

**CHAPTER 9 – CONTINUING DISCLOSURE**

**9.27 Website**

- (a) Under the Main LR, paragraph 9.21 mandates a listed issuer to have its own website. Is there a timeframe prescribed by Bursa Securities for the listed issuer to set up its website?**

A listed issuer must have its own website by 3 August 2009 when the Main LR takes effect.

- (b) Is a listed issuer required to comply with a prescribed minimum content in respect of its website?**

No. However, a listed issuer must publish on its website all announcements made to Bursa Securities. Further, the listed issuer must ensure that the website is current, informative and contains all information which may be relevant to the listed issuer's shareholders including analyst's briefings.

- (c) When is a listed issuer required to publish announcements on its website?**

A listed issuer is required to publish announcements made to Bursa Securities on its website as soon as practicable after such announcements are released on Bursa Securities' website. The listed issuer must not publish any announcements on its website before the same is released by Bursa Securities.

- (d) Paragraph 9.21(3) of the Main LR requires a listed issuer to ensure that its website contains the email address, name(s) of designated person(s) and their contact numbers to enable the public to forward queries to the listed issuer. What are the queries envisaged by this requirement and must the listed issuer answer all queries?**

This requirement is imposed to enable a listed issuer to improve the investor relations with its stakeholders, especially the shareholders. Hence, a shareholder may forward any query to its listed issuer. The listed issuer should use its best endeavours to respond to the queries.

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- (e) **Paragraph 9.21(2) of the Main LR requires every listed issuer to publish on its website all announcements made to the Exchange pursuant to the Main LR. How long must a listed issuer maintain such announcements on its website?**

The Main LR does not prescribe the duration for such announcements to be maintained on a listed issuer's website. The listed issuer may exercise its discretion on how long it will maintain its announcements on its website. In any event, a listed issuer should ensure that its website is current, informative and contain all information which may be relevant to its shareholders, as provided under paragraph 9.21(4) of the Main LR.

- (f) **Can a listed issuer provide a link in its website that enables its announcements that are posted on Bursa Securities' website to be similarly made available on its website?**

Yes, a listed issuer may do so only if it procures Bursa Malaysia's approval and enters into an agreement with Bursa Malaysia. This is to avoid any issue of copyright infringement by such listed issuer. Further, the listed issuer must ensure that the link will enable announcements to be viewed seamlessly as part of the listed issuer's web pages. The listed issuer may contact Bursa Malaysia's Information Services Division for further details on such arrangements.

- (g) **Can a group of companies share one website?**

Yes, provided that each listed issuer within the group has its own distinctive and designated webpages and shareholders are able to retrieve the information on each of their listed issuers easily. In short, the listed issuers within the group must each ensure compliance of its webpages within the shared website with paragraph 9.21 of the Main LR.

**Publication of certain information in annual reports on the listed issuer's website**

**9.28 What information set out in Part A of Appendix 9C which may be published on the listed issuer's website pursuant to paragraph 9.25(1) of the Main LR?**

Under paragraph 9.25(1) of the Main LR, a listed issuer may publish information set out in Part A of Appendix 9C which has been **previously announced or disclosed to shareholders pursuant to these Requirements, or remains substantially unchanged from year to year ("said information")** provided that the listed issuer discloses in the annual report, the address of its website and the place on its website where the information can be accessed. The said information may include -

- (a) list of material properties;
- (b) profile of directors and chief executive;
- (c) material contracts and loans involving the interest of directors, chief executive and major shareholders; and
- (d) terms of references, policies and processes of board committees.

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**9.29 Is the listed issuer required to update the said information published on its website from time to time?**

Yes, the listed issuer must update the said information as and when there is a material change to the information. The listed issuer must also ensure that it complies with following requirements of the Main LR:

- (a) paragraph 9.21 which, among others, provide that a listed issuer should ensure that its website is current, informative and contains all information relevant to the listed issuer's shareholders; and
- (b) paragraph 2.18 which requires a listed issuer to ensure that any application, proposal, statement, information or document presented, submitted or disclosed pursuant to Main LR is –
- clear, unambiguous and accurate;
  - does not contain any material omission; and
  - is not false or misleading.

**CHAPTER 15 – CORPORATE GOVERNANCE**

***Directors***

**15.1 To calculate the number of independent directors required under paragraph 15.02 of the Main LR, should the listed issuer take into account alternate directors?**

No. The listed issuer must not take into account alternate directors for the purpose of calculating the requisite number of independent directors in order to comply with paragraph 15.02 of the Main LR.

**15.2 Can an independent director appoint a person who is not independent to be his alternate director?**

No, if an independent director wishes to appoint another person to be his alternate director, such person must also satisfy the definition of "independent director" under paragraph 1.01 of the Main LR.

**15.3 A listed issuer has 10 directors on board. However, there are only 3 independent directors. Does the listed issuer comply with paragraph 15.02 of the Main LR or does the listed issuer have to appoint another independent director?**

Yes, the listed issuer would be in compliance with paragraph 15.02 of the Main LR as the number nearest to 1/3rd shall apply, which in this scenario would be 3 independent directors.

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- 15.4 Would a director who sits on the boards of directors of a few listed issuers be required to provide a separate undertaking in respect of each listed issuer?**

No. Such director may provide one undertaking to Bursa Securities in respect of all his directorships in various listed issuers. However, if after filing the undertaking, such director becomes a director of another listed issuer which is not indicated in the undertaking, he must provide another undertaking in respect of that listed issuer.

- 15.5 Is the requirement to provide Bursa Securities with the requisite undertaking in Annexure PN21-C and Annexure PN21-D pursuant to paragraph 15.03 of the Main LR applicable to alternate directors?**

Yes, alternate directors must also provide to Bursa Securities the undertaking in the form of Annexure PN21-C and/or Annexure PN21-D, as the case may be.

- 15.6 Paragraph 15.05(3)(c) of the Main LR states that the office of a director shall become vacant if the director is absent from more than 50% of the total board of directors' meetings held during a financial year. If Mr A is appointed as a director of B Bhd, a listed issuer, mid-way through a financial year, how does Mr A compute the minimum number of board meetings that he must attend for that financial year?**

The computation of the minimum number of board meetings to be attended in the financial year will take into account only the meetings that were held on or after the appointment of the director in question. Therefore, if B Bhd's financial year end is December 2009, Mr A is appointed on 15 August 2009 and the number of board meetings held after his appointment is 6, Mr A must attend at least 3 of the board meetings.

- 15.7 Can the attendance of an alternate director be taken into account for the purpose of computation of the 50% of the total number of board meetings attended?**

No. The director himself (and not his alternate director) must personally attend at least 50% of the total number of board meetings held during a financial year.

- 15.8 Can a board of directors' meeting that is conducted via teleconferencing, video conferencing or other electronic, audio or audio-visual means which allows simultaneous or instantaneous transmission be considered as a board of directors' meeting of a listed issuer for the purposes of paragraph 15.05(3)(c) of the Main LR?**

Yes, provided that such mode of meeting is valid under the relevant laws and/or articles of association of the listed issuer concerned.

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- 15.9** It is noted that a director of a listed issuer must attend at least 50% of the total board meetings held during a financial year pursuant to paragraph 15.05(3)(c) of the Main LR (“50% Requirement”). What happens if a director fails to comply with the 50% Requirement? Will that particular director be deemed to have automatically vacated his office?

Pursuant to the Main LR, the office of the director shall become vacant if the director fails to comply with the 50% Requirement. In this regard, the vacation of the office would be automatic and the listed issuer must make an immediate announcement of the vacation of office pursuant to paragraph 15.05(3)(c) of the Main LR.

- ~~15.10 How does the term “immediate associated companies” as used in paragraph 9.1 of Practice Note 13 differ from the term “associated companies”?~~

~~“Immediate associated companies” mean companies in which the listed issuer or its non-listed subsidiaries have direct interest as compared to “associated companies” where the interest of listed issuer or its subsidiaries in the said companies may arise directly or indirectly. For example, A Bhd, a listed issuer has direct interest in B Sdn Bhd, which results in B Sdn Bhd being an associated company of A Bhd. C Sdn Bhd is an associated company of B Sdn Bhd. B Sdn Bhd is an immediate associated company of A Bhd but C Sdn Bhd is not an immediate associated company of A Bhd.~~

- ~~15.11 Mr A has 3 directorships in listed issuers and 15 directorships in non-listed issuers. Can Mr A utilise the balance of directorships which he is permitted to hold in listed issuers pursuant to the Main LR, i.e. balance of 7 directorships, for the purpose of being appointed to more non-listed issuers?~~

~~No. Mr A may utilise the balance of 7 directorships for directorships in listed issuers only.~~

- ~~15.12 Mr X is a director of A to F. Mr X has no shareholdings in A to F. A and B are both listed issuers. B to F are subsidiaries of A whilst E and F are subsidiaries of B. Can directorships held by Mr X in all the subsidiaries B to F be aggregated and counted as 1 directorship in a listed issuer?~~

~~No, applying paragraph 9.1(c)(i) of Practice Note 13 to A’s group of companies, only directorships held in C and D are aggregated and counted as 1 directorship in a non-listed issuer. Directorships in B, E and F are not aggregated together with C and D because B is a listed subsidiary and E and F are subsidiaries of a listed subsidiary. However, applying paragraph 9.1(c)(i) of Practice Note 13 to B’s group of companies, directorships in E and F are also aggregated and counted as 1 directorship in a non-listed issuer. This is because E and F are non-listed subsidiaries of a listed issuer, i.e. B. Hence, in this case, Mr X has 2 directorships in listed issuers and 2 directorships in non-listed issuers.~~

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**15.10 Paragraph 15.06(1) of the Main LR states that a director of an applicant or a listed issuer must not hold more than 5 directorships in listed issuers. Does the restriction apply to directorships held in corporations listed overseas?**

No. The restriction is only applicable to directorships held in listed issuers on the Exchange. Hence, in computing the number of directorships that may be held pursuant to the restriction, a director should take into account his directorships held in -

- (a) listed corporations (which include corporations incorporated outside Malaysia but listed on the Exchange);
- (b) management companies of the collective investment schemes which are listed on the Exchange; or
- (c) issuers of any other listed securities on the Exchange.

**15.1315.11 Can a director aggregate a directorship that is held in a listed subsidiary with directorship in the listed holding company?**

No, as clarified in paragraph 9.1(b) of Practice Note 13, a A directorship that is held in a listed issuer is to be counted as 1 directorship in a listed issuer and cannot be aggregated with a directorship in any other company, including a listed subsidiary.

**15.14 Can all directorships held in non-listed issuers be aggregated and counted as 1 directorship in a non-listed issuer?**

No, directorships held in non-listed issuers may be aggregated only in circumstances set out in paragraph 9.1(c) of Practice Note 13.

**15.15 Mr A is a director of P Bhd, a listed issuer. He is also a director of Q Sdn Bhd and R Sdn Bhd, both of which are not part of a listed group. Mr A does not have any shareholdings in Q Sdn Bhd or R Sdn Bhd. Q Sdn Bhd has 2 wholly-owned subsidiaries. Mr A is also a director (and not a shareholder) of the wholly-owned subsidiaries of Q Sdn Bhd. Can Mr A aggregate the directorships held in Q Sdn Bhd, R Sdn Bhd and the 2 subsidiaries of Q Sdn Bhd, as 1 directorship in a non-listed issuer?**

No, Mr A cannot aggregate the aforesaid directorships as 1 directorship in a non-listed issuer because the directorships do not fall within paragraph 9.1(c) of Practice Note 13 i.e. Q Sdn Bhd (and its 2 subsidiaries) and R Sdn Bhd are not part of a listed group and they are also not "family-owned companies". Therefore, in this case Mr A has 1 directorship in a listed issuer (i.e. P Bhd) and 4 directorships in non-listed issuers (i.e. Q Sdn Bhd, its 2 subsidiaries and R Sdn Bhd).

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~~15.16—Mr A is a director of P Bhd, a listed issuer. Mr A is also a director of R Sdn Bhd and S Sdn Bhd, both of which are unlisted subsidiaries of Q Bhd, another listed issuer, which is unrelated to P Bhd. Mr A is not a director of Q Bhd. Can Mr A aggregate the directorships held in R Sdn Bhd and S Sdn Bhd as 1 directorship in a non-listed issuer?~~

~~No, Mr A cannot aggregate the directorships held in R Sdn Bhd and S Sdn Bhd as 1 directorship in a non-listed issuer because the directorships do not fall within paragraph 9.1(c) of Practice Note 13. Mr A would only be able to aggregate the directorships held in R Sdn Bhd and S Sdn Bhd as 1 directorship in a non-listed issuer if Mr A were a director of Q Bhd as well, the holding company of R Sdn Bhd and S Sdn Bhd.~~

~~15.17~~**15.12** **Would a director of a listed issuer who lives overseas be required to attend the Mandatory Accreditation Programme (“MAP”)?**

Yes. Every director of a listed issuer must attend the MAP, regardless of his place of residence.

~~15.18~~**15.13** **Would an alternate or substitute director of a listed issuer be required to attend the MAP?**

Yes, an alternate or substitute director of a listed issuer must also attend the MAP.

~~15.19~~**15.14** **What happens if a director does not attend the MAP within the timeframes specified under Practice Note 5?**

A director that does not attend the MAP within the timeframes specified under Practice Note 5 is in breach of the Main LR and enforcement action may be taken against him by Bursa Securities.

~~15.20~~**15.15** **Pursuant to paragraph 15.08(2) of the Main LR, the board of directors must on a continuous basis, evaluate and determine the “training” needs of its directors. What would constitute “training” for the purposes of paragraph 15.08(2) of the Main LR?**

Pursuant to paragraph 15.08(2) of the Main LR, the board of directors of the listed issuer is given the discretion to determine what constitutes “training” for its directors. In this respect, “training” could include, for example, the following:

- in-house training programmes organised by listed issuers for their directors;
- courses attended by directors as members of professional bodies which require mandatory training for their members;
- diploma/degree/post graduate courses; or
- courses/workshops conducted within or outside Malaysia.

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**15.2415.16** Can the “training” prescribed by the board of directors for its directors relate to any topic at all, as may be determined at the absolute discretion of the board?

Under paragraph 15.08(2) of the Main LR, the training that is determined by the board of directors for its directors must be on a subject matter that aids the directors in the discharge of their duties as directors. ~~The discretion of the board of directors~~ Thus, the board must ~~be exercised~~ its discretion within the confines of that requirement.

In this regard, the findings from annual performance assessment of directors are useful as they provide valuable insights into the training and development needs of directors. The board or nominating committee will be able to prescribe the training required by its directors based on the areas for improvement identified in the findings. In addition, the board may also regularly request each director to identify appropriate training that he believes will enhance his contribution to the board.

Broadly, the training should include key developments in the legal and regulatory framework, as well as the industry within which the listed issuer operates. The training could also cover areas such as financial literacy, technical know-how, business and industry specific trends, business strategies, risk management and internal control.

**15.2215.17** Under paragraph 15.08(23)(b) and item (28) of Part A, Appendix 9C of the Main LR, a brief description of the type of training attended by the directors for the financial year is required to be disclosed in the annual report. What are examples of the type of information that is required to be included in the brief description?

Examples of the types of information that should be disclosed in the brief description are the mode of training i.e. via seminar, workshops or courses; the title of the seminar, workshop or courses and the number of hours/days spent.

**15.18** Under paragraph 15.08(3)(c) and item (28) of Part A, Appendix 9C of the Main LR, a listed issuer must provide valid justifications if, in exceptional circumstances, its directors are unable to attend any training during the financial year. What are some of the “exceptional circumstances” envisaged under paragraph 15.08(3)(c) of the Main LR?

Generally, a director is expected to attend continuous training to update and enhance his skills and knowledge. This is important for the director to ensure that he continues to carry out his role effectively. It is also recognized that there may be exceptional circumstances where a director may not be able attend any training. However, these circumstances should be **rare and uncommon**, such as if a director is suffering from a long term illness or is bedridden over a prolonged period.

Generally, it **will not be** considered as an exceptional circumstance if a director is unable to attend any training because he does not have the time due to business commitment or tight schedule for instance, or there are no suitable programmes or courses available.



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Nominating committee

**15.19** Paragraph 15.08A(3) of the Main LR states that a listed issuer must provide in its annual report, a statement about the activities of its nominating committee in the discharge of its duties for the financial year. Such statement must include how the requirements set out in paragraph 2.20A of the Main LR are met and contain the following information:

- (a) the policy on board composition having regard to the mix of skills, independence and diversity (including gender diversity) required to meet the needs of the listed issuer;
- (b) the board nomination and election process of directors and criteria used by the nominating committee in the selection process; and
- (c) the assessment undertaken by the nominating committee in respect of its board, committees and individual directors together with the criteria used for such assessment.

Can a listed issuer publish the information required under sub-paragraph (a), (b) and (c) above on its website instead of the annual report?

A listed issuer must publish the above information in its first annual report issued after the effective date of paragraph 15.08A(3). In respect of the subsequent financial years, the listed issuer may publish such information on its website provided that the requirements under paragraph 9.25(1) of the Main LR are complied with.

**15.20** Must a listed issuer disclose the targets and measures taken to meet the targets in relation to its gender diversity policy when it provides its statement on the activities of its nominating committee pursuant to paragraph 15.08A(3) of the Main LR?

Although paragraph 15.08A(3) of the Main LR does not explicitly require such disclosure, a listed issuer is strongly encouraged to disclose the targets and measures taken to meet the targets in relation to its gender diversity policy as recommended in the Malaysian Code on Corporate Governance.

In this regard, we wish to draw the listed issuer's attention to the announcement made by the Prime Minister Datuk Seri Najib Tun Razak on 27 June 2011 on the Government's policy approved by the Cabinet that women must comprise at least 30% of those in decision-making positions in the corporate sector within 5 years (i.e. by 2016).

**Audit committee**

**15.23** **15.21** Would a person with a degree in accounting and who possesses 3 years' post qualification experience in finance but who is currently not a member of Malaysian Institute of Accountants meet the requirements of paragraphs 9.27 and 15.09(1)(c) of the Main LR?

Yes, pursuant to paragraph 7.1 of Practice Note 13, such person would be acceptable for the purposes of paragraphs 9.27 and 15.09(1)(c) of the Main LR.

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**15.2415.22** What are some of the examples of persons who have “experience in accounting or finance” as referred to in paragraph 7.1 of Practice Note 13?

Some of the examples of persons who have “experience in accounting or finance” are accountants, auditors in an audit firm, financial controllers, finance executives, finance managers or finance directors.

**15.2515.23** Mr A started as a clerk in a company and gradually worked his way up to being a finance director. He has in total 20 years’ experience in finance related work. In the last 8 years, he was the finance director of a family-owned company where he was primarily responsible for the management of the financial affairs of the company. However, he only has a diploma in accounting. Does Mr A meet the requirements of paragraphs 9.27 and 15.09(1)(c) of the Main LR?

Yes, pursuant to paragraph 7.1 of Practice Note 13, Mr A’s qualifications will be acceptable for the purposes of paragraphs 9.27 and 15.09(1)(c) of the Main LR.

**15.2615.24** Who will be the signatory to the statutory declaration pursuant to section 169(16) of the Companies Act 1965, who may be approved by Bursa Securities as referred to under paragraph 9.27(c) of the Main LR? Similarly, what are the other requirements as may be approved by Bursa Securities under paragraph 15.09(1)(c)(iii) of the Main LR, pertaining to the audit committee?

The approval will be given on the basis of an application made by a listed issuer. Bursa Securities will examine the merits of each application and the approval of such signatory or requirements pertaining to audit committee member will be given on a case by case basis.

**15.2715.25** In relation to the requisite qualifications for the signatory under paragraph 9.27 of the Main LR and a member of the audit committee under paragraph 15.09 of the Main LR, if the person concerned fulfils the requirements set out in the said provisions or paragraph 7.1 of Practice Note 13 (“Said Qualifications”), does he still have to submit an application to Bursa Securities for approval?

No. He does not have to submit any application to Bursa Securities for approval. The requirement to seek Bursa Securities’ approval is only necessary if the person concerned does not fulfill the Said Qualifications but is nonetheless considered by the listed issuer to have the requisite knowledge and experience that will enable him to discharge his obligations as a signatory or audit committee as if he had the Said Qualifications.

**15.2815.26** In relation to paragraph 9.27 of the Main LR where it is stated that the “signatory” must satisfy such other requirements as approved by Bursa Securities, what are the specific requirements that may be approved by Bursa Securities?

The “signatory” must provide justification to Bursa Securities that the knowledge and experience that he has are adequate to enable him to discharge his role effectively as a signatory to the statutory declaration even though he does have the Said Qualifications. This justification will be considered by Bursa Securities on a case-by-case basis.

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~~15.29~~**15.27** To whom should the application for approval under paragraphs 9.27 and 15.09 of the Main LR as referred to in Question 15.24 above be made?

Any application should be made in writing to the Listing Division of Bursa Securities, addressed to the Head, Listing together with the necessary documents to support the application.

~~15.30~~**15.28** In view of paragraph 15.17(f) of the Main LR, can the company secretary of a listed issuer still attend the audit committee meeting?

Yes, the company secretary may attend. The discretion lies with the audit committee, whether it wishes to also exclude the attendance of the company secretary.

**Corporate ~~g~~Governance ~~disclosure~~Statement**

~~15.34~~**15.29** Are there any specific requirements in relation to the disclosure to be made in the annual report in relation to the Malaysian Code on Corporate Governance?

Practice Note 9 elaborates on the disclosure to be made in the annual report of a listed issuer in relation to this requirement.

~~15.30~~ Under paragraph 3.2 of Practice Note 9, a listed issuer must ensure that it has regard to the Recommendations when disclosing the application of each Principle. In view of this, must the listed issuer comment separately on each Recommendation with which it follows?

In describing how it has applied each Principle, a listed issuer need not comment separately on each Recommendation with which it follows. However, a listed issuer must ensure that its Corporate Governance Statement in its annual report contains adequate information and provides a meaningful description or discussion of its corporate governance practices to shareholders.

~~15.32~~ Is there any guidance to assist directors of listed issuers in making the statement on internal control?

In addition to Practice Note 9, directors should also refer to the guidance entitled "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by the Taskforce on Internal Control. A copy of the said guidance is available on Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

~~15.33~~**15.31** Can a listed issuer insert the Corporate Governance Statement (as referred to in Practice Note 9) in its directors' report in the annual report?

Yes, a listed issuer may insert the Corporate Governance Statement in its directors' report in the annual report. However, a listed issuer must ensure that the said statement is prominently and clearly set out.

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**15.3415.32** Must the Corporate Governance Statement be signed by the directors of a listed issuer in the same manner as the directors' report?

No. It is not the requirement of Bursa Securities that the Corporate Governance Statement must be signed by the directors of a listed issuer. However, the statement must clearly identify the board of directors as the party which is making the statement.

**15.3515.33** Does the Corporate Governance Statement have to be reviewed by external auditors of a listed issuer?

No, it is not the requirement of Bursa Securities that the said statement must be reviewed by the external auditors of the listed issuer.

***Internal Control Statement***

**15.34** Is there any guidance to assist directors of listed issuers in making the statement on internal control?

In addition to Practice Note 9, directors should also refer to the guidance entitled "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" issued by the Taskforce on Internal Control. A copy of the said guidelines is available on Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

***Internal audit***

**15.3615.35** What is meant by "an internal audit function which is independent of the activities it audits" as referred to under paragraph 15.27 of the Main LR?

This means that the internal audit function of a listed issuer must be independent from the management and operations. A listed issuer must not allow or condone inter-management audit. For example, finance department performing audit on the other operation units within the group of a listed issuer. For the purposes of clarifying the phrase "independent of the activities of its audits", reference may be made to the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and the Internal Auditing Guidelines issued by the Malaysian Institute of Accountants (collectively referred to as "the Internal Audit Standards & Guidelines").

**15.3715.36** Can the internal audit function of a listed issuer be outsourced?

Yes. The internal audit function of listed issuer can either be performed in-house or outsourced.

**15.3815.37** Where the internal audit function of a listed issuer is outsourced, what is the key issue that must be taken into consideration?

The key issue is the independence and objectivity of the firm/person to whom the internal audit function is outsourced. Again, for the purposes of clarifying the issue of "independence and objectivity", reference may be made to the Internal Audit Standards & Guidelines.

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**15.3915.38** Can the internal audit function be outsourced to the firm/person performing the statutory audit for the listed issuer?

Pursuant to section 290.186A of the By-Laws (On Professional Ethics, Conduct And Practice) of the Malaysian Institute of Accountants (“Ethics By-Laws”), where a financial statement audit client is a listed entity or public interest entity, the firm or network of firm performing the financial statement audit should not accept an engagement to provide internal audit services.

As such, the internal audit function of a listed issuer should not be outsourced to the firm/person performing the statutory audit for the listed issuer.

**15.4015.39** Can the internal audit function be outsourced to a group internal auditor who may be the internal auditor of the holding company, the subsidiary or subsidiary of the holding company?

Yes, all these can be considered as outsourcing. The listed issuer, however, must always adhere to the requirements of “independence and objectivity”.

**15.4115.40** With reference to Questions 15.36, 15.37 and 15.38 above, what are the requirements that must be complied with by the external party to whom the internal audit function is outsourced?

This depends on who the external party is. Such party must always comply with whatever legal requirements imposed on it by the relevant bodies or which it is subject to, in offering its services as an internal auditor. For example, in the case of a member of the Malaysian Institute of Accountants, it would have to comply with the Institute’s requirements. This would include the Ethics By-Laws.

[End]