

Conversation with Auditors

Major Audit Firms

11 August 2026

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Independent Oversight Function

Key expectations in supporting effective governance

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Monitoring Auditor Resignation

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Connecting Sustainability Disclosures to Financial Statements

Reminders to auditors

Independent Oversight Function

We noticed...



**Global push for
firm governance and greater
emphasis in the firm's
governance structure**

Aligning with global best
practices to enhance audit
quality through ethical
leadership, strong culture and
effective controls



AOB introduced core principles on independent oversight for Major Audit Firms

Given the size of the partnership, multidisciplinary practice and the PIE audit market share of the Major Audit Firms, an independent oversight function within these firms is essential. This is to **safeguard public interest** and **maintain confidence in the audit profession**.

In this respect, the AOB requires all Major Audit Firms to adopt the following **core principles** in establishing an independent oversight function. The core principles set out in this Chapter apply to Major Audit Firms with **financial year ending on or after 31 December 2026**.

- ☐ The Firm should establish a governance structure that is independent from the firm's executive management team
- ☐ Members of the governance structure must exercise independent oversight over the firm's executive management team for both audit and non-audit functions
- ☐ Members of the governance structure should have appropriate authority and influence in executing their responsibilities

The core principles on Independent Oversight for Major Audit Firms are incorporated in Guidelines on Continuing Obligations for Registered Auditors and issued on 2 March 2026.

The AOB has recently published **Frequently Asked Questions ("FAQ")** in relation to the establishment of **Independent Oversight Function**.

Auditors Resignations

AOB Observations



Late notification and/or **incomplete** submission to the AOB following resignation

- Notification is limited to a copy of documents submitted to other parties (e.g. SSM)
- Reasons for resignation presented as generic one-line statements
- Inconsistencies between the stated reasons for resignation and the firm's actions



Resignations near or after the PIE's financial year end

- Significant accounting, auditing, or governance issues may not be brought to AOB's attention
- Short transition periods may affect the quality and timeliness of the audit
- Increased risk of unresolved matters impacting financial reporting and audit quality

Reasons for Auditors Resignations (Jan – July 2026)



Any late filing of the resignation notice by audit firm will be flagged as inspection finding.

Annual Transparency Report (“ATR”)



Observations from AOB Inspections

-  **Incomplete mandatory disclosures**
 - Ongoing litigation and regulatory actions were not disclosed
 - No disclosure on whether fees from a PIE audit client and related entities exceeded the 15% threshold
 - Audit personnel headcount was not disclosed by staff role

-  **Inaccurate disclosure of audit quality indicators**
 - No verification was performed to assess the reliability of data submitted to Headquarters by branches and other departments, such as the training hours and staff with professional membership.

Mandatory issuance ATR for AOB-registered audit firms

Revised Requirement

Firms with more than 10 PIE audit clients for 2 consecutive calendar year (31 December 2025 and 31 December 2026)

Former Requirement

- a) Firms with more than 50 PIE audit clients; and
- b) The total market capitalisation of the firm's PIE clients amounts to above RM15 billion.

Additional Mandatory Disclosures

- Organisational structure relating to the firm's system of quality management (SoQM)
- Use of information technology to enhance audit quality
- Availability of specialized resources to support the audit engagement team
- Firm's sustainability risks and opportunities

Audit Firms Culture Survey



Survey - Web Based Platform



10 Minutes - Anonymous



All Audit Firms (all audit staff EXCLUDING Partners)

- In **2025**, survey were distributed to **all the Major Audit Firms and 4 Other Audit Firms**
- In **2026**, the survey will be distributed to **all the remaining Other Audit Firms**.



28 statements (scale of 1- Strongly Disagree to 5 – Strongly Agree) **and 1 open ended question**

CULTURAL TRAITS



**Culture of
Ethical
Behaviour**



**Culture of
Trust**



**Culture of
Quality**



**Culture of
Compliance**



**Culture of
Consultation**



**Culture of
Challenge**



**Work
Environment**

Audit Firms Culture Survey

CATEGORIES	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F	Firm G	Firm H	Firm I
Culture of Ethical Behaviour	●	●	●	●	●	●	●	●	●
Culture of Trust	●	●	●	●	●	●	●	●	●
Culture of Quality	●	●	●	●	●	●	●	●	●
Culture of Compliance	●	●	●	●	●	●	●	●	●
Culture of Consultation	●	●	●	●	●	●	●	●	●
Culture of Challenge	●	●	●	●	●	●	●	●	●
Work Environment	●	●	●	●	●	●	●	●	●

Legend

- > 4.0
- 3.5 – 3.9
- < 3.4

4,092
Respondents



57%

Key highlights

- ✓ Remuneration
- ✓ Workload
- ✓ Resource Allocation
- ✓ Inclusiveness

Errata and Reporting Integrity: A Matter of Audit Quality?



Frequent or late corrections may mislead investors and reduce confidence in public reporting.

Connecting Sustainability Disclosures to Financial Statements

As sustainability disclosures become increasingly important to investors, auditors should consider whether these disclosures are reflected consistently in the financial statements. Therefore, auditors are reminded to:

- Consider whether sustainability-related risks and opportunities have been appropriately reflected in the financial statements and related disclosures.
- Assess the consistency between sustainability-related disclosures and the underlying assumptions, estimates and judgements used in preparing the financial statements.
- Evaluate whether sustainability-related matters may have implications for key financial statement areas, such as asset valuations, impairment assessments, provisions, expected credit losses, useful lives, and going concern.
- Sufficiently document the work performed to assess the impacts of sustainability-related risks and opportunities, evaluation of management's assumptions and estimation and the evidence obtained to support audit conclusion.