

AOB ALERT

TO AUDIT COMMITTEES

OCT 2025



Suruhanjaya Sekuriti
Securities Commission
Malaysia

KEY TAKEAWAYS

- The Audit Oversight Board's (AOB) inspection observations on audit firms and auditors provide valuable insights to elevate audit quality
- Embrace best practices that strengthen Audit Committees' (AC) oversight role by leveraging the AOB's Annual Inspection Report (AIR) and inspection findings
- Strengthen communication with auditors to improve audit quality, with the ACs serving as the link to management

INTRODUCTION

The AOB's mandate is to foster high quality independent auditing to promote confidence in the quality and reliability of audited financial statements of public-interest entities (PIEs) and schedule funds in Malaysia.

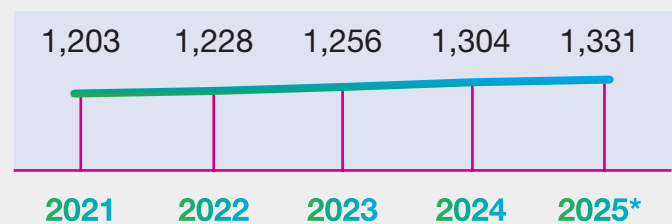
As of 30 September 2025, a total of 391 individual auditors and 40 audit firms were registered and recognised with the AOB. These auditors collectively audit the financial statements of 1,331 PIEs and 1,374 schedule funds.



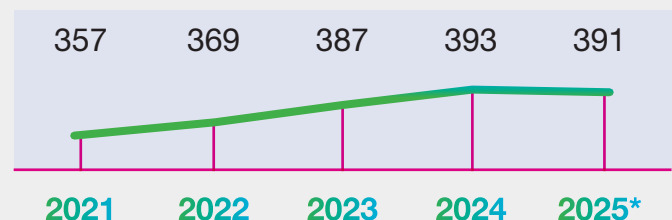
Further information on the AOB's core functions, including its inspection activities, is available on the AOB's website.

[Visit AOB website here](#)

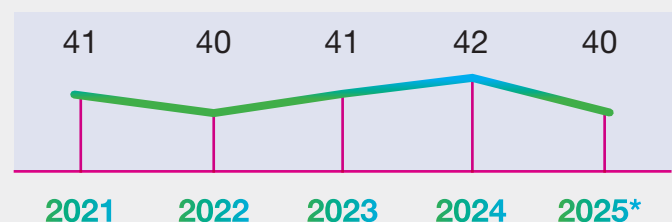
Number of PIEs



Number of registered and recognised individual auditors



Number of registered and recognised individual firms



* Based on data as at 30 September 2025.

ROLE OF AUDIT COMMITTEES IN STRENGTHENING AUDIT QUALITY

The AOB believes that audit quality thrives when key stakeholders in the financial reporting ecosystem work together and communicate effectively. ACs play an important role in promoting high quality auditing through their oversight of the audit process and the auditor.

ACs should have timely communication with their external auditors on audit issues and other significant matters to facilitate their respective roles in overseeing the financial reporting process and conduct of a quality audit.

Strengthening Oversight Over Auditors and the Audit Process

The AOB is committed in providing timely and relevant information to ACs in areas of common interest such as auditor independence, auditors communication, audit quality and critical audit matters. The following resources are available to support ACs in fulfilling their roles and responsibilities relating to the oversight of auditors and the audit process:



The AOB's Annual Inspection Report (AIR)



[Read the AIR](#)

The AOB issues an *Annual Inspection Report* (AIR) highlighting key areas such as the AOB's inspection findings, recent observations on Audit Quality Indicators (AQIs) and an overview of enforcement actions. Audit findings may change from year to year; it is important to take note of previous reports as they contain information that remains useful for ACs when interacting with auditors. The AIR also discusses key topics such as impact of climate-related disclosures to financial reporting and any recent revision to auditing and accounting standards.

The AC's focus:

- Engage external auditors on common inspection findings that may impact your entities
- Follow up with auditors on their action plan in addressing any deficiencies raised by the AOB
- Recommend measures to strengthen the company's internal control framework
- Keep up with emerging regulations such as the latest reporting requirement on sustainability disclosure
- Better understand the challenges faced by auditors in performing their audits and offer assistance where necessary to improve audit efficiency



Audit Firms' Annual Transparency Report (ATR)

Transparency reporting is compulsory for audit firms that are registered with the AOB that satisfy both of these criteria for two consecutive calendar years:

- i. Audit firms with more than 50 PIE audit clients; and
- ii. The total market capitalisation of the audit firm's PIE clients amounts to above RM10 billion.

The *Annual Transparency Report* (ATR) includes reports on the audit firm's legal and governance structure, measures taken by the firm to maintain and enhance audit quality, firm's risk management and disclosures of common AQIs.

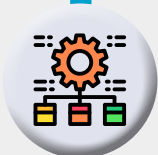
The AC's focus:

- Ensure that a robust process is in place for the selection of auditors, that appropriate audit fees are set, and that clear communication channels exist between the auditor and the AC
- Evaluate the competency of the external auditor, including their independence, objectivity and audit quality
- Oversee the development of policies on auditor independence, monitor compliance and approve non-audit services to safeguard independence

In order to strengthen corporate governance and promote more effective communication with external auditors and management, the following suggested key areas for further discussion among the relevant stakeholders are:



Selection of external auditor including assessment on appointment and re-appointment



Capacity and capability of finance reporting function including adequate training mechanism



Complex business arrangement surrounding significant accounting estimates and judgements



Action to address deficiencies in an entity's financial report and steps the entity and auditor will take to improve audit quality



Effectiveness of the PIE's internal control and risk management process especially in facilitating complex and subjective decision-making process



Legal and regulatory requirement in relation to sustainability reporting



The entity's preparedness in facing major challenges when navigating the cybersecurity landscape



ACs should be mindful not to adopt a mere checklist approach, where the focus is on ticking boxes rather than undertaking an organisation-specific evaluation. The suggested key areas provided above should be viewed as a guide and tailored to the unique circumstances of each organisation.