



# **STAKEHOLDER ENGAGEMENTS AND CAPACITY-BUILDING INITIATIVES**



## STAKEHOLDER ENGAGEMENTS AND CAPACITY-BUILDING INITIATIVES

The responsibility for performing quality audits of financial statements rests with the auditors. However, the AOB believes that regular engagements with its various stakeholders and leadership of the audit firms will have a positive effect on enhancing audit quality. Audit quality is achieved in a situation where there is support from, and communication among key stakeholders in the financial reporting ecosystem.

In 2021, the AOB became a member of the International Forum of Independent Audit Regulators' (IFIAR) Investor and Other Stakeholders Working Group (IOSWG). The IOSWG includes IFIAR Members from Austria, Canada, France, Italy, Japan, Korea, the Netherlands, South Africa, United Kingdom (UK) and United States (US). The objective of the IOSWG is to enhance investor protection and improve audit quality based on suggestions both by investors who are the ultimate beneficiaries of the audit and other stakeholders with interest in audit-related matters.

The AOB continued with its stakeholder engagements and capacity-building initiatives for its registrants in 2021.

## THE AOB STAKEHOLDER ENGAGEMENTS AND CAPACITY-BUILDING INITIATIVES IN 2021

### DIRECTORS / AUDIT COMMITTEES

- Continued to share the AOB's common inspection findings and regulatory expectations through the AOB's Conversation with Audit Committee (AC).
- Shared the AOB's AIR with the AC's of PLCs to facilitate discussion with their auditors on the inspection findings and firm-level statistics to ensure that risk areas specific to their entities are adequately addressed and to gauge the audit firms' commitment and approach to audit quality.

### AUDITORS

- The AOB's regulatory expectations and common inspection findings were continuously shared through speaking engagements and at the annual AOB Conversation with Auditors of PIEs and Schedule Funds.
- Discussions with the audit firms on the practical implementation of *International Standards on Quality Management* (ISQM).
- Issued AOB Alert on Audit Considerations for Wholesale Funds Investment by PLCs and Issuance of Perpetual Bonds and Sukuk by PLCs as a reminder for the auditors to pay particular attention to the various considerations and obtain appropriate audit evidence in auditing their PIE clients' investments in wholesale funds.

## REGULATORS /PROFESSIONAL ACCOUNTANCY BODIES

- Shared key areas of audit oversight and regulatory experiences with audit regulators and professional bodies such as the Philippines' Association of Certified Public Accountants in Public Practice.
- The AOB's Executive Officer was a key speaker in the Malaysian Institute of Accounts' International Accountants Conference 2021 to discuss the new and revised set of quality management standards which was approved by the International Auditing and Assurance Standards Board. Also discussed were ways to strengthen firm culture, communicating quality management objectives to audit constituents and the consequences of non-compliance for auditors.
- Collaborated with MICPA to develop a training programme to address common areas of audit weakness within audit firms, which the AOB encountered during its inspection.
- The AOB also continues to benefit from the sharing session by IFIAR and the ASEAN Audit Regulator Group (AARG) to leverage the experience of other audit regulators at both global and regional levels.

## AOB'S CONVERSATION WITH AUDIT COMMITTEES

In 2021, the AOB organised two sessions of the AOB's Conversation with Audit Committees (AC). The AOB's Conversation with the AC has been an important focus for the AOB. The engagement provides an avenue for the AOB to share its observations and inspection findings, as well as obtain feedback from the AC.



The session included sharing good practices for the AC in supporting audit quality and practical considerations in discharging their oversight functions.

During the conversation, the AOB sought feedback from the AC on how the COVID-19 pandemic has affected them in discharging their oversight roles on financial reporting and communications with the auditors.

The majority of the AC shared that management's assessment of the company's ability to continue as a going concern and impairment of assets were areas where they had spent more time to review during the COVID-19 pandemic. The AC have also increased the frequency of communications with the auditors to address risks and issues in a timely manner.

The AOB reminded the AC to continue assessing the impact of the COVID-19 pandemic on the internal controls of financial reporting function and reiterated the key roles played by the AC in maintaining investors' confidence in the capital market participants' audited financial statements.



**29 November 2021 &  
6 December 2021**



**The sessions were  
attended by 677 AC  
members**



**From 397 PLCs**



**Consisting of 88%  
of attendees from the  
Main Market & 12%  
from ACE Market**

## COLLABORATIVE TRAINING PROGRAMME

### CAPACITY-BUILDING INITIATIVES FOR THE AOB'S REGISTERED AUDIT FIRMS AND INDIVIDUAL AUDITORS

The AOB worked together with MICPA to develop a training programme for the AOB registered audit firms with less than 10 partners. These training programmes were subsidised using the AOB's funds collected from the fines and are part of the AOB's continues capacity-building efforts to improve audit quality.

The training programme focused on addressing common areas of audit weaknesses noted by the AOB during its inspection of audit firms and auditors. The areas covered were:

- Audit sampling.
- Auditing accounting estimates.
- Group audits.
- Fraud risk procedures.
- Key audit matters.

Further, the session also included recent developments in the auditing standards and practical considerations with respect to the implementation of the standards.



**27** sessions were conducted from September 2020 to June 2021



**975** individual auditors and audit firms' staff benefitted from the sessions



One-off training subsidy of up to **RM30,000 per audit firm** for the existing registered audit firms of the AOB with less than 10 audit partners