

INSPECTION OF AUDIT FIRMS AND INDIVIDUAL AUDITORS

In accordance with Section 31V(1) of Part IIIA of the SCMA, the AOB conducts inspections on auditors of PIEs and schedule funds with the aim to promote high quality audits and reliable audited financial statements.

The inspections programme conducted by the AOB comprises both firm and engagement level reviews.



Firm Level Review

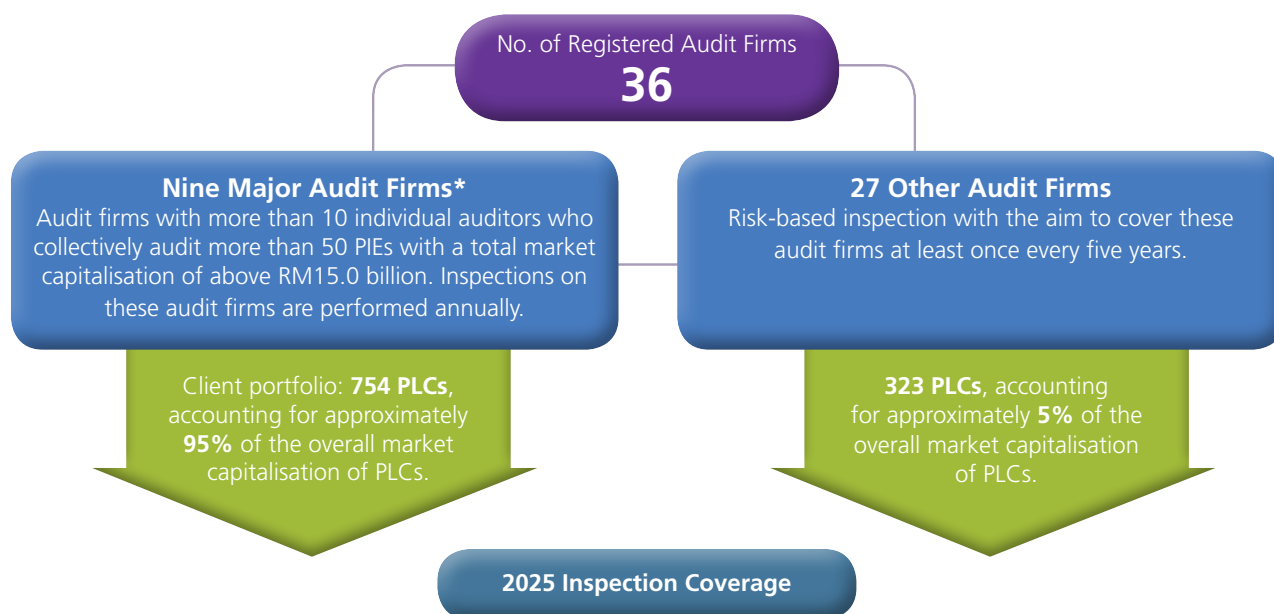
A firm level review seeks to assess an audit firm’s degree of compliance with the requirements of ISQM 1.



Engagement Level Review

An engagement level review seeks to assess the degree of compliance by the registered auditors with the relevant auditing and ethical standards including whether sufficient and appropriate audit evidence have been obtained in relation to the audit reports of PIEs and schedule funds.

Inspection Snapshot



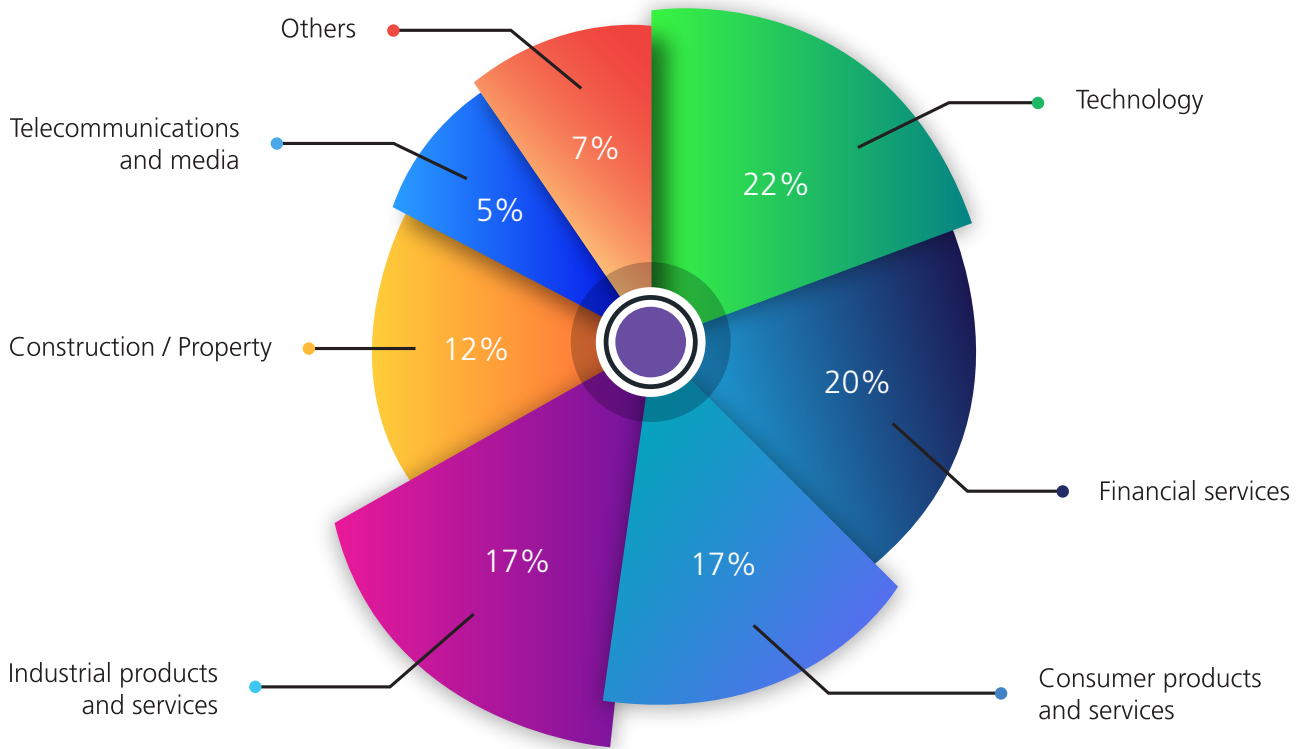
In 2025, the AOB inspected **nine Major Audit Firms** and **five Other Audit Firms** covering **40 individual auditors** for **41 audit engagements**. The inspected audit engagements involve audit clients with businesses across various industries, as summarised in Diagram 1.

Note:

* The Major Audit Firms comprises Baker Tilly Monteiro Heng PLT, BDO PLT, Crowe Malaysia PLT, Deloitte Malaysia PLT, Ernst & Young PLT, Grant Thornton Malaysia PLT, KPMG PLT, PricewaterhouseCoopers PLT and UHY Malaysia PLT.

DIAGRAM 1

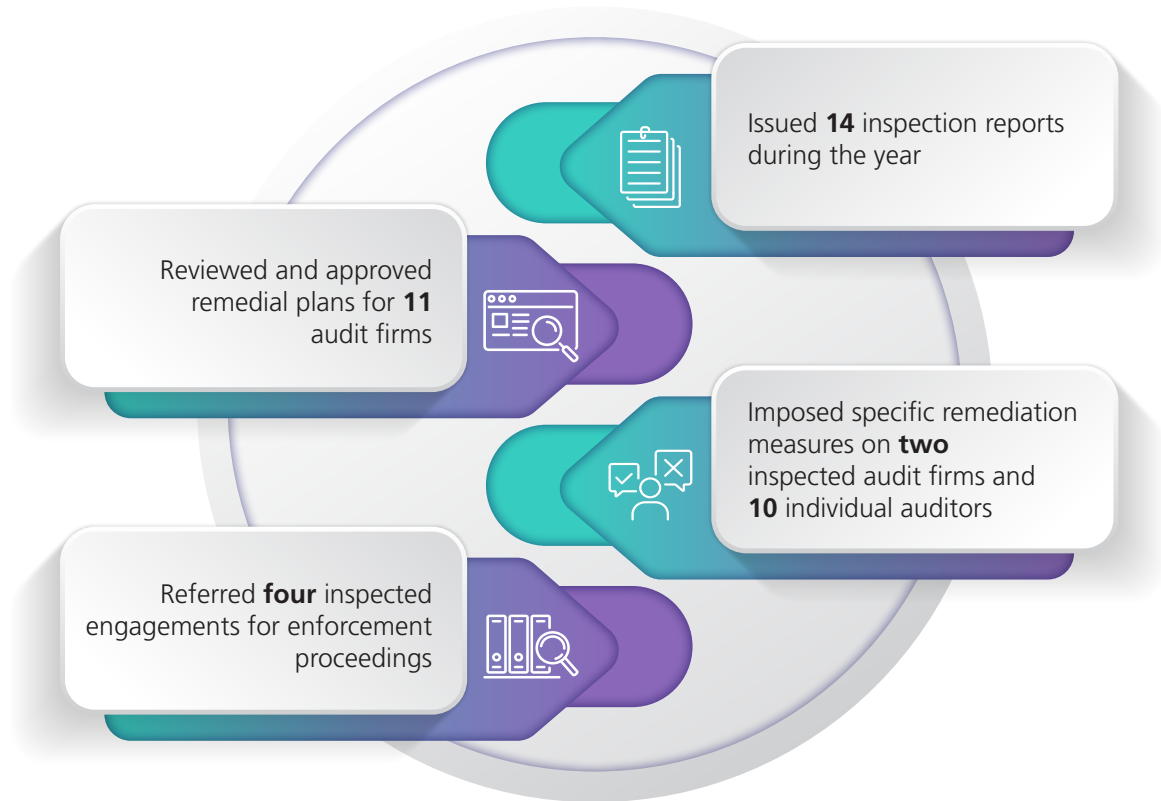
Industries covered in engagement-level reviews in 2025



Following the completion of each inspection, a report detailing the findings is issued to the audit firms. Audit firms are then required to submit their remedial action plans for the AOB’s review and approval. All inspection deficiencies must be remediated within a timeline agreed upon with the AOB.

For engagements requiring significant improvements, the AOB may impose specific remediation measures on the firm or its individual auditors, or subject them to enforcement proceedings.

KEY INSPECTION HIGHLIGHTS IN 2025

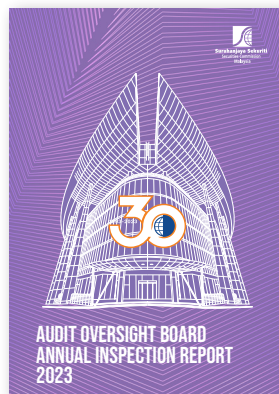


In addition, the AOB may receive internal or external referrals relating to concerns over the quality of the audit of PIEs. In 2025, the AOB completed the assessment of 23 referral cases.

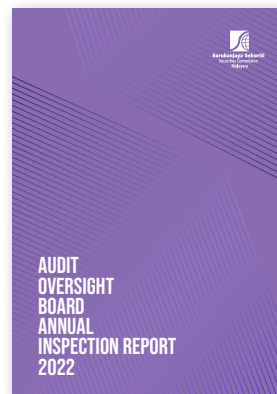
Further details on the inspection programme, including common inspection findings, trends analysis and remediation efforts taken by inspected audit firms will be presented separately in the AOB's Annual Inspection Report (AIR) for 2025. The AIR aims to encourage more insightful conversations about audit quality among auditors, ACs, and the management of PIEs and schedule funds.



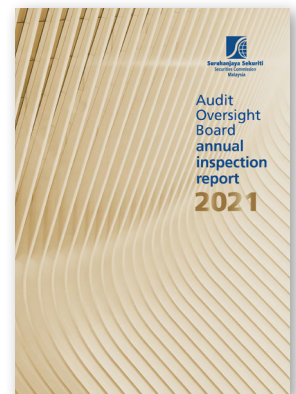
Annual Inspection Report 2024



Annual Inspection Report 2023



Annual Inspection Report 2022



Annual Inspection Report 2021

Advancing audit oversight through transparency and governance

Globally, there has been interest and discussions surrounding audit firms' culture and governance. There is increased emphasis on the importance of embedding ethical values, accountability, and transparency into the governance structures of audit firms to ensure effective oversight, mitigate risks of unethical conduct, and enhance stakeholder confidence. The increasing focus on non-financial reporting, sustainability assurance, and technological advancement further reinforces a culture that prioritises ethical behaviour.

The International Ethics Standards Board for Accountants (IESBA) has embarked on a project to develop a culture and governance framework that promotes, supports and reinforces a high standard of ethical behaviour by a firm's leadership, other partners, and staff across all the firm's professional services.

Principles on independent oversight

In line with this, the AOB advanced its efforts to strengthen audit firm governance and audit quality through key initiatives which include the introduction of principles on independent oversight for the Major Audit Firms and enhancement to the requirements for the Annual Transparency Reports (ATR).

The independent oversight principles for the Major Audit Firms require the audit firms to establish an independent oversight function within the firm leadership structure. This oversight function should be independent from the audit firm's executive management team, equipped with appropriate authority and influence, and able to exercise oversight over both audit and non-audit functions of Major Audit Firms.

Annual Transparency Report

In respect of the ATRs, the AOB will be reducing the reporting threshold so that more AOB-registered audit firms will be required to produce ATRs, and it will also be introducing additional reporting requirements. The audit firms' disclosure of their governance structures, quality control systems, and key initiatives provides valuable insights to ACs and key stakeholders, enabling them to better understand how audit firms safeguard audit quality and uphold ethical standards. Together, these initiatives foster accountability and improve audit quality.

Details of the principles on independent oversight and enhancement to the requirements of the ATRs will be further elaborated in the AOB's AIR, which provides comprehensive insights into the AOB's inspection findings and the effectiveness of audit quality enhancement efforts.