



STAKEHOLDER ENGAGEMENTS AND CAPACITY-BUILDING INITIATIVES

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ENGAGEMENTS AND CONVERSATIONS ON AUDIT QUALITY

The AOB places emphasis on regular and targeted engagements with key stakeholders, which includes auditors, financial statements’ preparer, audit committees and fellow regulators. These engagements are beneficial to ensure stakeholders’ needs and concerns are translated into the AOB’s focus areas.

THE AOB’S CAPACITY BUILDING AND COLLABORATION EFFORTS IN 2024



GLOBAL AND REGIONAL CONSISTENCY IN AUDIT OVERSIGHT

The AOB is actively involved in the global and regional efforts of enhancing audit quality through its membership with the International Forum of Independent Audit Regulators (IFIAR) and ASEAN Audit Regulators Group (AARG). The plenary meetings and workshops held annually provide a platform for mutual sharing of emerging regulatory issues, challenges facing the audit profession, strategic approaches to sustainable audit quality and regulatory best practices, including developments in inspection techniques and common findings observed. It also serves as a platform for regulators to engage with the global and regional leadership of the six Global Public Policy Committee (GPPC) firms to discuss matters related to audit quality issues and initiatives.

Further, through its membership of the IFIAR's Investor and Other Stakeholders Working Group (IOSWG), the AOB continues to leverage the experience and knowledge from other jurisdictions on matters relating to investor protection and expectations on audit quality.

AARG AND FINANCIAL STATEMENT SURVEILLANCE GROUP (FSSG) WORKSHOP 2024

The AOB and SC's Corporate Surveillance Department jointly hosted the AARG-FSSG Workshop from 27 to 29 August 2024 at the SC.

The workshop served as a platform for collaboration and knowledge sharing between ASEAN members of the IFIAR. Non-AARG audit regulators from Hong Kong and India were also invited to share their regulatory updates and experience.

During the three-day workshop, in depth discussions were held on key regulatory issues using case studies from the respective jurisdictions to identify best practices and initiatives. Focus areas included–

- consistency in financial reporting;
- development and innovation in inspection and surveillance activities;
- implementation of the new ISQM and approaches to the reviews; and
- enforcement strategies and efforts to drive impactful enforcement of audit regulations.

The AARG also had discussions with the regional leadership of global network audit firms.



AARG is a group of audit regulators from the region, namely the AOB, the Finance Professions Supervisory Centre in Indonesia (PPPK Indonesia), Accounting and Corporate Regulatory Authority of Singapore (ACRA Singapore), Securities and Exchange Commission Thailand (SEC Thailand) and Securities and Exchange Commission Philippines (SEC Philippines).

The AOB continued to participate in relevant events and engagements to share its insights and promotes practices to enhance the quality of financial reporting practices and the reliability of audited financial statements of PIEs and schedule funds.



IFIAR is a global forum for independent audit regulators to collaborate and share knowledge and experiences, with a focus on inspection of auditors and audit firms, towards promoting consistency in audit regulatory activities globally. Today, the IFIAR has 56 members regulators from Africa, North and South America, Asia Pacific, Europe and the Middle East.



IFIAR’s 18th Inspection Workshop

Hosted by the Irish Auditing & Accounting Supervisory Authority (IAASA), the workshop was held in Dublin from 5 to 7 March 2024 and was attended by over 150 participants across 46 jurisdictions. The AOB’s Inspection Officer presented on the topic ‘Rebuilding Inspection Approaches of Regulators / Changes in Supervisory Models’, sharing insights on current changes and future initiatives on its inspection approach. Other topics covered included–

- automated tools and techniques used in audits;
- inspections of Engagement Quality Reviewers (EQR);
- inspections of bank and insurance audits; and
- initial inspection of ISQM 1 implementation.



IFIAR Plenary Meeting 2024

The plenary meeting was held in Osaka, Japan from 16 to 18 April 2024 and was attended by IFIAR members, observers, investors and other key stakeholders from 48 IFIAR member jurisdictions. Standard setter representatives were also in attendance. Discussions focused on key developments and emerging trends in the audit industry, including–

- challenges in overcoming a new expectation gap in sustainability assurance;
- changes in audit arising from use of technology, particular the use of artificial intelligence (AI) and generative AI; and
- developments in audit firm governance in various jurisdictions.



IFIAR’s Task Force and Working Group Webinars

In addition to the inspection workshops, IFIAR held webinar sessions throughout the year discussing emerging issues and ongoing developments within the audit and inspection space, including–

- inspections of crypto-related audits;
- setting up Sustainability Reporting Assurance Oversight; and
- introduction to AI in audit and oversight.

PROMOTING EFFECTIVE OVERSIGHT OF AUDITORS AND THE AUDIT PROCESS

Audit committees (AC) play an important role in promoting high quality auditing through their oversight of the audit process and auditors. Each year, the AOB connects with the ACs of PLCs via its Conversation with Audit Committees to share the AOB's oversight activities and observations on the quality of audit. In addition, these sessions also cover recent developments in the financial reporting ecosystem.

In 2024, the conversation focused on the latest developments on sustainability reporting and sustainability assurance. The speakers, from PricewaterhouseCoopers PLT provided an overview of the *National Sustainability Reporting Framework* (NSRF) requirements to help the public listed companies to better prepare their sustainability reports in accordance with *IFRS Sustainability Disclosure Standards*. There was also sharing on some practical steps that organisations can leverage as they embark on their sustainability reporting journey. These steps among others include identifying sustainability-related risks and opportunities and related information for disclosure, assess material information for disclosure and being updated on changes in legislations, rules and guidelines.

The AOB will continue to engage with the ACs of PLCs to ensure that they are informed and kept updated on developments as effective oversight by knowledgeable ACs is important to enhance audit quality.



Session held on
19 November 2024



Attended by 278 ACs
from 249 PLCs



ENGAGING THE LEADERSHIP OF THE AUDIT FIRMS

In 2024, the AOB’s Conversation with Audit Firms included both the Major and Other Audit Firms. This ongoing engagement with the leadership of the registered audit firms enables the AOB to ensure that audit quality remains a key priority.

The one-on-one conversation allows open sharing of views and challenges faced by auditors. It also allows AOB to make decisions if any regulatory intervention is required and reassess its priority areas.

The SC’s Chairman, Dato’ Mohammad Faiz Azmi shared his views on sustainability reporting and the need for sustainability assurance to enhance reliability of sustainability information. The profession was informed to look into capacity building and expand their capacity in the area of sustainability.

The AOB shared key findings and observations of firm and engagement reviews during its annual inspection of audit firms and auditors. In addition, there was also sharing on the key audit quality indicators for developing and supporting audit talent.





The AOB’s Conversation with Major and Other Firms held in July 2024



Attended by 81 senior auditors from the firms’ leadership

CAPACITY BUILDING AND COLLABORATION EFFORTS

The desired outcome of the AOB's audit oversight activities is for audit firms to deliver consistent quality audits through continuous capacity building and effective audit quality framework. Capacity-building initiatives for the profession have been an important focus area for the AOB. The AOB utilises the monies collected from the penalty imposed to facilitate capacity-building initiatives for the accountancy and auditing profession. While the AOB uses its enforcement actions to send a strong signal to the auditors on the importance of upholding audit quality, the AOB is also cognisant of the challenges faced by audit firms in respect of capacity building.

BUILDING CAPACITIES OF AOB-REGISTERED AUDITORS THROUGH COLLABORATION WITH THE MALAYSIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

In 2024, a series of workshops were organised for AOB-registered auditors to address the AOB's common findings noted during the inspection of audit firms and audit engagements.

Recognising the challenges faced by the audit profession in respect of capacity building, these series of workshops aim at strengthening audit quality and furthering the quest to develop competent professional accountants who safeguard the public interest and uphold the profession's reputation.

These workshops were facilitated by representatives of the Major Audit Firms and covers the key common inspection findings such as audit sampling, accounting estimates, group audits and root cause analysis. The strength of these workshops are that they not only focus on technical knowledge and also design practical case studies to drive the implementation of auditing and accounting standards.

There was also an engagement session designed to benefit professional accountants titled 'Accelerate Your Financial Reporting Excellence'. This session was intended to share insights on the findings identified by the Financial Statements Review Committee (FSRC) of MICPA arising from the review of financial statements disclosure requirements of selected public listed companies in Malaysia.

The insight shared at the session by FSRC aimed at promoting and encouraging high-quality financial reporting. This session also shared the insights on MFRS 18 'Presentation and Disclosure in Financial Statements' which will come into effect on 1 January, 2027.



Five sessions held from May to December 2024



176 personnel auditors and audit personnel

CAPACITY BUILDING ON SUSTAINABILITY REPORTING

Driven by the investors’ demands for consistent and reliable sustainability information, the NSRF was launched in September 2024. The NSRF addresses the use of the *IFRS Sustainability Disclosure Standards* issued by the International Sustainability Standards Board (ISSB) and the assurance requirements for sustainability reporting.

The NSRF adopts a phased and developmental implementation approach on companies in Malaysia. Main market listed issuers with market capitalisation of RM2 billion and above (Group 1) will be required to use ISSB standards in their sustainability reporting for annual reporting periods beginning on or after 1 January 2025 and followed by other main market listed issuers in 2026 and ACE market listed issuers as well as large non-listed companies in 2027.

External assurance is necessary to enhance reliability of sustainability information. The NSRF aims to mandate reasonable assurance on Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions for Group 1 starting from annual reporting periods beginning on or after 1 January 2027 and followed by other main market listed issuers in 2028 and ACE market listed issuers as well as large non-listed companies in 2029. This is to provide investors with the same level of trust and confidence akin to audited financial statements.

The accounting profession, once primarily responsible for financial reporting, is expected to expand their capacity to support the sustainability practices of companies and provide assurance services on sustainability information.

In view of the urgent needs of resources in sustainability ecosystem, PACE (Policy, Assumptions, Calculators and Education) has been set up as the implementation support hub of the NSRF. Its main task is to run NSRF-related capacity-building programs for preparers, accountants and directors, provide educational materials, general guidance and toolkits.



The Global Reporting Initiative (GRI) Professional Certification Program

In view that 77%¹ of the companies that reported on environment, social and governance (ESG) had either used or made reference to GRI standards in 2022 and to enable the use of other complementary reporting frameworks, PACE has identified the GRI Professional Certification Program as one of the essential programmes to upskill the sustainability competency of accountants.

As member of the Advisory Committee on Sustainability Reporting (ACSR) and to support the capacity-building initiatives of PACE, the AOB has heavily subsidised 100 accountants from AOB-registered audit firms for the GRI Professional Certification Program. The GRI Professional Certification Program was conducted by the Securities Industry Development Corporation (SIDC) in October 2024. The accountants have gone through all the GRI Professional Certification Modules to equip them with the necessary competencies to assess, verify and provide assurance on sustainability disclosures.

To enable the preparers to use the GRI standards and ISSB standards seamlessly in their sustainability reporting, an ISSB-GRI Interoperability Module has been developed in fourth quarter of 2024. The interoperability module will demonstrate how the process and requirements of GRI-compliant reporting can be used to comply with the requirements of ISSB standards. The workshops on interoperability module will be conducted in first quarter of 2025.



¹ IFAC *The State of Play: Sustainability Disclosure and Assurance, 2019 – 2022 Trends & Analysis*.

