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STAKEHOLDER ENGAGEMENTS AND CAPACITY-BUILDING INITIATIVES

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The AOB conducts, participates and contributes its views through stakeholder engagements to promote capacity building and high quality financial reporting and practices. These engagement sessions on the local, regional and international fronts involve regulators, accounting profession, directors and AC members. In 2022, the AOB actively worked on creating awareness on the audit firm’s *Annual Transparency Reports* and its value to stakeholders.

The AOB’s ongoing involvement and contribution at global and regional levels through the International Forum of Independent Audit Regulators (IFIAR) and the ASEAN Audit Regulators Group (AARG) facilitated mutual sharing of valuable insights into audit regulatory best practices. Further, as a member of IFIAR’s IOSWG, the AOB has been leveraging the experience and knowledge from other jurisdictions on matters relating to investor protection and improving audit quality.

In 2022, the AOB’s Executive Officer, Alex Ooi was invited by the Department of Accounting and Auditing Regulations, Ministry of Finance, Vietnam and the Institute of Chartered Accountants in England and Wales (ICAEW) to share Malaysia’s experience and best practices on audit oversight.

The AOB also continues to contribute views, on areas of concern in relation to audit quality to regulatory and standard-setting bodies which include the IFIAR, the International Federation of Accountants’ International Auditing and Assurance Standards Board, Malaysian Institute of Accountants (MIA)’s Auditing and Assurance Standards Board and Ethics Standards Board.



THE AOB’S CONVERSATION WITH AUDIT COMMITTEES

High quality financial reporting and audit quality can only be achieved if key stakeholders in the financial reporting ecosystem are effective in playing their respective roles. In this respect, the AOB continues to engage with the ACs of PLCs to ensure that they are informed and kept updated on developments that would facilitate their oversight role. The AOB strongly believes effective oversight by strong, knowledgeable and independent ACs can enhance audit quality.

Due to the encouraging response received for the AOB’s Conversation with Audit Committee series organised in 2021, the AOB conducted a repeat of the 2021 session in April 2022. The session was attended by 234 ACs from 176 PLCs. In 2022, the AOB had two sessions of its Conversation with Audit Committees. The session was attended by 739 AC members representing 597 PLCs.

ACs are instrumental in setting the right tone for the company’s financial reporting process. In this respect, the session also included a panel discussion with an AC member and auditor titled ‘How can Audit Committee and Auditors Work Towards Reliable Audited Financial Statements’. The discussions centred around the PLC’s financial reporting process, the roles and responsibilities of the ACs and auditors, audit quality indicators and deriving value from the information shared in the firm’s *Annual Transparency Report*.



These sessions were well received by the ACs. In the feedback survey conducted on the sessions, 99% AC members found the topic presented and discussion at the session useful and relevant to their role as an AC and director of PLCs.

How can ACs and Auditors work towards reliable financial statements?

- ACs should ensure that the finance function of the company is competent and appropriately staffed.
- ACs should ensure that the Management extend full co-operation to the auditors during the audit.
- ACs should take an active involvement to find out key audit issues on timely manner and to ensure that they are appropriately addressed by both the management and the auditors.

KEY TAKEAWAYS FOR AUDIT COMMITTEES



ACs should recommend the appointment and reappointment of external auditors based on audit quality considerations as promulgated by the *Malaysian Code of Corporate Governance* (MCCG). Information disclosed in the *Annual Transparency Report* may be utilised by the ACs to make their decision.

ACs are encouraged to make relevant comparisons on the Audit Quality Indicators reported by the firms and by the AOB in its AIR.





ACs should also ensure that the auditors are fairly compensated so that a quality audit could be carried out.

ACs should be mindful that any audit failures would indirectly reflect poorly on the performance of the ACs.



THE AOB'S CONVERSATION WITH AUDIT FIRMS

The AOB held its annual dialogue with the leadership and senior partners of the AOB-registered audit firms over two separate sessions on 18 August 2022 and 9 September 2022. A total of 84 senior partners attended these sessions. These sessions allow for mutual discussions on the challenges faced by the profession and regulatory efforts to improve audit quality. The AOB also shared recent observations, concerns, and emerging risks for 2023.



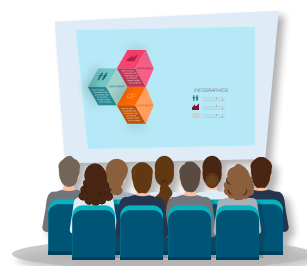
CAPACITY-BUILDING INITIATIVES FOR THE AOB'S REGISTERED AUDIT FIRMS AND INDIVIDUAL AUDITORS

The AOB worked together with the Malaysian Institute of Certified Public Accountants (MICPA) to organise workshops on ISQM 1 which will be effective from 15 December 2022. ISQM 1 is focused on proactively identifying and responding to risks to ensure audit quality. In complying with these standards, the audit firms will need to perform their own risk assessment to ensure that their quality management system is designed specifically to address these risks to audit quality.

These workshops are part of the AOB's continued effort to build capacity of the audit profession, namely the AOB's registered auditors. The objective of the workshop was to assist audit firms with the implementation of ISQM. The workshops were facilitated by the MICPA's ISQM 1 taskforce by using the MICPA's *ISQM 1 Guide and Illustrative Manual*. The sessions provided practical examples on how the audit firms should craft their system of quality management based on nature and circumstances of the firm and engagements they perform. The session also highlighted key changes from the current standards of quality control.



2 sessions were conducted on 3 October 2022 and 25 October 2022



70 participants attended the workshops