



**MONITORING AND
SUPERVISION OF
PUBLIC-INTEREST
ENTITIES AND
SCHEDULE
FUNDS AUDITORS**

The AOB undertakes a range of monitoring and supervision initiatives to uphold the integrity and quality of audits performed on public-interest entities (PIEs) and schedule funds. Its oversight framework consists of registration/ recognition of audit firms and individual auditors, regular inspections, and enforcement actions to ensure compliance with international auditing and ethical standards.

Registration and recognition criteria and conditions are set to make sure that only competent, qualified, and independent auditors are allowed to audit PIEs and schedule funds. Major Audit Firms are inspected annually, while Other Audit Firms are reviewed at least once every five years, reflecting a risk-based approach to supervision. These inspections assess both firm-level quality management systems and engagement-level audit engagements, to ensure compliance with the International Standards on Quality Management (ISQM), International Standards on Auditing (ISAs) and ethical standards as adopted by the Malaysian Institute of Accountants (MIA). Non-compliances with these professional standards, depending on the nature and severity, would result in enforcement actions on the auditors.

REGISTRATION AND RECOGNITION OF AUDIT FIRMS AND INDIVIDUAL AUDITORS

Registration and recognition of audit firms and individual auditors is one of the core regulatory functions of the AOB. The registration and recognition activities of audit firms and auditors undertaken during the year are shown in Table 1.

TABLE 1
Registration and recognition

	As of 1 January 2025	No. of new applicants	No. of withdrawals	No. of suspension	As of 31 December 2025
Registered					
Audit firms	37	1	(1)	(1)	36
Individual auditors	377	29	(23)	(2)	381
Recognised					
Foreign audit firms	5	1	(1)	-	5
Foreign individual auditors	16	7	(7)	-	16

In 2025, the AOB suspended one audit firm and two individual auditors for two years due to their failure to comply with relevant requirements in ISQM 1 and ISAs.

Chart 1 and 2 further depict the number of audit firms and individual auditors registered and recognised with the AOB as well as the number of PIEs audited for the last five years.

CHART 1
5-year registration statistics of registered audit firms and individual auditors

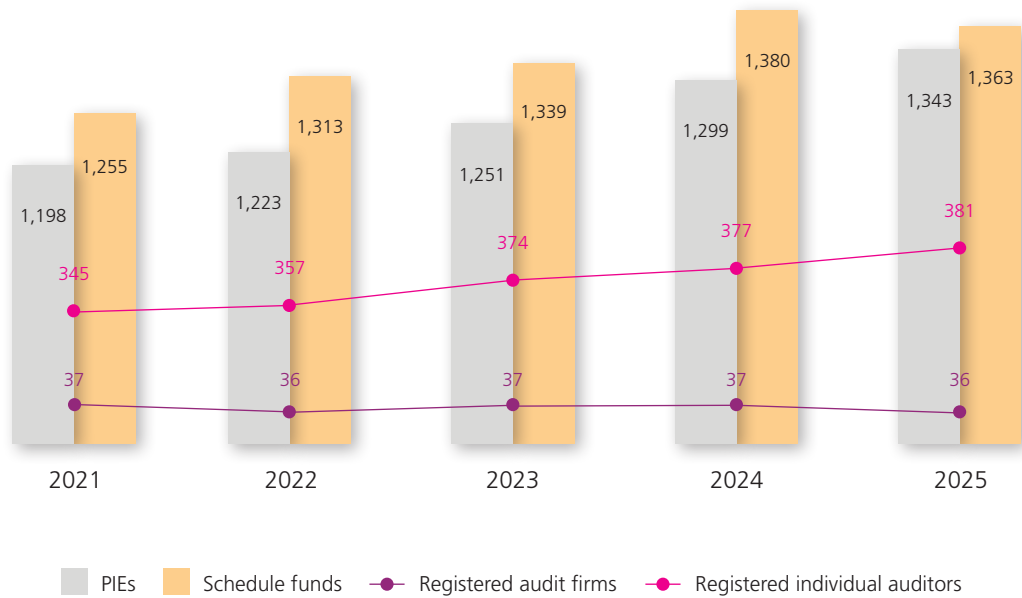
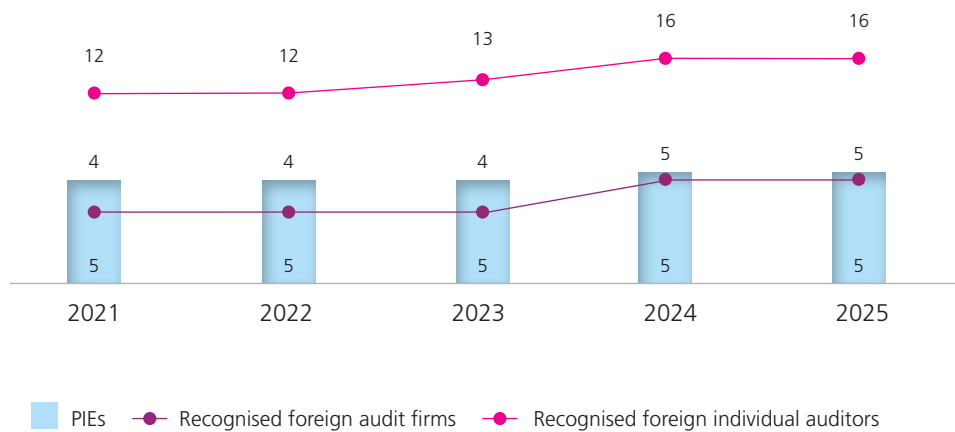


CHART 2
5-year recognition statistics of recognised foreign audit firms and foreign individual auditors



Readmission of persons with adverse comments as AOB-registered auditors

The AOB's registration requirement and criteria is aimed at ensuring that only suitable individuals are registered as auditors of PIEs and schedule funds. This is to safeguard audit quality and to protect public interest.

The AOB's fitness and probity assessment is guided by the *Securities Commission Malaysia Act 1993 (SCMA)*, the AOB's *Handbook for Registration or Recognition* and related guidelines. The criteria generally cover three broad pillars which include:

- a) Character and Integrity
 - Must demonstrate honesty, fairness, and ethical conduct.
 - No record of fraud, dishonesty, or professional misconduct.
 - Compliance with laws, regulations, and professional standards.
 - Independence and objectivity in professional judgment.

- b) Competence and Capability
 - Possession of appropriate professional qualifications e.g. member of the Malaysian Institute of Accountants.
 - Relevant audit experience, especially with PIEs.
 - Continuous professional development to maintain knowledge and skills.
 - Ability to apply auditing and ethical standards effectively.

- c) Financial Soundness
 - Must be financially responsible and not be an undischarged bankrupt.

In a similar vein, the readmission process to register an individual auditor with previous adverse comments is subject to a thorough evaluation of the auditor's fitness and probity to deliver a quality audit. The adverse comments could be a result of the AOB's previous enforcement actions and/or actions by other regulatory agencies.

Readmission to be an AOB-registered auditor is not automatic. The AOB evaluates each application for readmission individually and on a case-to-case basis. The factors considered will be nature, circumstances of the former breach and severity of the former breach.

The auditor must prove fitness and propriety anew, showing that past issues have been addressed. The burden of proof rests on the auditor to submit supportable documents that demonstrate the issues resulting in the adverse comments have been addressed and remediated in addition to ensuring that prevailing registration requirements are met at the point of reapplication to be registered with the AOB.