



## **CHAIRMAN'S MESSAGE**

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It is my privilege to present the Audit Oversight Board's (AOB) Annual Report for the financial year ended 31 December 2025. Having served as a Board member since the year 2020 and being redesignated as Executive Chairman on 5 January 2026, this is my first year of reporting on the AOB's oversight activities and key highlights.

As of 31 December 2025, the auditors under the purview of the AOB collectively audit 1,348 public-interest entities (PIEs) and 1,363 schedule funds.

## TECHNOLOGY AND SUSTAINABILITY

The auditing landscape is being reshaped by rapid technological changes and a growing emphasis on sustainability. Data analytics and artificial intelligence are transforming audit processes, helping auditors gain deeper insights into business process and performance. There is increased focus on sustainability reporting and assurance, with auditors expected to provide assurance that disclosures are reliable and aligned with global standards.

Since our establishment in 2010, the AOB has steadily advanced its mandate to safeguard audit quality and strengthen confidence in financial reporting. The AOB continued to make strides in its oversight activities, which inter alia included the following:

**a) Monitoring of auditors and audit firms**

- Conducting regular inspections on auditors and audit firms to assess compliance with auditing, ethical and quality management standards.
- Issuance of guidelines that promote governance and transparency among audit firms.

**b) Enforcement actions on non-compliance with auditing and ethical standards**

- Setting expectation through our enforcement action against audit firm and auditors. The AOB has for the first time, suspended an audit firm and two of its partners for serious audit quality issues and their failure to demonstrate improvements in audit quality from the AOB's previous inspection findings.

**c) Engagement with key stakeholders and collaboration**

- Working with other organisations such as the Institute of Corporate Directors Malaysia (ICDM) and Malaysian Institute of Certified Public Accountants (MICPA) on knowledge-sharing sessions and dialogues on strengthening audit quality.
- The AOB's Conversations with Audit Committees are focused on equipping the audit committees with knowledge/information to carry out their oversight function over auditors and the audit process effectively. In 2025, these Conversations focused on sustainability and how sustainability reporting standards impact the financial statements.

On the sustainability front, the AOB is an active member of the Securities Commission Malaysia's Advisory Committee on Sustainability Reporting (ACSR). The AOB chairs the ACSR's Sustainability Assurance Working Group which is currently developing the Framework for Sustainability Assurance. One of the key proposals under the Framework is to expand the AOB's mandate to include oversight of sustainability assurance providers. This enhanced mandate is intended to strengthen confidence in the quality and reliability of assured sustainability reporting in Malaysia's capital market.

## ADVANCING AUDIT QUALITY THROUGH STRATEGIC COLLABORATIONS

The AOB collaborated with international standard setters and hosted the following roundtables:

- a) International Ethics Standards Board for Accountant's (IESBA) Roundtable on Firm Culture and Governance which discussed and sought feedback on the principles to strengthen ethical leadership, accountability, and integrity across audit firms.
- b) International Auditing and Assurance Standards Board's (IAASB) Roundtable on Technology Quality Management which focused on the use and governance of emerging technologies such as data analytics and artificial intelligence.

These sessions were attended by regulators, auditors, preparers, and other stakeholders within the financial reporting ecosystem. The roundtables provided an avenue for sharing best practices, challenges and fostering a shared commitment to audit quality.

## CONTINUED FOCUS ON STAKEHOLDER ENGAGEMENT AND CAPACITY BUILDING

It is important that the AOB considers the views of key stakeholders on matter relating to auditor and audit quality. Therefore, we continue to focus on our engagements with auditors and audit committees of public listed companies. We also use these engagements to share about our oversight activities and our observations on the quality of audit.

The AOB uses its penalties fund to build the capacity of registered auditors, particularly smaller practices, through collaboration with the MICPA. MICPA is supported by the expertise and resources of the Major Audit Firms to conduct workshops. These workshops aim to enhance technical competencies, strengthen professional judgment, and promote best practices in audit quality.

Looking ahead, the Board will continue to refine its oversight framework, expand collaborative engagements with key stakeholders, and use technology to improve inspection and monitoring processes and target our efforts on areas of greatest risk. These initiatives are designed to ensure that auditors of public-interest entities uphold the highest standards of independence, integrity, and professional competence.

## ACKNOWLEDGEMENT

Lastly, on behalf of the AOB, I would like to formally acknowledge and extend our deepest appreciation to the AOB's former Chairman, Tan Sri Abu Samah Nordin, for his distinguished leadership of the Board. I also wish to record our sincere gratitude to Dato' Noorazman Abd Aziz, who concluded his term as Non-Executive Board Member in July 2025, for his support and commitment during his tenure.

We are pleased to welcome YM Tunku Afwida Tunku Abdul Malek and Seri Izriana Melani Mohtar as Non-Executive Members of the AOB. Their expertise and perspectives will further strengthen the AOB.

I also wish to extend our sincere appreciation to fellow regulators, professional accountancy bodies, and stakeholders for their continued support. With the commitment of our Board and dedication of our team of professionals in the AOB, we remain resolute in our commitment to fostering an auditing environment where audit firms and auditors uphold the values of quality, independence and courage.



**Dato' Seri Ahmad Johan Mohammad Raslan**