



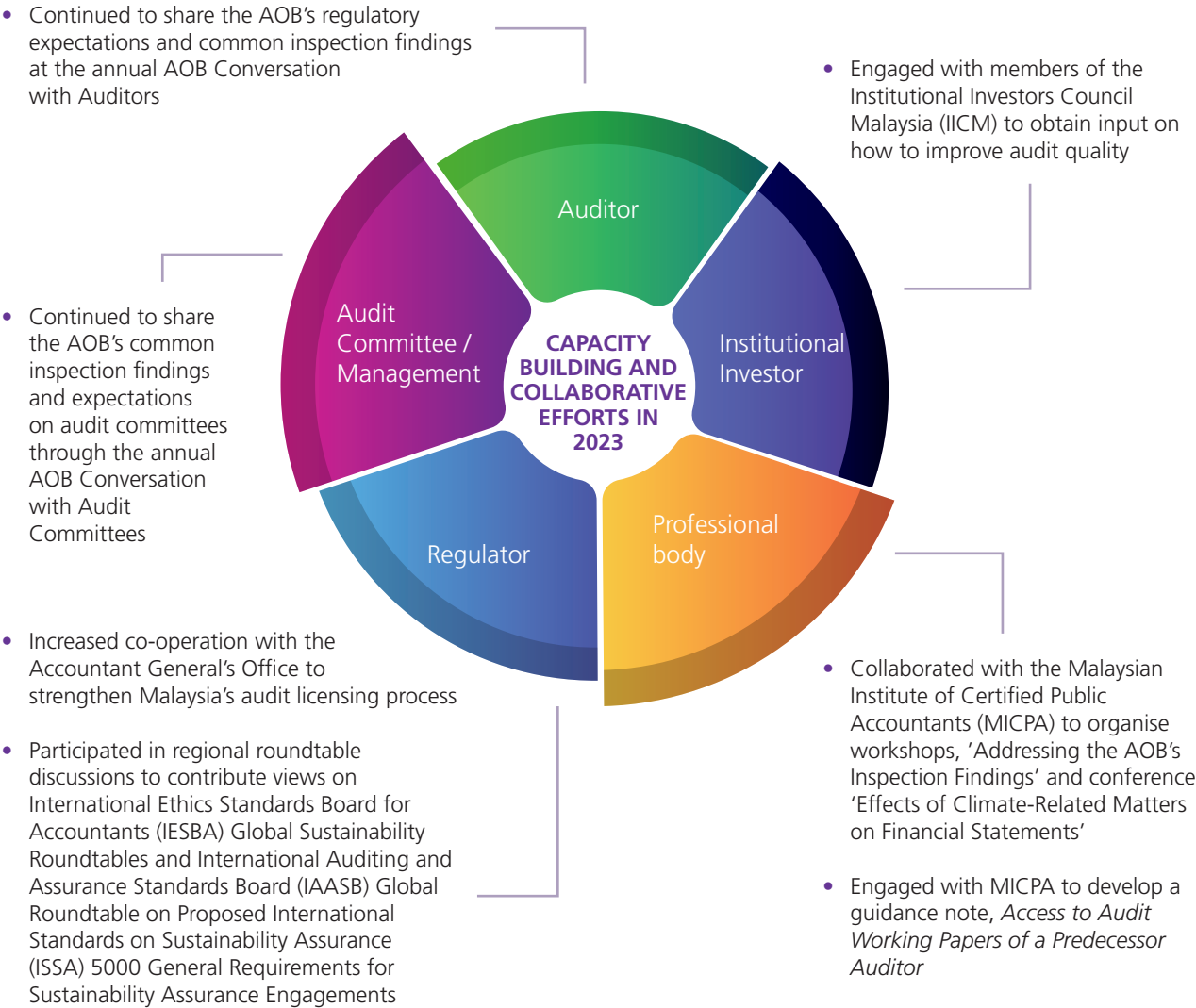
# **STAKEHOLDER ENGAGEMENTS AND CAPACITY-BUILDING INITIATIVES**

# STAKEHOLDER ENGAGEMENTS AND CAPACITY-BUILDING INITIATIVES

## ENGAGEMENTS AND CONVERSATIONS ON AUDIT QUALITY

Proactive engagements with key stakeholders including auditors, preparers of financial statements, audit committees, investors and fellow regulators are important to promote high quality financial reporting and audit practices. These engagements help the AOB to better understand the needs and expectations of these stakeholders and align efforts for maximum impact.

### The AOB's Capacity Building and Collaboration Efforts in 2023



## Maintaining Consistency on Audit Oversight among Fellow Regulators

The AOB continues to be involved at both global and regional levels through its membership with the International Forum of Independent Audit Regulators (IFIAR) and the ASEAN Audit Regulators Group (AARG). Mutual sharing of valuable insights on regulatory best practices promotes greater consistency on audit oversight among fellow audit regulators.

IFIAR and AARG annual workshops and plenary meetings provide an opportunity to–

- gain deeper insights into current regulatory regimes globally and regionally;
- share inspection techniques; and
- discuss common findings.

It also serves as a platform for regulators to engage with global and regional leadership of the six Global Public Policy Committee (GPPC) firms on audit quality issues and initiatives.

### IFIAR

IFIAR is the global forum for audit regulators and comprises 54 audit regulators from jurisdictions in Africa, North and South America, Asia-Pacific, Europe and the Middle East. IFIAR provides a forum for independent audit regulators to share among each other their knowledge and experiences, with a focus on inspection of auditors and audit firms.

### AARG

AARG is a group of audit regulators consisting of regional regulators, namely the AOB, Indonesia's Center for Supervision of the Financial Service Profession (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).

## Key IFIAR and AARG Sessions Held in 2023

### Global

#### IFIAR's 17<sup>th</sup> Inspection Workshop

Hosted by PPPK Indonesia, the workshop was held in Bali from 7 to 9 March 2023. The AOB's Inspection officers attended the workshop with more than 45 attendees from 39 jurisdictions. Topics discussed included:

- Global trends and possible implications to audit regulators arising from environmental, social, and governance (ESG) reporting and assurance
- Inspection approaches and challenges in relation to the new IQSM 1
- Inspections of bank audits and IT audits

#### IFIAR's 2023 Plenary Meeting

Held in Washington DC from 25 to 27 April 2023, the session was attended by members, observers, and other key stakeholders from 44 IFIAR Member jurisdictions. Discussions focused on:

- Key developments and emerging trends in the audit industry including progression of audit quality
- Emerging requirements over sustainability reporting and assurance
- Concerns over the attractiveness of the profession

### AARG Workshop

Hosted by ACRA Singapore from 25 to 27 September 2023, it was the first face-to-face workshop since 2019. AARG member countries (ACRA Singapore, AOB Malaysia, SEC Thailand, PPPK Indonesia and SEC Philippines) together with non-AARG members, i.e. Cambodia and Hong Kong, took this opportunity to share knowledge and experience on audit regulation, inspection and enforcement.

### Promoting Effective Oversight of Auditors and the Audit Process

Audit Committees (ACs) play an important role in the financial reporting process through their oversight of auditors and the audit process. Effective oversight by strong, knowledgeable, and independent ACs are important to enhance audit quality.

The AOB's Conversation with ACs is a platform to share the AOB's oversight activities and observations on the quality of audit. The session covered the financial reporting implications of climate-related matters. There were discussions on the disclosure of climate-related risks and its potential impact on the financial statements of PLCs. Examples of the potential impact to the financial statements of specific industries such as banking, agriculture and real estate was also shared with the ACs. ACs were urged to ensure that there are adequate governance structures in place to monitor climate-related matters and engage management and auditors in a timely manner.



Session held on 27 November 2023



Attended by 278 ACs from 249 PLCs

# AOB ALERT

TO AUDIT COMMITTEES

NOV 2023

**Introduction**

The Audit Oversight Board (AOB) was established under Part 11A of the Securities Commission Malaysia Act 1993 (SCMA). The AOB's mandate is to foster high quality independent auditing to promote confidence in the quality and reliability of audited financial statements of public-interest entities (PIEs) and schedule funds in Malaysia.

As of 30 September 2023, the AOB's registered and recognised audit firms and individual auditors collectively audit the financial statements of 1,247 PIEs and 1,323 schedule funds.

**CONTENTS**

- Introduction
- The AOB's Introduction
- The Role of Audit Committees in the AOB's Findings
- Annual Transparency Reporting
- Highlight Questions by Audit Committees

**Why is this alert important to Audit Committees?**

- To provide updates on the AOB and its effort to promote audit quality
- To assist Audit Committees in engaging meaningful conversation with key stakeholders

**The AOB's Inspections**

An inspection includes an assessment of the degree of compliance by auditors with auditing and ethical standards applicable in Malaysia, and the quality of the auditors' reports of PIEs and schedule funds. An inspection may involve either a firm level review or engagement level review or both.

A firm level review assesses a firm's compliance with the requirements of the International Standard on Quality Management 1 (ISQM 1).

An engagement review involves an assessment of the auditor's compliance with the International Standards on Auditing (ISAs) and relevant ethical standards at the audit engagement level. The engagement review also seeks to determine whether sufficient appropriate audit evidence has been obtained to support the conclusion reached on the audit of PIE or schedule fund.

**INSPECTIONS**

	Number of work hours	Number of audit engagements	Number of audit engagements
Q1 2023	14	44	44
Q2 2023	21	52	56
Q3 2023	14	45	54

In November 2023, the first AOB Alert for ACs was issued. The aim of the AOB Alert is to—

- provide updates on AOB efforts to promote audit quality and key development affecting the financial reporting ecosystem; and
- facilitate the ACs to have meaningful conversation with key stakeholders.

The AOB's Conversations with ACs and AOB Alerts are designed to ensure that ACs are sufficiently informed on the relevant information to effectively carry out their oversight responsibilities.

Read the AOB Alert at <https://www.sc.com.my/aob/aob-alert>

## Engaging the Leadership of the Audit Firms

Engagements with the leadership of the AOB-registered audit firms enable the AOB to support quality audit work. These engagements provide a platform for the AOB to listen to the views and challenges faced by auditors and to make decisions if any regulatory intervention is required. Areas of discussion included inspection findings, observations, and regulatory updates.



The AOB's Conversation with Major and Other Firms held in August 2023



Attended by 74 senior auditors

## Seeking Input from Investors and Other Stakeholders

In addition to being a member of IFIAR, the AOB also serves in IFIAR's Investor and Other Stakeholders Working Group (IOSWG). Involvement in the IOSWG provides the AOB with an avenue to understand investors and other stakeholders' expectations of auditors and audit regulators.

The AOB has been leveraging the experience and knowledge from other jurisdictions on matters relating to investor protection and improving audit quality. Earlier this year, as part of IOSWG's consultation, the AOB sought feedback on stakeholders' assumptions for reasons behind audit failures. The feedback will assist the IOSWG to design activities to improve audit quality.

In this regard, the inaugural engagement with the members of the IICM was held on 23 November 2023 to seek views from the investor group on matters regarding auditors and audit quality.

The session was attended by representatives of some of the largest institutional investors in Malaysia such as Employees Provident Fund, Kumpulan Wang Persaraan (Diperbadankan), Lembaga Tabung Angkatan Tentera and Lembaga Tabung Haji.



## WORKSHOPS TO ADDRESS COMMON INSPECTION FINDINGS

In 2023, AOB collaborated with MICPA to organise workshops for AOB-registered auditors to address the common findings noted during the inspection of audit firms and audit engagements.

These workshops are part of a continuous series of capacity-building initiatives undertaken by the AOB to assist the audit profession.

These sessions assist audit firms in enhancing audit quality by providing case studies on audit best practices in key audit areas such as sampling and accounting estimates. The workshop which was facilitated by representatives of Major Audit Firms provided an avenue for auditors to share experiences on key audit challenges.



Three sessions held within October and November 2023



176 auditors and audit personnel attended the sessions

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