

CHAIRMAN'S MESSAGE



It is my privilege to present the Audit Oversight Board's (AOB) Annual Report for the year ended 31 December 2023. This is my maiden report having been appointed as the Non-Executive Chairman of the AOB on 5 January 2024.

I am privileged to join the AOB at a time where Malaysia continues to rank first for quality of auditors and audit regulators in the Corporate Governance (CG) Watch 2023 issued by the Asian Corporate Governance Association (ACGA). This is the third consecutive time that Malaysia has held this position. I am happy to report that we did so with an increase of six points from the previous score. The increase in score highlights Malaysia's continued efforts to continue to push the bar and set the standard in audit oversight.

OVERSIGHT OF AUDITORS OF PUBLIC INTEREST ENTITIES AND SCHEDULE FUNDS

Oversight of auditors include registration, inspection and enforcement. The AOB's oversight activities include strengthening ongoing monitoring efforts by issuing guidelines and influencing the financial reporting ecosystem via the AOB's Conversation series with auditors, audit committees (ACs) of public-listed companies (PLCs) and investor groups. The AOB also continues its collaborative efforts with professional bodies to set the tone for regulatory expectations and address any collective concerns of its registered auditors, where possible.

In 2023, we issued the *Guidelines on Continuing Obligations for Registered Auditors* to strengthen our oversight framework over registered auditors and ensure better monitoring and supervision of our registered auditors.

As in prior years, to allow for more in-depth information to be shared, inspection findings and observations on audit firms and auditors will be presented separately in the 2023 Annual Inspection Report (AIR). In an effort to facilitate meaningful communication between the ACs of PLCs and their auditors, the AIR will continue to be distributed to ACs members of PLCs and other key stakeholders.

The AOB has been transparent and clear with its expectations on audit quality. Audit quality applies to all audit firms regardless of their size and any non-compliance with standards and regulation will result in enforcement actions against any delinquent registered auditors. In 2023, there were enforcement actions, ranging from reprimands, prohibitions and monetary penalties taken against auditors.

CONVERSATIONS AND ENGAGEMENTS ON AUDIT QUALITY

In 2023, we organised our inaugural engagement with the members of the Institutional Investors Council Malaysia (IICM) to create awareness of the audit oversight function of the SC in Malaysia and seek views from investor groups on matters regarding auditors and audit quality. The aim of the engagement was to open communication lines with the investors groups to understand their expectations of auditors and audit regulators.

The first *AOB Alert for Audit Committees* was issued during the year with the aim of providing updates on our efforts to promote audit quality and key development affecting the financial reporting ecosystem. The AOB's Conversations with Audit Committees and AOB Alerts for Audit Committees are designed to ensure that ACs are sufficiently informed on the relevant information to effectively carry out their oversight responsibilities.

Sustainability of AOB-registered audit firms is paramount to upholding audit quality. We take cognisance of the firms' efforts to address staff turnover issues. Nevertheless, the AOB urges the auditors and public-interest entities (PIEs) to invest in and take advantage of technological developments to help mitigate resourcing concerns in the short-term. Auditors and PIEs should also explore long-term technological solutions and expedite efforts to embed technology into the financial reporting ecosystem.

The AOB is closely monitoring developments in sustainability reporting and assurance while concurrently putting in the necessary efforts to upskill our team as sustainability reporting and its assurance gain global prominence.

ACKNOWLEDGEMENT

I would like to acknowledge the contributions and support of the AOB's previous Chairman, Dato' Anantham Kasinather and one of our non-executive members, Dato' Darawati Hussain who concluded their terms on the Board in 2023. In 2023, we welcomed Dato' Noorazman Abd Aziz who joined the Board.

The recognition received from the CG Watch 2023 reinforces the AOB's position as a trusted and respected audit regulator in the region. This recognition would not have been possible without the steadfast leadership of all our board members and unwavering commitment of our management team to uphold audit quality.

Further, I wish to also thank fellow regulators, professional accountancy bodies and other stakeholders for their ongoing support. I look forward to working with my fellow board members and our talented team to build on our progress and execute our mandate effectively.



Tan Sri Abu Samah Nordin