

AOB ALERT

TO AUDITORS AND AUDIT COMMITTEES

MAY 2026



Suruhanjaya Sekuriti
Securities Commission
Malaysia

Getting It Right the First Time: Responsibilities for Accurate Financial Reporting

On 12 May 2026, the Audit Oversight Board (AOB) hosted its annual Conversation with Audit Committees to engage with Audit Committees (ACs) of public-listed companies (PLCs). The conversation featured a sharing session by Dr. Ismet Yusoff, Chief Executive Officer of the Minority Shareholders Watch Group (MSWG), which focused primarily on the importance of transparent, accurate, and reliable information to support informed decision-making by stakeholders.

One key concern highlighted is the high number of errata and rectification announcements issued by PLCs for their annual reports.

Accurate and meaningful disclosures are fundamental in providing investors with informed decisions for their investment purposes with the ultimate objective of ensuring a transparent, fair, and orderly market. High number of errata by various PIEs signals lack of oversight in ensuring completeness and consistencies in corporate disclosures. This raises questions about the reliability and quality of financial information issued and relied upon by investors. Below are some of the examples of errata issued by the PLCs:



Accuracy of Financial Information

- Material misstatements in annual reports requiring subsequent revision or amendment.
- Miscalculations or inappropriate valuations resulting in material discrepancies in reported results.



Consistency and Alignment of Disclosures

- Discrepancies between amounts or narratives across financial statements, notes, and other sections of the annual report.
- Misaligned disclosures such as unadjusted or non-annualised figures leading to conflicting or misleading information, particularly where financial periods differ.



Completeness of Information

- Omission of material information or insufficient detail, particularly relating to significant transactions, investments or financing decisions.
- Gaps in financial, operational or sustainability-related disclosures.



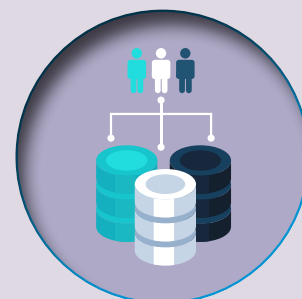
Timeliness of Disclosures

- Delayed corrections or announcements, including errata issued only after a lapse of time or external prompting, increasing the risk of reliance on inaccurate information.



Transparency and Fair Disclosure

- Uneven dissemination of material information, such as disclosure made to media or third parties ahead of official announcement.
- Disclosures that may obscure underlying performance or key risks.



Who is responsible?

Prior to the issuance of annual reports, a structured and controlled financial reporting process should be adhered. Management, directors, and external auditors play critical roles in ensuring that the information presented is complete, accurate, and reliable at the point of issuance. Weaknesses at any stage of preparation, review or audit execution may result in inaccuracies that only surface after issuance, necessitating subsequent corrections or errata.

These observations raise question on who should be accountable for ensuring the accuracy of corporate disclosures.



Role of auditors

While an auditor's opinion relates primarily to the financial statements, auditing standards also place responsibilities on auditors in relation to the other information contained in the annual report. Under ISA 720 (Revised) The Auditor's Responsibilities Relating to Other Information, auditors are required to consider whether such information is materially inconsistent with the audited financial statements or materially misstated. This includes evaluating whether narratives, performance indicators, and disclosures are aligned with audit evidence obtained.

Failure to appropriately identify and address such inconsistencies may undermine the reliability of the annual report and contribute to the need for post issuance corrections or errata.



Role of directors

The directors of PLCs, including the ACs, are responsible for overseeing the financial reporting processes undertaken by management. They have the ultimate accountability for ensuring that all regulatory requirements relating to financial reporting are met and that the information presented is accurate and reliable.

Directors are encouraged to consider the following in fulfilling this role:



Strengthening the finance function

Ensure the finance function is staffed with competent and qualified personnel, supported by clear roles and accountability. This will enable timely preparation, review and verification of financial and corporate disclosures.



Exercise robust oversight over management's preparation process

Understand key judgements, estimates, and assumptions applied by management, particularly in high-risk or complex areas, and challenge explanations where necessary.



Allocate sufficient time for review

Ensure adequate time is provided to review draft financial statements and the full annual report, rather than relying on last-minute approvals.



Ensure alignment between the audited financial statements and the other information within the annual report

Confirm that narratives, highlights, and performance metrics are consistent with the audited financial statements and do not present misleading impressions.



Oversee controls over the financial reporting process

Consider whether internal controls over financial reporting, including review and sign off procedures, are operating effectively.



Reflect on errors or errata issued

Where post issuance corrections occur, consider the root causes and whether improvements are required in governance, review processes, or communication with auditors.

The above recommendations are intended as a guidance for auditors and audit committees and should not be construed as exhaustive.

