

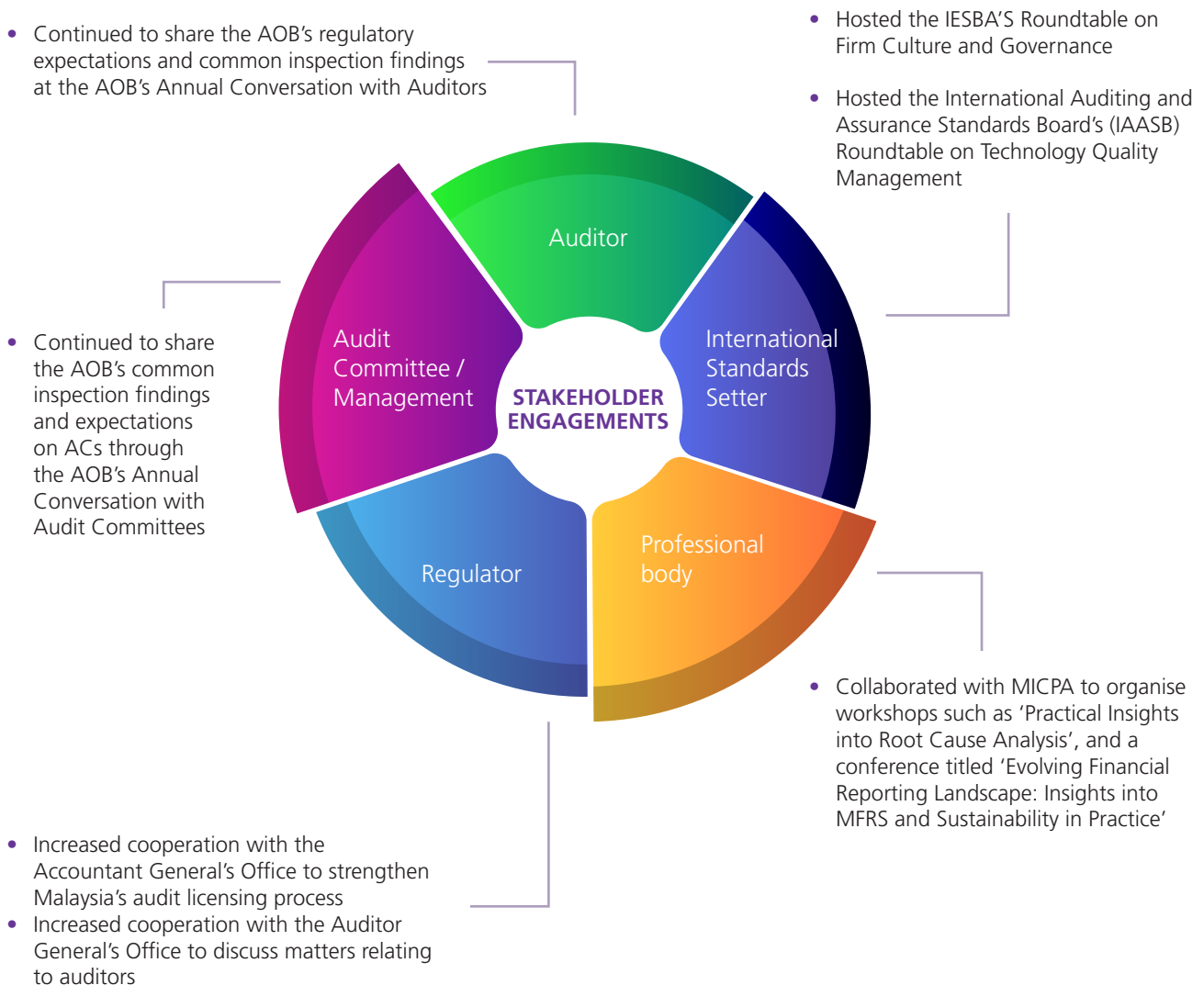


**STAKEHOLDER
ENGAGEMENTS
AND CAPACITY-
BUILDING
INITIATIVES**

STRENGTHENING AUDIT QUALITY THROUGH STAKEHOLDER ENGAGEMENTS

The development and implementation of regulatory policies and actions require careful assessment of their impact on relevant stakeholders. AOB strives to balance diverse viewpoints in its decision-making process with a focus on public interest. It is therefore essential that the AOB regularly engages in discussions, fosters collaborations, and seeks constructive feedback to effectively discharge its responsibilities. Feedback from past engagement activities has consistently highlighted that such sessions provide valuable insights and a deeper appreciation of the importance of the AOB's role in safeguarding audit quality.

Throughout 2025, the AOB organised a series of sessions with key stakeholders, including:



STRENGTHENING AUDIT OVERSIGHT THROUGH GLOBAL AND REGIONAL COOPERATION

Leveraging its membership in the International Forum of Independent Audit Regulators (IFIAR) and the ASEAN Audit Regulators Group (AARG), the AOB gains access to global and regional developments while contributing to the continual enhancement of audit quality. These platforms also provide an avenue for the AOB to connect with the global and regional leadership of the six Global Public Policy Committee (GPPC) firms to discuss matters related to the network and emerging issues. The AOB's involvement in the IFIAR working groups, including the Investor and Other Stakeholders Working Group (IOSWG) and the Sustainability Assurance Taskforce (SATF) provides the AOB with the opportunities to contribute the Malaysian perspectives to international discussions and ensuring local relevance in global standards. Participation in SATF allows the AOB to shape practices around sustainability reporting and assurance, a growing area of importance for capital markets. Through IOSWG, the AOB engages with investors and other stakeholders to better understand expectations and enhance transparency in financial reporting.

In 2025, the AOB participated in the annual IFIAR plenary meetings and workshops, where regulators from around the globe convened to exchange views on audit oversight best practices and common challenges. Discussions focused on critical topics such as quality management systems, sustainability assurance, and audit approaches involving technology, reinforcing the importance of global collaboration in advancing audit oversight.



IFIAR Plenary Meeting 2025

The plenary meeting was held in Berlin, Germany from 8-10 April 2025 and was attended by representatives from 49 IFIAR member jurisdictions. Panel discussions were focused on the following:

- Regulatory approaches to smaller audit firms in their jurisdictions, whose significance in PIE audits continues to grow.
- Assurance over sustainability reporting, and how regulators can contribute to the quality of the reporting in a context where experiences and skills still need to be built in companies and audit firms.
- Approaches to utilising artificial intelligence in regulatory activities to keep pace with the technological developments surrounding the audit markets.



IFIAR 19th Inspection Workshop

In March 2025, the AOB attended a three-day workshop organised by IFIAR in collaboration with the Financial Reporting Council of Mauritius. Close to 100 participants from various jurisdictions were also present to exchange knowledge regarding the evolving audit environment, share practical oversight experiences, foster collaboration and regulatory consistency, and offer a platform for dialogue with other international organisations concerned with audit quality.



IFIAR's Task Force and Working Group Webinars

In addition to the inspection workshops, the IFIAR held webinar sessions throughout the year discussing emerging issues and ongoing developments within the audit and inspection space, including:

- Inspections of crypto-related audits.
- Setting up Sustainability Reporting Assurance Oversight.
- Introduction to artificial intelligence (AI) in audit and oversight.



IFIAR is a global forum for independent audit regulators to collaborate and share knowledge and experiences, with a focus on inspection of auditors and audit firms, towards promoting consistency in audit regulatory activities globally. Today, the IFIAR has 56 member audit regulators from Africa, North and South America, Asia-Pacific, Europe and the Middle East.

AARG AND FINANCIAL STATEMENT SURVEILLANCE GROUP (FSSG) WORKSHOP 2025

Following the SC's hosting of AARG and FSSG workshops last year, the AOB continued to support the Combined ASEAN Audit Regulators Group (AARG) and Financial Statements Surveillance Group (FSSG) Workshop 2025, held in Bangkok from 25-27 August 2025.

Representatives from Indonesia, Singapore, Malaysia, Thailand, and the Philippines convened to exchange perspectives on strengthening the region's audit and regulatory landscape. The dialogue highlighted shared challenges and opportunities across four key areas which include:

- Strengthening audit quality and oversight practices
- Regulatory innovations and inspection case studies
- The growing demand for IT auditors.
- Supervision of financial reporting.

The workshop also featured sessions with the Institute of Valuers and Appraisers, Singapore, on business valuation practices and engagement with the IESBA on ethics, culture, and governance in audit firms.



AARG is a group of audit regulators from the region, namely the AOB, the Finance Professions Supervisory Centre in Indonesia (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).



COLLABORATIVE EFFORTS WITH INTERNATIONAL STANDARDS SETTERS

The AOB's collaborative efforts with IESBA and IAASB reinforced its commitment to aligning Malaysia's audit oversight framework and standards with global best practices. These collaborations also allow for knowledge and experience sharing which will assist the AOB to stay ahead of current and emerging risks.

IESBA'S FIRM CULTURE AND GOVERNANCE

On 28 April 2025, the AOB facilitated the IESBA's Roundtable on Firm Culture and Governance as part of IESBA's public consultation process for the project on firm culture and governance. This project aims to develop a framework that fosters, upholds, and reinforces strong ethical standards among the accounting and audit firms' leadership, partners, and staff across all service areas.

The Roundtable brought together a wide range of stakeholders, providing a platform for sharing notable insights and perspectives, which contributed meaningfully to the ongoing development of the culture and governance framework.

Discussion centred on the key elements of this framework, which are as follows:



Oversight and governance



Incentives and rewards that align with ethical behaviour



The provision of independent input



A culture of open discussion and challenge



Accountability across the firm



Transparency about the firm's ethical performance



Continuous education and training

A strong and positive audit firm culture fosters integrity and a commitment to high-quality audit, which is essential in maintaining trust with clients, regulators, and the capital market. In addition, a positive firm culture plays a pivotal role in retaining talent and reducing burnout in what is often a demanding profession. By fostering values such as transparency, accountability, and continuous learning, audit firms create an environment where employees feel motivated, supported, and empowered to deliver high-quality work. This strengthens the sustainability of the profession.



IAASB TECHNOLOGY QUALITY MANAGEMENT ROUNDTABLES

On 13 October 2025, the AOB together with the Association of Chartered Certified Accountants (ACCA) hosted IAASB's Roundtable on Technology Quality Management. The Roundtable focuses on how audit firms apply quality management standards to emerging technologies like AI and data analytics.

The session brought together audit regulators, audit firms, ACs, investors, academia and other practitioners across the Southeast Asia region to share valuable insights and most importantly align expectations on the use of emerging technology. The dialogue included the following:

- (a) Identification of practical challenges and emerging best practices in technologies particularly in AI.
- (b) Understanding how its quality management standards specifically ISQM 1 and International ISA 220 were being applied in emerging technologies.
- (c) Exploring the development of non-authoritative materials such as practices and guidance to promote consistent, high-quality application of its standards in emerging technologies.



Following the roundtable discussion, and in view of the prevalent risks and challenges associated with the adoption of emerging technologies, particularly AI in auditing practice, the AOB has issued an AOB Alert on Technology Risk Management for Auditors in December 2025.

PROMOTING EFFECTIVE OVERSIGHT OF AUDITORS AND THE AUDIT PROCESS

Connecting with the ACs of PLCs continues to be a key focus of the AOB. ACs play a critical role in governance over the financial reporting process, including oversight of auditors. While publications such as the AOB's Annual Inspection Report and periodic AOB Alerts keep ACs informed of inspection observations and regulatory developments, while direct engagement through dialogue sessions enables more comprehensive discussions on current issues within the financial reporting ecosystem.

In 2025, the AOB's Conversation with Audit Committees centred on practical insights into the implementation of the *National Sustainability Reporting Framework* (NSRF). Speakers shared perspectives on:

- The structure of sustainability reports.
- Critical factors for successful adoption of the IFRS Sustainability Disclosure Standards.
- Common challenges faced by PLCs in sustainability reporting.

Questions raised by ACs covered areas such as the implications of sustainability reports, resources available for implementation, and assurance requirements. These exchanges underscored the importance of engaging ACs to address concerns and provide guidance that supports the smooth application of NSRF requirements.

The AOB remains committed to continuing conversations with ACs to ensure they are equipped with relevant information and insights as they carry out their responsibilities in enhancing audit quality and strengthening investor confidence.

Key Takeaways for ACs

- The IFRS Sustainability Disclosure Standards, IFRS S1 and IFRS S2, emphasises sustainability-related financial information on sustainability risks and opportunities with greater connectivity to the financial statements.
- Disclosure improvements on the impact of climate-related risks and opportunities in the financial statements are expected as sustainability report is to be issued at the same time as the related financial statements.
- The sustainability report is a regulatory document and ensuring compliance requires the appropriate capabilities to be convened within a PLC.



Session held on 25 November 2025



Attended by 628 AC members

Further to the AOB's Conversation with Audit Committees, the AOB also participated in a session organised by the Institute of Corporate Directors Malaysia for ACs and board members. The event was attended by 96 participants from diverse industries and featured a presentation by Alex Ooi Thiam Poh, Executive Officer of the AOB.

The session included information on the AOB's oversight functions, inspection programme and inspection observations. There was discussion on the role the ACs play in overseeing the effectiveness of internal controls, monitoring the independence and performance of external auditors. The AOB also highlighted best practices for evaluating auditor independence and strengthening governance processes.



Session held on 23 October 2025



Attended by 96 board members

DRIVING THE DEVELOPMENT OF A ROBUST SUSTAINABILITY ASSURANCE FRAMEWORK

In September 2024, the Advisory Committee on Sustainability Reporting (ACSR) launched the NSRF. Recognising the critical need to enhance investor confidence in the credibility and reliability of sustainability-related disclosures, the ACSR subsequently established the Sustainability Assurance Working Group (SAWG) in 2025. The SAWG is chaired by the AOB and has been tasked with developing the framework for Sustainability Assurance (Framework), which will serve as a key component in strengthening the overall quality of sustainability information.

The SAWG comprises representatives from ACSR members, Global Public Policy Committee (GPPC) network firms¹ in Malaysia and MIA. The key activities of SAWG for 2025 are illustrated in Diagram 1.

DIAGRAM 1



¹ GPPC network firms in Malaysia are BDO PLT, Deloitte Malaysia PLT, Ernst & Young PLT, Grant Thornton Malaysia PLT, KPMG PLT and PricewaterhouseCoopers PLT.

The public consultation paper on the proposed Framework was issued by the ACSR on 25 June 2025, with a six-week period for the public to provide feedback. The main elements of the proposed Framework are depicted in Diagram 2.

DIAGRAM 2
Main elements of the proposed Framework



During the public consultation period, the AOB engaged with senior representatives of five non-accounting sustainability assurance providers operating in Malaysia. The outreach is to gain insights into their current sustainability assurance practices, technical capabilities, challenges and readiness to comply with the proposed Framework.

The public consultation garnered 91 responses from PLCs, audit firms, non-accounting sustainability assurance providers, professional bodies and institutional investors. The feedback received reflected broad support for the development of a robust assurance framework, while also highlighting practical considerations related to implementation, capacity building, and market readiness of sustainability assurance.

The proposed Framework is presently in its finalisation stage, during which the ACSR assesses the feedback received from stakeholders, addressing key issues raised and refining the Framework to ensure its robustness and capability to achieve its intended regulatory outcomes.



In the December 2025 issue of the *AOB Alert to Audit Committees and Auditors* on 'Connecting Sustainability-related Financial Disclosures to Financial Statements', the AOB highlighted the key focus areas for PIE directors and auditors to discharge their responsibilities with regards to connecting sustainability reporting to financial reporting.

The AOB's Oversight Activities - December 2025

CAPACITY BUILDING AND COLLABORATION EFFORTS

The desired outcome of the AOB’s oversight activities is for audit firms to deliver consistent quality audits through continuous capacity building and effective audit quality framework. Capacity-building initiatives for the profession have been an important focus area for the AOB. While the AOB uses its enforcement actions to send a strong signal to the auditors on the importance of upholding audit quality, the AOB is also cognisant of the challenges faced by audit firms in respect of capacity building. In this regard, the AOB utilises the monies collected from the penalty imposed on auditors to facilitate capacity-building initiatives for the profession.

ENGAGING THE LEADERSHIP OF THE AUDIT FIRMS

Ongoing engagements with the leadership of registered audit firms enable the AOB to ensure that audit quality remains a key priority.

The conversations allow open sharing of views and challenges faced by auditors. It also allows the AOB to make decisions if any regulatory intervention is required and reassess its priority areas.

SC Chairman Dato’ Mohammad Faiz Azmi shared his views on sustainability reporting and the need for sustainability assurance to enhance the reliability of sustainability information. There should also be emphasis on capacity building to ensure practitioners are equipped with the necessary skills and expertise to support companies in embedding sustainable practices.

The AOB shared key findings and observations of firm and engagement reviews during its annual inspection of audit firms and auditors. In addition, there were also updates on the AOB’s initiatives which included introduction of governance principles for audit firms, enhancements to annual transparency reporting and proposal for inclusion of the requirement for audit tendering under the *Malaysian Code of Corporate Governance*.



The AOB’s Conversation with Major and Other Audit Firms held on 27 October 2025



Attended by 81 senior auditors

BUILDING CAPACITIES OF AOB-REGISTERED AUDITORS THROUGH COLLABORATION WITH THE MALAYSIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

In 2025, the AOB, in collaboration with MICPA, conducted a workshop titled 'Practical Insights into Root Cause Analysis'. The workshop was organised in recognition of the importance of addressing inspection findings by identifying and remediating their underlying root causes to prevent recurrence.

Under ISQM 1, root cause analysis helps audit firms understand the seriousness and extent of deficiencies and guides them in taking specific actions to address and prevent these issues. The workshop conducted was aimed at communicating the importance of a thoroughly challenged root cause analysis programme and discussions of case studies to illustrate comprehensive assessments of deficiencies before arriving at the underlying cause. The objective of these collaborative workshops is to develop professional accountants who can strengthen audit quality by applying due consideration of lapses in the internal processes or controls which need enhancement.

AOB also hosted MICPA's Financial Statements Review Committee's (FSRC) sharing session on the results of their activities throughout 2025. Titled 'Evolving Financial Reporting Landscape: Insights into MFRS and Sustainability in Practice', this session was intended to share insights on the findings identified by MICPA arising from the review of financial statements of selected PLCs in Malaysia.

Further sharing also focused on MFRS 18 'Presentation and Disclosure in Financial Statements' which will come into effect for annual reporting periods beginning on or after 1 January 2027.



Sessions held between September and November 2025



Attended by 170 auditors and audit personnel