

Remote but Not Ready: Auditing Realities in Malaysia and Thailand

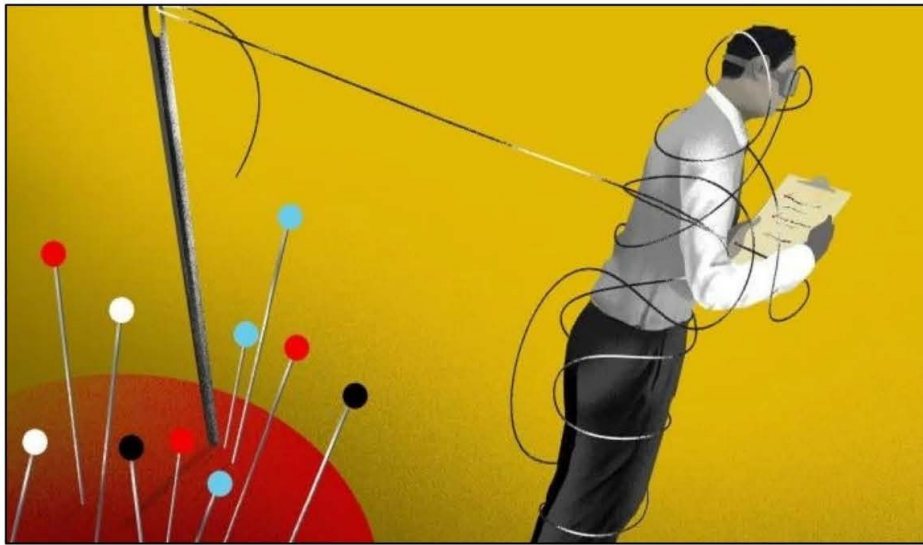
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When the COVID-19 pandemic hit, it did not just disrupt everyday life, it completely reshaped how work was done across almost every profession. For auditors, who are used to being physically present at client sites, checking inventory in person, and meeting face-to-face, the shift to remote auditing was especially challenging. Many auditors simply were not ready to work from home, even when their firms had provided the necessary systems. As a result, many auditors struggled with confidence and teamwork, especially in unfamiliar virtual environments (Kamaruddin & Hanefah, 2023). In Malaysia and Thailand, responses to these challenges took different forms, offering valuable insights into preparedness and regulatory foresight.

In Malaysia, the disruptions ran deep. A survey of 171 external auditors revealed that nearly every phase of the audit process, namely the planning, fieldwork, and reporting, was significantly affected by the sudden shift to remote work (Kamaruddin & Hanefah, 2023). Despite having access to digital systems, many auditors were not adequately prepared to use them effectively. This gap between available tools and auditor readiness was especially apparent in larger firms, where even Big Four auditors struggled with inconsistent documentation and clients' uneven digital maturity. These shortcomings undermined auditor confidence and disrupted collaboration across teams. Baatwah et al. (2023) further highlight that auditors with low self-efficacy in remote settings faced more stress and lower performance, emphasizing the human side of digital transformation. Without sufficient training and experience, even well-equipped firms found it difficult to maintain audit quality during the crisis.

Compared to Malaysia, Thailand was ahead of the curve, as its audit authorities had already rolled out ISA 701 on Key Audit Matters (KAM) even before the pandemic hit, helping auditors adapt more quickly when the crisis unfolded. This proved invaluable; auditors were better equipped to confront COVID-related uncertainties like revenue recognition, asset impairment, and going concern risks. A study of Thai listed firms from 2016–2020 revealed a strong positive correlation between KAM reporting and audit quality, especially where audits were led by Big Four firms, fees were higher, and auditor independence was strong (Suttipun, 2021; Sawangjan & Suttipun, 2020). A separate investigation confirmed these links over a longer time frame, reaffirming the importance of KAMs as a communication tool that reduces information asymmetry in audit reporting (Suttipun, 2020; Wuttichindanon & Issarawornrawanich, 2020).

Further reinforcing Thailand’s audit evolution, research into auditor behavior during COVID-19 confirms that Big Four auditors were significantly more likely to disclose COVID-19-related matters explicitly in their reports, especially when auditors were female or inherently conservative in their judgment (Temsawat et al., 2024). While such disclosures did not show a direct effect on market reactions, they improved transparency and risk awareness in audit communications. Building on this foundation, recent research by Srisuwan et al. (2024) examined factors influencing KAM reporting for Thai listed companies from 2016–2020, finding that firm size, industry type, and auditor independence were significant determinants of disclosure quality. These findings reinforce the need for Thai audit firms to integrate more data-driven techniques into their KAM narratives, providing not just the “what” but also the “how” behind identified risks.

Comparing both countries shows a clear narrative: Malaysia had the digital tools but lacked professional readiness; Thailand had regulatory foresight, and built-in disclosure practices that auditors could lean on when uncertainty spiked. This distinction matters more than raw technology. Malaysia’s challenges lie in the need for a stronger human-capital approach to digital audit transformation, while Thailand’s next stage of growth depends on leveraging its regulatory strengths in a more data-driven environment. Both can benefit from structured collaboration that blends Malaysia’s gradual adoption of advanced digital audit tools with Thailand’s matured disclosure practices.

One way forward is the development of cross-border training programs where Malaysian auditors can participate in Thai-led KAM disclosure workshops, while Thai auditors gain hands-on exposure to advanced digital auditing tools and Computer-Assisted Audit Techniques (CAATs) widely available in Malaysian firms. Such exchange programs would not only foster technical skills but also deepen mutual understanding of audit challenges faced in different regulatory environments. Joint training sessions focusing on real-life case studies such as complex revenue recognition during COVID-19 or fair value measurement under market uncertainty would enhance problem-solving abilities for auditors in both countries.

Collaboration could also extend to regulatory and professional bodies. Malaysia’s Malaysian Institute of Accountants (MIA) and Thailand’s Federation of Accounting Professions (FAP) could create a joint platform for disseminating best practices, guidelines, and templates for remote auditing and KAM disclosures. For example, Thai regulators could share practical approaches to making KAMs more insightful, while Malaysian regulators could provide templates and guidance on integrating CAATs into risk assessment and substantive testing procedures. By combining regulatory foresight with technical enablement, both countries can raise their audit quality benchmarks.

The academic community also has a role to play in this knowledge exchange. Joint research projects can explore, for example, the impact of CAAT adoption on audit efficiency in Malaysia and the relationship between KAM disclosure depth and investor confidence in Thailand. Findings from such studies could inform professional development curricula and policymaking in both countries. In addition, collaborative research can extend beyond national borders to include regional partners such as Singapore, Vietnam, or Indonesia, further broadening the perspective on Southeast Asia's audit transformation journey.

From a market perspective, both countries can take lessons from existing literature on the impact of KAM disclosures. Sawangjan and Suttipun (2020) found that higher quality KAM disclosures are positively associated with stock price reactions, especially in markets where investors rely heavily on auditor reports for decision-making. In Malaysia, where KAM practices are still evolving, adopting more detailed and transparent disclosures could enhance investor trust. In Thailand, building on this strength by explaining the analytical methods behind risk identification, such as data analytics, industry benchmarking, and scenario simulations, would further increase stakeholder confidence.

The pandemic underscored that technology alone does not guarantee audit quality. In Malaysia, the primary gap was the human element: readiness, training, and confidence, while in Thailand, the strength lay in regulatory clarity but with room for innovation in analytical methods. By combining these strengths, auditors in both countries can be better equipped for future crises, whether caused by health emergencies, economic downturns, or rapid technological changes. More importantly, the ongoing global trend toward digital auditing means that readiness and adaptability are no longer optional; they are essential.

Baatwah et al. (2023) emphasize that self-efficacy directly affects an auditor's ability to adapt under pressure, suggesting that Malaysia should invest in simulation-based training programs that replicate real remote audit challenges. On the other hand, studies like Suttipun (2021) and Temsawat et al. (2024) highlight how disclosure practices contribute to transparency and public trust, suggesting that Thailand could integrate mandatory disclosure of analytical procedures alongside KAM narratives. A well-rounded approach that combines these elements will not only improve audit performance but also enhance the credibility of financial reporting in both jurisdictions.

In conclusion, while the pandemic revealed vulnerabilities in Malaysia's human readiness for digital auditing and demonstrated Thailand's advantage in disclosure preparedness, both countries stand to gain from mutual learning. Malaysia can accelerate its auditors' adaptability through targeted skill development, while Thailand can enrich its KAM reporting with deeper analytical insights. By institutionalizing cross-border collaboration, both nations can contribute to a stronger, more resilient audit profession in Southeast Asia.

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