



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

AUDITING AND ASSURANCE STANDARDS BOARD

**Annual Report
2013 and 2014**

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LIST OF ACRONYMS

The following acronyms are used throughout this report:

AASB	Auditing and Assurance Standards Board
ACCA	Association of Chartered Certified Accountants
AOB	Audit Oversight Board
BNM	Bank Negara Malaysia
CCM	Companies Commission of Malaysia
CP	Consultation Paper
DP	Discussion Paper
ED	Exposure Draft
FPLC	Federation of Public Listed Companies Berhad
IAASB	International Auditing and Assurance Standards Board
IIAM	Institute of Internal Auditors Malaysia
ISA	International Standard on Auditing
ISAE	International Standard on Assurance Engagements
ISRS	International Standard on Related Services
MASB	Malaysian Accounting Standards Board
MCMC	Malaysian Communications and Multimedia Commission
MIA	Malaysian Institute of Accountants
MICPA	Malaysian Institute of Certified Public Accountants
RPG	Recommended Practice Guide

Auditing and Assurance Standards Board (AASB)

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The AASB is a **functionally independent standard-setting body** designated by, and operating under the auspices of the MIA to set high quality standards for quality control, auditing, review, other assurance, and related services; and to facilitate compliance with such standards.

The objectives of the AASB, as outlined in its Structure and Framework are:

- To serve the public interest and strengthen the accountancy profession in Malaysia.
- To promote adherence to high quality professional standards and furtherance of international convergence of standards.
- To support the accountancy profession in continuously developing and disseminating guidance for auditing and assurance services.
- To consider new or revised International Auditing and Assurance Standards and other pronouncements issued by the IAASB for adoption.
- To review EDs and other consultative documents issued by the IAASB and to submit comments thereon.
- To consider practice guides on issues not covered by auditing standards for the application of members

in the performance of their respective duties.

- To review and consider any other issues and developments in other jurisdictions which relate to auditing practices in Malaysia.
- Contributing to efforts to advance public understanding of the roles and responsibilities of external auditors and the providers of assurance services including the sponsorship of research.
- To speak on public interest issues where the profession's expertise is most relevant.

The AASB comprises members representing various sectors such as professional accounting firms, academia and public. Members are appointed by the Institute's Council, based on recommendations from the Institute's Nominating Committee. Five observers are appointed to the AASB representing regulatory bodies and government agencies. All the AASB members are volunteers and are required to sign a members' Code of Conduct declaring that they will act in the public interest and with integrity in discharging their roles. The AASB is required to be transparent in its activities, and to adhere to due process as approved by the MIA Council.



Chairman's Message

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I am very honoured to be given the opportunity to serve as Chairman of the AASB from July 2013. The AASB remains committed to its mandate to serve the public interest and strengthen the accountancy profession through setting high quality auditing and assurance standards in Malaysia and facilitating compliance with such standards.

The main activities of the AASB in 2013 and 2014 have been concentrated on auditor reporting, audit quality, guidance for auditors in the performance of assurance engagement to report on the Statement on Risk Management and Internal Control (SORMIC) included in the annual report and engaging the Royal Malaysian Customs on auditor reporting on special refund claims pursuant to the requirements of the Goods and Services Tax Act 2014. The AASB continues the adoption of IAASB standard in Malaysia, making submissions to IAASB consultative documents, development of implementation guidance and engagements with regulators and other stakeholders to promote high quality audit and assurance services.

Over the past few years, auditor reporting has been the IAASB's top priority project. In July 2013, the IAASB issued an ED, *Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)*, culminating with issuance of the final new and revised Auditor Reporting standards in January 2015. The most significant of the impending changes is a new ISA that will require communication of key audit matters in auditors' report for listed entities, and which may be applied for auditors of all other entities. Other enhancements include specific statements about going concern in the auditors' report, to make an explicit statement of auditor independence from the audited entity and the sources of relevant ethical requirements. As an active constituent in international standard setting, AASB had hosted roundtables with practitioners and regulators to discuss the implications of the ED and provided comments to the IAASB. The AASB has formed a joint working group with the MICPA in 2015 to support the implementation of the new and revised Auditor Reporting standards in Malaysia.

In relation to audit quality, the AASB has provided comments on IAASB CP on *A Framework for Audit Quality* ("the Framework") which is intended to raise awareness of the key elements of audit quality and facilitate greater dialogue on the topic among key stakeholders. The AASB has also presented the Framework at The Value of Quality Audit Forum to raise public awareness in the area. The AASB has also engaged with the auditors appointed by the money services business licensees as part of its effort to improve audit quality among the small and medium practitioners.

Implementation guidance are issued with the intention to promote consistent and appropriate application of auditing standards. One of the key guidance issued is RPG 5 (Revised), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* which provides guidance for auditors in the performance of a limited assurance engagement to report on the SORMIC included in the annual reports.

Apart from the above, the AASB submitted proposals to regulatory bodies such as SSM, BNM and the Royal Malaysian Customs on its laws and regulations, specifically proposals relevant to audit and assurance services.

Stakeholders' engagements with members, national regulators and other stakeholders on matters affecting the accountancy profession are integral to fulfilling AASB mandate. These engagements have been constructive and informative and have assisted AASB in upholding professional standards in serving the public interest. In this respect, AASB will continue to maintain open communications and foster close relationship with the members, regulators and other stakeholders in 2015 to gather feedback on their expectations and perceptions to help improve the accountancy profession.

I would like to thank the members and observers of AASB for their valuable contribution of knowledge and insights and MIA Technical Staff for their continuing support to AASB. I would like to extend my warmest welcome to newly-appointed and reappointed members of AASB in 2013 - Ooi Song Wan, Paul Chan Wan Siew, Loh Kam Hian, Lock Peng Kuan, Robert Tan Bun Poo and Sukanta Kumar Dutt and in 2014 - Ahmad Shahrul Mohamed, Cheong Thoong Farn, Tang Seng Choon and Josephine Phan Su Han. I also thank Mohamed Raslan Abdul Rahman who resigned in July 2013 and Professor Takiah Mohd Iskandar who retired in September 2014 for their contribution to AASB. A special note of appreciation to the past Chairman of AASB, Robert Tan Bun Poo for his leadership and tireless efforts. I am also grateful to our constituents, who have keenly participated and responded to our consultative documents and to those who have participated in forums and seminars.

AASB and the management team of the Institute look forward to the continuing contribution and participation of all relevant parties in our journey to strengthen and improve the auditing and assurance standards in Malaysia.

Thank you.



Lee Tuck Heng
Chairman
31 March 2015

AASB Members, Observers and Technical Staff

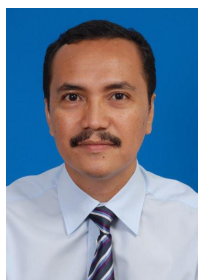
1 JANUARY 2013 - 31 DECEMBER 2014

NAME	DESIGNATION AND ORGANISATION	NOTE
Lee Tuck Heng (<i>Chairman</i>)	Partner, PricewaterhouseCoopers	Reappointed as Chairman on 22 July 2013
Representation from Accounting Firms		
Ahmad Shahrul Mohamed	Partner, Khairuddin Hasyudeen & Razi	Reappointed on 18 December 2014
Cheong Thoong Farn	Partner, Deloitte	Reappointed on 18 December 2014
Hooi Kok Mun	Partner, SJ Grant Thornton	
Lock Peng Kuan	Partner, Baker Tilly Monteiro Heng	Reappointed on 22 July 2013
Ooi Song Wan	Partner, Crowe Horwarth	Appointed on 3 October 2013
Tang Seng Choon	Partner, BDO	Reappointed on 18 December 2014
Thong Foo Vung	Partner, KPMG	
Representation from Public Members		
Paul Chan Wan Siew	Deputy Director - Malaysian Alliance Corporate Directors (Nominated by FPLC)	Appointed on 28 March 2013
Quay Chew Soon	Partner, Skrine (Nominated by the Bar Council)	
Walter Sandosam	Past President, IIAM	
Other Nominated Members		
Josephine Phan Su Han	Senior Executive Director, PricewaterhouseCoopers (Nominated by CPA Australia)	Reappointed on 18 December 2014
Loh Kam Hian	Partner, KPMG	Appointed on 22 July 2013
Mohamed Raslan Abdul Rahman	Partner, KPMG	Resigned on 9 July 2013
Professor Takiah Mohd Iskandar	Professor, Universiti Kebangsaan Malaysia	Retired on 3 September 2014
Robert Tan Bun Poo	Partner, Robert Mengkwai & Loo	Reappointed as member on 22 July 2013
Sukanta Kumar Dutt	Partner, Ernst & Young (Nominated by MICPA)	Reappointed on 22 July 2013
Observers		
Tan Lay Khoon	Bursa Malaysia Berhad	
Ong Swee Leng	National Audit Department	
Yap Weng Seong	CCM	
Lim Fen Nee	AOB	
Yap Lai Kuen	BNM	
Technical Staff		
Eddie Wong Koon Wai	Director, Professional Standards and Practices, MIA	Resigned on 31 October 2014
Rasmimi Ramli	Senior Manager, Professional Standards and Practices, MIA	
Shalini Balakrishnan	Manager, Professional Standards and Practices, MIA	
Mohamad Faizal Abdul Fatah	Assistant Manager, Professional Standards and Practices, MIA	Resigned on 12 January 2014

AASB Members



Lee Tuck Heng
(Chairman)



Ahmad Shahrul
Mohamed



Cheong Thoong Farn



Hooi Kok Mun



Lock Peng Kuan



Ooi Song Wan



Tang Seng Choon



Thong Foo Vung



Paul Chan Siew Wan



Quay Chew Soon



Walter Sandosam



Josephine Phan Su Han



Loh Kam Hian



Mohamed Raslan
Abdul Rahman



Professor Takiah
Mohd Iskandar



Robert Tan Bun Poo



Sukanta Kumar Dutt

MIA Technical Staff



Eddie Wong Koon Wai



Rasmimi Ramli



Shalini Balakrishnan



Mohamad Faizal Abdul Fatah

Highlights of Activities

INPUT TO INTERNATIONAL STANDARDS SETTING AND AUDIT QUALITY

The AASB contributes directly to the international development of quality control, auditing, review, other assurance and related services standards by actively monitoring the IAASB activities and providing comments on the IAASB consultative documents. In 2013 and 2014, the AASB commented on the following consultations:

1. **ED ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon* (issued November 2012)**

The IAASB has undertaken a project to revise ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements* to ensure that the ISA continues to be capable of enhancing the credibility of financial statements through specifying appropriate responsibilities of the auditor relating to the range of other information in documents containing audited financial information and taking account of how such information is disseminated.

In essence, the proposals in the ED:

- Expand the documents considered as “other information,” by extending the scope of the standard to include documents accompanying audited financial statements and the auditors’ report thereon;
- Extend the auditor’s responsibilities to include not only reading the other information for consistency with the audited financial statements but also reading and considering the other information for consistency with the auditor’s understanding of the entity and the environment acquired during the course of the audit; and
- Bring transparency of the auditor’s work through new suggested auditor reporting responsibilities with respect to other information.

Overview of the AASB key comments raised to the IAASB:

- Supports the IAASB’s intention of strengthening and clarifying the auditor’s responsibilities with respect to other information, and that this is in the public interest.
- The AASB believes the proposals will expand the auditor’s involvement with respect to other information beyond what could be reasonably accomplished in the context of the financial statement audit. This is contrary to the IAASB’s view that the proposals will not change the scope of the audit. The AASB urged the IAASB to take a clear position on the matter whether the proposed ISA will or will not change the scope of the audit.
- The ED states that an accompanying document would be in scope if it has a primary purpose of providing commentary to enhance users’ understanding of the audited financial statements and the financial reporting process. The AASB believes accompanying documents and reports do not typically declare such a purpose even if the information included does enhance such understanding, frequently in addition to other objectives such as informational commentary by management on various aspects of operations, etc. As such, this should merit IAASB’s further consideration. The ED further states that, for any document determined to be in scope, all information within that document would be subject to the auditor’s responsibilities under the proposed ISA. The IAASB believes, however, that it will be necessary for the auditor to exercise professional judgement in focusing the auditor’s consideration of the other information, as not all the information may merit equal or additional consideration beyond reading the information. The AASB expressed concern that this would lead to divergent practices among auditors.

Highlights of Activities *(continued)*

INPUT TO INTERNATIONAL STANDARDS SETTING AND AUDIT QUALITY *(continued)*

2. CP A Framework for Audit Quality (issued January 2013)

The IAASB developed *A Framework for Audit Quality* that describes the input and output factors that contribute to audit quality at the engagement, audit firm and national levels. The Framework also demonstrates the importance of appropriate interactions among stakeholders and the importance of various contextual factors.

The essential goals of the Framework are to:

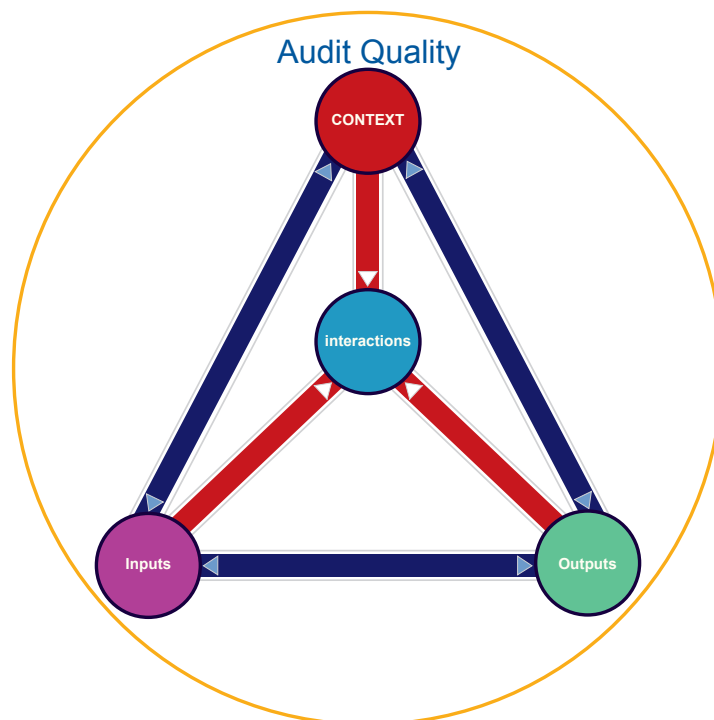
- Raise awareness of the key elements of audit quality;
- Encourage key stakeholders to explore ways to improve audit quality; and
- Facilitate greater dialogue between key stakeholders on the topic.

The IAASB expects that the framework will generate discussion and positive actions to achieve a continual improvement to audit quality.

AASB provided input to the CP via the MIA project working group established to provide comments on the CP.

Overview of MIA key comments raised to the IAASB:

- The IAASB should provide clarification on the authority of the Framework.
- As audit quality is closely related to expectations gap, such relationship could be analysed and included in the Framework.
- Current proposed framework places greater responsibility for audit quality on auditors. The entity (i.e. the preparers of the financial reports and the Board of Directors) is the main stakeholders in the financial reporting chain that should contribute more to audit quality as they are responsible in the preparation of the financial statements (i.e. they are providing the 'inputs') while auditors provide assurance on the 'outputs'.



Source: IAASB CP, *A Framework for Audit Quality* (January 2013)

Highlights of Activities *(continued)*

INPUT TO INTERNATIONAL STANDARDS SETTING AND AUDIT QUALITY *(continued)*

3. *ED Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs) (issued July 2013)*

The IAASB has undertaken a project to appropriately enhance the communicative value and relevance of the auditors' report through proposed revision to ISA requirements that address its structure and content.

The ED is a culmination of the IAASB's deliberations to date on the topic of auditor reporting, which were informed by international research, public consultation and stakeholder outreach.

The ED contains the following proposed new and revised ISAs:

- Proposed ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*;
- Proposed ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report* (a new standard);
- Proposed ISA 260 (Revised), *Communication with Those Charged with Governance*;
- Proposed ISA 570 (Revised), *Going Concern*;
- Proposed ISA 705 (Revised), *Modification to the Opinion in the Independent Auditor's Report*;
- Proposed ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*; and
- Proposed Conforming Amendments to Other ISAs.

Key enhancements to the auditors' report, as proposed in the ED, include:

- Prominent placement of the auditor's opinion and other entity-specific information in the auditors' report;
- Reporting on "Key Audit Matters", i.e. matters that, in the auditor's judgement, were of most significance in the audit of the current period financial statements;
- Reporting on "Going Concern", including a conclusion on the appropriateness of management's use of the going concern basis of accounting and a statement as to whether a material uncertainty affecting going concern has been identified;
- Reporting on "Other Information";
- Explicit statement of auditor independence and the source(s) of relevant ethical requirements;
- Disclosure of name of engagement partner, with a "harm's way" exemption; and
- Improved description of responsibilities of auditor and key features of the audit.

In formulating its response, the AASB sought input from its constituents via two roundtable meetings with auditors and regulators.

Overview of the AASB key comments raised to the IAASB:

- Supports changes to auditor reporting.
- While the auditor plays an important role to support the quality of financial reporting, there should also be concerted efforts by the regulators and the accounting standards setter to make necessary improvements to corporate and financial reporting to complement the proposed enhancements to auditor reporting.
- The IAASB is encouraged to influence the establishment of "safe harbour" provisions for auditor to complement proposed enhancements to auditor reporting.
- The AASB has some concerns regarding the implications of communicating KAM such as :
 - Risks of auditor providing original information about the entity;
 - Striking a balance in providing sufficient and appropriate information on KAM that provide appropriate context to readers versus avoiding unintended consequences; and
 - Risk that auditor discussion about the financial statements could differ from the disclosures provided in the financial statements.

Highlights of Activities *(continued)*

INPUT TO INTERNATIONAL STANDARDS SETTING AND AUDIT QUALITY *(continued)*

4. RE-ED ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information* (issued April 2014)

Respondents to the 2012 ED on proposed ISA 720 (Revised) (ED-720 (2012)) supported the IAASB's intention of strengthening and clarifying the auditor's responsibilities with respect to other information. However, there were concerns raised about the way in which the specific proposals of ED-720 (2012) were formulated. In general, respondents found the proposals did not clearly articulate the auditor's objectives, the scope of documents covered, and the required work effort expected from the auditor. Some respondents also believed that the proposals would not be workable in practice or would lead to divergent practices, both among auditors and between jurisdictions - and thereby result in unintended consequences that would run contrary to the benefits sought by the IAASB. Due to the significance of the comments received, and the changes made to the proposed ISA based on those comments, the IAASB concluded that re-exposure of the proposed ISA is necessary with further refined proposals related to other information.

Overview of the AASB key comments raised to the IAASB:

- Supports IAASB proposals in the RE-ED which provide a clearer articulation of the auditor's objectives, boundaries around the scope of documents covered and the required work expected from the auditor regarding other information, compared to the initial ED.
- The AASB does not believe it is appropriate to exclude a section in the auditors' report addressing other information if the auditor has not obtained the final version of the other information prior to the date of the auditor's report. The AASB recommends that the IAASB considers including a statement disclosing the fact that auditor has not read and considered the other information due to unavailability of the final version of the other information prior to the date of the auditors' report to signal the auditor's responsibilities in accordance with proposed standard.
- The AASB notes that the RE-ED does not completely deal with the circumstances in some jurisdictions, where audited financial statements are as a matter of course issued weeks or months before the issue of annual reports, given statutory and legal timing requirements. While a strict reading of the RE-ED would suggest that such auditors' reports would remain silent on the matter of other information, the fact that substantially all auditors' reports in these jurisdictions will so remain silent does not appear to be a satisfactory solution when set against the overall requirements of the RE-ED. The AASB believes that a discussion on dual dating or dual reporting (a separate report on the other information) would be appropriate to have, notwithstanding the possible enhanced risks.

5. ED *Proposed Changes to the International Standards on Auditing (ISAs) - Addressing Disclosures in the Audit of Financial Statements* (issued May 2014)

Recognising the importance of disclosures in informing the decisions of users of audited financial statements and in light of the feedback to the IAASB's January 2011 DP, *The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications*, the IAASB has undertaken a project to determine whether changes to the ISAs with respect to disclosures are required.

The proposals in the ED include new guidance on considerations relevant to disclosures - from the planning of the audit and assessment of the risks of material misstatement, to the evaluation of misstatements and forming the auditor's opinion on the financial statements, including:

- Clarifying that where the term "financial statements" is used in the ISAs, this includes all disclosures subject to audit.
- Additional guidance to help establish an appropriate focus on disclosures in the audit, and encourage earlier auditor attention on them during the audit process.
- Enhancements to encourage a more robust risk assessment process relating to disclosures.
- Additional guidance on the accumulation and evaluation of the effect of misstatements in disclosures (quantitative and non-quantitative disclosures) and evaluation of the presentation of the financial statements.
- Elaborating on the auditor's responsibility to form an opinion on whether the financial statements achieve fair presentation.

Highlights of Activities *(continued)*

INPUT TO INTERNATIONAL STANDARDS SETTING AND AUDIT QUALITY *(continued)*

5. *ED Proposed Changes to the International Standards on Auditing (ISAs) - Addressing Disclosures in the Audit of Financial Statements (issued May 2014) (continued)*

Overview of the AASB key comments raised to the IAASB:

- The enhancement to the ISAs are appropriate for the purpose of enhancing the focus of the auditor on disclosures. The AASB recommended further improvements to the ISAs that will help improve auditing practices in the audit of disclosures.
- The IAASB is encouraged to consider prioritising the review of ISA 320, *Materiality in Planning and Performing an Audit* as a key complementary effort to supplement the issuance of this proposed ED as a standard to emphasise to auditors that the concept of materiality applies to non-quantitative disclosures.
- The AASB believes that changes to the assertions for 'presentation and disclosure' in ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* by combining the assertions with the assertions for classes of transactions and events, and account balances will establish appropriate focus by the auditors in the audit of disclosures.

INPUT TO LOCAL REGULATORY BODY

The AASB provides input to local regulatory body and other authorities on proposed laws and regulations which have implications on auditing practices in Malaysia. In 2014, the AASB provided comments to the CP No. 1/2014 Proposed Review of Listing Requirements in Various Areas (issued January 2014) by Bursa Malaysia Securities Berhad via the Capital Market Advisory Committee of MIA.

The key areas of review in the CP are:

- Related party transaction requirements;
- Regularisation plans for financially distressed listed issuers;
- Framework for listed issuers with inadequate level of operations;
- Foreign listing requirements;
- Disclosure obligations particularly on material information such as default in payments by listed issuers; and
- Improving market efficiency and providing greater clarity and certainty.

The AASB commented to the Capital Market Advisory Committee of MIA on proposal 5.5 of the CP requiring specific documents to be filed in relation to listing application for bonus issue. Overview of the AASB comments as follows:

- Supports the requirement to obtain a confirmation from the listed issuer on the adequacy of reserves for capitalisation for the purpose of bonus issue.
- Does not support the requirement for external auditors or reporting accountants to provide a confirmation on the adequacy of reserves. The term "verify and confirm" is not defined or contemplated in the Malaysian Approved Framework for Assurance Engagements. Furthermore, the availability of the actual reserves is also dependent on events (within or not within the controls of the Company Directors) subsequent to the period end which an auditor will not be able to verify.
- Where audited financial statements are not used as the basis to ensure the available reserves required for capitalisation are adequate to cover the entire bonus issue, AASB proposed that Bursa Malaysia Securities Berhad compel listed issuers to engage external auditors or reporting accountants to conduct a review of its quarterly financial information prepared by the management so that the Directors may be able to obtain comfort from the financial information prepared by management.

Highlights of Activities *(continued)*

ADOPTION OF IAASB STANDARDS

The AASB continues to improve the quality of Malaysian quality control, auditing, review, other assurance and other related services standards by adopting new and revised international standards.

In 2013, the AASB adopted ISA 610 (Revised 2013), *Using the Work of Internal Auditors*

In addition to the changes included in ISA 610 (Revised), *Using the Work of Internal Auditors* adopted in 2012, ISA 610 (Revised 2013) includes new requirements and guidance addressing the external auditor's use of internal auditors to provide direct assistance to external auditor for purposes of the audit, where such assistance is not prohibited by law or regulation.

The material in ISA 610 (Revised 2013) pertaining to direct assistance is effective for audits of financial statements for periods ending on or after 15 December 2014.

IMPLEMENTATION GUIDANCE

The AASB is committed to the development and dissemination of implementation guidance. The guidance promotes the consistent and appropriate application of auditing standards. In 2013 and 2014, implementation guidance were issued in the form of RPG, Frequently Asked Questions (FAQs) and other guidance.

RPGs

RPG 4 (Revised), *Examples of Independent Auditors' Reports* (issued April 2013)

RPG 4 (Revised) provides guidance on the auditors' report on financial statements prepared in accordance with the Financial Reporting Standards/Private Entity Reporting Standards.

RPG 5 (Revised), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* (issued December 2013)

RPG 5 (Revised) provides guidance for auditors in applying Malaysian Approved Standard on Assurance Engagements, ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* in the performance of a limited assurance engagement to report on the Statement on Risk Management and Internal Control included in the annual report.

FAQs

FAQs on RPG 11, *Auditor's Report on Financial Statements Prepared in Accordance with the Malaysian Financial Reporting Standards (MFRS) Framework* (issued February 2013)

This FAQs provides answers to questions that the staff frequently receive from auditors on RPG 11, *Auditor's Report on Financial Statements Prepared in Accordance with the Malaysian Financial Reporting Standards (MFRS) Framework*.

Other Guidance

Auditor's Report on Client Assets for Fund Management Companies (issued January 2013)

The Securities Commission ("SC") has, in July 2011, introduced the Auditor's Report on Client Assets ("Client Asset Report" or "CAR") as part of the measures to enhance client asset protection. The CAR relates to compliance by the fund management companies to the client asset requirements stipulated in the Capital Markets and Services Act 2007 and Guidelines in Compliance Function for Fund Management Companies.

A report of factual findings for an agreed-upon procedures engagement have been formulated based on the requirements set out by the SC to be carried out for the CAR applying the principles of Malaysian Approved Standard on Related Services, ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*.

Highlights of Activities *(continued)*

IMPLEMENTATION GUIDANCE *(continued)*

Other Guidance *(continued)*

Illustrative Engagement Letter and Report of Factual Findings for an Agreed-Up Procedures Engagement in Relation to Requirements of the Money Services Business Act 2011 (issued May 2014)

Following communications between the AASB and BNM, an auditor appointed under the Money Services Business Act 2011 (MSB Act 2011) is required to provide a report to the BNM on the following:

- (a) whether the licensee has complied with the requirement to maintain minimum capital funds as prescribed under the Money Services Business (Minimum Capital Funds) Regulations 2011 and Money Services Business (Minimum Capital Funds) (Amendment) Regulations 2012 pursuant to section 22 of the MSB Act 2011;
- (b) in the case of a licensee authorised to conduct remittance business;
 - i. whether the licensee has complied with the requirement to maintain a designated account for remittance business pursuant to section 37 of the MSB Act 2011; and
 - ii. whether the monthly outstanding customers' monies for remittance business agrees to the related liability account(s).

An illustrative engagement letter and report of factual findings for an agreed-upon procedures engagement have been formulated based on the requirements of the MSB Act 2011 applying the principles of Malaysian Approved Standard on Related Services, ISRS 4400.



Communicating and Liaison with Stakeholders

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Engagements with stakeholders is critical to the AASB's works with the objective of advocating best audit practices and addressing the expectation and needs of stakeholders. In 2013 and 2014, amongst others, the AASB undertook the following initiatives:

- Meeting with representatives of the MCMC on auditor reporting pursuant to the proposed implementation of Accounting Separation in Malaysia.
- Meeting with representatives of the BNM and submission of proposal in relation to auditor reporting pursuant to the requirements of the Money Services Business Act 2011.
- Participated in XBRL Malaysia Roundtable: Discussion on Issues of Concern for Auditors on 20 May 2013 organised by CCM.
- Meeting with representatives of Suruhanjaya Koperasi Malaysia in relation to roles and responsibilities of auditors in relation to the audit of cooperatives financial statements.
- Meeting with representatives of the Royal Malaysian Customs on auditor reporting for approved company auditor on special refund claims pursuant to the requirements of the Goods and Services Tax Act 2014.
- Participated in AOB Dialogue Session with Audit Firms in September 2014.

Outreach Initiatives

The AASB takes initiatives to raise awareness and elevate the technical competency of professional accountants by providing technical updates to members, raising awareness of the AASB efforts and contributing written materials. In 2013 and 2014, the AASB undertook the following key initiatives:

- Presentation, *Roles and Responsibilities of Auditors appointed by the Licensed Intermediaries and Expectations of Roles and Responsibilities of Auditors Appointed by the Money Services Business Licensees* to participants at the engagement session organised by BNM in April 2013 on the roles and responsibilities of auditors appointed by licensed intermediaries and money services business licensees.
- Presentation, *Overview of IAASB - A Framework for Audit Quality* to participants and participation in panel session at The Value of Quality Audit Forum, jointly organised by the MIA and the ACCA in July 2013. Investors, businesses, auditors and regulatory bodies were brought together to facilitate open and constructive dialogue about audit quality issues in the broadest sense.
- Presentation, *Application of Audit Process* to investigation officers of CCM at a workshop organised by CCM in October 2013 on the roles and responsibilities of approved company auditor under Companies Act 1965.
- Sharing experience and views with the Nepal Auditing and Accounting Standards Board in July 2013.
- Article in Accountants Today on “When is the Auditor’s Report not Reliable?” in January/February 2013 issue.
- Article in Accountants Today on “Overhaul of Auditor Reporting: IAASB Proposes Fundamental Changes to the Auditor’s Report” in November/December 2013 issue.



Sukanta Dutt, Managing Partner, Global Risk Management Infrastructure, Ernst & Young and AASB Member, speaking at The Value of Quality Audit Forum.



Panel members in action at The Value of Quality Audit Forum (L-R) Sukanta Dutt, Managing Partner, Global Risk Management Infrastructure, Ernst & Young and AASB Member; Johan Idris, then MIA Vice-President and Partner, KPMG; Nik Mohd Hasyudeen Yusoff, then Executive Chairman AOB; Chiew Chun Wee, ACCA Head of Policy; Paul Chan, Founding Board Member and Deputy President, Malaysian Alliance of Corporate Directors and AASB member; and Chari TVT, Chief Financial Officer, Celcom Axiata Bhd.



(L-R) Eddie Wong, Director, Professional Standards and Practices, MIA; Lee Tuck Heng, Partner, PricewaterhouseCoopers and AASB Chairman; Representative from Nepal Auditing and Accounting Standards Board; Ken Pushpanathan, Board Member of MASB as well as the Honorary Secretary of the Financial Reporting Foundation, Representatives from Nepal Auditing and Accounting Standards Board and Tan Bee Leng, Executive Director, MASB

Outreach Initiatives *(continued)*

- Hosted roundtable with practitioners in October 2013 on IAASB's ED, *Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)* to discuss IAASB's suggested improvements to auditor reporting.



Roundtable with practitioners chaired by AASB member - Thong Foo Yung, Partner, KPMG.

- Outreach session with the regulators in October 2013 on IAASB's ED, *Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)* to highlight suggested improvements to auditor reporting.



Outreach session with the regulators chaired by AASB chairman and AASB member - Lee Tuck Heng, Partner, PricewaterhouseCoopers and Thong Foo Yung, Partner, KPMG.

Outreach Initiatives *(continued)*

- Participation in panel session on *Future of Auditor's Report* at 2014 Audit Committee Conference - Stepping Up For Better Governance, jointly organised by the MIA and IIAM in March 2014. The session discussed the impact of improvements to auditor reporting to the audit committees, director and management.
- Presentation, *The New Era of Auditor Reporting: IAASB's Exposure Draft - Changing the Face of Auditor Reporting* to participants at The National Accounting Educators Symposium 2014 organised by the MIA in May 2014. The symposium provides an avenue for accounting educators to explore the practical issues and latest developments confronting the accountancy profession.
- Participation in panel session on what are the expectations by the stakeholders and how the audit profession may be able to move closer toward meeting them at Launch of Guides for Malaysian Listed Companies, jointly organised by the MIA and CPA Australia in September 2014. Two free on-line guides, *A Guide to Understanding Annual Reports: Listed Companies* and *A Guide to Understanding Auditing and Assurance: Listed Companies* are available to help Malaysian investors better understand annual reports as well as annual audits of listed companies. The guides are intended to help existing as well as prospective investors and users of financial statements make better informed investment decisions.



Panel member in action at 2014 Audit Committee Conference - Stepping Up For Better Governance... (L-R) Johan Idris, MIA President and Partner, KPMG; Martin Giles Manen, Chairman, Audit Committee for two public listed companies; Wan Ahmad Ikram Wan Ahmad Lotfi, Chief Financial Officer, Perbadanan Insurans Deposit Malaysia; and Lee Tuck Heng, Partner, PricewaterhouseCoopers and AASB Chairman.



Lee Tuck Heng, Partner, PricewaterhouseCoopers and AASB Chairman speaking at The National Accounting Symposium 2014



(L-R): Panel members with the MIA Chief Executive Officer and CPA Australia Divisional President 2014 for Malaysia at Launch of Guides for Malaysian Listed Companies: Ho Foong Moi, Chief Executive Officer, MIA; Amir Ghandar, CPA Australia Policy Adviser of Audit and Assurance; Nik Mohd Hasyudeen Yusoff, Securities Commission Executive Director of Market and Corporate Supervision and the Executive Chairman of the AOB; Wong Kay Yong, Bursa Malaysia Berhad Head of Corporate Surveillance and Governance; Chong Chee Fern, Minority Shareholders' Watchdog Group General Manager of Corporate Monitoring; Sukanta Dutt, Managing Partner, Global Risk Management Infrastructure, Ernst & Young and AASB Member; and Alex Ooi Thiam Poh, Partner, BDO and CPA Australia Divisional President 2014 for Malaysia.

Chartered Accountants Malaysia and MIA

The Chartered Accountant Malaysia or “C.A.(M)” is a designation conferred by the Malaysian Institute of Accountants (“MIA”) to a professional in accountancy, business and finance with a recognised accountancy qualification and relevant work experience. C.A.(M) are the industry captain, corporate leaders and decision makers that play a significant part in nation building.

MIA was established under the Accountants Act 1967 as the statutory accountancy body that regulates, develops, supports and enhances the integrity and status of the profession while upholding the public interest.

Working closely alongside strategic business partners and stakeholders, MIA connects its members to a wide range of continuous professional development programme, updates and networking opportunities. Presently, there are close to 31,360 members making their strides across all industries in Malaysia and around the world.

Vision

To be a globally recognised and renowned institute of accountants committed to nation building.

Mission

To develop, support and monitor quality and expertise consistent with global best practice in the accountancy profession for the interest of stakeholders.

Objectives

1. Develop and enhance the competency of accountancy professionals to meet market demand.
2. Advance and enhance the status of members and the accountancy profession in Malaysia.
3. Regulate the practice of the accountancy profession in Malaysia consistent with global standards and best practices.



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