



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

ACCOUNTANTS: MANAGERS OF VALUE

AUDITING AND ASSURANCE STANDARDS BOARD

Annual
Report **2011**

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AUDITING AND ASSURANCE STANDARDS BOARD
ANNUAL REPORT
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Table of Contents

The Auditing and Assurance Standards Board (“AASB”)	2
Chairman’s Message	3
AASB Members, Observers and Technical Staff	4
Highlights of Activities	6
Communicating and Liaison with Stakeholders	9
Outreach Initiatives	10

List of Acronyms

The following abbreviations are used throughout this report:

AASB	Auditing and Assurance Standards Board
ABM	Association of Banks in Malaysia
ACCA	Association of Chartered Certified Accountants
AOB	Audit Oversight Board
CP	Consultation Paper
DP	Discussion Paper
ED	Exposure Draft
FPLC	Federation of Public Listed Companies Berhad
FRS	Financial Reporting Standard
IAASB	International Auditing and Assurance Standards Board
IAPS	International Auditing Practice Statement
IIAM	Institute of Internal Auditors Malaysia
IMF	International Monetary Fund
IFRS	International Financial Reporting Standard
ISA	International Standard on Auditing
ISAE	International Standard on Assurance Engagements
ISRE	International Standard on Review Engagements
ISRS	International Standard on Related Services
MIA	Malaysian Institute of Accountants
MICPA	Malaysian Institute of Certified Public Accountants
RA	Reporting Accountants
RPG	Recommended Practice Guide
ROSC	Report on the Observance of Standards and Codes
TG	Technical Group

The Auditing and Assurance Standards Board (AASB) ::



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 auditing, review, other assurance, quality control and related services; and to facilitate compliance with such standards.

The objectives of AASB, as outlined in the AASB 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 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 consists of a chairman and fourteen (14) members representing various sectors such as accounting firms, academia and public. Members are appointed by the Institute's Council, based on recommendations from the Institute's Nominating Committee. Five (5) observers are appointed to AASB representing regulatory bodies and government agencies. All 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. During the year, the AASB has met up 5 times. The AASB is required to be transparent in its activities, and to adhere to due process as approved by MIA Council.

Chairman's Message ::

The AASB is committed to its mission to serve the public interest and strengthen the accountancy profession by setting high quality standards for auditing, review, other assurance, quality control and related services in Malaysia and, facilitating compliance with such standards.

In 2011, a major thrust of IAASB's efforts was geared towards strengthening the financial statement audits and building more robust standards for assurance and related services engagements in meeting the evolving market demands. The AASB likewise, continued to be an active constituent in international standard setting and has provided comments to the IAASB on their exposure drafts and consultation papers throughout the year.

Since the onset of the global financial crisis, attention on audit quality and auditor reporting have heightened considerably. As audit plays a major role in supporting the quality of financial reporting, a number of initiatives have been pursued globally to enhance audit quality and auditor reporting. Key initiatives in this regard are, the review of auditor reporting by the IAASB and proposals by the European Union relating to the role of statutory audit as well as the wider environment within which audits are conducted. The AASB recognised the significance of these initiatives which will also impact the Malaysian accountancy profession and has accordingly engaged various stakeholders and regulators in relation to auditor reporting and providing comments to the IAASB consultation paper "Enhancing the Value of Auditor Reporting: Exploring Options for Change".

In 2009, the IAASB issued a suite of clarified auditing standards which are effective for audits of financial statements for periods beginning on or after January 1, 2010 in Malaysia. The adoption of the clarified standards in Malaysia provides a solid foundation to contribute to improving the quality of financial statement audits. In facilitating compliance to the clarified standards, the AASB has in 2011 issued practice guides to support effective implementation of the standards and promoting best practices; undertaken numerous outreach activities mainly targeted at practitioners as well as producing articles and technical staff alerts.

To effectively serve the public interest and the accountancy profession, the AASB took cognizance of the expectations of both international and national regulators. In this regards, AASB has in 2011 engaged with the World

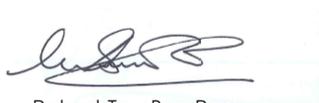
Bank, Bank Negara Malaysia, Bursa Malaysia Berhad and Securities Commission Malaysia on matters affecting the profession. Discussions from these engagements have been constructive and provided significant input for some of the Board's responses to IAASB. The AASB will continue to have open communications and maintain close relationship with the regulators for more effective understanding of their expectations and perceptions.

I would like to thank all members and observers of the AASB for their unwavering dedication and valuable contribution of knowledge to the AASB's work in 2011. I am also grateful to our constituents, who have keenly participated and responded to our consultative documents and those who have participated in forums and seminars.

Finally, I would like to express my appreciation to the AASB Technical Staff for their continuing productivity and dedication.

The AASB and the management team of the Institute look forward to your continual contribution to the Board's mission.

Thank you.



Robert Tan Bun Poo
Chairman
September 18, 2012

The AASB Members, Observers and Technical Staff

as at 31 December 2011

NAME	DESIGNATION AND ORGANISATION	NOTE
Robert Tan Bun Poo (<i>Chairman</i>)	Former Partner, Deloitte KassimChan	
Ahmad Shahrul Mohamed	Partner, Khairuddin Hasyudeen & Razi	
Cheong Thoong Farn	Partner, Deloitte KassimChan	Appointed on 24 November 2011
Hooi Kok Mun	Partner, SJ Grant Thornton	
Lee Tuck Heng	Partner, PricewaterhouseCoopers	
Lock Peng Kuan	Partner, Baker Tilly Monteiro Heng	
Tang Seng Choon	Partner, BDO	
Thong Foo Vung	Partner, KPMG	
Norazman Hashim	Chief Financial Officer, MNRB Holdings Berhad	Nominated by FPLC
Quay Chew Soon	Partner, Skrine	Nominated by the Bar Council
Walter Sandosam	Past President, IIAM	
Josephine Phan Su Han	Senior Executive Director, PricewaterhouseCoopers	Nominated by CPA Australia
Mohamed Raslan Abdul Rahman	Partner, KPMG	
Professor Takiah Mohd Iskandar	Professor, Universiti Kebangsaan Malaysia	
Sukanta Kumar Dutt	Partner, Ernst & Young	Nominated by MICPA
Chng Boon Huat	Bursa Malaysia Berhad	
Hajah Zainun binti Taib	Auditor General Malaysia Office	
Lai Kar Foong	Companies Commission of Malaysia	
Lim Fen Nee	AOB	
Yap Lai Kuen	Bank Negara Malaysia	
Rasmimi Ramli	Senior Manager, Professional Standards and Practices, MIA	
Shalini Balakrishnan	Manager, Professional Standards and Practices, MIA	

AASB Members



Robert Tan Bun Poo,
Chairman



Ahmad Shahrul
Mohamed



Cheong Thoong
Farn



Hooi Kok Mun



Lee Tuck Heng



Lock Peng Kuan



Tang Seng Choon



Thong Foo Vung



Norazman Hashim



Quay Chew Soon



Walter Sandosam



Josephine Phan
Su Han



Mohamed Raslan
Abdul Rahman



Professor Takiah
Mohd Iskandar



Sukanta Kumar
Dutt

AASB Technical Staff



Rasmimi Ramli



Shalini Balakrishnan

Highlights of Activities ::

Input to International Standards Setting

The AASB contributes directly to the international development of quality control, auditing, review, other assurance and related services standards by actively monitoring IAASB activities and providing comments on IAASB EDs and consultative documents. In 2011, the AASB responded to the following IAASB EDs and consultative documents:

1. EDs Relating to the Withdrawal of Existing IAPs and Clarification of the Status and Authority of New IAPs and proposed IAPS 1000, Special Considerations in Auditing Complex Financial Instruments

These EDs seek views from practitioners and other stakeholders on proposals relating to the withdrawal of existing IAPs and clarification of the status and authority of new IAPs, including proposed amendments to the Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements.

It also includes the ED on the proposed IAPS 1000. The purpose of the proposed IAPS is to provide background information and guidance to the auditor regarding special considerations when auditing complex financial instruments. Complex financial instruments may be used by financial and non-financial entities of all sizes for a variety of purposes. Some entities have large holdings and transaction volumes while other entities may only engage in a few complex financial instrument transactions. This IAPS is relevant to all of these situations.

2. ED ISRS 4410 (Revised), Compilation Engagements

The proposed revised standard deals with the practitioner's responsibilities when engaged to compile and report on historical financial information in accordance with this ISRS, and the form and content of the practitioner's report for the compilation engagement.

It clarifies the practitioner's role and responsibilities in a compilation engagement and matters that need to be considered when accepting such engagements, and emphasises the importance of quality control. It also expands the traditional compilation engagement report to make clear to users the practitioner's contribution to the compiled financial information presented by management,

and the key features of a compilation engagement.

3. ED ISRE 2400 (Revised), Engagements to Review Historical Financial Statements

The proposed revised standard deals with the practitioner's responsibilities when engaged to perform a review of historical financial statements, when the practitioner is not the auditor of the entity's financial statements, and the form and content of the practitioner's report on the financial statements.

4. DP The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications

The DP highlights recent trends in the range, volume, and complexity of financial statement disclosures and explores issues and practical challenges in preparing, auditing and using them. Views from all stakeholders are sought and the DP asks specific questions to preparers, investors, lenders and other creditors, regulators and auditors.

5. ED ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

The proposed revised standard provides requirements and guidance on assurance engagements, other than audit or reviews of historical financial information. It is a principles-based standard that is capable of being applied effectively to a broad range of underlying subject matters, and that will provide a basis for current and future subject-specific ISAEs.

6. CP Enhancing the Value of Auditor Reporting: Exploring Options for Change

The CP seeks to determine whether there are common views among users of audited financial statements and other stakeholders about the usefulness of auditor reporting. It describes issues with current financial reporting, including a perceived "information gap," identified by some stakeholders. It then sets out possible options for change and seeks input as to whether such options might be effective in enhancing auditor reporting and the communicative value of the auditor's report.

Highlights of Activities ::

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 2011, the AASB responded to the CP on Revamp of the Rules of Bursa Malaysia Securities Berhad.

The CP seeks comments from the public and the industry participants on the proposed amendments made by:

- a) Bursa Malaysia Securities Bhd (Bursa Securities) to the Rules of Bursa Malaysia Securities Bhd (Rules of Bursa Securities) and new directives issued under the Rules of Bursa Securities arising from the revamp of the Rules of Bursa Securities; and
- b) Bursa Malaysia Securities Clearing Sdn. Bhd, (Bursa Clearing (S)) to the Rules of Bursa Clearing (S) arising from the revamp of the Rules of Bursa Securities.



Highlights of Activities

Implementation Guidance

The AASB is committed to the development of implementation guidance that promotes consistent and appropriate application of the standards. In 2011, the AASB has issued three RPGs to provide guidance and practical assistance to professional accountants in implementing the standards and to promote best practices.

1. Revised RPG 4, Examples Of Independent Auditors' Reports

The revised RPG 4 incorporates requirements of the following ISAs and FRS:

No.	ISA/FRS	Effective Date
1.	ISA 700, Forming an Opinion and Reporting on Financial Statements	Effective for audits of financial statements for periods beginning on or after January 1, 2010
2.	ISA 705, Modifications to the Opinion in the Independent Auditor's Report	Effective for audits of financial statements for periods beginning on or after January 1, 2010
3.	ISA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	Effective for audits of financial statements for periods beginning on or after January 1, 2010
4.	FRS 101, Presentation of Financial Statements	Effective for annual periods beginning on or after January 1, 2010

2. Revised RPG 8, Illustrative Letter of Engagement - Statutory Audit for Single Entity and Group

RPG 8 is revised pursuant to ISA 210, Agreeing the Terms of Audit Engagements which is effective for audits of financial statements for periods beginning on or after January 1, 2010.

3. RPG 10, Guidance on the Role of Reporting Accountant in a Due Diligence Working Group

RPG 10 is issued to provide clarification on certain aspects regarding the participation by RA in Due Diligence Working Group established in connection with submissions to the Securities Commission, Circular to Shareholders and offering documents such as Prospectuses. It also provides guidance on the manner in which the RA expresses the terms of participation and reports on the RA's work, and specifically also addresses the issuance of comfort letters. The guidance is jointly developed with MICPA.

Communicating and Liaison with Stakeholders ::

Engagements with stakeholders is critical to AASB's work with the objective of advocating best audit practices and addressing the expectation and needs of stakeholders. In 2011, the AASB has taken the following initiatives:

Initiatives taken to engage and liaise with stakeholders on areas involving the auditing profession.

- Discussion and proposal to Bank Negara Malaysia in relation to auditor reporting pursuant to the requirements of the Money Services Business Act 2011.
- Discussion with the Securities Commission Malaysia in relation to the client assets requirements under the Capital Market and Services Act 2007 and the Guidelines on Compliance Function for Fund Management Companies.
- Provided assistance to Bursa Malaysia Berhad in clarifying auditors' responsibilities pursuant to the Bursa Listing Requirements on Disclosure of Realised and Unrealised Profits/Losses in the Notes to the Quarterly Report and Annual Audited Financial Statements.
- Provided input to the World Bank in relation to the ROSC following their Accounting and Auditing review in Malaysia. ROSC is a joint initiative of the World Bank and IMF that helps member countries strengthen their financial systems by improving compliance with internationally-recognised standards and codes. Such input focuses on the strength and weaknesses of the accounting and auditing environment that influence the quality of corporate financial reporting.
- Participation in a roundtable forum on "Enhancing the Value of Auditor Reporting: Exploring Options for Change" organised by AOB and FPLC to gather information from the preparers of financial statements on the value and relevance of auditor reporting.
- Participation in a roundtable session titled "MIA-ABM Forum Discussion on Bank Confirmation Request" to discuss on issues relating to the bank confirmation request.

Outreach Initiatives ::

In 2011, the AASB has taken the following initiatives to raise awareness and elevate the technical competency of professional accountants:

1. Participation in "Revised Auditing Standards: Implications to Business and Role of the External Auditor" forum in March 2011 to raise awareness amongst the business owners, public practitioners, preparers and users of the financial reports on the implications arising from the revised and enhanced Clarified ISAs on quality of external audit work and businesses as a whole. Participants comprised preparers, public practitioners and academics.
2. Chairing four TG discussions to facilitate the application and implementation of Clarified ISAs between May to July 2011. The discussions covered the following ISAs:
 - ISA 200 - Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.
 - ISA 220 - Quality Control for an Audit of Financial Statements.
 - ISA 265 - Communicating Deficiencies in Internal Control to Those Charged with Governance and Management.
 - ISA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.
 - ISA 540 - Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures.
 - ISA 600 - Special Considerations – Audit of Group Financial Statements (Including the Work of Component Auditors).
 - ISA 620 - Using the Work of an Auditor's Expert.

Participants comprised practitioners from small, medium and large firms. The discussions focused on the requirements of the standards, implementation challenges and possible actions to address such challenges.



Forum to raise awareness of the Clarified ISAs.

(From left) Past MIA Vice President - Christina Foo, and AASB Members - Mohamed Raslan Abdul Rahman, Lee Tuck Heng and Thong Foo Vung.

3. Participation in a session titled "The Impact of IFRS Convergence on Auditors" in "Audit Quality: Thinking Ahead of the Game" forum in October 2011 to highlight IFRS convergence and its impact on the work of auditors. Participants comprised practitioners from small, medium and large firms.
4. Publication of articles in the Accountants Today and technical staff alerts on the MIA website to enhance awareness of the development of the audit profession. The details of such publications are:
 - Article on 'Narrowing the Audit Gaps - A Call for Change' (August 2011).
 - Article on 'Improving Confidence in Audit: A Framework for Auditors Self Assessment' (December 2011).
 - Staff Alert on 'Managing Risk Before Accepting a Prospective Audit Client' (December 2011).

The Malaysian Institute Of Accountants (“MIA”)

MIA is a statutory body established under the Accountants Act, 1967 to regulate and develop the accountancy profession in Malaysia. As at September 2012, MIA has close to 29,000 members. For more information please visit: www.mia.org.my

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. To promote & regulate professional & ethical standards
2. To develop & enhance competency through continuous education & training to meet the challenges of the global economy
3. To enhance the status of members
4. To lead R&D for the enhancement of the profession
5. To inculcate a high sense of social responsibility

The Use of the Word “Accountant”

In Malaysia, the word “accountant” is protected as provided for under the provisions of the Act which states that no one can hold himself out or practise as an accountant unless he is registered as a member of MIA.

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Dewan Akauntan
No. 2, Jalan Tun Sambanthan 3
Brickfields, 50470 Kuala Lumpur
Malaysia

[phone] +603 2279 9200
[web] www.mia.org.my

[fax] +603 2274 1316
[email] technical@mia.org.my