



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

AUDITING AND ASSURANCE STANDARDS BOARD

Annual Report
2015

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LIST OF ACRONYMS

The following acronyms are used throughout this report:

AASB	Auditing and Assurance Standards Board
AOB	Audit Oversight Board
BNM	Bank Negara Malaysia
CCM	Companies Commission of Malaysia
CMAC	Capital Market Advisory Committee
CP	Consultation Paper
ED	Exposure Draft
FPLC	Federation of Public Listed Companies Berhad
IAASB	International Auditing and Assurance Standards Board
IFAC	International Federation of Accountants
IIAM	Institute of Internal Auditors Malaysia
ISA	International Standard on Auditing
ISAE	International Standard on Assurance Engagements
MIA	Malaysian Institute of Accountants
MIDA	Malaysian Investment Development Authority
MICPA	Malaysian Institute of Certified Public Accountants
RPG	Recommended Practice Guide
SC	Securities Commission Malaysia

Auditing and Assurance Standards Board (AASB)

The AASB is an **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 Terms of Reference 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 act in the public interest and with integrity in discharging their roles within its stated terms of reference. The AASB is required to be transparent in its activities and to adhere to due process as approved by the MIA Council.

The Terms of Reference of the AASB can be found on the MIA website at www.mia.org.my.



Chairman's Message

On behalf of the AASB, it is a privilege to report on the AASB's performance and achievements for the year under review.

It has been an exciting year where AASB activities have been mainly orientated towards promoting awareness, understanding and implementation of the enhanced auditor reporting standards. Another key project during the year is the revision of 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. In addition, the AASB continued the adoption of IAASB standards in Malaysia, making submissions to IAASB consultative documents and engagements with regulators and other stakeholders to promote high quality audit and assurance services.

AUDITOR REPORTING

The IAASB completed their Auditor Reporting project in 2014 and issued one new standard, a number of revised standards and conforming amendments to other existing standards, which will change the landscape for auditor reporting.

The AASB has contributed to the IAASB project by deliberating on IAASB's proposals and providing valuable and timely feedback to the IAASB. The AASB's input to IAASB was assisted by feedback from roundtables with practitioners and regulators to discuss the implications of the IAASB's consultation documents. In April and July 2015, MIA adopted the IAASB's new, revised and amended standards as Malaysian Approved Standards.

A joint working group (JWG) with the MICPA was formed in March 2015 to support the implementation of the auditor reporting enhancements in Malaysia. The JWG initiatives since its formation, amongst others, include engaging with regulators; Bursa Malaysia Berhad and BNM to highlight and discuss key requirements and sharing implementation issues that have been identified thus far of the new and revised standards and collaborating events to promote awareness of the standards. I am pleased to note that

"The IAASB completed their Auditor Reporting project in 2014 and issued one new standard, a number of revised standards and conforming amendments to a number of other existing standards, which will change the landscape for auditor reporting."

Bursa Malaysia Berhad issued a consultation paper in October 2015 which include proposed amendments to the Listing Requirements to complement the new auditor reporting requirements. The AASB submitted comments on the consultation paper via the CMAC of MIA. In March 2016, Bursa Malaysia Berhad introduced enhancements to promote greater transparency of significant matters highlighted in the auditors' report.

In remaining vigilant for opportunities to create awareness and understanding of the auditor reporting enhancements, the JWG collaborated with Bursa Malaysia Berhad to organise the CG Breakfast Series with Directors on the new Auditors' Report themed Future of Auditor Reporting: The Game Changer for Boardroom. The first and second sessions of the four runs kicked off on September 2015 and November 2015 with the two remaining runs taking place by the second quarter of 2016. In addition, the JWG had collaborated with the Financial Institutions Directors' Education Program (FIDE) to organise a similar session for financial institutions directors in early January 2016. I am also participating as a member of the Steering Committee established by SC representing the Institute to identify implementation risks and issues of the new auditor reporting requirements and develop strategies and provide guidance to address the said issues. 2016 will continue to see a great deal of outreach and other activities on auditor reporting.

Chairman's Message

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IMPLEMENTATION GUIDANCE

Implementation guidance are issued with the intention to promote consistent and appropriate application of auditing standards.

In March 2015, the MIA issued Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), *Assurance Engagements Other than Audits of Reviews of Historical Financial Information*. ISAE 3000 (Revised) is effective for assurance reports dated on or after 15 December 2015. Accordingly, 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 in December 2013 was revised as RPG 5 (Revised 2015) to remain consistent with ISAE 3000 (Revised).

STAKEHOLDER ENGAGEMENT

AASB places great emphasis on engagement with members, national regulators and other stakeholders on matters affecting the accountancy profession. These engagements have been constructive and informative and have assisted AASB in upholding professional standards in serving the public interest.

During the year under review, the AASB liaised with MIDA to discuss further, amongst other matters, the Guidelines on Grant Disbursement, MIDA's expectation of the auditors and also to share with MIDA the capabilities of the auditors within the auditing and assurance framework.

The AASB looks forward to interactive and on-going engagement in 2016 to gather feedback on expectations and perceptions to help improve the accountancy profession.

APPRECIATION

Finally, 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 the newly appointed and reappointed members of AASB in 2015 - Ng Kim Tuck, Dr Zarina Zakaria, Hooi Kok Mun, Thong Foo Vung, Paul Chan Wan Siew, Quay Chew Soon and Walter Sandosam. I also thank Sukanta Kumar Dutt who resigned in October 2015 for his contribution to AASB. My thanks also go 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
01 August 2016

AASB Members, Observers and Technical Staff

1 JANUARY 2015 - 31 DECEMBER 2015

NAME	DESIGNATION AND ORGANISATION	NOTE
Lee Tuck Heng (<i>Chairman</i>)	Partner, PricewaterhouseCoopers	
Representation from Accounting Firms		
Ahmad Shahrul Mohamed	Partner, Khairuddin Hasyudeen & Razi	
Cheong Thoong Farn	Partner, Deloitte	
Hooi Kok Mun	Partner, SJ Grant Thornton	Reappointed on 16 December 2015
Dato' Lock Peng Kuan	Partner, Baker Tilly Monteiro Heng	
Ooi Song Wan	Partner, Crowe Horwarth	
Tang Seng Choon	Partner, BDO	
Thong Foo Vung	Partner, KPMG	Reappointed on 16 December 2015
Representation from Public Members		
Paul Chan Wan Siew	Vice President II - FPLC (Nominated by FPLC)	Reappointed on 16 December 2015
Quay Chew Soon	Partner, Skrine (Nominated by the Bar Council)	Reappointed on 16 December 2015
Walter Sandosam	Past President, IIAM	Reappointed on 16 December 2015
Other Nominated Members		
Josephine Phan Su Han	Senior Executive Director, PricewaterhouseCoopers (Nominated by CPA Australia)	
Loh Kam Hian	Partner, KPMG	
Ng Kim Tuck	Senior Audit Advisor, BDO (Nominated by MICPA)	Appointed on 16 December 2015
Robert Tan Bun Poo	Partner, Robert Mengkwai & Loo	
Sukanta Kumar Dutt	Partner, Ernst & Young (Nominated by MICPA)	Resigned on 8 October 2015
Dr. Zarina Zakaria	Senior Lecturer, University of Malaya	Appointed on 16 December 2015
Observers		
Tan Lay Khoon	Bursa Malaysia Berhad	
Datin Paduka Ong Swee Leng	National Audit Department	
Yap Weng Seong	CCM	
Lim Fen Nee	AOB	
Yap Lai Kuen	BNM	
Technical Staff		
Chong Chen Kian	Director, Professional Standards and Practices, MIA	
Rasmimi Ramli	Senior Manager, Professional Standards and Practices, MIA	
Shalini Balakrishnan	Manager, Professional Standards and Practices, MIA	

AASB Members



Lee Tuck Heng
(Chairman)



Ahmad Shahrul
Mohamed



Cheong Thoong Farn



Hooi Kok Mun



Dato' 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



Ng Kim Tuck



Robert Tan Bun Poo



Sukanta Kumar Dutt



Dr. Zarina Zakaria

MIA Technical Staff



Chong Chen Kian



Rasmimi Ramli



Shalini Balakrishnan

Key Activities

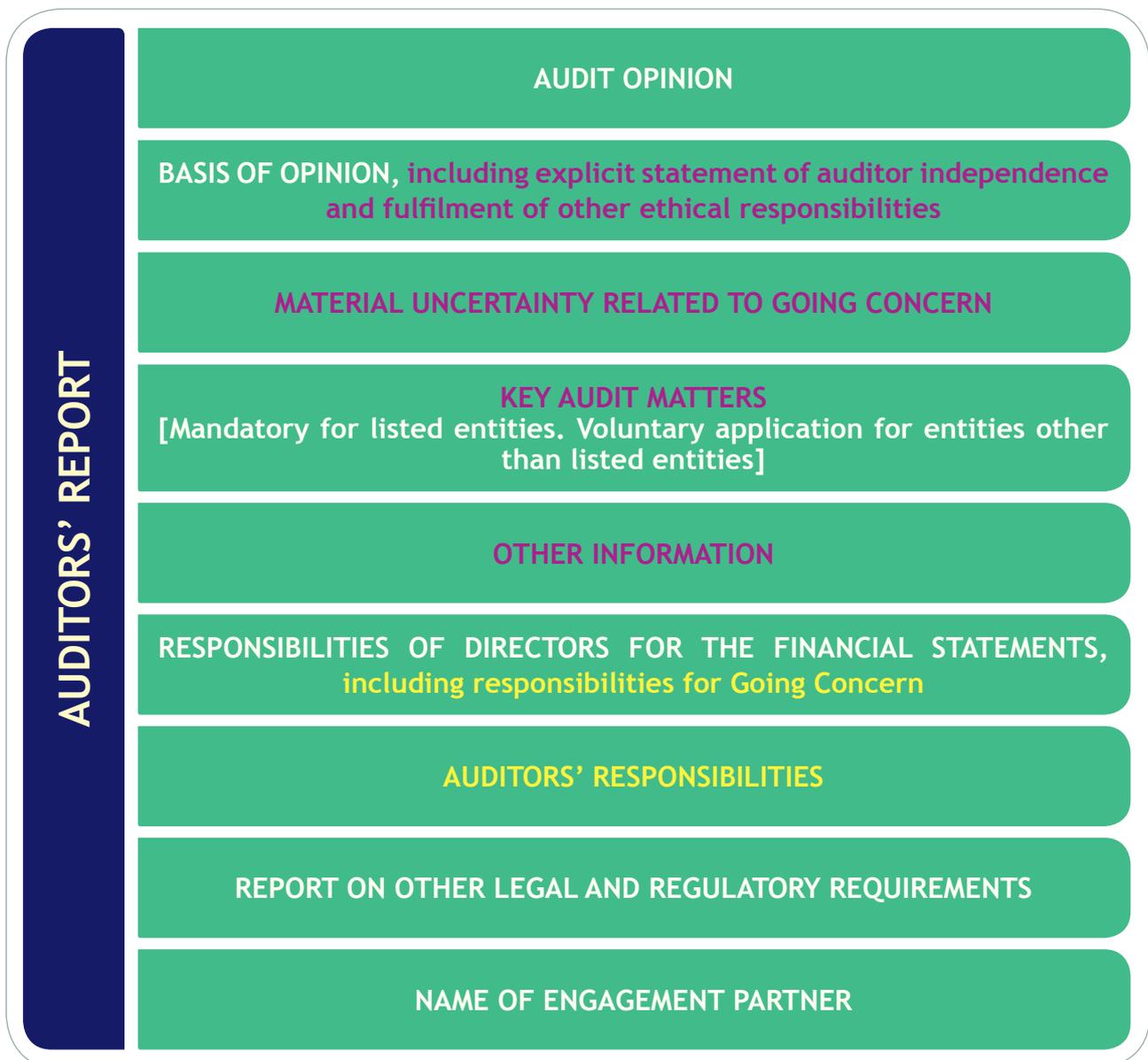
In 2015, most of AASB’s activities have been focused on promoting awareness and understanding of the new and revised ISAs addressing auditor reporting and the auditor’s responsibilities relating to other information.

Changes to auditor reporting are seen as essential to enhancing the value of financial statements audit and the quality of audited financial statements, thereby contributing to robust and resilient capital markets. Further, it is crucial to be able to show the primacy of the work that auditors do, and increase the users’ perception of audit quality.

The IAASB issued these standards in early 2015 with an effective date for companies with financial years ending on or after 15 December 2016. As a member body of IFAC, MIA is supportive of such efforts, and accordingly, approved the same set of standards for issuance locally in April 2015 and July 2015 with the same effective date.

The new auditors’ report now gives auditors the opportunity to share more insights with stakeholders.

KEY FEATURES OF THE NEW AUDITORS’ REPORT



■ New/revised reporting requirements

■ Enhanced description

Key Activities

(continued)

Recognising the “public interest importance” of the auditor reporting enhancements, the MIA and MICPA formed a JWG in March 2015 to support the implementation of the standards in Malaysia. One of the very first tasks carried out by the JWG was to identify implementation issues and deliberate on proposed enablers to support the implementation of the standards in Malaysia.

As some of the key implementation issues identified required inputs and decisions from regulators, the JWG met with representatives from Bursa Malaysia together with the AOB in April 2015 and BNM in September 2015 to highlight key requirements of the auditor reporting enhancements and share implementation issues identified.

In June 2015, the SC formed a Steering Committee to identify implementation risks and issues and accordingly, develop strategies and provide guidance to address such issues as they arise. Members of the Steering Committee comprise BNM, CCM, Bursa Malaysia, MIA, MICPA, FPLC and IIAM. Lee Tuck Heng, AASB Chairman is representing MIA in the Steering Committee.

As a follow through of the engagement with Bursa Malaysia, the AASB, in August 2015, issued a briefing note addressed to all listed issues of Bursa Malaysia Berhad to promote awareness and understanding of the new and revised standards for the audit report.

Another positive outcome of this engagement was that in October 2015, Bursa Malaysia issued proposed enhancements to the listing requirements to promote greater transparency of material matters highlighted in the auditors’ report and to strengthen the role of the audit committee when it reviews financial statements via CP No. 2/2015 - *Proposed Review of the Listing Requirements relating to - Disclosure and Corporate Governance Requirements; and Post-Listing Disclosure Obligations for Mineral, Oil and Gas Listed Issuers.*

The AASB provided input via the CMAC of MIA on proposal 3 which sets out proposed enhancements to align with the ISAs relating to Key Audit Matters and Going Concern and other miscellaneous enhancements under proposal 4.1 of the CP.

Besides engagement with regulators, the AASB and the JWG also participated in various external events and engagements to highlight and discuss the implications of the new standards. The CG Breakfast Series with Directors on the new Auditors’ Report themed *Future of*

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How the new audit report could improve the quality of reporting...

“Whoever picks up the report is entitled to rely on the information in it. The report will require a great deal of thinking and planning. Ultimately, it has to be relevant and enhance trust and confidence in the market.”

.....

Auditor Reporting: The Game Changer for Boardroom organised by Bursa Malaysia in collaboration with the JWG garnered encouraging and positive feedback from Directors, Chief Executive Officer and Chief Financial Officer of public listed companies. The sessions in September 2015 and November 2015 was attended by no less than 150 participants for each session to learn about the new auditor reporting enhancements and how the Board can prepare for the change. A presentation on the auditor reporting enhancements were given by the JWG members, the first session by AASB Chairman, Lee Tuck Heng and the re-run by AASB member, Thong Foo Vung followed by a panel discussion featuring distinguished panellists to discuss on key implications and shaping communication for a meaningful audit report on the financial statements.

Another initiative under the JWG is presentation on *New Auditor’s Report* at the AOB Conversation with Auditors of Public Interest Entities and Schedule Funds by AASB Member, Thong Foo Vung in October 2015.

The AASB, as a board, also participated in various events to further promote awareness and understanding of the standards. AASB Member, Thong Foo Vung participated in a panel session on *The New Auditor’s Report: A Game Changer?* at MIA Conference 2015 in October 2015. The well attended session highlighted pivotal changes to the standards, shared United Kingdom best practices on disclosures of Key Audit Matters, discussed auditor and Board responsibility for the new auditor’s report and how to best manage implementation issues. In

Key Activities

(continued)



Panel session on *The New Auditor's Report: A Game Changer?* at MIA Conference 2015 (October 2015). (L-R) moderator - *Chong Chen Kian, Director, Professional Standards and Practices, MIA* and panellists - *Nik Mohd Hasyudeen Yusoff, Executive Director, Market & Corporate Supervision, SC and Executive Chairman, AOB; Paul Thompson, Director, Global Accountancy Profession Support, IFAC; Liz Stamford, Audit & Insolvency Leader, Chartered Accountants Australia and New Zealand; and Thong Foo Vung, Partner, KPMG and AASB member.*



Participation in a panel session on *The New Auditor's Report* at MIA-IFAC Regional SMP Forum (November 2015). (L-R) moderator - *Katharine Bagshaw, Member, IFAC SMP Committee* and panellists - *Lee Tuck Heng, Partner, PricewaterhouseCoopers and AASB Chairman; and James Chan, Partner, Crowe Horwath.*



Participants at the CG Breakfast Series with Directors on the new Auditors' Report themed *Future of Auditor Reporting: The Game Changer for Boardroom.*



Presentation on *What You Need to Know About the New Auditor's Report* at AuditWorld 2015 Conference (November 2015) by *Lee Tuck Heng, Partner, PricewaterhouseCoopers and AASB Chairman.*

Key Activities

(continued)

particular, to a question on how the new audit report could improve the quality of reporting from the regulator's perspective, Nik Mohd Hasyudeen said, "Whoever picks up the report is entitled to rely on the information in it. The report will require a great deal of thinking and planning. Ultimately, it has to be relevant and enhance trust and confidence in the market."

AASB Chairman, Lee Tuck Heng gave a presentation on *What You Need to Know About the New Auditor's Report* at AuditWorld 2015 Conference in November 2015 and participated in a panel session on *The New Auditor's Report* at MIA-IFAC Regional SMP Forum in November 2015. The AuditWorld 2015 Conference jointly organised by MIA and MICPA discussed latest trends, techniques and issues which are intended to help audit professional to manage practice challenges. As for the IFAC Regional SMP Forum, the session guided SMPs on how to prepare for the implementation of the revised auditor reporting standards and associated benefits and challenges.

Besides engagement sessions and advocacy sessions carried out as mentioned above, in view of the public interest importance of the auditor reporting enhancements, the AASB also undertook other initiatives during the year with the objective of advocating best audit practices, addressing the expectation and needs of stakeholders and elevating the technical competency of professional accountants, including:

(a) Participation at meetings and dialogues

- i. Participated at a MIDA dialogue with audit firms on *Disbursement of Grant: Guidelines and Procedures* in March 2015
- ii. Meeting with representatives with MIDA to discuss further, amongst other matters, the Guidelines on Grant Disbursement, MIDA's expectation of the auditors and also to share with MIDA the capabilities of the auditors within the auditing and assurance framework in July 2015.
- iii. Dialogue with AOB on matters pertaining to the auditing profession in August 2015.

(b) Speaking Engagement

Participated in a panel session on *Win-win Relationship: How can the Audit Committee Optimise Insights from External Audit, Internal Audit and CFO?* at 2015 Audit Committee Conference - Rising to New Challenges, jointly organised by the MIA and IIAM in March 2015. The session discussed how audit committees should set very clear expectations for themselves and all parties with which they interact.



Panel members in action at the 2015 Audit Committee Conference. (L-R) moderator - Vijayam Nadarajah, Specialist, Research and Development, Finance Accreditation Agency and panellists - Dr. Hj Badrul Hisham bin Mohd Yusoff, Chief Internal Auditor, Bank Kerjasama Rakyat Malaysia; Raja Faridah Raja Ahmad, Chief Financial Officer, MSM Malaysia Holdings Berhad; David Lau Nai Pek, Audit Committee Chair, Axiata Group Berhad; and Lee Tuck Heng, Partner, PricewaterhouseCoopers and AASB Chairman.

Key Activities

(continued)

During the year under review, the AASB continued to uphold its objective to promote adherence to high quality professional standards by adopting the following IAASB standards/framework as Malaysian Approved Standards/International Framework.

(a) Adoption of International Standards on Auditing

STANDARDS	EFFECTIVE DATE
ISA 260 (Revised), <i>Communication with Those Charged with Governance</i>	Audits of financial statements for periods ending on or after 15 December 2016
ISA 570 (Revised), <i>Going Concern</i>	
ISA 700 (Revised), <i>Forming an Opinion and Reporting on Financial Statements</i>	
ISA 701, <i>Communicating Key Audit Matters in the Independent Auditor's Report</i>	
ISA 705 (Revised), <i>Modifications to the Opinion in the Independent Auditor's Report</i>	
ISA 706 (Revised), <i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i>	
ISA 720 (Revised), <i>The Auditor's Responsibilities Relating to Other Information</i>	
<i>Conforming Amendments to Other ISAs</i>	
<i>Addressing Disclosures in the Audit of Financial Statements - Revised ISAs and Related Conforming Amendments</i>	

(b) Adoption of International Standard on Assurance Engagements

STANDARD	EFFECTIVE DATE
ISAE 3000 (Revised), <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>	Assurance engagements where the assurance report is dated on or after 15 December 2015

(c) Adoption of International Framework for Assurance Engagements

FRAMEWORK	EFFECTIVE DATE
<i>International Framework for Assurance Engagements</i>	Assurance engagements where the assurance report is dated on or after 15 December 2015

Key Activities

(continued)

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Again in 2015, the AASB provided timely and robust input on the following IAASB consultations:

- (a) ED ISA 800 (Revised), *Special Considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and ISA 805 (Revised), *Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* (issued January 2015)
- (b) ED *Proposed Amendments to the IAASB's International Standards - Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations* (issued July 2015)
- (c) ED ISA 810 (Revised), *Engagements to Report on Summary Financial Statements* (issued August 2015)

The above reflects the AASB's advocacy role in international standard setting process.

In further efforts to promote consistency in auditing practices, the AASB issued implementation guidance in November 2015 in the form of RPG 5 (Revised 2015), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* to provide guidance for auditors in applying Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised) in the performance of a limited assurance engagement to report on the Statement on Risk Management and Internal Control included in the annual report.

RPG 5 (Revised 2015) is effective for limited assurance reports dated on or after 15 December 2015.

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 captains, corporate leaders and decision makers that play significant roles 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 programmes, updates and networking opportunities. Presently, there are over 32,000 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 practices of the accountancy profession in 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. Support the practice of the accountancy profession in Malaysia consistent with global standards and best practices; and
4. Regulate the practice of the accountancy profession in Malaysia consistent with global standards.

