



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

AUDITING AND ASSURANCE STANDARDS BOARD

Annual
Report | **2016**

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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
ED	Exposure Draft
FIDE	Financial Institutions Directors’ Education Programme
FPLC	Federation of Public Listed Companies Berhad
FRC	Financial Reporting Council
IAASB	International Auditing and Assurance Standards Board
IIAM	Institute of Internal Auditors Malaysia
ISA	International Standard on Auditing
JWG	Joint Working Group
MIA	Malaysian Institute of Accountants
MICPA	Malaysian Institute of Certified Public Accountants
PPT	Professional Practices and Technical
RPG	Recommended Practice Guide



Auditing and Assurance Standards Board (AASB)

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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.
- To contribute 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



I am pleased to present the AASB's Annual Report for the 2016 operating year. This report provides our stakeholders with an account of the activities that we have conducted throughout the year.

AUDITOR REPORTING

Efforts to support the implementation of the new and revised standards to improve the independent auditors' report continued to be an important focus in 2016. Events organised/co-organised and participation at events to promote awareness and understanding of the standards in this regard are as follows:

Organising/co-organising events

- Two additional runs of the CG Breakfast Series with Directors on the new Auditors' Report themed *Future of Auditor Reporting: The Game Changer for Boardroom*.
- *The New and Revised Auditor Reporting Standards: Implications to Financial Institutions* for directors of financial institutions in Malaysia.

Participation at events

- Panel session, *Heightening Governance Through Significant Matters* at Audit Committee Conference 2016.
- Presentation on *Communicating Key Audit Matters in the Independent Auditors' Report* for the National Audit Department of Malaysia.
- *The New Auditor's Report – Sharing the UK Experience*, featuring invited speaker, Paul George, from the FRC, UK.

In March 2016, the engagement with representatives from Bursa Malaysia Berhad and the AOB to discuss the implementation of

the auditor reporting enhancements in Malaysia highlighted, amongst other matters, a strong concern on the ability of auditors to describe Key Audit Matters (KAM) to reduce the risk of unintended consequences and misunderstanding from the communication of KAM. To this end, the AASB, in collaboration with the AOB, organised a one-day workshop for auditors on KAM. Dan Montgomery, Chair of Auditor Reporting Implementation Working Group of the IAASB, facilitated a few sessions at the workshop. Furthermore, as a follow through of the engagement, the AASB took the initiative to develop a publication for the directors of listed issuers entitled *Board of Directors – Are you ready for the enhanced auditors' report?* The publication provides an overview of changes to auditor reporting, amendments to Bursa Malaysia Listing Requirements to complement the auditor reporting requirements and how to prepare for the change.

To promote consistent and appropriate application of the auditing standards, the AASB issued RPG 11 (Revised 2016), *Auditors' report on financial statements prepared in accordance with the Malaysian Financial Reporting Standards (MFRS) framework* and RPG 12, *Auditors' report on financial statements prepared in accordance with Malaysian Private Entities Reporting Standard (MPERS)* in November 2016 to provide guidance to auditors on the form of auditors' report arising from the new and revised standards to improve the independent auditors' report.

Chairman's Message *(continued)*

AUDITOR QUALITY

Enhancing audit quality is the central theme in the IAASB's comprehensive consultation released in December 2015, *Invitation to Comment, Enhancing Audit Quality in the Public Interest – A Focus on Professional Skepticism, Quality Control and Group Audits* (the ITC). Key topics addressed in the consultation are professional scepticism, quality control and group audits. In April 2016, the IAASB joined forces with the AASB and the ACCA to organise a 2-day event in Malaysia, a roundtable discussion, *IAASB Roundtable: Audit Quality* and a forum, on enhancing audit quality with the ITC being the backdrop of the discussion. This was the IAASB's sole regional outreach programme in Asia Pacific and a key segment in its ongoing public interest consultation process. The input obtained enabled AASB to issue an informed response to the IAASB.

ADOPTION OF INTERNATIONAL STANDARDS ON AUDITING

During the year, as part of promoting adherence to high quality professional standards, the AASB adopted the IAASB standards on specialised areas and on consideration of laws and regulations in an audit of financial statements as Malaysian Approved Standards.

APPRECIATION

In closing, I would like to thank the members and observers of AASB for their valuable contribution of knowledge and insights and the MIA Technical Staff for their continuing support to AASB. I would like to extend my warmest welcome to the newly appointed or reappointed members and observers of AASB in 2016. I also thank the retired or resigned members and observers for their contribution to AASB. My thanks also go to

our stakeholders, 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 standard of auditing and assurance in Malaysia.

Thank you.



Lee Tuck Heng
Chairman
30 June 2017

AASB Members, Observers and Technical Staff

1 JANUARY 2016 - 31 DECEMBER 2016

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NAME	DESIGNATION AND ORGANISATION	NOTE
Lee Tuck Heng (<i>Chairman</i>)	Partner, PricewaterhouseCoopers	Reappointed on 24 November 2016
Representation from Accounting Firms		
Ahmad Shahrul Mohamed	Partner, Khairuddin Hasyudeen & Razi	Reappointed on 24 November 2016
Cheong Thoong Farn	Partner, Deloitte	Reappointed on 24 November 2016
Hooi Kok Mun	Partner, SJ Grant Thornton	Reappointed on 24 November 2016
Dato' Lock Peng Kuan	Partner, Baker Tilly Monteiro Heng	Reappointed on 24 November 2016
Ooi Song Wan	Partner, Crowe Horwarth	Retired on 24 November 2016
Tang Seng Choon	Partner, BDO	Reappointed on 24 November 2016
Thong Foo Vung	Partner, KPMG	Reappointed on 24 November 2016
Yap Seng Chong	Partner, Ernst & Young	Appointed on 24 November 2016
Representation from Public Members		
Chan Wan Siew, Paul	Vice President II - FPLC (Nominated by FPLC)	Reappointed on 24 November 2016
Quay Chew Soon	Partner, Skrine (Nominated by the Bar Council)	Reappointed on 24 November 2016
Walter Sandosam	Past President, IIAM	Reappointed on 24 November 2016
Other Nominated Members		
Phan Su Han, Josephine	Senior Executive Director, PricewaterhouseCoopers (Nominated by CPA Australia)	Reappointed on 24 November 2016
Loh Kam Hian	Partner, KPMG	Reappointed on 24 November 2016
Ng Kim Tuck	Senior Audit Advisor, BDO (Nominated by MICPA)	Reappointed on 24 November 2016
Tan Bun Poo, Robert	Partner, Robert Mengkwai & Loo	Reappointed on 24 November 2016
Chong Hou Nian, Steven	Partner, UHY	Appointed on 25 October 2016
Dr. Zarina Zakaria	Senior Lecturer, University of Malaya	Reappointed on 24 November 2016
Observers		
Chow Hsiao Mei	AOB	Appointed on 25 October 2016
Lim Fen Nee	AOB	Resigned on 30 September 2016
Lim Sok Kiang	National Audit Department	Appointed on 24 November 2016
Datin Paduka Ong Swee Leng	National Audit Department	Retired from National Audit Department during the year
Tan Lay Khoon	Bursa Malaysia Berhad	Reappointed on 24 November 2016
Yap Lai Kuen	BNM	Retired from BNM on 6 October 2016
Yap Weng Seong	CCM	Reappointed on 24 November 2016
Technical Staff		
Simon Tay Pit Eu	Executive Director, PPT	
Rasmimi Ramli	Head, Financial Reporting and Assurance, PPT	
Shalini Balakrishnan	Senior Manager, Financial Reporting and Assurance, PPT	

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



Yap Seng Chong



Chan Siew Wan,
Paul



Quay Chew Soon



Walter Sandosam



Phan Su Han,
Josephine



Loh Kam Hian



Ng Kim Tuck



Tan Bun Poo, Robert



Chong Hou Nian,
Steven



Dr. Zarina Zakaria

MIA Technical Staff



Simon Tay Pit Eu



Rasmimi Ramli



Shalini Balakrishnan

Key Activities



Efforts to support the implementation of the new and revised standards to improve the independent auditors' report continued to be an important focus in 2016. A great deal of effort was placed on promoting awareness, educating users, engaging regulators and proposing enablers to support the implementation of the standards.

The AASB and the MIA-MICPA JWG which was formed in March 2015 to support the implementation of the standards in Malaysia continued to participate in events and engagements to highlight key requirements and discuss the implications of the standards.

Two additional runs of the CG Breakfast Series with Directors on the new Auditors' Report themed *Future of Auditor Reporting: The Game Changer for Boardroom* organised by Bursa Malaysia Berhad in collaboration with the JWG took place in March 2016 and June 2016. The participants learnt about the auditor reporting enhancements and how the Board can prepare for the change. A presentation on the auditor reporting enhancements were given by AASB and JWG member, Thong Foo Yung in March 2016 and AASB Chairman and JWG Co-Chairman, Lee Tuck Heng in June 2016. This was followed by a panel discussion featuring distinguished panellists to discuss key implications and requisite communication for a meaningful audit report on the financial statements.

Another initiative under the JWG is a collaboration with the FIDE, the only association for directors of financial institutions in Malaysia in early January 2016. A half-day event was organised titled, *The New and Revised Auditor Reporting Standards: Implications to Financial Institutions* for directors of financial institutions. A presentation on the auditor reporting enhancements was given by AASB Chairman and JWG Co-Chairman, Lee Tuck Heng, followed by a panel discussion featuring distinguished panellists to discuss key implications and requisite communication for a meaningful audit

report on the financial statements.

The AASB, as a board, also participated in events to further promote awareness, understanding and implementation of the standards. AASB Chairman, Lee Tuck Heng, participated in a panel session, *Heightening Governance Through Significant Matters* at Audit Committee Conference 2016. The well-attended session discussed the necessary checks and balance to be put in place to ensure that information, particularly significant statements of beliefs and judgements made by management, is reviewed and adequately addressed, and how to best discharge Board oversight to optimise good governance and market confidence in view of Bursa Malaysia Berhad's proposed enhancements to the listing requirements to complement the auditing reporting enhancements. AASB Chairman, Lee Tuck Heng also gave a presentation on *Communicating Key Audit Matters in the Independent Auditors' Report* at a seminar on "Were the auditors sleeping?" for the National Audit Department of Malaysia. Further, he attended the *The New Auditor's Report – Sharing the UK Experience*, featuring invited speaker, Paul George, from the FRC, UK organised by the AOB.

Besides organising or participating in events as mentioned above, the JWG also engaged with regulators to discuss the implementation of the auditor reporting enhancements in Malaysia. In March 2016, the JWG Chairmen, Lee Tuck Heng and Ng Kim Tuck met with representatives from Bursa Malaysia Berhad together with the AOB. The meeting highlighted a strong concern on the ability of auditors to describe Key Audit Matters (KAM) to reduce the risk of unintended consequences and misunderstanding from the communication of KAM. To address this concern, two runs of a one-day workshop entitled *Forum on Key Audit Matters* was organised in collaboration with the AOB for auditors in September 2016. A presentation on KAM was given by invited speaker, Dan Montgomery, Chair of Auditor Reporting Implementation Working Group of the IAASB, followed by a brainstorming

Key Activities *(continued)*

session on KAM where participants analysed and discussed a selected number of auditors' report by early adopters. The workshop ended with a panel session featuring distinguished speakers to share the Malaysian perspective, insights and sharing of experience by firms on "dry runs" performed with audit clients.

Furthermore, as a follow through of the engagement with Bursa Malaysia, the AASB, took the initiative to develop a publication for directors of listed issuers of Bursa Malaysia Berhad entitled *Board of Directors – Are you ready for the enhanced auditors' report?*. The publication provides an overview of changes to auditor reporting, amendments to Bursa Malaysia Listing Requirements to complement the auditor reporting requirements and how to prepare for the change.

In addition, the AASB issued the following implementation guidance in November 2016 to further efforts to promote consistency in auditing practices:

- (a) RPG 11 (Revised 2016), *Auditors' report on financial statements prepared in accordance with the Malaysian Financial Reporting Standards (MFRS) framework*; and
- (b) RPG 12, *Auditors' report on financial statements prepared in accordance with Malaysian Private Entities Reporting Standard (MPERS)*.

RPG 11 (Revised 2016) provides guidance to the auditors on the form of auditors' report arising from the new and revised auditor reporting and related auditing standards issued when financial statements are prepared in accordance with the MFRS framework and the requirements of the Companies Act 1965 in Malaysia.

RPG 12 provides guidance to the auditors on the form of auditors' report arising from the new and revised auditor reporting and related auditing standards issued when financial statements are prepared in

accordance with MPERS and the requirements of the Companies Act 1965 in Malaysia.

Enhanced auditor reporting standards dovetails with the IAASB's broader agenda to set high-quality standards that facilitate high-quality audits, and in turn aims to heighten audit quality and users' perception of audit quality. In December 2015, the IAASB released a comprehensive consultation paper, *Invitation to Comment, Enhancing Audit Quality in the Public Interest – A Focus on Professional Skepticism, Quality Control and Group Audits* (the ITC) about three core topics in auditing: Professional Scepticism, Quality Control, and Group Audits. The ITC sets out the identified issues, describes related IAASB discussions and provides potential standard-setting activities that could enhance audit quality in the context of the three core topics in auditing.

In April 2016, the IAASB joined forces with the AASB and the ACCA to organise a 2-day event in Malaysia, a roundtable discussion, *IAASB Roundtable: Audit Quality* and a forum, on enhancing audit quality with the ITC being the backdrop of the discussion. This was the IAASB's sole regional outreach programme in Asia Pacific and a key segment in its ongoing public interest consultation process. The roundtable and forum provided an opportunity for participants to exchange views on the public interest issues relating to professional scepticism, quality control and group audits. Participants of the roundtable comprised regulators, practitioners, professional bodies and academia across the Asia Pacific region. For the roundtable, the message conveyed was whilst the ISAs were not broken, there was scope to enhance them in order to improve audit quality, strengthen financial stability and protect the public interest. Besides co-organising the 2-day event, the AASB also provided timely and robust input on the ITC. This reflects the AASB's advocacy role in the international standard setting process.

Key Activities *(continued)*



The New and Revised Auditor Reporting Standards: Implications to Financial Institutions



20 January 2016, Sasana Kijang, BNM

Panel session Heightening Governance Through Significant Matters at Audit Committee Conference 2016



29 March 2016, Connexion@Nexus, Bangsar South, Kuala Lumpur

Key Activities *(continued)*



IAASB Roundtable: Audit Quality session



14 April 2016, St Giles The Gardens, Grand Hotel & Residences, Kuala Lumpur

Strengthening Financial Reporting Value Chain via Quality Audits: A Discussion of How Audit Quality Can Be Further Enhanced



15 April 2016, St Giles The Gardens, Grand Hotel & Residences, Kuala Lumpur

Key Activities *(continued)*



Forum on Key Audit Matters



14 and 15 September 2016, Conference Hall 2, Securities Commission Malaysia

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 as Malaysian Approved Standards.

Adoption of International Standards on Auditing

STANDARDS	EFFECTIVE DATE
ISA 250 (Revised), <i>Consideration of Laws and Regulations in an Audit of Financial Statements</i>	Effective for audits of financial statements for period beginning on or after 15 December 2017
ISA 800 (Revised), <i>Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks</i>	Effective for audits of financial statements for periods ended on or after 15 December 2016
ISA 805 (Revised), <i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i>	Effective for audits of single financial statements or of specific elements, accounts or items for periods ended on or after 15 December 2016. In the case of audits of single financial statements or of specific elements, accounts or items of a financial statement as at a specific date, this ISA is effective for audits of such information as at a date on or after 15 December 2016
ISA 810 (Revised), <i>Engagements to Report on Summary Financial Statements</i>	Effective for engagements to report on summary financial statements for periods ended on or after 15 December 2016

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 33,000 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 (professionalism, competency, ethics) of members and the accountancy profession in Malaysia;
3. Support & regulate (furthering, drive, lead, ensure) the practice of the accountancy profession in Malaysia consistent with global standards and best practices;
4. Promote the accountancy profession as a profession of choice; and
5. Well governed organisation with good Talent Management, Operational and Financial sustainability.



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