



## **PREFACE TO THE MALAYSIAN QUALITY CONTROL, AUDITING, REVIEW, OTHER ASSURANCE AND RELATED SERVICES PRONOUNCEMENTS**

### **Introduction**

1. This Preface to the Malaysian Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements is issued to facilitate understanding of the scope and authority of the pronouncements that the Malaysian Institute of Accountants (MIA) issues. It has been approved by the MIA Council in March 2017.
2. This Preface is issued to set out the objectives and due process of the MIA Council in respect of setting the Malaysian Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements.
3. This Preface also sets out the authority attaching to Audit and Assurance Practice Guides (AAPGs), Practice Notes (PNs), Audit and Assurance Illustrative Guides (AAIGs) and staff publications.

### **Objectives of the MIA Council**

4. MIA is a statutory body established under the Accountants Act 1967 (the Act). Section 6(c) of the Act states that one of the functions of MIA is to regulate the practice of the profession of accountancy in Malaysia. Section 10(g) of the Act further states that the MIA Council has the power to appoint Committees of MIA for such purposes and with such powers as may be prescribed.
5. The MIA Council has established the Auditing and Assurance Standards Board (AASB), an independent standard-setting body to set high quality standards for quality control, auditing, review, other assurance and related services; and to facilitate compliance with such standards.

### **MIA Authoritative Pronouncements**

6. MIA authoritative pronouncements govern audit, review, other assurance and related services engagements that are conducted in accordance with the Malaysian Approved Standards on Quality Control, Auditing, Review, Other Assurance and Related Services (Malaysian Approved Standards). A professional accountant should not represent compliance with the Malaysian Approved Standards unless the professional accountant has complied fully with all standards relevant to the engagement.
7. MIA authoritative pronouncements include the Malaysian Approved Standards and AAPGs which are issued following the AASB's stated due process.

8. MIA has determined to adopt the International Standards as the Malaysian Approved Standards. An explanatory foreword will be prepared on the status of each approved standard that is adopted. In the event that a standard contains guidance which is significantly different from Malaysian law or practice, the explanatory foreword to an approved standard will provide explanation on such differences.
9. The Malaysian Approved Standards comprise:
  - a) International Standards on Auditing (ISAs) (As adopted);
  - b) International Standards on Review Engagements (ISREs) (As adopted);
  - c) International Standards on Assurance Engagements (ISAEs) (As adopted);
  - d) International Standards on Related Services (ISRSs) (As adopted); and
  - e) International Standards on Quality Control (ISQCs) (As adopted).

### **The Authority Attaching to the Malaysian Approved Standards**

10. ISAs are to be applied in the audit of historical financial information.
11. ISREs are to be applied in the review of historical financial information.
12. ISAEs are to be applied in assurance engagements other than audits or reviews of historical financial information.
13. ISRSs are to be applied to compilation engagements, engagements to apply agreed-upon procedures to information and other specified related services engagements.
14. ISAs, ISREs, ISAEs and ISRSs are collectively referred to as the “Malaysian Engagement Standards”.
15. ISQCs are to be applied for all services falling under the Malaysian Engagement Standards.

### **International Standards on Auditing**

16. ISAs are written in the context of an audit of financial statements<sup>1</sup> by an independent auditor. They are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. The authority of ISAs is set out in ISA 200.<sup>2</sup>

### **International Standards on Quality Control**

17. ISQCs are written to apply to firms in respect of all their services falling under the Malaysian Engagement Standards. The authority of ISQCs is set out in the introduction to the ISQCs.

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<sup>1</sup> Unless otherwise stated, “financial statements” mean financial statements comprising historical financial information.

<sup>2</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*.

### **Other International Standards**

18. Some approved standards identified in paragraphs 11 to 13 contain: objectives, requirements, application and other explanatory material, introductory material and definitions. These terms are to be interpreted in a directly analogous way to how they are explained in the context of ISAs and financial statement audits in ISA 200.
19. Other approved standards identified in paragraphs 11 to 13 contain basic principles and essential procedures (identified in bold type lettering and by the word “should”) together with related guidance in the form of explanatory and other material, including appendices. The basic principles and essential procedures are to be understood and applied in the context of the explanatory and other material that provides guidance for their application. It is therefore necessary to consider the entire text of a Standard to understand and apply the basic principles and essential procedures.
20. The basic principles and essential procedures of an approved standard are to be applied in all cases where they are relevant in the circumstances of the engagement. In exceptional circumstances, however, a professional accountant may judge it necessary to depart from a relevant essential procedure in order to achieve the purpose of that procedure. When such a situation arises, the professional accountant is required to document how alternative procedures performed achieve the purpose of the procedure and, unless otherwise clear, the reasons for the departure. The need for the professional accountant to depart from a relevant essential procedure is expected to arise only where, in the specific circumstances of the engagement, that procedure would be ineffective.
21. Appendices, which form part of the application material, are an integral part of an approved standard. The purpose and intended use of an appendix are explained in the body of the related approved standard or within the title and introduction of the appendix itself.

### **Professional Judgement**

22. The nature of the approved standards requires professional accountants to exercise professional judgment in applying them.

### **Applicability of the Malaysian Approved Standards**

23. The applicability and effective date of a specific Malaysian Approved Standard is set out in the explanatory foreword to each standard.

### **Compliance with the Malaysian Approved Standards**

24. The MIA Council expects professional accountants to comply with the Malaysian Approved Standards in the conduct of audit, review, other assurance and related services engagements.
25. The onus will be on professional accountants to use their best endeavours to ensure that such standards are also observed by those persons who assist them in their work.

26. A report issued by a professional accountant should contain a positive statement to the effect that the work performed has been conducted in accordance with the applicable Malaysian Approved Standards. For example, in an audit report, the report should state that the work performed is conducted in accordance with approved standards on auditing in Malaysia. For review work performed, the report should state that the work performed is conducted in accordance with the approved standards on review engagement in Malaysia.
27. The MIA Council may inquire into apparent failures by professional accountants and those persons under their supervision to observe Malaysian Approved Standards. Any failure to observe Malaysian Approved Standards could be regarded as conduct discreditable to the profession of an accountant and might lead to disciplinary action being taken against the professional accountant(s) concerned.
28. Professional accountants are also advised that a court of law may, when considering the adequacy of the work of an auditor, take into account any pronouncements or publications which it thinks may be indicative of good auditing practice. Malaysian Approved Standards are likely to be so regarded.

#### **The Authority Attaching to Audit and Assurance Practice Guides**

29. AAPGs are issued to support the quality and promote consistency of the work performed by professional accountants in applying the Malaysian Engagement Standards.
30. Professional accountants should be aware of and consider AAPGs applicable to the engagement. A professional accountant who does not consider and apply the guidance included in a relevant AAPG should be prepared to explain how the basic principles and essential procedures in the Malaysian Engagement Standard(s) addressed by the AAPG have been complied with.

#### **Non-Authoritative Material**

31. Non-authoritative materials include PNs, AAIGs and staff publications. Non-authoritative materials are not part of MIA authoritative pronouncements.

#### **International Auditing Practice Notes**

32. International Auditing Practice Notes (IAPNs) do not impose additional requirements on auditors beyond those included in the ISAs, nor do they change the auditor's responsibility to comply with all ISAs relevant to the audit. IAPNs provide practical assistance to auditors. They are intended to be disseminated by those responsible for national standards, or used in developing corresponding national material. They also provide material that firms can use in developing their training programs and internal guidance.

33. Depending on the nature of the topic(s) covered, an IAPN may assist the auditor in:
- Obtaining an understanding of the circumstances of the entity, and in making judgements about the identification and assessment of risks of material misstatement;
  - Making judgements about how to respond to assessed risks, including judgements about procedures that may be appropriate in the circumstances; or
  - Addressing reporting considerations, including forming an opinion on the financial statements and communicating with those charged with governance.

#### **Practice Notes Relating to Other International Standards**

34. MIA may also issue International Review Engagement Practice Notes (IREPNs), International Assurance Engagement Practice Notes (IAEPNs), and International Related Services Practice Notes (IRSPNs) to serve the same purpose for ISREs, ISAEs, and ISRSs respectively.

#### **Audit and Assurance Illustrative Guides**

35. AAGs are publications issued by the AASB to provide illustrative guidance to members in matters pertaining to auditing and assurance. They do not have the same authority as MIA authoritative pronouncements.

#### **Staff Publications**

36. Staff publications are used to help raise professional accountants' awareness of significant new or emerging issues by referring to existing requirements and application material, or to direct their attention to relevant provisions of MIA authoritative pronouncements.

#### **Due Process**

37. MIA authoritative pronouncements are developed through AASB's stated due process.
38. Appendix A illustrates the due process and working procedures to adopt international standards issued by the IAASB.
39. Appendix B illustrates the due process and working procedures to develop Malaysian local standards.
40. Appendix C illustrates the due process and working procedures to develop AAPGs.

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