



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

AAIG 1
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Audit and Assurance Illustrative Guide 1

**Letter of Engagement,
Statutory Audit for Single Entity and Group**

AUDIT AND ASSURANCE ILLUSTRATIVE GUIDE 1

Letter of Engagement, Statutory Audit for Single Entity and Group

APPLICABLE FOR AUDITS OF FINANCIAL STATEMENTS FOR FINANCIAL YEARS/
PERIODS ENDED ON OR AFTER 31 JANUARY 2017

Foreword

The Malaysian Institute of Accountants has approved this Audit and Assurance Illustrative Guide (AAIG) for issuance to members for guidance.

AAIGs 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.

AAIG 1, *Letter of Engagement, Statutory Audit for Single Entity and Group* contains illustrative engagement letters to be used as guidance in the preparation of engagement letters relating to statutory audits of financial statements.

Separate engagement letters shall be prepared for other services.

ISA 210, *Agreeing the Terms of Audit Engagements* deals with the auditors' responsibilities in agreeing the terms of the audit engagement with management and, where appropriate, those charged with governance. This includes establishing that certain preconditions for an audit, responsibility for which rests with management and, where appropriate, those charged with governance, are present.

The objective of the auditor is to accept or continue an audit engagement only when the basis upon which it is to be performed has been agreed, through:

- (a) Establishing whether the preconditions for an audit are present; and
- (b) Confirming that there is a common understanding between the auditor and management and, where appropriate, those charged with governance of the terms of the audit engagement.

The following illustrative engagement letters are to be used as a guide in conjunction with considerations outlined in ISA 210 and should be varied according to individual requirements and circumstances.

AUDIT AND ASSURANCE ILLUSTRATIVE GUIDE 1

Letter of Engagement, Statutory Audit for Single Entity and Group

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ILLUSTRATIVE LETTER OF ENGAGEMENT - STATUTORY AUDIT (SINGLE ENTITY)

Date

The Board of Directors
[Name of Company]
[Address of Company]

Dear Sirs

Following our appointment as auditors of [Company's name] ("the Company"), you have requested that we audit the financial statements of the Company, which comprise the statement of financial position as at [dd/mm/yyyy], and the [statement of profit or loss and other comprehensive income, statement of changes in equity]¹[[statement of comprehensive income, statement of changes in equity]/[statement of income and retained earnings]]² and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. We are pleased to confirm our acceptance and the terms of our engagement.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

1. Responsibilities of Directors

- 1.1. As laid down in the Companies Act 2016 ("the Act"), the directors are responsible for the maintenance of the Company's accounting and other records and the preparation of annual financial statements which give a true and fair view in accordance with [Malaysian Financial Reporting Standards, International Financial Reporting Standards]/[Financial Reporting Standards]/[Malaysian Private Entities Reporting Standard] ("approved accounting standard in Malaysia") and comply with the requirements of the Act.
- 1.2. The directors are also responsible for making available to us, as and when required: 1) access to all the Company's accounting records and all other records and related information, including minutes of all management and shareholders' meetings; 2) additional information that we may request from the directors and management for the purpose of the audit; and 3)

¹ Applicable to audits of financial statements prepared in accordance with Malaysian Financial Reporting Standards/Financial Reporting Standards.

² Applicable to audits of financial statements prepared in accordance with Malaysian Private Entities Reporting Standard.

unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence.³

- 1.3. Responsibility for the prevention and detection of fraud and error remains with the directors and management of the Company mainly through the implementation and continued operation of an adequate system of internal control.
- 1.4. The directors are also responsible for the preparation of other information comprising financial or non-financial information included in the [directors' report]⁴/[annual report]⁵/[or describe another public document] containing the financial statements and the auditors' report thereon ("the other information"). The directors agree to provide us the other information in sufficient time for us to read regardless whether it is given to us before or after the date of the auditors' report.

2. Responsibilities of Auditors

- 2.1. The objectives of the audit are to examine in accordance with approved standards on auditing in Malaysia as promulgated by the Malaysian Institute of Accountants ("MIA") and International Standards on Auditing and report to the members of the Company on the financial statements produced by the directors. We shall, as required by the Act, report to the members of the Company whether in our opinion, the financial statements have been properly drawn up in accordance with [Malaysian Financial Reporting Standards, International Financial Reporting Standards]/[Financial Reporting Standards]/[Malaysian Private Entities Reporting Standard] and the requirements of the Act so as to give a true and fair view of:
 - (a) the financial position of the Company as at the end of the financial year; and
 - (b) the financial performance and the cash flows of the Company for the financial year then ended.
- 2.2. Where, in our opinion, the financial statements have not been drawn up in accordance with a particular applicable approved accounting standard in Malaysia, we are required to state in accordance with the Act:
 - (a) whether in our opinion, the financial statements would, if drawn up in accordance with that approved accounting standard in Malaysia, have given a true and fair view of the matters required by the Act to be dealt with in the financial statements;

³ Refer paragraph A24 of ISA 210 for examples of other matters relating to directors responsibilities that may be included.

⁴ Applicable to audits of financial statements of non-listed entities.

⁵ Applicable to audits of financial statements of listed entities.

- (b) whether in our opinion, the financial statements would not, if drawn up in accordance with that approved accounting standard in Malaysia, have given a true and fair view of the matters required by the Act and the reasons for holding that opinion;
 - (c) if the directors have given the particulars of the quantified financial effect, our opinion concerning the particulars; and
 - (d) in a case to which neither subparagraph (b) nor (c) applies, particulars of the quantified financial effect on the financial statements of the failure to so draw up the financial statements.
- 2.3. We are required by the Act to state in our auditors' report any defect or irregularity in the financial statements and any matter not set in the financial statements without regard to which a true and fair view of the matters dealt with by the financial statements would not be obtained.
- 2.4. In arriving at our opinion, we are required by the Act to consider the matters set out below and to state in our report particulars of any deficiency, failure or shortcoming arising thereof:
- (a) whether we have obtained all the information and explanations which we required for the purpose of our audit;
 - (b) whether proper accounting and other records, including registers, have been kept by the Company as required by the Act; and
 - (c) whether the returns received from branch offices of the Company are adequate for the purpose of our audit.
- 2.5. In the course of our audit, we are required by the Act to report in writing to the Registrar of Companies if we are satisfied that:
- (a) there has been a breach or non-observance of any of the provisions of the Act;
 - (b) the circumstances are such that in our opinion the matter has not been or will not be adequately dealt with by comment in our auditors' report or by bringing the matter to the notice of the directors of the Company or, if the Company is a subsidiary, of the directors of its holding company; and
- [Section 2.5(c): In the case of a public company or a company controlled by a public company as defined by the Act, the following paragraph is to be inserted]**
- (c) a serious offence involving fraud or dishonesty is being or has been committed against the Company or the Act by officers of the Company.

3. Scope of Audit

- 3.1. We will conduct our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Those standards require that we comply with ethical requirements. As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
- (a) Identify and assess the risks or material misstatement of the financial statements of the Company, where due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
 - (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
 - (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- 3.2. Approved standards on auditing in Malaysia and International Standards on Auditing require that we determine key audit matters and communicate those matters by describing them in the auditors' report, except in very limited circumstances. Key audit matters are those matters that, in our professional

judgement, are of most significance in the audit of the financial statements of the Company of the current financial year. Our communication of key audit matters in our auditors' report will be in the context of our audit of the financial statements as a whole. We will not provide a separate opinion on these matters. The communication of key audit matters applies to listed entities and in circumstances when we otherwise decide to communicate key audit matters in our auditors' report. We will communicate with you if we decide to do so.

- 3.3. We are required to read the other information. This responsibility applies regardless of whether the other information is obtained by the auditor prior to, or after, the date of the auditors' report. We will consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is an uncorrected material misstatement of this other information, we are required to include that fact in the auditors' report. Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon. If we conclude that a material misstatement exists in other information obtained after the date of the auditors' report and the other information is not corrected after communicating with the directors, we will take appropriate actions considering our legal rights and obligations.
- 3.4. [In addition, we will communicate all relationships and other matters between [name of firm], other member firms of the [name of firm] organisation ("network firms") and the Company that, in our professional judgement, may reasonably be thought to bear on independence (including total fees charged during the period covered by the financial statements for audit and non-audit services provided by the [name of firm] and network firms to the Company and components controlled by the Company) and the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.]⁶
- 3.5. Our audit is not designed to identify all significant deficiencies in the Company's systems or matters of governance interest. However, we shall bring to the attention of the directors if such matters come to our notice during the course of our audit and shall report accordingly. We will communicate to you in writing concerning any significant deficiencies in accounting and internal control systems or matters of governance interest relating to the financial reporting process that we have identified during the audit.
- 3.6. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly

⁶ Applicable to audits of financial statements of listed entities (Ref: Para 40(b) of ISA 700 (Revised)).

planned and performed in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

- 3.7. Because our responsibility is to report on the financial statements as a whole, rather than those individual units or divisions, the nature and extent of our tests and enquiries at each unit or division will vary according to our assessment of its circumstances.
- 3.8. Our audit opinion is intended for the benefit of those to whom it is addressed. The audit will not be planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.
- 3.9. As part of our audit process, we will/may request from the directors and management written confirmation concerning representations made to us in connection with the audit.
- 3.10. In order to assist us with the audit of your financial statements, we look forward to full co-operation with your staff and we trust that they will make available to us whatever records, documentation and other information requested in connection with our audit.

4. Confidentiality

- 4.1. The conduct of our audit in accordance with approved standards of auditing in Malaysia and International Standards on Auditing means that information acquired by us in the course of our audit is subject to strict confidentiality requirements.
- 4.2. Neither of us will disclose to any third party without the prior written consent of the other party any confidential information which is given, for the purposes of providing or receiving the services herein, by the other party. Information shall be deemed to be confidential which if disclosed in writing is marked confidential or if disclosed orally is confirmed in writing as being confidential or otherwise, is manifestly confidential ("Confidential Information"). This restriction will not apply to any information which:
 - (a) is or becomes generally available to the public other than as a result of a breach of an obligation under this clause; or
 - (b) is acquired from a third party who owes no obligation of confidence in respect of the information; or
 - (c) is in possession of the receiving party without restriction before the date of receipt from the other party; or
 - (d) is or has been independently developed by the receiving party.

- 4.3. Notwithstanding the above, we may disclose any Confidential Information:
- (a) to our insurers or lawyers provided that the Confidential Information remains confidential; or
- [Section 4.3(b): In the case of a network firm, the following paragraph is to be inserted]**
- (b) to other [name of firm] entities in relation to the provision of the services herein or to assist in quality reviews or for independence and conflict checks; or
 - (c) if required to do so by law or rule or regulation applicable to us, provided that (and without breaching any legal or regulatory requirement) where reasonably practicable not less than [based on firm's policy] business days notice in writing is first given to you.
- 4.4. You agree that we may disclose, transfer and process Confidential Information as reasonably required for internal business purposes including client relationship management, account management, internal financial reporting, information technology ("IT") support (such as storage, hosting, maintenance, support, etc.) including outsourcing of the same.
- 4.5. With respect to personal data:
- (a) that you provide to us, you confirm that processing such data in accordance with the terms of this letter will not place us in breach of any applicable data protection legislation;
 - (b) that we provide to you, you agree to keep such data confidential, secure and in accordance with any applicable data protection legislation.
- 4.6. Subject to Clause 4.2 above and once the services herein and the deliverables herein have been provided, we may cite the performance of our services herein to our clients and prospective clients, or include a reference in other electronic or printed marketing materials or publications as an indication of our experience.
- [Section 4.7: In the case of a network firm, the following paragraph is to be inserted]**
- 4.7. "[name of firm] entity(ies)" means any entity (whether or not incorporated) which carries on business under a name which includes all or part of the [name of firm] name or is otherwise within (or associated or connected with an entity within) or is a correspondent firm of the world-wide network of [name of firm] firms.

5. Other Matters

- 5.1. The working papers and files for this engagement created by us during the course of the audit, including electronic documents and files, are the sole property of our firm.
- 5.2. We shall not be liable in any way for failure or delay in performing our obligations under this engagement if the failure or delay is due to causes outside our reasonable control.

6. Governing Law and Jurisdiction

- 6.1. These terms of business shall be governed by and construed in accordance with the laws of Malaysia and any dispute arising out of this engagement or these terms shall be subject to the exclusive jurisdiction of the Malaysian courts.

[Section 7: In the case of a listed company, the following paragraphs is to be inserted]

7. Capital Markets and Services Act 2007 (“CMSA”)

- 7.1. In the course of the performance of duties as auditors of the Company, if we are of the professional opinion that there has been a breach or non-performance of any requirement or provision of the securities laws, a breach of any of the rules of the stock exchange or any matter which may adversely affect to a material extent the financial position of the Company come to our attention, Section 320 of the CMSA requires us to immediately submit a written report on the matter:
 - (a) in the case of a breach or non-performance of any requirement or provision of the securities laws, to the Securities Commission ("the Commission"), established under the Securities Commission Act 1993;
 - (b) in the case of a breach or non-performance of any of the rules of a stock exchange, to the relevant stock exchange and the Commission; or
 - (c) in any other case which adversely affects to a material extent the financial position of the Company, to the relevant stock exchange and the Commission.
- 7.2. We shall not be liable to be sued in any court for any report submitted by us in good faith and in the intended performance of any duty imposed on us under this section.
- 7.3. Under subsection (3) of Section 320 of the CMSA, the Commission may, at any time, during or after the audit require us to:
 - (a) submit such additional information in relation to this audit as the Commission may specify;

- (b) enlarge or extend the scope of this audit of the business and affairs of the Company in such manner or to such extent as the Commission may specify;
- (c) carry out any specific examination or establish any procedure in any particular case;
- (d) submit a report on any matter referred to in paragraphs (a) to (c); or
- (e) submit an interim report on any matter referred to in paragraphs (a) to (d),

and the Commission may specify the time within which any of such requirements shall be complied with by us and may specify the remuneration which the Company shall pay to us in respect thereof.

- 7.4. We shall comply with any requirement of the Commission under subsection (3) and the Company shall remunerate us in respect of the discharge by us of all or any of the additional duties under this section.
- 7.5. The Company shall provide such information and access to such information as we shall require in respect of the discharge by us of all or any of the additional duties under this section.

[Section 8.0: If applicable, the following paragraphs are to be inserted]

8. Indemnity

- 8.1 You shall indemnify [Firm Name] for any costs incurred by us in respect of any proceedings:
 - (a) that relates to the liability for any act or omission in our capacity as an auditor; and
 - (b) in which judgment is given in favour of us or in which we are acquitted or in which we are granted relief under the Act or where proceedings are discontinued or not pursued.
- 8.2 You shall also indemnify [Firm Name] in respect of:
 - (a) any liability to any person, other than the Company, for any act or omission in our capacity as an auditor; and
 - (b) costs incurred by us in defending or settling any claim or proceedings relating to any such liability; or
 - (c) in connection with an application or relief under the Act.

9. Reporting

- 9.1. *[Insert appropriate reference to the expected form and content of the auditors' report. Example as follows:*

The expected form and content of our audit report is provided in Appendix A, being specimen of unmodified opinion.

We will issue a written report upon completion of our audit of the financial statements of the Company. Our report will be addressed to the members of the Company. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our report.]

- 9.2. The form and content of our report may need to be amended in the light of our audit findings.

10. Fees

- 10.1. Our fees are based upon the degree of responsibility and skill involved and the time spent by the partners and our staff necessarily occupied on the work, and shall be reviewed from time to time. The fees will be billed as work progresses and shall include all disbursements and other out-of-pocket expenses. The invoice will be due on presentation.

11. Agreement of Terms

- 11.1. Once it has been agreed, this letter will remain effective for subsequent reappointment unless it is terminated, amended or superseded. We shall be grateful if you would confirm your agreement to the terms of this letter by signing and returning the duplicate copy.
- 11.2. If the contents are not in agreement with your understanding of our term of engagement, we shall be pleased to receive your comments and to give you any further information you require.

Yours faithfully

(Engagement Partner's Signature)

Acknowledged, and in agreement with the terms of engagement as set out above:

(Authorised Client Representative's Signature)

(Title)

(Date)

ILLUSTRATIVE LETTER OF ENGAGEMENT - STATUTORY AUDIT (GROUP)

Date

The Board of Directors
[Name of Company]
[Address of Company]

Dear Sirs

Following our appointment as auditors of [Company's name] ("the Company"), with responsibilities to report on the audited financial statements of the Company as well as the audited consolidated financial statements of the Company and its subsidiaries ("the Group"), you have requested that we audit the financial statements of the Group and of the Company, which comprise the statements of financial position as at [dd/mm/yyyy] of the Group and of the Company, and the [statements of profit or loss and other comprehensive income, statements of changes in equity]¹[[statements of comprehensive income, statements of changes in equity]/[statements of income and retained earnings]]² and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. We are pleased to confirm our acceptance and the terms of our engagement.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

1. Responsibilities of Directors

- 1.1. As laid down in the Companies Act 2016 ("the Act"), the directors are responsible for the maintenance of the Company's accounting and other records and the preparation of annual financial statements which give a true and fair view in accordance with [Malaysian Financial Reporting Standards, International Financial Reporting Standards]/[Financial Reporting Standards]/[Malaysian Private Entities Reporting Standard] ("approved accounting standard in Malaysia") and comply with the requirements of the Act.
- 1.2. The directors are also responsible for making available to us, as and when required: 1) access to all the Company's accounting records and all other

¹ Applicable to audits of financial statements prepared in accordance with Malaysian Financial Reporting Standards/Financial Reporting Standards.

² Applicable to audits of financial statements prepared in accordance with Malaysian Private Entities Reporting Standard.

records and related information of the Company and any of its subsidiaries, including minutes of all management and shareholders' meetings; 2) additional information that we may request from the directors and management for the purpose of the audit; and 3) unrestricted access to persons within the Company and from any auditor or a related corporation from whom we determine it necessary to obtain audit evidence.³

- 1.3. Responsibility for the prevention and detection of fraud and error remains with the directors and management of the Company mainly through the implementation and continued operation of an adequate system of internal control.
- 1.4. Directors of a holding company have an additional responsibility under the Act to prepare consolidated financial statements consisting of the holding company and its subsidiaries.
- 1.5. The directors are also responsible for the preparation of other information comprising financial or non-financial information included in the [directors' report]⁴/[annual report]⁵/[or describe another public document] containing the financial statements and the auditors' report thereon ("the other information"). The directors agree to provide us the other information in sufficient time for us to read regardless whether it is given to us before or after the date of the auditors' report.

2. Responsibilities of Auditors

- 2.1. The objectives of the audit are to examine in accordance with approved standards on auditing in Malaysia as promulgated by the Malaysian Institute of Accountants ("MIA") and International Standards on Auditing and report to the members of the Company on the financial statements produced by the directors. We shall, as required by the Act, report to the members of the Company whether in our opinion, the financial statements have been properly drawn up in accordance with [Malaysian Financial Reporting Standards, International Financial Reporting Standards]/[Financial Reporting Standards]/[Malaysian Private Entities Reporting Standard] and the requirements of the Act so as to give a true and fair view of:
 - (a) the financial position of the Group and of the Company as at the end of the financial year; and
 - (b) the financial performance and the cash flows of the Group and of the Company for the financial year then ended.

³ Refer paragraph A24 of ISA 210 for examples of other matters relating to directors responsibilities that may be included.

⁴ Applicable to audits of financial statements of non-listed entities.

⁵ Applicable to audits of financial statements of listed entities.

- 2.2. Where, in our opinion, the financial statements of the Group or of the Company have not been drawn up in accordance with a particular applicable approved accounting standard in Malaysia, we are required to state in accordance with the Act:
- (a) whether in our opinion, the financial statements of the Group or of the Company would, if drawn up in accordance with that approved accounting standard in Malaysia, have given a true and fair view of the matters required by the Act to be dealt with in the financial statements;
 - (b) whether in our opinion, the financial statements of the Group or of the Company would not, if drawn up in accordance with that approved accounting standard in Malaysia, have given a true and fair view of the matters required by the Act and the reasons for holding that opinion;
 - (c) if the directors have given the particulars of the quantified financial effect, our opinion concerning the particulars; and
 - (d) in a case to which neither subparagraph (b) nor (c) applies, particulars of the quantified financial effect on the financial statements of the Group or of the Company of the failure to so draw up the financial statements.
- 2.3. We are required by the Act to state in our auditors' report any defect or irregularity in the financial statements of the Group or of the Company and any matter not set in the financial statements of the Group or of the Company without regard to which a true and fair view of the matters dealt with by the financial statements of the Group or of the Company would not be obtained.
- 2.4. We are also required by the Act to state in our report to the members the names of those subsidiaries of which we have not acted as auditors.
- 2.5. In arriving at our opinion, we are required by the Act to consider the matters set out below and to state in our report particulars of any deficiency, failure or shortcoming arising thereof:
- (a) whether we have obtained all the information and explanations which we required for the purpose of our audit;
 - (b) whether proper accounting and other records, including registers, have been kept by the Company as required by the Act;
 - (c) whether the returns received from branch offices of the Company are adequate for the purpose of our audit; and
 - (d) whether the procedures and methods used by the Company or its subsidiaries in arriving at the amount taken into any consolidated financial statements were appropriate to the circumstances of the consolidation.

2.6. In the course of our audit, we are required by the Act to report in writing to the Registrar of Companies if we are satisfied that:

- (a) there has been a breach or non-observance of any of the provisions of the Act;
- (b) the circumstances are such that in our opinion the matter has not been or will not be adequately dealt with by comment in our auditors' report or by bringing the matter to the notice of the directors of the Company or, if the Company is a subsidiary, of the directors of its holding company; and

[Section 2.6(c): In the case of a public company or a company controlled by a public company as defined by the Act, the following paragraph is to be inserted]

- (c) a serious offence involving fraud or dishonesty is being or has been committed against the Company of the Act by officers of the Company.

3. Scope of Audit

3.1. We will conduct our audit in accordance with approved standards on auditing in Malaysia as promulgated by the Malaysian Institute of Accountants ("MIA") and International Standards on Auditing. Those standards require that we comply with ethical requirements. As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks or material misstatement of the financial statements of the Group and of the Company, where due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained,

whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit.

3.2. Approved standards on auditing in Malaysia and International Standards on Auditing require that we determine key audit matters and communicate those matters by describing them in the auditors' report, except in very limited circumstances. Key Audit Matters are those matters that, in our professional judgement, are of most significance in the audit of the financial statements of the Group and of the Company of the current financial year. Our communication of key audit matters in our auditors' report will be in the context of our audit of the financial statements as a whole. We will not provide a separate opinion on these matters. The communication of key audit matters applies to listed entities and in circumstances when we otherwise decide to communicate key audit matters in our auditors' report. We will communicate with you if we decide to do so.

3.3. We are required to read the other information. This responsibility applies regardless of whether the other information is obtained by the auditor prior to, or after, the date of the auditors' report. We will consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is an uncorrected material misstatement of this other information, we are required to include that fact in the auditors' report. Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon. If we conclude that a material misstatement exists in other information obtained after the date of the auditors' report and the other information is not

corrected after communicating with the directors, we will take appropriate actions considering our legal rights and obligations.

- 3.4. [In addition, we will communicate all relationships and other matters between [name of firm], other member firms of the [name of firm] organisation (“network firms”) and the Company that, in our professional judgement, may reasonably be thought to bear on independence (including total fees charged during the period covered by the financial statements for audit and non-audit services provided by the [name of firm] and network firms to the Company and components controlled by the Company) and the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.]⁶
- 3.5. Our audit is not designed to identify all significant deficiencies in the Company’s systems or matters of governance interest. However, we shall bring to the attention of the directors if such matters come to our notice during the course of our audit and shall report accordingly. We will communicate to you in writing concerning any significant deficiencies in accounting and internal control systems or matters of governance interest relating to the financial reporting process that we have identified during the audit.
- 3.6. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.
- 3.7. Because our responsibility is to report on the financial statements as a whole, rather than those individual units or divisions, the nature and extent of our tests and enquiries at each unit or division will vary according to our assessment of its circumstances.
- 3.8. Our audit opinion is intended for the benefit of those to whom it is addressed. The audit will not be planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.
- 3.9. As part of our audit process, we will/may request from the directors and management written confirmation concerning representations made to us in connection with the audit.
- 3.10. In order to assist us with the audit of your financial statements, we look forward to full co-operation with your staff and we trust that they will make available to us whatever records, documentation and other information requested in connection with our audit.

⁶ Applicable to audits of financial statements of listed entities (Ref: Para 40(b) of ISA 700 (Revised))

- 3.11. As auditors of the holding company, in accordance with the Act and professional standards, we remain solely responsible for our opinion on the consolidated financial statements. To fulfill this responsibility, it will be necessary for us, with management's cooperation and full support, to carry out certain procedures on the work performed by the auditors of any group companies where we have not been appointed. You will ensure that the directors will make the necessary arrangements including access to the working papers of the auditors of those companies for us to carry out our procedures.

4. Confidentiality

- 4.1. The conduct of our audit in accordance with approved standards of auditing in Malaysia and International Standards on Auditing means that information acquired by us in the course of our audit is subject to strict confidentiality requirements.
- 4.2. Neither of us will disclose to any third party without the prior written consent of the other party any confidential information which is given, for the purposes of providing or receiving the services herein, by the other party. Information shall be deemed to be confidential which if disclosed in writing is marked confidential or if disclosed orally is confirmed in writing as being confidential or otherwise, is manifestly confidential ("Confidential Information"). This restriction will not apply to any information which:
- (a) is or becomes generally available to the public other than as a result of a breach of an obligation under this clause; or
 - (b) is acquired from a third party who owes no obligation of confidence in respect of the information; or
 - (c) is in possession of the receiving party without restriction before the date of receipt from the other party; or
 - (d) is or has been independently developed by the receiving party.
- 4.3. Notwithstanding the above, we may disclose any Confidential Information:
- (a) to our insurers or lawyers provided that the Confidential Information remains confidential; or
- [Section 4.3(b): In the case of a network firm, the following paragraph is to be inserted]**
- (b) to other [name of firm] entities in relation to the provision of the services herein or to assist in quality reviews or for independence and conflict checks; or

- (c) if required to do so by law or rule or regulation applicable to us, provided that (and without breaching any legal or regulatory requirement) where reasonably practicable not less than [based on firm's policy] business days notice in writing is first given to you.
- 4.4. You agree that we may disclose, transfer and process Confidential Information as reasonably required for internal business purposes including client relationship management, account management, internal financial reporting, information technology ("IT") support (such as storage, hosting, maintenance, support, etc.) including outsourcing of the same.
- 4.5. With respect to personal data:
 - (a) that you provide to us, you confirm that processing such data in accordance with the terms of this letter will not place us in breach of any applicable data protection legislation;
 - (b) that we provide to you, you agree to keep such data confidential, secure and in accordance with any applicable data protection legislation.
- 4.6. Subject to Clause 4.2 above and once the services herein and the deliverables herein have been provided, we may cite the performance of our services herein to our clients and prospective clients, or include a reference in other electronic or printed marketing materials or publications as an indication of our experience.

[Section 4.7: In the case of a network firm, the following paragraph is to be inserted]

- 4.7. "[name of firm] entity(ies)" means any entity (whether or not incorporated) which carries on business under a name which includes all or part of the [name of firm] name or is otherwise within (or associated or connected with an entity within) or is a correspondent firm of the world-wide network of [name of firm] firms.

5. Other Matters

- 5.1. The working papers and files for this engagement created by us during the course of the audit, including electronic documents and files, are the sole property of our firm.
- 5.2. We shall not be liable in any way for failure or delay in performing our obligations under this engagement if the failure or delay is due to causes outside our reasonable control.

6. Governing Law and Jurisdiction

- 6.1. These terms of business shall be governed by and construed in accordance with the laws of Malaysia and any dispute arising out of this engagement or

these terms shall be subject to the exclusive jurisdiction of the Malaysian courts.

[Section 7: In the case of a listed company, the following paragraphs is to be inserted]

7. Capital Markets and Services Act 2007 (“CMSA”)

- 7.1. In the course of performance of duties as auditors of the Group, if we are of the professional opinion that there has been a breach or non-performance of any requirement or provision of the securities laws, a breach of any of the rules of the stock exchange or any matter which may adversely affect to a material extent the financial position of the Company come to our attention, Section 320 of the CMSA requires us to immediately submit a written report on the matter:
- (a) in the case of a breach or non-performance of any requirement or provision of the securities laws, to the Securities Commission ("the Commission"), established under the Securities Commission Act 1993;
 - (b) in the case of a breach or non-performance of any of the rules of a stock exchange, to the relevant stock exchange and the Commission; or
 - (c) in any other case which adversely affects to a material extent the financial position of the Company, to the relevant stock exchange and the Commission.
- 7.2. We shall not be liable to be sued in any court for any report submitted by us in good faith and in the intended performance of any duty imposed on us under this section.
- 7.3. Under subsection (3) of Section 320 of the CMSA, the Commission may, at any time, during or after the audit require us to:
- (a) submit such additional information in relation to this audit as the Commission may specify;
 - (b) enlarge or extend the scope of this audit of the business and affairs of the Company in such manner or to such extent as the Commission may specify;
 - (c) carry out any specific examination or establish any procedure in any particular case;
 - (d) submit a report on any matter referred to in paragraphs (a) to (c); or
 - (e) submit an interim report on any matter referred to in paragraphs (a) to (d),

and the Commission may specify the time within which any of such requirements shall be complied with by us and may specify the remuneration which the Company shall pay to us in respect thereof.

- 7.4. We shall comply with any requirement of the Commission under subsection (3) and the Company shall remunerate us in respect of the discharge by us of all or any of the additional duties under this section.
- 7.5. The Company shall provide such information and access to such information as we shall require in respect of the discharge by us of all or any of the additional duties under this section.

[Section 8.0: If applicable, the following paragraphs are to be inserted]

8. Indemnity

- 8.1 You shall indemnify [Firm Name] for any costs incurred by us in respect of any proceedings:
- (a) that relates to the liability for any act or omission in our capacity as an auditor; and
 - (b) in which judgment is given in favour of us or in which we are acquitted or in which we are granted relief under the Act or where proceedings are discontinued or not pursued.
- 8.2 You shall also indemnify [Firm Name] in respect of:
- (a) any liability to any person, other than the Company, for any act or omission in our capacity as an auditor; and
 - (b) costs incurred by us in defending or settling any claim or proceedings relating to any such liability; or
 - (c) in connection with an application or relief under the Act.

9. Reporting

- 9.1 *[Insert appropriate reference to the expected form and content of the auditors' report. Example as follows:*

The expected form and content of our audit report is provided in Appendix A, being specimen of unmodified opinion.

We will issue a written report upon completion of our audit of the financial statements of the Group and of the Company. Our report will be addressed to the members of the Company. We cannot provide assurance that an

unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our report.]

- 9.2 The form and content of our report may need to be amended in the light of our audit findings.

10. Fees

- 10.1. Our fees are based upon the degree of responsibility and skill involved and the time spent by the partners and our staff necessarily occupied on the work, and shall be reviewed from time to time. The fees will be billed as work progresses and shall include all disbursements and other out-of-pocket expenses. The invoice will be due on presentation.

11. Agreement of Terms

- 11.1. Once it has been agreed, this letter will remain effective for subsequent reappointment unless it is terminated, amended or superseded. We shall be grateful if you would confirm your agreement to the terms of this letter by signing and returning the duplicate copy.
- 11.2. If the contents are not in agreement with your understanding of our term of engagement, we shall be pleased to receive your comments and to give you any further information you require.

Yours faithfully

(Engagement Partner's Signature)

Acknowledged, and in agreement with the terms of engagement as set out above:

(Authorised Client Representative's Signature)

(Title)

(Date)



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OF ACCOUNTANTS

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