



# INTO THE FUTURE

2017 ANNUAL REPORT

# MILESTONE 2017



Member Networking  
Session



Technical  
Tea Talk



2017 National  
Conference



CIA Excellence  
Award



2017 Annual  
General Meeting



2017 Internal  
Audit Workshop



Risk Management  
Conference





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# VISION, MISSION, OBJECTIVES & MOTTO



## VISION

Internal Audit professionals will be recognised as indispensable to effective governance, risk management and control.

## MISSION

To provide dynamic leadership for the global profession of internal auditing. Activities in support of this mission will include but will not be limited to:

- Advocating and promoting the value that internal audit professionals add to their organisations.
- Providing comprehensive professional educational and development opportunities; standards and other professional practice guidance; and certification programmes.
- Researching, disseminating, and promoting knowledge concerning internal auditing and its appropriate role in control, risk management, and governance to practitioners and stakeholders.
- Educating practitioners and other relevant audiences on best practices in internal auditing.
- Bringing together internal auditors to share information and experiences.

## OBJECTIVES

- To be the recognised voice for the internal audit profession.
- To develop and sustain the internal audit profession in Malaysia through appropriate infrastructure, coordination, support and communication.
- To provide exceptional service to the Institute's members.

## MOTTO: "PROGRESS THROUGH SHARING"

The motto of the Institute is 'Progress through Sharing'. This marks our commitment to bring the profession to the next level of professionalism and recognition. We are dedicated to helping practitioners grow their knowledge and skills by sharing new trends, latest internal audit techniques, regulatory and statutory requirements and the emerging issues affecting the profession.



# NOTICE OF ANNUAL GENERAL MEETING

(Company No. 309740-D)  
Company Limited By Guarantee  
Incorporated in Malaysia

## THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA

NOTICE IS HEREBY GIVEN THAT THE TWENTY-THIRD (23RD) ANNUAL GENERAL MEETING OF THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA WILL BE HELD AT CONCORDE BALLROOM, BALLROOM LEVEL, CONCORDE HOTEL KUALA LUMPUR, NO 2 JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR ON TUESDAY, 12 JUNE 2018 AT 5.00 P.M. TO TRANSACT THE FOLLOWING BUSINESS:-

### ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 of the Institute together with the Governors' and Auditors' Report thereon.
2. To elect members to the Board of Governors:-
  - a. The Governors who retire and are eligible for re-election pursuant to Article 18 of the Institute's Constitution are:-
    - Suhailah Binti Mohamed Abdulla
    - Philip Satish Rao
    - Lucy Wong Kam Yang
    - Renganathan A/L M Narasingham

Suhailah Binti Mohamed Abdulla, Philip Satish Rao, Lucy Wong Kam Yang and Renganathan A/L M Narasingham have offered themselves for re-election.
  - b. Elect new members nominated to the Board of Governors for the year 2018/2019.
3. To appoint Auditors and to authorise the Governors to fix their remuneration:-

"THAT Messrs UHY, having consented to act, be and are hereby appointed as Auditors of the Institute in place of the retiring auditors, Messrs Baker Tilly Monteiro Heng, and to hold office until the conclusion of the next Annual General Meeting AND THAT the Board of Governors be authorised to determine their remuneration."
4. To transact any other business for which due notice has been given in accordance with the Companies Act 2016 and the Institute's Constitution.

By Order of the Board

**WONG WAI FOONG (MAICSA 7001358)**

**WONG PEIR CHYUN (MAICSA 7018710)**

Company Secretary

Kuala Lumpur  
21 May 2018

### NOTES:-

- Only Fellow Members and Professional Members of the Institute are entitled to vote at the Annual General Meeting. Associate Members, Audit Committee Members, Honorary Members, Student Members and Nominees of Corporate Members may attend the meeting but shall not have voting rights.
- Any member/members wishing to bring before the Annual General Meeting of the Institute any business other than the ordinary shall give notice in writing thereof in accordance with Section 323 of the Companies Act 2016.

# PROFILE OF THE BOARD OF GOVERNORS 2017/2018



First row from left to right:

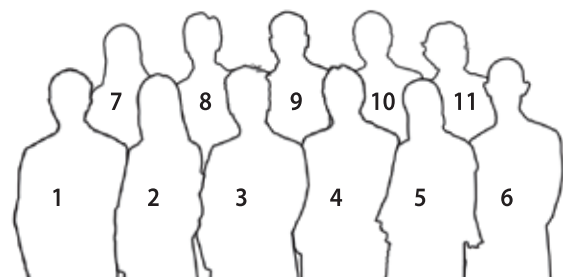
1. **PHILIP SATISH RAO**
2. **LUCY WONG KAM YANG**
3. **ALAN CHANG KONG CHONG**
4. **RANJIT SINGH TARAM SINGH**
5. **SUHAILAH MOHAMED ABDULLA**
6. **SANJAY SIDHU**

Second row from left to right:

7. **NORCHAHYA AHMAD**
8. **WALTER SANDOSAM**
9. **ZAINAL AKBAR SK MD ABDUL KADER**
10. **WONG CHIANG MENG**
11. **VIJAYAM NADARAJAH**

Not in the picture:

12. **RENGANATHAN NARASINGHAM**
13. **NICKSON CHOO**



# PROFILE OF THE BOARD OF GOVERNORS 2017/2018

## ACTING PRESIDENT

### ALAN CHANG KONG CHONG

*CMIIA, CIA, CFSA, FCPA(Aust.), Chartered Banker (Asian Institute of Chartered Bankers, AICB), Certified Credit Professional (AICB), B.Econ (Sydney Uni., Aust.)*

He is the Chief Internal Auditor of Hong Leong Financial Group Berhad. Prior to this, he is the Chief Internal Auditor of Hong Leong Bank Berhad as well as the financial services entities under the Hong Leong Financial Group. He was formerly the Senior Vice-President and headed the Group Internal Audit of RHB Bank Bhd. He has over 25 years of internal audit experience specialising in credit, treasury, retail and operational audits of commercial banks.

He is the currently the Acting President of the Institute and was the former Chairman of IIA's Professional Services Committee, a committee he joined since 2017. He also is the current Chairman of the Chief Internal Audit function Networking Group (CIANG) comprising all participating Chief Internal Auditors of 44 financial institutions from commercial, Islamic and investment banks from both local banks and foreign branches/subsidiaries of international banks. He was unanimously re-elected in December 2016 to head CIANG for another term. CIANG is a formal networking group under AICB which focuses on internal audit matters affecting the Malaysian financial services industry. AICB is an institute formed by a council comprising of representatives from Bank Negara Malaysia, the Association of Banks in Malaysia, the Association of Finance Companies in Malaysia and the Malaysia Investment Bank Association.

## VICE PRESIDENTS

### SUHAILAH MOHAMED ABDULLA

*CMIIA, CIA, CCSA, CPA(M), CA(M)*

Suhailah began her career with the external audit practice of KPMG and subsequently joined the internal audit unit of ASTRO Malaysia in 2000. She re-joined KPMG in 2005, and over her 8-year career at KPMG's Advisory practice, she led a variety of internal audit, risk management and quality assurance engagements for companies involved in a variety of industries. In January 2013, she took on the position of Head of Group Internal Audit of Fraser & Neave Holdings Berhad (FNHB) and had overall responsibility of its internal audit function in Malaysia and Thailand.

She currently heads the Group Risk Management Division of Themed Attractions Resorts and Hotels Sdn Bhd and oversees the ERM, business continuity management, insurance management and organisations & methods functions of the Group. She has been a member of the Institute since 2000 and has served in its sub-committees since 2006.



# PROFILE OF THE BOARD OF GOVERNORS 2017/2018

## **ZAINAL AKBAR SK MD ABDUL KADER**

*CMIIA, CRMA, ASA(Aust)*

Zainal is the Vice President, Internal Audit and Secretary of Board Audit Committee at Malaysian Bioeconomy Development Corporation (Formerly known as Malaysian Biotechnology Corporation), a government-linked entity fully owned by Ministry of Finance Inc., and a professional agency under Ministry of Science, Technology and Innovation tasked with National Biotechnology Policy to develop the biotechnology industry in Malaysia. He holds a Bachelor of Commerce (Accounting) degree from Curtin University of Technology, Australia. In 2007, he had successfully completed the prestigious 'The Job of Chief Executive' programme co-organised by IMD Switzerland/Singapore Institute of Management and subsequently in the year 2013 had completed 'The Bullet Proof® Manager Training Series' at Crestcom International, Colorado. He carries 18 years of professional experience in external and internal auditing, group accounting, strategic financial management and enterprise risk management.

Prior to his current position, he was the Group Manager, Accounts at TDM Berhad (a main board listed company) where he headed the group accounting and treasury functions. He was also the past representative of Federation of Public Listed Companies providing advice on adoption towards new International Financial Reporting Standards (IFRS) while representing on various IFRS discussion groups at Malaysian Accounting Standard Board.

## **HONORARY SECRETARY**

### **SANJAY SIDHU**

*CMIIA, CA(Scotland), CA (M), CISA*

Sanjay is the Head of Risk Advisory Services at BDO Malaysia, responsible for a portfolio of Internal Audit, Forensic, Cybersecurity, and Risk and Governance engagements with clients across a range of industries. Sanjay also regularly provides Expert Witness testimony in support of forensic engagements. Prior to his return to Malaysia from the Netherlands in 2012, Sanjay held internal audit leadership roles at a number of Fortune 500 companies, with responsibility for the Europe, Middle East and Africa region. He commenced his career in 1991 with Touche Ross & Co in the UK and proceeded to roles at Ernst & Young in the UK and in Poland. In this time, Sanjay executed roles in statutory audit, IT audit, data analytics, and investigations/special audits.

Sanjay's corporate experience spans the telecommunications, consumer manufacturing and pharmaceutical industries, and includes risk assessments; strategic audit plans; financial, operational and compliance audits; Information Systems governance and assurance; Information Systems implementations; financial and operational shared services centres and outsourcing; Sarbanes-Oxley; principal-commissionaire models; and quality assurance reviews. He has experience in the design, implementation and the execution of programmes for US Foreign Corrupt Practices Act (FCPA) compliance, healthcare (IFPMA Code) compliance, and the operation of ethics and compliance hotlines and related investigations.

# PROFILE OF THE BOARD OF GOVERNORS 2017/2018

## HONORARY TREASURER

### RENGANATHAN NARASINGHAM

*CMIIA*

Renganathan is a qualified accountant with more than 20 years of internal audit (IA) & investigation experience, and 11 years of external audit experience at Ernst & Young (EY). During his tenure in IA & investigations, he has served as Director, Internal Audit at a multi-national organization, Head of Group Internal Audit at 2 public listed companies (PLCs), Head, Issuers Investigation at Bursa Malaysia (i.e. investigation of PLCs) and Senior Manager at EY (IA outsourcing). He has vast experience in performing audits & investigations of companies in various industries, including investigation of fraud cases which exceeded RM100 million per case. He joined the Institute in June 2002. He has been serving as a member of the Board of Governors (BOG) of IIA Malaysia since May 2015. He served as the Hon. Treasurer and Chairman of the Finance & Risk Management Committee (FRMC) for the term 2017 - 2018 and as Deputy Chairman of the Professional Services Committee (PSC) for the term 2015 - 2016. He had previously served as a member of the PSC for 2 consecutive terms (2005 - 2007) and the Research & Technical Advisory Committee (RTAC) for 7 consecutive terms (2008 - 2015). He attended all the BOG, FRMC, PSC and RTAC meetings during his tenure on the Board and in the Committees during the above-mentioned 13 years.

## IMMEDIATE PAST PRESIDENT

### LUCY WONG KAM YANG

*CMIIA, CIA, CRMA, FCMA, CGMA, CA(M), MBA(Aust.)*

Lucy is the Chief Internal Auditor of MMC Corporation Berhad. She provides internal auditing services to the MMC Group of Companies, guidance and assistance to Internal Audit Departments, standardisation and harmonisation of internal audit practices, and advice on governance, risk management and control matters. She has over 20 years of working experience in internal auditing.

Prior to joining MMC Corporation Berhad, she has served several companies in operations and also providing internal audit services. The companies are Tenaga Nasional Berhad, UEM Group Management Sdn Bhd, HBN Management Services Sdn Bhd (RenongBerhad), Metacorp Berhad, Metramac Corporation Sdn Bhd and Projek Lebuhraya Utara-Selatan Berhad. She is the immediate Past President and has served in various positions in the Institute, including as an EXCO member in the positions of Vice President and Honorary Secretary. She was a Public Sector Committee member at IIA Global, whose mission is to provide authoritative positions and thought leadership on public sector auditing matters and to promote the interest of the IIA's public sector audit members. She was also a member of the Working Group for Anti Bribery Management System, representing Malaysia in the drafting and review of the International Standard (DIS) of ISO 37001 – Anti Bribery Management System which was issued in 2016.

# PROFILE OF THE BOARD OF GOVERNORS 2017/2018

## PAST PRESIDENTS

### PHILIP SATISH RAO

*CMIIA, CA(M), CPA(M), CPA(Aust.)*

Philip is currently a Partner with the Risk Advisory Services practice in Ernst & Young (EY) Malaysia, and is also EY's Risk transformation leader for the Asean region. In his 28 years with EY he has served on various external and internal audits, risk management and corporate governance, and corporate finance engagements apart from the experience gained through secondments both overseas and locally. Some of his notable engagements include projects concerning Corporate Governance, Internal Audit and Enterprise Risk Management for some large global MNCs.

He is also the Programme Director for EY Entrepreneur of the Year Award Programme in Malaysia. He is a regular speaker and trainer on topics relating to Risk Management, Corporate Governance and Internal Audit locally and as well as internationally. He was a member of the 2012/2013 Task force for the review for PLCs in respect of the Statement on Internal Control in Malaysia.

### RANJIT SINGH TARAM SINGH

*FCIIA, CIA, CRMA, MBA(UK), CA(M), CPA(M)*

Ranjit is the Group Executive Director of Axcelasia Inc., an integrated professional services firm incorporated in Malaysia and listed on the Singapore Stock Exchange. He holds a Masters Degree in Business Administration (UK) and is a member of the MIA, MICPA, Australian CPA and Association of Certified Fraud Examiners.

Ranjit was the President of the the Institute for 2013/14 term and the President of Asian Confederation of the Institute of Internal Auditors for the term 2016/2017. He is currently a member of the Board of Governors of the Institute and a member of the Board of Directors and Audit Committee of Global IIA. Ranjit is also a member of the IIA's International Internal Audit Standards Board and he was a committee member of the Global IIA's Professional Issue Committee. Ranjit is a Certified Internal Auditor (USA) and has a Certification in Risk Management Assurance (USA).

### VIJAYAM NADARAJAH

*FCIIA, FCPA, CA(M), B.Econs, MBA, LLB*

Vijayam had served the Institute in the 90s as Professional Development Committee (PDC) Chairperson and President in 1996/7. During her 5 active years with the Institute, she had raised awareness in internal audit (IA) and its importance to the financial sector. With the assistance of the Board then, the Institute was able to convince Bank Negara Malaysia to make IA compulsory for financial institutions in 1996. During her tenure with the institute she had raised substantial funds by organising numerous talks and scheduled local and international speakers to train and up-skill auditors, resulting in the purchase of the Institute's first office building in Kompleks Maluri at Taman Maluri.

Vijayam last consulted on licensing of a foreign bank. She continues to train and consult on risk, compliance and board governance, and had written articles on board and HR governance. She co-chaired the taskforce responsible for the issuance of 'Guidance on Internal Auditing Function' – the guidance is posted on the website of the Institute and Bursa to assist audit committee members on their oversight role on internal auditing.



# PROFILE OF THE BOARD OF GOVERNORS 2017/2018

## **WALTER SANDOSAM**

*FCIIA, CIA, CFSA, CRMA*

Walter Sandosam is currently a member of the Audit and Assurance Standards Board of the Malaysian Institute of Accountants (MIA) and has served on the independent oversight panels of the Malaysian Anti-Corruption Commission. He is actively involved in consultancy services and has participated in various assignments with major Malaysian corporates. In addition, he lectures at a leading private university. Prior to joining academia, his career had spanned over 30 years working with the largest financial services group in the country covering the spectrum of banking activities. His last appointment was as Vice President of Internal Audit.

As a certified Quality Assurance Reviewer (QAR), he is recognised as competent globally to conduct quality assurance reviews for internal audit functions. Walter has served as the President of the Institute of Internal Auditors Malaysia (IIAM) and committee member of the Asian Confederation of Institutes of Internal Auditors. At the international level, he served on the Academic Relations Committee of IIA Inc. USA.

## **GOVERNORS**

### **NICKSON CHOO**

*CMIIA, CISA, CRISC*

Nickson Choo is a Director attached to the Risk Advisory division of Deloitte Malaysia and leads Deloitte South East Asia's Extended Enterprise Risk Management (EERM) team to perform Software License Review for major software publishers like IBM, Microsoft, Adobe, Symantec and others. He is an Accounting graduate from University of Malaya and has over 25 years of corporate and professional experience. He started his career in the Internal Audit function of a Fortune 1000 insurance company and has over 12 years of insurance experience working in several life and general insurance companies in various operational positions.

His diverse professional experience includes performing GST project implementation, project management, operational audits, information technology (IT) audits, corporate governance advisory, operational risk and control reviews, fraud investigations and business process improvement reviews of public-listed and multinational companies operating in various industries including manufacturing, plantations, trading, hotels, construction, financial institutions and investment holding.

Nickson is a Chartered Member of the Institute and holds a CISA and CRISC professional certification.

# PROFILE OF THE BOARD OF GOVERNORS 2017/2018

## **NORCHAHYA AHMAD**

*CMIIA, CIMA*

Norchahya is currently the Senior General Manager - Group Internal Audit Division of UMW Holdings Berhad (UMW Group). Prior to that she was the Head of Group Risk Management Division at UMW Group where she provided the overall leadership, vision and direction for UMW's Group Enterprise Risk Management (ERM) and Business Continuity Management (BCM) programmes.

Norchahya started her career in Bank Negara Malaysia in the areas of accounting and finance, internal audit & corporate affairs. In the span of more than 20 years, Norchahya has held positions as a Group Internal Auditor, Group Financial Controller and Head of Risk Management of public listed companies and has experience in transformation programmes as well as human resources functions. Depending on the positions, she either had been a permanent invitee or a member both at Board and Management Committee levels.

Her accomplishments included the BCM Industry Newcomer (2013) awarded by DRI Malaysia, Risk Manager of the Year (2013 & 2014) awarded by Malaysian Association of Risk & Insurance Management (MARIM) and Deputy Chairperson of MARIM for year 2016/2017. She has also been invited as a speaker in the Institute of Internal Auditors (Malaysia) conferences and at numerous sharing/ networking sessions organised by MARIM and public listed companies.

## **WONG CHIANG MENG**

*CMIIA, CIA, CRMA, CPA(M), CA(M)*

Chiang Meng is currently the Chief Audit Executive of Pacific & Orient Berhad. Prior to joining Pacific & Orient Berhad, he was with KPMG's advisory practice and was once the Head of Internal Audit of the Kamunting-Multi-Purpose Group of Companies. He has more than 27 years of experience in internal audit, enterprise risk management and corporate governance in industries such as general insurance, information technology, money lending, property development and construction, property management, manufacturing and trading, and shipping.

Chiang Meng has been a member of the Institute since 2000 and was elected as a Board of Governor in 2017. He was a member of the Research and Technical Advisory Committee of the Institute from 2013-2018 as well as a member of the Taskforce established to revise and update the Guidance for an Effective Internal Audit Function, which set the stage for heightened knowledge of internal audit practices and hence educate Audit Committees and Boards and facilitate the improvement of oversight of internal audit functions.

# MEETINGS & ATTENDANCES

## BOARD OF GOVERNORS 2017/2018

1) The Board of Governors (BOG) attendance are as follows:

MEETING ATTENDANCES	
Alan Chang Kong Chong	9/9
Suhailah Mohamed Abdulla	7/9
Zainal Akbar Abdul Kader	8/9
Sanjay Sidhu	4/9
Renganathan Narasingham	9/9
Lucy Wong Kam Yang	9/9
Philip Satish Rao	7/9
Ranjit Singh	8/9
Vijayam Nadarajah	9/9
Walter Sandosam	9/9
Nickson Choo Wei-Sin	8/9
Norchahya Ahmad	7/9
Wong Chiang Meng	8/9
Hazimi Kassim *	4/6
Mazliana Mohamad **	5/6

\* resigned 23 March 2018

\*\* resigned 15 March 2018



# MEETINGS & ATTENDANCES

## COMMITTEE MEETINGS

2) The following members served on the various Committees of the Institute:

MEETING ATTENDANCE	
<b>Certification and Academic Relations Committee (CARC)</b>	
Suhailah Mohamed Abdulla	4/4
Walter Sandosam	1/4
Amos Law	4/4
Lim Hooi Hoon	3/4
Chow Hoe Tong	2/4
<b>Finance and Risk Management Committee (FRMC)</b>	
Renganathan Narasingham	3/3
Norchahya Ahmad	3/3
Rudra Suntharalingam	3/3
Chong Kah Sing	2/3
<b>Nomination and Remuneration Committee(NRC)</b>	
Vijayam Nadarajah	3/3
Philip Satish Rao	3/3
Walter Sandosam	3/3
<b>Professional Development Committee (PDC)</b>	
Mazliana Mohamad	4/4
Nickson Choo Wei Sin	3/4
Norchahya Ahmad	3/3
Lee Jun Xian	4/4
Tony Lin Choi Foo	4/4
<b>Professional Services Committee (PSC)</b>	
Alan Chang Kong Chong	2/2
Asmawati Kamarudin	3/3
Dr Suresh Kannan	1/3
Tay Boon Hock	2/3
Tan Hoi Ping	3/3
<b>Research &amp; Technical Advisory Committee (RTAC)</b>	
Wong Chiang Meng	3/3
Vijayam Nadarajah	3/3
Christine Ong May Ee	2/3
Mohd Khaidzir Shahari	2/3
Dr Grace Mui Yanchi	2/3

# THE SECRETARIAT



From left to right:

- |                             |                                 |
|-----------------------------|---------------------------------|
| 1. SITI ARAFAH ABDUL AZIZ   | 11. SITI MARIANA KAMAROL        |
| 2. AANANTHI KANAN VEDE      | 12. AHMAD REDZUAN MOHAMED TAHIR |
| 3. NOOR ADIHA ABU BAKAR     | 13. JWALITA RAMACHANDRA         |
| 4. GEETHA KANNY             | 14. MUHAMMAD MAHENDRA ABDULLAH  |
| 5. ALYSSA HEW LI MIN        | 15. JOSIE REBECHI OMILDA        |
| 6. IRWAN DAHLI              | 16. SYAMSURAIDA SHAMSUDDIN      |
| 7. NORASYIQAH ABDUL RAHMAN  | 17. HAMDANI MOHD SAHIT MASHUD   |
| 8. NOR FAEIZATUL JALALUDDIN | 18. HAIRULANUAR KAMARUDDIN      |
| 9. HASLIZAN MOHD ZAINAL     |                                 |
| 10. ANUSHA ABISHEGAM        |                                 |

# PRESIDENT'S REPORT 2017/2018

“

Despite the challenging economic and market conditions, the Institute continued to persevere and had been successful in achieving its goals in line with the Strategic Plan which had been established.

”

**Alan Chang Kong Chong**

Acting President 2017/2018





# PRESIDENT'S REPORT 2017/2018

## **Dear Members,**

The Year 2017 proved to be a great year for the Institute with a revenue of RM6.12 million and a net profit of RM935,859. I would like to thank the Board of Governors and the team at the Institute for all the hard work rendered to achieve this great result.

Despite the challenging economic and market conditions, the Institute continued to persevere and had been successful in achieving its goals in line with the Strategic Plan which had been established.

Our achievements and activities during the year in review are as follows:

### **PROFESSIONALISM – LEADING THE PROFESSION**

The Institute collaborated with various professional organisations and other corporations to conduct programmes on a wide range of topics, all geared towards further enhancing the knowledge and skill sets of our members and other professionals.

A total of 4 Conferences, 57 public workshops and seminars as well as 24 in-house programmes were conducted during the year, generating RM4.3 million of revenue for the Institute.

Some of the major professional development programmes and activities conducted are listed below:

### **2017 IIA MALAYSIA NATIONAL CONFERENCE**

The theme of the conference was "Internal Audit: Poised for the Future". International and local experts in various disciplines shared their knowledge and experience with close to 800 delegates who attended the conference. The Conference was held in October 2017 and it was officiated by YBhg Tan Sri Dr Madinah Mohamad, Auditor General, National Audit Department.

### **JOINT PROGRAMMES**

The Institute collaborated with the Malaysian Institute of Accountants (MIA) to organise several conferences targeting public sector auditors, Audit Committee members as well as Internal Auditors and Risk Managers.

More than 350 delegates attended the 3 conferences jointly organised with the MIA, i.e. Public Sector Conference, Risk Management Conference and Audit Committee Conference.

The success of these 3 conferences sets the stage for similar collaborations with the MIA and other professional bodies in the future.

The Institute continued to work with other professional partners and regulatory bodies such as Bursa Malaysia to organise workshops on a wide range of topics.

# PRESIDENT'S REPORT 2017/2018

## **PROMOTION OF CERTIFICATION**

The Institute carried out various activities during the year with the objective of promoting certification amongst internal auditors.

These activities include, among others, CIA Briefings which targeted potential/ existing CIA candidates to enable them to better understand the CIA registration and scheduling process. Members were also given tips on how to best prepare for their exams.

Preview sessions were also held to market other IIA Incorporated's certification programmes. These sessions included public and in-house sessions at major corporations.

A new programme called the CIA Refresher course was introduced in 2017. Through this programme, the Institute received feedback from candidates who had been unsuccessful in their exams to gauge their shortcomings and provide them with tips to enable them to improve their chances at passing at subsequent attempts of the CIA exams.

As a result of the Institute's efforts, a total of 155 new enrolments to the CIA programme and 358 exam registrations were recorded in 2017. As at December 2017, the total number of members who have completed their CIA exam stood at 851.

The Institute consistently engaged with students at institutions of higher learning to promote internal audit as a profession. Career talks were organised at several universities and senior internal audit professionals attached to various top corporations were invited to interact with the students at these sessions.

The month of May was declared as the Internal Audit Awareness Month globally. The Institute leveraged on this and jointly organised a workshop with UNITAR. Students from 8 tertiary institutions attended the one-day workshop and were provided with insights into the role of internal auditors. The event went a long way to help raise awareness of the internal audit profession amongst the participants.

## **MEMBERSHIP**

The Institute advocates membership growth through various activities i.e. Membership Networking Talks and Previews during Workshops and Meetings. This year, the Institute signed up a total of 260 new individual members and 9 new corporate members bringing the total number of individual members to 2,696 and corporate members to 241. Efforts to promote new registration is and initiatives identify and retain members are on-going.

# PRESIDENT'S REPORT 2017/2018

## RESEARCH AND TECHNICAL ADVISORY

The Institute played an active role in 2017 in providing technical advice on matters relating to internal audit, corporate governance, risk management and internal controls.

4 issues of E-techline were issued, providing information on various topics, including updates on International Professional Practices Framework (IPPF), 2016 Global Internal Audit Common Body of Knowledge (CBOK) Stakeholder Study reports issued by The Internal Audit Foundation and the Tone at the Top newsletters issued by Global IIA.

The Guidelines on Internal Audit Function (GIAF) was launched and presented during the National Conference in October 2017. The GIAF aims to provide direction and guidance for the Boards and Audit Committees of public listed companies in Malaysia. The Institute collaborated with and obtained feedback from various bodies, including Bursa Malaysia, Bank Negara Malaysia, Securities Commission Malaysia and other relevant organisations before finalising and launching the GIAF.

## ACKNOWLEDGEMENT

I would like to thank all our valued members, professional bodies, regulators, corporations, speakers, sponsors, trainers, vendors and all individuals who have supported and assisted us in delivering the the Institute's conferences, programmes and services.

I also wish to extend my gratitude and sincere thanks to the Board of Governors and Secretariat team for all our achievements and journeying with the the Institute through the year. And on behalf of the Board of Governors, thank you to En Hazimi Kassim for the services rendered as President.

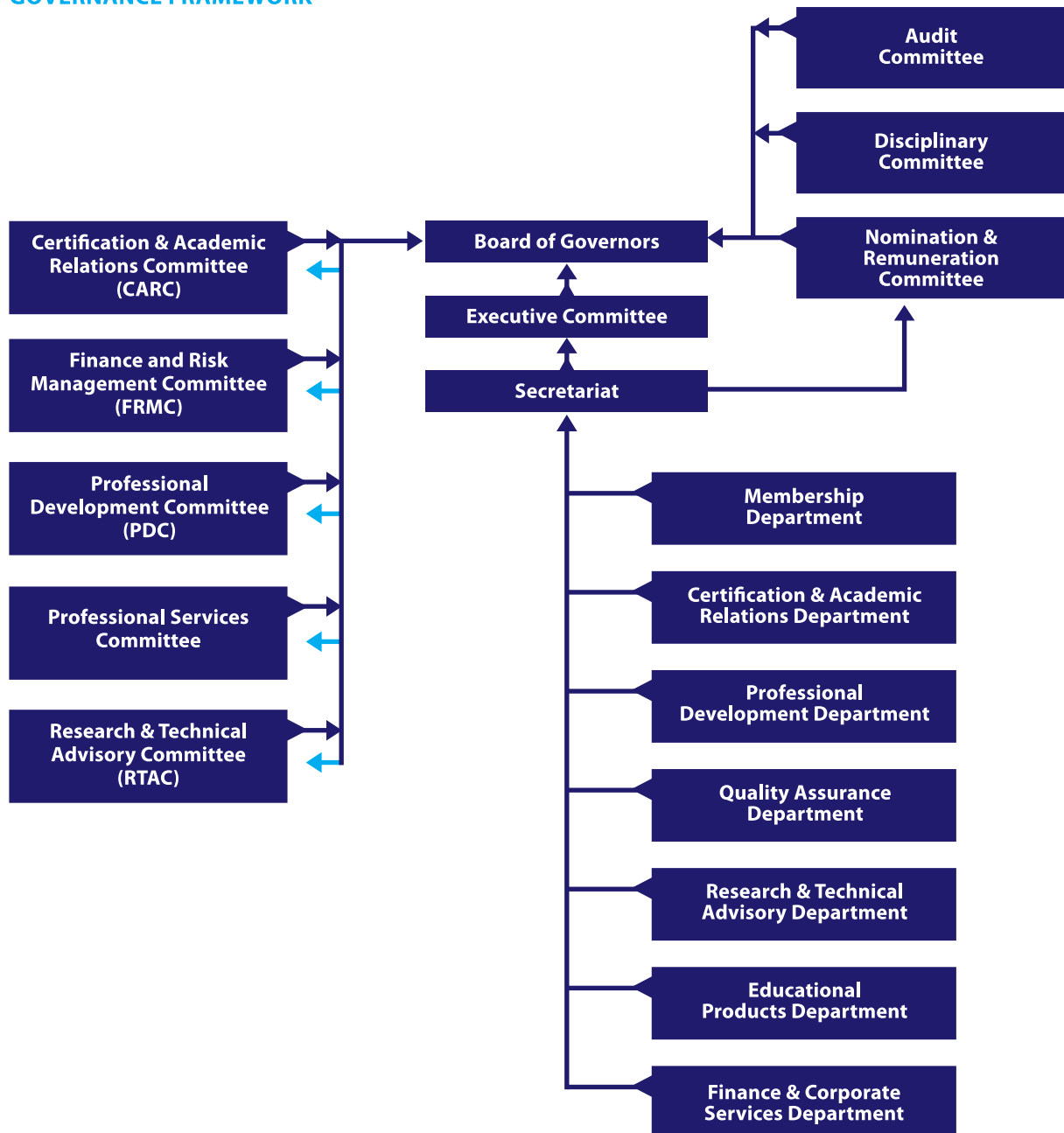
**Alan Chang Kong Chong**

Acting President 2017/2018

# CORPORATE GOVERNANCE STATEMENT

The Board of Governors ("the Board") has implemented the principles set under the Malaysian Code on Corporate Governance 2016 ("the Code") as far as they are relevant to The Institute of Internal Auditors Malaysia ("the Institute") in its commitment to preserving stakeholder's confidence.

## GOVERNANCE FRAMEWORK



# CORPORATE GOVERNANCE STATEMENT

## **GUIDING PRINCIPLES OF CORPORATE GOVERNANCE**

On an annual basis, the Board reviews the organisational structure of the Institute to ensure that the governance policies, practices and operating framework are aligned to key corporate governance principles.

Based on the key principles of good corporate governance, the Institute has adhered to the following:

## **PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS**

### **Board of Governors**

The Board is the principal governing body of the Institute and assumes responsibility for the Institute's leadership, including providing oversight of the Institute's financial and organisational matters encompassing policies, business plans, budgets and targets. The Board currently comprises thirteen (13) Non-Executive Independent Directors, termed as Governors. The Governors have no executive role in the daily operations of the Institute.

The appointment of Governors is made at the Annual General Meeting ("the AGM") in accordance with the Institute's Articles of Association. Every three (3) years, the Governors are required, by rotation, to offer themselves for re-election. At the AGM on 16 June 2017, new Governors were elected and they received information outlining their duties and responsibilities in a formal induction session.

The Board recognises that to be effective and relevant, Governors should be fit and proper, including having attributes and criteria such as relevant internal audit qualifications, professional standing with relevant expertise in financial, legal, business and technical fields. The Governors are drawn from diverse backgrounds and with differing skill sets gained from service in private sector, public sector and regulatory institutions. This brings depth and diversity in expertise and perspectives which facilitate deliberation of issues from a wider perspective.

The profiles of all governors are detailed in this Annual Report.

### **Board Responsibilities**

The primary responsibilities of the Board include the following:

- Promotes good corporate governance culture within the Institute;
- Reviews and approves the strategic business plans of the Institute;
- Represents the Institute in major strategic sessions invited by regulators, professional bodies or other stakeholders;
- Ensures that there is a sound framework for internal controls and risk management; and
- Oversees the conduct of the Institute's activities and succession planning of the Secretariat.



# CORPORATE GOVERNANCE STATEMENT

## **Board Independence**

The Board is chaired by a President.

The Board is independent of the Secretariat and free from potential conflict of interests which could impair and materially affect the exercise of their independent judgment. Each Governor must disclose any matter which may affect his/her independence as soon as he/she becomes aware of it.

The roles of President and Executive Director ("ED") are clearly defined. There is a clear separation of roles between them which allows for better understanding and distribution of responsibilities and accountabilities; facilitates operational efficiency and expedites decision making.

ED is primarily responsible for managing the day-to-day operations and is charged with implementing operational decisions in line with the strategic and long-term initiatives of the Institute. ED attends Board and various Committee meetings; however, ED is not a Governor and is not entitled to vote.

The Board had established an accountability matrix for the roles of the Board, President and ED in ensuring efficiency and proper check and balance in deriving decisions at the strategic and operational level.

## **Board Committees**

While the Board has oversight control responsibilities of the Institute, it has delegated a range of its responsibilities to its various committees. The committees operate within a clearly defined term of reference which are as follows:

### **1. Executive Committee ("the EXCO")**

The EXCO comprises a President, two (2) Vice Presidents, an Honorary Secretary and an Honorary Treasurer who are among the members of the Board are elected to the office.

The primary responsibilities of the EXCO are:

- To review operational issues with regards to the execution of action plans by following departments: Membership, Certification & Academic, Professional Development, Quality Assurance, Research & Technical, Educational Product and Finance & Corporate Services;
- To recommend or revise guidelines or policies pertaining to the administration of the Institute; and
- To review the performance of the Secretariat so as to maintain a high standard of performance in the daily administration of the Institute.

# CORPORATE GOVERNANCE STATEMENT

## 2. Audit Committee

Audit Committee comprises three (3) members, two (2) of whom are not Board members while the remaining one (1) is a Board member of the Institute. The Committee is to assist the Board in fulfilling its fiduciary responsibilities, specifically;

- To appoint and remove external/internal auditors;
- To review the annual financial statements; and
- To review the effectiveness of the risk management and internal control system of the Institute.

For further information, refer to the Audit Committee report as set out on page 27 to 30.

## 3. Disciplinary Committee

Disciplinary Committee comprises a chairperson (designated) and other Governors who would be appointed to address any disciplinary matters pertaining to member's misconduct as they arise. A specific term of reference was adopted by the Board to ensure the Committee is independent and has direct reporting to the Board.

## 4. Certification & Academic Relations Committee ("CARC")

CARC comprises two (2) Governors and three (3) co-opted members. The objectives of CARC are to promote the Certified Internal Auditor (CIA) certification as the only professional qualification for internal auditors, internal audit education partnership with local institutions of higher learning and specialty certification programmes promoted by the Institute as the recognised certifications for practitioners.

## 5. Finance and Risk Management Committee ("FRMC")

FRMC comprises two (2) Governors and two (2) co-opted members. The objectives of the Committee are to encourage timely monitoring of the financial performance of the Institute and to facilitate informed decisions to be made. The committee also looks at promoting a risk management culture throughout the Institute.

## 6. Nomination & Remuneration Committee ("NRC")

The NRC which comprises three (3) Governors, has the responsibility to oversee and review the overall composition and balance of the Board; review succession plans; recommend to the Board a compensation and remuneration package for the ED and staff, including reviewing policy matters relating to remuneration and performance management. ED and staff of the Institute are given key performance indicators which form the basis of their annual performance appraisal.

Governors do not receive any emolument, bonuses or retirement benefits. The fees received by Governors due to training or any other services rendered to the Institute in lieu of their profession are declared in Note 23 of the Financial Statements.

# CORPORATE GOVERNANCE STATEMENT

## **7. Professional Development Committee ("PDC")**

PDC comprises one (1) Governor and two (2) other co-opted members and oversees the overall professional development plans of the Institute such as the training programmes, workshops and conferences that are planned for each year.

## **8. Professional Services Committee ("PSC")**

PSC comprises one (1) Governor and four (4) co-opted members. The main objectives of PSC are as follows:

- To ensure that the services accorded to members are relevant, and
- To create more awareness on the benefits and services of the Institute,
- To increase the number of individual, corporate and audit committee members of the Institute towards increasing the standards of the internal audit profession.

## **9. Research & Technical Advisory Committee ("RTAC")**

RTAC comprises two (2) Governors and two (2) co-opted members to oversee the development of the profession and the trend through the support of research grants accorded for researches relating to governance, risk and control. The RTAC also ensures that articles which are relevant to the profession are collated and broadcasted to the members through the e-techline or other publications.

## **Board Meetings**

Since the last AGM held on 16 June 2017, the Board met 9 times. The Board reviewed performance reports including analysis of major issues on membership services, academic relations, professional development, professional practices and financial reports. The attendance record at Board meetings is provided in the relevant report. All Governors have access to the Secretariat of the Institute in order to fulfil their roles and responsibilities as Governors.

The Board receives financial and operational reports from the Management on a bi-monthly basis, which provide a comprehensive review and analysis of the business operations and financial issues. In addition, the minutes of meetings of the Board are tabled and considered by the Board.

## **PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

The Audit Committee assists the Board in fulfilling its fiduciary responsibilities, particularly those relating to business ethics, policies and practices, financial management and internal controls of the Institute. The Board also has in place an Enterprise Risk Management (ERM) framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.

# CORPORATE GOVERNANCE STATEMENT

## **PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

The EXCO and the Board hold scheduled meetings on alternate months for the past 12 months. Effectively, the EXCO and the Board were briefed on the financial status and activities of the Institute as prescribed in the annual plan.

The ED and the Head of Finance submit annual management representation letters to the Board and the external auditor acknowledging that information regarding the financial statements and non-financial information in the Annual Report, including the risk management framework is true and fair in accordance with relevant policies and procedures.

Being a membership driven company, the shareholders are the members. The Institute has undertaken measures to get connected with the members through the electronic media. Programmes offered to the members for their professional development continued to be of high quality with value for money.

The Board has encouraged for the continuous improvement in the quality of service to the members.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Statement on Risk Management and Internal Control of the Institute is made voluntarily by the Board in line with its objective of leading by example in championing sound governance, risk and internal control practices.

## RESPONSIBILITIES OF THE BOARD

The Board acknowledges that it has a responsibility to maintain a sound risk management and internal control system to address all key risks which the Institute considers relevant and material to its operations while the Secretariat plays an integral role in assisting the design and implementation of the Board's policies on risk and control.

By embedding risk management in business activities via identifying principal risks and ensuring the implementation of appropriate control measures to manage the risks, the Board anticipates that a reasonable level of assurance can be achieved. Nevertheless, in view of the inherent limitations in any such system, the system of risk management and internal controls are designed to manage rather than eliminate the risk of failure to achieve the Institute's objectives and would therefore provide only reasonable and not absolute assurances against material misstatements or losses.

The review of the risk management and internal control reports and processes is delegated by the Board to the Audit Committee.

## RISK MANAGEMENT

The Board confirms that a risk management process has been established to identify, evaluate, and manage significant risks to effectively mitigate the risks that may impede the achievement of business and corporate objectives of the Institute. The development of the enterprise risk management (ERM) framework has enabled the Secretariat to identify and prioritise significant risks and thereafter evaluate the controls to ascertain their effectiveness and efficiency on a periodic basis.

In implementing the risk management process for the Institute, the Secretariat, which is headed by its Executive Director, is tasked to:-

- ensure the effectiveness of the risk management process and the implementation of risk management policies;
- identify risks relevant to the Institute that may impede the achievement of its objectives; and
- identify significant changes to risk or emerging risks, take actions as appropriate to communicate to the Audit Committee and the Board.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTERNAL CONTROL

The following internal control components have been embedded to assist the Board to maintain a sound system of internal control in the Institute.

### **Board and Board Committees**

Board and Board Committees provide important oversight function and ascertain the adequacy of the internal control framework in the Institute. Further details on the workings of the Board and its committees are provided in the under the Corporate Governance Statement (page 18 to 23) and Committee reports (page 31 to 40)

Issues relating to the operations of the Institute are highlighted to the attention of the Board/ Board Committees. Meetings of the Board and EXCO are held on a bi-monthly basis for Board/ EXCO to be apprised of the activities of the Institute and discuss matters raised by the Secretariat. This includes business and operational matters pertaining to potential risks and control issues.

### **Audit Committee and Internal Audit**

Independent assurance is provided by the Internal Audit function where the audit reports are deliberated by the Audit Committee. The Audit Committee reviews internal control matters and highlights significant issues to the Board.

The Internal Audit function is outsourced to an independent internal audit service provider which reports directly to the Audit Committee. The primary role of the Internal Audit is to assure the Board, through the Audit Committee, that the systems of internal controls are functioning as intended.

On an annual basis, the internal audit service provider will table its audit plan to the Audit Committee. Based on the plan approved, they will undertake regular and systematic review of the risk management and internal control processes to provide the Audit Committee with sufficient assurance that the systems of internal control are effective in addressing the risks identified.

Further details of the Internal Audit function are set on page 29 to 30 in the Audit Committee Report.

### **Annual business plans and performance**

An annual budget which includes the financial and operational targets, capital expenditure proposals and performance indicators is also prepared for approval by the Board. Performance and pro forma reports are provided to the Board to facilitate review and monitoring of financial performance.

### **Limits of authority**

Delegation of authority including authorisation limits at various levels within the Board and ED are documented and designed to ensure accountability and responsibility.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## **Human Capital**

The Institute is supported by a Secretariat that is aligned with its business and operational requirements, with clearly defined lines of responsibility and authority levels. Where applicable, the Secretariat report to the Board and Board Committees, based on their functional roles and responsibilities.

## **Policies and procedures**

Internal procedures and policies are communicated to the staff. The documented policy manuals are constantly reviewed and revised to meet the changing business and operational needs.

## **Financial reporting**

Maintenance of proper accounting records, consistent application of appropriate accounting policies supported by reasonable and prudent judgments and estimates; and preparation of the financial statements in accordance with the provisions of the Companies Act 2016, applicable approved accounting standards in Malaysia and other regulatory provisions.

## **Business Continuity Management**

Business continuity management is regarded to be an integral part of the risk management process in the Institute. In this regard, the Institute has commenced implementation of business continuity plan to minimise business disruptions in the event of potential failures of critical IT systems and operational processes. The documentations of the business continuity plan for the Institute are in place and are reviewed and updated periodically.

The above statement is made in accordance with the resolution of the Board dated 21 May 2018.

# AUDIT COMMITTEE REPORT

The Audit Committee was established by the Board of Governors ("Board") in 1997.

The objectives of the Audit Committee are mainly to assist the Board in fulfilling its fiduciary responsibilities, particularly relating to business ethics, policies and practices, financial management and internal control of the Institute.

## 1. COMPOSITION

The Audit Committee comprises the following three (3) members, two (2) of whom are not Board members whilst the remaining one (1) is a Board member of the Institute. During the year there were changes to the composition of the Audit Committee details of which are as follows :

- Lee Min On, CFIIA, CA(M), CPA(M) (Chairman-Non-Board member, re-designated on 13 September 2017);
- Ranjit Singh Taram Singh, CFIIA, CIA, CRMA, MBA(UK), CA(M), CPA(M) (Board member) (appointed on 13 September 2017);
- Christine Ong May Ee, CFIIA, CIA, CRMA, CA (M), FCA (ANZ), B. Acc (Hons) (Singapore) (Non-Board member) (appointed on 13 September 2017)
- Wong Yew Sen, CFIIA (retired on 13 September 2017); and
- Devanesan J.A. Evanson, CFIIA, FCCA, LLB (Hons), CA (M) (retired on 13 September 2017)

## 2. ATTENDANCE OF THE MEETINGS

During the financial year, the Audit Committee held two (2) meetings, which were attended by all the members.

## 3. TERMS OF REFERENCE

### a. Composition

The Board shall elect an Audit Committee comprising not less than three (3) members where the majority of them shall not be members of the Board.

The members of the Audit Committee shall elect a Chairman from amongst themselves. All members of the Audit Committee, including the Chairman, will hold office unless notified otherwise by the Board.

### b. Objectives

The primary objectives of the Audit Committee are as follows:

- To provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly relating to business ethics, policies and practices, financial management and internal control;
- To provide greater emphasis on the audit function by increasing the objectivity and independence of external and internal auditors and providing a forum that is independent of the Management; and
- To maintain through regular scheduled meetings a direct line of communication between the Board and the external auditors, internal auditors and financial management.

# AUDIT COMMITTEE REPORT

## **c. Duties and Responsibilities**

The duties and responsibilities of the Audit Committee are:

- i. To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- ii. To discuss with the external auditors before the commencement of the audit;
- iii. To review the annual financial statements before submission to the Board, focusing particularly on:
  - Changes in accounting policies and practices;
  - Major judgmental areas;
  - Significant adjustments resulting from the audit; and
  - Compliance with accounting standards, regulatory and other legal requirements;
- iv. To discuss issues arising from the audits and any matters auditors may wish to discuss;
- iv. To review the internal audit programme, consider the major findings of internal audit, including investigations, if any, and management response and ensure co-ordination between the internal and external auditors;
- v. To keep under review, the effectiveness of internal control systems; and
- vi. To carry out such other functions as may be agreed by the Audit Committee and the Board.

## **d. Authority**

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are required to cooperate with any request made by the Audit Committee.

## **e. Meeting and Minutes**

The Audit Committee shall hold not less than two (2) meetings a year. The quorum for each meeting shall be two (2) members present in person.

Representatives of the external auditors and/or the internal auditors shall attend meeting(s) where matters relating to the audit of the statutory accounts or internal control system are to be discussed following the audits. The President and the Executive Director of the Institute are also invited to attend the meetings to provide management input to the Audit Committee.

Minutes of each meeting shall be kept and presented at every ensuing Board meeting.

# AUDIT COMMITTEE REPORT

## 4. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR AND UP TO THE DATE OF THIS REPORT

The Audit Committee carried out its duties in accordance with its Terms of Reference.

The main activities carried out by the Audit Committee for the financial year ended 31 December 2017 and up to the date of this Report are as follows:

- i. Briefed by the board member on the risk profile of the institute and identified risk areas that should be reviewed by the internal auditors as part of their internal audit plan.
- ii. Reviewed the internal audit plan, internal audit report, status of corrective actions taken and assistance rendered by staff to the auditors. At the date of this Report, the internal auditor has completed its internal audit according to the internal audit plan and presented its draft report to the Audit Committee, together with management's response. The final report is pending sign-off by the internal auditor;
- iii. Considered the appointment of the external auditors and the audit fee;
- iv. Deliberated with the external auditors on the draft financial statements for year ended 31 December 2017 in the presence of the President, the Treasurer and the Management of the Secretariat before recommending the same to the Board for approval;
- v. Discussed with representatives of the external auditors on the changes to the Malaysian Financial Reporting Standards and how the changes affected the Institute; and
- vi. Met with representatives of the external auditors in the absence of the President, Treasurer and Management of the Secretariat to provide an avenue for the external auditors to share any concerns they might have on the audit for financial year 2017.

## 5. INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by an independent consulting firm, namely Messrs Morison AAC Corporate Solutions Sdn. Bhd. The internal audit team was led by the Associate Director Mr Clement Chong CA (M), CPA (M), MBA, CRP. Messrs Morison AAC has a total of 15 personnel in its internal audit department. Its principal activities are to perform regular and systematic reviews of the system of internal controls and to provide reasonable assurance that the system of internal controls continue to operate satisfactorily and effectively. The internal audit function reports directly to the Audit Committee.

The internal audit service fee for the financial year ended 31 December 2017 amounted to RM7,500 (2016: RM7,500)

The purpose, authority and responsibility of the internal audit function as well as the nature of the assurance activities provided by the function are articulated in the engagement letter.

The draft internal audit report ("report") for the financial year ended 31 December 2017 was issued on 1 March 2018 and was deliberated during the Audit Committee Meeting. The areas covered during the year, which accorded with the internal audit plan, are as follows:



# AUDIT COMMITTEE REPORT

- Policy and procedures
  - Key policies and procedures
  - Credit policy and terms
  - All revenue segments
  - Review and approval of invoices and payment vouchers
- Financial management
  - Policies and procedures
  - Management accounts review
  - Bank reconciliation
  - Payment and receipts process
  - Accounts receivable aging
  - Information management system maintenance and update
  - System / software backup

The internal audit also followed up on the status of implementation of action plans by Management on those observations raised in previous cycles of internal audit as well as those weaknesses in controls raised by the external auditors for the financial year ended 31 December 2016.

The internal audit deployed a risk-based approach which accorded with the International Professional Practices Framework of The Institute of Internal Auditors in its course of work.

The report has not identified any significant issues that may impact the operations of the Institute and it also recorded the various action plans that had been taken by Management to strengthen and enhance the controls and workflow of the areas audited.

# REPORT ON MAIN COMMITTEE

## CERTIFICATION AND ACADEMIC RELATIONS COMMITTEE (CARC)

### CERTIFICATION

As part of the Institute's efforts to assist promote certification amongst internal auditors, the following key activities were conducted by the CARC in 2017:

- 4 sessions of **CIA Briefing** conducted for potential/existing CIA candidates. Candidates were briefed on the CIA registration and scheduling process, followed by sessions on "How to Prepare for CIA Exam" and "How to Handle CIA Questions". Members were guided and provided useful tips in their preparations for the CIA exam.
- 2 sessions of the **CIA Review** Seminar were conducted to assist candidates to focus on areas within the syllabus that require attention and were guided by the CIA trainer to further enhance candidates understanding on the more challenging topics.
- 10 **preview sessions** were conducted to market IIA Incorporated's certification programmes. 5 of these sessions were In House sessions held for PLUS Malaysia Berhad, Boustead Holdings Berhad, UMW Corporation, MMC Corporation Berhad and Selia Ekuiti.
- 1 **CIA Refresher** Course session. The CIA Refresher Course was introduced in 2017 to obtain feedback from unsuccessful candidates on the challenges faced by them, with the intention to provide the relevant guidance on examination passing tips and develop other strategies, as applicable.

Due to these continuous efforts by the Institute, a total of 155 new enrolments to the CIA programme and 358 exam registrations were achieved in 2017 bringing the total number of members who have completed the CIA exam to a cumulative figure of 851 as at 31 December 2017.

4 candidates passed the Certification in Risk Management Assurance (CRMA), adding on to the total number of CRMA holders of 110 as at 31 December 2017. Throughout the year, only 1 candidate passed the Certified Financial Services Auditors (CFSA) examination increasing the number of CFSA certified members to 30. The total number of Certified Government Auditing Professional (CGAP) and Certification in Control Self-Assessment (CCSA) remains at 5 and 57 certified members respectively.

### CIA Excellence Award

Lee Yi Zhe, Internal Audit Executive, IGB Corporation and Osho Manikkam, Executive, Group Corporate Assurance, Sime Darby Berhad were the recipients of the 2017 CIA Excellence Awards. They each received a plaque, a certificate of appreciation and complimentary attendance to the the Institute's National Conference held in October 2017. The recipients of this award had completed all three parts of the CIA examination in one attempt within the period of assessment of July 2016 to June 2017.

The Institute would like to congratulate both recipients for their excellent achievement.

# REPORT ON MAIN COMMITTEE

## ACADEMIC RELATIONS

As part of efforts to promote the internal auditing profession, the Institute continues to strengthen ties and work with institutions of higher learning to promote the internal audit profession and education through academic support and various programmes, as detailed below:

### Career talks

A series of career talks were conducted at UNITAR International University (UNITAR), Universiti Tenaga Nasional (UNITEN), AIMST University and Universiti Kebangsaan Malaysia (UKM) throughout the year.

Speakers who contributed their time to deliver the talk were:

- Zahran Tasliman, Chief Audit Executive, QSR Brands (M) Holdings Sdn Bhd
- Alan Hamzah, Chairman of Hong Leong Islamic Bank, Audit and Risk Committee and Nomination and Remuneration Committee
- Tay Boon Hock, Head of Internal Audit, Parkson Holdings Berhad

The students were briefed on the roles and responsibilities of internal auditors, skills required at different level of positions and challenges of the profession. Favourable responses were received as students expressed their interest in the internal audit profession by posing relevant questions to the speakers.

### Internal Audit Workshops

In conjunction with May as the Internal Audit Awareness Month, the Institute and UNITAR jointly organised a one-day workshop for its undergraduates. The workshop was held on 21 May 2017 at UNITAR's campus in Kelana Jaya. Undergraduate students from universities such as UKM, Universiti Malaysia Terengganu, Universiti Tunku Abdul Rahman (UTAR), SEGI University, Universiti Teknologi MARA, Universiti Malaya and Multimedia Universiti also joined the workshop.

The workshop provided the students with greater insights into the roles of internal auditors in the areas of control, risk and governance. It was a successful event and helped in creating greater awareness and interest on the internal auditing profession among the participants.

### Other activities

IIA Malaysia continues to support the internal audit profession by sponsoring various activities to brand and position itself as leader in Internal Audit Activities. Some the activities conducted include:

- Deloitte Risk Intelligence,
- UTAR : FAM Business Connection
- UNITAR : Asian Pacific Conference
- UKM : Accounting Week
- UM: Malaysia Accounting Student Convention & Business Week

These events enabled students to gain insights of the professional field and broaden their social network. The Institute sponsored those events as it increased the Institute's brand awareness and provided a platform to promote the Institute and hence form partnerships with the organisation/ universities.

Lastly, I would like thank the Committee Members of the CARC, various organisations and individuals as well as the team in the Institute for their efforts and contribution.

### Suhailah Mohamed Abdulla

Chairperson

Certification and Academic Relations Committee 2017/2018

# REPORT ON MAIN COMMITTEE

## FINANCE AND RISK MANAGEMENT COMMITTEE (FRMC) REPORT

The Board of Governors of the the Institute re-established the Finance and Risk Management Committee (FRMC) in September 2017 and delegated to this Committee the responsibility for overseeing the financial and risk management matters which have been defined in its Terms of Reference. The FRMC had previously been set-up as an adhoc sub-committee during the term 2013/2014 to perform certain functions during that term.

### Financial

The Committee assisted the Board in overseeing the timely monitoring of the financial performance of the Institute. Enhancements have been made to the systems and will continue to be made.

### Risk Management Framework

The Institute continued to enhance its Risk Management framework and culture. The identification and assessment of risks and the development/enhancement of the relevant mitigating measures have generally increased the risk management awareness and culture amongst the staff in the Institute.

### Renganathan Narasingham

Chairperson

Finance and Risk Management Committee 2017/2018

# REPORT ON MAIN COMMITTEE

## PROFESSIONAL DEVELOPMENT COMMITTEE (PDC) REPORT

The Professional Development Department, in consultation with the Professional Development Committee (PDC), have been organising value-added professional development programmes for the members of the Institute as well as the public. Very much in touch with the emerging issues from the evolving digital and disruptive landscape in the field of governance, risks and controls, new programmes were introduced so as to ensure that members and practitioners of internal audit will continue to remain relevant and value-adding in their work.

Despite the challenging economic situation in 2017, the Institute successfully rolled-out 61 programmes comprising 4 conferences, 57 public workshops and seminars and 24 in-house programmes that was held throughout the year. Programmes conducted in 2017 contributed more than RM4 million to the Institute's revenue for the financial year ended 31 December 2017.

We highlight the following major professional development programmes and activities held during the year under review:

- **Public Sector Conference**

Addressing the needs to improve the Internal Audit practice in the Public Sector, the Public Sector Conference was held on 23 & 24 January 2017 at Connexion@Nexus, Bangsar South, Kuala Lumpur. The conference was a joint effort with Malaysian Institute of Accountants. It was attended by 109 delegates and featured 12 plenary sessions conducted by distinguished speakers.

- **Risk Management Conference**

The Risk Management Conference was successfully co-organised with Malaysian Institute of Accountants on 28 February 2017 at Pullman Kuala Lumpur Bangsar. A total of 145 delegates attended the conference which featured 6 panel sessions.

- **Audit Committee Conference**

The Institute, in collaboration with Malaysian Institute of Accountants, held the Audit Committee Conference on 5 April 2017 at Connexion@Nexus, Bangsar South, Kuala Lumpur. A total of 117 delegates, comprising Directors and Audit Committee Members, participated in the conference which featured 5 plenary sessions.

- **2017 IIA Malaysia National Conference**

The 2017 IIA Malaysia National Conference was held on 9 & 10 October 2017 at the Kuala Lumpur Convention Centre (KLCC). It was officiated by YBhg Tan Sri Dr Madinah Mohamad, Auditor General, National Audit Department. The conference was attended by close to 800 delegates featuring 1 Keynote address by Lawrence Harrington, Past Chairman of the Board, IIA Global; Chief Audit Executive, Raytheon Company, USA; followed by 3 plenary sessions, 15 Track Sessions and a designated session for Audit Committee Members.

- **Collaboration with Bursa Malaysia**

The Institute collaborated with Bursa Malaysia to organise 2 half day workshops on "Enhance Internal Audit Function for Audit Committee (AC)" and 1 half day workshop on "Enhance Internal Audit Function for Chief Internal Auditor (CIA)". In total, close to 150 participants attended the sessions.



# REPORT ON MAIN COMMITTEE

- **Collaboration with other professional partners**

The Institute has also collaborated with the following professional partners to run relevant workshops on current topics with the objective to enhance the marketing and advocacy effort:

Partners	Workshop Topics	Date(s)	Number of Pax
Rimbun Forensic Advisory Sdn Bhd	Using Data Analytics to Detect Fraud	23 February 24 August	27 31
Straits Interactive	Strengthening Governance In the Age of Personal Data Protection and Cyber Security	27 – 28 February	13
Asian Banking School	Governance and Auditing of Emerging Technology - Cloud Computing, Consumerisation, Social Media, Big Data & Cybersecurity	19-20 September	21

The PDC also takes this opportunity to welcome our panel of new speakers and trainers during the year and express our thanks to all speakers and trainers for their efforts and commitment in raising the knowledge and skills of the internal audit professionals and directors. Our gratitude also goes to all our members and corporate organisations that have looked to the Institute for their training needs and have been staunch supporters of the Institute's programmes and conferences. PDC also records its appreciation, on behalf of the Institute, to the many valued sponsors that had supported the conferences in 2017.

The PDC is thankful to the team at Professional Development Department of the Institute for their tireless efforts and dedication to serve the ever- growing knowledge needs of the members and the profession.

I would also like to express my thanks to Puan Mazliana who was the former Chairperson who resigned on 15th March 2018 for all her contributions, Lastly, I thank the committee members of the PDC for their practical input, unwavering support and generous contribution of their time in the furtherance of the interest of the Institute's motto of "Progress through Sharing".

**Norchahya Ahmad**

Chairperson

Professional Development Committee 2017/2018

# REPORT ON MAIN COMMITTEE

## PROFESSIONAL SERVICES COMMITTEE (PSC) REPORT

### MEMBERSHIP

**2696**

Individual Members

**241**

Corporate Members

During the year 2017, the Institute accumulated a total of 260 new individual members bringing the total number of individual members to 2,696. As for the corporate members, a total of 9 new corporate members joined the Institute, making it a total of 241 corporate members for the year.

Continuous effort by the Institute to promote new registration is ongoing and key initiatives to identify and retain members have been identified.

### ACTIVITIES

In 2017, the PSC carried out the following activities:

- **Membership Drive Campaign**

The Membership Drive Campaign continues to be one of the key activities conducted to recruit new members. The support from 48 members resulted in the recruitment of 65 new members. Every member recruited was rewarded with a gift token by the Institute as an appreciation for their support.

The membership drive campaign conducted during the year included:

- Promoting membership and signing up new members during trainings, workshops and Conferences;
- Membership drive during the National Conference where promotional rates on Membership are given to non members registered during the conference;
- Career talks at universities including AIMST University, Universiti Kebangsaan Malaysia (UKM), Universiti Tun Abdul Razak (UNITAR) and Universiti Tenaga Nasional (UNITEN) primarily to drive Student Membership;
- Enhancing awareness about Corporate membership by conducting meetings with potential corporate client in Private and Public sector;
- Membership drive campaign during 1 March to 31 May and 15 July to 30 September 2017 with discounts and incentives to increase sign up rates.

- **Preview**

Briefings on the Institute membership was conducted during the CIA previews, career talks organised by the Certification and Academic Relations Committee (CARC) and trainings conducted by Professional Development Committee (PDC). During the preview & training sessions, audiences were briefed on the different categories of membership, benefits of being a member, membership fee and the process to become a member. In 2017, there were more than 20 membership briefings conducted by the Institute.

There were also scheduled visits to corporate members' organisation to enhance awareness about Corporate Membership scheme in Private and Public sector.

# REPORT ON MAIN COMMITTEE

- **Members' Networking Session**

The Institute organised 5 networking sessions in 2017 of which 4 was in Kuala Lumpur and one in Penang. During the Penang Networking Session, there was also 3 visits that was scheduled to meet the Corporate members. This was part of the Institute's initiative to gain feedback on services provided by the Institute. Throughout 2017, a total of 106 participants attended the networking sessions.

Talks during the networking sessions were delivered by experienced speakers and the topics presented were topics such as "Seven Sins in Internal Audit", "Lean Auditing", "The State of Fraud and Corruption in Asia Pacific", "Internal Audit's Role in IT development to Business Innovation" and "Introduction to Cyber Security Auditing." Among the speakers for the sessions were Mohd Khaidzir Shahari, Mathuraiveran Marimuthu & Manika, Raymon Ram, Tichaona Zororo and Lee Han Ther respectively. These sessions were organised specifically for internal audit practitioners.

- **Newsletter**

The Keeping In Touch (KIT) newsletter continues to be one of the main avenues for communication with members. The KIT provides updates on the latest development in the internal auditing profession, current issues and as well as information on the programmes and activities organised by the Institute.

The Institute produced 4 issues of the KIT in 2017, of which the first three (3) issues were online versions uploaded unto the Institute's website and the last quarter issue was a bumper issue in hardcopy form. The Institute continues to look forward for members to contribute articles and share thoughts and experiences with the internal audit fraternity.

I would like to thank Alan Chang, former Chairperson of the Committee who was appointed as the Acting President effective 4th April 2018 for his relentless guidance and contribution. A big thank you also goes out to all PSC members and the Secretariat for their continuous support to ensure that the Institute remains as the preferred professional association for the internal auditors in the country.



**Nickson Choo**

Chairperson

Professional Services Committee 2017/2018

# REPORT ON MAIN COMMITTEE

## RESEARCH AND TECHNICAL ADVISORY COMMITTEE (RTAC)

The Research and Technical Advisory Committee (RTAC), during the year under review, continued to implement its strategic plans in achieving the following objectives:

- to provide technical advice on matters relating to internal audit, corporate governance, risk management, internal control and other internal audit related matters;
- to provide periodic technical updates to members on recent issues relating to internal audit;
- to promote thought leadership on internal audit matters;
- to plan and coordinate the implementation of research projects for the Institute pertaining to internal audit related matters;
- to provide grants for internal audit related research projects; and
- to identify and initiate projects to build the Research Fund.

## GUIDANCE FOR AN EFFECTIVE INTERNAL AUDIT FUNCTION

The Guidance for an Effective Internal Audit Function (GIAF) was launched and presented during the National Conference on 9 October 2017. GIAF aimed to provide direction for the Boards and Audit Committees of public listed companies in Malaysia in discharging their responsibilities to establish an Internal Audit Function and to enhance its effectiveness.

A taskforce committee for GIAF was formed and chaired by Christine Ong May Ee and Vijayam Nadarajah. The members of the taskforce were Dr Grace Mui Yanchi, Mohd Khaidzir Shahari, Zalily Mohamed Zaman Khan and me. The Institute also invited observers from Bursa Malaysia Berhad and the Securities Commission Malaysia, namely Eddie Yeo and Alina Osman, to participate in Taskforce discussions to ensure that the Malaysian market pulse and experiences were captured and incorporated into the GIAF.

The Consultation paper on the GIAF was forwarded to the Consultative Panel, which comprised key stakeholders such as Bank Negara Malaysia, Bursa Malaysia Berhad, Federation of Public Listed Companies Berhad, Malaysian Institute of Corporate Governance, Malaysian Directors Academy, Minority Shareholder Watchdog Group and Securities Commission Malaysia, to obtain their feedback and comments on the GIAF.

The GIAF incorporates the relevant principles of governance iterated in the MCCG 2016 and proposed revisions on governance and internal auditing in Bursa Malaysia Listing Requirements, which were obtained from the consultation paper issued for public comments by Bursa Malaysia. In addition, the GIAF was developed with reference to the Standards in the International Professional Practices Framework 2017 issued by The Institute of Internal Auditors Inc.

The soft copy of the GIAF can be downloaded from the Institute and Bursa Malaysia websites.

# REPORT ON MAIN COMMITTEE

## PUBLICATIONS

The RTAC enhanced its technical advisory role by providing members with periodic technical updates through the Keeping in Touch newsletter and e-techline, which is an email update designed to keep members posted of the latest internal audit trends and publications.

During the 2017/2018 term, there were four (4) issues of e-techline, which covered topic such as :

E-techline issue no.	Issuance Date	Topics covered
01/17	10 February 2017	Updates on the International Professional Practices Framework (IPPF) and new and updated implementation guidance
02/17	19 April 2017	2016 Global Internal Audit Common Body of Knowledge (CBOK) Stakeholder Study reports issued by The Internal Audit Foundation
03/17	28 September 2107	Tone at the Top newsletter issued by Global IIA covering issues on governance, ethics, and role of internal auditing
04/17	7 November 2017	Risk in Focus: Hot Topics for Internal Audit 2018 Report from European Institute of Internal Auditor
		The Guidance for an Effective Internal Audit Function

## RESEARCH GRANT

The Committee has identified research topics in internal auditing for those interested in applying for research grants. The Committee will vet through all grant applicants, award grants to successful applicants, monitor the progress of the research projects, review the final research report, and approve the research report for publication. The research findings will be published in the Keeping in Touch newsletter. All research projects must have findings that will benefit members of the internal audit profession and Malaysian organisations.

# REPORT ON MAIN COMMITTEE

## TECHNICAL TEA TALKS

Committee members conducted a series of tea talks conducted at the the Institute training hall to provide technical guidance on the International Professional Practices Framework (IPPF). A minimal fee was collected from the participants The topics presented were:

Date	Topic	Speaker	No of Participants	Rating Status
26 April 2017	Implementation Guides on Managing the Internal Audit Activity (IG2010 – 2060)	Alina Osman, CIA and Wong Chiang Meng, CIA	43	Good
2 August 2017	Competencies of the Chief Audit Executive “CAE”	Zalily Mohd Zaman Khan, CIA	38	Good

## TECHNICAL ADVISORY

The Technical department provides technical support to members via email and phone. There were 24 technical enquiries during the 2017/2018 term. These enquiries were addressed by the technical team within two working days.

## APPRECIATION

The Committee would like to encourage more members and educators to participate in internal audit related research projects and thought leadership that will propel the internal audit profession to the forefront in the areas of governance, risk management and controls. The Committee would like to thank members, researchers, and others who have contributed during the year under review. The Committee also expresses thanks to the former Chairman, Mr Wong Chiang Meng.

### Zainal Akbar Abdul Kader

Chairman

Research and Technical Advisory Committee 2017/2018



# REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017



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# GOVERNORS' REPORT

The Governors hereby submit their report together with the audited financial statements of The Institute of Internal Auditors Malaysia (the "Institute") for the financial year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The principal activities of the Institute are to promote and develop the practice of internal auditing in Malaysia and to provide training and development facilities to its members.

There have been no significant changes to the nature of these principal activities during the financial year.

## RESULTS

	RM
Surplus before taxation	1,090,380
Taxation	(154,521)
Net surplus for the financial year	<u>935,859</u>

## DIVIDENDS

In accordance with the Institute's constitution, no dividend is payable to the members of the Institute.

## RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

## BAD AND DOUBTFUL DEBTS

Before the financial statements of the Institute were prepared, the Governors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts.

At the date of this report, the Governors are not aware of any circumstances which would render it necessary to write off any bad debts or the amount of provision for doubtful debts in the financial statements of the Institute inadequate to any substantial extent.

# GOVERNORS' REPORT

## CURRENT ASSETS

Before the financial statements of the Institute were prepared, the Governors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Institute had been written down to an amount that they might be expected so to realise.

At the date of this report, the Governors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Institute misleading.

## VALUATION METHODS

At the date of this report, the Governors are not aware of any circumstances which have arisen, which render adherence to the existing methods of valuation of assets or liabilities of the Institute misleading or inappropriate.

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (i) any charge on the assets of the Institute that has arisen since the end of the financial year which secures the liabilities of any other person; and
- (ii) any contingent liabilities in respect of the Institute that have arisen since the end of the financial year.

No contingent liabilities or other liabilities of the Institute have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Governors, will or may affect the ability of the Institute to meet its obligations as and when they fall due.

## CHANGE OF CIRCUMSTANCES

At the date of this report, the Governors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Institute, that would render any amount stated in the financial statements misleading.

# GOVERNORS' REPORT

## ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Institute for the financial year were not, in the opinion of the Governors, substantially affected by any item, transaction or event of a material and unusual nature.

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely, in the opinion of the Governors, to affect substantially the results of the operations of the Institute for the financial year in which this report is made.

## GOVERNORS

The Governors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Chang Kong Chong	
Suhailah Binti Mohamed Abdulla	
Lucy Wong Kam Yang	
Zainal Akbar Bin S.K. MD. Abdul Kader	
Philip Satish Rao	
Ranjit Singh A/L Taram Singh	
Renganathan A/L M. Narasingham	
Vijayam A/P Nadarajah	
Choo Wei Sin	Elected on 16 June 2017
Sanjay Sidhu	Elected on 16 June 2017
Norchahya Binti Ahmad	Elected on 16 June 2017
Walter Sandosam A/L Doss Sandosam	Elected on 16 June 2017
Wong Chiang Meng	Elected on 16 June 2017
Hazimi Bin Kassim	Resigned on 23 March 2018
Mazliana Binti Mohamad	Resigned on 15 March 2018
Mohd Khaidzir Bin Shahari	Resigned on 7 April 2017
Devanesan A/L J.A. Evanson	Retired on 16 June 2017
Christine Ong May Ee	Retired on 16 June 2017
Leong David @ Leong Sze Khiong	Retired on 16 June 2017
Shabaruddin Bin Ibrahim, Dato'	Retired on 16 June 2017

# GOVERNORS' REPORT

## BOARD OF GOVERNORS' INTERESTS AND BENEFITS

The Institute is a company limited by guarantee and thus has no shares in which the Governors could have an interest. Similarly, the Institute has not issued any debentures.

Since the end of the previous financial year, no Governor of the Institute has received or become entitled to receive any benefit (other than as disclosed in Note 23 to the financial statements) by reason of a contract made by the Institute with the Governors or with a firm in which the Governor is a member, or with a company in which the Governor has substantial financial interest.

Neither during nor at the end of the financial year, was the Institute a party to any arrangements whose object is to enable the Governors to acquire benefits by means of the acquisition of shares in or debentures of any body corporate.

## AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 20 to the financial statements.

## INDEMNITY TO AUDITORS

To the extent permitted under Section 289 of the Companies Act 2016, the Institute has agreed to indemnify its auditors, as part of the terms of its audit engagement against claim by third parties arising from the audit for an unspecified amount including any cost incurred in respect of any proceedings that relates to liability for any act or omission in the capacity as auditors in which judgement is given in favour of the auditor or in which auditor is acquitted or in which the auditor is granted relief under the Companies Act 2016, or where proceedings are discontinued or not pursued. No payment has been made to indemnify the auditors during and since the end of the financial year.

# GOVERNORS' REPORT

## AUDITORS

The auditors, Messrs. Baker Tilly Monteiro Heng will be retiring at the forthcoming annual general meeting and will not seek for reappointment.

This report was approved and signed on behalf of the Board of Governors in accordance with a resolution of the governors:



**CHANG KONG CHONG**

Governor



**SUHAILAH BINTI MOHAMED ABDULLA**

Governor

Date: 21 May 2018



# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 RM	2016 RM
<b>ASSETS</b>			
<b>Non-Current Asset</b>			
Property, plant and equipment	5	5,057,640	5,239,888
<b>Current Assets</b>			
Inventories	6	90,454	108,082
Trade receivables	7	548,050	842,596
Other receivables, deposits and prepayments	8	154,990	155,082
Tax recoverable	9	237,724	165,926
Cash and bank balances	10	1,753,237	418,870
		2,784,455	1,690,556
Non-current assets held for sale	11	-	416,127
<b>Total Current Assets</b>		<b>2,784,455</b>	<b>2,106,683</b>
<b>TOTAL ASSETS</b>		<b>7,842,095</b>	<b>7,346,571</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Accumulated funds		7,242,448	6,321,919
Research fund	12	123,587	123,457
<b>Total Equity</b>		<b>7,366,035</b>	<b>6,445,376</b>
<b>Non-Current Liability</b>			
Deferred tax liability	13	22,992	-
<b>Current Liabilities</b>			
Trade payables	14	79,541	541,463
Other payables and accruals	15	367,051	171,208
Advance subscription and examination fees		6,476	188,524
<b>Total Current Liabilities</b>		<b>453,068</b>	<b>901,195</b>
<b>Total Liabilities</b>		<b>476,060</b>	<b>901,195</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,842,095</b>	<b>7,346,571</b>

The accompanying notes form an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
Revenue	16	6,120,417	5,385,121
Direct costs	17	(2,843,264)	(2,636,130)
<b>GROSS SURPLUS</b>		<b>3,277,153</b>	<b>2,748,991</b>
Other income	18	563,778	122,261
Administrative and other operating expenses		(2,768,889)	(2,791,830)
Finance income	19	18,338	14,520
<b>SURPLUS BEFORE TAXATION</b>	20	<b>1,090,380</b>	<b>93,942</b>
Taxation	21	(154,521)	(47,635)
<b>NET SURPLUS FOR THE FINANCIAL YEAR</b>		<b>935,859</b>	<b>46,307</b>

The accompanying notes form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	<b>Note</b>	<b>Research Fund RM</b>	<b>Accumulated Funds RM</b>	<b>Total Equity RM</b>
<b>At 1 January 2016</b>				
As previously reported		124,694	6,453,549	6,578,243
Retrospective restatement	25	-	(162,874)	(162,874)
		<u>124,694</u>	<u>6,290,675</u>	<u>6,415,369</u>
Utilised during the financial year		(16,300)	-	(16,300)
Transfer from accumulated funds		15,063	(15,063)	-
Net surplus for the financial year		<u>-</u>	<u>46,307</u>	<u>46,307</u>
<b>At 31 December 2016</b>		<b><u>123,457</u></b>	<b><u>6,321,919</u></b>	<b><u>6,445,376</u></b>
<b>At 1 January 2017</b>		123,457	6,321,919	6,445,376
Utilised during the financial year		(15,200)	-	(15,200)
Transfer from accumulated funds		15,330	(15,330)	-
Net surplus for the financial year		<u>-</u>	<u>935,859</u>	<u>935,859</u>
<b>At 31 December 2017</b>		<b><u>123,587</u></b>	<b><u>7,242,448</u></b>	<b><u>7,366,035</u></b>

The accompanying notes form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 RM	2016 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus before taxation	1,090,380	93,942
Adjustments for:		
Impairment loss on trade receivables	98,975	-
Inventories written off	12,831	-
Depreciation of property, plant and equipment	225,859	197,464
Unrealised (gain)/loss on foreign exchange	(1,538)	2,118
Finance income	(18,338)	(14,520)
Gain on disposal of property, plant and equipment	(433,873)	-
	<u>974,296</u>	<u>279,004</u>
Changes in Working Capital:		
Decrease/(Increase) in inventories	4,797	(19,674)
Decrease/(Increase) in receivables	195,663	(262,183)
(Decrease)/Increase in payables	(446,589)	286,906
	<u>728,167</u>	<u>284,053</u>
Tax paid	(210,050)	(327,280)
Tax refunded	6,723	-
Net Operating Cash Flows	<u>524,840</u>	<u>(43,227)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(43,611)	(506,894)
Sales proceed from disposal of property, plant and equipment	850,000	-
Finance income received	18,338	14,520
(Placement)/Withdrawal of deposits with licensed banks	(50,000)	187,757
Research fund utilised	(15,200)	(16,300)
Net Investing Cash Flows	<u>759,527</u>	<u>(320,917)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1,284,367</b>	<b>(364,144)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>318,870</b>	<b>683,014</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b>1,603,237</b>	<b>318,870</b>

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (Continued)

	<b>Note</b>	<b>2017 RM</b>	<b>2016 RM</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	10	719,878	231,644
Fixed deposits with licensed commercial banks	10	1,033,359	187,226
		<u>1,753,237</u>	<u>418,870</u>
Less: Non-short term fixed deposits		(150,000)	(100,000)
		<u>1,603,237</u>	<u>318,870</u>

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The principal activities of the Institute are to promote and develop the practice of internal auditing in Malaysia and to provide training and development facilities to its members.

There have been no significant changes to the nature of these principal activities during the financial year.

The Institute is a company limited by guarantee, incorporated and domiciled in Malaysia.

The principal office and registered office of the Institute is located at 1-17-07, Menara Bangkok Bank, Berjaya Central Park, 105, Jalan Ampang, 50450 Kuala Lumpur.

The total number of employees of the Institute as at the end of the financial year was 23 (2016: 24).

The financial statements were authorised for issue by the Board of Governors in accordance with a resolution of the Governors on 21 May 2018.

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### (b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretation ("IC Int")

#### (i) Adoption of Amendments/Improvements to MFRSs

The Institute had adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

#### Amendments/ Improvements to MFRSs

MFRS 12	Disclosure of Interest in Other Entities
MFRS 107	Statements of Cash Flows
MFRS 112	Income Taxes

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Company and did not result in significant changes to the Company's existing accounting policies.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (Continued)

### (b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int (Continued)

#### (ii) New MFRSs, amendments/improvements to MFRSs and New IC Int that have been issued, but yet to be effective

The Company has not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<b>New MFRSs</b>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<b>Amendments/Improvements to MFRSs</b>		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payments	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangement	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ 1 January 2019/ Deferred
MFRS 140	Investment Property	1 January 2018
<b>New IC Int</b>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Institute plans to adopt the above applicable new MFRSs, amendments/improvements to MFRSs and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int is summarised below.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (Continued)

### (b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int (Continued)

#### (ii) New MFRSs, amendments/improvements to MFRSs and New IC Int that have been issued, but yet to be effective (Continued)

##### ***MFRS 9 Financial Instruments***

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statement of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statement of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.
- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (Continued)

### (b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int (Continued)

#### (ii) New MFRSs, amendments/improvements to MFRSs and New IC Int that have been issued, but yet to be effective (Continued)

##### ***MFRS 15 Revenue from Contracts with Customers***

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- (i) identify the contracts with a customer;
- (ii) identify the performance obligation in the contract;
- (iii) determine the transaction price;
- (iv) allocate the transaction price to the performance obligations in the contract; and
- (v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

##### ***Amendments to MFRS 1 First-time Adoption of MFRSs***

Amendments to MFRS 1 deleted the short-term exemptions that relate to MFRS 7 Financial Instruments: Disclosure, MFRS 119 Employee Benefits and MFRS 10 Consolidated Financial Statements because they are no longer applicable.

##### ***Amendments to MFRS 9 Financial Instruments***

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (Continued)

### (b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int (Continued)

#### (ii) New MFRSs, amendments/improvements to MFRSs and New IC Int that have been issued, but yet to be effective (Continued)

##### ***Amendments to MFRS 112 Income Taxes***

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

##### ***IC Int 22 Foreign Currency Transactions and Advance Consideration***

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Institute.

### (c) Functional and Presentation Currency

The financial statements of the Institute are presented in Ringgit Malaysia ("RM") which is the Institute's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

### (a) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3 (j).

Depreciation is calculated to write off the cost on a straight line basis over the expected useful lives of the assets concerned. The annual rates used for this purpose are as follows:

Leasehold premises	2%
Freehold premises	2%
Air conditioners	20%
Computers and software	20% - 33 1/3%
Furniture and fittings	20%
Office equipment	20%
Office renovation	20%

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the statement of comprehensive income.

### (b) Non-current Assets Held for Sale

Non-current assets that are expected to be recovered primarily through sale are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Institute's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment once classified as held for sale are not depreciated.

### (c) Inventories

Inventories mainly comprise the publications and books from the Institute. Inventories are stated at the lower of cost and net realisable value. Costs, which comprise the cost of purchase plus incidentals in bringing the inventories to their present location and condition, are determined on the first-in, first-out basis.

Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Taxation

#### (i) Income Tax

The tax expense in the statement of comprehensive income represents the aggregate amount of current tax and deferred tax included in the determination of net surplus or deficit for the year.

Current tax is the expected amount of income taxes payable in respect of the taxable surplus for the financial year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the statement of profit or loss and other comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

#### (ii) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of goods and services tax except:

- Where the goods and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated inclusive of goods and services tax.

### (e) Revenue Recognition

#### (i) Revenue from Operations

Revenue from seminars, conferences, workshops, Quality Assessment Review ("QAR") and certification income is recognised in the period services are performed. Revenue from examination fees is recognised when candidates registered and sat for the examination. Entrance fees and membership subscriptions are recognised as revenue on a cash basis for the fees received in respect of the year. However, where the subscriptions are received in advance for the following year's subscription, they would be recorded as a current liability as the advance subscriptions are not earned yet.



# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Revenue Recognition (Continued)

#### (ii) Interest Income

Interest income is recognised on accrual basis using the effective interest method.

#### (iii) Sales of Publications

Income from sales of publications is recognised upon transfer of ownership to the buyer.

### (f) Financial Assets

Financial assets are recognised in the statement of financial position when, and only when, the Institute becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs if the financial assets are not at fair value through profit or loss.

The Institute determines the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

#### (i) Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in statement of profit or loss and other comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statement of profit or loss and other comprehensive income.

### (g) Impairment of Financial Assets

The Institute assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### (i) Receivables

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Institute considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Impairment of Financial Assets (Continued)

#### (i) Receivables (Continued)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in statement of profit or loss and other comprehensive income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in statement of profit or loss and other comprehensive income.

### (h) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Institute becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### (i) Other Financial Liabilities

The other financial liabilities of the Institute include trade payables and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in statement of profit or loss and other comprehensive income when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statement of profit or loss and other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Foreign Currency Transactions

Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange ruling at the time of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at reporting date.

Gains and losses from conversion of assets and liabilities, whether realised or unrealised are included in the statement of profit or loss and other comprehensive income as they arise.

All other foreign exchange differences are taken to the statement of profit or loss and other comprehensive income in the financial year in which they arise.

The principal closing rate used is as follows:

	2017 RM	2016 RM
1 US Dollar	4.06	4.49

### (j) Impairment of Non-financial Assets

The carrying amounts of non-financial assets other than inventories and non-current assets held for sale are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost of disposal and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised in statement of comprehensive income.

Any subsequent increase in recoverable amount of an asset due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior financial years. The reversal of impairment loss is recognised as an income in statement of profit or loss and other comprehensive income.

### (k) Employee Benefits

#### (i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Institute. Short term accumulating compensated absences such as paid annual leave are recognised when services rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Employee Benefits (Continued)

#### (ii) Defined Contribution Plan

The Institute contributes to the Employees Provident Fund, the national defined contribution plan. The contributions are charged to the statement of profit or loss and other comprehensive income in the period to which they are related. Once the contributions have been paid, the Institute has no further payment obligations.

### (l) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances, deposits with licensed banks and other short term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of fixed deposits pledged with banks for banking facilities.

### (m) Fair Value Measurement

Fair value measurement which prescribes that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Institute determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting date.

For the purpose of fair value disclosures, the Institute had determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### 4.1 Judgements made in applying accounting policies

There were no critical judgements made by the Institute in the process of applying the accounting policies of the Institute that have significant effect on the amounts recognised in the financial statements.

### 4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Impairment of receivables (Note 7 and 8)

The Institute provides for impairment of receivables based on an assessment of the recoverability of receivables. Impairment loss is recognised where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Institute specifically analyses historical bad debts and changes in payment terms when making a judgement to evaluate the adequacy of the impairment loss on receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

#### (b) Tax expense (Note 21)

Significant judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the provision for taxation. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due is uncertain. The Institute recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax in the periods in which the outcome is known.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. PROPERTY, PLANT AND EQUIPMENT

2017	Freehold Premises RM	Air Conditioners RM	Computers and Software RM	Furniture and Fittings RM	Office Equipment RM	Office Renovation RM	Total RM
<b>Cost</b>							
At 1 January 2017	4,828,564	6,840	355,151	189,453	119,010	318,030	5,817,048
Additions	-	-	43,611	-	-	-	43,611
<b>At 31 December 2017</b>	<b>4,828,564</b>	<b>6,840</b>	<b>398,762</b>	<b>189,453</b>	<b>119,010</b>	<b>318,030</b>	<b>5,860,659</b>
<b>Accumulated Depreciation</b>							
At 1 January 2017	64,381	912	311,709	49,480	108,274	42,404	577,160
Depreciation for the financial year	96,571	1,368	28,082	32,302	3,930	63,606	225,859
<b>At 31 December 2017</b>	<b>160,952</b>	<b>2,280</b>	<b>339,791</b>	<b>81,782</b>	<b>112,204</b>	<b>106,010</b>	<b>803,019</b>
<b>Net Carrying Amount</b>							
<b>At 31 December 2017</b>	<b>4,667,612</b>	<b>4,560</b>	<b>58,971</b>	<b>107,671</b>	<b>6,806</b>	<b>212,020</b>	<b>5,057,640</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 5. PROPERTY, PLANT AND EQUIPMENT (Continued)

2016	Computers Furniture							Total RM
	Leasehold Premises RM	Freehold Premises RM	Air Conditioners RM	and Software RM	and Fittings RM	Office Equipment RM	Office Renovation RM	
<b>Cost</b>								
At 1 January 2016	659,532	4,828,564	49,530	346,375	64,590	111,500	50,627	6,110,718
Additions	-	-	6,840	8,776	161,508	11,740	318,030	506,894
Transfer to non-current assets held for sale (Note 11)	(659,532)	-	-	-	-	-	(50,627)	(710,159)
Written off	-	-	(49,530)	-	(36,645)	(4,230)	-	(90,405)
<b>At 31 December 2016</b>	<b>-</b>	<b>4,828,564</b>	<b>6,840</b>	<b>355,151</b>	<b>189,453</b>	<b>119,010</b>	<b>318,030</b>	<b>5,817,048</b>
<b>Accumulated Depreciation</b>								
At 1 January 2016	231,314	-	49,530	260,971	64,568	107,123	50,627	764,133
Depreciation for the financial year	12,091	64,381	912	50,738	21,557	5,381	42,404	197,464
Transfer to non-current assets held for sale (Note 11)	(243,405)	-	-	-	-	-	(50,627)	(294,032)
Written off	-	-	(49,530)	-	(36,645)	(4,230)	-	(90,405)
<b>At 31 December 2016</b>	<b>-</b>	<b>64,381</b>	<b>912</b>	<b>311,709</b>	<b>49,480</b>	<b>108,274</b>	<b>42,404</b>	<b>577,160</b>
<b>Net Carrying Amount</b>								
<b>At 31 December 2016</b>	<b>-</b>	<b>4,764,183</b>	<b>5,928</b>	<b>43,442</b>	<b>139,973</b>	<b>10,736</b>	<b>275,626</b>	<b>5,239,888</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 5. PROPERTY, PLANT AND EQUIPMENT (Continued)

The strata title of freehold premises with a net carrying amount of RM4,667,612 (2016: RM4,764,183) is pending issuance by the relevant authorities.

## 6. INVENTORIES

	2017 RM	2016 RM
<b>At cost</b>		
Books and journals	90,454	63,996
Premium gift and stationeries	-	44,086
	<u>90,454</u>	<u>108,082</u>
Recognised in profit or loss:		
Inventories recognised as direct costs	205,750	215,103
Inventories recognised as administrative and operating expenses	-	1,538
Written off during the financial year	<u>12,831</u>	<u>-</u>

## 7. TRADE RECEIVABLES

	2017 RM	2016 RM
Trade receivables	686,580	882,151
Less: Allowance for impairment loss	(138,530)	(39,555)
	<u>548,050</u>	<u>842,596</u>

Generally, sales are on cash term save for certain customers who are given credit terms on a case to case basis. Trade receivables mainly comprise conference, seminar, training and other events fees receivable. The Institute maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	2017 RM	2016 RM
Not more than 4 months past due not impaired	485,399	621,802
More than 4 months but not more than 6 months past due not impaired	40,819	33,610
More than 6 months but not more than 12 months past due not impaired	18,122	107,256
More than 12 months past due not impaired	<u>3,710</u>	<u>79,928</u>
	548,050	842,596
Impaired	<u>138,530</u>	<u>39,555</u>
	<u>686,580</u>	<u>882,151</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 7. TRADE RECEIVABLES (Continued)

As at 31 December 2017, trade receivables amounting to RM3,710 (2016: RM79,928) were more than 12 months past due but not impaired. Some of these customers have paid in 2018 and most of these customers have no history of default.

### Receivables that are impaired

An allowance account in respect of trade receivables is used to record impairment losses. The movements in allowance accounts are as follows:

	<b>2017 RM</b>	<b>2016 RM</b>
At beginning of the financial year	39,555	39,555
Charge for the financial year (Note 20)	98,975	-
At end of the financial year	<u>138,530</u>	<u>39,555</u>

The receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The currency profile of the trade receivables is as follows:

	<b>2017 RM</b>	<b>2016 RM</b>
Ringgit Malaysia	538,339	785,964
United States Dollar	<u>9,711</u>	<u>56,632</u>
	<u>548,050</u>	<u>842,596</u>

## 8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>2017 RM</b>	<b>2016 RM</b>
Other receivables	24,927	67,395
GST recoverable	-	7,251
Deposits	22,112	40,428
Prepayments	<u>107,951</u>	<u>40,008</u>
	<u>154,990</u>	<u>155,082</u>

Included in other receivables is an amount due from Asian Confederation of Institutes of Internal Auditors amounting to RM8,103 (2016: RM33,559) which is non-trade in nature, unsecured, interest free, expected to be settled in cash and receivable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

## 9. TAX RECOVERABLE

This is in respect of tax recoverable from the Inland Revenue Board arising from the excess of tax instalments paid over the estimated income tax expense on chargeable income of the Institute during the financial year and tax refundable.

## 10. CASH AND BANK BALANCES

(a) Cash and cash equivalents included in the statement of cash flows comprise the following:

	<b>2017 RM</b>	<b>2016 RM</b>
Cash and bank balances	719,878	231,644
Fixed deposits with licensed commercial banks	1,033,359	187,226
	<u>1,753,237</u>	<u>418,870</u>
Less: Non-short term fixed deposits	(150,000)	(100,000)
	<u>1,603,237</u>	<u>318,870</u>

(b) The fixed deposits of the Institute bear effective interest at rates ranging from 2.70% to 4.18% (2016: 2.70% to 3.45%) per annum and with maturity period of 30 days to 360 days (2016: 30 days to 360 days). Non-short term fixed deposits have maturity period of more than 3 months.

(c) The currency profile of the cash and bank balances is as follows:

	<b>2017 RM</b>	<b>2016 RM</b>
Ringgit Malaysia	1,639,454	401,873
United States Dollar	113,783	16,997
	<u>1,753,237</u>	<u>418,870</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 11. NON-CURRENT ASSETS HELD FOR SALE

On 25 November 2016, the Institute entered into conditional sale and purchase agreements with Blossom Lane Sdn. Bhd. ("Purchaser") to dispose of its leasehold premises at a purchase consideration of RM850,000. The Institute is a company limited by guarantee and hence, prior written approval from the Ministry of Domestic Trade, Co-operatives and Consumerism ("the Ministry") is required for the Institute to dispose of the leasehold premises. Accordingly, the leasehold premises have been classified as non-current assets held for sale in the previous financial year. The Institute had obtained the approval from the Ministry on 19 May 2017 to dispose of its leasehold premises. Earnest deposit received from the Purchaser amounting to RM17,000 was held by the Institute's solicitor as at 31 December 2016. The disposal was completed during the financial year.

	2017 RM	2016 RM
Cost	-	710,159
Less: Accumulated depreciation	-	(294,032)
Net carrying amount	-	416,127

## 12. RESEARCH FUND

The objectives of the research fund are:

- (i) To participate in research activities in the area of internal auditing with members, corporate bodies, the public, institutions of higher learning and other professional bodies;
- (ii) To avail to interested parties (members, the public, institutions of higher learning, etc.) resource materials for research at the IIA Secretariat. These resources can be in the form of journals, articles, audio-visual media, etc.; and
- (iii) To make available research grants or assistance to interested parties to carry out research to promote the internal audit profession.

## 13. DEFERRED TAX LIABILITY

	2017 RM	2016 RM
At 1 January	-	-
Recognised in profit or loss (Note 21)	22,992	-
At 31 December	22,992	-

# NOTES TO THE FINANCIAL STATEMENTS

## 13. DEFERRED TAX LIABILITY (Continued)

Deferred tax liabilities are attributable to the following:

	2017 RM	2016 RM
Differences between the carrying amounts of property, plant and equipment and their tax base	22,992	-

The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements is as follows:

	2017 RM	2016 RM
Unabsorbed capital allowances	-	68,848

## 14. TRADE PAYABLES

The average trade credit term granted to the Institute was 60 days (2016: 60days).

The currency profile of the trade payables is as follows:

	2017 RM	2016 RM
Ringgit Malaysia	79,541	405,815
United States Dollar	-	135,648
	79,541	541,463

## 15. OTHER PAYABLES AND ACCRUALS

	2017 RM	2016 RM
Other payables	134,449	149,208
GST payable	9,673	-
Accruals	222,929	22,000
	367,051	171,208

(a) Included in other payables and accruals are amounts incurred by Governors of the Institute amounting to RM3,508 (2016: RM23,978) which have yet to be reimbursed to them in performing the functions of representing the Institute in global and regional meetings.

(b) Included in accruals are amount in relation to the accrual for bonus amounting to RM134,449 (2016: RM Nil). The bonus was subsequently paid in March 2018.

# NOTES TO THE FINANCIAL STATEMENTS

## 16. REVENUE

	2017 RM	2016 RM
Entrance fees and subscriptions	971,829	981,615
Seminar and conference income	4,296,932	3,706,745
Examination fees	405,567	424,833
Quality Assessment Review fees	446,089	271,928
	<u>6,120,417</u>	<u>5,385,121</u>

## 17. DIRECT COSTS

	2017 RM	2016 RM
Members' activities	290,585	278,553
Seminars and conferences	2,303,800	2,174,072
Examination	110,154	175,876
Quality Assessment Review	138,725	7,629
	<u>2,843,264</u>	<u>2,636,130</u>

## 18. OTHER INCOME

	2017 RM	2016 RM
Income from sales of Institute's publications and books	76,145	93,202
Gain on disposal of buildings	433,873	-
ACIIA staff secondment fees	9,290	4,200
Tea talk and networking sessions	13,527	11,285
CIA review seminar	19,344	-
Miscellaneous	10,061	13,574
Unrealised gain on foreign exchange	1,538	-
	<u>563,778</u>	<u>122,261</u>

## 19. FINANCE INCOME

The finance income wholly relates to interest income arising from fixed deposits.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. SURPLUS BEFORE TAXATION

Surplus before taxation has been determined after charging amongst other items the following:

	2017 RM	2016 RM
<b>After charging:</b>		
Audit fees		
- current year	28,000	25,000
- prior financial years	3,000	25,420
Depreciation of property, plant and equipment	225,859	197,464
Inventories written off	12,831	-
Impairment loss on trade receivables	98,975	-
Office rental	-	14,000
Rental of photocopier	6,382	5,598
Rental of storage space	4,333	-
Staff costs - salaries, allowances and others	1,533,846	1,523,294
Staff costs - Employees Provident Fund		
Contributions	210,957	185,217
Realised loss on foreign exchange	2,632	15,880
Unrealised loss on foreign exchange	-	2,118
<b>After crediting:</b>		
Gain on disposal of property, plant and equipment	433,873	-
Unrealised gain on foreign exchange	1,538	-

## 21. TAXATION

	2017 RM	2016 RM
<b>Income tax</b>		
Current year	137,122	19,037
(Over)/Under provision in prior year	(15,153)	28,598
	121,969	47,635
<b>Real Property Gain Tax</b>	9,560	-
<b>Deferred tax (Note 13)</b>		
Current year	15,170	-
Under provision in prior year	7,822	-
	22,992	-
Tax expense for the financial year	154,521	47,635

The Institute is considered as a "Trade Association" under section 53(3) of the Income Tax Act 1967 under which its income is taxed at scale rates.



# NOTES TO THE FINANCIAL STATEMENTS

## 21. TAXATION (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Institute is as follows:

	2017 RM	2016 RM
Surplus before taxation	1,090,380	93,942
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	261,691	22,546
Effect of lower tax rate	(9,160)	(24,100)
Expenses not deductible for tax purpose	76,579	104,295
Income not subject to tax	(176,818)	(88,251)
Under/(Over) provision in prior year		
- current tax	(15,153)	28,598
- deferred tax	7,822	-
Real Property Gain Tax	9,560	-
Deferred tax assets not recognised	-	4,547
Tax expense for the financial year	154,521	47,635

## 22. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The significant accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Note	2017 RM	2016 RM
<b>Loans and Receivables</b>			
<b>Financial Assets</b>			
Trade receivables	7	548,050	842,596
Other receivables and deposits ^	8	47,039	107,823
Cash and cash equivalents	10	1,753,237	418,870
<b>Total Financial Assets</b>		<b>2,348,326</b>	<b>1,369,289</b>
<b>Financial Liabilities at Amortised Cost</b>			
<b>Financial Liabilities</b>			
Trade payables	14	79,541	541,463
Other payables and accruals *	15	357,378	171,208
<b>Total Financial Liabilities</b>		<b>436,919</b>	<b>712,671</b>

^ Excluding prepayments and GST refundable

\* Excluding GST payable

# NOTES TO THE FINANCIAL STATEMENTS

## 22. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial Risk Management

The Institute seeks to manage effectively the various risks namely credit, interest rate, liquidity and foreign exchange risks, to which the Institute is exposed to in its daily operations.

#### (i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter party default on its obligations. The exposure to credit risk arises primarily from trade and other receivables. Trade and other receivables presented in the statement of financial position are net of allowances for impairment losses, if any, estimated by the Institute based on prior experience and the current economic environment.

The exposure to credit risk is monitored by the Institute on an on-going basis.

There are no concentrations of credit risk for the financial assets.

#### (ii) Liquidity risk

The Institute actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all funding needs are met. As part of this overall prudent liquidity management, the Institute maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

The Institute's financial liabilities at the reporting date mature within one year.

#### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Institute's financial instruments will fluctuate because of changes in market interest rates. The Institute's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits with licensed commercial banks.

As fixed deposits are subject to fixed rate and not accounted for at fair value through profit or loss, a change in the market interest rates would not affect the financial results and the equity of the Institute.

# NOTES TO THE FINANCIAL STATEMENTS

## 22. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial Risk Management (Continued)

#### (iv) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Institute has transactional currency exposures arising from cash and bank balances and fees payable to The Institute of Internal Auditors Inc. that are denominated in a currency other than the functional currency of the Institute.

The risk is mitigated by a US dollar denominated account held by the Institute at one of the commercial banks.

#### ***Exposure to foreign currency***

The following table details the exposure of the Institute at the reporting date to currency risk arising from recognised financial assets and liabilities denominated in a currency other than the functional currency of the Institute. For presentation purposes, the amounts of the exposure are shown in Ringgit Malaysia, translated using the spot rate at reporting date:

	2017 RM	2016 RM
<b>US Dollar</b>		
Cash and bank balances	113,783	16,997
Trade receivables	9,711	56,632
Trade payables	-	(135,648)

# NOTES TO THE FINANCIAL STATEMENTS

## 22. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial Risk Management (Continued)

#### (iv) Foreign exchange risk (Continued)

##### **Sensitivity Analysis**

The following table indicates the approximate change in the net surplus and equity of the Institute in response to reasonable possible changes in the foreign exchange rates to which the Institute has significant exposure at the reporting date, assuming all other variable risk variables remained constant. Other components of the equity would not be affected by changes in the foreign exchange rate:

	<div> <div>←</div> <div><b>Increase/(Decrease)</b></div> <div>→</div> </div>			
	<b>RM Strengthens (10%)</b>		<b>RM Weakens (10%)</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Net surplus for the financial year	9,386	(4,651)	(9,386)	4,651

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Institute which expose the Institute to foreign currency risk at the reporting date.

### (c) Fair Values

#### (i) Recognised financial instruments

The carrying amounts of financial assets and financial liabilities of the Institute reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

#### (ii) Unrecognised financial instruments

There were no unrecognised financial instruments as at 31 December 2017 and 31 December 2016.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Institute if the Institute has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Institute and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Institute either directly or indirectly. The key management personnel include all the Governors of the Institute and members of senior management of the Institute.

The Institute has related party relationship with its Governors.

### ***Related party transactions***

Related party transactions have been entered into in the normal course of business under negotiated terms or prescribed rates where applicable. The related party transactions of the Institute are shown below:

	<b>2017 RM</b>	<b>2016 RM</b>
Fees paid to Governors or to a company in which the Governor has substantial financial interest for services rendered in income generating projects	58,000	23,000
Members' annual subscription fees paid by Governors	5,640	4,620

### ***Compensation of key management personnel***

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Institute either directly or indirectly. The Institute's key management personnel comprise 7 employees (2016: 5 employees).

	<b>2017 RM</b>	<b>2016 RM</b>
Short term employee benefits	547,403	716,599
Post-employment employee benefits	61,052	83,736
	608,455	800,335

## 24. CAPITAL MANAGEMENT

The Institute regards the accumulated fund as capital. The objectives of the Institute in managing capital are:

- to be the recognised voice for the internal audit profession;
- to develop and sustain the internal audit profession in Malaysia through appropriate infrastructure, coordination, support and communication; and
- to provide exceptional service to its members.

The Institute regularly reviews and manages its capital to ensure adequacy for both operational and capital needs. All surpluses are transferred to the accumulated fund for future operational needs. For the purpose of capital disclosure, the Institute regards the accumulated funds as capital of the Institute.

# NOTES TO THE FINANCIAL STATEMENTS

## 25. RETROSPECTIVE RESTATEMENT

In the previous financial year, the Institute noted an amount of RM175,987 which represents an over-recognition of revenue in the preceding financial year. Accordingly, adjustments have been made to restate the financial statements for the financial year ended 31 December 2015, details of which are as follows:

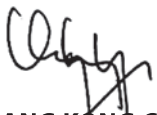
	As previously reported RM	Adjustments RM	As restated RM
<b>31 December 2015</b>			
<b>Statement of Financial Position</b>			
Trade receivables	797,562	(175,987)	621,575
Accumulated funds	(6,453,549)	162,874	(6,290,675)
Tax payable	(126,832)	13,113	(113,719)
<b>Statement of Comprehensive Income</b>			
Revenue	6,417,179	(175,987)	6,241,192
Surplus before taxation	765,279	(175,987)	589,292
Taxation	(197,057)	13,113	(183,944)
Net surplus for the financial year	568,222	(162,874)	405,348
<b>Statement of Cash Flows</b>			
Operating profit before changes in working capital	822,448	(175,987)	646,461
Increase in receivables	(277,917)	175,987	(101,930)

# STATEMENT BY GOVERNORS

Pursuant to Section 251(2) of the Companies Act 2016

We, **CHANG KONG CHONG** and **SUHAILAH BINTI MOHAMED ABDULLA**, being two of the Governors of the Institute, do hereby state that, in the opinion of the Governors, the accompanying financial statements as set out on pages 47 to 78, are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Institute as at 31 December 2017 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Governors in accordance with a resolution of the Governors.



**CHANG KONG CHONG**

Governor



**SUHAILAH BINTI MOHAMED ABDULLA**

Governor

Date: 21 May 2018



# STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, **AANANTHI A/P KANAN VEDE**, being the officer primarily responsible for the financial management of the Institute, do solemnly and sincerely declare that the financial statements as set out on pages 47 to 78, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.



**AANANTHI A/P KANAN VEDE**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 21 May 2018.

Before me,



Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of The Institute of Internal Auditors Malaysia, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 36.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2017, and of its financial performance and its cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Institute in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Statements and Auditors' Report Thereon

The Governors of the Institute are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Institute and our auditors' report thereon.

Our opinion on the financial statements of the Institute does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Institute, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Institute or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA

## **Responsibilities of the Governors for the Financial Statements**

The Governors of the Institute are responsible for the preparation of financial statements of the Institute that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Governors are also responsible for such internal control as the Governors determine is necessary to enable the preparation of financial statements of the Institute that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Institute, the Governors are responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governors either intend to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

The Governors of the Institute are responsible for overseeing the Institute's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Institute 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.

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:

- identify and assess the risks of material misstatement of the financial statements of the Institute, whether 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.
- 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 Institute's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governors.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA

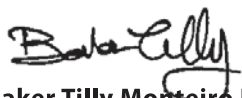
## Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- conclude on the appropriateness of the Governors' 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 Institute'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 Institute 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 Institute to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Institute, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Governors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Other Matters

This report is made solely to the members of the Institute, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.



**Baker Tilly Monteiro Heng**

No. AF 0117

Chartered Accountants



**Andrew Choong Tuck Kuan**

No. 03264/04/2019 J

Chartered Accountant

Kuala Lumpur

Date: 21 May 2018

# PAST PRESIDENTS, HONORARY & FELLOW MEMBERS

## PAST PRESIDENTS

1978/1979	Peter Chieng Ing Mui
1979/1980	Louis Loh Kam Choon
1980/1981	Lum Seng Yip
1981/1982	Cheng See
1982/1983	Lee Siew Kuan
1983/1984	Richard Chieng Ing Ku
1984/1985	Rick Siew
1985/1986	Kay Yew Chye
1986/1987	Margaret Chin Cheng Soon
1987/1988	Jeyaratnam Velupillai
1988/1990	Lynn T Kulasingham
1990/1992	Azhari Mohamed
1992/1993	Abdul Razak Abu Bakar
1993/1994	Stanley Yap Onn Nam
1994/1996	Lim Kien Chai
1996/1997	Vijayam Nadarajah
1997/1998	Mathuraiveran Marimuthu
1998/2000	Wong Yew Sen
2000/2002	Devanesan Evanson
2002/2004	Abd Razak Haron
2004/2006	Wee Hock Kee
2006/2008	Fatimah Abu Bakar
2008/2009	Walter Sandosam
2009/2011	Hashim Mohammed
2011/2013	Datin Josephine Low Suet Moi
2013/2014	Ranjit Singh Taram Singh
2014/2015	Philip Satish Rao
2015/2016	Dato' Shabaruddin Ibrahim
2016/2017	Lucy Wong Kam Yang
2017/2018	Hazimi Kassim – until 23/05/18

## HONORARY MEMBERS

Tan Sri Datuk Dr. Hadenan A. Jalil  
 Dato' Mohammed Azlan Hashim  
 Dato' Yusli Mohamed Yusoff  
 Tan Sri Dato' Setia Haji Ambrin Buang

## FELLOW MEMBERS

1. Jeyaratnam Velupillai
2. Stanley Yap Onn Nam
3. Lim Kien Chai
4. Margaret Chan Cheng Soon
5. Kanason Pothiniker
6. Peter Chieng Ing Mui
7. Mathuraiveran Marimuthu
8. David McNamee
9. Ho Chai Suan
10. Lee Siew Kuan
11. Farid Chia Abdullah
12. Vijayam Nadarajah
13. Wong Yew Sen
14. Fatimah Abu Bakar
15. Young Tat Yong
16. Nesarajah A/L Chelliah
17. Barry Leithhead
18. Devanesan Evanson
19. Edmund Low Ying Leong
20. Stanley Y Chang
21. Lou Swee You
22. Suresh Maria Alexander
23. Jean-Pierre Garitte
24. Dato' Shabaruddin Ibrahim
25. Wee Hock Kee
26. Woo Yoke Meng
27. Walter Sandosam
28. Prof Datin Dr Hasnah Haron
29. Puan Sri Datin Dr Mary Lee Siew Cheng
30. Ranjit Singh A/L Taram Singh
31. Christine Ong May Ee
32. Lee Min On
33. Dr Suresh Kannan







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