

EVOLVING & REJUVENATING FOR A NEW FUTURE

— ANNUAL REPORT 2016 —



The Institute of
Internal Auditors
Malaysia



OUR CORE VALUES

INTEGRITY •

PROFESSIONALISM •

COURAGE •

RESPECT •

SERVICE EXCELLENCE •

UNITY IN DIVERSITY •

INNOVATION •

COLLABORATION •

**NATIONAL & REGIONAL •
MINDSET**

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VISION

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

MISSION

To provide dynamic leadership for the 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 services to members of IIA Malaysia.

MOTTO: “PROGRESS THROUGH SHARING”

The motto of IIA Malaysia 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-SECOND (22ND) ANNUAL GENERAL MEETING OF THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA WILL BE HELD AT HOTEL ISTANA KUALA LUMPUR, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, ON FRIDAY, 16 JUNE 2017 AT 5:00 PM TO TRANSACT THE FOLLOWING BUSINESS:-

ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 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 have served a maximum of three (3) consecutive terms and are not eligible for re-election pursuant to Article 19 of the Institute's Article of Association are:-
 - Christine Ong May Ee
 - Devanesan A/L J.A Evanson
 - b. The Governors who retire by rotation and are eligible for re-election pursuant to Article 18 of the Institute's Article of Association are:-
 - Leong David @ Leong Sze Khiong
 - Dato' Shabaruddin Bin Ibrahim

Leong David @ Leong Sze Khiong & Dato' Shabaruddin bin Ibrahim do not wish to seek for re-election.
 - c. Elect new members nominated to the Board of Governors for the year 2017/2018.
3. To re-appoint Messrs Baker Tilly Monteiro Heng as the Institute's auditors and to authorise the Board of Governors to fix 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 Articles of Association.

By Order of the Board

WONG WAI FOONG (MAICSA 7001358)

Company Secretary

Kuala Lumpur
25 May 2017

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



SEATED FROM LEFT TO RIGHT

1. Suhailah Mohamed Abdulla
2. Khaidzir Mohd Shahari
3. Lucy Wong Kam Yang
4. Alan Chang Kong Chong
5. Ranjit Singh Taram Singh.

STANDING FROM LEFT TO RIGHT

6. Leong David @ Leong Sze Khiong
7. Zainal Akbar Mohd Kader
8. Renganathan Narasingham
9. Mazliana Mohamed
10. Vijayam Nadarajah
11. Hazimi Kassim

NOT IN THE PICTURE

12. Dato' Shabaruddin Ibrahim
13. Philip Satish Rao
14. Devanesan J.A. Evanson
15. Christine Ong May Ee

PROFILE OF THE BOARD OF GOVERNORS

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 (Renong Berhad), Metacorp Berhad, Metramac Corporation Sdn Bhd and Projek Lebuh raya Utara-Selatan Berhad. She has served in various positions in IIA Malaysia, including as an EXCO member in the positions of Vice President and Honorary Secretary. She is 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. She is also a Member of the Technical Committee for Anti Bribery Management System in Malaysia.

VICE PRESIDENT

MOHD KHAIDZIR SHAHARI

CMIIA, CIA, CA(M)

Mohd Khaidzir is an Executive Director with KPMG Management and Risk Consulting Sdn. Bhd, and the Head of Risk Consulting in KPMG Malaysia. He has 22 years of experience in internal audit, risk and governance advisory including 2 years as the Chief Internal Auditor of a financial institution prior to joining KPMG in 1999. His clients include listed organisations, multinational corporations, government linked organisations and private enterprises. He has been a member of the IIA Malaysia since 1997 and was elected as a Board of Governor in 2010. He was a Vice President of IIAM and has served in various positions in the EXCO. He was the Chairman of Research and Technical Committee between 2013 and 2016, and currently chairs the Professional Services Committee.

ALAN CHANG KONG CHONG

CMIIA, CIA, CFSA, CPA(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 Bank Berhad as well as the financial services entities under the Hong Leong Financial Group. He serves a total of 10 audit committees under Hong Leong Financial Group. Prior to joining Hong Leong Bank, he was the Senior Vice-President and headed the Group Internal Audit of RHB Bank Bhd. He has over 24 years of internal audit experience specialising in credit, treasury, retail and operational audits of commercial banks.

He is the current Chairman of IIA's Professional Development Committee, a committee he joined since 2012. He also is the current Chairman of the Chief Internal Auditors Networking Group (CIANG) consisting of 34 participating Chief Internal Auditors of 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. Under CIANG he is also the Chairman of CIAFIN (Certificate in Internal Auditing for Financial Institutions) Curriculum Working Committee, in charge of revising CIAFIN examination syllabus to incorporate IIA's Internal Audit Standards.

PROFILE OF THE BOARD OF GOVERNORS

HONORARY SECRETARY

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 (FNNB) 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, insurance management and organizations & methods functions of the Group. She has been a member of IIA Malaysia since 2000 and had served in its sub-committees since 2006. She currently chairs the Certification and Academic Relations Committee.

HONORARY TREASURER

HAZIMI KASSIM

CMIIA, CMIA(M'sia), FCPA(Aust), B. Arts(Uni Canberra, Aust)

Hazimi holds a Bachelor of Arts in Accounting from the University of Canberra, Australia. He had attended the Advanced Management Programme at Wharton Business School, University of Pennsylvania, USA in 2006 and Executive Development Program on Executing Strategy For Results at London Business School in 2016.

He is a Fellow of Certified Practising Accountant (FCPA) of the Australian CPA, a Chartered Member of the Malaysian Institute of Accountants, and Professional Member of IIAM. His wide-ranging career to date has spanned across audit and consulting services to securities, insurance, banking, manufacturing and telecommunications companies. He started his career with Arthur Andersen in 1986 after his graduation. He joined Citibank NA in 1991 as an Assistant Financial Controller managing the management reporting and taxation matters of the bank, until he was appointed the General Manager of Halim Securities Berhad in 1994. In 1996, he joined Hong Leong Bank Berhad as the Chief Internal Auditor, and later went back to Arthur Andersen in 1999 as Director, in-charge of IT Risk Management Practice. He was also at Bank Muamalat (M) Berhad in 2001 as an IT Programme Manager, and Chief Internal Auditor of Celcom (M) Berhad from 2002 to 2004. He became the Chief Audit Executive at Malayan Banking Berhad and later Head of Corporate & Strategic Planning and Investors Relations of the bank, prior to joining Telekom Malaysia Berhad in 2011 as the Group Chief Internal Auditor.

He has vast experience in External and Internal Auditing, financial and management accounting, corporate finance as well as strategic planning, business development and investor relations. His passion is in the human capital development where he has conducted various in-house training and had also been invited to speak at conferences both domestically and overseas.

PROFILE OF THE BOARD OF GOVERNORS

IMMEDIATE PAST PRESIDENT

DATO' SHABARUDDIN IBRAHIM

CFIIA, FCA(ANZ), CPA(M), CA(M), B. Com (Aust), DSPJ (Perlis), AMN (M)

Dato' Shabaruddin has over 35 years of working experience with multinational, government linked, public listed and private companies. He is currently the Chairman of Audit Committee of Teknologi Tenaga Perlis Consortium, a 650MW gas power plant owner and operator. He is also Chairman of Pesaka Technologies, a 12MW renewable hydro power plant owner and operator. He is the current Honorary Treasurer of Persatuan Penjana Bebas Malaysia.

Dato' Shabaruddin was previously with KPMG, PETRONAS, KUB Malaysia and Eden Inc. He was Group Chief Internal Auditor of PETRONAS, a member of PETRONAS Internal Audit Management Committee and Secretary to PETRONAS Board Audit Committee.

He was a Colombo Plan Scholar with Bachelor of Commerce from University of Tasmania, a Fellow Chartered Accountant of Institute of Chartered Accountants in Australia & New Zealand, Certified Public Accountant of Malaysian Institute of Certified Public Accountants, Chartered Accountant of Malaysian Institute of Accountants and Chartered Fellow of Institute of Internal Auditors Malaysia.

He was awarded with Darjah Setia Paduka Jamalullail (DSPJ Perlis) and Ahli Mangku Negara (AMN Malaysia) for his corporate and community services. He is the Founding Chairman of Global Muslims In Need Foundation and Koperasi Mukmin Malaysia Berhad. He is also an Honorary Citizen of the City of Fort Worth Texas USA.

PAST PRESIDENTS

VIJAYAM NADARAJAH

CFIIA, FCPA, CA(M)

Vijayam had served IIA Malaysia in the 90s as Professional Development Committee (PDC) Chairperson and President in 1996/7. During her 5 active years with IIA Malaysia, she had raised awareness in internal audit (IA) and its importance to the financial sector. With the assistance of the Board then, IIA Malaysia was able to convince Bank Negara to make IA compulsory for financial institutions in 1996. During her tenure with IIA Malaysia, she had organised numerous talks and scheduled local and international speakers to train and up-skill auditors. During her term as President, IIA Malaysia purchased the office building in Kompleks Maluri at Taman Maluri, a lot of funds came from the activities of PDC which was under her responsibility.

Her interest in IA has since evolved; she worked on risk, compliance and recently on value creation and governance for boards. With the spate of financial irregularities in corporate Malaysia, she has taken the opportunity to speak to directors on the assurance role of IA, the "eyes and ears" to Boards. She has also provided some perspective and insight on the role of IA in GRCC in the Malaysian Code of Corporate Governance 2016 survey through a directors' academy, for the attention of the Securities Commission.

DEVANESAN J.A. EVANSON

CFIIA, FCCA, CA(M), LLB(Hons)

Devanesan is a director and audit committee chairman of Agensi Kaunseling dan Pengurusan Kredit (Credit Counselling and Debt Management Agency). He is a past-president of the Institute of Internal Auditors Malaysia and the Malaysian Advisory Committee of the ACCA. He is also a past-council member of the Malaysian Institute of Accountants. He has served Bursa Malaysia for 18 years in various capacities including Head of Group Internal Audit and Risk Management, Chief Regulatory Officer and Chief Market Operations Officer.

PROFILE OF THE BOARD OF GOVERNORS

RANJIT SINGH TARAM SINGH

CFIIA, 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 IIA Malaysia for 2013/14 term and a committee member of the Global IIA's Professional Issue Committee. He was appointed the Secretary and subsequently Vice President of Asian Confederation of Institutes of Internal Auditors (ACIIA) for the term between 2014 & 2015 and 2015 & 2016 respectively. He is the current President of ACIIA. Ranjit is a Certified Internal Auditor (USA) and has a Certification in Risk Management Assurance (USA).

PHILIP SATISH RAO

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

Philip is currently a Partner with Risk Services practice in Ernst & Young (EY) Malaysia. In his 26 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.

GOVERNORS

CHRISTINE ONG MAY EE

CFIIA, CIA, CRMA, CA(M), FCA(ANZ), B. Acc (Hons) (S'pore)

Christine is the Senior Group General Manager-Internal Audit of IGB Corporation Berhad. She has more than 25 years of experience in internal audit, external audit, accounting and finance in industries such as banking and finance, hospitality, retail, property, and construction. Christine is a member of the Board of Directors of the Institute of Internal Auditors Inc. representing IIA Malaysia for the term 2013-2015 and re-appointed for the term 2015-2017. She is also a member of various committees under IIA Inc such as the Global Advocacy Committee under IIA Global since 2013, Governance taskforce (2016-2017) and Awards Committee (2017). She has served in various capacities in the committees of IIA Malaysia such as the Professional Development Committee 2008-2011, Professional Services Committee for the term 2011-2013 and Certification and Academic Relations Committee 2013-2016. She is the current chairperson of the Research and Technical Advisory Committee and chairs the taskforce to update the Guidelines for Internal Audit Function.

PROFILE OF THE BOARD OF GOVERNORS

LEONG DAVID @ LEONG SZE KHIONG

CMIIA, CIA, ACIB, BCA(NZ), CA(ANZ), CA(M), MBA (Henley, UK)

David served 24 years of his 35 years with one of the largest international banks, holding leadership roles in operations, trade finance, marketing, credit management, risk management, strategic planning, Sarbanes-Oxley and finally in internal audit, from 1980 to 2005.

Known for turning things around and as a change agent, he rewrote the lending guidelines of the bank which stopped the red ink flowing in the bank's P&L in 1999. He was the strategic planner in the subsequent turnaround strategy in 2000-2001 and was appointed the Chief Internal Auditor in 2001. During his employment, David also passed the Associate Chartered Institute of Bankers (UK) examinations and was top student for the Henley MBA (UK) in 1997. He passed the IIA's CIA examinations in 2003.

David became the Chief Internal Auditor, of a large middle-eastern Islamic financial services firm from 2005 to 2011 and of Bank Islam Malaysia Bhd between 2012 and 2014. David presents issues clearly and holistically as well as bringing a unique strategic dimension to internal auditing. He actively promotes the new COSO 17 Principles Integrated Framework (2013) in audits and is on the examiners committee of the Asian Institute of Chartered Bankers (AICB). David currently gives internal audit training and works as an ERM consultant.

ZAINAL AKBAR 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 the 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 representative of the Federation of Public Listed Companies providing advice on adoption of the new International Financial Reporting Standards (IFRS) while representing various IFRS discussion groups at the Malaysian Accounting Standard Board.

PROFILE OF THE BOARD OF GOVERNORS

MAZLIANA MOHAMAD

CMIIA, CRMA, CIA, ACMA, CGMA, CA(M)

Mazliana has over 20 years of working experience with public listed, multinational and government linked companies in various fields including accounting, auditing, corporate governance, corporate finance and risk management. She started her career in the Accounting Department of Maybank Group in 1997. In 2004 she joined the Risk Management function of Bank Pembangunan Bhd. She was appointed as the Regional Head of Audit & Consulting Services of AirAsia Group in 2010 where she was responsible to provide the overall regional leadership of corporate assurance and advisory functions. She was also part of the Executive Committee and Financial Risk Management Committee of the Group. Before joining AirAsia, she was with Multimedia Development Corporation. She joined The ICLIF Leadership & Governance Centre in 2012 as the Chief Audit & Risk Executive. She is currently the Director of Internal Audit of Bursa Malaysia. She is a Chartered Accountant with MIA and a Chartered Global Management Accountant from CIMA. She holds a Master of Business Administration from Edinburgh Business School of Herriot Watt University.

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 IIA Malaysia in June 2002. He has been serving as a member of the Board of Governors (BOG) of IIA Malaysia since May 2015 and was the 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).

MEETINGS & ATTENDANCES

BOARD OF GOVERNORS 2016/2017

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

MEETING ATTENDANCE	
Lucy Wong Kam Yang, President	7/7
Mohd Khaidzir Shahari, Vice President*	4/5
Alan Chang Kong Chong, Vice President	7/7
Suhailah Mohamed Abdulla, Honorary Secretary	7/7
Hazimi Kassim, Honorary Treasurer	5/7
Dato' Shabaruddin Ibrahim, Immediate Past President	4/7
Christine Ong May Ee	5/7
Leong David @ Leong Sze Khiong	3/7
Devanesan J.A. Evanson	7/7
Mazliana Mohamad	6/7
Philip Satish Rao	4/7
Ranjit Singh	7/7
Renganathan Narasingham	7/7
Vijayam Nadarajah	7/7
Zainal Akbar Abdul Kader	6/7

Note:

* Resigned effective 7 April 2017.

MEETINGS & ATTENDANCES

COMMITTEE MEETINGS

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

PROFESSIONAL DEVELOPMENT COMMITTEE (PDC)	MEETING ATTENDANCE
Alan Chang Kong Chong	3/4
Mazliana Mohamad	3/4
Nickson Choo Wei Sin	2/4
Lee Jun Xian	4/4
Tony Lin Choi Foo	4/4

PROFESSIONAL SERVICES COMMITTEE (PSC)	MEETING ATTENDANCE
Mohd Khaidzir Shahari	2/2
Asmawati Kamarudin	2/2
Dr Suresh Kannan	1/2
Tay Boon Hock	2/2
Noramalina Baharudin	1/2

CERTIFICATION AND ACADEMIC RELATIONS COMMITTEE (CARC)	MEETING ATTENDANCE
Suhailah Mohamed Abdulla	4/4
Leong David @ Leong Sze Khiong	4/4
The Late Dr Zakiah Muhammaddun Mohamed	3/3
Amos Law	3/4
Lim Hooi Hoon	3/4
Chow Hoe Tong	3/4

RESEARCH & TECHNICAL ADVISORY COMMITTEE (RTAC)	MEETING ATTENDANCE
Christine Ong May Ee	4/4
Zainal Akbar Abdul Kader	2/4
Vijayam Nadarajah	3/4
Alina Osman	4/4
Zalily Mohamed Zaman Khan	3/4
Wong Chiang Meng	3/4
Dr Grace Mui Yanchi	4/4

THE SECRETARIAT

EXECUTIVE DIRECTOR

NUR HAYATI BAHARUDDIN

SENIOR MANAGERS

ZAIMAH ISMAIL
Membership & Certification

LEE FOOK SUN
Finance & Corporate Services

SIVAMALAR P. THURAISSINGAM
Quality Assurance & Technical

GEETHA KANNY
Professional Development & Marketing

MANAGER

ADELINE ONG WHAI LING
Technical

ASSISTANT MANAGERS

SITI ROHANI UMAR
Membership

IRWAN NOOR HADI DAHLI
Professional Development

VINITHA TANIALNATHAN
Professional Development

SITI ARAFAH ABDUL AZIZ
Certification

SENIOR EXECUTIVE

NOOR ADIHA ABU BAKAR
Technical

EXECUTIVES

NORASYIAH ABDUL RAHMAN
Membership

JOSIE REBECHI OMILDA
Professional Development

MUHAMMAD FAIZ FAUZI
Professional Development

HASLIZAN MOHD ZAINAL
Professional Development

JWALITA RAMACHANDRA
Professional Development

AZRUL MANSOR
Finance

NIK NOR SHAZWANI NIK BADRUL HISHAM
Finance

RAJA NUR AINA RAJA MOHAMMAD NOORDIN
Corporate Services

MUHAMMAD NAZIM AB RAHIM
Quality Assurance

SYAFIAH MOHD JOHAR
Certification

OFFICERS

NUR ATIKAH ABDUL AZIZ
Corporate Services

HAMDANI MOHD SAHIT MASHUD

YUSLIZA MD YUSOF
Membership



“ The ability of IIA Malaysia to achieve its 40th anniversary is a testament of the leadership and commitment of its past and present Board of Governors in keeping the Institute at the leading edge of the profession, meeting its mission and delivering value to its members and stakeholders.

In a new office, with new senior staff, introduction of core values, a revised Strategic Plan, a new IPPF and embracing digital technology, it is not only a new beginning, it is ‘New Life Begins at 40’. Therefore, it is time to Evolve and Rejuvenate for a New Future. ”

Lucy Wong Kam Yang
President 2016/2017



PRESIDENT'S REPORT

Dear Respected Members,

On behalf of the Board of Governors and Secretariat staff, I would like to thank you for your continued support to IIA Malaysia in our efforts to lead, champion and enhance the internal audit profession in our country.

2016/2017 has been a challenging year for IIA Malaysia. In the economic front, the effects of GST implementation, slowdown in the oil and gas industries and downsizing were felt in organizations. This also impacted the performance of the Institute. Attendance of conferences and training, and requests for Quality Assurance Review services declined. The economic environment and the resulting effects have however, provided insights into the strengths and weaknesses of the Institute, to enable the Institute to evolve and rejuvenate itself.

Despite the challenges, the achievements and key activities undertaken in 2016 following the Strategic Plan set by the Institute earlier are as follows:

PROFESSIONALISM - LEADING THE PROFESSION

- The first Degree in Internal Auditing & Management in Malaysia was launched by AIMST University on 8 October 2016, arising from an MOU between IIA Malaysia and AIMST University which was signed on 6 February 2014. A commemorative plaque was also given to AIMST University's Vice Chancellor during the National Internal Audit Conference (National Conference) on 10 October 2016.
- The CIA Excellence Award was introduced for members who passed all parts of the CIA program within 1 year, to encourage professional certification and recognize the successful candidates. A successful candidate was identified and presented with the award on 10 October 2016 during the National Conference 2016.
- The changes in the new International Professional Practices Framework (IPPF) were presented in the National Conference 2016. Information on new Implementation Guidance and Supplemental Guidance was provided to attendees to enable them to be updated on the new developments in the internal audit profession and resources available to them.
- Tea talks were conducted with members on the new IPPF to ensure awareness and adoption of the standards. The new IPPF was also presented to internal auditors who are members of the Heads of ASEAN Power and Utility Association, who visited IIA Malaysia office on 28 February 2017. The internal auditors who attended the talk comprised local and ASEAN delegates from Singapore, Indonesia, Thailand, Philippines, Laos and Vietnam.
- Fellow membership was conferred on 4 members in recognition of their service and contribution to the Institute during the National Conference 2016.
- Professional development courses (39), conferences (3), forums (2), in-house training (16) and Quality Assurance Reviews (7) were conducted to ensure continuous professional development of our members and continuous improvement in internal audit functions.

PRESIDENT'S REPORT

ADVOCACY - RAISING THE PROFILE INTERNAL AUDIT PROFESSION

- Three (3) IIA Malaysia Board of Governors continued serving on the IIA Global Board/Committees in 2016/2017. Their service at IIA Global provided guidance and knowledge to internal auditors worldwide. Additionally, the insights, knowledge and experience gained were shared with members to improve the internal audit profession.
- One of our past President and current governor, Mr Ranjit Singh, was elected to the position of the President of the Asian Confederates of the Institute of Internal Auditors (ACIIA) on 16 November 2016. He is the second Malaysian to hold the position in ACIIA.
- IIA Malaysia continues to be the secretariat to the ACIIA.
- IIA Malaysia collaborated with Malaysian Institute of Accountants (MIA) for three conferences and Malaysian Institute of Corporate Governance (MICG) for one Forum:
 - Public Sector Internal Audit Conference 2017 - MIA
 - Risk Management Conference 2017 - MIA
 - Audit Committee Conference 2017 - MIA
 - The Evolving Role of Audit Committee in Governance, Risk & Control 2016 - MICG
- IIA Malaysia was represented at the Adjudication Committee which was set up by the Minority Shareholder Watchdog Group for ASEAN Corporate Governance Transparency Index, Findings and Recognition 2016 Award for companies listed on Bursa Malaysia.

IIA MALAYSIA AS LEADER - BRANDING & PROFILING

- There was good media coverage of IIA Malaysia's National Conference 2016 on efforts to help internal auditors ride the wave of digital revolution. A total of 19 new articles and videos were published.
- Newspaper articles were published on IIA Malaysia's views, on the new external auditor's report titled 'More work for internal auditors with new standard' in The Star, Leveraging ICT to enhance internal audit functions by Focus Malaysia, and Internal auditors not 'noisemakers' or mere 'gatekeepers' in The Edge Financial Daily.
- There was media coverage on the Fraud & Cybersecurity Conference 2016, which was to update members on fraud and cybersecurity matters which are the top key issues of organisations worldwide.
- Our new office in Menara Bangkok Bank was digitally launched by the former Auditor General of Malaysia, Tan Sri Ambrin Buang, on 10 October 2016 during our National Conference 2016. This enabled all attendees to witness the official opening of our new office at Menara Bangkok Bank, Jalan Ampang, Kuala Lumpur. The digital launch was published by various media and this indicates that IIA Malaysia is leveraging on technology for the launch.
- A digital conference app was introduced for communicating with attendees to our National Conference 2016 and this is the first time for IIA Malaysia. Information relating to the conference session, tracks, speakers, location and slides were available on the conference app.
- Publication and media conference of a study on the Profile of Internal Audit Function and Audit Committee in Public Listed Companies on 4 April 2017 prior to the Audit Committee Conference on 5 April 2017. Amongst others, the study results and the media conference are to reach out to Public Listed Companies and Audit Committee members to strengthen their internal audit function and audit committees for better governance, risk management and internal control systems.

PRESIDENT'S REPORT

CAPACITY - IIA MALAYSIA AS THE PREFERRED RESOURCE FOR GOVERNMENT AUDITORS

- Discussions and meetings are under way for IIA Malaysia to provide training to internal auditors in the Public Sector.

SUSTAINABILITY - DEPLOY FINANCIAL AND BUSINESS MODELS TO GENERATE SUSTAINABLE VALUE FOR MEMBERS

- IIA Malaysia's old office in Taman Maluri has received the Minister of Domestic Trade, Cooperative and Consumerism Malaysia's approval to complete the sale. The proceeds of the sale will provide additional funds for supporting the Institute and members.
- A new Executive Director has been recruited to run the Secretariat to bring the Institute up to speed to serve members and ensure sustainable value for members.
- Policies and procedures, and systems and processes are being reviewed and made more effective and efficient to ensure better delivery of services to our members and stakeholders.

The annual activity report of each sub-committee is enclosed in the remainder of the Annual Report for your information.

MOVING FORWARD

On 25 February 2017, the Strategic Plan 2015-2010 for IIA Malaysia was reviewed to ensure that our vision, mission and strategies remain clear. Core values were introduced, i.e. integrity, professionalism, courage, respect, service excellence, unity in diversity, innovation, collaboration and national and regional mindset. These are cornerstones to set the foundation for successful execution of our Strategic Plan. Strategies, key indicators and action plans have been drawn up to guide implementation and ensure achievement of those plans. The strategies will continue to be implemented.

One of the key thrusts for 2017/2018 is to strengthen the Secretariat to deliver sustainable value to our members through the implementation of effective and efficient system with adequate resources. Partnering with public sector auditors to build capacity and to be the preferred resource of the public sector internal auditors is also a priority. This is to be done through advocacy efforts and delivery of training programs to strengthen public sector internal auditors as they are one of the pillars of governance of the country. Discussions and engagements with regulators on exploring the Self Regulatory Organisation (SRO) model for IIA Malaysia are underway. The SRO model pursuit is to promote professionalism in the internal audit profession and at the same time address external pressures, i.e. no entry barrier to the profession, non-adoption of professional practices by internal audit functions, complaints against outsourced internal audit service providers, and possibility of regulation by an external body.

The other efforts on professionalism, advocacy and branding and profiling, and sustainability will continue to be implemented.

PRESIDENT'S REPORT

ACKNOWLEDGMENT

The ability of IIA Malaysia to achieve its 40th anniversary is a testament of the leadership and commitment of its past and present Board of Governors in keeping the Institute at the leading edge of the profession, meeting its mission and delivering value to its members and stakeholders.

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 Institute conferences, programs and services to meet our mission.

I would like to extend my gratitude and sincere thanks to the Board of Governors and Secretariat team for all our achievements and journeying with the Institute through good and bad times.

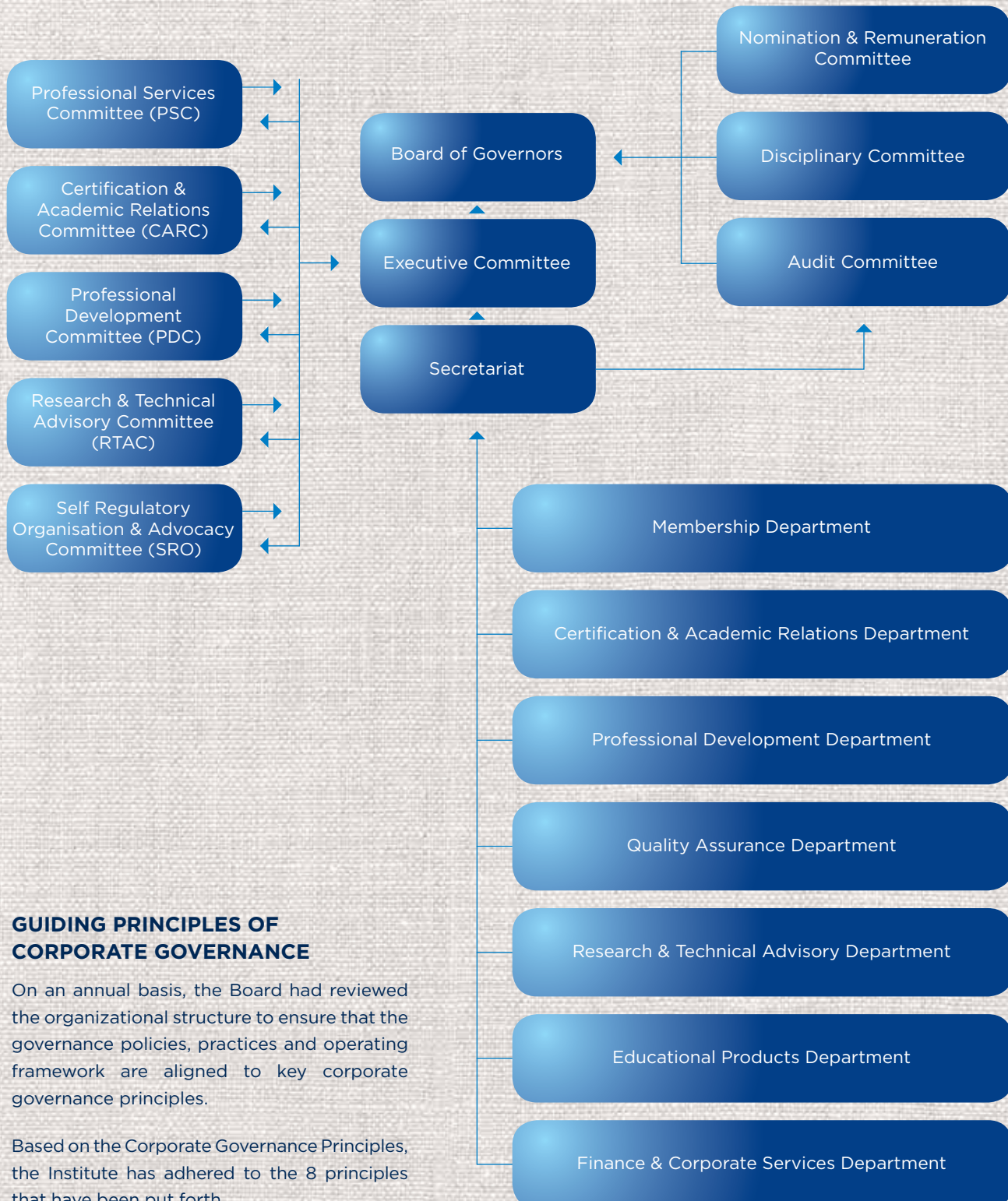
There is a saying that the greater and more beautiful the work is, the more terrible the storms that rage against it. I strongly believe that together we can meet the challenges, transform, change and move the profession to a higher level. Like changing seasons, after winter, spring will come again.

Our Institute has chosen the theme 'A New Beginning' in 2015/2016. With the turn of events, in a new office, with new senior staff, introduction of core values, a revised Strategic Plan, a new IPPF and embracing digital technology, it is not only a new beginning, it is 'New Life Begins at 40'. Therefore, it is time to Evolve and Rejuvenate for a New Future.

CORPORATE GOVERNANCE STATEMENT

The Board of Governors (“the Board”) has implemented the principles set under the Malaysian Code on Corporate Governance 2012 (“the Code”) as far as they are relevant to The Institute of Internal Auditors Malaysia (“Institute”) in its commitment to preserving stakeholders’ confidence.

GOVERNANCE FRAMEWORK



GUIDING PRINCIPLES OF CORPORATE GOVERNANCE

On an annual basis, the Board had reviewed the organizational structure to ensure that the governance policies, practices and operating framework are aligned to key corporate governance principles.

Based on the Corporate Governance Principles, the Institute has adhered to the 8 principles that have been put forth.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Board of Governors

The Board is the principal governing body of the Institute and is responsible for the overall governance of the Institute including providing oversight of the Institute's financial and organisational matters encompassing policies, business plans, budgets and targets.

Roles and Responsibilities of the Board

The primary responsibilities of the Board are amongst others, as follows:

- Review and approve the strategic business plans of the Institute;
- Represent the Institute in major strategic sessions invited by the regulators, professional bodies or other stakeholders;
- Identify and manage the principal risks affecting the Institute;
- Review the adequacy and integrity of the Institute's system of internal controls; and
- Oversee the conduct of the Institute's activities and succession planning of the Secretariat

Board Committees

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

1. Executive Committee ("EXCO")

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

The primary responsibilities of the EXCO are:

- To review operational issues with regards to the execution of action plans by PSC, CARC, PDC, RTAC and SRO;
- 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.

2. 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 Executive Director and staff, including reviewing policy matters relating to remuneration and performance management. The Executive Director 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, allowance 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.

3. Disciplinary Committee

The Disciplinary Committee comprises of three (3) Governors who were appointed by the Board to address any disciplinary matters pertaining to member's misconduct. Specific terms of reference were drafted and adopted by the Board to ensure the Committee is independent and reports directly to the Board.

CORPORATE GOVERNANCE STATEMENT

4. Audit Committee

The Audit Committee comprises three (3) members of which two (2) are members and one (1) is a Governor. The Committee assists the Board in fulfilling its fiduciary responsibilities, specifically;

- To recommend the appointment and removal of the External Auditors and Internal Auditors.
- To review the annual financial statements; and
- To review the effectiveness of the risk management processes and internal control systems of the Institute.

Please refer to the Audit Committee report for details.

5. Professional Services Committee (“PSC”)

The 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,

This is to increase the number of individual, corporate and audit committee members with the Institute and promote internal activity, standards and professionalism of the internal audit profession.

6. Certification & Academic Relations Committee (“CARC”)

The CARC comprises two (2) Governors and four (4) co-opted members. The objectives of CARC are to promote the Certified Internal Auditor (CIA) certification as the professional qualification for internal auditors, internal audit education partnership with local institutions of higher learning and specialty certification programmes for practitioners.

7. Professional Development Committee (“PDC”)

The PDC comprises two (2) Governors and three (3) co-opted members. They have the responsibility to oversee and review the overall professional development plans such as the training programmes conducted through the workshops and the conferences that are planned for each year. The PDC will also advise on speakers’ fees to ensure that they are comparable with market trends.

8. Research & Technical Advisory Committee (“RTAC”)

The RTAC comprises three (3) Governors and four (4) co-opted members to oversee the technical development of the profession and evaluate the applications for research grants for researches relating to governance, risk and control.

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.

9. Self-Regulatory Organisation and Advocacy Committee (“SRO”)

In 2016 the Board had decided to set up a committee comprising three (3) Governors to drive the advocacy activities so as to achieve a reasonable level of recognition from the relevant regulators and authorities.

The purpose of the SRO is to ensure the awareness level amongst the regulators and authorities on the latest standards as prescribed in the International Professional Practices Framework (IPPF) are included in the Corporate Governance Code and also move the profession to a higher level.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 2: STRENGTHEN COMPOSITION

Board of Governors

The Board currently comprises fourteen (14) 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. The Board is chaired by a President.

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.

PRINCIPLE 3: REINFORCE INDEPENDENCE

1. Board of Governors

Every three (3) years, the Governors are required, by rotation, to offer themselves for re-election. At the AGM on 29 June 2016, new Governors were elected and they received information outlining their duties and responsibilities in a formal induction session.

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

The Board is independent of the Management/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.

2. President and Executive Director

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.

The 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. The ED attends Board and various Committee meetings; however, the 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.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 4: FOSTER COMMITMENT

Board Meetings

Since the last AGM held on 29 June 2016, the Board met 7 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 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

The ED and 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.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

During the term of the Board, it has reviewed the Enterprise Risk Management (“ERM”) framework identifying the risks that may potentially impact the Institute. Based on the ERM, a strategic plan for 5 years has been developed to ensure that the Institute recognises and addresses the critical process areas. This is to ensure the sustainability of the Institute in the near future.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The EXCO and the Board held 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.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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 a high quality and value for money.

The Board has encouraged continuous improvement in the quality of services to 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 management and internal control practices.

RESPONSIBILITIES OF THE BOARD

The Board acknowledges its overall responsibility for the systems of internal controls in the Institute and as well as reviewing the adequacy, integrity and effectiveness of these systems. In doing so, the Board has endorsed an ERM framework which enables the identification of risks that are prevalent in the Institute. The decision to state its risk appetite will determine the tolerance level for the types of risks that arise in the course of business.

By embedding the risk management aspect in all the business activities via identifying principal risks and ensure implementation of appropriate control measures to manage risks, the Board anticipates that a reasonable level of assurance can be achieved.

The Board is committed to maintain sound internal control systems for the Institute and review the adequacy and integrity of the systems that includes the management of information system, compliance with laws, regulations, rules, directives and guidelines. The Secretariat of the Institute is assisting the Board in the implementation of policies, procedures and guidelines on risk management and sound internal controls systems.

The Board confirms that the 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. It should be noted that an internal control system is designed to manage risks rather than eliminate them, and can provide only reasonable but not absolute assurance against any material misstatement or loss.

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

MANAGEMENT'S RESPONSIBILITIES

The implementation of the risk management process for the Institute is the responsibility of the Executive Director (ED) and the respective Heads of Business/Operations within the Institute. The Management/Secretariat is tasked to undertake:

- The implementation and maintenance of the risk management process.
- The development of a Business Continuity Plan.
- To ensure the effectiveness of the risk management process and the implementation of risk management policies.
- The identification of risks relevant to the Institute that may impede the achievement of its objectives.
- To identify significant changes to risk or emerging risks, take actions as appropriate and to communicate to the Audit Committee and the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS

The development of the ERM framework has enabled the Secretariat to identify and prioritise the significant risks. The respective business and operations unit heads are required to evaluate the controls to ascertain their effectiveness and efficiency on a periodic basis.

Issues relating to the operations of the Institute are highlighted to the attention of the Board during the Board meetings. Further 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 consulting firm. The independent consulting firm reports directly to the Audit Committee. The primary role of the Internal Audit function is to assure the Board, through the Audit Committee, that the systems of internal controls are functioning as intended. Further details of the Internal Audit function are set on page 30 in the Audit Committee Report.

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.

INTERNAL CONTROL PROCESSES

The other key aspects of the internal control process are:

- The Board and the EXCO have their meeting bi-monthly to be updated on 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.
- The Board has delegated the responsibilities to various Committees established by the Board to oversee and monitor the respective business and operations activities.
- Delegation of authority including authorisation limits at various levels within the EXCO and ED and those requiring the approval of the Board are documented and designed to ensure accountability and responsibility.
- 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.
- Performance and pro forma reports are provided to the Board and the EXCO to facilitate review and monitoring of the financial performance.
- An annual budget which includes the financial and operational targets, capital expenditure proposals and performance indicators for review by the EXCO and approval by the Board.
- 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 1965, applicable approved accounting standards in Malaysia and other regulatory provisions.

Weaknesses in internal control have been identified and appropriate corrective actions have been taken by the Institute. Updates on the implementation of action plans to close the gaps were regularly communicated to the EXCO and Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTION

The Internal Audit function has been outsourced to an internal audit service provider. 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.

The audit report issued during the financial year 2016 identified some controls or weaknesses that required corrective actions by the Institute. However, they do not compromise the overall integrity of the systems of internal controls.

The above statement is made in accordance with the resolution of the Board dated 22 May 2017.

AUDIT COMMITTEE REPORT

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

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

- Wong Yew Sen, CFIIA (Chairman – Non-Board member);
- Lee Min On, CFIIA, CA (M) (Non-Board member); and
- Devanesan J.A. Evanson, CFIIA, FCCA, LLB (Hons), CA (M) (Board member)

2. ATTENDANCE OF MEETINGS

During the financial year, the Committee held four (4) meetings, which were attended by all the members.

3. TERMS OF REFERENCE

a. Composition

The Board shall elect the Committee, comprising not less than three (3) members, the majority of whom shall not be members of the Board.

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

b. Objectives

The primary objectives of the Committee are as follows:

- To provide assistance to the Board, enabling it to fulfill 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 Management of the Institute; and
- To maintain, through regular scheduled meetings, a direct line of communication between the Board and the external auditors, internal auditors and Management.

c. Duties and Responsibilities

The duties and responsibilities of the Committee comprise the following:

- To consider the appointment of External Auditors, the audit fee and any question of resignation or dismissal;
- To discuss with the External Auditors their Audit Plan before commencement of the audit;
- 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
- To discuss issues arising from the audit and any matters the external auditors may wish to highlight;
- To review the internal audit programme, consider the findings of the Internal Auditors, including investigations, if any, and Management's response and ensure co-ordination between the Internal Auditors and External Auditors;
- To keep under review, the effectiveness of risk management processes and internal control systems; and
- To carry out such other functions as may be agreed by the Committee and the Board.

d. Authority

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

AUDIT COMMITTEE REPORT

e. Meeting and Minutes

The 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 statutory financial statements and/or internal control systems, as the case may be, are to be discussed following the audits.

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

4. SUMMARY OF ACTIVITIES OF THE COMMITTEE

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

The main activities carried out by the Committee for the financial year ended 31 December 2016 and up to the date of this Report are as follows:

- i. Deliberated with the Internal Auditors their internal audit plan and finalised the scope of coverage, with pertinent revision to the plan, to be carried out by the Internal Auditors for financial year 2016. The scope of work included a follow-up on issues raised by the External Auditors in their Management Letter concerning weaknesses in the system of internal control noted from the audit for the financial year ended 31 December 2015;
- ii. Reviewed the internal audit report, focusing on findings from the work carried out by the Internal Auditors, corrective actions taken by Management, including the status of action plans to address issues raised by the External Auditors in their Management Letter for the financial year 2015 audit, and assistance rendered by staff to the Internal Auditors;
- iii. Considered the appointment of External Auditors and the audit fee;
- iv. Deliberated with the External Auditors on the draft audited financial statements for the financial year ended 31 December 2016. At the meetings held in April and May 2017, the President, Treasurer and Management representatives of the Institute were invited to attend, and they provided pertinent information at the meeting to address matters raised by the External Auditors on the draft audited financial statements before the draft audited financial statements were subsequently recommended to the Board for approval;
- v. Discussed with representatives of the External Auditors on changes to the Malaysian Financial Reporting Standards and how the changes would affect the Institute; and
- vi. Met with representatives of the External Auditors in the absence of the President, Treasurer and Management of the Institute to provide an avenue for the External Auditors to share any concerns they might have on the audit of the Institute's financial statements.

5. INTERNAL AUDIT FUNCTION

The Institute outsourced its internal audit function to an independent consulting firm, namely Morison AAC Corporate Solutions Sdn Bhd (the "Internal Auditors"). The purpose, authority and responsibility of the Internal Auditors as well as nature of the assurance activities provided by the internal audit function are articulated in the engagement letter. Based on the terms of engagement, the Internal Auditors are required to perform internal audit focusing on the adequacy and operating effectiveness of the Institute's system of internal control in meeting the Institute's objectives, and to report the outcome thereof directly to the Audit Committee.

The internal audit report (the "report") for the financial year ended 31 December 2016, which was issued on 24 March 2017, was tabled for deliberation at the Committee Meeting held in April 2017. The areas covered by the Internal Auditors, which accorded with the scope of work approved by the Committee, are as follows:

- i. Policies and Procedures Management;
- ii. Financial Management;
- iii. Inventory Management; and
- iv. Follow-up on status of action plans deployed by Management to address issues raised by the External Auditors for the financial year ended 31 December 2015.

Weaknesses in internal control systems noted during the internal audit were communicated to Management for remedial measures to mitigate the issues and/or bridge internal control gaps. Concrete remedial action plans have been determined by Management and documented in the report to enable follow-up in subsequent internal audit.

The cost incurred by the internal audit function for the financial year ended 31 December 2016 amounted to RM7,500 (2015: RM7,500).

REPORT OF THE COMMITTEES

PROFESSIONAL SERVICES COMMITTEE (PSC) REPORT

MEMBERSHIP

During the year, IIA Malaysia garnered a total of 406 new individual members bringing the total number of individual members to 2,674. For the corporate members, a total of 12 new corporate members joined, making it a total of 235 corporate members for the year. The number of individual and corporate members, however, fell short of the target to register 430 individual and 38 corporate members respectively in 2016.

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

ACTIVITIES

In 2016, 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 43 members resulted in the recruitment of 59 new members.

The membership drive campaign conducted during the year amongst others, included:

1. Membership drive during the National Conference where non members registered for the conference were given a discount on the fees;
2. Promoting membership during MIA/IIA Malaysia joint training program such as at the Audit Committee Conference;
3. Career talks at universities including Universiti Tunku Abdul Rahman (UTAR), Universiti Putra Malaysia (UPM), Universiti Kebangsaan Malaysia (UKM), Universiti Tenaga Nasional (UNITEN), Universiti Teknologi MARA, Segamat (UiTM) and Infrastructure University Kuala Lumpur (IUKL);
4. Inclusion on the benefit of being the Institute's members during a presentation to the officers of Jabatan Audit Negara during their annual retreat; and
5. Membership drive campaign during 1 March to 31 May and 15 July to 15 October 2016.

• Members' Networking Session

IIA Malaysia organised 8 networking sessions in 2016, of which 4 were in Kuala Lumpur and one each in Johor Bahru, Penang, Kuching and Kota Kinabalu. A total of 284 participants attended the networking sessions.

Talks during the networking sessions were delivered by experienced speakers and the topics presented were topics such as "Addressing Top 5 Internal Audit Challenges", "How to Use Predictive Analysis to Enhance Internal Audit", "Uncovering Risks with SAP Licensing & Security" and "Audit Management System". These sessions were organised specially for internal audit practitioners.

• Preview

Briefings on IIA Malaysia membership was conducted during the CIA previews and career talks organised by the Certification and Academic Relations Committee (CARC). During the preview, audiences were briefed on the categories of membership, benefits of being a member, membership fee and the process to become a member. In 2016, 14 membership briefings were conducted during the CIA preview sessions.

Promotions on membership were also conducted at the IIA Malaysia booth during conferences and exhibition organised by IIA Malaysia and other parties.

REPORT OF THE COMMITTEES PROFESSIONAL SERVICES COMMITTEE (PSC) REPORT

• Corporate Award

Corporate members were honoured with corporate awards for their support of IIA Malaysia's professional development and certification programmes.

List of organisations that have demonstrated strong commitment to Continuous Professional Development (CPD):

Tier 1	Felda Global Ventures Holdings Bhd
Tier 2	Sime Darby Holdings Bhd
Tier 3	UMW Corporation Sdn Bhd
Tier 4	Tenaga Nasional Berhad PLUS Malaysia Bhd
Public Sector	Lembaga Zakat Selangor (MAIS) Suruhanjaya Sekuriti Malaysia

List of organisations that have demonstrated strong commitment to the Certification programmes:

1st Place	Boustead Holdings Berhad KPMG Malaysia
2nd Place	Malaysia Airports Holdings Berhad Sime Darby Berhad
3rd Place	Tenaga Nasional Berhad Ernst & Young Advisory Services Sdn Bhd

The presentation of the corporate awards took place on 25 August 2016 in conjunction with the Graduation Ceremony.

• Amendments to Articles of Association Relating to Professional and Audit Committee Members

The Articles of Association under article 4(iii), 4(vi) and 6 relating to Professional, Audit Committee members and the role of the Board of Governors for the membership admission were reviewed, and a proposal was drawn up to update it according to the current requirements and practices. The objectives of the amendments were to re-align information about membership for consistency and to update the Institute's Articles of Association with the latest membership criteria. Approval was obtained from members during the 2016 Annual General Meeting.

• Newsletter

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

IIA Malaysia produced 4 issues of the KIT in 2016, of which the first three (3) issues were online versions uploaded into IIA Malaysia's website and the last quarter issue was a bumper issue in the form of hardcopy. IIA Malaysia continues to look forward for members to contribute articles and share thoughts and experiences with the internal audit fraternity.

I would like to thank all PSC members and the Secretariat for their continuous support to ensure that IIA Malaysia remains as the preferred professional association for internal auditors in the country.

Mohd Khaidzir Shahari
 Chairperson
 Professional Services Committee
 2016/2017



CERTIFICATION & ACADEMIC RELATIONS COMMITTEE (CARC) REPORT

CERTIFICATION

The Certified Internal Auditor programme continues to be the main Certification choice offered to candidates by IIA Malaysia. The number of CIAs as at 31 December 2016 is 817. In total, 204 new candidates enrolled for the CIA Programme this year, a slight increase compared to 199 candidates in 2015. 21 candidates successfully completed all three parts of the CIA examination this year.

2 candidates passed the Certification in Control Self-Assessment (CCSA) examination, bringing the total number of CCSA certified members to 57 as at 31 December 2016. With 1 candidate each passing the Certified Government Auditing Professional (CGAP) and Certification in Risk Management Assurance (CRMA), the total number of CGAP and CRMA holders at the end of the year were 5 and 106 respectively. The total number of Certified Financial Services Auditors (CFSA) remains at 29.

To recognise the efforts of our members who passed the certification programmes in 2014, 2015 and 2016, a Graduation Ceremony was held on 25 August 2016 at the Renaissance Hotel Kuala Lumpur. The ceremony was attended by more than 150 attendees including graduates, corporate award winners, guests and members. Lucy Wong, President of IIA Malaysia delivered the welcome address and congratulated the graduates on their achievement.

The CARC continues to conduct public and in house previews sessions to promote the IIA certification programmes. A total of 9 public and 5 in-house previews were held in 2016 including sessions held at Malaysian Industrial Development Finance Berhad, MISC Berhad, Boustead Holdings Berhad, GDEX and German Malaysian Institute.

Throughout the year, 4 CIA Briefing sessions had been conducted to provide candidates with an overview of the CIA Programme. Candidates were also briefed on exam techniques and study tips to prepare for the CIA exam.

In 2016, the CIA Excellence Award was introduced to recognize candidates who excel in their pursuit of the CIA certification. The recipient(s) are required to complete all three parts of the CIA examination within the period of assessment, i.e. July 2015 to June 2016 (the same period to be repeated every year) and all exam parts to be passed on the first attempt. The recipient(s) will receive a plaque, a certificate of appreciation and one complimentary attendance to the IIA Malaysia National Conference. In 2016, Lim Kok Weng, Acting Manager - Risk Management, Sime Darby Berhad was conferred the inaugural CIA Excellence Award at the IIA Malaysia National Conference held on 10 October 2016.

CERTIFICATION & ACADEMIC RELATIONS COMMITTEE (CARC) REPORT

ACADEMIC RELATIONS

AIMST University launched its Bachelor of Science (Hons) in Internal Auditing and Management programme on 8 October 2016. Lucy Wong and Ranjit Singh represented IIA Malaysia at the launch, which was graced by Dato Seri Samy Vellu, the Chancellor of AIMST University. To mark the inaugural launch of the programme, IIA Malaysia presented a commemorative plaque to AIMST University at the Opening Ceremony of the IIA Malaysia National Conference on 10 October 2016.

IIA Malaysia 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.

Career talks were held at Universiti Tunku Abdul Rahman (UTAR), Universiti Putra Malaysia (UPM), Universiti Kebangsaan Malaysia (UKM), Universiti Tenaga Nasional (UNITEN), Universiti Teknologi MARA, Segamat (UiTM) and Infrastructure University Kuala Lumpur to introduce students to internal audit as a profession and to create awareness on internal auditing as a potential career option for students.

IIA Malaysia also continues to show support of the internal audit profession by sponsoring activities conducted by various universities such as Outstanding Graduating Student Industry Awards, Malaysian Accounting Student Conference and Accounting Students Interaction Convention 2016. These activities provided IIA Malaysia with platforms to promote the profession among university students.

The Committee lost one of its long serving members, Dr Zakiah Muhammaddun Mohamed on 7 April 2017 and on behalf of the Committee, I would like to acknowledge her invaluable contributions to the CIA programme and for bridging the relationship between academic institutions and IIA Malaysia. IIA Malaysia will definitely miss Dr Zakiah's knowledge, experience, hard work and friendship.

The Committee would like to express its appreciation to the various organisations and individuals for their support in making 2016 another productive year. I would especially like to thank my fellow CARC members and the Secretariat for their efforts and time and without whom, all these achievements would not be possible.

Suhailah Mohamed Abdulla

Chairperson

Certification and Academic Relations Committee

2016/2017

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. Very much in touch with the emerging issues from the evolving 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-add in their work.

Despite the challenging economic situation in 2016, the Institute successfully rolled-out 60 programmes comprising 3 conferences and 2 forums, 39 workshops and seminars and 16 in-house programmes were held throughout the year. Programmes conducted in 2016 contributed close to RM2.1 million to IIA Malaysia's revenue for the financial year ended 31 December 2016.

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

- **Audit Committee Conference**

IIA Malaysia in collaboration with the Malaysian Institute of Accountants, held the Audit Committee Conference on 29 March 2016 at Connexion@Nexus, Bangsar South, Kuala Lumpur. Approximately 180 delegates, comprising directors and audit committee members, participated in the conference which featured five plenary sessions.

- **ACIIA Leadership Forum**

As the secretariat of Asian Confederation of Institutes of Internal Auditors (ACIIA), IIA Malaysia successfully organised the ACIIA Leadership Forum on 25 & 26 April 2016 at Pullman KLCC Hotel and Residences. Approximately 117 delegates from Malaysia, Thailand, Philippines, Taiwan, Japan, China and Australia attended the forum which featured 3 keynote addresses, 2 panel sessions and Mini Forums with Industry-Specific CAEs.

- **Fraud and Cyber Security Conference**

Addressing the growing concern at all levels of industry about the challenges posed by technology including cybercrime, the Fraud and Cyber Security Conference was held on 1 & 2 August 2016 at Pullman KLCC Hotel and Residences. The conference was attended by more than 77 delegates and featured 7 plenary sessions conducted by distinguished local and international speakers.

- **2016 IIA Malaysia National Conference**

The 2016 IIA Malaysia National Conference was held on 10 & 11 October 2016 at the Kuala Lumpur Convention Centre (KLCC). It was officiated by Tan Sri Haji Ambrin Buang, the former Auditor General, National Audit Department. The conference was attended by close to 700 delegates and featured 5 plenary sessions, 2 Audit Committee Leadership Forums, 3 Master Classes and 8 Track Sessions.

PROFESSIONAL DEVELOPMENT COMMITTEE (PDC) REPORT

• Collaboration with Malaysian Institute of Corporate Governance (MICG)

IIA Malaysia collaborated with MICG to organise a forum entitled “The Evolving Role of Audit Committee in Governance, Risk and Control” held at Berjaya Times Square Hotel, Kuala Lumpur on 21 November 2016 attended by more than 40 people.

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 internal audit professionals and directors. Our gratitude also goes to all our members and corporate organisations that have reached out to IIA Malaysia for their training needs and have been staunch supporters of IIA Malaysia’s programmes and conferences. PDC also records its appreciation, to the many valued sponsors that had supported the conferences in 2016.

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

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”.

Alan Chang

Chairperson

Professional Development Committee

2016/2017

RESEARCH & TECHNICAL ADVISORY COMMITTEE (RTAC) REPORT

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 and internal controls;
- to provide periodic technical updates to members on recent issues relating to internal audit;
- to promote thought leadership on governance, risk and controls;
- to plan and coordinate the implementation of research projects for IIA Malaysia pertaining to governance, risk and controls;
- to provide grants for governance, risk and controls related research projects; and
- to identify and initiate projects to build the research fund.

PUBLICATION

The RTAC enhanced its technical advisory role by providing members with periodic technical updates through e-mails, Keeping in Touch (KIT) newsletter and E-techline (an electronic update via email designed to keep members posted with latest technical issues concerning the profession).

In 2016, there were eight (8) issues of E-techline and the topics covered included:

- Updates on the International Professional Practices Framework (IPPF) and new releases of the implementation and supplemental guidance;
- 2015 Global Internal Audit Common Body of Knowledge (CBOK) Practitioner Study reports issued by The Internal Audit Foundation;
- Tone at the Top issued by the Global IIA covering issues on governance, ethics, and the role of internal auditing;
- Bursa Malaysia - 2015 Analysis of Corporate Governance Disclosures in Annual Reports (2013-2014) and the Amendments to Main Market Listing Requirements and ACE Market Listing Requirements;
- PwC Report - Global Economic Crime Survey 2016 (Malaysia report);
- Protiviti Report - 2016 Internal Audit Capabilities and Needs Survey report: Arriving at Internal Audit's Tipping Point Amid Business Transformation;

RESEARCH GRANT

The research on "Developing a Profile of the Internal Audit Profession in Public-listed Companies" by Dr Grace Mui Yanchi, was funded by the research grant which was approved by the Board of Governors in the second quarter of 2016. The Committee reviewed the final research report in January 2017 and approved the report for publication. The research findings was published in the KIT, Jan - Mar 2017 issue and the highlights of the report was launched and presented during a media conference on 4 April 2017.

The Committee has also identified some topics for research which would be available to applicants who are interested to conduct research in specific areas. It is our hope that the results of the research will benefit the members of the internal audit profession and the public.

RESEARCH & TECHNICAL ADVISORY COMMITTEE (RTAC) REPORT

TECHNICAL TEA TALKS

A series of tea talks conducted by the members of the committee were held in 2016 to provide technical guidance on the International Professional Practices Framework (IPPF) to members. The topics presented from May 2016 to March 2017 were as follows:

DATE	TOPIC	SPEAKER
16 May 2016	Reporting and Communicating Audit Results	Zalily Mohd Zaman Khan
1 June 2016	Audit Management	Alina Osman
29 August 2016	Maintaining Audit Independence and Objectivity	Wong Chiang Meng
19 January & 16 February 2017	IPPF – What's New	Christine Ong
8 March 2017	New Practice Guide: Audit Report - Communicating Assurance Engagement Results	Zainal Akbar Abdul Kader

Another three (3) tea talks have been planned for the period from April to September 2017 covering the following topics:

- IPPF Implementation Guidance on Performance Standards (IG2010 – 2060)
- Competencies of Internal Auditors
- Meeting Internal Audit Stakeholders' Expectations

TECHNICAL ADVISORY

IIA Malaysia also provided technical support to members who required assistance on technical matters. Technical enquiries received via emails and telephone calls throughout the term (2016/2017) were handled by the Technical department. All the enquiries received were responded promptly via email by the technical team.

The Committee was also involved in providing feedback on the following exposure drafts during the year:

- Proposed changes to the IPPF Standards
- Proposed draft Malaysian Code on Corporate Governance (MCCG) 2016

TASK FORCE FOR REVIEW OF THE GUIDELINES ON INTERNAL AUDIT FUNCTION

In 2002, IIA Malaysia issued the Guidelines on Internal Audit Function (GIAF) which was aimed at providing guidance to the board of directors of public listed companies in the setting up of an effective internal audit function. The GIAF was based on the Malaysian Code of Corporate Governance, Bursa Malaysia Main Market Listing Requirements, the IIA International Professional Practices Framework, amongst other sources. Since its issuance, there have been changes in the requirements and expectations of stakeholders on the internal audit function. The Committee decided to set up a task force to update the GIAF so that it would remain relevant and appropriate for its use by directors and management of companies in discharging their responsibilities in the areas of governance, risk management and internal controls with the support of the internal audit function.

The task force comprised practitioners from different industries, academia and observers from the Securities Commission and Bursa Malaysia. A separate Consultative Panel comprising relevant stakeholders will be set up to review the exposure draft before the GIAF is finalized. The revised GIAF is expected to be issued in the fourth quarter of 2017.

RESEARCH & TECHNICAL ADVISORY COMMITTEE (RTAC) REPORT

APPRECIATION

The Committee would like to encourage more members and educators to partake 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 thanks the IIA Malaysia Secretariat, and especially the staff in the Technical Department, for their invaluable support.

Christine Ong May Ee

Chairperson

Research and Technical Advisory Committee

2016/2017



MEMBERS OF RTAC (L-R):

Dr Grace Mui, Alina Osman, Christine Ong (Chairman), Wong Chiang Meng, Zainal Akbar Abdul Kader

NOT IN PICTURE:

Vijayam Nadarajah, Zalily Mohd Zaman Khan

REPORTS & FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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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 2016.

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	93,942
Taxation	(47,635)
Net surplus for the financial year	<u>46,307</u>

DIVIDENDS

In accordance with the Memorandum of Association, 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 statement of comprehensive income and statement of financial position of the Institute were made out, 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 render the amount of provision for doubtful debts in the financial statements of the Institute inadequate to any substantial extent.

CURRENT ASSETS

Before the statement of comprehensive income and statement of financial position of the Institute were made out, 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.

GOVERNORS' REPORT

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.

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 who served since the date of the last report are:

Lucy Wong Kam Yang
Shabaruddin Bin Ibrahim, Dato'
Chang Kong Chong
Zainal Akbar Bin S.K. MD. Abdul Kader
Philip Satish Rao
Ranjit Singh A/L Taram Singh
Devanesan A/L J.A. Evanson
Christine Ong May Ee
Leong David @ Leong Sze Khiong
Suhailah Binti Mohamed Abdulla
Mazliana Binti Mohamad
Renganathan A/L M. Narasingham
Vijayam A/P Nadarajah
Hazimi Bin Kassim
Mohd Khaidzir Bin Shahari
Choo Wei Sin

Elected on 29 June 2016
Elected on 29 June 2016
Resigned on 7 April 2017
Retired on 29 June 2016

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.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of financial year is disclosed in Note 25 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board of Governors,

LUCY WONG KAM YANG
Governor

CHANG KONG CHONG
Governor

Kuala Lumpur
Date: 22 May 2017

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 RM	2015 RM Restated
ASSETS			
Non-Current Asset			
Property, plant and equipment	4	5,239,888	5,346,585
CURRENT ASSETS			
Inventories	5	108,082	88,408
Trade receivables	6	842,596	621,575
Other receivables, deposits and prepayments	7	155,082	113,920
Tax recoverable	8	165,926	-
Cash and cash equivalents	9	418,870	970,771
		<u>1,690,556</u>	<u>1,794,674</u>
Non-current assets held for sale	10	416,127	-
Total Current Assets		<u>2,106,683</u>	<u>1,794,674</u>
TOTAL ASSETS		<u>7,346,571</u>	<u>7,141,259</u>
EQUITY AND LIABILITIES			
Equity			
Accumulated funds		6,321,919	6,290,675
Research fund	11	123,457	124,694
Total Equity		<u>6,445,376</u>	<u>6,415,369</u>
NON-CURRENT LIABILITY			
Deferred tax liability	12	-	-
CURRENT LIABILITIES			
Trade payables	13	541,463	240,523
Other payables and accruals	14	171,208	208,812
Advance subscription and examination fees		188,524	162,836
Tax payable		-	113,719
Total Current Liabilities		<u>901,195</u>	<u>725,890</u>
Total Liabilities		<u>901,195</u>	<u>725,890</u>
TOTAL EQUITY AND LIABILITIES		<u>7,346,571</u>	<u>7,141,259</u>

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM Restated
Revenue	15	5,385,121	6,241,192
Direct costs	16	(2,636,130)	(3,249,890)
GROSS SURPLUS		2,748,991	2,991,302
Other income	17	122,261	155,216
Administrative and other operating expenses		(2,791,830)	(2,570,883)
Finance income	18	14,520	13,657
SURPLUS BEFORE TAXATION	19	93,942	589,292
Taxation	20	(47,635)	(183,944)
NET SURPLUS FOR THE FINANCIAL YEAR		46,307	405,348

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Research Funds RM	Accumulated Funds RM	Total Equity RM
AT 1 JANUARY 2015		112,993	5,900,528	6,013,521
Utilised during the financial year		(3,500)	-	(3,500)
Transfer from accumulated funds		15,201	(15,201)	-
Net surplus for the financial year		-	405,348	405,348
At 31 December 2015		124,694	6,290,675	6,415,369
AT 1 JANUARY 2016				
As previously reported		124,694	6,453,549	6,578,243
Retrospective restatement	26	-	(162,874)	(162,874)
As restated		124,694	6,290,675	6,415,369
Utilised during the financial year		(16,300)	-	(16,300)
Transfer from accumulated funds		15,063	(15,063)	-
Net surplus for the financial year		-	46,307	46,307
At 31 December 2016		123,457	6,321,919	6,445,376

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before taxation		93,942	589,292
Adjustments for:			
Impairment loss on trade receivables		-	39,555
Inventories written off		-	11,732
Depreciation of property, plant and equipment		197,464	49,455
Unrealised loss/(gain) on foreign exchange		2,118	(29,916)
Finance income		(14,520)	(13,657)
		279,004	646,461
Changes in Working Capital			
Increase in inventories		(19,674)	(8,461)
Increase in receivables		(262,183)	(101,930)
Increase/(Decrease) in payables		286,906	(600,126)
		284,053	(64,056)
Tax paid		(327,280)	(216,415)
Net Operating Cash Flows		(43,227)	(280,471)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(506,894)	(78,178)
Finance income received		14,520	13,657
Withdrawal of deposits with licensed banks		187,757	209,782
Research fund utilised		(16,300)	(3,500)
Net Investing Cash Flows		(320,917)	141,761
NET CHANGE IN CASH AND CASH EQUIVALENTS		(364,144)	(138,710)
Effect of exchange rate changes on cash and cash equivalents		-	29,916
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		683,014	791,808
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		318,870	683,014
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	9	231,644	592,423
Fixed deposits with licensed commercial banks	9	187,226	378,348
		418,870	970,771
Less: Non-short term fixed deposits		(100,000)	(287,757)
		318,870	683,014

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 24 (2015: 24).

The financial statements were authorised for issue by the Board of Governors in accordance with a resolution of the Governors on 22 May 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Institute have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia. The MFRSs are equivalent to IFRSs.

The financial statements of the Institute have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.4.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires the Institute to exercise their judgement in the process of applying its accounting policies. Although these estimates and judgement are based on the Institute's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(a) 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 5	Non-current Assets Held for Sale and Discounted Operations
MFRS 7	Financial Instruments Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

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

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted

The Institute has not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued by the Malaysian Accounting Standards Board ("MASB") as at the date of authorisation of these financial statements but are not yet effective for the Institute:

Effective for financial periods beginning on or after

New MFRSs

MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019

Amendments/Improvements to MFRSs

MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/Deferred
MFRS 140	Investment Property	1 January 2018

New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
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A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Int (Cont'd)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

MFRS 9 Financial Instruments

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 statements 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 statements 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.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

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.

2.3 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 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 2.4 (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%

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant Accounting Policies (Cont'd)

(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 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

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 are recognised in the period services are performed. Revenue from examination fees are 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant Accounting Policies (Cont'd)

(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, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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 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 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.

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 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 comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant Accounting Policies (Cont'd)

(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 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 comprehensive income.

(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 comprehensive income as they arise.

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

The principal closing rate used is as follows:

	2016 RM	2015 RM
1 US Dollar	4.49	4.29

(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 assets 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 assets belongs to. An impairment loss is recognised whenever the carrying amount of an item of assets 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 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 comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant Accounting Policies (Cont'd)

(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.

(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 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 prescribed 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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 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.

3.2 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) Useful lives of property, plant and equipment (Note 4)

The Institute estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above.

The amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(b) Impairment of receivables (Note 6 and 7)

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 analysed 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.

(c) Inventories (Note 5)

The saleability of inventories are reviewed by The Institute on a periodic basis. This review involves comparison of the carrying value of the inventory items with the respective net realisable value. The purpose is to ascertain whether a write down to net realisable value is required to be made.

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 (Continued).

(d) Tax expense (Note 20)

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

4. PROPERTY, PLANT AND EQUIPMENT

	LEASEHOLD PREMISES RM	FREEHOLD PREMISES RM	AIR CONDITIONERS RM	COMPUTERS AND SOFTWARES RM	FURNITURE AND FITTINGS RM	OFFICE EQUIPMENT RM	OFFICE RENOVATION RM	TOTAL RM
2016								
Cost								
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 10)	(659,532)	-	-	-	-	-	(50,627)	(710,159)
Written off	-	-	(49,530)	-	(36,645)	(4,230)	-	(90,405)
At 31 December 2016	-	4,828,564	6,840	355,151	189,453	119,010	318,030	5,817,048
Accumulated Depreciation								
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 10)	(243,405)	-	-	-	-	-	(50,627)	(294,032)
Written off	-	-	(49,530)	-	(36,645)	(4,230)	-	(90,405)
At 31 December 2016	-	64,381	912	311,709	49,480	108,274	42,404	577,160
Net Carrying Amount								
At 31 December 2016	-	4,764,183	5,928	43,442	139,973	10,736	275,626	5,239,888

	LEASEHOLD PREMISES RM	FREEHOLD PREMISES RM	AIR CONDITIONERS RM	COMPUTERS AND SOFTWARES RM	FURNITURE AND FITTINGS RM	OFFICE EQUIPMENT RM	OFFICE RENOVATION RM	CAPITAL WORK-IN- PROGRESS RM	TOTAL RM
2015									
Cost									
At 1 January 2015	659,532	-	49,530	292,547	64,590	111,500	50,627	4,804,214	6,032,540
Additions	-	-	-	53,828	-	-	-	24,350	78,178
Reclassification	-	4,828,564	-	-	-	-	-	(4,828,564)	-
At 31 December 2015	659,532	4,828,564	49,530	346,375	64,590	111,500	50,627	-	6,110,718
Accumulated Depreciation									
At 1 January 2015	218,124	-	49,530	228,595	64,433	103,369	50,627	-	714,678
Depreciation for the financial year	13,190	-	-	32,376	135	3,754	-	-	49,455
At 31 December 2015	231,314	-	49,530	260,971	64,568	107,123	50,627	-	764,133
Net Carrying Amount									
At 31 December 2015	428,218	4,828,564	-	85,404	22	4,377	-	-	5,346,585

(a) In the previous financial year, leasehold premises comprise of 2 units of office lots. The leases will expire in the year 2077 and are free from encumbrances.

(b) In financial year 2014, the Institute entered into a Sale and Purchase Agreement to acquire 2 units of corporate office suites amounting to RM4,804,214. The construction of the office suites was completed in the previous financial year. However, the freehold premises were not depreciated in the previous financial year as these assets were not available for use in the manner intended by the management due to renovation works.

(c) The title of freehold premises with a net carrying amount of RM4,828,564 (2015: RM Nil) is pending issuance by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS

5. INVENTORIES

	2016 RM	2015 RM
At Cost		
Books and journals	63,996	56,763
Premium gift and stationeries	44,086	31,645
	108,082	88,408
Recognised in profit or loss:		
Inventories recognised as direct costs	215,103	203,917
Inventories recognised as administrative and operating expenses	1,538	27,026
Written off during the financial year	-	11,732

NOTES TO THE FINANCIAL STATEMENTS

6. TRADE RECEIVABLES

	2016 RM	2015 RM Restated
Trade receivables	882,151	661,130
Less: Allowance for impairment loss	(39,555)	(39,555)
	842,596	621,575

All trade receivables are on cash term. 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:

	2016 RM	2015 RM Restated
Not more than 4 months past due not impaired	621,802	601,016
More than 4 months but not more than 6 months past due not impaired	33,610	11,669
More than 6 months but not more than 12 months past due not impaired	107,256	2,701
More than 12 months past due not impaired	79,928	6,189
	842,596	621,575
Impaired	39,555	39,555
	882,151	661,130

As at 31 December 2016, trade receivables amounting to RM79,928 were more than 12 months past due but not impaired. These customers have either paid or confirmed their debts and will be making payment for the debts in 2017. Trade receivables amounting to RM107,256 were more than 6 months but not more than 12 months past due not impaired. Some of these customers have paid in 2017 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:

	2016 RM	2015 RM
At beginning of the financial year	39,555	-
Charge for the financial year (Note 19)	-	39,555
At end of the financial year	39,555	39,555

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:

	2016 RM	2015 RM Restated
Ringgit Malaysia	785,964	595,165
United States Dollar	56,632	26,410
	842,596	621,575

NOTES TO THE FINANCIAL STATEMENTS

7. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 RM	2015 RM
Other receivables	67,395	50,320
GST recoverable	7,251	6,825
Deposits	40,428	34,928
Prepayments	40,008	21,847
	155,082	113,920

Included in other receivables is an amount due from Asian Confederation of Institutes of Internal Auditors amounting to RM33,559 (2015: RM22,426) which is non-trade in nature, unsecured, interest free, expected to be settled in cash and receivable demand.

8. 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.

9. CASH AND CASH EQUIVALENTS

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

	2016 RM	2015 RM
Cash and bank balances	231,644	592,423
Fixed deposits with licensed commercial banks	187,226	378,348
	418,870	970,771
Less: Non short term or pledged fixed deposits	(100,000)	(287,757)
	318,870	683,014

(b) The fixed deposits of the Institute bear effective interest at rates ranging from 2.70% to 3.45% (2015: 3.15% to 3.70%) per annum and with maturity period of 30 days to 360 days (2015: 19 days to 347 days). Non-short term fixed deposits have maturity period of more than 3 months.

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

	2016 RM	2015 RM
Ringgit Malaysia	401,873	915,254
United States Dollar	16,997	55,517
	418,870	970,771

NOTES TO THE FINANCIAL STATEMENTS

10. 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. The transaction is expected to be completed within the next financial year. Accordingly, the leasehold premises have been classified as non-current assets held for sale. 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 is held by the Institute's solicitor as at 31 December 2016.

	2016 RM	2015 RM
Cost	710,159	-
Less: Accumulated depreciation	(294,032)	-
Net carrying amount	<u>416,127</u>	<u>-</u>

11. RESEARCH FUND

The objectives of the research fund are:

- 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;
- 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
- To make available research grants or assistance to interested parties to carry out research to promote the internal audit profession.

12. DEFERRED TAX LIABILITY

	2016 RM	2015 RM
At 1 January	-	12,428
Recognised in profit or loss (Note 20)	-	(12,428)
At 31 December	<u>-</u>	<u>-</u>

Deferred tax liabilities are attributable to the following:

	2016 RM	2015 RM
Differences between the carrying amounts of property, plant and equipment and their tax base	-	12,428
Deductible temporary differences in respect of expenses	-	(12,428)
At 31 December	<u>-</u>	<u>-</u>

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

	2016 RM	2015 RM
Unabsorbed capital allowances	<u>18,945</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

13. TRADE PAYABLES

The average trade credit term granted to the Institute is 60 days (2015: 60 days).

The currency profile of the trade payables is as follows:

	2016 RM	2015 RM
Ringgit Malaysia	405,815	196,526
United States Dollar	135,648	43,997
	541,463	240,523

14. OTHER PAYABLES AND ACCRUALS

	2016 RM	2015 RM
Other payables	149,208	61,606
Accruals	22,000	147,206
	171,208	208,812

Included in other payables are amounts incurred by Governors of the Institute amounting to RM23,978 (2015: RM Nil) which have yet to be reimbursed to them in performing the functions of representing the Institute in global and regional meetings.

15. REVENUE

	2016 RM	2015 RM Restated
Entrance fees and subscriptions	981,615	950,608
Seminar and conference income	3,706,745	4,067,975
Examination fees	424,833	822,633
Quality Assessment Review fees	271,928	399,976
	5,385,121	6,241,192

The decrease in examination fees in 2016 was mainly due to The Institute of Internal Auditors Inc.'s ("IIA Global") new requirements that registration for certification program and remittance for sitting for examination parts are to be done directly by candidates to IIA Global through the Certification Candidate Management System ("CCMS"), without going through the Institute. This was the same for examination parts extension, reinstatement and Continuing Professional Education reporting fees which are also to be directly done by candidates via the CCMS. In contrast, in 2015, the Institute collected the registration and examination fees first and only remitted them upon registration and when candidates sat for the examination parts. As such, revenues were only recognised when candidates registered and sat for the examination.

NOTES TO THE FINANCIAL STATEMENTS

16. DIRECT COSTS

	2016 RM	2015 RM
Members' activities	278,553	687,710
Seminars and conferences	2,174,072	2,321,693
Examination	175,876	214,546
Quality Assessment Review	7,629	25,941
	2,636,130	3,249,890

17. OTHER INCOME

	2016 RM	2015 RM
Income from sales of Institute's publications and books	93,202	104,381
Miscellaneous	29,059	20,919
Unrealised gain on foreign exchange	-	29,916
	122,261	155,216

18. FINANCE INCOME

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

19. SURPLUS BEFORE TAXATION

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

	2016 RM	2015 RM
After charging:		
Audit fees		
- current year	25,000	22,000
- prior financial years	25,420	-
Depreciation of property, plant and equipment	197,464	49,455
Inventories written off	-	11,732
Impairment loss on trade receivables	-	39,555
Office rental	14,000	33,600
Rental of photocopier	5,598	5,493
Staff costs - salaries, allowances and others	1,523,294	1,485,499
- Employees Provident Fund contributions	185,217	166,579
Realised loss on foreign exchange	15,880	7,021
Unrealised loss on foreign exchange	2,118	-
After crediting:		
Unrealised gain on foreign exchange	-	29,916

NOTES TO THE FINANCIAL STATEMENTS

20. TAXATION

	2016 RM	2015 RM
Income tax		
Current year	19,037	212,109
Under/(Over) provision in prior year	28,598	(15,737)
	47,635	196,372
Deferred tax (Note 12)		
Current year	-	(12,108)
Over provision in prior year	-	(320)
	-	(12,428)
Tax expense for the financial year	47,635	183,944

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.

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:

	2016 RM	2015 RM Restated
Surplus before taxation	93,942	589,292
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	22,546	147,323
Effect of lower tax rate	(24,100)	(15,350)
Expenses not deductible for tax purpose	104,295	68,028
Income not subject to tax	(88,251)	-
Under/(Over) provision in prior year		
- current tax	28,598	(15,737)
- deferred tax	-	(320)
Deferred tax assets not recognised	4,547	-
Tax expense for the financial year	47,635	183,944

NOTES TO THE FINANCIAL STATEMENTS

21. 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 2.4 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	2016 RM	2015 RM Restated
Loans and Receivables			
Financial Assets			
Trade receivables	6	842,596	621,575
Other receivables and deposits	7	107,823	85,248
Cash and cash equivalents	9	418,870	970,771
Total Financial Assets		1,369,289	1,677,594
Financial Liabilities At Amortised Cost			
Financial Liabilities			
Trade payables	13	541,463	240,523
Other payables and accruals	14	171,208	208,812
Total Financial Liabilities		712,671	449,335

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONT'D)

(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 and the Institute does not expect any counterparty to fail to meet its obligations. The carrying amounts of the financial assets recorded on the statement of financial position at the end of the reporting period represent the maximum exposure of the Institute to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk other than those disclosed in the notes to the financial statements.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Risk Management (Cont'd)

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:

	2016 RM	2015 RM
US Dollar		
Cash and bank balances	16,997	55,517
Trade receivables	56,632	26,410
Trade payables	<u>(135,648)</u>	<u>(43,997)</u>

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:

	← Increase/(Decrease) →			
	RM Strengthens (10%)		RM Weakens (10%)	
	2016 RM	2015 RM	2016 RM	2015 RM
Net (deficit)/surplus for the financial year	<u>(4,713)</u>	<u>2,845</u>	<u>4,713</u>	<u>(2,845)</u>

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 2016 and 31 December 2015.

22. CAPITAL COMMITMENT

The Institute has made commitment for the following capital expenditure:

	2016 RM	2015 RM
Capital expenditures approved but not contracted for:		
- property, plant and equipment	<u>-</u>	<u>457,320</u>

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.

Significant related party transactions

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

	2016 RM	2015 RM
Fees paid to Governors for services rendered in income generating projects	23,000	22,400
Members' annual subscription fees paid by Governors	4,620	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 5 employees (2015: 4 employees).

	2016 RM	2015 RM
Short term employee benefits	716,599	582,403
Post-employment employee benefits	83,736	67,656
	800,335	650,059

24. CAPITAL MANAGEMENT

The Institute regards the accumulated funds 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 funds 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. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Institute shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016 which will be applied prospectively.

The financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, items to be disclosed in the Institute's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

26. RETROSPECTIVE RESTATEMENT

During the 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
31 December 2015			
Statement of Financial Position			
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)
Statement of Comprehensive Income			
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
Statement of Cash Flows			
Operating profit before changes in working capital	822,448	(175,987)	646,461
Increase in receivables	(277,917)	175,987	(101,930)

A third statement of financial position as at 1 January 2015 is not presented as the restatement does not affect the information in the statement of financial position as at 1 January 2015.

27. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the current year presentation.

	As Previously Reported RM	Adjustments RM	As Restated RM
Statement of Financial Position			
Trade payables	48,997	191,526	240,523
Other payables and accruals	400,338	(191,526)	208,812

STATEMENT BY GOVERNORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **LUCY WONG KAM YANG** and **CHANG KONG CHONG**, 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 45 to 71, are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Institute as at 31 December 2016 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.

LUCY WONG KAM YANG
Governor

CHANG KONG CHONG
Governor

Kuala Lumpur
Date: 22 MAY 2017

STATUTORY DECLARATION

I, **HAZIMI BIN KASSIM**, being the Governor primarily responsible for the financial management of the Institute, do solemnly and sincerely declare that the financial statements as set out on pages 45 to 71, 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.

HAZIMI BIN KASSIM

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 22 May 2017.

Before me,

PHANG SWEET LEE (W639)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA (INCORPORATED IN MALAYSIA)

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 2016, and the statement of 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 45 to 71.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2016, 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, 1965 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 (INCORPORATED IN MALAYSIA) (CONT'D)

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, 1965 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.
- 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA (INCORPORATED IN MALAYSIA) (CONT'D)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Institute of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

Other Matters

This report is made solely to the members of the Institute, as a body, in accordance with Section 174 of the Companies Act, 1965 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

Lee Kong Weng
No. 2967/07/17(J)
Chartered Accountants

Kuala Lumpur
Date: 22 May 2017

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 J.A. Evanson
2002 - 2004	The late Abd Razak Haron
2004 - 2006	Wee Hock Kee
2006 - 2008	Fatimah Abu Bakar
2008 - 2009	Walter Sandosam
2009 - 2011	The late 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

HONORARY MEMBERS

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

FELLOW MEMBERS

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

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