

ANNUAL REPORT 2019



// Leading the Way:  
Shaping the Future //

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# VALUES

🌐 COLLABORATION

🌐 COURAGE

🌐 UNITY IN DIVERSITY

🌐 NATIONAL AND REGIONAL MINDSET

🌐 INNOVATION

🌐 INTEGRITY

🌐 SERVICE EXCELLENCE

🌐 RESPECT

🌐 PROFESSIONALISM





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# VISION, MISSION & OBJECTIVES



## Vision

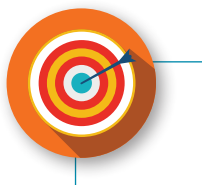
Internal Audit professionals will be recognised as indispensable to effective governance, risk management and control.



## Mission

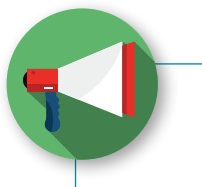
To provide dynamic leadership for the global profession of internal auditing. Activities in support of this mission will include but will not be limited to:

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



## Objectives

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



## 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

[Registration No. 199401024059 (309740-D)] | Company Limited By Guarantee | Incorporated in Malaysia

## THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA

NOTICE IS HEREBY GIVEN THAT THE TWENTY-FIFTH (25TH) ANNUAL GENERAL MEETING OF THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA WILL BE CONDUCTED ENTIRELY VIRTUAL WITH MAIN VENUE AT DEWAN KRISTAL 1, LG, TM CONVENTION CENTRE, JALAN PANTAI BAHARU, 59200 KUALA LUMPUR ("BROADCAST VENUE") ON SATURDAY, 19 SEPTEMBER 2020 AT 10.00 A.M. TO TRANSACT THE FOLLOWING BUSINESS:-

### ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 of the Institute together with the Governors' and Auditors' Report thereon.
2. To elect members to the Board of Governors:-
  - a. The Governors who retire and are eligible for re-election pursuant to Article 18 of the Institute's Constitution are:-
    - Norchahya Binti Ahmad
    - Nasrein Binti Fazal Sultan

*Norchahya Binti Ahmad and Nasrein Binti Fazal Sultan have offered themselves for re-election.*
  - b. Elect new members to the Board of Governors for the year 2020/2021 subject to the approval of the Registrar of Companies.
3. To re-appoint Messrs UHY as Auditors of the Institute and to authorise the Board of Governors to fix their remuneration.

### SPECIAL BUSINESS:-

To consider and if thought fit, to pass the following resolution, with or without modifications as Special Resolution of the Institute:-

4. **Special Resolution**  
**Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a new Constitution ("Proposed Alteration")**

"THAT the existing Memorandum and Articles of Association of the Institute be altered by replacing with a new Constitution attached hereto as Annexure A with effect from the date of passing this special resolution, subject to the approval of the Ministry of Domestic Trade and Consumer Affairs.

AND THAT the Governors of the Institute be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."
5. To transact any other business for which due notice has been given in accordance with the Companies Act 2016 and the Institute's Constitution.



# NOTICE OF ANNUAL GENERAL MEETING

[Registration No. 199401024059 (309740-D)] | Company Limited By Guarantee | Incorporated in Malaysia

By Order of the Board

**WONG WAI FOONG (MAICSA 7001358)**

**(SSM PC NO. 202008001472)**

**WONG PEIR CHYUN (MAICSA 7018710)**

**(SSM PC NO. 202008001742)**

Company Secretaries

Kuala Lumpur

28 August 2020

NOTES:-

## 1. IMPORTANT NOTICE

The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016** which requires the Chairman of the meeting to be present at the main venue of the meeting.

Members **will not be allowed** to attend this Annual General Meeting ("AGM") in person at the Broadcast Venue on the day of the meeting.

Members are to attend, pose questions to the Board via submission of typed texts and vote (collectively, "participate") remotely at this AGM virtually by facilities provided by V-Cube Malaysia Sdn Bhd via a link to be provided to the members.

**Please read these Notes carefully and follow the procedures in the Administrative Guide for the AGM in order to participate remotely.**

2. 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.

3. 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.

## 4. Audited Financial Statements for the financial year ended 31 December 2019

The Audited Financial Statements in Agenda 1 is meant for discussion only as the approval of the members is not required pursuant to the provisions of Sections 248(2) and 340(1) of the Companies Act 2016. Hence, this Agenda is not put forward for voting by members.

## 5. Retirement of Philip Satish Rao and Lucy Wong Kam Yang

Philip Satish Rao and Lucy Wong Kam Yang 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 Constitution. Hence, they will retire at the conclusion of this 25th AGM.

## 6. Explanatory Note on Special Business

**Special Resolution – Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a new Constitution ("Proposed Alteration")**

This proposed Special Resolution, if passed, will enable the Institute to alter its existing Memorandum and Articles of Association by replacing with a new Constitution which is drafted in accordance with the relevant provisions of the Companies Act 2016.

The amendments are subject to approval by the Ministry of Domestic Trade and Consumer Affairs ("Minister"). Following the members' endorsement at the 25th AGM, the Proposed Alteration will be submitted to CCM for the approval of the Minister.

For further information on the Proposed Alteration, please refer to Annexure A attached to the Notice of 25th AGM.

# PROFILE OF THE BOARD OF GOVERNORS 2019/2020



## PRESIDENT

**ALAN CHANG KONG CHONG** *CMIIA, CIA, CFSA, FCPA (Aust.)*

*Chartered Banker (AICB), Certified Bank Auditor (AICB), Certified Credit Professional (AICB), B.Econ (Sydney Uni., Aust.)*

He is currently the Chief Internal Auditor (CIA) of Hong Leong Financial Group Bhd and had previously served as CIA of Hong Leong Bank Bhd. He had also worked in Internal Audit of RHB Bank Bhd for 21 years rising to the Senior Vice-President rank. He has over 27 years of internal audit experience specialising in credit, treasury, retail and operational audits of commercial banks.

He currently leads the IIA Malaysia (IIAM) as its President and Chair of IIAM's Board of Governors and Executive Committee. He had previously chaired IIAM's Professional Services and Professional Development Committees. He was the immediate past Chairman of the Chief Internal Auditors Networking Group (CIANG) from 2015 to 2018. CIANG is a formal networking group under AICB which focuses on internal audit matters affecting the Malaysia's financial services industry comprising Chief Internal Auditors and Heads of Internal Audit of 46 commercial, Islamic, development financial institutions (DFIs) and investment banks. CIANG has successfully restructured an existing AICB's internal audit certification programme for its members to reflect the international standards of the profession by using The IIA's IPPF standard into its certification's study text. AICB is an institute formed by a council comprising of representatives from Bank Negara Malaysia, the Association of Banks in Malaysia and the Malaysia Investment Bank Association.



## VICE PRESIDENT

**ZAINAL AKBAR S.K MD. ABDUL KADER** *CMIIA, CRMA, ASA (Aust)*

Zainal is currently the General Manager - Group Internal Audit Division of UMW Holdings Berhad. 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 USA. He carries 21 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 Vice President, Internal Audit and Secretary of Board Audit Committee at Malaysian Bioeconomy Development Corporation, a government-linked entity fully owned by Ministry of Finance Inc., and a professional agency under Ministry of Science, Technology and Innovation tasked with National Biotechnology Policy to develop the biotechnology industry in Malaysia. From 2005 – 2007 he was the Group General Manager, Accounts at TDM Berhad (a main board listed company) where he headed the group accounting and treasury functions. Meanwhile, from 2001 to 2005 he was the Group Manager, Internal Audit at the same company where he was responsible for heading Internal Audit and Enterprise Wide Risk Management functions throughout the Group. He was also the past representative of Federation of Public Listed Companies providing advice on adoption and compliance towards International Financial Reporting Standards. He regularly provides training and speaks at various conferences on best practices in finance, internal audit and risk management.



# PROFILE OF THE BOARD OF GOVERNORS 2019/2020



## VICE PRESIDENT

**NORCHAHYA AHMAD** *CMIIA, CIMA, AMBCI*

Norchahya had an illustrious 35-year career in the fields of accounting and finance, internal audit, enterprise risk management (ERM), business continuity management (BCM), human resources, corporate services as well as consultancy both in the public and private sectors. Prior to her retirement, she was the Senior General Manager, Group Internal Audit Division of UMW Holdings Berhad. She was also the Head of Group Risk Management Division where she provided the overall leadership, vision and direction for ERM and BCM programmes in the company.

Norchahya started her career in Bank Negara Malaysia in the areas of accounting and finance, internal audit and corporate affairs. She has held positions as the Head of Internal Audit & Risk Management, Group Internal Auditor and Group Financial Controller in leading car distributor companies. She has implemented various strategic initiatives especially in the areas of business processes, internal audit and risk management. Depending on the positions and due to her varied experiences, Norchahya has been a permanent invitee at Board committees namely Audit, Risk, Investment and Whistle Blowing committees, Management committees and participated in the provision of governance, risk management and control (GRC) advisory in strategic task force and projects.

Norchahya is currently an Independent Non-Executive Director of a company primarily involved in the provision of civil engineering services and sale of construction materials. She is also a technical committee member in the development of a professional training and certification programme in risk management and was instrumental in the establishment of The Academy of Risk Management Malaysia (ARiMM), a not-for-profit organisation that promotes and enhances the interest of, and advancement of the risk management profession in Malaysia.

She has attended numerous trainings in Malaysia and overseas namely United States of America, United Kingdom, Thailand, Singapore, Switzerland and New Zealand. She has also been invited as a speaker in IIAM conferences and at numerous sharing/ networking sessions organised by ARiMM, Malaysia Association of Risk and Insurance Management and public listed companies



## HONORARY SECRETARY

**DOMINIC CHEGNE** *CMIIA, CIMA, MBA*

Dominic is a Partner in the Risk Assurance Services (RAS) unit within PricewaterhouseCoopers (PwC) Kuala Lumpur office. His employment history spans over 22 years of work experience.

Dominic has taken on several risk & governance leadership role during his tenure in PwC. His portfolio prevails in the jurisdiction of internal audit, risk management, controls, regulation compliances, corporate governance and process reviews/ improvements. He previously led the Risk & Governance practice within PwC Consulting and prior to the that, Dominic led and grew the internal audit practice for the Kuala Lumpur office.

Dominic currently leads the eGRC practice in PwC Malaysia. His team provides end to end services on eGRC system implementation. His portfolio also resides in a large number of Financial Institutions (both local and international) on compliance matters predominantly in AML/CFT and Compliance/ Regulatory Assessments.

# PROFILE OF THE BOARD OF GOVERNORS 2019/2020



## HONORARY TREASURER

**AFFEIZ ABDUL RAZAK** *CMIIA, CFSA, MBCI (UK), CBCI (UK), AICB, ICDM (M)*

Afeiz Abdul Razak is the Honorary Treasurer at IIA Malaysia and is a Member of IIA Malaysia's Board of Governors (BOG) and Executive Committee (EXCO). He is an Executive Director at Aftaas Parker Randall Corporate Advisory specialising in Internal Audit (IA), Enterprise Risk Management (ERM), Business Continuity Management (BCM) and Corporate Governance. He has more than 19 years of experience in IA, ERM and BCM, both as consultant and practitioner.

His experience in internal auditing includes working as the General Manager, Internal Audit at Kumpulan Perangsang Selangor Berhad (KPS) and Chief Internal Auditor, Head of Internal Audit at Malaysian Technology Development Corporation (MTDC) as well as working in the Risk Advisory and Internal Audit Services practice at KPMG.

Afeiz has also served as IIA Malaysia's Honorary Secretary in 2010/2011 and as a member of the BOG from 2010 to 2013. He was a member of the Professional Services Committee at IIA Malaysia from 2011 to 2013 and a member of the marketing subcommittee of the Host Conference Committee from 2009 to 2011 for the organising of 2011 IIA International Conference in Kuala Lumpur.

In addition, he had served as a member of the International Committee of The Risk Management Society, RIMS (US) in 2017/2018 and as a member of the EXCO of Malaysian Association of Risk and Insurance Management from 2013 to 2015.

Afeiz is a Certified Financial Services Auditor (CFSA), a Chartered Member of IIA Malaysia (CMIIA) and has an accreditation to perform Internal Quality Assessment / Validation for Internal Audit function. He is also a Member of The Business Continuity Institute (UK), Institute of Corporate Directors Malaysia and Associate Member of Association of Certified Fraud Examiners (US), Asian Institute of Chartered Bankers and Institute of Risk Management (UK).



## PAST PRESIDENT

**LUCY WONG KAM YANG** *CMIIA, CIA, CRMA, FCMA, CGMA, CA(M), MBA (Aust.)*

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

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 is a past President and has served in various positions in IIA Malaysia, including as an EXCO member in the positions of Vice President and Honorary Secretary. She was a Public Sector Committee member at IIA Global. She was also a member of the Working Group for Anti Bribery Management System, representing Malaysia in the drafting and review of the International Standard (DIS) of ISO 37001 – Anti Bribery Management System which was issued in 2016.



# PROFILE OF THE BOARD OF GOVERNORS 2019/2020



## PAST PRESIDENT

**PHILIP SATISH RAO** *CMIIA, CA (M), CPA (M), CPA (Aust.)*

Philip is currently a Partner with the Risk Advisory Services practice in Ernst & Young (EY) Malaysia. In his 29 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.

Philip is also currently a member of Global Institute Relations Committee 2019/2022. 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. He is also the Programme Director for EY Entrepreneur of the Year Award Programme in Malaysia. He regularly speaks and trains on topics relating to Risk Management, Corporate Governance and Internal Audit both locally as well as internationally.



## PAST PRESIDENT

**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 2013/2014 term and the President of Asian Confederation of the Institute of Internal Auditors for the term 2016/2017. He is currently a member of the Board of Governors of IIA Malaysia and a member of the Board of Directors and Audit Committee of Global IIA. Ranjit is also a member of the IIA's International Internal Audit Standards Board and he was a committee member of the Global IIA's Professional Issue Committee. Ranjit is a Certified Internal Auditor (USA) and has a Certification in Risk Management Assurance (USA).

# PROFILE OF THE BOARD OF GOVERNORS 2019/2020

## GOVERNOR

**MOHD KHAIDZIR BIN SHAHARI** *CMIIA, CIA, CGMA, CA(M)*



Khaidzir is a Certified Internal Auditor and a Certified Global Management Accountant, who has served as an Executive Director with KPMG Management and Risk Consulting Sdn Bhd since 2007. Prior to joining KPMG as a Senior Associate in 1999, he was the Head of Internal Audit of Kewangan Bersatu Berhad and became a member of the Chief Internal Audit Networking Group (“CHIANG”). Khaidzir attended International Islamic University for his undergraduate in Accountancy and joined Hong Leong Finance Berhad in 1995 as a junior internal auditor.

He has been a member of the Institute Internal Auditors Malaysia since 1997 and has been in the Board of Governors for 6 years from 2010 to 2016. In 2016, he was a task force member together with observers and consultative panel from Bursa, Bank Negara, MICG, MSWG, SC,FPLC and MDA(now ICDM) in establishing the guidelines for internal audit function, to heighten knowledge on internal audit practices for both internal auditors and Audit Committee members. Khaidzir rejoined the Board of Governors in 2019, and currently chair the Research and Technical Advisory Committee.

In KPMG, he has been providing governance, risk and shariah advisory services to public listed companies, government-linked companies, multi-national corporations and large enterprises. He has been invited as guest speaker on topics related to corporate governance, internal audit and risk management.

## GOVERNOR

**NASREIN FAZAL SULTAN** *CMIIA, CRMA, CA (M)*



Nasrein has over 30 years of working experience in accounting and internal auditing including governance, risk management and fraud investigations. She was the General Manager of Risk Management and Compliance of Malaysia Airports Holdings Berhad from 1 January 2019 to 31 May 2020.

Prior to this, she was the General Manager of Group Internal Audit since 1998. The group function included overseeing its overseas subsidiaries internal audit function. Before joining Malaysia Airports, she was the Finance Manager of a Sime Darby subsidiary and prior to that headed the accounting and budgeting function at SIRIM.

She holds a Bachelor of Accounting (Hons) from Universiti Kebangsaan Malaysia. She is a Chartered Accountant registered with the Malaysian Institute of Accountants, a Chartered Member of the Institute of Internal Auditors Malaysia and has a Certification in Risk Management Assurance from the Institute of Internal Auditors Incorporated. In June 2018, she was elected as Board of Governor for The Institute of Internal Auditors Malaysia.



# PROFILE OF THE BOARD OF GOVERNORS 2019/2020



## GOVERNOR

**CHONG KAH SING** *CMIIA, CIA, CISM, ISMS Lead Auditor, MBA (Information System)*

Kah Sing is currently the Head of IT Audit Support Service for a leading global insurance company. Prior to this, he has served in various senior audit roles with financial institutions and country payment operator in Malaysia. He has accumulated over 20 years of internal audit and risk management experiences leading and growing the audit teams. His specialisation resides in IT audits and information risk management.

He is a current term member of IIA Malaysia's Board of Governors (BOG) and sits in the Professional Services Committee (PSC) and Certification & Academy Relations Committee (CARC). Previously, he sat in the Financial and Risk Management Committee (FRMC).

Kah Sing is a Certified Internal Auditor (CIA) and as well as a Chartered Member of The Institute of Internal Auditors Malaysia.



## GOVERNOR

**TAY BOON HOCK** *CMIIA, CIA, FCCA, CA (M)*

BH Tay is currently the Chief Auditor of Parkson Retail Asia Limited, a leading departmental store retailer with businesses ranging from department store, branded fashion retail chain, bakeries retail chain and gourmet supermarkets.

He began his career as an External Auditor with Deloitte Malaysia in 1997 and later joined Wah Chan, one of the biggest jewellers in Malaysia where he held various senior positions including the Accountant, Senior Operations Manager as well as the Head of Internal Audit. Collectively, he has more than 23 years' experience in internal audit, external audit, risk management, governance, accounting & finance, process improvement, retail & wholesale system development, documents standard operating procedures management, retail operations, project management as well as safety & security management.

Mr. Tay obtained his Certified Internal Auditor ("CIA") in 2015. He is a Chartered Member of The Institute of Internal Auditor, Malaysia (IIAM), a fellow member of the ACCA and a member of the Malaysia Institute of Accountants (MIA).

He is currently the Chairman of the Certification & Academic Relations Committee (CARC) of IIAM. Prior to this, he served as a committee to Professional Service Committee (PSC) of IIAM.

# MEETINGS AND ATTENDANCES

## BOARD OF GOVERNORS 2019/2020

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

Alan Chang Kong Chong – President	9/9
Zainal Akbar Abdul Kader – Vice President	8/9
Norchahya Ahmad – Vice President	7/9
Dominic Chegne How Kooi – Honorary Secretary	6/9
Affeiz bin Abdul Razak – Honorary Treasurer	8/9
Chong Kah Sing	7/9
Lucy Wong Kam Yang	9/9
Nasrein Fazal Sultan	8/9
Philip Satish Rao	8/9
Ranjit Singh	8/9
Mohd Khaidzir Shahari	8/9
Tay Boon Hock	6/9

2) The Executive Committee (EXCO) attendance are as follows:

Alan Chang Kong Chong – President	13/13
Zainal Akbar Abdul Kader – Vice President	11/13
Norchahya Ahmad – Vice President	12/13
Dominic Chegne How Kooi – Honorary Secretary	10/13
Affeiz bin Abdul Razak – Honorary Treasurer	12/13

## COMMITTEE MEETINGS

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

### Meeting Attendance

#### Professional Development Committee (PDC)

Norchahya Ahmad	7/8
Nasrein Fazal Sultan	8/8
Khoo Yu Lian	6/8
Malcolm Kor Cheng Meng	7/8
Catherine Yee Poh Chun	7/8

#### Professional Services Committee (PSC)

Dominic Chegne How Kooi	2/3
Ryan Chong Chee Seng	3/3
Adrian Ong Ching Woo	2/3
Karthigayan Supramaniam	3/3
Chong Kah Sing	2/3

# MEETINGS AND ATTENDANCES

## COMMITTEE MEETINGS (Cont'd)

### Meeting Attendance

#### Certification and Academic Relations Committee (CARC)

Tay Boon Hock	3/3
Chong Kah Sing	2/3
Chang Ming Chew	3/3
Chew Soon Leong	3/3
Wong Ket Keong	3/3
Chong Yu Cheang	2/3

#### Research & Technical Advisory Committee (RTAC)

Mohd Khaidzir Shahari	4/4
Dominic Chegne How Kooi	3/4
Mohamed Farook Nasar	3/4
Wong Chae Sing	2/4
Lee Min On (Permanent Invitee)	2/4
Yap Tat Hiung (Permanent Invitee)	3/4



## THE SECRETARIAT



Sitting from left to right:

1. **FARIDA MD ALI**  
Head, Finance and Corporate Services
2. **IRWAN NOOR HADI DAHILI**  
Head, Professional Development
3. **GEETHA KANNY**  
Executive Director
4. **ALYSSA HEW LI MIN**  
Head, Technical & Quality Assurance
5. **SITI ARAFAH ABDUL AZIZ**  
Manager, Certification & Membership

Standing from left to right:

1. **HAMDANI MOHD SAHIT MASHUD**  
Despatch Cum Office Assistant,  
Corporate Services
2. **HASLIZAN MOHD ZAINAL**  
Executive, Professional Development
3. **NOOR ADIHA ABU BAKAR**  
Senior Executive, Technical
4. **NOR FAEIZATUL JALALUDDIN**  
Executive, Certification
5. **JOSIE REBECHI OMILDA**  
Executive, Professional Development
6. **S VASUGI SUBRAMANIAM**  
Manager, Professional Development
7. **SHAHIRAH KATHIR HASAN KATHIRASAN**  
Executive, Membership
8. **FRANSON WONG GUANG SOON**  
Senior Executive, Quality Assurance
9. **NORASYIQAH ABDUL RAHMAN**  
Executive, Corporate Services
10. **JWALITA RAMACHANDRA**  
Manager, Business Development & Marketing
11. **DURRATUL AIN MOHD FAUZI**  
Executive, Membership
12. **SHARIFAH SAMIAH SYED ALI**  
Senior Executive, Membership
13. **NURUL MUNIRA MOHD ALI**  
Executive, Professional Development
14. **SYAMSURAIDA SHAMSUDIN**  
Credit Controller cum Account Executive,  
Finance
15. **DASHINI RAVINDRAN**  
Executive, Professional Development

# PRESIDENT'S REPORT

## 2019/2020



Dear Members,

The Year 2019 proved to be another great year for The Institute of Internal Auditors Malaysia (The Institute) having achieved a revenue of RM6.62 million and a surplus before tax of RM0.66 million I would like to thank our members for having continuously supported The Institute. Secondly, my appreciation goes out to our Board of Governors (BOG) and Secretariat at IIA Malaysia for all the hard work rendered to achieve this great result.

During my tenure, The Institute had persevered in its endeavours and has been successful in achieving its annual goals, in line with the strategic plan established. Our achievements and activities during the year in the review are as follows:

### Strengthening Good Corporate Governance

In striving to operate to the highest standard of corporate governance, The Institute has completed a holistic review of its internal policies and procedures. The Institute has also established the Anti-Bribery and Anti-Corruption (ABAC) Framework, its supporting policies and conducted ABAC sessions with the Secretariat and Board of Governors.

While the Board continues to exercise financial prudence, as a measure of good governance, the Board is also mindful in investing in its staff, improving its staff competency and technology adoption as part of a longer-term plan of The Institute to continuously improve and provide quality service to the members of The Institute. True to its motto, The Institute will continue to elevate the status of the profession in Malaysia by bringing subject matter experts together to share knowledge and the development of high performing internal audit professionals through The Institute certifications.

### Succession planning

In executing its succession planning, The Institute has promoted Ms Geetha Kanny as the Executive Director (ED) in December 2019 to lead the Secretariat team, currently 20-staff strong. The BOG has approved the appointment of Ms Geetha as ED upon the Nomination and Remuneration Committee's recommendation. Given Ms Geetha's credentials and experience with The Institute, we at the BOG believe that she will bring us to greater heights and fulfil the aspirations expected of The Institute. I would like to take this opportunity to thank the previous ED for having led The Institute throughout her tenure and wishes her well in her future endeavours. With Ms Geetha's appointment, we had allowed other capable staff to also be appointed to higher posts and/or rotated to try new positions/job responsibilities as a good measure to build staff satisfaction/retention while continuing their efforts to create and deliver value to all our members.

### Covid-19 Pandemic

As the year 2020 progress, and in early March, our beautiful country and vibrant economy were hit by the coronavirus (Covid-19) pandemic and as a result, several planned initiatives and trainings had to be deferred due to the movement control order being enforced. The Institute has effected its Business Continuous Planning and implemented measures to mitigate the operational and financial impact the pandemic had posed. The inability of businesses to operate normal operations has allowed the Secretariat staff to "think outside the box" to introduce new ways of delivering our

# PRESIDENT'S REPORT

## 2019/2020

service to meet member and client needs. The introduction of online webinars to run training programmes, conducting online CIA tuition classes and the introduction of e-Conference are such new efforts. Going forward, the hosting of webinars through popular web-based video conferencing platforms like Zoom, Webex and Microsoft Teams will be a permanent service feature, as part of a technology adoption to complement the usual physical classroom training.

As I pen this report, with our country in a current recovery movement control, The Institute is mindful of ensuring staff and members' safety and as such has adopted relevant Standard Operating Procedures (SOP) introduced by the Health Ministry of Malaysia. The Institute will continue to monitor the situation closely and the recommended guidance from the Health Ministry.

### Professionalism – Leading the Profession

The Institute continues its collaboration with various professional organisations and other corporations to conduct programmes on a wide range of topics, all geared towards further enhancing the knowledge and skillsets of our members and other professionals. A total of 65 programmes comprising 3 Conferences, 55 public workshops and seminars as well as 7 in-house programmes were conducted during the year, generating RM4.47 million training revenue for The Institute.

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

#### GRC 4.0: Are You Ready? - 2019 The Institute National Conference

The 2019 National Conference was held in October 2019 with the theme "GRCO 4.0: Are You Ready?". International and local experts in various disciplines shared their knowledge and experience with over 750 delegates who attended the conference.

#### Joint Programmes

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

More than 190 delegates attended the 2 conferences jointly organised with the MIA, i.e. Risk Management Conference and Audit Committee Conference. The success of these 2 conferences sets the stage for similar collaborations with the MIA and other professional bodies in the future.

The Institute continued its relationship with other professional partners and regulatory bodies such as Bursa Malaysia having organised workshops on a wide range of topics.

#### Promotion of Certification

The Institute carried out various activities during the year intending to promote certification amongst internal auditors.

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

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

Due to the continuous efforts carried out by The Institute, there was a total of 200 new enrolments to the CIA programme and 288 exam registrations were recorded in 2019. As of December 2019, the total number of members who have completed their CIA exam stood at 953. Congratulations to all CIA holders!

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



# PRESIDENT'S REPORT

## 2019/2020

The Institute jointly organised a workshop with University Tunku Abdul Rahman (UTAR) and the theme of the workshop was 'Transforming the role of Internal Auditors in the era of Artificial Intelligence (AI)'. 150 undergraduate students from Universiti Malaya (UM), Universiti Kebangsaan Malaysia (UKM), Universiti Teknologi Malaysia (UiTM), Asia Pacific University (APU), Tunku Abdul Rahman University College (TAR UC) and Universiti Kuala Lumpur (UniKL) and participated in a workshop covering Artificial Intelligence, case studies and career talk on How to be a Career Internal Auditor.

### Membership

The Institute continues to advocate membership growth through various activities i.e. Membership Networking Talks, Membership Drive Campaigns, Members' Movie Night, IIA Malaysia Raya Open House and CIA Open Day. IIA Malaysia's membership grew to 2,804 individual members. Meanwhile, a total of 12 new corporate members joined The Institute. There was a slight increment of 6% making it a total of 235 corporate members for the year. The Institute also had actively approached the Public Sector and as a result, 77 Public Sectors Members renewed their membership after a lapse of a period.

### Research and Technical Advisory

The Institute played an active role in 2019 in providing technical advice on matters relating to an internal audit, corporate governance, risk management, and internal controls.

During the year 2019, 5 issues of E-techline were issued, providing information on various topics, including

1. Tone at the Top newsletter issued by Global IIA covering issues on governance, ethics, and role of internal auditing
2. Roles and Responsibilities of Internal Auditor
3. National Anti-Corruption Plan ("NACP") 2019-2023 - Guidance for an Effective Internal Audit
4. Guidance to Value-Added in Internal Auditing
5. Bursa Malaysia – Amends Main and Ace Market Listing Requirements in Relation to Anti-Corruption Measures

### Acknowledgement

I would like to once again 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's conferences, programmes, and services.

I also wish to extend my gratitude and sincere thanks to the Board of Governors and Secretariat team for all our achievements and journeying with The Institute through the year.

We are conscious that as your membership representative we are here to serve your interest and needs. So, if you have any idea or constructive feedback to improve The Institute or how we can provide better member service, please get in touch with us at [general@iiam.com.my](mailto:general@iiam.com.my).

Lastly, as the Covid-19 pandemic lingers on, I do wish each member to take special care and continue to practice handwashing, using hand sanitisers, wearing of protective face masks and physical distancing. Socially, do stay connected with one another and with The Institute.

**Alan Chang Kong Chong**  
President 2019/2020

# EXECUTIVE DIRECTOR'S REPORT

## 2019/2020



Dear Members,

Firstly, a very big thank you to the Board of Governors of The Institute of Internal Auditors Malaysia (The Institute) for placing their trust in me to lead the Institute and to my colleagues for their unwavering support to enable us together to bring this Institute forward!

This report summarises the performance of The Institute for the financial year ended 31 December 2019. During the year 2019, The Institute reported a revenue of RM6.62 million with a surplus before tax of RM0.66 million.

During the year, the main focus of the training sessions conducted by The Institute was on emerging issues such as Data Analytics, Cybersecurity, Robotic Process Automation and Artificial Intelligence, besides the bread and butter governance, risks and controls (GRC) based training programmes. Training contributed to RM4.47million of The Institute's revenue for the current financial year. A total of 65 programmes comprising 3 conferences, 55 workshops and seminars and 7 in-house programmes were held throughout the year. More than 2,000 individuals were trained during the year and it is The Institute's aspiration that Internal Auditors and GRC professionals can confidently single out The Institute as their main source and impetus for their Professional Development growth.

In Year 2019, to foster stronger member relationship, several Membership Networking events were held. Two (2) Membership Networking events were held at Le Meridien on the 22nd March and Atmosphere 360, KL Tower on 13 December respectively for Members of The Institute. The Institute also hosted a Hari Raya Open House for some of its stakeholders at its office. These are efforts to increase member engagement in the hope that members will benefit from the Networking and friendship forged during these events. The Institute also hosted Chief Audit Executive (CAE) Talks that normally attracts more than 30 CAEs who came together to exchange ideas and share knowledge as well as best practices. We hope that through these efforts, the CAEs will champion The Institute's vision where Internal Audit professionals are recognised as indispensable to effective GRC.

The Institute also kick-started its own CIA Tuition classes in June 2019 and ran the Part 1, Part 2 & Part 3 CIA Classes for more than 45 students who enrolled in the classes. This is The Institute's effort in promoting Professional Certification programme and assisting CIA Candidates to pass their exams. Through this initiative, The Institute is hoping to produce a larger number of Certified Members. The Institute also kicked off the Mentor & Mentee Programme – an idea mooted by the Certification Committee Members to support the CIA candidates who are sitting for their exams. The members who are CIAs themselves offer their time to mentor these candidates to help them pass their exam, elevate their professional career growth as well as coach them to become respectable Internal Auditors. These are all efforts that will be continued to grow The Institute forward in the coming years.

The birth of the year 2020 gave me full optimism to lead The Institute and continue guiding the team to achieve greater heights. We had planned strategic initiatives and activities that would continue to develop and grow the profession and address the professional needs of our members.

We approached these initiatives with a keen sense of purpose with regard to our priorities – to promote and develop the professional skills of our members; encourage and motivate students to enter the audit profession, to ensure the services provided by our members are received with confidence by clients, create forums for our members to network with other corporate professionals; support the development of professional skills necessary for career advancement.

# EXECUTIVE DIRECTOR'S REPORT

## 2019/2020

Whilst the COVID-19 health crisis threw a spanner in the works, it certainly did not shake our faith and resolve to achieve the goals we set for ourselves. It forced us down new paths. It opened our eyes to new opportunities. The team was guided to have a mind shift change and approached business ideas that represented the new norm such as having Web Meetings, developing free and paid Webinars, online Tuition classes, e-Conferences - something that was new to The Institute.

It gave us a fresh perspective to the term “new normal” – to approach it with confidence and optimism rather than fear and anxiety. The Institute will continue to be ahead of the curve in relation to addressing the problems that arise as a result of the new normal – however one thing for sure, we will have a fresh perspective.

With that I take this opportunity to wish all members a big thank you for being a part of The Institute.

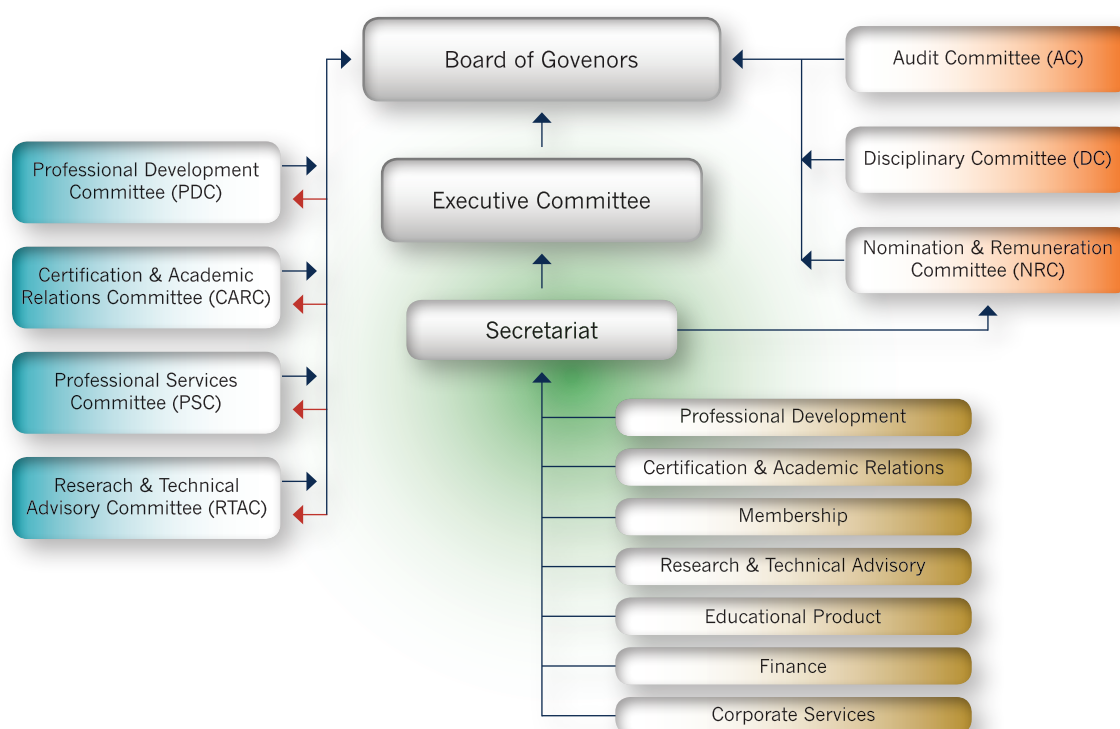
**Geetha Kanny**  
Executive Director



# CORPORATE GOVERNANCE STATEMENT

IIA Malaysia is one of the leading advocates of sound corporate governance landscape in Malaysia. The Board of Governors (“the Board”) has implemented the principles set under the Malaysian Code on Corporate Governance 2017 (“the Code”) as far as they are relevant to The Institute of Internal Auditors Malaysia (“the Institute”) in its commitment to preserving stakeholder’s confidence.

## Governance Framework



## Guiding Principles of Corporate Governance

The Board reviews the organisational structure of the Institute to ensure that the governance policies, practices and operating framework are aligned to key corporate governance principles annually.

Based on the key principles of good corporate governance, the Institute has adhered to the that have been put forth.

### *Principle A: Board Leadership and Effectiveness*

## Board of Governors

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

The Board currently comprises twelve (12) Non-Executive Independent Directors, termed as Governors. The Governors have no executive role in the daily operations of the Institute. The appointment of Governors is made at the Annual General Meeting (“the AGM”) in accordance with the Institute’s Articles of Association. Every three (3) years, the Governors are required, by rotation, to offer themselves for re-election. At the AGM on 27 April 2019, new Governors were elected and they received information outlining their duties and responsibilities in a formal induction session.

# CORPORATE GOVERNANCE STATEMENT

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

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

## Board Responsibilities

The primary responsibilities of the Board include the following:

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

## Board Independence

The Board is chaired by a President.

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

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

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

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

## Board Committees

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

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

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

The primary responsibilities of the EXCO are:

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

# CORPORATE GOVERNANCE STATEMENT

## 2. Audit Committee

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

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

For further information, refer to the Audit Committee report as set out on page 26.

## 3. Disciplinary Committee

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

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

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

Governors do not receive any emolument, bonuses or retirement benefits. The fees received by Governors due to training or any other services rendered to the Institute in lieu of their profession are declared in Note 18(b) of the Financial Statements.

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

CARC comprises two (2) Governors and four (4) co-opted members. The main objectives of CARC are as follows:

- To promote the Certified Internal Auditor (CIA) certification as the only professional qualification for internal auditors,
- Developing internal audit education partnership with local institutions of higher learning
- To promote specialty certification programmes promoted by the Institute as the recognised certifications for practitioners.

## 6. Professional Development Committee ("PDC")

PDC comprises two (2) Governors and three (3) other co-opted members. The main objectives of PDC are as follows:

- Oversee the overall professional development plans of the Institute such as the training programmes, workshops and conferences that are planned for each year.
- Evaluating trainers's performances.

## 7. Professional Services Committee ("PSC")

PSC comprises two (2) Governors and three (3) co-opted members. The main objectives of PSC are as follows:

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

## 8. Research & Technical Advisory Committee ("RTAC")

RTAC comprises two (2) Governors, two (2) co-opted members and two (2) permanent invitees. The main objectives of RTAC are as follows:

- To oversee the development of the profession and the trend through the support of research grants accorded for researches relating to governance, risk and control.
- To ensure that articles which are relevant to the profession are collated and broadcasted to the members through the e-techline or other publications.

# CORPORATE GOVERNANCE STATEMENT

## Board Meetings

Since the last AGM held on 27 April 2019, the Board met 9 times. The Board reviewed performance reports including analysis of major issues on membership services, academic relations, professional development, professional practices and financial reports. The attendance record at Board meetings is provided in the relevant report. All Governors have access to the Secretariat of the Institute in order to fulfil their roles and responsibilities as Governors.

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

## *Principle B: Effective Audit and Risk Management*

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

## *Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders*

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

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

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

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



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

## RESPONSIBILITIES OF THE BOARD

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

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

The risk management process has been established and placed under the purview of the Board. Whereas, the review of the internal control reports and processes is delegated by the Board to the Audit Committee

## RISK MANAGEMENT

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. The development of the ERM framework has enabled the Secretariat to identify and prioritise significant risks and thereafter evaluate the controls to ascertain their effectiveness and efficiency on a periodic basis.

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

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

## INTERNAL CONTROL

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

### [Board and Board Committees](#)

Board and Board Committees provide important oversight function and ascertain the adequacy of the internal control framework in the Institute. Further details on the workings of the Board and its committees are provided in the under the Corporate Governance Statement (page 20) and Committee reports (pages 29 to 39).

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

### [Audit Committee and Internal Audit](#)

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

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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

Further details of the Internal Audit function are set on page 26 in the Audit Committee Report.

## Annual business plans and performance

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

## Limits of Authority

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

## Human Capital

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

## Policies and Procedures

Internal procedures and policies are communicated to the staff. The documented policy manuals are constantly reviewed and revised to meet the changing business and operational needs. During the financial year, fifty-four (54) Standard Operating Procedures ("SOPs") were established.

## Financial Reporting

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

## Business Continuity Management

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

The above statement is made in accordance with the resolution of the Board dated 30 June 2020.

# AUDIT COMMITTEE REPORT

The Audit Committee (“AC”) was established by the Board of Governors (“Board”) in 1997.

The objectives of the AC are to assist the Board in fulfilling its fiduciary responsibilities, particularly relating to business ethics, policies and practices, financial reporting and internal controls of the Institute.

## 1. Composition

The AC comprises the following three (3) members, two (2) of whom are not Board members with the remaining one (1) a Board member of the Institute:

- Mr. Lee Min On, CFIIA, CA(M), CPA(M) (Chairman-Non-Board member);
- Mr. Ranjit Singh Taram Singh, CFIIA, CIA, CRMA, MBA(UK), CA(M), CPA(M) (Board member); and
- Miss Christine Ong May Ee, CFIIA, CIA, CRMA, CA (M), FCA (ANZ), B. Acc (Hons) (Singapore) (Non-Board member).

## 2. Attendance of the meetings

During the financial year, the AC held four (4) meetings, which were attended by majority of the members.

## 3. Terms of reference

### a. Composition

The Board shall appoint a minimum of 3 members to the AC, the majority of whom shall not be members of the Board. At least two members of the AC shall be Fellow members of the Institute and who are not members of the Board.

The Board shall appoint the Chairman of the AC who is not a member of the Board.

### b. Criteria

The criteria for the AC members include financial literacy, understanding of organisation risk and control and contemporary developments in financial reporting.

The term of each member is two years, subject to re-appointment. The tenure of the AC members shall not exceed a cumulative period of 9 years whilst the position of the AC Chairman shall be rotated at least once every 4 years.

The performance of the AC and its members shall be assessed annually on a self and peer basis by members of the AC in accordance with its Terms of Reference for submission to the Board.

### c. Objectives

The primary objectives of the AC are as follows:

- i) To assist the Board in fulfilling its fiduciary responsibilities, particularly relating to financial reporting, business ethics, policies and practices as well as system of internal controls;
- ii) To provide oversight on the audit function by ensuring the objectivity and independence of external and internal auditors and providing a forum that is independent of Management; and
- iii) To maintain through regular scheduled meetings a direct line of communication between the Board and the external auditors, internal auditors and Management.

### d. Duties and Responsibilities

The duties and responsibilities of the AC are:

- i) To consider the appointment, resignation or dismissal of the external auditors, the audit fee and recommend the same to the Board for approval;
- ii) To discuss with the external auditors their Audit Plan before the commencement of audit;
- iii) To discuss with the external auditors the assistance given by the employees of the Institute;

# AUDIT COMMITTEE REPORT

## 3. Terms of reference (Cont'd)

### d. Duties and Responsibilities (Cont'd)

- iv) To review the draft annual financial statements before recommending to the Board for approval, focusing particularly on:
  - a. Changes in or implementation of major accounting policies and practices;
  - b. Significant matters highlighted, including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed;
  - c. Significant adjustments resulting from the audit; and
  - d. Compliance with financial reporting standards, regulatory and other legal requirements;
- v) To discuss issues arising from the audit and any matters the external auditors may wish to discuss;
- vi) To review with the external auditors, their audit report and evaluation of the system of internal controls;
- vii) To review the internal audit plan, consider the major findings of internal audit, including investigations, if any, and Management's response and ensure, where deemed pragmatic, co-ordination between the internal and external auditors;
- viii) To review the adequacy of scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work, including recommending the nomination of internal auditors
- ix) To review the adequacy and effectiveness of internal control system based on feedback and reports from the internal and external auditors;
- x) To review any related party transaction and conflict of interest situation that may arise within the Institute, including any transaction, procedure or course of conduct that raises questions of Management integrity;
- xi) To recommend to the Board the nomination of a person or persons as external auditor and internal auditor
- xii) To carry out such other functions as may be agreed by the AC and the Board; and
- xiii) To report to the Board on a periodic basis the activities and work done by the AC, including any recommendations to be made to the Board. The AC Chairman or, in his absence, another AC member shall present this report at the Board meeting.

### e. Authority

The AC is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee or Governor, and all employees and Governors concerned are required to cooperate with any request made by the AC to enable the AC to discharge its duties and responsibilities.

### f. Meeting and Minutes

The AC shall hold not less than two (2) meetings a year. The quorum for each meeting shall be two (2) members present in person. In the absence of the AC Chairman, the remaining members shall elect from amongst themselves to chair the meeting.

Representatives of the external auditors and/or the internal auditors shall attend meeting(s) where matters relating to the audit of the statutory financial statements or internal control system are to be discussed following the audits. The President, Honorary Treasurer and Executive Director of the Institute shall be invited to attend the meetings to provide management input to the AC.

Minutes of each meeting shall be prepared for confirmation at every ensuing meeting and kept by the Secretariat after the minutes of meeting have been confirmed by the AC and signed by the AC Chairman. The minutes of meeting shall be presented at the ensuing Board meeting.



# AUDIT COMMITTEE REPORT

## 3. Terms of reference (Cont'd)

### g. Changes to the Terms of Reference

Changes, if any, to the AC's Terms of Reference shall not be valid unless they are approved by the Board.

## 4. Summary of activities of the AC during the year and up to the date of this Report

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

The main activities carried out by the Audit Committee for the financial year ended 31 December 2019 and up to the date of this Report are as follows:

- i) Evaluated and proposed the appointment of external auditor for the financial year ended 31 December 2019 and the audit fee;
- ii) Meeting the external audit team for them to table their Audit Planning Memorandum which highlighted the key audit areas, including probable Key Audit Matters, the materiality level, timeline for reporting
- iii) Revisited the Terms of Reference of the AC which were approved by the Board on 31 January 2019;
- iv) Evaluated and proposed the appointment of Internal Auditor for the financial year ended 31 December 2019 and the audit fee;
- v) Reviewed the internal audit scope;
- vi) Deliberated with the external auditors on the draft financial statements for year ended 31 December 2019 in the presence of the President, Treasurer and Management of the Secretariat before recommending the same to the Board for approval; and
- vii) Reviewing the financial position of the Institute and inquiring into obvious anomalies for explanations provided by the Management.

## 5. Internal Audit Function

The internal audit function is undertaken by an independent consulting firm, namely BDO Governance Advisory Sdn Bhd ("BDO"). The internal audit team was led by Mr. Ang Ah Leck, Executive Director who is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. For the internal audit undertaken by BDO during the financial year under review, two (2) personnel from the firm were assigned to carry out the task based on the scope set out in the engagement letter. The scope of internal audit covered the performance of a systematic review of the system of internal controls and providing reasonable assurance that the system of internal controls is adequate and continues to operate effectively in all material aspects. The internal audit deployed a risk-based approach which accorded with the International Professional Practices Framework of The Institute of Internal Auditors in its course of work.

The internal audit function, which reports directly to the AC, covered the Human Resource Management process for the financial year ended 31 December 2019, focusing on the following areas:

- Manpower planning and budgeting process, and succession planning;
- Recruitment, transfer, resignation, retirement and termination procedures;
- Employees' performance appraisal and rewarding system;
- Leave management;
- Payroll processing; and
- System access controls and data backup processes for Human Resource Management system.

Observations highlighted by the internal audit function were prioritised according to risk rating with the associated remedial action plans agreed by Management documented, including the timelines for completion by designated persons of the action plans agreed upon. The internal audit fees for the financial year ended 31 December 2019 amounted to RM9,000 for the first scope of work done.

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

# REPORT ON MAIN COMMITTEE

## CERTIFICATION AND ACADEMIC RELATIONS COMMITTEE

### CERTIFICATION

The new syllabus for CIA exam was introduced in 2019 by IIA Global. Inevitably, it had deterred enrolments as well as registration of CIA exam. To cushion the effects, IIAM introduced several new initiatives such as CIA tuition classes for students, mentor-mentee pilot programme, CIA open day etc.

Despite the challenging condition, we managed to secure 200 new enrolments in 2019, a slight reduction from 211 enrolments in 2018. In terms of registration of exam, a total of 288 registrations were submitted to IIA Global.

In 2019, a total of 47 candidates had completed the CIA programme as compared to 55 candidates in 2018. It is worth noting that in 2018, 24 candidates had passed the exam via the ACCA CIA Challenge Exam.

The total number of CIA in Malaysia as of 31st December 2019 stood at 953 members.

As for the specialty programmes:

- 5 candidates passed the Certification in Risk Management Assurance (CRMA) bringing the total number of CRMA holders to 121.
- 2 candidates passed the Certification in Control Self-Assessment (CCSA) bringing the total number of CCSA holders to 63.

Total number of Certified Financial Services Auditor (CFSA) and Certified Government Auditing Professional (CGAP) holders remains at 30 and 5 respectively.

In 2019, the Committee has embarked on the following programmes:

### Mentor & Mentee programme

One of the milestones in 2019 was the pilot project on the Mentor & Mentee programme. The goal of this programme is to promote leadership and development through effective mentoring relationships, career progression advice and supporting the mentees to pass the CIA exam. 7 candidates had signed up for the programme. A session with the mentors and mentees was organised on 31 July 2019 to provide the mentor & mentees an overview on the programme structure, roles of the mentors & mentees and to seek the commitment between the mentors and mentees on the success of the programmes.

This initiative has helped three (3) of its mentees passed their exam. It also served as a complimentary session to the CIA Tuition and had increased the number of candidates signed up for the classes and exams.

Due to its success, the CARC is proud to announce that the Institute plans to continue the programme in the coming years. It will be offered to more mentors & mentees to join the programme.

### CIA Tuition Classes

An inaugural CIA Tuition Classes were conducted by IIAM between period June to November 2019. This was an effort taken by the CARC to assist candidates with their preparation for the CIA examinations. The comprehensive tuition classes are conducted over 4 days for Part 1 & 2 and 5 days for Part 3.

IIAM plans to continue this effort in lieu of the success of the tuition classes.

# REPORT ON MAIN COMMITTEE

## CERTIFICATION AND ACADEMIC RELATIONS COMMITTEE (Cont'd)

### CIA Open Day

This was a new initiative undertaken by Certification to increase the number of enrolments to the CIA programme. The CIA Open Day was held on 7th September 2019, concurrently with the CIA Part 2 tuition classes at IIAM.

More sessions will be organised in 2020 to promote CIA certification to the members.

The (CIA) programme were also promoted through the following activities:

- 26 previews sessions were conducted for members who attended Networking events at the office, external client meetings as well as at Universities targeting students.
- 7 CIA Briefing session had been conducted to provide candidates with an overview of the CIA programme, guiding them with a basic exam technique and providing them an avenue to discuss issues that they face in their pursuit of the CIA exam.
- Petronas, TNB and UMW had engaged IIA Malaysia for an In-House CIA Review classes to assist their staffs in the preparation of the CIA certification. IIAM had conducted the Part 1 & 2 classes for Petronas and UMW and Part 3 class for TNB.

### CIA EXCELLENCE AWARD

This award was introduced in 2016 to recognise the efforts of candidates who completed all 3 parts of the CIA exam in ONE sitting within the period of assessment. In 2019, the recipient of the Award was

1. **Yeow Kien Ann**, Associate Manager - Audit, British American Tobacco
2. **Jeshurun Yong Say Kon**, Audit Manager, Cahya Mata Sarawak Management Services Sdn Bhd

The winners received a complimentary attendance to the 2019 National Conference, plaque, Certificate of Appreciation and cash award.

### ACADEMIC RELATIONS

IIAM continues to work with higher learning institutions to promote the internal audit profession and to create internal audit awareness through academic support and various University engagements.

#### Internal Audit Workshop – Joint collaboration with University Tunku Abdul Rahman (UTAR)

The workshop was held on 23 October 2019 at the UTAR Sungai Long Campus. The one-day workshop gathered more than 150 students from various universities in Malaysia, namely Universiti Malaya (UM), Universiti Kebangsaan Malaysia (UKM), Universiti Teknologi Malaysia (UTM), Asia Pacific University (APU), Universiti Kuala Lumpur (UniKL) and Tunku Abdul Rahman University College (TAR UC).

The theme of the workshop is 'Transforming the role of Internal Auditors in the era of Artificial Intelligence (AI)'. Following were the topics that was presented during the workshop:

- Presentation on Artificial Intelligence (AI) by Lau Jing Mei, Manager, Advisory Services, Ernst & Young Advisory Services Sdn. Bhd
- Case studies which were divided into 3 sessions:
  1. Risk Management by **Chitra Sridharan**, Chief Internal Auditor, MCIS Insurance
  2. Fraud by **Nur Izatul Fitri Hussein**, Chief Internal Auditor, Hengyuan Refining Company Berhad
  3. Data Analytics by **Dr Grace Mui**, Co-Founder, Thye & Associates & IIA Malaysia trainer
- Career Talk on 'Be a Career Internal Auditor' by Chang Ming Chew, Managing Director, NGL Tricor Governance Sdn Bhd

Students had the opportunity to put their knowledge and skills to test during the practical case study sessions. The workshop was successful in creating greater awareness about the Internal Audit profession and instilling interest in the profession.

# REPORT ON MAIN COMMITTEE

## CERTIFICATION AND ACADEMIC RELATIONS COMMITTEE (Cont'd)

### Career Talks

Many more career talks were conducted at various universities. A total of 5 session were conducted throughout the year at University Kebangsaan Malaysia (UKM), Tunku Abdul Rahman University College (TAR UC), Malaysia Multimedia University (MMU), Sunway Victoria University and University Tunku Abdul Rahman (UTAR).

### Sponsoring Activities

IIA Malaysia continued to support the internal audit profession by sponsoring the following activities:

- Deloitte Risk Intelligence
- Sunway University – Integrated Reporting Conference
- University Tunku Abdul Rahman (UTAR) – Internal Audit Workshop

The CARC would also like to extend our appreciation to its Committee members for their commitment to serve the Committee in their efforts in increasing the number of certified members and enhancing the profession in Malaysia. I would like to record my thanks to the CARC members for their support and contribution of their time and interest to IIAM.



**Tay Boon Hock**

Chairperson

Certification and Academic Relations Committee 2019/2020

# REPORT ON MAIN COMMITTEE

## PROFESSIONAL DEVELOPMENT COMMITTEE (PDC) REPORT

The Professional Development Department with the support of Professional Development Committee (PDC), have been organising relevant professional development programmes for the members of the Institute. In sync 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-adding in their work especially with the rise of data analytics, cybersecurity, Robotic Process Automation and Artificial Intelligence. Programmes conducted in 2019 contributed approximately RM4.47 million to the Institute's revenue for the financial year ended 31 December 2019. A total of 65 programmes comprising 3 conferences, 55 workshops and seminars and 7 in-house programmes were held throughout the year. Approximately 2,000 individuals were trained under various programmes conducted by the Institute's valued trainers.

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

- **Audit Committee Conference**  
The Institute continued the tradition to collaborate with the Malaysian Institute of Accountants (MIA) to organise the Audit Committee Conference on 15 April 2019 at Connexion Conference & Event Centre @ Nexus, Bangsar South, Kuala Lumpur. The conference successfully congregated 190 delegates, comprising of directors and audit committee members, participated in the conference which featured five plenary sessions and 15 renowned speakers.
- **Risk Management Conference**  
The 2019 Risk Management conferences was another joint venture effort with the Malaysian Institute of Accountants (MIA) successfully organised on 5 September 2019 at Connexion Conference & Event Centre @ The Vertical, Bangsar South, Kuala Lumpur. The conference was attended by 107 delegates. 15 risk management industry experts presented across 6 plenary sessions.
- **IIA Malaysia National Conference 2019**  
The IIA Malaysia National Conference 2019 was held on 7 & 8 October at the Kuala Lumpur Convention Centre. Themed, GRC: 4.0 Are You Ready, the conference showcased how the rise of robotics, the Internet of Things, autonomous vehicles, and other emergent technologies will change the demands placed on Governance, Risk and Control being the fundamentals of Internal Audit. The conference was attended by more than 700 delegates from across the country and nearby region. It also featured 25 distinguished speakers via 4 plenary sessions and 14 concurrent sessions inclusive of 2 dedicated tracks for audit committees.
- **Collaborations with Regulatory and Professional Bodies**  
The Institute collaborated with regulatory and professional bodies to forge smart and synergistic partnership to bring the profession and industry to the next level. The following joint programmes were conducted for their members, IIA members and the general public.
  - **Collaboration with Bursa Malaysia**
    - 2 Sessions of 1 Day workshops on "Evaluating Effectiveness of Internal Audit Function: Audit Committee's Guide on How to" organised on 15 and 17 October 2019. Each session attended by approximately 50 participants comprising Audit Committees from various public listed companies.
  - **Collaboration with ACCA Malaysia**
    - The following workshops were organised in Kuala Lumpur:
      - ▷ Detecting and Preventing Fraud Essential Competencies for Internal Auditors on 24 & 25 July 2019.
      - ▷ Basic IT Audit Techniques for Non IT Auditors on 10 & 11 September 2019.
      - ▷ High Impact Operational Audit of Human Resource Management on 4 & 6 November 2019.
      - ▷ Internal Controls for Accountants and Auditors on 25 & 26 November 2019.



# REPORT ON MAIN COMMITTEE

## PROFESSIONAL DEVELOPMENT COMMITTEE (PDC) REPORT (Cont'd)

The PDC also takes this opportunity to welcome our panel of new speakers, trainers and joint venture partners for the year 2019 and express our thanks for their efforts and commitment in raising the knowledge and skills of the internal audit professionals and directors. Our gratitude also goes to all our members and corporate organisations that have looked to the Institute for their training needs and have been staunch supporters of the Institute's programmes and conferences.

The PDC would like to extend our deepest appreciation to the team at Professional Development Department of the Institute for their tireless efforts and dedication to serve the ever-growing knowledge needs of the members and the profession.

Lastly, I thank the committee members of the PDC for their practical input, unwavering support and generous contribution of their time in the furtherance of the interest of the Institute's motto of "Progress through Sharing".

**Norchahya Ahmad**

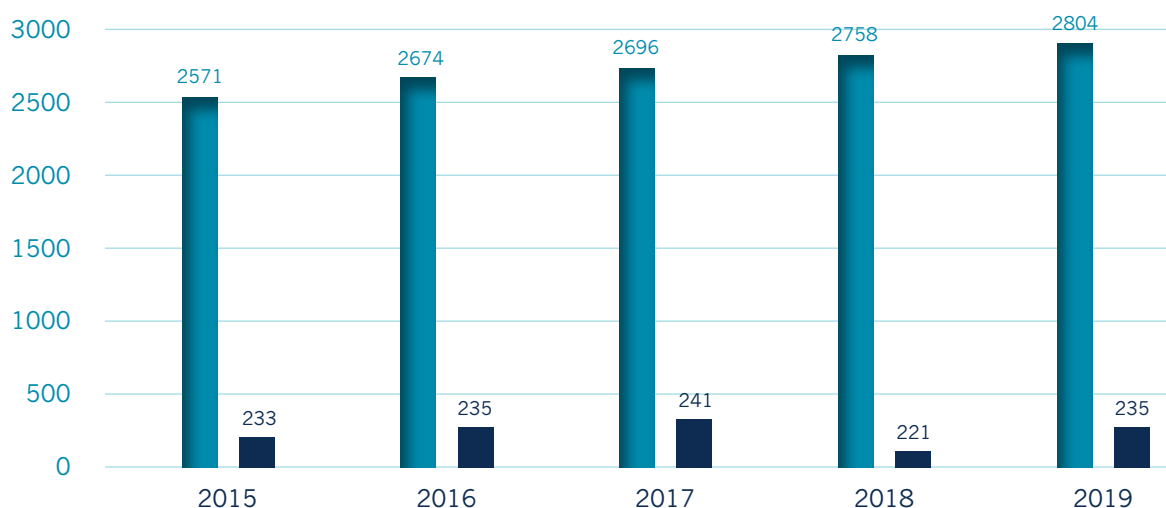
Chairperson

Professional Development Committee 2019/2020

# REPORT ON MAIN COMMITTEE

## PROFESSIONAL SERVICES COMMITTEE (PSC) REPORT

### Membership



**Total Members from 2015 - 2019**

The number of individual members for IIA Malaysia increased in 2019 to a total of 2,804. During the year, IIA Malaysia gained a total of 296 new individual members. Meanwhile, a total of 12 new corporate members joined the Institute. There was a slight increment of 6% making it a total of 235 corporate members for the year. The Institute also had actively approached the Public Sector and as result of that, 77 Public Sector Members renewed their membership after a lapse of time.

### Membership Drive Campaign

One of the initiatives undertaken to increase the number of new members was through a Membership Drive Campaign. The campaign was held from 18 June to 18 September 2019. A total of 41 individual members and 1 corporate member were recruited throughout the period of the campaign.

The winner of the campaign was Muhammed Noh Kaderan, Chief Internal Auditor of Bank Pembangunan Malaysia Berhad. He introduced 10 new individual members and received a smart watch worth RM639.00 from the Institute.

The Institute also conducted the following Membership Drive campaigns;

- Promoting membership and signing up new members during trainings, workshops and conferences.
- Career talks at universities to attract student members including University Kebangsaan Malaysia (UKM), Tunku Abdul Rahman University College (TAR UC), Malaysia Multimedia University (MMU), Sunway Victoria University and University Tunku Abdul Rahman (UTAR).
- Scheduled visits to corporate members' organisation to enhance awareness about Corporate Membership scheme in Private and Public sector.

# REPORT ON MAIN COMMITTEE

## PROFESSIONAL SERVICES COMMITTEE (PSC) REPORT (Cont'd)

### Members' Networking Session

IIA Malaysia held 6 networking sessions in Kuala Lumpur, of which 5 were complimentary sessions. These sessions are mainly for the Members. A total of 302 members benefitted from the networking sessions. The details of the sessions are listed below:

NO	DATE	TOPIC & SPEAKER	NO. OF PARTICIPANTS	LOCATION
1.	6 March	CAE's Role in Transforming Internal Auditors by Gurbakhish Singh, Partner, ARLCoachAsia	25	IIA Malaysia
2.	22 March	How Prepared is Your Organisation to withstand Corruption Prosecution by <ul style="list-style-type: none"> <li>• Lee Min On, Independent Director, Tan Chong Motor Holdings Berhad</li> <li>• Philip Koh, Senior Partner, Mah – Kamariyah &amp; Philip Koh</li> <li>• Cynthia Gabriel, Executive Director, C4 Malaysia</li> </ul>	100	Le Meridien, KL
3.	12 July	Insight via Data by Surendran N.Sankaran, Senior Director Audit-Technical & Digital Insight, Maybank	14	IIA Malaysia
4.	7 August	Strong Leadership Skills is a Game Changer for Internal Auditors by Sivaramayah Sivalingam, Head-Group Internal Audit, Wah Seong Corporation Berhad	20	IIA Malaysia
5.	5 September	Preparing Corporate Liability for Corruption Offences by Mark Lovatt, Chief Executive Officer, Trident Integrity Solutions Sdn Bhd	28	IIA Malaysia
6.	13 December	Mind the Gap: Build a Robust Anti-Corruption Plan by – Chayce Wong Chae Sing, former Group Chief Risk & Compliance Officer, UEM Group Berhad	115	Atmosphere 360, KL Tower

### Members' Movie Night

A movie night was organised for members on 6 December 2019 at TGV, KLCC for the screening of Knives Out. 40 members came together to network and enjoy the movie with popcorns and drinks courtesy of IIAM.

### IIA Malaysia Raya Open House

IIA Malaysia Raya Open House was held at IIAM's office on 2 July 2019. This session was attended by more than 100 attendees. IIAM appreciates and thanks the members for their continuous support.

### Briefings/CIA Open Day

In 2019, 26 membership briefings were conducted mainly to members who attended the networking talks, trainings, client meetings and university engagements. During the preview sessions, audiences were briefed on the different categories of membership, benefits of being member and introduction to the CIA Professional Qualification.

CIA Open Day was a new initiative undertaken by IIAM on 7th September 2019 to increase the number of enrolments to the CIA programme as well as promoting the membership benefits. This effort will be a continuous one.

# REPORT ON MAIN COMMITTEE

## PROFESSIONAL SERVICES COMMITTEE (PSC) REPORT (Cont'd)

### Newsletter

The Keeping in Touch (KIT) newsletter provides an insight on current issues and the latest developments in internal auditing as well as information on the activities organised by the Institute.

IIA Malaysia produced 4 issues of KIT in 2019, of which the first three (3) issues were online copies uploaded unto IIA Malaysia's website and the final issue was a bumper hardcopy issue. Through this newsletter, members are kept abreast with the developments of IIAM.

Finally, I would like to extend my appreciation to the Secretariat and PSC members namely Chong Kah Sing, Adrian Ong Ching Woo, Karthigayan Supramaniam and Ryan Chong Chee Seng for their dedication and support rendered to our members. The PSC looks forward to more participations by members in future activities and contribution to articles as part of knowledge sharing among the Internal Audit fraternity.



### Dominic Chegne

Chairperson

Professional Services Committee 2019/2020

# REPORT ON MAIN COMMITTEE

## RESEARCH AND TECHNICAL ADVISORY COMMITTEE (RTAC) REPORT

### PUBLICATIONS

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

During the 2019/2020 term, there were five (5) issues of e-techline, which covered topic such as:

E-Techline Issue No.	Issuance Date	Topics Covered
01/19	23 January 2019	Tone at the Top newsletter issued by Global IIA covering issues on governance, ethics, and role of internal auditing
03/19	18 March 2019	Roles and Responsibilities of Internal Auditor
04/19	30 April 2019	National Anti-Corruption Plan ("NACP") 2019-2023 Guidance for an Effective Internal Audit
10/19	25 October 2019	Guidance to Value-Added in Internal Auditing
12/19	31 December 2019	Bursa Malaysia – Amends Main and Ace Market Listing Requirements in Relation to Anti-Corruption Measures

### RESEARCH GRANT

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



# REPORT ON MAIN COMMITTEE

## RESEARCH AND TECHNICAL ADVISORY COMMITTEE (RTAC) REPORT (Cont'd)

### TECHNICAL & QUALITY ASSESSMENT REVIEW TEA TALKS

The RTAC members and Head of Technical conducted a series of technical and quality assessment review tea talks at the institute training hall to provide technical guidance on the International Professional Practices Framework (IPPF). A minimal fee was collected from the participants. The topic presented were:

Date	Topic	Speaker	No of Participants	Rating Status
11 January 2019	QAR Talk Session: Standard 1300 & How Does It Add Value to Your Organisation?	Alyssa Hew Li Min, CIA, CMIIA, CPA (Aust), CA (M), CSI	27	Good
15 February 2019	QAR Talk Session: Standard 1300 & How Does It Add Value to Your Organisation?	Alyssa Hew Li Min, CIA, CMIIA, CPA (Aust), CA (M), CSI	16	Good
15 March 2019	QAR Talk Session: Standard 1300 & How Does It Add Value to Your Organisation?	Alyssa Hew Li Min, CIA, CMIIA, CPA (Aust), CA (M), CSI	12	Good
5 April 2019	Practice Guide: Auditing Grants in the Public Sector	Zainal Akbar SK Md Abdul Kader, CMIIA, CRMA, ASA (Aust)	8	Good
12 April 2019	QAR Talk Session: Standard 1300 & How Does It Add Value to Your Organisation?	Alyssa Hew Li Min, CIA, CMIIA, CPA (Aust), CA (M), CSI	6	Excellent
26 April 2019	IPPF: Implementation Guide 2320 – Analysis & Evaluation	Tony Lin Choi Foo, MBA, CIA, CISA, FCCA, FLMI	30	Good
3 May 2019	Project Management Review	Mohamed Farook Nasar, Bacc (Honours), MBA (USM), CIA, ICSA, CRMA	24	Good
23 May 2019	Value Add Internal Auditing	Alex Yap Kien Tiong, FCPA (Aust), CMIIA, ACFE, CA(M), B.Ec (Aust).	12	Good
15 July 2019	Leveraging Supplemental Guidance – Using GTAG	Nickson Choo Wei Sin, CISA, CRISC, CMIIA, MIA, B.Acc.	18	Good
6 December 2019	QAR Talk Session: Standard 1300 & How Does It Add Value to Your Organisation?	Alyssa Hew Li Min, CIA, CMIIA, CPA (Aust), CA (M), CSI	2	Excellent
25 September 2019	Using Financial Ratios to Interpret Financial Statements for Any Red Flags	Lee Min On, CFIIA, CA (M), CPA (M)	43	Excellent

# REPORT ON MAIN COMMITTEE

## RESEARCH AND TECHNICAL ADVISORY COMMITTEE (RTAC) REPORT (Cont'd)

### TECHNICAL ADVISORY

The Technical department provides technical support services to members via email and phone.

### APPRECIATION

The RTAC would like to encourage more members and educators to participate in internal audit related research projects and thought leadership that will propel internal audit profession to the forefront in the areas of governance, risk management and controls. The RTAC 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.

**Mohd Khaidzir Shahari**

Chairman

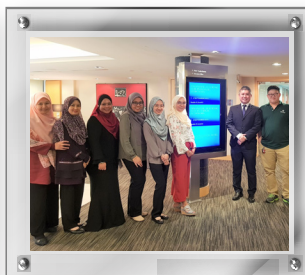
Research and Technical Advisory Committee 2019/2020

# REPORT ON MAIN COMMITTEE

## CERTIFICATION AND ACADEMIC RELATIONS COMMITTEE (CARC)



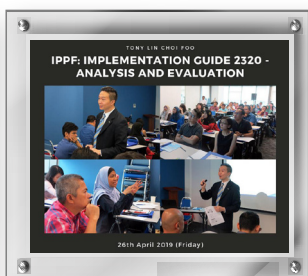
## PROFESSIONAL DEVELOPMENT COMMITTEE (PDC)



## PROFESSIONAL SERVICES COMMITTEE (PSC)



## RESEARCH & TECHNICAL ADVISORY COMMITTEE (RTAC)



# PAST PRESIDENTS, HONORARY & FELLOW MEMBERS

## Past Presidents

1978/1979	Peter Chieng Ing Mui
1979/1980	Louis Loh Kam Choon
1980/1981	Lum Seng Yip
1981/1982	Cheng See
1982/1983	Lee Siew Kuan
1983/1984	Richard Chieng Ing Ku
1984/1985	Rick Siew
1985/1986	Kay Yew Chye
1986/1987	Margaret Chin Cheng Soon
1987/1988	Jeyaratnam Velupillai
1988/1990	Lynn T Kulasingham
1990/1992	Azhari Mohamed
1992/1993	Abdul Razak Abu Bakar
1993/1994	Stanley Yap Onn Nam
1994/1996	Lim Kien Chai
1996/1997	Vijayam Nadarajah
1997/1998	Mathuraiveran Marimuthu
1998/2000	Wong Yew Sen
2000/2002	Devanesan Evanson
2002/2004	Abd Razak Haron
2004/2006	Wee Hock Kee
2006/2008	Fatimah Abu Bakar
2008/2009	Walter Sandosam
2009/2011	Hashim Mohammed
2011/2013	Datin Josephine Low Suet Moi
2013/2014	Ranjit Singh Taram Singh
2014/2015	Philip Satish Rao
2015/2016	Dato' Shabaruddin Ibrahim
2016/2017	Lucy Wong Kam Yang
2017/2018	Hazimi Kassim - until 23/03/18

## Honorary Members

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

## Fellow Members

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

# FINANCIAL REPORT







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# GOVERNORS' REPORT

The Governors have pleasure in submitting their report together with the audited financial statements of The Institute of Internal Auditors Malaysia (the "Institute") for the financial year ended 31 December 2019.

## 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 in the nature of these activities during the financial year.

## Financial Results

	<b>RM</b>
Surplus for the financial year	<u>389,091</u>

## Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

## Dividends

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

## Governors

The Governors in office since the beginning of the current financial year until the date of this report are:

Chang Kong Chong	
Lucy Wong Kam Yang	
Zainal Akbar Bin S.K MD. Abdul Kader	
Norchahya Binti Ahmad	
Philip Satish Rao	
Ranjit Singh A/L Taram Singh	
Afeiz Bin Abdul Razak	
Dominic Chegne How Kooi	
Chong Kah Sing	
Nasrein Binti Fazal Sultan	
Mohd Khaidzir Bin Shahari	(appointed on 5.9.2019)
Tay Boon Hock	(appointed on 5.9.2019)
Sanjay Sidhu	(resigned on 15.2.2019)
Choo Wei Sin	(resigned on 27.4.2019)

## Board of Governors' Interests

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.

## Board of Governors' Benefits

Since the end of the previous financial year, no Governor of the Institute has received or become entitled to receive a benefit by reason of a contract made by the Institute with the Governor or with a firm of which the Governor is a member, or with a company in which the Governor has a substantial financial interest.

# GOVERNORS' REPORT

## Board of Governors' Benefits (Cont'd)

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

## Indemnity and Insurance Costs

There was no indemnity given to or insurance effected for any Governors, officers and auditors of the Institute in accordance with Section 289 of the Companies Act 2016.

## Other Statutory Information

- (a) Before the financial statements of the Institute were prepared, the Governors took reasonable steps:
  - (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debts to be written off and no allowance for doubtful debts was required; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Institute have been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Governors are not aware of any circumstances:
  - (i) which would render it necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements of the Institute; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Institute misleading; or
  - (iii) not otherwise dealt with in this report or the financial statements of the Institute which would render any amount stated in the financial statements misleading; or
  - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Institute misleading or inappropriate.
- (c) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Institute which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Institute which has arisen since the end of the financial year.
- (d) In the opinion of the Governors:
  - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Institute to meet its obligations as and when they fall due;
  - (ii) the results of the operations of the Institute during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Institute for the financial year in which this report is made.

# GOVERNORS' REPORT

## Auditors

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

The details of auditors' remuneration are disclosed in Note 15 to the financial statements.

Signed on behalf of the Board of Governors in accordance with a resolution of the Governors dated 16 June 2020.



**CHANG KONG CHONG**



**ZAINAL AKBAR BIN S.K  
MD. ABDUL KADER**

KUALA LUMPUR

## STATEMENT BY GOVERNORS

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

We, the undersigned, being the two Governors of the Institute, do hereby state that, in the opinion of the Governors, the financial statements set out on pages 50 to 79 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Institute as at 31 December 2019 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 dated 16 June 2020.



**CHANG KONG CHONG**



**ZAINAL AKBAR BIN S.K  
MD. ABDUL KADER**

KUALA LUMPUR

## STATUTORY DECLARATION

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

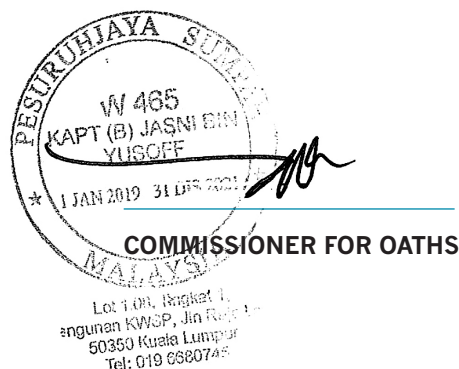
I, Afeiz Bin Abdul Razak, being the Governor primarily responsible for the financial management of The Institute of Internal Auditors Malaysia, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 50 to 79 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed at Kuala Lumpur in the )  
Federal Territory on 16 June 2020 )



**AFEIZ BIN ABDUL RAZAK**

Before me,





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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of The Institute of Internal Auditors Malaysia, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 79.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

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.

### 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 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 annual report 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 annual report and, in doing so, consider whether the annual report 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 the annual report, we are required to report that fact. We have nothing to report in this regard.

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

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

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

## 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 of the Institute represent the underlying transactions and events in a manner that achieves fair presentation.

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

## Other Matters

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



**UHY**  
Firm Number: AF 1411  
Chartered Accountants



**LIM BEE PENG**  
Approved Number: 03307/06/2021 J  
Chartered Accountant

KUALA LUMPUR  
16 June 2020

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 RM	2018 RM
<b>ASSETS</b>			
<b>Non-current asset</b>			
Property, plant and equipment	4	4,645,584	4,850,677
<b>Current assets</b>			
Inventories	5	32,779	52,298
Trade receivables	6	225,854	404,158
Other receivables	7	189,561	230,781
Fixed deposits with licensed banks	8	900,000	1,034,409
Cash and bank balances		3,285,817	2,784,425
		4,634,011	4,506,071
<b>Total assets</b>		9,279,595	9,356,748
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Research fund	9	153,888	138,158
Accumulated funds		7,994,613	7,621,252
<b>Total equity</b>		8,148,501	7,759,410
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Deferred tax liabilities	10	-	15,224
<b>Current liabilities</b>			
Trade payables	11	417,184	1,133,870
Other payables	12	560,549	406,169
Tax payable		153,361	42,075
		1,131,094	1,582,114
<b>Total liabilities</b>		1,131,094	1,597,338
<b>Total equity and liabilities</b>		9,279,595	9,356,748

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

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	2018 RM
Revenue	13	6,621,829	6,503,750
Direct costs	14	(2,814,339)	(3,441,322)
Gross surplus		3,807,490	3,062,428
Other income		206,789	245,401
Administrative expenses		(3,355,725)	(2,841,987)
Net gain on impairment of financial instruments		5,406	71,819
Surplus before tax	15	663,960	537,661
Taxation	16	(274,869)	(130,771)
Surplus for the financial year, representing total comprehensive income for the financial year		389,091	406,890

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

# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Research Fund RM	Accumulated Funds RM	Total Equity RM
<b>At 1 January 2018</b>		123,587	7,228,933	7,352,520
Surplus for the financial year, representing total comprehensive income for the financial year		-	406,890	406,890
Transfer from accumulated funds	9	14,571	(14,571)	-
<b>At 31 December 2018</b>		138,158	7,621,252	7,759,410
<b>At 1 January 2019</b>		138,158	7,621,252	7,759,410
Surplus for the financial year, representing total comprehensive income for the financial year		-	389,091	389,091
Transfer from accumulated funds	9	15,730	(15,730)	-
<b>At 31 December 2019</b>		153,888	7,994,613	8,148,501

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



# STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	2018 RM
<b>Cash Flows From Operating Activities</b>			
Surplus before tax		663,960	537,661
Adjustments for:			
Depreciation of property, plant and equipment		232,858	243,389
Deposit written off		-	424
Impairment losses on trade receivables		-	99
Inventories written down		685	421
Reversal of inventories written down		(280)	-
Interest income		(78,141)	(44,143)
Reversal of impairment losses on trade receivables		(5,406)	(71,918)
Unrealised gain on foreign exchange		(20,200)	(114,776)
Operating surplus before working capital changes		793,476	551,157
Change in working capital:			
Inventories		19,114	37,735
Trade receivables		184,551	208,532
Other receivables		41,220	(76,215)
Trade payables		(718,565)	1,054,329
Other payables		154,380	32,642
		(319,300)	1,257,023
Cash generated from operations		474,176	1,808,180
Tax refund		64,826	173,742
Tax paid		(243,633)	(32,482)
		(178,807)	141,260
Net cash from operating activities		295,369	1,949,440
<b>Cash Flows From Investing Activities</b>			
Purchase of property, plant and equipment		(27,765)	(36,426)
Interest received		78,141	44,143
Net (placement)/withdrawal of fixed deposits not for short-term funding requirements		(250,000)	100,000
Net cash (used in)/from investing activities		(199,624)	107,717
<b>Net increase in cash and cash equivalents</b>		95,745	2,057,157
<b>Effects of exchange translation differences on cash and cash equivalents</b>		21,238	108,440
<b>Cash and cash equivalents at the beginning of the financial year</b>		3,768,834	1,603,237
<b>Cash and cash equivalents at the end of the financial year</b>		3,885,817	3,768,834
<b>Cash and cash equivalents at the end of the financial year comprises:</b>			
Fixed deposits with licensed banks		900,000	1,034,409
Cash and bank balances		3,285,817	2,784,425
		4,185,817	3,818,834
Less: Deposits not for short term funding requirement		(300,000)	(50,000)
		3,885,817	3,768,834

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 1. Corporate Information

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

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 in the nature of these activities during the financial year.

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

## 2. Basis of Preparation

### (a) Statement of compliance

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

The financial statements of the Institute have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

### Adoption of new and amended standards

During the financial year, the Institute has adopted the following new standards and amendments to standards issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS16	Leases
IC Interpretation 23	Uncertainty Over Income Tax Treatment
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128 *	Long-term Interest in Associates and Joint Ventures

Annual Improvements to MFRSs 2015 - 2017 Cycle:

- Amendments to MFRS 3
- Amendments to MFRS 11
- Amendments to MFRS 112
- Amendments to MFRS 123

\* *This Standard does not apply to the Institute for the financial year ended 31 December 2019*

The adoption of the new standards and amendments to standards, where applicable, did not have any significant impact on the financial statements of the Institute, except for:

### MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 *Leases* are no longer required. MFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use ("ROU") asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the ROU asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2. Basis of Preparation (Cont'd)

### (a) Statement of compliance (Cont'd)

#### Adoption of new and amended standards (Cont'd)

The adoption of the new MFRSs, new Interpretation and Amendments to MFRSs did not have any significant impact on the financial statements of the Institute, except for: (Cont'd)

#### MFRS 16 Leases (Cont'd)

The ROU asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As permitted by the transitional provision of MFRS 16, the Institute has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

The Institute has also applied the following practical expedients when applying MFRS 16:

- Applied a single discount rate to portfolio of leases with reasonably similar characteristics.
- The Institute does not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- No adjustments are made on transition for leases for which the underlying assets are of low value.
- Excluded initial direct costs from measuring the ROU assets at the date of initial application.
- The Institute uses hindsight in determining lease terms for contracts that contain options for extension.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2. Basis of Preparation (Cont'd)

### (a) Statement of compliance (Cont'd)

#### Standards issued but not yet effective

The Institute has not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Institute:

		Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
Amendments to MFRS 16	Covid-19 - Related Rent Concessions	1 June 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current	1 January 2022
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRSs Standards 2018 - 2020:		1 January 2022
<ul style="list-style-type: none"> <li>• Amendments to MFRS 1</li> <li>• Amendments to MFRS 9</li> <li>• Amendments to MFRS 16</li> <li>• Amendments to MFRS 141</li> </ul>		
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Institute intends to adopt the above new standards and amendments to standards, if applicable, when they become effective.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2. Basis of Preparation (Cont'd)

- (a) Statement of compliance (Cont'd)

### Standards issued but not yet effective (Cont'd)

The initial application of the above-mentioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Institute.

- (b) Functional and presentation currency

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

- (c) Significant accounting judgements, estimates and assumptions

The preparation of the Institute's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### Judgements

There are no significant areas of critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

#### Useful lives of property, plant and equipment

The Institute regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment is disclosed in Note 4.

#### Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Institute estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Institute's products, the Institute might be required to reduce the value of its inventories. The details of inventories are disclosed in Note 5.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2. Basis of Preparation (Cont'd)

- (c) Significant accounting judgements, estimates and assumptions (Cont'd)

### Key sources of estimation uncertainty (Cont'd)

#### Provision for expected credit loss of financial assets at amortised cost

The Institute uses a provision matrix to calculate expected credit loss for trade receivables. The provision rates are based on number of days past due.

The provision matrix is initially based on the Institute's historical observed default rates. The Institute will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated.

The assessment of the correlation between historical observed default rates and expected credit loss is a significant estimate. The Institute's historical credit loss experience may not be representative of customer's actual default in the future. Information about the expected credit loss on the Institute's trade receivables is disclosed in Note 6.

#### Determination of transaction prices

The Institute is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement, the Institute assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from rendering of services is based on invoiced values. Discounts are not considered as they are only given in rare circumstances.

#### Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Institute recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2019, the Institute has tax payable of RM153,361 (2018: RM42,075).

## 3. Significant Accounting Policies

The Institute applies the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

- (a) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the Institute using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. Significant Accounting Policies (Cont'd)

### (b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(i)(i) on impairment on non-financial assets.

#### (i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the asset, and the present value of the expected cost for the decommissioning of the assets after its use. The cost of self-constructed asset also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Institute and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

#### (iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost of each asset to its residual value over its estimated useful life.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold premises	2%
Air conditioners	20%
Computers and software	20% - 33.33%
Furniture and fittings	20%
Office equipment	20%
Office renovation	20%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period 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 property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. Significant Accounting Policies (Cont'd)

### (c) Leases

#### Policy applicable from 1 January 2019

The Institute recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(i)(i) on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Institute's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Institute is reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate but are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Institute changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM10,000 each when purchased new.

#### Policy applicable before 1 January 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

#### As lessee

##### (i) Finance lease

Leases in terms of which the Institute assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. Significant Accounting Policies (Cont'd)

### (c) Leases (Cont'd)

#### Policy applicable before 1 January 2019 (Cont'd)

##### As lessee (Cont'd)

#### (ii) Operating lease

Leases, where the Institute does not assume substantially all the risks and rewards of ownership, are classified as operating leases and are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

### (d) Financial assets

#### Recognition and initial measurement

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

At initial recognition, the Institute measures a financial asset at its fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments. Transaction costs of financial assets carried at fair value through profit or loss ("FVTPL") are expensed in profit or loss.

#### Financial asset categories and subsequent measurement

The Institute determines the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Institute changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Institute's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### (i) Financial assets at amortised cost

The Institute measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss.

The Institute's financial assets at amortised cost comprise trade and other receivables, fixed deposits with licensed banks and cash and bank balances.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. Significant Accounting Policies (Cont'd)

### (d) Financial assets (Cont'd)

#### Financial asset categories and subsequent measurement (Cont'd)

#### (ii) Financial assets at fair value through other comprehensive income ("FVTOCI")

The Institute has not designated any financial assets at FVTOCI.

#### (iii) Financial assets at fair value through profit or loss

The Institute has not designated any financial assets at FVTPL.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment as disclosed in note 3(i)(ii).

#### Regular way purchase or sale of financial assets

Regular way purchase or sale are purchase or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchase or sale of financial assets are recognised or derecognised on the trade date, i.e. the date that the Institute commits to purchase or sell the asset.

#### Derecognition

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 for financial instrument is recognised in profit or loss.

### (e) Financial liabilities

#### Recognition and initial measurement

Financial liabilities 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.

At initial recognition, the Institute measures a financial liability at its fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments.

#### Financial liability categories and subsequent measurement

The Institute classifies its financial liabilities as follows:

#### (i) Financial liabilities at amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

The Institute's financial liabilities at amortised cost comprise trade and other payables.

#### (ii) Financial liabilities at fair value through profit or loss

The Institute has not designated any financial liabilities as FVTPL.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. Significant Accounting Policies (Cont'd)

### (e) Financial liabilities (Cont'd)

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 profit or loss.

### (f) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### (g) Inventories

Inventories, which mainly comprise the publications and books from the Institute are stated at the lower of cost and net realisable value.

Cost of publications and books comprises cost of purchase and other costs incurred in bringing them to their present location and the condition is determined on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sales.

### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of pledged deposits, if any.

### (i) Impairment of assets

#### (i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. Significant Accounting Policies (Cont'd)

### (i) Impairment of assets (Cont'd)

#### (i) Non-financial assets (Cont'd)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

#### (ii) Financial assets

The Institute recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Institute expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade and other receivables, the Institute applies a simplified approach in calculating ECLs. Therefore, the Institute does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Institute has established a provision matrix that is based on its historical credit loss experience to the debtors and the economic environment.

### (j) Employee benefits

#### (i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period 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 are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

#### (ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees' Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

Once the contributions have been paid, the Institute has no further payment obligations.

### (k) Revenue recognition

#### (i) Revenue from contracts with customers

Revenue is recognised when the Institute satisfied a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. Significant Accounting Policies (Cont'd)

### (k) Revenue recognition (Cont'd)

#### (i) Revenue from contracts with customers (Cont'd)

The Institute recognises revenue from the following major sources:

##### (1) Revenue from operations

Revenue from seminars, conferences, workshops, Quality Assessment Review ("QAR") and certification income is recognised in the reporting period in which the services are performed.

Revenue from examination fees is recognised when candidates registered and sat for the examination.

Entrance fees and membership subscriptions are recognised as revenue on a cash basis for the fees received in respect of the financial year. However, where the subscriptions are received in advance for the following year's subscription, a contract liability is recognised. The contract liability would be recognised as revenue in the year of subscription.

##### (2) Sale of publications and books

Income from sale of publications and books are recognised when control of the publications and books are transferred, being at the point the customer purchases the publications and books.

#### (ii) Interest income

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

### (l) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 4. Property, Plant and Equipment

	Freehold premises RM	Air conditioners RM	Computers and software RM	Furniture and fittings RM	Office equipment RM	Office renovation RM	Total RM
<b>2019</b>							
<b>Cost</b>							
At 1 January 2019	4,828,564	6,840	434,408	189,453	119,790	318,030	5,897,085
Additions	-	-	24,845	-	2,920	-	27,765
At 31 December 2019	4,828,564	6,840	459,253	189,453	122,710	318,030	5,924,850
<b>Accumulated depreciation</b>							
At 1 January 2019	257,523	3,648	386,089	114,084	115,448	169,616	1,046,408
Charge for the financial year	96,572	1,368	35,924	32,300	3,088	63,606	232,858
At 31 December 2019	354,095	5,016	422,013	146,384	118,536	233,222	1,279,266
<b>Carrying amount</b>							
At 31 December 2019	4,474,469	1,824	37,240	43,069	4,174	84,808	4,645,584
<b>2018</b>							
<b>Cost</b>							
At 1 January 2018	4,828,564	6,840	398,762	189,453	119,010	318,030	5,860,659
Additions	-	-	35,646	-	780	-	36,426
At 31 December 2018	4,828,564	6,840	434,408	189,453	119,790	318,030	5,897,085
<b>Accumulated depreciation</b>							
At 1 January 2018	160,952	2,280	339,791	81,782	112,204	106,010	803,019
Charge for the financial year	96,571	1,368	46,298	32,302	3,244	63,606	243,389
At 31 December 2018	257,523	3,648	386,089	114,084	115,448	169,616	1,046,408
<b>Carrying amount</b>							
At 31 December 2018	4,571,041	3,192	48,319	75,369	4,342	148,414	4,850,677

The strata title of freehold premises with a net carrying amount of RM4,474,469 (2018: RM4,571,041) is pending issuance by the relevant authorities.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 5. Inventories

	2019 RM	2018 RM
Publications and books	32,779	52,298
<b>Recognised in profit or loss:</b>		
Inventories recognised as cost of sales	255,657	255,420
Inventories written down	685	421
Reversal of inventories written down	(280)	-

## 6. Trade Receivables

	2019 RM	2018 RM
Trade receivables	234,062	429,528
Less: Accumulated impairment losses	(8,208)	(25,370)
	225,854	404,158

Generally, sales are on cash term save for certain customers who are given credit terms of 30 to 60 days (2018: 30 to 60 days). Trade receivables mainly comprise conference, seminar, training and other events fees receivables. The Institute maintains an ageing analysis in respect of trade receivables only.

Movement in the allowance for impairment losses are as follows:

	Lifetime allowance RM	Credit impaired RM	Loss allowance RM
At 1 January 2019	13,614	11,756	25,370
Reversal of impairment losses <sup>(1)</sup>	(5,406)	-	(5,406)
Amount written off	-	(11,756)	(11,756)
At 31 December 2019	8,208	-	8,208
At 1 January 2018, as previously stated	-	138,530	138,530
Effect on adoption of MFRS 9 <i>Financial Instruments</i>	13,515	-	13,515
At 1 January 2018, as restated	13,515	138,530	152,045
Impairment losses recognised	99	-	99
Reversal of impairment losses	-	(71,918) <sup>(1)</sup>	(71,918)
Amount written off	-	(54,856)	(54,856)
At 31 December 2018	13,614	11,756	25,370

<sup>(1)</sup> Impairment losses reversed during the financial year when the related amounts were collected.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 6. Trade Receivables (Cont'd)

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Institute is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The ageing analysis of trade receivables at the end of the reporting period is as follows:

	Gross amount RM	Loss allowance RM	Net amount RM
<b>2019</b>			
Not past due	36,457	(176)	36,281
Past due:			
1 to 30 days	30,613	(224)	30,389
31 to 60 days	43,469	(636)	42,833
More than 60 days	123,523	(7,172)	116,351
	197,605	(8,032)	189,573
	234,062	(8,208)	225,854
<b>2018</b>			
Not past due	15,037	(104)	14,933
Past due:			
1 to 30 days	72,765	(772)	71,993
31 to 60 days	154,510	(3,147)	151,363
More than 60 days	175,460	(9,591)	165,869
	402,735	(13,510)	389,225
<b>Credit impaired</b>			
Individually impaired	11,756	(11,756)	-
	429,528	(25,370)	404,158

Trade receivables that are neither past due nor individually impaired are creditworthy receivables with good payment records with the Institute.

As at 31 December 2019, the Institute has trade receivables amounting to RM189,573 (2018: RM389,225) which were past due but not individually impaired. These relate to a number of independent customers with slower repayment records.

As at 31 December 2019, there were no trade receivables of the Institute that were individually assessed to be impaired. The trade receivables that were individually assessed to be impaired as at 31 December 2018 amounting to RM11,756 pertained to customers that had defaulted on payment due to financial difficulties, and which were expected to be recovered through the debt recovery process, failing which the debts would be written off.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 7. Other Receivables

	2019 RM	2018 RM
Other receivables		
- Related party (ACIIA)	15,079	51,412
- Third parties	27,828	21,387
	42,907	72,799
Deposits	22,828	22,828
Prepayments	123,826	129,044
GST receivable	-	6,110
	189,561	230,781

Related party of the Institute is Asian Confederation of Institutes of Internal Auditors (ACIIA) amounting to RM15,079 (2018: RM51,412) which is non-trade in nature, non-interest bearing, unsecured and repayable on demand. ACIIA is related to the Institute by virtue of a common Governor.

## 8. Fixed Deposits with Licensed Banks

	2019 RM	2018 RM
Deposit with tenures of less than 3 months	600,000	984,409
Deposit with tenures of more than 3 months	300,000	50,000
	900,000	1,034,409

The interest rates and the maturities of the fixed deposits range from 1.70% to 3.60% (2018: 2.95% to 3.90%) per annum and 10 to 184 days (2018: 30 to 365 days) respectively.

## 9. Research Fund

	2019 RM	2018 RM
At 1 January	138,158	123,587
Transfer from accumulated funds	15,730	14,571
At 31 December	153,888	138,158

The objectives of the research fund are:

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 10. Deferred Tax Liabilities

	2019 RM	2018 RM
At 1 January	15,224	22,992
Recognised in profit or loss (Note 16)	(15,224)	(7,768)
At 31 December	-	15,224

The net deferred tax liability and asset shown on the statement of financial position after appropriate offsetting are as follows:

	2019 RM	2018 RM
Deferred tax liability	15,774	24,153
Deferred tax asset	(15,774)	(8,929)
	-	15,224

The components and movements of the deferred tax liability and asset are as follows:

### Deferred tax liability

	2019 RM	2018 RM
<b>Accelerated capital allowances</b>		
At 1 January	24,153	22,992
Recognised in profit or loss	(4,643)	(8,256)
(Over)/Under provision in prior years	(3,736)	9,417
At 31 December	15,774	24,153

### Deferred tax asset

	2019 RM	2018 RM
<b>Other temporary differences</b>		
At 1 January	(8,929)	-
Recognised in profit or loss	(4,744)	(7,375)
Under provision in prior years	(2,101)	(1,554)
At 31 December	(15,774)	(8,929)

Deferred tax asset has not been recognised in respect of the following item:

	2019 RM	2018 RM
Other temporary differences	18,019	-

Deferred tax asset has not been recognised in respect of such temporary differences as the Institute is not reasonably certain of available future taxable profits against which the temporary differences can be utilised.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 11. Trade Payables

The normal trade credit terms granted to the Institute is 60 days (2018: 60 days) depending on the terms of the contracts.

## 12. Other Payables

	Note	2019 RM	2018 RM
Other payables		123,188	12,578
Accruals	(a)	389,608	347,634
Contract liabilities	(b)	47,753	45,957
		<u>560,549</u>	<u>406,169</u>

(a) Included in accruals is an amount in relation to the accrual for bonus amounting to RM202,529 (2018: RM76,090). The bonus was subsequently paid in March 2020.

(b) Contract liabilities represents advance subscription received from members and examination fees received from candidates registered for examination. The contract liability will be recognised as revenue in the year of subscription and when candidates sit for the examination respectively.

## 13. Revenue

	2019 RM	2018 RM
<b>Revenue from contracts with customers</b>		
Entrance fees and subscriptions	1,048,742	914,458
Seminar and conference income	4,468,253	4,534,496
Examination fees	559,120	554,237
Quality Assessment Review fees	545,714	500,559
	<u>6,621,829</u>	<u>6,503,750</u>
<b>Timing of revenue recognition</b>		
At a point in time	6,076,115	6,003,191
Over time	545,714	500,559
Total revenue from contract with customers	<u>6,621,829</u>	<u>6,503,750</u>

## 14. Direct Costs

	2019 RM	2018 RM
Members' activities	369,246	366,472
Seminars and conferences	2,049,172	2,796,491
Examination	222,235	124,537
Quality Assessment Review	173,686	153,822
	<u>2,814,339</u>	<u>3,441,322</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 15. Surplus before Tax

Surplus before tax is derived after charging/(crediting) amongst other, the following items:

	2019 RM	2018 RM
Auditors' remuneration		
- Current year	28,000	25,000
- Under provision in prior year	-	3,000
Depreciation of property, plant and equipment	232,858	243,389
Deposit written off	-	424
Impairment losses on trade receivables	-	99
Inventories written down	685	421
Reversal of inventories written down	(280)	-
Loss/(Gain) on foreign exchange		
- Realised	109,500	4,896
- Unrealised	(20,200)	(114,776)
Rental of office equipment	7,872	8,542
Rental of storage space	3,595	3,717
Fixed deposits interest income	(78,141)	(44,143)
Reversal of impairment losses on trade receivables	(5,406)	(71,918)

## 16. Taxation

	2019 RM	2018 RM
<b>Tax expenses recognised in profit or loss</b>		
<b>Malaysian income tax:</b>		
Current tax provision	264,484	124,741
Under provision in prior years	25,609	13,798
	<u>290,093</u>	<u>138,539</u>
<b>Deferred tax (Note 10):</b>		
Relating to origination or reversal of temporary differences	(9,387)	(15,631)
(Over)/Under provision in prior years	(5,837)	7,863
	<u>(15,224)</u>	<u>(7,768)</u>
	<u>274,869</u>	<u>130,771</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 16. Taxation (Cont'd)

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

	2019 RM	2018 RM
Surplus before tax	663,960	537,661
At Malaysian statutory tax rate of 24% (2018: 24%)	159,350	129,039
Tax effects on scale rates	1,484	(9,746)
Income not subject to tax	(69,938)	(103,580)
Expenses not deductible for tax purposes	159,877	93,397
Deferred tax asset not recognised	4,324	-
Under provision of income tax in prior years	25,609	13,798
(Over)/Under provision of deferred tax in prior years	(5,837)	7,863
Tax expenses for the financial year	274,869	130,771

## 17. Staff Costs

	2019 RM	2018 RM
Salaries, wages and other emoluments	1,822,304	1,495,765
Defined contribution plans	237,923	187,820
Social security contributions	15,646	15,031
Other benefits	88,925	83,511
	2,164,798	1,782,127

## 18. Related Parties Disclosure

### (a) Identifying 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 or jointly 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. 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 comprise the Governors and management personnel of the Institute, having authority and responsibility for planning, directing and controlling the activities of the Institute directly and indirectly.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 18. Related Parties Disclosure (Cont'd)

### (b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in Note 7, the related party transactions of the Institute are as follows:

	2019 RM	2018 RM
Fees paid to Governors or to a company in which the Governor has substantial financial interest for services rendered in income generating projects	-	12,500
Members' annual subscription fees paid by Governors	4,250	5,498

Remuneration of other members of key management are as follows:

	2019 RM	2018 RM
Short-term employee benefits	709,267	556,001
Post-employment employee benefits	79,924	63,138
	789,191	619,139

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 19. 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 principal accounting policies in Note 3 describe how the classes of the financial instruments are measured and how income and expenses including fair value gains or 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:

	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>2019</b>			
<b>Financial Assets</b>			
Trade receivables	225,854	-	225,854
Other receivables *	65,735	-	65,735
Fixed deposits with licensed banks	900,000	-	900,000
Cash and bank balances	3,285,817	-	3,285,817
	<u>4,477,406</u>	<u>-</u>	<u>4,477,406</u>
<b>Financial Liabilities</b>			
Trade payables	-	417,184	417,184
Other payables #	-	512,796	512,796
	<u>-</u>	<u>929,980</u>	<u>929,980</u>
<b>2018</b>			
<b>Financial Assets</b>			
Trade receivables	404,158	-	404,158
Other receivables *	95,627	-	95,627
Fixed deposits with licensed banks	1,034,409	-	1,034,409
Cash and bank balances	2,784,425	-	2,784,425
	<u>4,318,619</u>	<u>-</u>	<u>4,318,619</u>
<b>Financial Liabilities</b>			
Trade payables	-	1,133,870	1,133,870
Other payables #	-	360,212	360,212
	<u>-</u>	<u>1,494,082</u>	<u>1,494,082</u>

\* Excluding prepayments and GST receivable

# Excluding contract liabilities

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 19. Financial Instruments (Cont'd)

### (b) Financial risk management objectives and policies

The Institute's financial risk management policy is to ensure that adequate financial resources are available for the development of the Institute's operations whilst managing its financial risks, including credit, liquidity, foreign currency and interest rate risks. The Institute operates within clearly defined guidelines that are approved by the Board and the Institute's policy is not to engage in speculative transactions.

The following sections provide details regarding the Institute's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

#### (i) Credit risk

Credit risk is the risk of a financial loss to the Institute if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Institute's exposure to credit risk arises principally from its receivables from customers and deposits with licensed banks. There are no significant changes as compared to prior years.

The Institute has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with licensed banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action is taken for long outstanding debts.

At each reporting date, the Institute assesses whether any of the receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Institute determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statement of financial position at the end of the reporting period represent the Institute's maximum exposure to credit risk.

At the end of the reporting period, the Institute's credit exposure is concentrated mainly on 1 debtor (2018: 2 debtors), which accounted for 15% (2018: 43%) of the total trade receivables.

#### (ii) Liquidity risk

Liquidity risk refers to the risk that the Institute will encounter difficulty in meeting its financial obligations as they fall due. The Institute's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Institute's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Institute finances its liquidity through internally generated cash flows.

All financial liabilities of the Institute are assessed as current and correspondingly, no detailed maturity analysis is deemed necessary.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 19. Financial Instruments (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### (iii) Market risk

##### (a) Foreign currency 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 is exposed to foreign currency risk on transactions that are denominated in currency other than the functional currency of the Institute. The currency giving rise to this risk is primarily United States Dollar ("USD").

The carrying amounts of the Institute's foreign currency denominated financial assets and financial liability at the end of the reporting period are as follows:

	Denominated in USD	
	2019 RM	2018 RM
<b>Financial assets</b>		
Trade receivables	36,996	192,714
Cash and bank balances	140,419	427,653
<b>Financial liability</b>		
Trade payables	(82,678)	-
	<u>94,737</u>	<u>620,367</u>

#### Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Institute's surplus before tax for the financial year to a reasonably possible change in the USD exchange rate against RM, with all other variables held constant:

	Changes in currency rate	2019 Effect on surplus before tax RM	Changes in currency rate	2018 Effect on surplus before tax RM
USD	Strengthened 10% Weakened 10%	<u>9,474</u> <u>(9,474)</u>	Strengthened 10% Weakened 10%	<u>62,037</u> <u>(62,037)</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 19. Financial Instruments (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### (iii) Market risk (Cont'd)

##### (b) Interest rate risk

The Institute's fixed rate deposits placed with licensed banks are exposed to a risk of change in their fair value due to changes in interest rates.

The Institute does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The carrying amount of the Institute's financial instruments that are exposed to interest rate risk is as follows:

	2019 RM	2018 RM
<b>Fixed rate instruments</b>		
<b>Financial asset</b>		
Fixed deposits with licensed banks	900,000	1,034,409

##### Interest rate risk sensitivity analysis

The Institute does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

### (c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables and cash and cash equivalents approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

As the financial assets and financial liabilities of the Institute are not carried at fair value by any valuation method, therefore the fair value hierarchy analysis is not presented.

## 20. Capital Management

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

- (i) To be the recognised voice for the internal audit profession;
- (ii) To develop and sustain the internal audit profession in Malaysia through appropriate infrastructure, coordination, support and communication; and
- (iii) 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.

There were no changes in the Institute's approach to capital management during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

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## 21. Comparative Figures

The following reclassifications were made to the financial statements of prior year to be consistent with current year presentation.

	As previously stated RM	Reclassification RM	As restated RM
<b>Statement of Profit or Loss and Other Comprehensive Income</b>			
Revenue	6,401,341	102,409	6,503,750
Other income	419,728	(174,327)	245,401
Administrative expenses	2,842,086	(99)	2,841,987
Net gain on impairment of financial instruments	-	71,819	71,819

## 22. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Governors in accordance with a resolution of the Governors on 16 June 2020.

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