

ANNUAL REPORT
2020

“Embrace
the
Resilience”

VALUES



COLLABORATION



COURAGE



UNITY IN DIVERSITY



NATIONAL AND REGIONAL MINDSET



INNOVATION



INTEGRITY



SERVICE EXCELLENCE



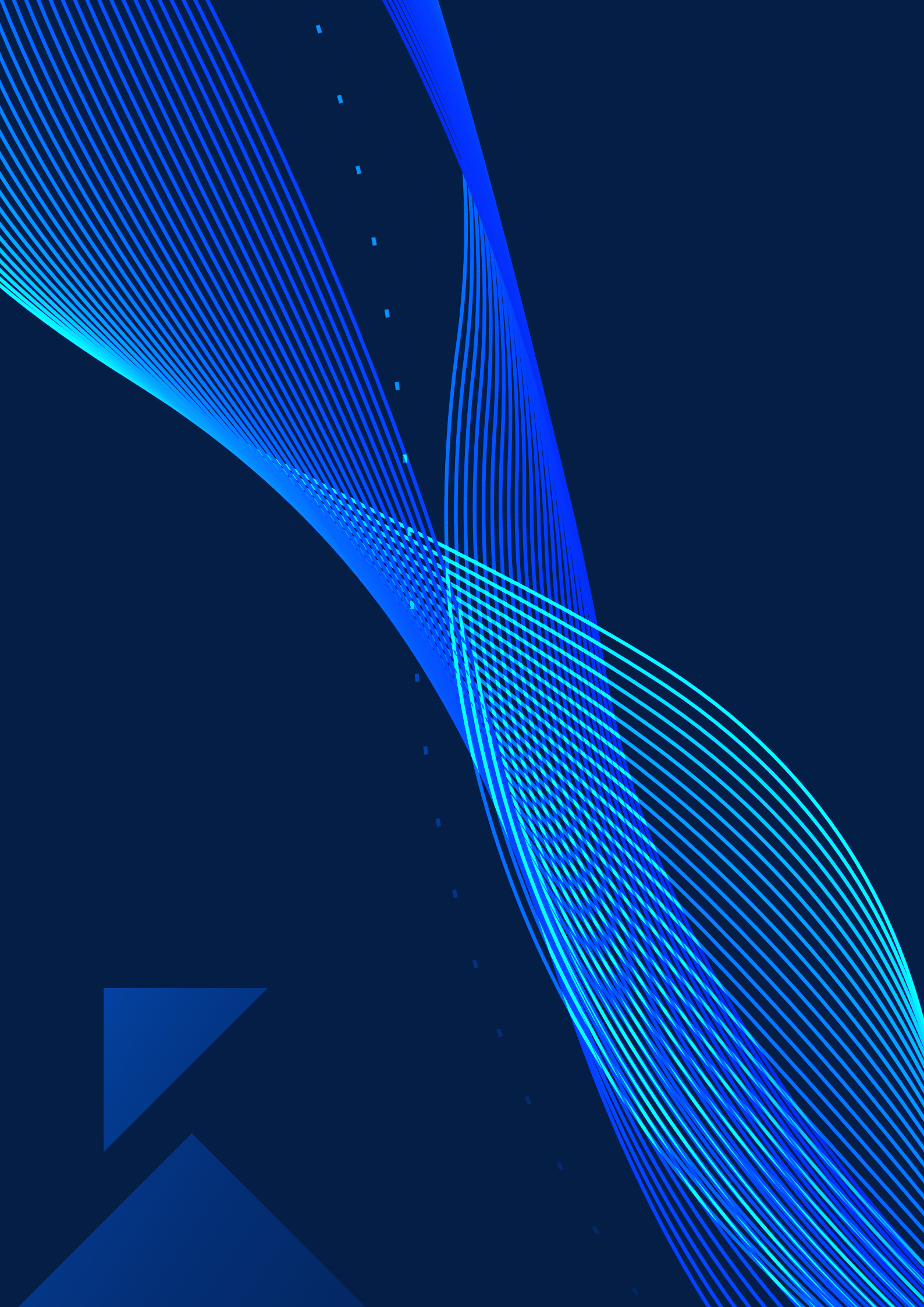
RESPECT



PROFESSIONALISM

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VISION, MISSION & OBJECTIVES



Vision

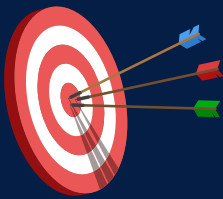
Internal Audit professionals will be recognised as indispensable to effective governance, risk management and control.



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-SIXTH (26TH) ANNUAL GENERAL MEETING OF THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA WILL BE CONDUCTED **FULLY VIRTUAL** THROUGH AN **ONLINE MEETING PLATFORM** AT <https://conveneagm.com/my/iiamagm> PROVIDED BY AZEUS CONVENE MALAYSIA SDN BHD [REGISTRATION NO. 201601013112 (1184043-M)] IN MALAYSIA ON **SATURDAY, 4 SEPTEMBER 2021 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 2020 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 the Institute's Constitution are:-
 - Affeiz Bin Abdul Razak
 - Chong Kah Sing
 - Dominic Chegne How Kooi

Affeiz Bin Abdul Razak, Chong Kah Sing and Dominic Chegne How Kooi have offered themselves for re-election.
 - b. Elect new members to the Board of Governors for the year 2021/2022 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.
4. To transact any other business for which due notice has been given in accordance with the Companies Act 2016 and the Institute's Constitution.

By Order of the Board

WONG WAI FOONG (MAICSA 7001358)

(SSM PC NO. 202008001472)

WONG PEIR CHYUN (MAICSA 7018710)

(SSM PC NO. 202008001742)

Company Secretaries

Kuala Lumpur

13 August 2021

NOTICE OF ANNUAL GENERAL MEETING

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

NOTES:-

1. IMPORTANT NOTICE

Members are to attend, pose questions to the Board via submission of typed texts and vote (collectively, “participate”) remotely at this Annual General Meeting (“AGM”) virtually by facilities provided by Azeus Convene Malaysia Sdn Bhd [Registration No. 201601013112 (1184043-M)] 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 2020

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 Alan Chang Kong Chong

Alan Chang Kong Chong who retires and has served a maximum of three (3) consecutive terms and is not eligible for re-election pursuant to the Institute’s Constitution. Hence, he will retire at the conclusion of this 26th AGM.

PROFILE OF THE BOARD OF GOVERNORS 2020/2021



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.

He currently leads the IIA Malaysia (IIAM) as its President and Chair of IIAM's Board of Governors and Executive Committee. 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.



VICE PRESIDENT

NORCHAHYA AHMAD *CMIIA, CIMA, AMBCI*

Norchahya started her career in Bank Negara Malaysia in the areas of accounting and finance, internal audit and corporate affairs. Spanning over 30 years, she has held positions as Head of Internal Audit, Head of Risk Management, Group Internal Auditor and Group Financial Controller in leading car distributor companies. Depending on the positions, she 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 advisory in strategic task force and projects.

Norchahya has been a member of The Institute Internal Auditors Malaysia (IIAM) since 1995 and was elected to the Board of IIAM in 2017. She is currently the Vice President and chairs the Professional Development Committee of the Institute. Norchahya has provided guidance in the development of a professional certification programme in risk management for 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 is also an Independent Non-Executive Director of a company primarily involved in the provision of civil engineering services and sale of construction materials.

Norchahya has been invited as a speaker in IIAM conferences and at numerous sharing/ networking sessions organised by ARiMM, Malaysia Association of Risk and Insurance Management, public listed companies and universities.

PROFILE OF THE BOARD OF GOVERNORS 2020/2021



VICE PRESIDENT

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. He also sits as a Governor for the Institute of Internal Auditors Malaysia.

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. This includes providing advisory services to configuration and design of the solution, PMO and change management services for the client. His team works with several notable solution providers in the eGRC space.

Dominic's existing portfolio also resides in many Financial Institutions (both local and international) on Compliance matters predominantly on AML/CFT, Regulatory and Compliance Risk Assessments. He has worked on several end-to-end AML/CFT engagements ranging from thematic assessments, gap analysis reviews, implementation design, scenario tuning, sustainability testing and KYC file reviews.



HONORARY SECRETARY

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 2020/2021



HONORARY TREASURER

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

BH Tay is currently the Chief Auditor of Parkson Retail Asia Limited, a leading Southeast Asian department store retailer. Collectively, he has more than twenty years of working experience in internal and external audit, accounting and finance, operations and security management, process and system improvements, and project management.

Mr. Tay is a Certified Internal Auditor, a Chartered Member of IIAM, a fellow member of the ACCA and a member of the Malaysia Institute of Accountants (MIA).

Prior to the current position as the honorary treasurer, he served as the Chairman of the Certification & Academic Relations Committee (CARC) for 2018/2019 term and also served as a committee member for Professional Service Committee (PSC) between 2016 to 2018.



GOVERNOR AND IMMEDIATE PAST PRESIDENT

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

Chartered Banker (AICB), Certified Bank Auditor (AICB), Certified Credit Professional (AICB), B.Economics (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 serves the Board of the IIA Malaysia (IIAM) as its Immediate Past President and 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 all commercial, Islamic and investment banks in Malaysia.

PROFILE OF THE BOARD OF GOVERNORS 2020/2021



GOVERNOR

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

Afeiz Abdul Razak is Chairman of Professional Services Committee at IIA Malaysia (IIAM) and is a Member of IIAM's Board of Governors (BOG). He has also served in the EXCO and as Honorary Treasurer at IIAM for term 2018/2019 to 2019/2020.

He is Chief Executive Officer at GRC Consulting Services (GRCCS) specialising in Governance, Risk and Compliance (GRC), Internal Audit (IA) and Business Continuity Management (BCM) Advisory Services. He has more than 20 years of experience in GRC, IA and BCM, both as consultant and practitioner.

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

Afeiz has served as IIAM's Honorary Secretary in 2010/2011 and as a Member of the BOG from 2010 to 2013 as well. He was also a Member of the Professional Services Committee at IIAM 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 has served as a Member of International Committee of The Risk Management Society, RIMS (US) in 2017/2018; and as a Member of 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).



GOVERNOR

MOHD KHAIDZIR 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 in 1999, he was the Head of Internal Audit of a financial institution and became a member of the Chief Internal Audit Networking Group ("CIANG").

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 chairs the Research and Technical Advisory Committee.

In KPMG, he has been providing governance, risk and controls advisory services to public listed companies, government-linked companies, multi-national corporations, and large enterprises. He was seconded to KPMG in Bermuda in 2014 focusing on advisory in financial services.

PROFILE OF THE BOARD OF GOVERNORS 2020/2021



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). He chairs the Certification & Academy Relations Committee (CARC) and sits on the Internal Quality Assurance (IQA) Committee. Previously, he sat on the Professional Services Committee (PSC) and 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

HAIKEL ISMAIL *CMIIA, CIA, CRMA, CFE, ACMA, CGMA, MBA, BCM*

Haikel Ismail is an accomplished professional with over 24 years of experience in governance, internal audit and risk management.

He has established and led various risk management and internal audit functions at both private and public listed companies covering industries that includes construction, oil and gas, property, power, water utilities, telecommunication, infrastructure, public transportation and service industries.

He is currently the Chief Internal Auditor, Group Internal Audit at Telekom Malaysia Berhad.

PROFILE OF THE BOARD OF GOVERNORS 2020/2021



GOVERNOR

SANTOSH GOVIND *CMIIA, CA(M), MICPA, MBA*

Santosh is currently the Chief Audit Executive in Eco World International Berhad. A total of 19 years internal audit experience which include heading and establishing the internal audit functions of various listed companies as well as working in a leading firm providing internal audit services.

Santosh is involved in Enterprise Risk Management engagements and Risk based Internal Audits together with Governance reviews. His experience includes the training of internal auditors of public listed companies on the enterprise risk management and risk based internal audit methodologies which include being a speaker in various other platforms.

Santosh was also previously a Financial Controller of a public listed company and has also more than 7 years of external audit experience while working in a medium sized accounting firm.



GOVERNOR

DEREK LEE SIEW WENG *CMIIA, CIA, CRMA, CPA (M), CA (M), CBCI*

Derek Lee is a professional who has accumulated 29 years of experiences in auditing (financial & internal), financial management, and business advisory. Derek has worked in both commercial organisation as the head of internal audit for PLC as well as leading corporate and financial functions for organisations in Malaysia and UK.

Derek is currently undertaking the professional advisory role, serving as the Senior Executive Director at Tricor Axcelasia Sdn Bhd, advising and working with many business owners and corporate leaders on various Governance, Risk, and Compliance ('GRC') application engagements. From the business advisory journey, Derek has assisted business owners and corporate leaders to strategise their business planning & execution and helping them to appreciate and see the connection between business excellence and strong GRC applications.

Derek is passionate on building capability among the internal audit fraternity and has been involved in many conferences, seminars and trainings on the topics of internal audit, risk management and business continuity management.

MEETINGS AND ATTENDANCES

BOARD OF GOVERNORS 2020/2021

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

Zainal Akbar Abdul Kader	6/6
Norchahya Ahmad	6/6
Dominic Chegne How Kooi	5/6
Tay Boon Hock	5/6
Nasrein Fazal Sultan	6/6
Chong Kah Sing	6/6
Alan Chang Kong Chong	6/6
Affeiz bin Abdul Razak	6/6
Mohd Khaidzir Shahari	6/6
Haikel Ismail	6/6
Derek Lee Siew Weng	6/6
Santosh Govind	6/6

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

Zainal Akbar Abdul Kader	6/6
Norchahya Ahmad	6/6
Dominic Chegne How Kooi	5/6
Nasrein Fazal Sultan	5/6
Tay Boon Hock	6/6

COMMITTEE MEETINGS

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

Meeting Attendance

Professional Development Committee (PDC)

Norchahya Ahmad	4/4
Nasrein Fazal Sultan	3/4
Khoo Yu Lian	4/4
Catherine Yee Poh Chun	4/4
Malcolm Kor Cheng Meng	3/4

Professional Services Committee (PSC)

Affeiz Abdul Razak	3/3
Santosh Govind	3/3
Adrian Ong Ching Woo	3/3
Karthigayan Supramaniam	2/3
Zoey Khoo Hsien Hsiang	3/3

MEETINGS AND ATTENDANCES

COMMITTEE MEETINGS (Cont'd)

Meeting Attendance

Certification and Academic Relations Committee (CARC)

Chong Kah Sing	3/3
Haikel Ismail	3/3
Chang Ming Chew	3/3
Wong Ket Keong	3/3
Chong Yu Cheang	2/3
Chew Soon Leong	2/3

Research & Technical Advisory Committee (RTAC)

Mohd Khaidzir Shahari	4/4
Derek Lee Siew Weng	4/4
Wong Chae Sing	2/4
Yap Tat Hiung	4/4
Lee Min On (Permanent Invitee)	2/4

Internal Quality Assurance Committee (IQAC)

Alan Chang Kong Chong	2/2
Tay Boon Hock	2/2
Chong Kah Sing	2/2
Haikel bin Ismail	2/2
Alan Chang Kong Chong	2/2

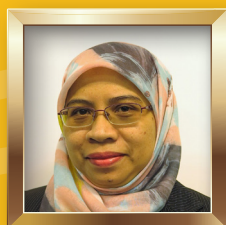
THE SECRETARIAT



Geetha Kanny
Executive Director



Alyssa Hew Li Min
Head, Technical & Quality Assurance



Farida Md Ali
Head, Finance & Corporate Services



Irwan Noor Hadi Dahili
Head, Professional Development



Jwalita Ramachandra
Manager, Business Development & Marketing



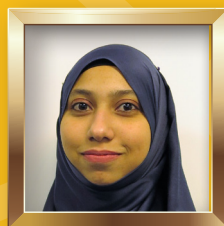
S Vasugi A/P Subramaniam
Manager, Certification & Membership



Noor Adiha Abu Bakar
Senior Executive, Technical



Ryan Chong Chung Ming
Senior Executive, Technical & Quality Assurance



Sharifah Samihah Syed Ali
Senior Executive, Membership



Dashini A/P Ravindran
Executive, Professional Development



Josie Rebechi Omilda
Executive, Professional Development



Nurul Munira Mohd Ali
Executive, Professional Development



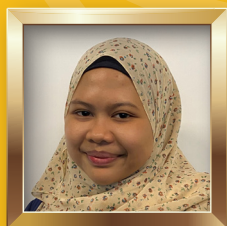
Durratul Ain Mohd Fauzi
Executive, Membership



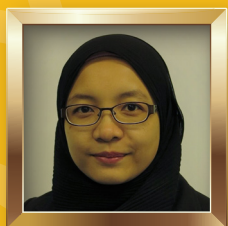
Shahirah Kathir Hasan Kathirasan
Executive, Certification



Syamsuraida Shamsudin
Executive, Finance



Aina Asraf
Executive, Finance



Haslizan Mohd Zainal
Executive, Corporate Services



Hamdani Mohd Sahit Mashud
Despatch & Office Assistant, Corporate Services

PRESIDENT'S REPORT 2020/2021



Dear Members,

The Year 2020 was a year when the COVID-19 Pandemic hit the entire world and had a great impact on businesses, health systems, lives and many others. The Institute of Internal Auditors Malaysia (the “Institute”) too was not spared of the impact, resulting in the inability of The Institute to deliver their products and services in the most efficient manner. This in turn, translated into a decrease of revenue of RM3.54 million as compared to the previous year’s revenue of RM6.62 million resulting in an deficit after tax of RM0.12 million against the surplus after tax of RM0.39 million in year 2019.

As I pen this note, I have only been at the helm as the Institute’s President for the last 9 months, nevertheless I have seen many efforts and good work that has been put into sustaining the Institute. I take this opportunity to firstly, thank our members who have been our pillars in supporting The Institute. Secondly, my heartiest appreciation goes out to our Board of Governors (BOG) and the Secretariat at IIA Malaysia for all the hard work rendered to achieve this result despite the pandemic challenge.

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

Strengthening Good Corporate Governance

With the establishment of the Anti-Bribery and Anti-Corruption (ABAC) Framework, the Institute continues to practice integrity and ethical standards to achieve high standards of corporate governance.

As a measure of good governance, the Board continues to exercise financial prudence. The Board also takes great interest in developing the staff competency and enhancing the Institute’s level of technology advancement. With these, The Institute will be able to operate efficiently so members of The Institute will receive continuous quality support. 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.

Covid-19 Pandemic

As all of us were aware, Malaysia and the entire world were hit by the coronavirus (Covid-19) pandemic and as a result, The Institute stepped up and moved with the moving times embracing technology for many of its events, trainings, conferences. In fact, the Annual National Conference – the Institute’s flagship event was held virtually for the very first time over 2 days on the 4th and 5th November 2020. The virtual conference provided an opportunity for the Institute to seek participation of International speakers from various parts of the world. Some of the trainings that used to be held physically has now moved to be on an online mode. The Pandemic shifted minds and business models.

As I write this report, our country is undergoing its Movement Control Order. 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.

PRESIDENT'S REPORT

2020/2021

Professionalism – Leading the Profession

In Year 2020, The Institute conducted 58 programmes comprising 2 Conferences, 1 Forum, 1 Summit, 39 workshops and virtual trainings as well as 15 in-house programmes. The Professional department generated a training revenue of RM1.33 million training revenue. The Institute continued 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.

The 2020 National Conference was held virtually in November 2020 with the theme - Internal Audit 2020 and Beyond: Braving Uncertainty with over 450 delegates attending the conference. The Institute also organise the Public Sector Conference, a CAE Summit and the Internal Audit Leadership Forum with more than 300 auditors benefitting from them.

Promotion of Certification

In Year 2020, despite the tough market condition, there was a total of 357 new enrolments to the CIA programme, an increase of 24% from Year 2019. The Institute also recorded 51 new CIAs. As of December 2020, the total number of members who have completed their CIA exam stood at 1004 – a mark of confidence that Internal Auditors have in the CIA programme.

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. However due to the MCO restriction, The Institute only conducted 3 virtual talks for University Tunku Abdul Rahman (UTAR), DISTED College and Management & Science University (MSU).

Membership

Despite a challenging year, the membership grew in year 2020 and stood at 2,831 individual members with 274 new individual members and 9 new corporate members joining the Institute.

PRESIDENT'S REPORT

2020/2021

Research and Technical Advisory

During the year 2020, 6 issues of E-techline were issued, providing information on various topics, including;

E-TECHLINE ISSUE NO.	ISSUANCE DATE	TOPICS COVERED
01/20	24 February 2020	Bribery, Public Sector, Agile Internal Audit, Data Analytics and New Practice Guide issued by IIA Global
02/20	3 April 2020	COVID-19, Tone at The Top and New Practice Guides Issued by IIA Global
03/20	25 June 2020	Data Analytics, COVID-19, Risk Management and New Practice Guide Issued by IIA Global.
04/20	19 August 2020	Updated Three Lines Model Issued by IIA Global, Bursa Malaysia – Amendments to Main Market and ACE Market Listing Requirements in relation to New Issues of Securities and Other Areas, Securities Commission - Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries
05/20	15 October 2020	Bursa Malaysia – Effectiveness of Internal Audit Function: Thematic Review Findings and Key Takeaways, COVID-19, Corporate Governance, Tone at The Top, Global Perspectives and Insights, New Practice Guides by IIA Global
06/20	24 December 2020	COVID-19, Tone at The Top, Risk Management, Introducing the IIA's Competency Framework and Global Knowledge Brief

Acknowledgement

Once again, my deepest gratitude goes out to 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.

My sincere thanks to the Board of Governors and Secretariat team for all our achievements and journeying with The Institute through a challenging year.

Being your membership representative, The Institute is here to serve your interest and needs. Any idea or constructive feedback to improve The Institute can be forwarded to general@iiam.com.my. We aim to continuously serve our members.

ZAINAL AKBAR BIN SK MD ABDUL KADER

President 2020/2021

EXECUTIVE DIRECTOR'S REPORT 2020/2021



Dear Members of The Institute of Internal Auditors Malaysia,

I am sure many will agree with me when I say that 2020 can aptly be described as an Annus Horribilis. It will go down in history as a year that brought untold pain, suffering and misery to millions of people globally. The COVID-19 pandemic disrupted lives and livelihoods in immeasurable ways.

Businesses were not spared either. Many business entities, unable to withstand the adverse economic and market forces, bit the dust and ceased operations. Some businesses and industries identified new opportunities and seized them, whilst others adapted quickly to the New Normal and continued operations, albeit with a significant impact on their financial performance.

I am glad to report that The Institute was quick to respond to the challenge. We identified new strategies and ideas to ensure we could continue to operate within an ever changing and adverse business environment.

As I pen this note, Malaysia is under a Movement Control Order (MCO) with the daily number of new COVID-19 cases ranging between 15k to 17k. Despite these restrictions and concerns regarding the uncertainty surrounding the ongoing pandemic, I am pleased to say that The Institute is continuing to operate as close to normalcy as possible to serve its Members.

This Report summarises the performance of The Institute for the financial year ended 31 December 2020. Given the extremely difficult market conditions last year, The Institute reported an deficit after tax of RM0.12 million against a revenue of RM3.09 million. Expectedly, the numbers are below The Institute's performance in 2019 when we generated a revenue of RM6.62 million and posted a surplus after tax of RM0.39 million.

During the year, The Institute continued to deliver programmes on Governance, Risk and Controls (GRC) which are the mainstay of our Training portfolio. The implementation of the MACC ACT SECTION 17A by the government last year gave The Institute an opportunity to expand our product offerings by conducting several trainings on the subject of Anti Bribery and Corruption.

Our Training business continued to be the principal contributor to The Institute's revenue for the financial year, generating RM1.33 million, which is slightly more than 40% of the total revenue reported.

A total of 58 programmes, comprising 2 conferences, 1 Forum, 1 Summit and 39 workshops and virtual trainings were held during the year. In addition to these, 15 in-house programmes were conducted for a range of clients across several industries. More than 2,000 individuals were trained during the year, a continuing testament to the Institute's aspiration and goal for Internal Auditors and GRC professionals to confidently rely on the Institute to be a catalyst towards their Professional Development growth.

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Due to movement and social distancing restrictions imposed by the authorities to battle the pandemic, The Institute was unable to conduct many physical Member engagements during the year. However, this did not prove to be a deterrent as The Institute continued to engage the Members via numerous virtual sessions.

The team's mind shift to adapt to the New Normal and utilise technology and an array of digital tools to connect with members virtually, enabled The Institute to continue to organise member engagement activities. The Institute has shifted its brick and mortar model of running trainings, conferences, tuition classes to online mode, which has continued to keep the business of The Institute running.

When 2021 came around with news that a number of COVID-19 vaccines had been developed and approved, there was fervent hope all around that we had finally witnessed the last of the pandemic era restrictions and normal business activity could resume.

Alas it was not to be. Half the year has gone by and we are still in a state of siege. Nevertheless, The Institute will not be deterred from continuing to efficiently serve its Members. We will do so by employing new strategies to overcome the obstacles along our path brought about by the pandemic. We are committed and determined to ensure that Members can continue to benefit from The Institute's business offerings.

In Year 2021, one of the key strategies we have employed is in engaging our CAEs, Directors and Corporate Members to speak in more detail about The Institute's member benefits, the CIA exam and training plans for the Internal Auditors. The objective of this strategy is to help build a professional, efficient and effective Internal Audit Department by enhancing their knowledge and skills.

The Institute also signed a Strategic Partnership with PENERAJU to assist qualified Bumiputera candidates to pursue the CIA Examination. This initiative is intended to promote and develop the professional skills of the members, encourage and motivate students to enter the audit profession and support the development of professional skills necessary for career advancement.

The Institute will continue to engage with its strategic partners like Malaysian Institute of Accountants (MIA) and Malaysian Institute of Corporate Governance (MICG) to run joint conferences to continue to put a spotlight on the importance of Governance, Risk and Control (GRC).

Last but not least, I take this opportunity to thank all members for their continued support of the Institute.

Geetha Kanny
Executive Director

CORPORATE GOVERNANCE STATEMENT

In 2020, the COVID-19 pandemic had a profound effect on the lives of millions of people across the globe. The crisis had brought unprecedented challenges not only to our everyday lives but had also affected the way organisations conduct their businesses. Navigating the COVID-19 pandemic and its aftermath was one of the biggest business challenges that organisations faced last year, and The Institute of Internal Auditors Malaysia (“The Institute”) was no exception.

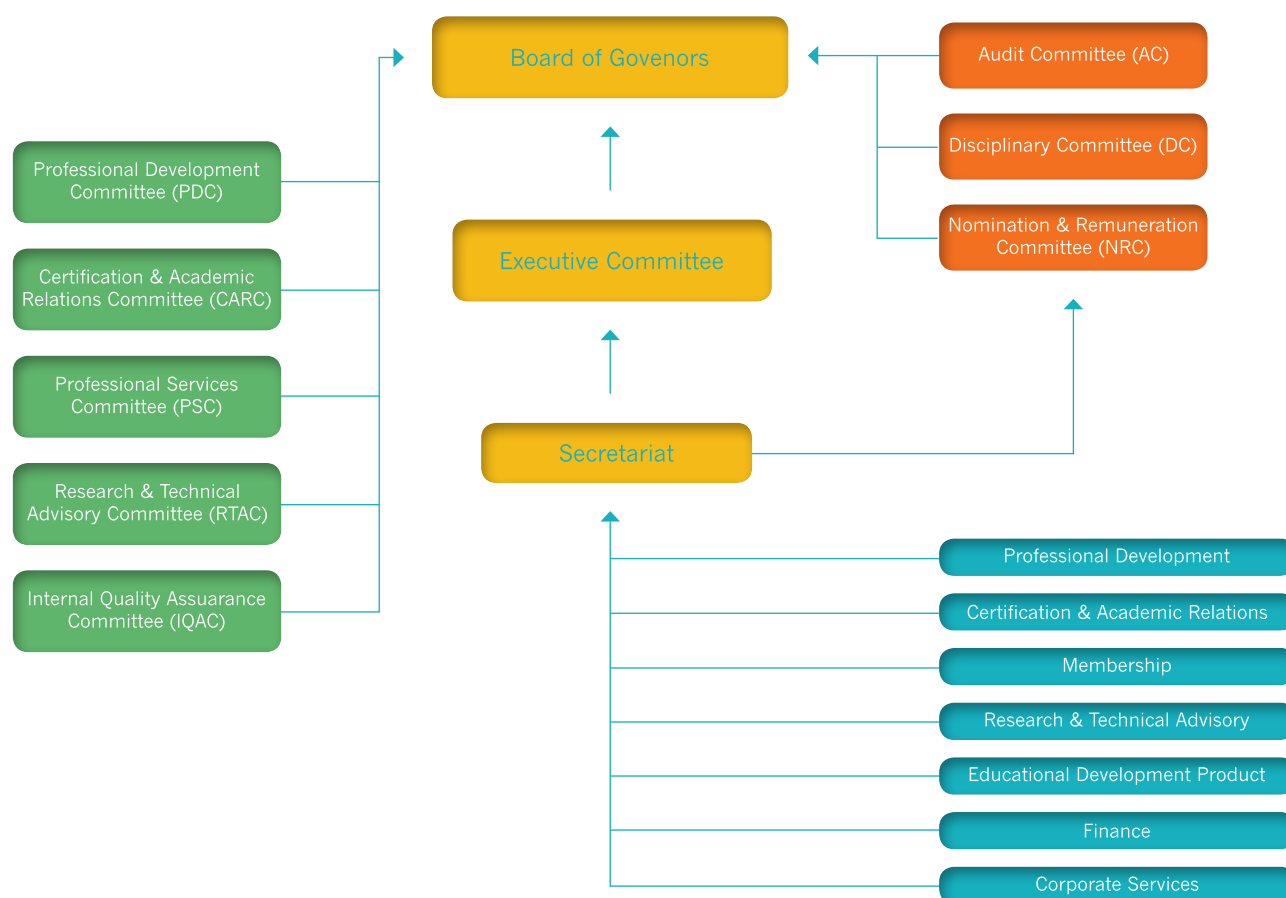
The Institute has remained resilient and continued to provide services to the members primarily through the adoption of strategies focusing on safeguarding the safety and well-being of the Secretariat, members, and other stakeholders and the implementation of agile, pragmatic business continuity activities that minimised operational disruptions.

The year ahead will likely continue to be volatile and unpredictable in view of the unabated infectivity. Staying resilient and agile in challenging environments is the only way we can respond effectively and efficiently, and adapt to changing times swiftly, without sacrificing our fundamental values and capabilities.

The Institute is one of the leading advocates of sound corporate governance practices in Malaysia. The Board of Governors (“the Board”) has implemented the principles set under the Malaysian Code on Corporate Governance (“the Code”).

The following table sets out the governance framework of The Institute:

GOVERNANCE FRAMEWORK



CORPORATE GOVERNANCE STATEMENT

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 the Code.

Principle A: Board Leadership and Effectiveness

BOARD OF GOVERNORS

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

The Board currently comprises twelve (12) Governors. The Board is not involved in the day-to-day activities of the Secretariat, save for the Executive Committee, comprising several Board members, which has been formed to oversee the conduct of The Institute's activities. The appointment of Board members is made at the Annual General Meeting ("the AGM") in accordance with the Memorandum and Articles of Association of The Institute. Every three (3) years, the Board members are required, by rotation, to offer themselves for re-election. At the AGM on 19 September 2020, 3 new Board members were elected, and they thereupon outline their duties and responsibilities at a formal induction session.

The Board recognises that to be effective and relevant, Board members should be fit and proper based on The Institute's Fit and Purpose Criteria, including having attributes and criteria such as good personal integrity and reputation, time commitment to board meetings, serve in The Institute's sub-committee(s) and attend its scheduled meetings, supporting The Institute's activities through specific roles, has relevant internal audit experience, professional standing with relevant expertise and knowledge in financial, legal, business and technical fields. The Board members are drawn from diverse backgrounds and with different skill sets gained from services in the private sector, and public sector. This brings depth and diversity in expertise and experience which can facilitate deliberation of issues from a wider perspective.

The profiles of all Board members are detailed in this Annual Report.

BOARD RESPONSIBILITIES

The primary responsibilities of the Board include the following:

- To promote good corporate governance culture within The Institute;
- To review and approve the strategic business plans of The Institute;
- To approve financial statements and then release to members and stakeholders;
- To represent The Institute in major strategic discussion sessions invited by regulators, professional bodies or other stakeholders;
- To provide strategic leadership to ensure that there is an effective and sound framework for internal controls and risk management;
- To oversee the conduct of The Institute's activities and succession planning of the Secretariat;
- To promote a culture of integrity throughout The Institute, including managing corruption risks faced by The Institute;
- To develop a long-term strategy for The Institute with objectives to be monitored and inculcating ethical business practices (including anti-bribery and anti-corruption measures);
- To determine The Institute's stance on bribery and corruption;
- To oversee the establishment, maintenance and review of The Institute's Anti-Bribery and Corruption Framework; and
- To nominate Board/members to IIA Global and ACIIA Board and Board Committees.

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 Board member must disclose any matter which may affect his/her independence as soon as he/she becomes aware of it.

CORPORATE GOVERNANCE STATEMENT

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

The ED is primarily responsible for managing the day-to-day operations and is charged with implementing operational decisions in line with the strategic and long-term initiatives of The Institute. Although the ED attends Board and various Committee meetings, she is not a Board member and is not entitled to vote. The ED has also take up the responsibility as the Compliance Officer whose duties are as follows:

- To implement The Institute’s Anti-Bribery and Corruption Framework;
- To provide advice and guidance to The Institute’s Secretariat and business associates in relation to The Institute’s Anti-Bribery and Corruption Framework and relevant policies and procedures;
- To ensure the establishment and performance of an internal control system which provides reasonable assurance that The Institute’s corruption risks are managed;
- To report to the Board any significant corruption risks; and
- To establish effective anti-bribery and corruption controls and reporting their performance to the Board.

The Board has established an accountability matrix for the roles of the Board, President and ED to promote good governance and instil a proper check and balance in deriving decisions at the strategic and operational level.

BOARD COMMITTEES

While the Board has overall oversight responsibility on internal control and management of The Institute, it has delegated a range of its responsibilities to various committees. The committees operate within clearly defined terms of reference 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 members of the Board

The primary responsibilities of the EXCO are:

- To recommend or revise guidelines or policies pertaining to the administration of The Institute;
- To review the performance of the Secretariat administration of The Institute;
- To ensure a process is in place to identify, assess, manage, and monitor key strategic and operational risks of The Institute; and
- To review and approve transactions as set out in the approved The Institute’s Discretionary Authority Limit.

2. Audit Committee

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

- To consider the appointment, resignation or dismissal of the external/internal auditors upon conducting the relevant assessments, the audit fee and recommend the same to the Board for approval;
- To discuss with the external auditors their Audit Plan before commencement of the audit;
- To review the annual financial statements before recommending to the Board for approval;
- To discuss issues arising from the audit and any matters the external auditors may wish to discuss;
- To review with the external auditors, their audit report and evaluation of the system of internal controls;
- To review the adequacy and effectiveness of internal control system based on feedback and reports from the internal and external auditors;
- 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 appointment of internal auditors;
- 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 on Management and Board integrity;
- To carry out such other functions as may be agreed by the AC and the Board;

CORPORATE GOVERNANCE STATEMENT

- 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; and
- To manage and review the investigation of whistleblowing cases reported.

For further information, refer to the Audit Committee report as set out on page 28.

3. Disciplinary Committee

The Disciplinary Committee comprises a chairperson (designated) and other Board members appointed by the Board to address any disciplinary matters pertaining to member's misconduct as they arise. Specific terms of reference are 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) Board members, 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. The ED and staff of The Institute are given key performance indicators which form the basis of their annual performance appraisal.

The Board do not receive any emolument, bonuses or retirement benefits.

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

The CARC comprises two (2) Board members and four (4) volunteered 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;
- To develop internal audit education partnership with local institutions of higher learning; and
- To promote specialty certification programmes promoted by The Institute as the recognised certifications for practitioners.

6. Professional Development Committee ("PDC")

PDC comprises two (2) Board members and three (3) volunteered members. The main objectives of PDC are as follows:

- To oversee the overall professional development plans of The Institute such as the training programme workshops and conferences that are planned for each year; and
- To evaluate trainers' performances.

7. Professional Services Committee ("PSC")

PSC comprises two (2) Board members and three (3) volunteered members. The main objectives of PSC are as follows:

- To ensure that the services accorded to members are relevant;
- To create more awareness on the benefits and services of The Institute; and
- 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) Board members and at least two (2) volunteered members. The main objectives of RTAC are as follows:

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

CORPORATE GOVERNANCE STATEMENT

9. Internal Quality Assurance Committee (“IQAC”)

The IQAC comprises a minimum of three (3) members. The chairperson must be a Board member. The main objectives of the IQAC are as follows:

- To assess the consistency of Quality Assessment Review (“QAR”) practices carried out by the QAR Team as per Quality Assessment Manual;
- To report a summary of findings and recommendations, information and appointment of external assessors and performance of the external assessors on a bi-annual basis to the Board;
- To approve procedures on QAR, QA Plan and QAR Fees Structure;
- To assess, review the QAR assignments to ensure the delivery of quality QAR assignments to clients, and implementation of improvements based on customer feedback; and
- To preserve the independence of the IQAC, the participation must be on a voluntary basis.

BOARD MEETINGS

Since the last AGM held on 19 September 2020, the Board met 6 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 Board members have access to the Secretariat of The Institute to fulfil their roles and responsibilities as Board members.

The Board receives financial and operational reports from the Secretariat on a bi-monthly basis, which provide a comprehensive review and analysis of the business operations and financial issues.

Principle B: Effective Audit and Risk Management

The Audit Committee assists the Board in fulfilling its fiduciary responsibilities, particularly in relation to business ethics, policies and practices, financial management and internal control of The Institute. The Board also has put in place an Enterprise Risk Management (ERM) framework which is based on the ISO 31000:2018 Risk Management – Guidelines, and forms part of the governance framework of The Institute to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.

The internal audit plan is risk-based. The internal audit has conducted audits on Finance and IT General Controls (ITGC) and Adequate Procedures for Anti-bribery and Anti-corruption. The audit on Finance and ITGC cover bank reconciliation, payment, and collection. The audit on Adequate Procedures for Anti-bribery and Anti-corruption cover corruption risk assessment; onboarding due diligence before entering any business relationship; conflict of interest declaration mechanism; a mechanism for declaration, tracking, and monitoring of any procurement/ payments involving gifts, hospitality, entertainment expenses, and other benefits received or given, e.g., petty cash payments, vendor declaration, employee declaration, and anti-corruption clause, etc; communication and awareness of anti-bribery and anti-corruption to stakeholders; and whistleblowing procedures on reported anti-bribery and anti-corruption incidences (if any).

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

The EXCO and the Board held scheduled meetings on alternate months for the past 12 months, during when they were briefed on the financial status and activities of The Institute as prescribed in the annual strategic plan.

The Institute’s Annual General Meeting held on 19 September 2020, was conducted via a virtual platform i.e., virtual attendance by the members and physical attendance by the key stakeholders who were present in person to engage directly with the members via the feedback chat function.

The proceedings of the 25th AGM included the ED’s presentation of The Institute’s operating and financial performance for 2020 and a Questions & Answers session during which the Chairman invited the members to raise questions pertaining to The Institute’s financial statements and other items for adoption at the meeting, before putting the resolutions to vote.

Members were allowed to use the chat box to raise questions and feedback using the online platform provided.

Being a membership driven organisation, the shareholders are the members. The Institute has undertaken measures to stay connected with the members through the electronic media.

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 risk management and internal control practices.

RESPONSIBILITIES OF THE BOARD

The Board acknowledges its responsibility to maintain a sound risk management and internal control system to address 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.

In view of the inherent limitations in any such system, the system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve the Institute's objectives and therefore provides only reasonable, and not absolute, assurance against material misstatement of financial information, financial loss or fraudulent activities.

The risk management process has been established and is under the purview and responsibility of the Board, whereas the review of the internal control and associated 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 via updated Risk Register 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;
- To identify risks relevant to The Institute that may impede the achievement of its objectives; and
- To identify significant changes to risk or emerging risks, take actions as appropriate to communicate to the Executive Committee and the Board.

As risk management is an integral activity that undergirds The Institute's business operations, a methodical process has been deployed to identify, evaluate, control, report and monitor business risks faced by The Institute in its business operations. Individual business risks, as identified, are scored for their likelihood of occurrence and the impact thereof based on a '5 by 5' risk matrix, deploying parameters established for The Institute.

The risk parameters comprise relevant financial and non-financial metrics for risks to be evaluated in terms of likelihood of their occurrence and the impact thereof – this feature essentially articulates the extent of risk The Institute is prepared to take or seek in achieving its corporate objectives. The metrics used in quantifying the risks were based on risk parameters considered appropriate to reflect the risk appetite of The Institute.

The risk management framework and internal control system are integrated into The Institute's operations and working culture and applied continuously throughout the financial year under review and up to the date of this Statement.

The risk management process is periodically reviewed via risk updates, including the associated internal controls, so that the Board is apprised of the key risks The Institute is exposed to, especially from changes in regulatory requirements, the marketplace and environment in which The Institute operates.

The risk management methodology and approach applied are described below:

- The Risk Register is compiled and reviewed on a regularly basis. Emerging risks are identified and followed up with the implementation of the control action plans;
- The Institute's risk parameters provide guidance on materiality level of risk impact and consequences for the Secretariat continuous management of risks. It also sets out the level of risk tolerance and limits to govern, manage and control The Institute's risk-taking activities; and
- The Secretariat has been given a clear line of accountability and delegated authorities have been established as part of internal control efforts through standard operating policies and procedures for adherence by operating personnel.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL

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

Board and Board Committees

The Board and Board Committees provide important oversight duties and ascertain the adequacy and effectiveness of the internal control and risk management system in the Institute. Further details on the activities of the Board and its committees are provided in the Corporate Governance Statement (page 20) and Committee reports (pages 32 to 41).

Significant matters 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 review the activities of the Institute and discuss matters raised by the Secretariat. This includes strategic 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 and competent internal audit service provider which reports directly to the Audit Committee. The Audit Committee reviews the competency of the internal audit service provider during the assessment process before the selection and appointment of internal audit is finalised. The primary role of the Internal Audit is to provide assurance to the Board, through the Audit Committee, whether the system of internal controls is functioning as intended. During the financial year under review, the internal audit function also assisted the Audit Committee in its review of the design adequacy and operating effectiveness of The Institute's anti-bribery and corruption controls and corruption risk management processes.

On an annual basis, the internal audit service provider presents its audit plan to the Audit Committee for approval prior commencing audit work. Based on the approved plan, they undertake regular and systematic review of the internal control processes to provide the Audit Committee with sufficient assurance that the system of internal controls is effective in addressing the risks of the Institute.

Further details of the Internal Audit approved plans are set out on page 30 to 31 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 operational reports are provided to the Board to facilitate the review and monitoring of financial performance.

Limits of Authority

The Board has reviewed the existing Discretionary Authority Limits (DAL) and put in place the revised DAL effective from 11 September 2020. The DAL delineates authority limits for financial and non-financial transactions which are then assigned to certain individuals or a group of personnel to approve or carry out transactions to enable timely decisions to be made, as well as ensuring checks and balances on the commitments that the Board and ED undertake on behalf of The Institute.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Policies and Procedures

Internal procedures and policies are communicated to the employees. The documented policy manuals are periodically reviewed and revised to meet the changing business and operational needs. The Board has approved fifty-four (54) Standard Operating Procedures (“SOPs”) and revised the Board Charter to enhance the management of the day-to-day operations.

Anti-Bribery and Corruption

Under the approved anti-bribery and corruption policy, the Board and the Management drive the execution of adequate procedures to strengthen the ethical conduct of the Board members, management and Secretariat of The Institute. The Institute also introduced the Code of Business Ethics for our Board Members, Committee members, suppliers, service providers and business associates as a guide for all The Institute’s business partners.

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 activities are regarded an integral component of the risk management process of The Institute. In this regard, The Institute commenced implementation of business continuity activities to minimise business disruptions during the pandemic year. This includes the practice of ‘working from home’ for the Secretariat to ensure continuity in service provision to the members.

The Board is of the view that the system of risk management and internal control is adequate and has operated effectively in all material aspects. During the financial year under review, there were no weaknesses in this system resulting in a material loss to The Institute that requires a separate disclosure.

The above statement is made in accordance with the resolution of the Board dated 26 July 2021.

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);
- Miss Christine Ong May Ee, CFIIA, CIA, CRMA, CA (M), FCA (ANZ), B. Acc (Hons) (Singapore) (Non-Board member);
- Mr. Ranjit Singh Taram Singh, CFIIA, CIA, CRMA, MBA(UK), CA(M), CPA(M) (Board member) (resigned on 19 September 2020); and
- Mr. 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.) (appointed on 19 September 2020).

2. Attendance of the meetings

During the financial year, the AC held three (3) meetings, attended by all members as follows.

PRESENT		ATTENDANCE	REMARK
Chairman	Lee Min On	3/3	
Member	Christine Ong May Ee	3/3	
Member	Ranjit Singh	2/3	Resigned on 19 September 2020
Member	Alan Chang Kong Chong	1/1	Appointed on 19 September 2020

3. Terms of reference

a. Composition

The Board shall appoint a minimum of three (3) members to the AC, the majority of whom shall not be members of the Board. At least two (2) 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 (2) years, subject to re-appointment. The tenure of the AC members shall not exceed a cumulative period of nine (9) years whilst the position of the AC Chairman shall be rotated at least once every four (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:

- 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;
- 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
- To maintain through regular scheduled meetings a direct line of communication between the Board and the external auditors, internal auditors and Management.

AUDIT COMMITTEE REPORT

3. Terms of reference (Cont'd)

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 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;
- iv) To discuss issues arising from the audit and any matters the external auditors may wish to discuss;
- v) To review with the external auditors, their audit report and evaluation of the system of internal controls;
- vi) 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;
- vii) 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;
- viii) To review the adequacy and effectiveness of internal control system based on feedback and reports from the internal and external auditors;
- ix) 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;
- x) To recommend to the Board the nomination of a person or persons as external auditor and internal auditor;
- xi) To carry out such other functions as may be agreed by the AC and the Board; and
- xii) 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.

AUDIT COMMITTEE REPORT

3. Terms of reference (Cont'd)

f. Meeting and Minutes (Cont'd)

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.

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 2020 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 2020 and the audit fee;
- ii. Met the external audit team when the Audit Planning Memorandum was tabled to the AC. The Memorandum highlighted, inter-alia, the key audit areas and timeline for reporting;
- iii. Reviewed the Standard Operating Procedures (SOP) on Adequate Procedures for the Institute's Anti Bribery and Anti-Corruption (ABAC) before recommending the same to Board for approval;
- iv. Reviewed the internal audit plan and scope;
- v. Deliberated with the internal auditors on their reports;
- vi. Deliberated with the external auditors on the draft financial statements for financial year ended 31 December 2020 in the presence of the President, Treasurer and Management of the Secretariat before recommending the same to the Board for approval; and
- vii. Reviewed the financial position of The Institute and inquired 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 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 were articulated in the engagement letter.

AUDIT COMMITTEE REPORT

5. Internal Audit Function (Cont'd)

The scope of internal audit covered the performance of a systematic review of the system of internal controls with the view to provide reasonable assurance that the system of internal controls was adequate and continued to operate effectively in all material aspects. The internal audit deployed a risk-based approach which accorded largely 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 following areas for the financial year ended 31 December 2020:

- a. Finance and IT General Controls (ITGC) covering the following areas:
 - Finance – Bank Reconciliation, payment and collection; and
 - ITGC – User access controls, data back up and restoration.
- b. Adequate Procedures for Anti Bribery and Anti-Corruption, focusing on the following areas:
 - Corruption risk assessment;
 - On-boarding due diligence before entering any business relationship;
 - Conflict of interest declaration mechanism;
 - Mechanism for declaration, tracking and monitoring of any procurement/payments involving gifts, hospitality, entertainment expenses and other benefits received or given, e.g., petty cash payments, vendor declaration, employee declaration and anti-corruption clause, etc.;
 - Communication and awareness of anti-bribery and anti-corruption to stakeholders; and
 - Whistleblowing procedures on reported anti bribery and anti-corruption incidences (if any).

Although there were no critical issues denoting any serious deficiencies in the system of internal controls, 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 cost incurred on the outsourced internal audit for the year amounted to RM20,797.00 (2019: RM21,714.00).

REPORT ON MAIN COMMITTEE

CERTIFICATION AND ACADEMIC RELATIONS COMMITTEE

CERTIFICATION

Year 2020 was indeed a challenging year for many organisations, including IIA Malaysia. Despite the challenging condition, Certification Department is pleased to record the following achievements:

- A total of 51 candidates had completed the Certified Internal Auditor (CIA) programme. This included 25 candidates who completed the CIA Challenge Exam.
- 357 registrants have enrolled in the various certification programmes, an increase of 24% from 2019.

As of 31 December 2020, the number of IIA certified professionals are presented in the below table:

CERTIFICATION	2020	2019
CIA	1004	953
Certification in Risk Management Assurance (CRMA)	130	121
Certification in Control Self-Assessment (CCSA)	63	63
Certified Financial Services Auditor (CFSA)	30	30
Certified Government Auditing Professional (CGAP)	5	5
Internal Audit Practitioner (IAP)	2	1

To further promote IIA certification programmes, the Certification and Academic Relations Committee (CARC) had organised the following activities in 2020:

Mentor & Mentee programme

This programme was launched in 2019. 11 mentees had signed up this year. The induction session between the mentors and mentees took place on 4 September 2020.

CIA Tuition Classes

7 CIA Tuition Classes were successfully conducted by The Institute between the period of March 2020 – December 2020. Majority of the classes were conducted virtually via Teams Meetings.

In addition, a 3-day crash course was also arranged for CIA Challenge exam candidates.

Introduction of CIA Qualification in Membership Briefings

From the 6 membership briefings, existing and potential members were introduced to the CIA Qualification and being briefed on the various membership categories and privileges of membership.

Online Helpdesk

IIAM Secretariat reverts to online helpdesk to assist members on their membership and certification matters.

Others CIA promotional activities

- 8 CIA Preview sessions were organised with companies and publics.
- 6 CIA Briefing sessions were conducted to provide candidates with an overview of the CIA programme and equip them with basic CIA exam techniques.
- 6 Code of Ethics (COE) sessions were conducted to underline the principles and expectations governing the behaviour of individuals and organisations in the conduct of internal auditing.
- In-House CIA Review Classes, Part 1 were conducted with companies to assist their staffs in the preparation of the CIA certification.

REPORT ON MAIN COMMITTEE

CERTIFICATION AND ACADEMIC RELATIONS COMMITTEE (Cont'd)

ACADEMIC RELATIONS

The Institute continues to approach and engage higher learning institutions to promote Internal Audit professions and to raise Internal Audit awareness among students.

Career Talks

CARC Committees, Mr Dennis Chong and Mr Chew Soon Leong together with Ms Nur Izatul Fitri Hussein had managed to conduct 3 virtual career talk sessions at Universiti Tunku Abdul Rahman (UTAR), DISTED College and Management & Science University (MSU) respectively.

Meetings with Universities

Meetings were arranged with Sunway Victoria University, Asia Pacific University and DISTED College to provide higher learning students with a career insight of an Internal Auditor.

Finally, I would like to record my gratitude to the CARC members and partners for their relentless support and contribution to strengthen the certification and academic relations programmes.

Chong Kah Sing

Chairperson

Certification and Academic Relations Committee 2020/2021

REPORT ON MAIN COMMITTEES

PROFESSIONAL DEVELOPMENT COMMITTEE (PDC) REPORT

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

Despite the challenging economic situation due to emergence of Covid-19 pandemic in 2020, the Institute successfully rolled out 58 programmes comprising of 2 Conferences(virtual), 1 Forum(virtual), 1 Summit(virtual), 19 public workshops (classroom format), 20 webinars and 15 in-house programmes (classroom format) throughout the year. Approximately 70% of the public workshops (classroom format) and in-house workshops (classroom format) were converted into full online format in response to the movement control order (MCO) by the authority between April to December 2020 without compromising the quality of deliverables to continue serving the members without the risk of being exposed to covid-19. Similarly, all conferences were conducted using virtual platforms such as Microsoft Teams. In total, programmes conducted in 2020 contributed RM1.3 million to the Institute's revenue for the financial year ended 31 December 2020.

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

- **Public Sector Internal Audit Conference (Virtual Format)**
The Institute in collaboration with Malaysian Institute of Accountants (MIA), held the Public Sector Internal Audit Conference on 13 and 14 August 2020. Approximately 120 public sector internal auditors participated in the virtual conference.
- **CAE Summit 2020 (Virtual Format)**
The Institute successfully organised the CAE Summit on 8 September 2020. Approximately 67 delegates attended the forum which featured Keynote Address by Richard F. Chambers, President and Chief Executive Officer, IIA Global and special presentation by Jenitha John, Chairman, IIA Global.
- **Internal Audit Leadership Forum (Virtual Format)**
Addressing dynamic knowledge sharing and must-know qualities and attributes for those who are in leadership position by the Internal Audit Leadership Forum was held on 17 December 2020. The virtual conference was attended by more than 70 delegates and featured 5 plenaries presented by distinguished local and international speakers.
- **2020 IIA Malaysia National Conference (Virtual Format)**
The 2020 IIA Malaysia National Conference was held on 4 & 5 November 2020. The conference was attended by 450 delegates.

The PDC also takes this opportunity to welcome our panel of new speakers and trainers during the year and express our thanks to all speakers and trainers for their efforts and commitment in raising the knowledge and skills of the internal audit professionals and directors. Our gratitude also goes to all our members and corporate organisations that have looked to The Institute for their training needs and have been staunch supporters of The Institute's programmes and conferences. PDC also record its appreciation, on behalf of The Institute, to the many valued sponsors that had supported the conferences in 2020.

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

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

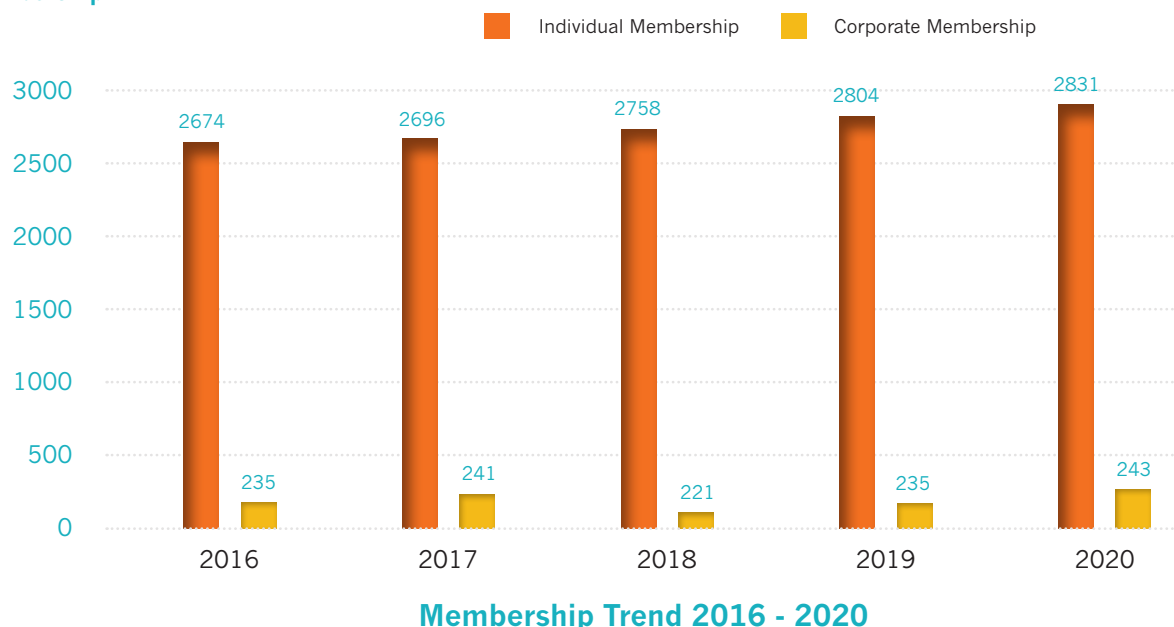
Chairperson

Professional Development Committee 2020/2021

REPORT ON MAIN COMMITTEES

PROFESSIONAL SERVICES COMMITTEE (PSC) REPORT

Membership



Despite the challenging pandemic year in 2020, The Institute successfully recorded 2,831 individual members and 243 corporate members. The Institute was able to gain 274 new individual members and 9 corporate members throughout the year.

The following key membership events were held during the year 2020, as part of The Institute's ongoing campaign to build and retain members:

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 1st July to 30th September 2020 and a total of 21 new individual members were recruited throughout the period of the campaign.

Members' Networking Session

The Institute carried out 3 networking sessions for the members in 2020, as one of the added value to their Membership Benefits. A total of 103 members benefited from the networking sessions. The details of the sessions are listed below:

2020 NETWORKING SESSION		NO. OF PARTICIPANTS
16-Jan-20	Managing & Understanding Risk, by Vaneesa Veerappan	19
21-Feb-20	Ask Right Discover Right, by Zohrab Chong	14
21-Aug-20	Striking A Balance Between Governance and Business Survival During Covid-19, Mr Wee Hock Kee, Managing Partner of CG Board Asia Pacific and moderated by Mr Kooi Voon Soon	70

REPORT ON MAIN COMMITTEES

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

Joint venture Career Talks with the Certification Department

Many career talks were conducted at various universities and the Institute invited speakers to share their perspectives on a career in internal auditing, responsibilities of an Internal Auditor, and challenges that an Internal Auditor will face. The following are the details of the session:

2020 CAREER TALK

UNIVERSITY/ COLLEGE	REPRESENTED SPEAKER
Universiti Tunku Abdul Rahman (UTAR)	Mr Dennis Chong
DISTED College	Mr Chew Soon Leong
Management & Science University (MSU)	Ms Nur Izatul Fitri Hussein

IIA Malaysia Chinese New Year Prosperity Gathering

A Chinese New Year Prosperity Gathering for members was successfully organised by The Institute. This session took place on February 5, 2020. Nearly 50 members from different organisations attended this gathering. The members of The Institute expressed their appreciation to the Institute for organising such activity. This is one way for The Institute to thank its members for their continued support.



REPORT ON MAIN COMMITTEES

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

Briefings / Online Helpdesk JV with Certification Department

In 2020, 6 membership briefings were conducted by The Institute mainly to members who attended the networking talks, trainings, client meetings and University engagements. During the preview sessions, audiences were briefed on the various membership categories, privileges of membership and an Introduction to the CIA Professional Qualification.

Due to Covid-19, The Institute held online helpdesk sessions on the 24th April and 12th May 2020 with the objective to remain connected and assisting members with membership and certification related matters.

Meeting with Corporate

Meetings with the Corporate was an on-going initiative to create awareness about the Institute, membership benefits and CIA Professional Qualification. Some of the meetings held in 2020 are as following;

- KLCC Holdings on 3rd March 2020
- Telekom on 20th July 2020
- Tabung Haji on 21st July 2020
- UEM Sunrise on 23rd July 2020
- FGV Holdings Berhad on 1st October 2020

Newsletter - KIT

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

In 2020, The Institute published four issues of the KIT, all of which were online versions posted to The Institute's website. Members are informed and updated about The Institute's progress through these newsletters.

Finally, I would like to extend my appreciation to the Secretariat and PSC members for their dedication and support rendered to our members. The PSC also looks forward to more participation by members in future activities and contribution of articles as part of knowledge sharing among the Internal Audit fraternity.



Affeiz Abdul Razak

Chairperson

Professional Services Committee 2020/2021

REPORT ON MAIN COMMITTEES

RESEARCH AND TECHNICAL ADVISORY COMMITTEE (RTAC) REPORT

BACKGROUND

The RTAC is one of the Board Committees that operates with the following objectives;

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

PUBLICATIONS

The RTAC carries out its technical advisory role by providing members with technical updates through the “E-Techline”, which is an electronic publication designed to keep members posted of the latest development on Governance, Risks and Controls and their impact to the internal audit activities.

During the financial year, there were six (6) E-Techline publications, covering the following topics:

E-TECHLINE ISSUE NO.	ISSUANCE DATE	TOPICS COVERED
01/20	24 February 2020	Bribery, Public Sector, Agile Internal Audit, Data Analytics and New Practice Guide issued by IIA Global
02/20	3 April 2020	COVID-19, Tone at The Top and New Practice Guides Issued by IIA Global
03/20	25 June 2020	Data Analytics, COVID-19, Risk Management and New Practice Guide Issued by IIA Global.
04/20	19 August 2020	Updated Three Lines Model Issued by IIA Global, Bursa Malaysia – Amendments to Main Market and ACE Market Listing Requirements in relation to New Issues of Securities and Other Areas, Securities Commission – Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries
05/20	15 October 2020	Bursa Malaysia – Effectiveness of Internal Audit Function: Thematic Review Findings and Key Takeaways, COVID-19, Corporate Governance, Tone at The Top, Global Perspectives and Insights, New Practice Guides by IIA Global
06/20	24 December 2020	COVID-19, Tone at The Top, Risk Management, Introducing the IIA's Competency Framework and Global Knowledge Brief

REPORT ON MAIN COMMITTEES

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

WEBINARS

During the financial year, RTAC organised 7 (seven) complimentary webinars to the members and the topics presented were as follows:

DATE	TOPIC	SPEAKERS	NO OF PARTICIPANTS
28 Apr 2020	COVID-19 – The Ultimate Governance Challenge	Philip Satish Rao CMIIA, CIA (M), CPA (M), CPA (Aust) Mohd Khaidzir Bin Shahari CIA, GGMA, CA (M) Dominic Chegne How Kooi CMIIA, CIMA, MBA	76
12 Jun 2020	Section 17A Corporate Liability – Roles of The IA	Alan Chang Kong Chong CMIIA, CIA, CFSA, FCPA (Aust), Chartered Banker (AICB), Certified Bank Auditor (AICB), Certified Credit Professional (AICB) Zainal Akbar SK Md Abdul Kader CMIIA, CRMA, ASA (Aust) Tay Boon Hock, FCCA, CA (M) Lucy Wong Kam Yang CMIIA, CIA, CRMA, FCMA, CGMA, CA (M), MBA Lee Min On CFIIA, CA (M), CPA (M) Alyssa Hew Li Min CIA, CMIIA, CPA (Aust), CA (M), CSI	68
26 Jun 2020	Continuous Improvements for Excellence in Internal Auditing	Dr. Eddy Yap CIA, CMIIA, CA (M), ASEAN CPA, FCCA	65
28 Jul 2020	Section 17A Corporate Liability – Roles of The IA (Run 2)	Dato' Rohaizad Yaakob Alan Chang Kong Chong CMIIA, CIA, CFSA, FCPA (Aust), Chartered Banker (AICB), Certified Bank Auditor (AICB), Certified Credit Professional (AICB) Zainal Akbar SK Md Abdul Kader CMIIA, CRMA, ASA (Aust) Lee Min On CFIIA, CA (M), CPA (M) Mohd Khaidzir Bin Shahari CIA, GGMA, CA (M)	57
24 Aug 2020	Managing Business Partners' Risk	Chayce Wong Chae Sing CA (M), MICPA	78
1 Sept 2020	Project Management Review	Mohamed Farook Nasar MBA (USM), CIA, CRMA, ICSA, CA (M)	88
16 Oct 2020	Data Analytics	Dominic Chegne How Kooi CMIIA, CIMA, MBA	119

REPORT ON MAIN COMMITTEES

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

TECHNICAL ADVISORY

Despite protracted challenges posed by COVID-19 for a major part of the year, RTAC and The Institute's Technical and Quality Assurance Department was able to continue providing the following technical support services to members via remote approach:

- a. Facilitating technical inquiries on the International Professional Practices Framework (IPPF) 2017 Edition and its application;
- b. Addressing members' inquiries on the latest publications from The IIA Global Bookstore; and
- c. Attending to members' inquiries on the newly released frameworks and their application.

RESEARCH GRANT

The RTAC identifies research topics in internal auditing for those interested in applying for research grants. The RTAC vets all grant applications, awards grants to successful applicants, monitors the progress of research projects, reviews the final research report and approves the research report for publication. The outcome of research is published on The Institute's website. All research projects must have the outcomes that benefit members of the internal audit profession. As a reference, the total research funds as of 31st December 2020 was RM169k. The RTAC would like to encourage more members and educators to participate in internal audit related research projects and thought leadership that propel the internal audit profession to the forefront in the realms of governance, risk management and controls.

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 Institute Secretariat, and especially the staff in the Technical Department, for their invaluable support.

Mohd Khaidzir Shahari

Chairperson

Research and Technical Advisory Committee 2020/2021

REPORT ON MAIN COMMITTEES

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
2018/2020	Alan Chang Kong Chong

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

FINANCIAL
REPORT
2020

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GOVERNORS' REPORT

The Governors hereby present their report together with the audited financial statements of The Institute of Internal Auditors Malaysia (the "Institute") for the financial year ended 31 December 2020.

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

RM

Deficit for the financial year

117,854

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	
Zainal Akbar Bin S.K MD. Abdul Kader	
Norchahya Binti Ahmad	
Affeiz Bin Abdul Razak	
Mohd Khaidzir Bin Shahari	
Dominic Chegne How Kooi	
Chong Kah Sing	
Nasrein Binti Fazal Sultan	
Tay Boon Hock	
Lee Siew Weng	(appointed on 18.12.2020)
Haikel Bin Ismail	(appointed on 18.12.2020)
Santosh A/L P. Govindan Kutty Nair	(appointed on 18.12.2020)
Ranjit Singh A/L Taram Singh	(resigned on 19.09.2020)
Lucy Wong Kam Yang	(retired on 19.09.2020)
Philip Satish Rao	(retired on 19.09.2020)

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, other than members' annual subscription paid by the Governors as disclosed in Note 18(b) to the financial statements.

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.

GOVERNORS' REPORT

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Governors and certain officers of the Institute were RM3,000,000 and RM21,000 respectively. No indemnity was given to or insurance effected for auditors of the Institute.

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 except for the impact from the significant event during the financial year as disclosed in Note 21 to the financial statements; 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

SIGNIFICANT EVENT

The significant event during the financial year is disclosed in Note 21 to the financial statements.

AUDITORS

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

The details of auditors' remuneration are disclosed in Note 14 to the financial statements.

Signed on behalf of the Board of Governors in accordance with a resolution of the Governors dated 28 May 2021.



ZAINAL AKBAR BIN S.K MD. ABDUL KADER



NORCHAHYA BINTI AHMAD

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 2020 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 28 May 2021.



ZAINAL AKBAR BIN S.K MD. ABDUL KADER



NORCHAHYA BINTI AHMAD

KUALA LUMPUR

STATUTORY DECLARATION

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

I, Tay Boon Hock (MIA Membership No.: 18015), 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 28 May 2021)



TAY BOON HOCK

Before me,



No. 22-A, Jalan Telawi Lima,
Rangsar Baru, 50100 Kuala Lumpur.

COMMISSIONER FOR OATHS

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of The Institute of Internal Auditors Malaysia, which comprise the statement of financial position as at 31 December 2020, 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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, 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

KUALA LUMPUR
28 May 2021



LIM BEE PENG

Approved Number: 03307/06/2021 J
Chartered Accountant

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RM	2019 RM
ASSETS			
Non-current asset			
Property, plant and equipment	4	4,440,848	4,645,584
Current assets			
Inventories	5	91,299	32,779
Trade receivables	6	452,514	225,854
Other receivables	7	307,117	189,561
Tax recoverable		50,282	-
Fixed deposits with licensed banks	8	2,700,000	900,000
Cash and bank balances		318,587	3,285,817
		3,919,799	4,634,011
Total assets		8,360,647	9,279,595
EQUITY AND LIABILITIES			
Equity			
Research fund		169,434	153,888
Accumulated funds	9	7,861,213	7,994,613
Total equity		8,030,647	8,148,501
Current liabilities			
Trade payables	10	116,491	417,184
Other payables	11	213,509	560,549
Tax payable		-	153,361
		330,000	1,131,094
Total liabilities		330,000	1,131,094
Total equity and liabilities		8,360,647	9,279,595

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 2020

	Note	2020 RM	2019 RM
Revenue	12	3,085,283	6,621,829
Direct costs	13	(922,514)	(2,814,339)
Gross surplus		2,162,769	3,807,490
Other income		308,906	206,789
Administrative expenses		(2,622,016)	(3,355,725)
Net gain on impairment of financial instruments		6,608	5,406
(Deficit)/Surplus before tax	14	(143,733)	663,960
Taxation	15	25,879	(274,869)
(Deficit)/Surplus for the financial year, representing total comprehensive (loss)/income for the financial year		(117,854)	389,091

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Research Fund RM	Accumulated Funds RM	Total Equity RM
At 1 January 2019		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)	-
At 31 December 2019		153,888	7,994,613	8,148,501
At 1 January 2020		153,888	7,994,613	8,148,501
Deficit for the financial year, representing total comprehensive loss for the financial year		-	(117,854)	(117,854)
Transfer from accumulated funds	9	15,546	(15,546)	-
At 31 December 2020		169,434	7,861,213	8,030,647

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 RM	2019 RM
Cash Flows From Operating Activities		
(Deficit)/Surplus before tax	(143,733)	663,960
Adjustments for:		
Depreciation of property, plant and equipment	228,730	232,858
Inventories written down	-	685
Inventories written off	11,187	-
Gain on disposal of property, plant and equipment	(320)	-
Interest income	(102,711)	(78,141)
Reversal of impairment losses on trade receivables	(6,608)	(5,406)
Reversal of inventories written down	-	(280)
Unrealised gain on foreign exchange	(2,449)	(20,200)
Operating (deficit)/surplus before working capital changes	(15,904)	793,476
Change in working capital:		
Inventories	(69,707)	19,114
Trade receivables	(220,052)	184,551
Other receivables	(117,556)	41,220
Trade payables	(294,017)	(718,565)
Other payables	(347,040)	154,380
	(1,048,372)	(319,300)
Cash (used in)/generated from operations	(1,064,276)	474,176
Tax refund	-	64,826
Tax paid	(177,764)	(243,633)
	(177,764)	(178,807)
Net cash (used in)/from operating activities	(1,242,040)	295,369
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(23,994)	(27,765)
Proceeds from disposal of property, plant and equipment	320	-
Interest received	102,711	78,141
Net placement of fixed deposits not for short-term funding requirements	(2,400,000)	(250,000)
Net cash used in investing activities	(2,320,963)	(199,624)
Net (decrease)/increase in cash and cash equivalents	(3,563,003)	95,745
Effects of exchange translation differences on cash and cash equivalents	(4,227)	21,238
Cash and cash equivalents at the beginning of the financial year	3,885,817	3,768,834
Cash and cash equivalents at the end of the financial year	318,587	3,885,817
Cash and cash equivalents at the end of the financial year comprises:		
Fixed deposits with licensed banks	2,700,000	900,000
Cash and bank balances	318,587	3,285,817
	3,018,587	4,185,817
Less: Deposits not for short-term funding requirement	(2,700,000)	(300,000)
	318,587	3,885,817

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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 ("MFRS"), 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:

Amendments to References to the Conceptual Framework in MFRS Standards	
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Institute.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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
Amendment to MFRS 16	Covid-19 - Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendment to MFRS 16	Covid-19 - Related Rent Concession beyond 30 June 2021	1 April 2021
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 MFRS Standards 2018 - 2020: • Amendments to MFRS 1 • Amendments to MFRS 9 • Amendments to MFRS 16 • Amendments to MFRS 141		1 January 2022
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

2. Basis of Preparation (Cont'd)

(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 except when otherwise stated.

(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

The following is the judgement made by management in the process of applying the Institute's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Satisfaction of performance obligations in relation to contracts with customers

The Institute is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations:

The Institute recognises revenue over time in the following circumstances:

- (a) the customer simultaneously receives and consumes the benefits provided by the Institute's performance as the Institute performs;
- (b) the Institute does not create an asset with an alternative use to the Institute and has an enforceable right to payment for performance completed to date; and
- (c) the Institute's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Institute assesses each contract with customers to determine when the performance obligation of the Institute under the contract is satisfied.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

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 may be required to reduce the value of its inventories. The details of inventories are disclosed in Note 5.

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. Sales discounts is only given on case to case with the appropriate approval.

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 calibrates the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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.

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 2020, the Institute has tax recoverable of RM50,282 (2019: RMNil) and tax payable of RMNil (2019: RM153,361).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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 re-translated 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.

(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 de-recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(b) Property, plant and equipment (Cont'd)

(iii) Depreciation (Cont'd)

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.

(c) Leases

The Institute recognises a right-of-use ("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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(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.

The Institute classifies its financial assets as follows:

(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.

(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).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(d) Financial assets (Cont'd)

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 de-recognised on the trade date, i.e. the date that the Institute commits to purchase or sell the asset.

Derecognition

A financial asset or part of it is de-recognised when, and only when the contractual rights to receive cash flows from the financial asset expire or are transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On de-recognition of a financial asset, the difference between the carrying amount of the financial assets and the sum of consideration received (including any new asset obtained less any new liability assumed) 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 de-recognition 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 at FVTPL.

Derecognition

A financial liability or part of it is de-recognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On de-recognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(f) Offsetting of financial instruments

Financial asset and financial liability 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 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, bank overdraft and short-term 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 bank overdraft and pledged deposits, if any.

(i) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(i) Impairment of assets (Cont'd)

(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.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (“a 12-month ECL”). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (“a lifetime ECL”).

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 2020

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 is recognised as revenue in the year of subscription.

(2) Sale of publications and books

Income from sale of publications and books is 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 financial 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

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3. Significant Accounting Policies (Cont'd)

(m) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer of the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Institute uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Institute can access at the measurement date.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 : unobservable inputs for the asset or liability.

The Institute recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

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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
2020							
Cost							
At 1 January 2020	4,828,564	6,840	459,253	189,453	122,710	318,030	5,924,850
Additions	-	-	23,994	-	-	-	23,994
Disposals	-	-	(4,210)	-	-	-	(4,210)
At 31 December 2020	4,828,564	6,840	479,037	189,453	122,710	318,030	5,944,634
Accumulated depreciation							
At 1 January 2020	354,095	5,016	422,013	146,384	118,536	233,222	1,279,266
Charge for the financial year	96,571	1,368	32,819	32,302	2,064	63,606	228,730
Disposals	-	-	(4,210)	-	-	-	(4,210)
At 31 December 2020	450,666	6,384	450,622	178,686	120,600	296,828	1,503,786
Carrying amount							
At 31 December 2020	4,377,898	456	28,415	10,767	2,110	21,202	4,440,848
2019							
Cost							
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
Accumulated depreciation							
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
Carrying amount							
At 31 December 2019	4,474,469	1,824	37,240	43,069	4,174	84,808	4,645,584

The strata title of freehold premises with a net carrying amount of RM4,377,898 (2019: RM4,474,469) is pending issuance by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

5. Inventories

	2020 RM	2019 RM
Publications and books	91,299	32,779
Recognised in profit or loss:		
Inventories recognised as cost of sales	129,263	255,657
Inventories written down	-	685
Inventories written off	11,187	-
Reversal of inventories written down	-	(280)

6. Trade Receivables

	2020 RM	2019 RM
Trade receivables	454,114	234,062
Less: Accumulated impairment losses	(1,600)	(8,208)
	452,514	225,854

Generally, sales are on cash term save for approved customers who are given credit terms of 30 to 60 days (2019: 30 to 60 days). Trade receivables mainly comprise conference, seminar, training and other events fees. The Institute maintains an ageing analysis in respect of trade receivables only.

Movement in the allowance for impairment losses on trade receivables are as follows:

	Lifetime allowance RM	Credit impaired RM	Loss allowance RM
At 1 January 2020	8,208	-	8,208
Reversal of impairment losses ⁽¹⁾	(6,608)	-	(6,608)
At 31 December 2020	1,600	-	1,600
At 1 January 2019	13,614	11,756	25,370
Reversal of impairment losses ⁽¹⁾	(5,406)	-	(5,406)
Amount written off	-	(11,756)	(11,756)
At 31 December 2019	8,208	-	8,208

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

NOTES TO THE FINANCIAL STATEMENTS

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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
2020			
Not past due	35,155	(51)	35,104
Past due:			
1 to 30 days	191,562	(550)	191,012
31 to 60 days	215,721	(928)	214,793
More than 60 days	11,676	(71)	11,605
	418,959	(1,549)	417,410
	454,114	(1,600)	452,514
2019			
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

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

As at 31 December 2020, gross trade receivables of RM418,959 (2019: RM197,605) were past due but not individually impaired. These relate to a number of independent customers with slower repayment records.

NOTES TO THE FINANCIAL STATEMENTS

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7. Other Receivables

	2020 RM	2019 RM
Other receivables		
- Related party (ACIIA)	55,420	15,079
- Third parties	96,601	27,828
	152,021	42,907
Deposits		
Prepayments	24,548	22,828
	130,548	123,826
	307,117	189,561

The related party is Asian Confederation of Institutes of Internal Auditors (ACIIA) and the balance 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

	2020 RM	2019 RM
Deposit with tenures of less than 3 months	-	600,000
Deposit with tenures of more than 3 months	2,700,000	300,000
	2,700,000	900,000

The weighted average interest rates and maturities of the fixed deposits are 3.50% (2019: 2.33%) per annum and 365 days (2019: 68 days) respectively.

9. Research Fund

	2020 RM	2019 RM
At 1 January	153,888	138,158
Transfer from accumulated funds	15,546	15,730
At 31 December	169,434	153,888

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

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10. Trade Payables

The normal trade credit terms granted to the Institute is 60 days (2019: 60 days) depending on the terms of the contracts.

11. Other Payables

	Note	2020 RM	2019 RM
Other payables		74,886	123,188
Accruals	(a)	80,278	389,608
Contract liabilities	(b)	58,345	47,753
		<u>213,509</u>	<u>560,549</u>

(a) As at 31 December 2019, included in accruals of the Institute was accrual for bonus of RM202,529.

(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.

12. Revenue

	2020 RM	2019 RM
Revenue from contracts with customers		
Entrance fees and subscriptions	1,009,820	1,048,742
Seminar and conference income	1,333,549	4,468,253
Examination fees	327,524	559,120
Quality Assessment Review fees	414,390	545,714
Total revenue from contract with customers	<u>3,085,283</u>	<u>6,621,829</u>
Timing of revenue recognition		
At a point in time	2,670,893	6,076,115
Over time	414,390	545,714
Total revenue from contract with customers	<u>3,085,283</u>	<u>6,621,829</u>

13. Direct Costs

	2020 RM	2019 RM
Members' activities	254,436	369,246
Seminars and conferences	513,149	2,049,172
Examination	59,612	222,235
Quality Assessment Review	95,317	173,686
	<u>922,514</u>	<u>2,814,339</u>

NOTES TO THE FINANCIAL STATEMENTS

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14. (Deficit)/Surplus before Tax

(Deficit)/Surplus before tax is arrived at after charging/(crediting):

	2020 RM	2019 RM
Auditors' remuneration	30,000	28,000
Depreciation of property, plant and equipment	228,730	232,858
Inventories written down	-	685
Inventories written off	11,187	-
Lease expenses relating to low value assets	14,575	11,467
Loss/(Gain) on foreign exchange		
- Realised	3,291	109,500
- Unrealised	(2,449)	(20,200)
Fixed deposits interest income	(102,711)	(78,141)
Gain on disposal of property, plant and equipment	(320)	-
Reversal of impairment losses on trade receivables	(6,608)	(5,406)
Reversal of inventories written down	-	(280)

15. Taxation

	2020 RM	2019 RM
Tax expenses recognised in profit or loss		
Malaysian income tax:		
Current tax provision	35,318	264,484
(Over)/Under provision in prior years	(61,197)	25,609
	(25,879)	290,093
Deferred tax (Note 16):		
Relating to origination or reversal of temporary differences	-	(9,387)
Over provision in prior years	-	(5,837)
	-	(15,224)
	(25,879)	274,869

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 2020

15. Taxation (Cont'd)

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

	2020 RM	2019 RM
(Deficit)/Surplus before tax	(143,733)	663,960
At Malaysian statutory tax rate of 24% (2019: 24%)	(34,496)	159,350
Tax effects on scale rates	(13,100)	1,484
Income not subject to tax	(32,613)	(69,938)
Expenses not deductible for tax purposes	100,593	159,877
Deferred tax assets not recognised	14,934	4,324
(Over)/Under provision of income tax in prior years	(61,197)	25,609
Over provision of deferred tax in prior years	-	(5,837)
Tax expenses for the financial year	(25,879)	274,869

The Institute has estimated unabsorbed capital allowances available for carried forward to offset against future taxable profit as follows:

	2020 RM	2019 RM
Unabsorbed capital allowances	14,442	-

16. Deferred Taxation

	2020 RM	2019 RM
At 1 January	-	15,774
Recognised in profit or loss (Note 15)	-	(15,774)
At 31 December	-	-

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

	2020 RM	2019 RM
Deferred tax liability	1,809	15,774
Deferred tax asset	(1,809)	(15,774)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

16. Deferred Taxation (Cont'd)

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

Deferred tax liability

	2020 RM	2019 RM
Accelerated capital allowances		
At 1 January	15,774	24,153
Recognised in profit or loss	(8,926)	(4,643)
Over provision in prior years	(5,039)	(3,736)
At 31 December	1,809	15,774

Deferred tax asset

	2020 RM	2019 RM
Other temporary differences		
At 1 January	(15,774)	(8,929)
Recognised in profit or loss	8,926	(4,744)
Over/(Under) provision in prior years	5,039	(2,101)
At 31 December	(1,809)	(15,774)

Deferred tax assets have not been recognised in respect of the following items:

	2020 RM	2019 RM
Other temporary differences	50,808	3,025
Unutilised capital allowances	14,442	-
	65,250	3,025

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

17. Staff Costs

	2020 RM	2019 RM
Salaries, wages and other emoluments	1,407,874	1,822,304
Defined contribution plans	167,148	237,923
Social security contributions	15,165	15,646
Other benefits	95,493	88,925
	1,685,680	2,164,798

NOTES TO THE FINANCIAL STATEMENTS

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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.

(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:

	2020 RM	2019 RM Restated
Members' annual subscription fees paid by Governors	3,720	3,300

(c) Remuneration of other members of key management are as follows:

	2020 RM	2019 RM
Short-term employee benefits	847,755	709,267
Post-employment employee benefits	98,401	79,924
	946,156	789,191

There is no remuneration received by the governors during current and previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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 expense 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
2020			
Financial Assets			
Trade receivables	452,514	-	452,514
Other receivables *	176,569	-	176,569
Fixed deposits with licensed banks	2,700,000	-	2,700,000
Cash and bank balances	318,587	-	318,587
	<u>3,647,670</u>	<u>-</u>	<u>3,647,670</u>
Financial Liabilities			
Trade payables	-	116,491	116,491
Other payables #	-	155,164	155,164
	<u>-</u>	<u>271,655</u>	<u>271,655</u>
2019			
Financial Assets			
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>
Financial Liabilities			
Trade payables	-	417,184	417,184
Other payables #	-	512,796	512,796
	<u>-</u>	<u>929,980</u>	<u>929,980</u>

* Excluding prepayments

Excluding contract liabilities

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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 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 trade 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 2 debtors (2019: 1 debtor), which accounted for 70% (2019: 15%) of the total gross trade receivables. The debtors subsequently remitted their payment after the financial year end.

(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 2020

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	
	2020 RM	2019 RM
Financial assets		
Trade receivables	-	36,996
Cash and bank balances	49,639	140,419
Financial liability		
Trade payables	(101,966)	(82,678)
	(52,327)	94,737

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Institute's (deficit)/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:

	Effect on (deficit)/ surplus before tax	
	2020 RM	2019 RM
Changes in currency rate		
USD		
- Strengthened by 10% (2019: 10%)	(5,233)	9,474
- Weakened by 10% (2019: 10%)	5,233	(9,474)

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:

	2020 RM	2019 RM
Fixed rate instruments		
Financial asset		
Fixed deposits with licensed banks	2,700,000	900,000

Interest rate risk sensitivity analysis

[Fair value sensitivity analysis for fixed rate instruments](#)

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.

NOTES TO THE FINANCIAL STATEMENTS

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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 development and enhancement of resources and content;
- (iii) To advocate and promote the value that internal audit professionals add to their organisations; and
- (iv) To render high service standards 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.

21. Significant Event

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. The COVID-19 outbreak has resulted in travel restrictions, quarantines, lockdowns and other precautionary measures imposed by various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Institute operates.

On 16 March 2020, the Malaysian Government imposed the Movement Control Order ("MCO") which took effect from 18 March 2020 and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

Due to implementation of the MCO, the Institute has temporary shut down its premises from 18 March 2020 till 3 May 2020 to comply with the MCO requirements. Subsequently on 4 May 2020, the Institute resumed its operations with standard operating procedures being effected. The constant disruption of the Institute's operations and economic fallout during the financial year due to the Covid-19 pandemic had a negative impact on the Institute's financial results.

As the COVID-19 pandemic situation is still evolving as at the date of authorisation of the financial statements, the financial impact, safety of staff, members and stakeholders will continue to be of concern to the Institute. However, the Institute will continue to monitor the situation and will be taking the appropriate measures to keep our staff/members/stakeholders safe and minimise the negative financial impact on the Institute's operations.

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 28 May 2021.

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