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# Crowe Chat

Vol.13/October 2020

**Accounting and Audit**

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## Revised Guidance Note on Accountant's Report issued by MIA

### 1. What are the changes?

On 14 May, 2020, the Malaysian Institute of Accountants (MIA), issued a Revised Guidance Note on Accountant's Report by Reporting Accountant to its members. This Guidance Note makes recommendations on what a Reporting Accountant should consider while carrying out his work. In this regard, an Accountant's Report refers to the report prepared by the Reporting Accountant for inclusion in a prospectus or circular made in relation to the offering of securities in the capital market, e.g. Bursa Malaysia. A prospectus is usually filed pursuant to an initial public offering (IPO) on the stock exchange when a company goes for a public listing whilst circulars may be issued when a company raises capital via a rights issue.

This updated version of the Guidance Note was drawn up subsequent to its first issuance in September 2016, and came into effect recently on 29 June 2020.



## 2. Previous version of the Guidance Note

The previous Guidance Note was 15 pages long and worked hand-in-hand with the requirements enforced by the regulators of the capital market, namely the Securities Commission of Malaysia and Bursa Malaysia. Over the years, this Guidance Note has become one of the main references for practising Reporting Accountants when expressing an independent opinion on the historical financial information of the entity concerned.



A noteworthy observation is that the key principles introduced in the previous Guidance Note have been maintained in the revised version. A recap of these key principles is included in the later part of this article.

### 3. Revised version of the Guidance Note

Bearing in mind that key principles introduced in the previous Guidance Note have been maintained, the main changes in the revised version are minor additions which are intended to improve the clarity of the original document. These key changes are as follows:

- a) MIA has included a statement in the revised Guidance Note to state that failure by the Reporting Accountant to comply with the requirements of the Guidance Note is a breach of the MIA *By-Laws (on Professional Ethics, Conduct and Practice)*. Such failure can expose the Reporting Accountant to MIA disciplinary action;
- b) MIA has included a statement in the revised Guidance Note to clarify that the revised Guidance Note is predicated on the regulatory requirements imposed by the Securities Commission and Bursa Malaysia. This statement was previously absent; and
- c) Modifications to the Illustrative Accountant's Report to align with the International Standard on Auditing 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, in the following ways:
  - i. The paragraph on the responsibilities of the Directors for the preparation of the financial statements and of the Reporting Accountant in the audit of the said financial statements, was modified to provide better clarity on their respective responsibilities
  - ii. The Accountant's Report should include an additional statement to make reference to the specific laws or regulations that the Reporting Accountant has followed, under a separate section in the Accountant's Report known as "Other Reporting Responsibility", where applicable.

## 4. Key principles of the Guidance Note

The Guidance Note on Accountant's Report for Reporting Accountant revolves around the foundation that an Accountant's Report consists of:

- i) A set of historical financial information of the entity prepared by the directors of the entity; and



- ii) An independent Reporting Accountant's opinion on that historical financial information of the entity.



Essentially, emphasis is given on the primary responsibility of the Reporting Accountant to perform adequate procedures and subsequently to express an appropriate opinion on the financial information of the entity. The key principles can be summarised as follows:



- a) Perform and document risk assessment procedures;



- b) Understand the entity's environment and internal control;



- c) Determine materiality independently of the statutory audit; and



- d) Obtain evidence to support their opinion.

## 5. Conclusion

The good news for Reporting Accountants is that the changes to the revised Guidance Note are few and they are not required to perform more work in order to comply with the regulatory requirements.

They will, however, need to be more transparent in their Accountant's Report as stipulated by MIA.





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