

September 7, 2012

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Via online submission and email  
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Dear Sir,

**COMMENTS ON IAASB INVITATION TO COMMENT  
IMPROVING THE AUDITOR'S REPORT**

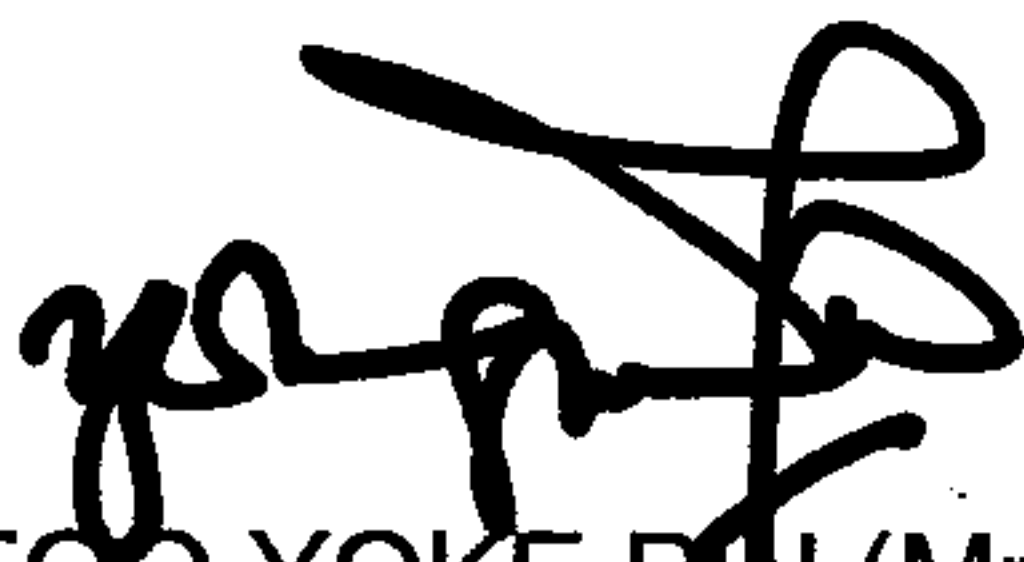
We refer to the *Invitation to Comment: Improving the Auditor's Report*, issued by the International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC").

In this regard, we are pleased to attach the Institute's comments as set out in **Appendix I** for your consideration.

Please do not hesitate to contact the undersigned or the Institute's Senior Technical Manager, Ms Hoh Kim Hyan at +603-2698 9622 should you require any clarification.

Thank you.

Yours faithfully,



FOO YOKE PIN (Mr)  
Executive Director

THE MALAYSIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
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**Comments from**  
**Accounting and Auditing Technical Committee**  
**International Auditing and Assurance Standards Board**  
**Invitation to Comment**  
**Improving the Auditor's Report**

## Overall Considerations

### Question 1

Overall, do you believe IAASB's suggested improvements sufficiently enhance the relevance and informational value of the auditor's report, in view of possible impediments (including costs)? Why or why not?

#### **MICPA Response:**

MICPA encourages and supports an evolution of auditor reporting that would achieve high quality financial reporting. The key driving forces for this evolution are to meet the needs of users and to enhance audit quality.

The key principle that underpins any standard-setting activity in this respect should have, at a minimum, the following desirable outcomes:

- the companies must provide truthful and high-quality information which auditors report on; and
- auditor reporting should be in sufficient detail to be transparent about what auditors do and how they deal with their findings, but not so detailed as to be at the expense of clarity on key messages to readers.

MICPA's concerns with regard to the Auditor Commentary section are detailed in the response to **Question 3**. However, strictly responding to this question, it is uncertain whether the deemed incremental benefits will outweigh the incremental costs at this juncture until the proposals are put in place and implemented.

#### *Perceived Benefits of Increased Informational Value vs. Costs of Implementation*

MICPA is of the view that whilst these proposals attempt to induce short term improvements to the format and content of the auditors' report, potentially the long term ambiguous solutions for narrowing information and expectation gaps are awaiting us. For example, while the costs of implementing these improvements are obvious, it should also be noted that it is unclear as to who would be bearing these aforementioned costs of implementation. However, MICPA wishes to highlight that it is clear from economic decision making theory that these extra costs will eventually be transformed into higher audit fees which will in turn be absorbed by the end customers of the companies via higher product prices.

With this in mind, MICPA is concerned as to whether the higher perceived benefits of increased informational value of the auditors' report can justify the extra costs absorbed by the end customers, who may or may not be readers or users of financial statements. To further clarify, the concern is in relation to whether the extra information in the auditors' report, in particular the information disclosed in the Auditor Commentary, will be understood by the end users. It should be noted that auditors' reports can sometimes contain very technical language and issues that are not easily comprehensible to ordinary readers.

*Deficiencies in Financial Reporting as a Result of Preparers' Behaviour*

MICPA wishes to emphasise that the root of the problems must be closely examined in order to determine whether the current information gap is caused by financial reporting or a lack of detailed information in the auditors' report. In this regard, MICPA believes that it is more likely that the information gap is caused by financial reporting, and that auditors express their opinion on the information provided by management of the company. A qualified audit opinion would thus reflect such deficiency.

MICPA also wishes to draw attention to the fact that some the deficiencies in financial reporting are a result of preparers' behaviour, and as such, would be better addressed by means of additional reporting requirements since financial reporting is the primary responsibility of the management and not the auditors. For example, in risk reporting, some preparers provide the bare minimum information simply to satisfy the letter of the law. Under such circumstances, MICPA feels that a more effective way to remedy this behavioural deficiency is to impose additional reporting on the preparers via accounting standard requirements. This is particularly so in view that a more detailed auditors' report will not rectify this behavioural deficiency and will not categorically make it right.

To this end, MICPA strongly recommends for regulators to exert pressure on companies to prepare and provide higher quality information via disclosures rather than simply satisfying the minimum reporting requirements.

MICPA further wishes to highlight if the current situation be allowed to continue, there would be no end to satisfying users' requests for information as this would only encourage free riders in requesting for more free information in auditors' reports while the bare minimum disclosure is done at the expense of other genuine needs. MICPA also strongly recommends that any additional information needs requested by users should be evaluated and considered in light of the current financial reporting frameworks. It should then be evaluated whether these additional information needs should be covered by auditors' reports or by financial reporting.

**Question 2**

Are there alternatives to improve the auditor's report, or auditor reporting more broadly, that should be further considered by the IAASB, either alone or in coordination with others? Please explain your answer.

**MICPA Response:**

MICPA believes that improved communication, by using less technical terms, would at least improve readership and understandability. This can be achieved without a significant change to the existing format. Informed decisions can also be better made through better understanding of information instead of voluminous information expressed in a complex and cumbersome manner.

**Audit Commentary**

**Question 3 (See Paras 35 – 64)**

Do you believe the concept of Auditor Commentary is an appropriate response to the call for auditors to provide more information to users through the auditor's report? Why or why not?

**MICPA Response:**

MICPA does not believe that the concept of Auditor Commentary is an appropriate response to the call for auditors to provide information to users through the auditor's report.

On the basis that the IAASB is seeking input as to whether the proposals address the information demands, MICPA wishes to raise the following concerns:

- (i) As commented in **Question 1**, the 'free riders' issue could potentially encourage a never-ending request from users for more information in the auditors' report.
- (ii) The concept of Auditor Commentary could potentially be pinpointing the wrong issue. As mentioned in **Question 1**, it is imperative that the root of the problem be examined and considered whether it can be best resolved via financial reporting or auditor reporting.

In this context, MICPA maintains its stand that the management and those charged with governance ("TCWG") should play the major role in addressing the information gap, and that the regulators consider exerting more pressure via increased disclosures.

MICPA wishes to remind that auditors have a supporting role in enhancing the perceived reliability and credibility of additional information provided by management and TCWG through the performance of additional audit procedures. In view that the role of auditors and management and TCWG should remain distinct and separate, MICPA strongly feels that auditors should remain as an independent "assessor".

#### **Question 4** (See Paras 43 – 50)

Do you agree that the matters to be addressed in Auditor Commentary should be left to the judgement of the auditor, with guidance in the standards to inform the auditor's judgment? Why or why not? If not, what do you believe should be done to further facilitate the auditor's decision-making proves in selecting the matters to include in Auditor Commentary\*?

\* *Examples may include: specifying detailed criteria; specifying particular matters to be addressed in Auditor Commentary; specifying a presumptive requirement together with required audit documentation where the presumption is rebutted; or requiring the auditor to make an explicit statement in the auditor's report that there is nothing to report when this is the case.*

#### **MICPA Response:**

MICPA does not believe that the auditor should be required to provide subjective views or commentary on financial reporting matters or on the audit.

MICPA's concerns are set out as follows:

1. The information to be included in the Auditor Commentary is highly subjective and depends heavily on the auditors' judgement. In this regard, MICPA strongly feels that auditor reporting should focus on the objective rather than the subjective.
2. MICPA assumes that those subject matters to be included in the Auditor Commentary should have already been disclosed by the preparers in the financial statements either in the form of key estimates and judgements used by the preparer or in other parts of the notes to the financial statements. Where such disclosures had not been made in the financial statements, the auditors should have qualified the financial statements for inadequate disclosures.
3. Contentious issues, if any, should be cleared with the management prior to the issuance of the auditors' report. Otherwise, the auditors' views should be expressed in the form of a qualified opinion. The proposed context of an Auditor Commentary would not allow for the brevity and focused reporting of a qualified opinion.

4. Providing additional information about the audit procedures in the auditors' report on the financial statements may be counter-beneficial as the level of investor knowledge about the audit processes may be low. Under such circumstances, such disclosure may be misinterpreted and may even widen the expectation gap.

In addition, since specific procedures performed in a particular area are developed in the context of the overall audit as a whole, it would be misleading and inappropriate to describe such procedures on its own in isolation. It would also be difficult to summarise the hundreds of audit hours spent into a mere few sentences.

MICPA recommends instead that emphasis be given towards educating the public and users on the role and scope of auditors as more engagement and interaction with users would be more efficacious.

5. There is the risk that auditors may use the Auditor Commentary to avoid rendering a qualification.

In the event that the Auditor Commentary gives an impression that the issues raised are neither here nor there, even more doubts would be created in the minds of the users. This is particularly in view that the commentaries are not and cannot be definitive, specific and non-conclusive.

In view of this, MICPA strongly believes that the term "Auditor Commentary" is inappropriate. The auditors' report should be restricted to the conclusion reached arising from the work done and should not include commentaries on the financial statements and the audit work. To this end, MICPA wishes to emphasise that commentaries on the financial statements are the responsibility and domain of the management.

6. MICPA also wishes to highlight that if the auditor is of the view that certain matters are significant enough to warrant mention in the auditors' report, auditors already have an available avenue, i.e. the "emphasis of matter" paragraph.

As such, where there are matters which the auditors are of the view should be brought to the attention of the readers, the "emphasis of matter" paragraph in the existing standard auditors' report should be expanded upon instead.

In the event that the IAASB decides to go ahead with the Auditor Commentary, MICPA envisages two possible options, either:

1. matters to be addressed in the Auditor Commentary should be left to the auditor's judgement; or
2. auditors to be guided by auditing standards to determine what should be included in the Auditor Commentary.

MICPA prefers Option 1 because auditors may not have access to certain information or may not be in the position to disclose if management of the entity does not wish such information to be disclosed. Additionally, under the principle-based approach, guidance in the standards will aid auditors to apply auditing principles as well as to exercise judgement with regard to the content of the Auditor Commentary.

MICPA is of the view that it is highly unlikely that new auditing standards providing the required guidance can be definitive and complete without being, at the same time, seen as too limiting and restrictive. Such auditing standards could also remove, if not impede, the discretionary judgement necessary in providing a commentary of such nature.

**Question 5** (See Paras 58 – 61)

Do the illustrative examples of Auditor Commentary\*\* have the informational or decision-making value users seek? Why or why not? If not, what aspects are not valuable, or what is missing? Specifically, what are your views about including a description of audit procedures and related results in Auditor Commentary?

*\*\* The illustrative examples of Auditor Commentary are intended to simulate the nature and content expected from the application of the Auditor Commentary concept described in this ITC.*

**MICPA Response:**

MICPA is not in favour of the auditor providing information on the specifics of an audit as it would depart from the generic nature of an audit, which could lead to diverse practices (lack of consistency) and create confusion to users as a result.

MICPA also does not believe the provision of information on audit risks, audit judgments and materiality will be useful to users as such information may not be easily comprehensible and is potentially confusing to some users who do not have sufficient academic \ technical background. Therefore, given the complexity of the issues, the risk of misunderstanding is potentially high, ultimately resulting in an inappropriate and erroneous signalling effect.

In addition, whilst the users may be alerted to the issues mentioned in the Auditor Commentary, the users are not in the position to guess the probability of the events materialising. It is also highly likely that most of the users are not in the position to figure out the eventual financial impact, if any. This could instead result in a call for the auditors to also provide the financial impact, if any, should the events materialise, which would inadvertently result in the auditors having to share their views on the probability of the events happening. This shifts the auditors' report to be subjective rather than objective.

Please also refer to the response to **Question 4** for further details on MICPA's concerns.

**Question 6** (See Paras 38 and 62 – 64)

What are the implications for the financial reporting process of including Auditor Commentary in the auditor's report, including implications for the roles of management and those charged with governance ("TCWG"), the timing of financial statements, and costs?

**MICPA Response:**

MICPA wishes to highlight the following potential implications of including Auditor Commentary in the auditors' report:

- (i) From the auditors' perspective, this approach may be viewed as an increase in the auditors' liability. For example, in a situation where a significant issue arises after the issuance of the financial statements, and this issue (or the possibility of its occurrence) was not highlighted in the Auditor Commentary paragraph of the auditor's report.
- (ii) TCWG may need to address more issues than necessary if overly conservative auditors use the Audit Commentary, whether intentionally or unintentionally, to minimise their exposure.
- (iii) If the Auditor Commentary contains the proposed information such as significant audit risk, the cost of such provision should not be underestimated. It is most likely that the costs and benefits do not really stack up as the auditors' costs of audit will escalate, which could be aggravated by the potential delay in issuing the audited financial statements.

- (iv) Timely and satisfactory completion of all reports could be an issue. The information gathering and processing time is a critical area which should not be overlooked. It is imperative to bear in mind that not only all the information will have to be presented to the auditors in time but allowance will also have to be made for deliberations and resolution of any differences in opinions.

While such deliberations and resolution of differences in opinions are in the normal course of audit, TCWG would nonetheless be concerned with the auditors' views expressed in the Auditors Commentary and whether rebuttal is necessary. Where rebuttal is deemed necessary, it should be done immediately upon issuance of the Auditors Commentary.

#### **Question 7** (See Paras 51 – 56)

Do you agree that providing Auditor Commentary for certain audits (e.g., audits of public interest entities ("PIEs")), and leaving its inclusion to the discretion of the auditor for other audits is appropriate? Why or why not? If not, what other criteria might be used for determining the audits for which Auditor Commentary should be provided?

#### **MICPA Response:**

MICPA wishes to highlight that the work performed by the auditors on large or small entities are the same i.e. in accordance with the requirements of the International Standards on Auditing (ISAs). On this basis, the auditor's reporting requirements should not be different, and MICPA believes that there should only be a single standard auditor's report to be used for all entities globally, regardless of the type and size of the entity.

Further, MICPA believes that auditor reporting for audits of large entities and small entities is equally affected by specific issues, and that information gap exists in smaller entities too.

MICPA wishes to emphasise that uniformity in auditor reporting is important. In order to achieve this, the retention of consistency in auditor reporting for all types of entities is therefore desirable since all large and small entities are subject to the same set of auditing standards.

#### **Going Concern / Other Information**

#### **Question 8** (See Paras 24 – 34)

What are your views on the value and impediments of the suggested auditor statements related to going concern, which address the appropriateness of management's use of the going concern assumption and whether material uncertainties have been identified? Do you believe these statements provide useful information and are appropriate? Why or why not?

#### **MICPA Response:**

In Para 25 of the Invitation to Comment ("ITC"), IAASB proposes that the auditors' report, having regard to the applicable financial reporting framework, would contain the following, along with the appropriate caveats:

- (i) A conclusion regarding the appropriateness of management use of the going concern assumption; and
- (ii) A statement regarding whether, based on the audit work performed, material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern have been identified.

This would be supported by a description of the management's responsibilities with respect to going concern.

The going concern assumption is a critical basis for the preparation of financial statements. As such, the local jurisdictions mandate the management of the company to provide information about the company, such as the financial statements, and the reasons underlying management's use of the going concern assumption. In a way, the auditor is not an information provider in this respect.

With the growing interest in additional information on going concern assessments from users of financial statements such as investors, there is a merit in putting auditor's comments and conclusions on going concern assumptions used by the company. In this regard, MICPA believes that the information gap and expectation gap would be narrowed to some extent gradually. Currently the going concern is for a period of at least one (1) year.

To further strengthen auditor's comments on going concern assumptions, disclosures in the financial statements of such assumptions should be enhanced in terms of quality and quantity. In doing so, the auditor would be well placed to give a view regarding the conclusions drawn during the audit in respect of the management's use of going concern assumptions. This would also assist to reduce the misunderstanding of the auditor's role.

MICPA is thus supportive of this proposal. However, in order to enable the auditors to do a better job in this aspect and also to strengthen the users' confidence, disclosures in financial statements about going concern assumptions, on the part of the management of the company, should be increased in both quantity and quality. In other words, MICPA wishes to emphasise that disclosures regarding going concerns should be strengthened via the financial reporting framework and by not by the auditing standards. This is in view that the onus in disclosing the bases and assumptions used in confirming going concerns, if any, should be on the management, and that the auditors should only opine on the appropriateness of the bases and assumptions used.

**Question 9** (See Paras 30 – 31)

What are your views on the value and impediments of including additional information in the auditor's report about the auditor's judgments and processes to support the auditor's statement that no material uncertainties have been identified?

**MICPA Response:**

MICPA is of the view that since these procedures are already required under the existing ISA, incremental costs should be minimal, and as such, the benefits would outweigh the incremental cost and effort.

However, MICPA wishes to highlight that auditors from most parts of the world have already reported to the audit committees on significant audit issues such as significant audit risk, internal control deficiencies and materiality. All these issues require auditors' judgments which would require extensive explanations in the auditors' report.

With this in mind, MICPA does not believe that reporting of the auditor's judgment on such significant issues within the auditors' report would be of any significant value without a high risk of being misunderstood given the complex nature of the issues. This is particularly in view that the existing nature of the auditors' report is already difficult to understand to some users, let alone with the increased use of technical jargon in the proposed long form auditors' report.

Further, a qualified report would have been issued if material uncertainties were identified and were not satisfactorily resolved.



**Question 10** (See Paras 65 – 71)

What are your views on the value and impediments of the suggested auditor statement in relation to other information?

**MICPA Response:**

The existing ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*, requires auditors to perform certain work on other information in documents containing audited financial statements and the auditor's report.

Such a statement in the auditor's report would help to communicate the nature of the other information and the auditor's responsibilities in regards thereto. However, MICPA wishes to highlight that there may be contention to list out such 'other information' for which work was performed on by the auditors.

MICPA also wishes to highlight that there are existing local requirements for auditors to report on 'other information'. In Malaysia, this is placed in "Other Matters" of the audit report because these other matters are clearly separated from the audit opinion, and it is usually reported by "exception".

In this regard, MICPA believes the existing requirements for such disclosures on inconsistency are adequate as it is and that adding redundant requirements would be counterproductive.

**Clarifications and Transparency**

**Question 11** (See Paras 81 - 86)

Do you believe the enhanced descriptions of the responsibilities of management, TCWG, and the auditor in the illustrative auditor's report are helpful to users' understanding of the nature and scope of an audit? Why or why not? Do you have suggestion for other improvements to the description of the auditor's responsibilities?

**MICPA Response:**

MICPA is of the view that providing enhanced descriptions is a positive step forward in closing the expectation gap between the auditors and the users. The users should be educated on the responsibilities of each of these parties in order to have a better and clearer understanding and appreciation of all parties concerned, and that for the sake of improved communication flow, the proposed enhanced descriptions are worthy of consideration.

MICPA further proposes the inclusion of additional descriptions of the auditor's responsibilities with respect to the following:

- (i) other information in documents containing audited financial statements, as required by ISA 720; and
- (ii) the usage of professional judgment in making risk assessments and selecting audit procedures.

At this juncture, MICPA wishes to highlight that such changes to the content of the responsibility statement would require auditors to articulate their position even more clearly. However, due to some cultural issues in certain countries, these changes may not have a significant impact on what users believe the auditors are or should be doing. Hence, in these situations, the enhanced descriptions may not help in narrowing the expectation gap.

**Question 12** (See Paras 72 – 73)

What are your views on the value and impediments of disclosing the name of the engagement partner?

**MICPA Response:**

Para A36 of ISA 700, *Forming an Opinion and Reporting on Financial Statements*, requires that the auditors' report can be signed in the name of the audit firm, the personal name of the auditor, or both, as appropriate in a particular jurisdiction. In many jurisdictions this is already required as in the case of Malaysia.

MICPA acknowledges that the key objective of this proposal is to instil a greater sense of personal accountability. MICPA also acknowledges that disclosing the name of the engagement partner may facilitate greater ownership of the work performed by the engagement partner. However, in the modern structure, it should be noted that many of the audit decisions are made collectively amongst partners, thus becoming the firm's decision. On this basis, MICPA is of the view that the question on accountability should be at the firm's level.

MICPA further believes that whether the engagement partner is held personally accountable is a domestic affair, and not a public one. Whilst putting public interest as the top priority in any change is important, one must be equitable and fair when it comes to identifying the culprit(s) before a punitive action is taken.

In summary, MICPA feels that public interest is equally served well, regardless whether the auditors' report is signed in the name of the audit firm or the engagement partner or both. This is in view that when it comes to punitive actions, one needs to be cognisant of the modern decision making structure under which unilateral decision is no longer common. The equity principle warrants worthy consideration in this aspect. MICPA therefore urges the IAASB to establish a more convincing case for this proposal.

**Question 13** (See Paras 77 – 80)

What are views on the value and impediments of the suggested disclosure regarding the involvement of other auditors? Do you believe that such a disclosure should be included in all relevant circumstances, or left to the auditor's judgment as part of Auditor Commentary?

**MICPA Response:**

MICPA is in support of the original requirements under ISA 600, *Special Considerations – Audit of Group Financial Statements (Including the Work of Component Auditors)*, which prohibits referencing to another auditor in the auditor's report unless required by law or regulation. The principle that underpins ISA 600 is based on the non-divisional responsibility of auditors.

Hence, MICPA does not support the proposal to leave such disclosure to the auditor's judgment as part of Auditor Commentary.

MICPA further wishes to emphasise that auditors' reports should not contain matters relating to judgment exercised by the auditor in carrying out his work as an auditor in determining the timing, nature and extent of his work. Any inclusion of such information would again shift the auditor's report towards being more subjective and result in a loss of objectivity.

**Question 14** (See Paras 83 – 84)

What are your views on explicitly allowing the standardised material describing the auditor's responsibilities to be relocated to a website of the appropriate authority, or to an appendix to the auditor's report?

**MICPA Response:**

While auditors' reports that are too lengthy and contain too much information will lose its value to readers, the relocation of such information to a website may not be a good idea as most users will probably not visit the website. Alternatively, relegating such information to an appendix may have its merits.

However, MICPA strongly believes that the standardised material describing the auditor's responsibilities should be placed within the auditors' report as it provides direct information about the responsibilities of auditor to users of financial statements. This aspect of information is critical to a better understanding of the role of auditors which will have positive impact of narrowing expectation gap. Hence, MICPA is not supportive of relocating such information to a website or to an appendix of the auditor's report.

Last but not least, MICPA recommends that more emphasis be placed on educating the users.

**Form and Structure**

**Question 15** (See Paras 17 – 20)

What are your views on whether the IAASB's suggested structure of the illustrative report, including placement of the auditor's opinion and the Auditor Commentary section towards the beginning of the report, gives appropriate emphasis to matters of most importance to users?

**MICPA Response:**

MICPA is not opposed to re-positioning the opinion paragraph to be placed first in the auditor's report. However, MICPA is of the view that the placement of the auditor's opinion would not make audit reporting more effective as this would neither enhance the value of auditor reporting nor reduce the information or expectation gaps.

**Question 16** (See Paras 21 – 23 and 87 – 90)

What are your views regarding the need for global consistency in auditors' reports when ISAs, or national auditing standards that incorporate or are otherwise based on ISAs, are used?

**MICPA Response:**

The auditors' report which is based on the most important aspects of the entity's financial statements should contain communicative value to users of these financial statements. Due to different jurisdictional requirements, it is sometimes difficult to find the optimal balance between the need for consistency and comparability in auditor reporting globally.

The key issue is that all audits are performed using a same set of auditing standards from the outset. The rest will be how to communicate critical findings and conclusions in the audit report which are often subject to specific jurisdictions of the countries as well as the auditing standards.

MICPA is supportive of global consistency on the basis that there will be a building blocks approach which helps to achieve comparable auditors' reports while still allowing jurisdictions the ability to further tailor auditor reporting requirements in the context of national environments, including their applicable accounting and financial reporting frameworks. Perfect consistency in all aspects of the auditors' report should not be anticipated, but rather consistency in the core areas of auditor reporting. MICPA believes that this global consistency is achievable through these building blocks over time.

Please also refer to the response to **Question 7**.

**Question 17** (See Para 17 and Appendix 4)

What are your views as to whether the IAASB should mandate the ordering of items in a manner similar to that shown in the illustrative report, unless law or regulations require otherwise? Would this provide sufficient flexibility to accommodate national reporting requirements or practices?

**MICPA Response:**

In a broad sense, MICPA supports mandating the ordering of items as prescribed in the illustrative report across entities and jurisdiction unless otherwise required by law or regulation if the illustrative report format will reduce information gap and / or expectation gap without incurring huge costs.

Please also refer to the response to **Question 7**.

**Question 18** (See Paras 91 – 95)

In your view, are the IAASB's suggested improvements appropriate for entities of all sizes and in both the public and private sectors? What considerations specific to audits of small-and medium-sized entities ("SMEs") and public sector entities should the IAASB further take into account in approaching its standard-setting proposals?

**MICPA Response:**

As commented in **Question 7**, since all audits are performed using the same set of auditing standards, and since both the management of the company and the auditors are subject to accountability requirements, MICPA believes that the suggested improvements are appropriate for entities of all sizes and in both the public and private sectors.

MICPA wishes to emphasise the importance of uniformity in auditor reporting, which is likewise applicable to private-public companies and companies in the public sector which have public accountability to stakeholders. It should further be noted that for SMEs, accountability is still important albeit to a lesser extent.

To this end, MICPA recommends that the IAASB should take into consideration developments on reporting for these other entities as well.

Please also refer to the response to **Question 7**.