



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

24 April 2015

Ms Kathleen Healy
Technical Director, International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, 10017 USA

Dear Kathleen

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (“IAASB”) EXPOSURE DRAFT, PROPOSED CHANGES TO INTERNATIONAL STANDARDS ON AUDITING (“ISAs”) – ISA 800 (REVISED), SPECIAL CONSIDERATIONS – AUDITS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS AND ISA 805 (REVISED), SPECIAL CONSIDERATIONS – AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

The Auditing and Assurance Standards Board (“AASB”) of the Malaysian Institute of Accountants (“MIA or the Institute”) welcomes the opportunity to provide its comments on the International Auditing and Assurance Standards Board (“IAASB”) exposure draft, proposed International Standards on Auditing (ISAs) – ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

Our comments to the questions in the exposure draft are as follows:

Specific comments

Q1. Whether respondents agree with how the enhancements resulting from the new and revised Auditor Reporting standards have been addressed in proposed ISA 800 (Revised) and proposed ISA 805 (Revised) as explained in paragraphs 10–32 of this EM. If not, respondents are requested to provide their rationale as to why they do not support the proposals and, where applicable, suggest alternative approaches.

We agree with how the enhancements resulting from the new and revised Auditor Reporting standards have been addressed in proposed ISA 800 (Revised) and proposed ISA 805 (Revised).

Specific comments (Continued)

Q2. Whether the proposed standards include sufficient guidance to enable auditors to appropriately apply the new and revised Auditor Reporting standards in the context of ISA 800 and ISA 805 engagements.

The AASB is of the view that the guidance in the proposed standards is sufficient to enable auditors to appropriately apply the new and revised Auditor Reporting standards in the context of ISA 800 and ISA 805 engagements.

Q3. In relation to KAM:

- (a) Do respondents agree with the IAASB's decision that the communication of KAM be voluntary for all entities under both proposed ISA 800 (Revised) and proposed ISA 805 (Revised), unless required by law or regulation?
- (b) Specific to proposed ISA 805 (Revised), whether respondents support the IAASB's proposed direction that reference to KAM that is communicated in the auditor's report on the complete set of financial statements be permitted in the ISA 805 auditor's report using an OM paragraph and how this has been illustrated in the ISA (see paragraphs 25–32 above). In particular, the IAASB would also welcome respondents' views about:
 - (i) The usefulness of the guidance in paragraph A23 in proposed ISA 805 (Revised) and the appropriateness of Illustration 3 in Appendix 2 to assist auditors in determining how to make a reference in the ISA 805 auditor's report to KAM that are communicated in the auditor's report on the complete set of financial statements; and
 - (ii) In light of views on (i) and the Board's deliberations summarized in paragraphs 25–32 above, whether it is necessary to establish requirements in proposed ISA 805 (Revised) relating to a reference to KAM in the ISA 805 auditor's report either to promote consistent treatment in practice or expressly prohibit certain approaches (e.g., a reference only to relevant KAM in the auditor's report on the complete set of financial statements or the possibility of repeating the full description of a KAM).

- (a) As the call for Key Audit Matters ("KAM") was primarily in the context of a complete set of general purposes financial statements of a listed entity, we agree that the communication of KAM should be voluntary for reporting under both proposed ISA 800 (Revised) and proposed ISA 805 (Revised), unless required by law or regulation.

We support the IAASB's clarification on application guidance (A17 of ISA 800 (Revised) and A19 of ISA 805 (Revised)) that where law or regulation requires the auditor to communicate KAM, or when the auditor decides to do so voluntarily, ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report* should be applied in its entirety.

Specific comments (Continued)

- (b) We support IAASB's proposed direction that reference to KAM that is communicated in the auditor's report on the complete set of financial statements be permitted in the ISA 805 auditor's report using an Other Matter ("OM") paragraph. However, we urge to IAASB to provide further guiding principles on determining when a reference should be made, for example, in circumstances where the auditor is not also engaged to report on the entity's complete set of financial statements or where the reporting period is not the same as the entity's complete set of financial statements.

We agree with the IAASB's view that it would be preferable to provide flexibility to auditors to determine what may be most useful to the users of the ISA 805 auditor's report in determining how to refer to a KAM that is communicated in a complete set of financial statements, including allowing auditors to make a specific reference in an Other Matters section, to KAM in the auditor's report on the complete set of financial statements.

Q4. The IAASB would also welcome feedback on whether conforming amendments to extant ISA 810 are needed at this time and, if so, what approach could be taken to incorporate the enhancements resulting from the new and revised Auditor Reporting standards.

Existing ISA 810 require modifications to the opinion, any Emphasis of Matter ("EOM") paragraph or OM paragraph that have been included in the auditor's report on audit of financial statements to be described in the auditor's report on summary financial statements. Some of the proposed enhancements resulting from the new and revised Auditor Reporting standards may have implications to an ISA 810 engagement. For example, as reporting on a material uncertainty in proposed ISA 570 (Revised), *Going Concern* is no longer in the form of an EOM paragraph, it is necessary to determine the applicability of the reporting to ISA 810. In light of the demand for more informative auditor's report, there is a need to reconsider what information should be included in the ISA 810 auditor's report.

Also, while ISA 810 is not linked directly to the reporting requirements in the existing ISA 700, the presentation of reporting in ISA 810 is generally similar to that of the existing ISA 700. Hence, there is a need align the reporting requirements in ISA 810 to that of ISA 700 (Revised) to maintain this continued similarity.

In Malaysia, financial services industry have to publish an abridged version of the financial statements in the local daily newspapers. An engagement in accordance with ISA 810 is performed on the abridged version of the financial statements.

In this regard, we recommend IAASB consider prioritising consequential amendments to ISA 810 to align with the new and revised Auditor Reporting standards, in the public interest.

General comment

(d) Effective Date— In line with the effective date of the new and revised Auditor Reporting standards, the effective date of:

- Proposed ISA 800 (Revised) is for audits of special purpose financial statements for periods ending on or after December 15, 2016; and
- Proposed ISA 805 (Revised) is for audits of single financial statements or specific elements, accounts or items for periods ending on or after December 15, 2016. In the case of audits of single financial statements or specific elements, accounts or items of a financial statement prepared as at a specific date, proposed ISA 805 (Revised) is effective for audits of such information prepared as at a date on or after December 15, 2016.

Early adoption of the proposed standards would be permitted.

The AASB supports that the effective date of proposed ISA 800 (Revised) and ISA 805 (Revised) should be aligned with the effective date of the new and revised Auditor Reporting Standards.

Yours sincerely,

MALYSIAN INSTITUTE OF ACCOUNTANTS



DATUK JOHAN IDRIS

President