



MALAYSIAN INSTITUTE
OF ACCOUNTANTS



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Ms Kathleen Healy

Technical Director, International Auditing and Assurance Standards Board

International Federation of Accountants

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Dear Kathleen

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD ("IAASB") RE-EXPOSURE DRAFT ON INTERNATIONAL STANDARD ON AUDITING 720 (REVISED), THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION

The Auditing and Assurance Standards Board ("AASB") of the Malaysian Institute of Accountants ("MIA") welcomes the opportunity to provide comments on the International Auditing and Assurance Standards Board ("IAASB") re-exposure draft, *International Standard on Auditing 720 (Revised), The Auditor's Responsibilities Relating to Other Information*.

MIA broadly supports the IAASB's effort of strengthening auditors' responsibilities with respect to other information. Overall, the AASB is supportive of the IAASB proposals in the re-exposure draft which provide a clearer articulation of the auditor's objectives, boundaries around the scope of documents covered and the required work expected from the auditor regarding other information, compared to the initial exposure draft.

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

Q1. Whether, in your view, the stated objectives, the scope and definitions, and the requirements addressing the auditor's work effort (together with related introductory, application and other explanatory material) in the proposed ISA adequately describe and set forth appropriate responsibilities for the auditor in relation to other information.

Objectives

We believe that the objectives of the auditor as outlined in the proposed standard are clear and appropriate. Separating the "read" and "consider" requirements, and also the consideration of material inconsistencies between the other information and the financial statements from material inconsistencies between the other information and auditor's knowledge improves clarity on the auditor's obligation with respect to other information in the context of the audit of financial statements.

Specific comments (Continued)

Scope

The scope of other information by reference to information included in the entity's annual report is appropriate as the annual report is a well understood term.

Definitions

The definition of 'misstatement' extends from an incorrect statement to the omission or obscuring of other information that the auditor has relevant knowledge of. The context here is of other information beyond the financial statements and the auditor's knowledge obtained for the purposes of the audit. The auditor is required to be alert to indications that such other information appears to be materially misstated.

While the threshold of an 'incorrect statement' is plausible, we believe that the thresholds of omission or obscurity in relation to such other information, especially since such other information refers to that beyond the financial statements and the auditor's knowledge obtained for the purposes of the audit, could be onerous. We encourage the IAASB to either provide clearer guidance or to reconsider the viability of the omission and obscurity thresholds.

Nature and Extent of the Auditor's Responsibilities Relating to Other Information

Subject to other comments made in this response, we believe the auditor's work effort relating to other information is appropriate.

Paragraph 14 of the proposed standard requires the auditor to perform three elements of work effort. The articulation of the nature and extent of the auditor's work effort which aligns to the objectives stated in the ISAs better relates and clarifies the auditor's work effort with respect to the other information.

Paragraph 12(b) of the proposed standard includes relevant considerations for determining whether a misstatement is material. However, there may be practical difficulties in determining materiality when evaluating the qualitative aspects of other information. We believe that additional guidance in this area would be helpful to practitioners.

We support the IAASB's clarification on the application guidance (A14) that a document is not considered other information if the auditor is not able to ascertain the purpose and timing of issuance of the document. Further, we also support related application guidance (A32) which clarifies where the auditor has to refer to audit documentation to facilitate the auditor's assessment of a material inconsistency, and that it is neither necessary nor practicable for the auditor to reference every matter in other information to audit documentation.

Specific comments (Continued)

Written Representations by Management

Application guidance A19 of the proposed standard provides guidance on the use of written representations when addressing other information. We recommend that the IAASB consider this to be a mandatory requirement by inclusion of a conforming amendment to the ISA 580, *Written Representations*. This recommendation is made subject to accepting our recommendation in Question 3 in which we have recommended a section in the auditor's report addressing other information even when the final version of the other information is not obtained prior to the date of the auditor's report.

Description of Material Misstatement of the Other Information in the Auditor's Report

We recommend that the IAASB consider making clear that the auditor should not be the provider of original information about the entity when providing a description of material misstatement of the other information.

Q2. Whether, in your view, the proposals in the ISA are capable of being consistently interpreted and applied.

We believe the proposals in the ISA are capable of consistently interpreted and applied, subject to our comments on the viability of the thresholds for omission and obscurity in relation to the definition of material misstatements above.

Q3. Whether, in your view, the proposed auditor reporting requirements result in effective communication to users about the auditor's work relating to other information.

The proposed auditor reporting requirements provide greater transparency regarding the identification of and auditor's responsibilities regarding other information. The explicit conclusion is clear and understandable in conveying the outcome of the work performed.

However, we do not believe it is appropriate to exclude a section in the auditor's report addressing other information if the auditor has not obtained the final version of the other information prior to the date of the auditor's report as mentioned in application guidance A47 of the proposed standard. In our view, users could be left confused over the expected timing of reporting on other information, and the manner of conclusion regarding the omission of reporting on other information.

We recommend that the IAASB consider including a statement disclosing the fact that auditor has not read and considered the other information due to unavailability of the final version of the other information prior to the date of the auditor's report to signal the auditor's responsibilities in accordance with proposed ISA 720.

Specific comments (Continued)

We note that the re-exposure draft does not completely deal with the circumstances in some jurisdictions, where audited financial statements are as a matter of course issued weeks or months before the issue of annual reports, given statutory and legal timing requirements. While a strict reading of the re-exposure draft would suggest that such auditor's reports would remain silent on the matter of other information, the fact that substantially all auditor's reports in these jurisdictions will so remain silent does not appear to be a satisfactory solution when set against the overall requirements of the re-exposure draft. We believe that a discussion on dual dating or dual reporting (a separate report on the other information) would be appropriate to have, notwithstanding the possible enhanced risks.

Q4. Whether you agree with the IAASB's conclusion to require the auditor to read and consider other information only obtained after the date of the auditor's report, but not to require identification of such other information in the auditor's report or subsequent reporting on such other information.

Paragraph 7 of existing ISA 720 already requires that if it is not possible for the auditor to obtain all the other information prior to the date of the auditor's report, the auditor shall read such other information as soon as practicable. The requirement in the proposed standard is not an expansion of auditor's responsibilities in this respect. We agree that such other information that has not been obtained should not be required to be identified in the report.

However, we believe the auditor should report on other information obtained after the date of the auditor's report. We recommend that the IAASB consider where other information is obtained after the date of the auditor's report, a separate report is issued to cover such other information. This will ensure consistency that all other information included in an entity's annual report has been considered and contribute to the quality of annual reporting.

Yours sincerely,
MALAYSIAN INSTITUTE OF ACCOUNTANTS



JOHAN IDRIS
President