



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

8 April 2024

Mr. Willie Botha  
Technical Director  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, 10017 USA

Dear Mr Botha

**Proposed Narrow Scope Amendments to International Standards on Quality Management, International Standards on Auditing and International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code**

The Auditing and Assurance Standards Board (AASB) of the Malaysian Institute of Accountants (MIA) welcomes the opportunity to provide its comments on the Exposure Draft, *Proposed Narrow Scope Amendments to International Standards on Quality Management, International Standards on Auditing and International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code* issued by the International Auditing and Assurance Standards Board (IAASB).

We attach in Appendix 1, our responses to the questions in the Exposure Draft. We hope our comments would contribute to further deliberation by the IAASB on the matter. If you have any queries or require clarification of this submission, please contact Simon Tay Pit Eu at +603 2722 9271 or email to [simontaypiteu@mia.org.my](mailto:simontaypiteu@mia.org.my).

Thank you.

Yours sincerely

**MALAYSIAN INSTITUTE OF ACCOUNTANTS**

**DR WAN AHMAD RUDIRMAN WAN RAZAK**  
Chief Executive Officer

## RESPONSE TEMPLATE FOR THE ED OF PROPOSED NARROW SCOPE AMENDMENTS TO ISQMs, ISAs AND ISRE 2400 (REVISED)

### Guide for Respondents

Comments are requested by **April 8, 2024**.

This template is for providing comments on the Exposure Draft (ED) of proposed Narrow Scope Amendments to the International Standards on Quality Management (ISQMs), the International Standards on Auditing (ISAs) and the International Standard on Review Engagement (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the IESBA Code*, in response to the questions set out in the Explanatory Memorandum (EM) to the ED. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
  - Respond directly to the questions.
  - Provide the rationale for your answers. If you disagree with the proposals in the ED, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
  - Identify the specific aspects of the ED that your response relates to, for example, by reference to sections, headings or specific paragraphs in the ED.
  - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the “**Submit Comment**” button on the ED [web page](#) to upload the completed template.

**Responses to IAASB’s Request for Comments in the EM for the ED, Proposed Narrow Scope Amendments to ISQMs, ISAs and ISRE 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and PIE in the IESBA Code**

**PART A: Respondent Details and Demographic information**

Your organization’s name (or your name if you are making a submission in your personal capacity)	Malaysian Institute of Accountants
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Simon Tay Pit Eu
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	simontaypiteu@mia.org.my
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on the ED). Select the most appropriate option.	<a href="#">Asia Pacific</a>
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on the ED). Select the most appropriate option.	<a href="#">Member body and other professional organization</a>
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to the ED).

**Information, if any, not already included in responding to the questions in Parts B and C:**

## PART B: Responses to Specific Questions in the EM for the ED

*For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.*

### *Objective for Establishing Differential Requirements for PIEs*

1. Do you agree with establishing the overarching objective and purpose for establishing differential requirements for PIEs proposed in paragraphs A29A–A29B of ISQM 1 and paragraphs A81A–A81B of ISA 200 in the ED? If not, what do you propose and why?

*(See EM Section 1-B, paragraphs 13-18)*

**Overall response:** [Agree, with comments below](#)

#### **Detailed comments (if any):**

Yes. We support the Board's decision to establish an overarching objective and purpose for defining the differential requirements in ISQM 1 and ISA 200 to achieve alignment between the IESBA Code and the IAASB standards in relation to these key concepts.

### *Definitions of PIE and "Publicly Traded Entity"*

2. Do you agree with adopting the definitions of PIE and "publicly traded entity" into ISQM 1 and ISA 200 (see proposed paragraphs 16(p)A–16(p)B of ISQM 1 and paragraphs 13(l)A–13(l)B of ISA 200 in the ED)? If not, what do you propose and why?

*(See EM Section 1-C, paragraphs 19-26)*

**Overall response:** [Agree, with comments below](#)

#### **Detailed comments (if any):**

The objective of establishing the revised definition of PIE in the IESBA Code was to specify a broader list of categories of entities as PIEs whose audits should be subject to additional independence requirements to meet stakeholders' heightened expectations concerning auditor independence when an entity is a PIE. These same stakeholders would also have heightened expectations of the auditors' conduct of the engagements and implementation of systems in quality management for these entities and these adoptions of the definitions addresses them.

We agree with the IAASB's objective to seek consistency and alignment of important concepts and definitions used in the IESBA Code and IAASB standards. We therefore agree with the adoption of the new definitions into ISQM 1 and ISA 200, and the Glossary of Terms.

*Differential Requirements in the ISQMs and ISAs*

3A. Do you agree with the IAASB's proposals for extending the extant differential requirements for engagement quality reviews to apply to PIEs (ISQM 1, paragraph 34(f) in the ED)?

(See EM Section 1-D, paragraphs 27-40 and Appendix 1)

**Overall response:** Agree, with comments below

**Detailed comments (if any):**

The IAASB's rationale that a firm's risk-based approach to engagement quality reviews may already scope in many PIEs is reasonable. Notwithstanding our overall support, we highlight a risk that, in circumstances where a jurisdiction does not refine the categories of entities within the definition considered to be PIE, this may give rise, in some cases, to an increase in the population of entities that would be subject to an engagement quality review, for which some smaller firms may not have sufficient internal resources to satisfy.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

**Detailed comments (if any):**

N/A

3B. Do you agree with the IAASB's proposals for extending the extant differential requirements for communication with TCWG about the firm's system of quality management to apply to PIEs (ISQM 1, paragraph 34(e) in the ED)?

(See EM Section 1-D, paragraphs 27-38 and Appendix 1)

**Overall response:** Agree, with comments below

**Detailed comments (if any):**

Firms have this relevant information available, and it is reasonable to communicate such matters to TCWG of a PIE. As with the requirement addressing engagement quality reviews in 3A above, such communication may already be a common practice.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

**Detailed comments (if any):**

3C. Do you agree with the IAASB's proposals for extending the extant differential requirements for communicating about auditor independence to apply to PIEs (ISA 260 (Revised), paragraphs 17 and 17A, and ISA 700 (Revised), paragraph 40(b) in the ED)?

(See EM Section 1-D, paragraphs 27-38 and 41-45 and Appendix 1)

**Overall response:** Disagree, with comments below

**Detailed comments (if any):**

The current paragraph 17 of ISA 260 (Revised) requires auditors to communicate when audit engagement involves listed entities, a statement of independence to those charged with governance for:

- i. the engagement team and others in the firm as appropriate,
- ii. the firm and,
- iii. when applicable, network firms, for all audit engagements including those which are for audit of entities not falling within the revised PIE definition.

The proposed revision to paragraph 17 of ISA 260 (Revised) would extend the communication of "statement of independence to those charged with governance" to all audit engagements including those audit clients not within the revised definition of a PIE.

We do not agree to have a separate statement of independence in writing to those charged with governance to be extended to all entities. The communication should be required for publicly traded entities as:

- the existing paragraph 28(c) of ISA 700 (Revised) already has a requirement for all entities to disclose a statement of independence in the auditors' report. We felt that the requirement of such disclosure in the auditor's report would have addressed the auditors' independence for all entities.
- It is more meaningful for the requirements to be applicable to publicly traded companies as there is typically a separate governance body, i.e., an Audit Committee whose functions include evaluating auditor's independence and other audit-related matters. For non-publicly traded entities, there is usually no such oversight body. As a result, there may not be substantive communicative value between the auditor and its auditee to require separate independence statements.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

**Detailed comments (if any):**

3D. Do you agree with the IAASB's proposals for extending the extant differential requirements for communicating KAM to apply to PIEs (ISA 700 (Revised), paragraphs 30-31, 40(c) and ISA 701, paragraph 5 in the ED)?

(See EM Section 1-D, paragraphs 27-38 and 46 and Appendix 1)

**Overall response:** Disagree, with comments below

**Detailed comments (if any):**

We recommend that, as per the proposal on amending the applicability of the differential requirements for listed entities in ISA 720 (Revised), the communication of KAM as per ISA 701 (Revised) (and the related requirements in ISA 700 (Revised)) should also be limited to 'publicly traded entity' as per the existing practice.

As per the current paragraph 5 of ISA 701 (Revised), the application of the ISA is voluntary for any entities other than listed entities or as required by the law. Extending these requirements to PIEs beyond publicly traded entities, which encompass entities of diverse operations, nature, and size, might result in disproportionate costs outweighing benefits. Auditors/regulators can exercise discretion/implement local regulations to determine whether disclosing such matters would bolster stakeholders' confidence in the audit and the audited financial statements of these entities.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

**Detailed comments (if any):**

3E. Do you agree with the IAASB's proposals for extending the extant differential requirements for the name of the engagement partner to apply to PIEs (ISA 700 (Revised), paragraphs 46 and 50(I))?  
(See EM Section 1-D, paragraphs 27-38 and Appendix 1)

**Overall response:** Agree, with comments below

**Detailed comments (if any):**

The Companies Act 2016 S265(5) in Malaysia requires inclusion of the name of the engagement partner for entities that are not listed entities. Therefore, the impact of this change may be limited, and would only apply to PIEs that are not governed by the Companies Act 2016, for example, the Labuan Companies Act 1990.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

**Detailed comments (if any):**

4. Do you agree with the IAASB's proposal to amend the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to "publicly traded entity"? If not, what do you propose and why?

(See EM Section 1-D, paragraphs 47-51)

**Overall response:** [Agree, with comments below](#)

**Detailed comments (if any):**

We note the findings of the IAASB's Post Implementation Review of the Revised Auditor Reporting Standards and agree with the decision to only extend these differential requirements to apply to publicly traded entities rather than all PIEs until the IAASB completes a project to revise ISA 720 (Revised) and address the challenges faced by stakeholders.

*Proposed Revisions to ISRE 2400 (Revised)*

5. Do you agree with the new requirement and application material in ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code? If not, what do you propose and why?

(See EM Section 1-E, paragraphs 52-57)

**Overall response:** [Agree, with comments below](#)

**Detailed comments (if any):**

In light of the fact that the independence requirements outlined in Part 4A of the IESBA Code are applicable to both audit and review engagements, we agree there is a need to align ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, to help ensure compliance with the requirements of the IESBA Code.

However, we disagree with the IAASB's decision not to amend ISRE 2410, notwithstanding the IAASB's rationale for not doing so, as this creates a significant risk of non-compliance with an IESBA Code requirement. As the IAASB does not plan to issue a revised ISRE 2410 for several more years, we believe it is necessary and appropriate for the Board to issue a Staff Alert to draw attention to the requirement under the IESBA Code and illustrate how practitioners may amend an ISRE 2410 report to comply with the Code requirement. Remaining silent on the issue will pose a risk of non-compliance with the Code.

*Other Matters*

6. Are there any other matters you would like to raise in relation to the ED? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.

**Overall response:** [No \(with no further comments\)](#)

**Detailed comments (if any):**



## Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

7. Translations—Recognizing that many respondents may intend to translate the final narrow scope amendments for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED.

**Overall response:** [No response](#)

**Detailed comments (if any):**

Not applicable for Malaysia.

8. Effective Date—Given it is preferred to coordinate effective dates with the fraud and going concern projects, the IAASB believes that an appropriate effective date for the narrow scope amendments would be for financial reporting periods beginning approximately 18-24 months after approval of the final narrow scope amendments for Track 2. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the narrow scope amendments for Track 2 of the listed entity and PIE project.

**Overall response:** [See comments on effective date below](#)

**Detailed comments (if any):**

Acknowledging the overlapping changes to the auditor's report being proposed in the IAASB's Fraud and Going Concern projects, we therefore support the proposal to align the effective dates of all three projects. This will allow for one combined update to the auditor reporting requirements and minimise quality risks resulting from piecemeal updates to ISA 700 (Revised) in three consecutive reporting periods.

An effective date of 24 months after the final amendments (target milestone of December 2024 for the final amendments) would provide sufficient time for the effective implementation of the amendments.