

May 20, 2021

The Chairman
International Auditing and Assurance Standards Board
International Federation of Accountants
529 5th Avenue
6th Floor
New York 10017
United States of America

Via Online Submission

Dear Mr. Tom Seidenstein

COMMENTS ON IAASB EXPOSURE DRAFT 'CONFORMING AND CONSEQUENTIAL AMENDMENTS TO THE IAASB'S OTHER STANDARDS AS A RESULT OF THE NEW AND REVISED QUALITY MANAGEMENT STANDARDS'

The Malaysian Institute of Certified Public Accountants ("MICPA") appreciates the opportunity to comment on the IAASB Exposure Draft '*Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards*'.

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

We trust our comments and accompanying recommendations to be of value and useful to the IAASB, in your onward deliberation. MICPA looks forward to further strengthening such dialogues with your organisation.

Please do not hesitate to contact the undersigned or the Technical Director, Ms Chiam Pei Pei, at +603-2698 9622 should you require any clarification.

Thank you.

Yours faithfully



NOVIE TAJUDDIN
Chief Executive Officer

Our responses to the specific questions are as follows:

Question 1

Do respondents believe the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other Standards and Framework, and the changes made by the IAASB in developing and approving the new and revised QM standards?

Comment:

We believe that the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other Standards and Framework, and the changes made by the IAASB in developing and approving the new and revised QM standards.

Please refer to Appendix II where we have suggested further edits for due consideration by IAASB.

Question 2

Do respondents support the proposed effective date?

Comment:

We believe that the proposed effective date is appropriate as it is the same effective date as that for the new and revised Quality Management Standards, ISQM 1 and ISQM 2.

| IAASB Other Standards | | Proposed Changes to the IAASB Other Standards | | |
|------------------------------------|--|---|--|----------|
| Ref. | Extant Wording ⁹ | Notes | Proposed Change ¹⁰ | Category |
| ISAE 3000 (Revised), paragraph A64 | An effective system of quality control includes a monitoring process designed to provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate and operating effectively. | ISQM 1, paragraph 35 | <p>An effective firm's system of quality control management includes <u>establishing a monitoring and remediation process designed to provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate and operating effectively.</u></p> <p>(a) <u>Provide relevant, reliable and timely information about the design, implementation and operation of the system of quality management.</u></p> <p>(b) <u>Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely basis.</u></p> | 1 |

| IAASB Other Standards | | Proposed Changes to the IAASB Other Standards | | |
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| Ref. | Extant Wording ⁹ | Notes | Proposed Change ¹⁰ | Category |
| ISAE 3402, paragraph A46 | <p>Documentation</p> <p>ISQC 1 (or professional requirements, or requirements in law or regulation that are at least as demanding as ISQC 1) requires firms to establish policies and procedures for the timely completion of the assembly of engagement files.¹⁵ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the service auditor's report.¹⁶</p> <p>⁵ ISQC 1, paragraph 45</p> <p>¹⁶ ISQC 1, paragraph A54</p> | ISQM 1, paragraph 31(f) and A83 | <p>Documentation</p> <p>ISQCM 1 (or professional requirements, or requirements in law or regulation that are at least as demanding as ISQCM 1) requires firms to establish <u>to establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement report</u>policies and procedures for the timely completion of the assembly of engagement files.¹⁵ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the service auditor's report.¹⁶</p> <p>¹⁵ ISQCM 1, paragraph 4531(f)</p> <p>¹⁶ ISQCM 1, paragraph A54A83</p> | 2 |

| IAASB Other Standards | | Proposed Changes to the IAASB Other Standards | | |
|--------------------------------------|---|---|---|----------|
| Ref. | Extant Wording ⁹ | Notes | Proposed Change ¹⁰ | Category |
| ISAE 3410 | <i>Assurance Engagements on Greenhouse Gas Statements</i> | | | |
| ISAE 3410, paragraph 10 ¹ | Compliance with ISAE 3000 (Revised) requires, among other things, compliance with the provisions of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. It also requires the engagement partner to be a member of a firm that applies ISQC 1, ⁷ or other professional requirements, or requirements in | | Compliance with ISAE 3000 (Revised) requires, among other things, compliance with the provisions of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. It also requires the engagement partner to be a member of a firm that applies ISQCM 1, ⁷ or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQCM 1. (Ref: Para. A5–A6) ⁷ ISAE 3000 (Revised), paragraphs 3(b) and 31 (a). International Standard on Quality Control Management (ISQCM) 1, <i>Quality Control</i> | 2 |

¹ Paragraph has been previously updated in the [Conforming Changes to the IAASB International Standards as a Result of the Revised IESBA Code](#).

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| | law or regulation, that are at least as demanding as ISQC 1. (Ref: Para. A5–A6) | | <i>Management for Firms that Perform Audits and or Reviews of Financial and or Other Assurance and or Related Service Engagements</i> | |
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| IAASB Other Standards | | Proposed Changes to the IAASB Other Standards | | | MICPA Comments |
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| Ref. | Extant Wording ⁹ | Notes | Proposed Change ¹⁰ | Category | |
| ISRS 4400 (Revised), paragraph A5 | A jurisdiction that has not adopted ISQC 1 in relation to agreed-upon procedures engagements may set out requirements for quality control in firms performing such engagements. The provisions of this ISRS regarding quality control at the engagement level are premised on the basis that quality control requirements adopted are at least as demanding as those of ISQC 1. This is achieved when those requirements impose obligations on the firm to achieve the aims of the | ISQM 1, paragraph 6, based on wording from ISA 220, paragraph A3 | A jurisdiction that has not adopted ISQEM 1 in relation to agreed-upon procedures engagements may set out requirements for quality control management in firms performing such engagements. The provisions of this ISRS regarding quality control management at the engagement level are premised on the basis that <u>quality control management requirements adopted</u> are at least as demanding as those of ISQEM 1. This is achieved when those requirements <u>address the requirements of ISQM 1 and impose obligations on the firm to</u> | 1 | Not aligned with ISRS 4410 (Revised), paragraph A8 on page 91 of the Exposure Draft |

| IAASB Other Standards | | Proposed Changes to the IAASB Other Standards | | | MICPA Comments |
|-----------------------------------|---|--|--|----------|---|
| Ref. | Extant Wording ⁹ | Notes | Proposed Change ¹⁰ | Category | |
| ISRS 4410 (Revised), paragraph A8 | A jurisdiction that has not adopted ISQC 1 in relation to compilation engagements may set out requirements for quality control in firms performing such engagements. The provisions of this ISRS regarding quality control at the engagement level are premised on the basis that quality control requirements adopted are at least as demanding as those of ISQC 1. This is achieved when those requirements impose obligations on the firm to achieve the aims of the requirements of ISQC 1, including an obligation to establish a system of quality control that includes policies and | Wording consistent with ISRS 4400 (Revised), paragraph A5. | A jurisdiction that has not adopted ISQCM 1 in relation to compilation engagements may set out requirements for quality control management in firms performing such engagements. The provisions of this ISRS regarding quality control management at the engagement level are premised on the basis that <u>requirements for quality control management requirements adopted</u> are at least as demanding as those of ISQCM 1. This is achieved when those requirements <u>address the requirements of ISQM 1 and impose obligations on the firm to achieve the objective of ISQM 1.</u> impose obligations on the firm to achieve the aims of the requirements of ISQCM 1, including an | 1 | Not aligned with ISRS 4440 (Revised), paragraph A5 on page 75 of the Exposure Draft |

| IAASB Other Standards | | Proposed Changes to the IAASB Other Standards | | |
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| Ref. | Extant Wording ⁹ | Notes | Proposed Change ¹⁰ | Category |
| International Framework for Assurance Engagements paragraph 5 | <p>Ethical Principles and Quality Control Standards</p> <p>Quality control within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being in the public interest and an integral part of high-quality assurance engagements. Such engagements are performed in accordance with Assurance Standards, which are premised on the basis that:</p> <p>(a) The members of the engagement team and the engagement quality control reviewer (for those engagements where one has been appointed) are subject to the provisions of the IESBA</p> | | <p>Ethical Principles and Quality Control Management Standards</p> <p>Quality control <u>management</u> within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being in the public interest and an integral part of high-quality assurance engagements. Such engagements are performed in accordance with Assurance Standards, which are premised on the basis that:</p> <p>(a) The members of the engagement team and the engagement quality control reviewer (for those engagements where one has been appointed) are subject to the provisions of the IESBA Code related to assurance engagements, other professional requirements, or</p> | 2 |

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| | <p>Code related to assurance engagements, other professional requirements, or requirements in law or regulation, that are at least demanding; and</p> <p>(b) The practitioner performing the engagement is a member of a firm that is subject to ISQC 1,² or other professional requirements, or requirements in law or regulation, regarding the firm’s responsibility for its system of quality control, that are at least as demanding as ISQC 1.</p> | | <p>requirements in law or regulation, that are at least demanding; and</p> <p>(b) The practitioner performing the engagement is a member of a firm that is subject to ISQMC 1,³ or other professional requirements, or requirements in law or regulation, regarding the firm’s responsibility for its system of quality controlmanagement, that are at least as demanding as ISQMC 1.</p> | |
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² International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

³ International Standard on Quality ~~Control~~ Management (ISQMC) 1, *Quality ~~Management Control~~ for Firms that Perform Audits ~~or and~~ Reviews of Financial Statements, ~~or and~~ Other Assurance ~~or and~~ Related Services Engagements*

| IAASB Other Standards | | Proposed Changes to the IAASB Other Standards | | |
|--|--|---|---|----------|
| Ref. | Extant Wording ⁹ | Notes | Proposed Change ¹⁰ | Category |
| International Framework for Assurance Engagements, paragraph 9 | <p><i>ISQC 1</i></p> <p>ISQC 1 deals with the firm's responsibilities to establish and maintain its system of quality control for assurance engagements. Compliance with ISQC 1 requires, among other things, that the firm establish and maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and procedures and communicates them to the firm's personnel:</p> <p>(a) Leadership responsibilities for quality within the firm;</p> <p>(b) Relevant ethical requirements;</p> <p>(c) Acceptance and continuance of client relationships and specific engagements;</p> | | <p><i>ISQM€ 1</i></p> <p>ISQM€ 1 deals with the firm's responsibilities to establish and maintain design, implement and operate a its-system of quality control management for assurance engagements.^{3A} Compliance with ISQC 1 requires, among other things, that the firm establish and maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and procedures and communicates them to the firm's personnel: A system of quality management addresses the following eight components:</p> <p>SE 3B</p> <p>(a) <u>The firm's risk assessment process;</u></p> <p>(b) <u>Governance and leadership;</u></p> <p>(c) <u>Relevant ethical requirements;</u></p> | 2 |

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| | <p>(d) Human resources;</p> <p>(e) Engagement performance; and</p> <p>(f) Monitoring.</p> | | <p>(d) <u>Acceptance and continuance of client relationships and specific engagements;</u></p> <p>(e) <u>Engagement performance;</u></p> <p>(f) <u>Resources;</u></p> <p>(g) <u>Information and communication; and</u></p> <p>(h) <u>The monitoring and remediation process</u></p> <p>(a) Leadership responsibilities for quality within the firm;</p> <p>(b) Relevant ethical requirements;</p> <p>(c) Acceptance and continuance of client relationships and specific engagements;</p> <p>(d) Human resources;</p> <p>(e) Engagement performance; and</p> <p>(f) Monitoring.</p> <p>^{3A} ISQM 1, paragraph 1</p> <p>^{3B} <u>ISQM 2, Engagement Quality Reviews</u></p> <p>^{3BC} ISQM 1, paragraph 6</p> | |
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