

September 3, 2019

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

Via Online Submission

Dear Professor Roger Simnett

**COMMENTS ON IAASB DISCUSSION PAPER
AUDITS OF LESS COMPLEX ENTITIES: EXPLORING POSSIBLE OPTIONS TO
ADDRESS THE CHALLENGES IN APPLYING THE ISAs**

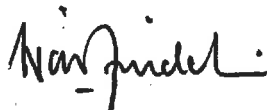
We thank you for the opportunity to comment on IAASB Discussion Paper, *Audit of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs*.

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



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International Auditing and Assurance Standards Board

Discussion Paper

Audit of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs

Questionnaire

The feedback will be helpful to IAASB in determining an appropriate way forward in relation to audits of LCEs. In answering the following questions, providing detail and reasons for your answer will assist IAASB in understanding the views of IAASB stakeholders.

Question 1

IAASB are looking for views about how less complex entities (LCEs) could be described (see page 4). In your view, is the description appropriate for the types of entities that would be the focus of our work in relation to audits of LCEs, and are there any other characteristics that should be included?

MICPA's Comments

The Institute is agreeable that as a starting point, the IAASB could look at its current definition of a "smaller entity", which sets out many of the qualitative characteristics that could be attributable to an LCE.

However, an entity which possesses the said qualitative characteristics should not be automatically identified as an LCE and judgement is still required. In other words, the said qualitative characteristics set out are examples of criteria and should not be intended to automatically designate an entity as a LCE just because one or more of the qualitative characteristics are met.

Question 2

Section II describes challenges related to audits of LCEs, including those challenges that are within the scope of our work in relation to audits of LCEs. In relation to the challenges that IAASB are looking to address:

- (a) What are the particular aspects of the ISAs that are difficult to apply? It would be most helpful if your answer includes references to the specific ISAs and the particular requirements in these ISAs that are most problematic in an audit of an LCE.
- (b) In relation to 2(a) above, what, in your view, is the underlying cause(s) of these challenges and how have you managed or addressed these challenges? Are there any other broad challenges that have not been identified that should be considered as we progress our work on audits of LCEs?

MICPA's Comments

- (a) The discussion paper has identified various challenges in applying ISAs. We concur with the challenges as identified in the discussion paper, particularly:
 - (i) Documentation requirements
 - (ii) Lack of clarity as what needs to be done and why

- (iii) Application of ISA 315 and ISA 240.
- (b) The underlying cause of these challenges can be attributed to the use of a common set of auditing standards for the audit of all entities, including LCEs. By using a “one size fit all” audit approach, auditors may be required to perform extensive work which however does not necessarily result in additional value to the audit of a LCE.

Question 3

With regard to the factors driving challenges that are not within our control, or have been scoped out of our explanatory information gathering activities (as set out in Section II), if the IAASB were to focus on encouraging others to act, where should this focus be, and why??

MICPA's Comments

MICPA opines that IAASB, being a standard setting body, should focus on the challenges within its scope and need not focus on encouraging others to act.

Question 4

To be able to develop an appropriate way forward, it is important that IAASB understand their stakeholders' views about each of the possible actions. In relation to the potential possible actions that may be undertaken as set out in Section III:

- (a) For each of the possible actions (either individually or in combination):
 - (i) Would the possible action appropriately address the challenges that have been identified?
 - (ii) What could the implications or consequences be if the possible action(s) is undertaken? This may include if, in your view, it would not be appropriate to pursue a particular possible action, and why.
- (b) Are there any other possible actions that have not been identified that should be considered as we progress our work on audits of LCEs?
- (c) In your view, what possible actions should be pursued by us as a priority, and why? This may include one or more of the possible actions, or aspects of those actions, set out in Section III, or noted in response to 4b above.

MICPA's Comments

- (a) Of the three (3) potential possible actions identified, the Institute believes IAASB should prioritise on the development of a separate auditing standard for the audit of LCEs. This separate standard should be based on the existing ISAs and written in sufficient clarity so as to afford a clear understanding of its requirements.
- (b) MICPA has not identified any other possible actions.
- (c) As mentioned in (a) above, IAASB should prioritise on the development of a separate auditing standard for the audit of LCEs. While such effort is being undertaken, IAASB should consider issuing non-authoritative guidance and other support materials on specific areas of the ISAs where auditors have difficulty applying in an audit of a LCE.

Question 5

Are there any other matters that should be considered by IAASB as they deliberate on the way forward in relation to audits of LCEs?

MICPA's Comments

MICPA would like the IAASB to work on the proposed wording of the audit reports for LCEs together with the development of the separate standard for the audits of LCEs and not at a later stage.