



Suruhanjaya Sekuriti
Securities Commission
Malaysia

Reference No: AOB/IAASB/R&RT/2014-006/Discl

3 September 2014

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

Dear Madam

**COMMENTS ON IAASB EXPOSURE DRAFT
ADDRESSING DISCLOSURES IN THE AUDIT OF FINANCIAL STATEMENTS**

We thank you for the opportunity to comment.

The Audit Oversight Board, Malaysia, (AOB) supports the efforts of the International Auditing and Assurance Standards Board (IAASB) in clarifying the expectations of auditors when auditing financial statement disclosures.

As there has been an increasing number of enhancements which may increase the responsibilities of auditors, it is important to maintain common understanding among stakeholders, in particular the management and / or those charged with governance, to ensure that there are basic prerequisites in place to facilitate the audit process.

In addition, in light of recent developments in the accounting profession having placed increasing emphasis on materiality and relevance, AOB strongly recommends that the IAASB continues to closely monitor and prioritise its involvement in the IASB Disclosure Initiative's *Materiality – assessment of existing guidance* project, and to consider further enhancements to the International Standards on Auditing (ISAs) accordingly.

In this aspect, the AOB is of the view that it is of paramount importance to ensure that the mechanics and practicability of all proposed requirements are carefully considered whilst improving and streamlining understanding among stakeholders (in particular among preparers, auditors and investors), as such alignment would be imperative given the ongoing efforts of the IAASB with regard to the expanded auditor's report which introduces disclosure requirements such as "Key Audit Matters".

Audit Oversight Board

Securities Commission Malaysia

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In response to your exposure draft, we are pleased to provide our comments and feedback on the exposure draft *Addressing Disclosures in the Audit of Financial Statements*, as attached in **Appendix I**.

Should you require any further clarification, please do not hesitate to contact Lim Fen Nee at +603 2091 0608 or at her email FNlim@seccom.com.my.

Thank you.

Yours sincerely



NIK MOHD HASYUDEEN YUSOFF
Executive Chairman
Audit Oversight Board

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**SECURITIES COMMISSION MALAYSIA
AUDIT OVERSIGHT BOARD**

Comments on

**International Auditing and Assurance Standards Board
Exposure Draft
*Addressing Disclosures in the Audit of Financial Statements***

The Audit Oversight Board, Malaysia, (AOB) supports the efforts of the International Auditing and Assurance Standards Board (IAASB) in clarifying the expectations of auditors when auditing financial statement disclosures.

In this regard, our comments on the exposure draft *Addressing Disclosures in the Audit of Financial Statements* are as follows:

Specific Comments

1. Whether, in your view, the proposed changes to the ISAs are appropriate and sufficient for purposes of enhancing the focus of the auditor on disclosures and, thereby, will further support the proper application of current requirements in the ISAs?

AOB is of the view that the proposed changes are appropriate and sufficient to enhance the focus of the auditor on disclosures, thereby supporting the proper application of current requirements in the ISAs.

2. Are there any specific areas where, in your view, additional enhancement to either the requirements or guidance of the ISAs would be necessary for purposes of effective auditing of disclosures as part of a financial statement audit?

AOB is of the view that whilst the proposed changes have clarified auditors' expectations and increased emphasis with regard to the audit of financial statement disclosures, it is vital to also emphasise the importance of ensuring that auditors provide sufficient documentation on these additional auditing considerations and work performed so as to ensure continued compliance, in particular with the requirements of Para 8 of ISA 230.

3. Whether, in your view, the proposed changes to the assertions will help appropriately integrate the work on disclosures with the audit work on the underlying amounts, thereby promoting an earlier and more effective audit of disclosures?

AOB welcomes the proposed amendments which have incorporated the third category of assertions about presentation and disclosure into the remaining two categories of assertions.

In this regard, AOB is of the view that the proposed amendments are indicative that more weightage should be given when considering potential misstatements arising from presentation and / or disclosures for the period under audit, whilst clarifying that the assertions relating to disclosures must be considered in conjunction with the assertions about classes of transactions and events and account balances.

General Comments

Translations

Translation issues are not applicable for Malaysia as the final standard will be adopted in English.

Effective Date

AOB has no objection to the proposal that the effective date for the proposed changes should be aligned with the IAASB's Auditor Reporting project and the project to revise ISA 720, with earlier application permitted.