

January 10, 2020

The IAASB 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 Mr Tom Seidenstein

**COMMENTS ON IAASB EXPOSURE DRAFT 'CONFORMING AMENDMENTS TO THE
IAASB INTERNATIONAL STANDARDS AS A RESULT OF THE REVISED IESBA CODE'**

The Malaysian Institute of Certified Public Accountants ("MICPA" or "the Institute") appreciates the opportunity to comment on IAASB Exposure Draft, *'Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code'*.

In this regard, we are pleased to attach the Institute'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. The MICPA looks forward to further strengthening such dialogues with your organisation.

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

Thank you.

Yours faithfully



NOVIE TAJUDDIN
Chief Executive Officer

Comments on the IAASB Exposure Draft ‘Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code’

- 1) Whether respondents believe the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB’s International Standards and the changes made by IESBA in issuing the revised IESBA Code.

Please see the MICPA’s comments at the last column of the following table.

IAASB Standards		Notes in relation to the 2018 IESBA Code	Proposed Changes to the IAASB Standards		MICPA’s Comment
Standard	Extant Paragraphs		Proposed Changes	Category of Change	
Glossary	<p><i>Independence</i>¹⁶—Comprises:</p> <p>(a) Independence of mind—the state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism.</p> <p>(b) Independence in appearance—the avoidance of facts and circumstances that are so significant a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would reasonably conclude a firm’s, or a</p>	<p>The definition of “independence in appearance” has been amended (see paragraph 120.12 A1)</p>	<p>Independence¹⁶ —Comprises:</p> <p>(a) Independence of mind—the state of mind that permits the expression provision of an opinion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.</p> <p>(b) Independence in appearance—the avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would be likely to reasonably conclude that a firm’s or a member of the</p>	4	<p>Pursuant to Section 120.5 A4 of the revised IESBA Code, a reasonable and informed third party is expected to possess the relevant knowledge and experience to understand and evaluate the appropriateness of an accountant’s conclusion. The MICPA is of the view that it is best to indicate in the Glossary of the IAASB standards accordingly.</p> <p>The proposed deletion of the phrase “having knowledge of all relevant information” may inevitably give an impression that a reasonable and informed third party does not need to have the relevant knowledge and experience.</p>

	<p>member of the assurance team's, integrity, objectivity or professional skepticism had been compromised.</p> <p>¹⁶ As defined in the IESBA Code of Ethics for Professional Accountants</p>		<p>an audit or assurance team's member's integrity, objectivity or professional skepticism has been compromised.</p> <p>¹⁶ As defined in the IESBA Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)</p>		
ISQC 1 Paragraph 25	<p>The firm shall establish policies and procedures: (Ref: Para. A10)</p> <p>(a) Setting out criteria for determining the need for safeguards to reduce the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; and</p> <p>(b) Requiring, for audits of financial statements of listed entities, the rotation of the engagement partner and the individuals responsible for engagement quality control review, and, where applicable, others subject to rotation requirements, after a specified period in compliance with relevant ethical requirements. (Ref: Para. A12–A17)</p>	<p>Paragraph R120.6, R120.7 and R120.10 have been amended from the extant Code, in particular in relation to how identified threats are addressed</p>	<p>Paragraph 25 The firm shall establish policies and procedures: (Ref: Para. A10)</p> <p>(a) Setting out criteria for applying determining the need for safeguards to reduce the threat of the long association with an entity to an acceptable level, the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; and</p> <p>(b) Requiring, for audits of financial statements of listed entities, the rotation of the engagement partner and the individuals responsible for engagement quality control review, and, where applicable, others subject to rotation requirements, after a specified period in compliance with</p>	4	<p>Section 940 of the new revised IESBA Code requires 'individual' or 'personnel' (instead of 'senior personnel') to observe the long association of personnel with an audit client's requirements. In view of this, the MICPA recommends that the proposed amendment should be consistent with the provisions under Section 940 of the new revised IESBA Code as well as the proposed amendments in the other part of this Exposure Draft. Hence, the MICPA recommends to remove the word 'senior' from Paragraph 25 of ISQC 1:</p> <p><i>"The firm shall establish policies and procedures: (Ref: Para. A10)</i> <i>(a) Eliminating the threat or Ssetting out criteria for applying determining the need for safeguards to reduce the threat of the long association with an entity</i></p>

			relevant ethical requirements. (Ref: Para. A12–A17)		to an acceptable level, the familiarity threat to an acceptable level when using the same <i>senior</i> personnel on an assurance engagement over a long period of time; and (b) Requiring, for audits of financial statements of listed entities, the rotation of the engagement partner and the individuals responsible for engagement quality control review, and, where applicable, others subject to rotation requirements, after a specified period in compliance with relevant ethical requirements.”
ISRE 2400 (Revised) Paragraph A15	Part A of the IESBA Code establishes the fundamental principles of professional ethics practitioners must comply with, and provides a conceptual framework for applying those principles. The fundamental principles are: (a) Integrity; (b) Objectivity; (c) Professional competence and due care; (d) Confidentiality; and (e) Professional behavior.	Refer paragraph A7 of ISQC 1 for explanation	Part A of The IESBA Code establishes the fundamental principles of ethics, <i>which are that practitioners must comply with, and provides a conceptual framework for applying those principles. The fundamental principles are:</i> (a) Integrity; (b) Objectivity; (c) Professional competence and due care; (d) Confidentiality; and (e) Professional behavior.	1	The MICPA is of the view that the amendments should be consistent throughout the IAASB standards. Hence, the MICPA recommends to add on the following paragraph in ISRE2400 (Revised) in tandem with the other proposed amendment in other part of this Exposure Draft: <i>“The fundamental principles of ethics establish the standard of behaviour expected of a professional accountant.”</i>

	Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. In complying with the IESBA Code, threats to the practitioner's compliance with relevant ethical requirements are required to be identified and appropriately addressed.		<p>Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. In complying with the IESBA Code, threats to the practitioner's compliance with relevant ethical requirements are required to be identified and appropriately addressed.</p> <p>The IESBA Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles. In the case of audits, reviews and other assurance engagements, the IESBA Code sets out International Independence Standards, which apply the conceptual framework of identifying, evaluating and addressing threats to the fundamental principles and compliance with independence requirements.</p>		
ISAE 3420 Paragraph A10	The IESBA Code requires the practitioner to maintain appropriate professional knowledge and skill, including an awareness and understanding of relevant technical, professional and business developments, in	Update footnote reference Paragraph R113.1 – 113.1A2 of the	The IESBA Code requires the practitioner to comply with the principle of professional competence and due care by attaining and maintaining appropriate professional knowledge and skill, including an	1 & 4	The MICPA believes that a practitioner should have the knowledge of the 'relevant' technical and professional standards, i.e. at minimum, 'past and current' technical and professional standards, as a

	<p>order to provide competent professional service.⁷ In the context of this requirement of the IESBA Code, relevant capabilities and competence to perform the engagement also include matters such as the following:</p> <ul style="list-style-type: none"> • Knowledge and experience of the industry in which the entity operates; • An understanding of the relevant securities laws and regulations and related developments; • An understanding of the listing requirements of the relevant securities exchange and of capital market transactions such as mergers, acquisitions and securities offerings; • Familiarity with the process of preparing a prospectus and listing securities on the securities exchange; and • Knowledge of the financial reporting frameworks used in the preparation of the sources from which the unadjusted financial information and, if applicable, the acquiree's financial information have been extracted. 	<p>IESBA Code now include these requirements, but seem to have been slightly amended</p>	<p>awareness and understanding of relevant technical, professional and business developments, in order to provide competent professional service, based on current technical and professional standards and relevant legislation and to act diligently in accordance with such professional standards and legislation.⁷ In the context of this requirement of the IESBA Code, relevant capabilities and professional competence to perform the engagement also may include matters such as the following:</p> <p>....</p> <p>⁷ IESBA Code, paragraphs R113.1-130.1-130.3</p>	<p>practitioner may be engaged to provide competent professional service on backlog accounts or disciplinary cases involved in the previous technical and professional standards. Hence, the MICPA recommends to use the word 'relevant' instead of 'current' technical and professional standards. This can be read as follows:</p> <p><i>"The IESBA Code requires the practitioner to comply with the principle of professional competence and due care by attaining and maintaining appropriate professional knowledge and skill, including an awareness and understanding of relevant technical, professional and business developments, in order to provide competent professional service, based on current relevant technical and professional standards and relevant legislation and to act diligently in accordance with such professional standards and legislation.⁷ In the context of this requirement of the IESBA Code, relevant capabilities and professional competence to</i></p>
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					<p><i>perform the engagement also may include matters such as the following:</i></p> <p>...</p> <p><i>7 IESBA Code, paragraphs R113.1 130.1–130.3</i></p>
ISRS 4410 (Revised) Paragraph A19	<p>Part A of the IESBA Code establishes the fundamental principles of professional ethics that practitioners must comply with, and provides a conceptual framework for applying those principles. The fundamental principles are:</p> <p>(a) Integrity; (b) Objectivity; (c) Professional competence and due care; (d) Confidentiality; and (e) Professional behavior.</p> <p>Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. In complying with the IESBA Code, threats to the practitioner's compliance with relevant ethical requirements are required to be identified and appropriately addressed.</p>	Refer to paragraph A7 of ISQC 1 for explanation	<p>Part A of the IESBA Code establishes the fundamental principles of professional ethics that practitioners must comply with, which are and provides a conceptual framework for applying those principles. The fundamental principles are:</p> <p>(a) Integrity; (b) Objectivity; (c) Professional competence and due care; (d) Confidentiality; and (e) Professional behaviour</p> <p>Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. In complying with the IESBA Code, threats to the practitioner's compliance with relevant ethical requirements are required to be identified and</p> <p>The IESBA Code provides a conceptual framework that professional accountants are to</p>	4	<p>The MICPA is of the view that the amendments should be consistent throughout the IAASB standards. Hence, the MICPA recommends to add on the following paragraph in ISRE2400 (Revised) in tandem with the other proposed amendment in other part of this Exposure Draft:</p> <p><i>"The fundamental principles of ethics establish the standard of behaviour expected of a professional accountant."</i></p>

			<p>apply in order to identify, evaluate and address threats to compliance with the fundamental principles. In the case of audits, reviews and other assurance engagements, the IESBA Code sets out International Independence Standards, which apply the conceptual framework of identifying, evaluating and addressing threats to the fundamental principles and compliance with independence requirements.</p>		
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- 2) Whether respondents believe the proposed effective date of approximately 90 days after the approval of the due process by the Public Interest Oversight Board is appropriate.

The MICPA believes that the proposed effective date of approximately 90 days is reasonable as the conforming amendments to the IAASB International Standards do not contain new requirements and any other controversial requirements.