



11 February 2011

Mr. James Gunn
Technical Director, International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, 10017 USA

Dear Sir

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD ("IAASB") EXPOSURE DRAFTS ON PROPOSALS TO WITHDRAW EXISTING INTERNATIONAL AUDITING PRACTICE STATEMENTS ("IAPSs"), CLARIFICATION OF THE STATUS AND AUTHORITY OF NEW IAPSs AND PROPOSED IAPS 1000, SPECIAL CONSIDERATIONS IN AUDITING COMPLEX FINANCIAL INSTRUMENTS

The Auditing and Assurance Standards Board ("AASB") of the Malaysian Institute of Accountants ("MIA") is pleased to provide comments on the International Auditing and Assurance Standards Board ("IAASB") exposure drafts on the proposals relating to International Auditing Practice Statements ("IAPSs") and proposed IAPS 1000, Special Considerations in Auditing Complex Financial Instruments.

MIA appreciates IAASB's effort in addressing matters that are currently posing audit challenges, primarily on the topic of complex financial instruments. As highlighted in the present economic environment, obtaining audit evidence regarding complex financial instruments has always been challenging. The proposed IAPS 1000 is critical in providing enhanced guidance in auditing complex financial instruments and encouraging consistent auditing practice in application of auditing complex financial instruments.

Our comments are as follows:

Comments to the questions:

Proposals relating to IAPSs - Withdrawal of Existing IAPSs, Clarification of the Status and Authority of New IAPSs and Proposed Amendments to the Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Service Pronouncements

Q. The IAASB invites comments on any aspects of the proposals to withdraw the existing IAPSs and clarify the status and authority of new IAPSs discussed in this memorandum.

We endorse IAASB's proposal to withdraw the existing IAPSs in light of existing IAPSs being largely out-of-date and inconsistent with the text of the Clarified International Standards on Auditing (ISAs). The withdrawal of the existing IAPS is also appropriate in line with the IAASB's intention in establishing clear principles for the development of future IAPSs that any new IAPSs should only be developed if there is not likely to be a need for new or modified requirements or application material in the ISAs.

Comments to the questions: (continued)

The clarification of the status and authority of the new IAPSs are clearly articulated and will dispel any ambiguity on the intent of IAPSs. We recommend the following amendments to Para 23 to the proposed amendments to the Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements for IAASB's consideration:

Para 23 - Auditors ~~shall~~ should determine whether any IAPS is relevant to the circumstances of the audit and, if so, obtain an understanding of its content.

Proposed IAPS 1000, Special Considerations in Auditing Complex Financial Instruments

Q1. Whether the material included in the proposed IAPS is appropriate in light of the proposed status and authority of new IAPSs.

The IAPS forms part of IAASB authoritative pronouncements which are issued to provide practical assistance to auditors in implementing ISAs and to promote good practice. Even though we believe that providing background information on auditing complex financial instruments is very educational to auditors, we believe the IAPS should be restricted to only providing guidance to auditors to meet the ISA requirements.

It is desirable that the following materials to be included in the proposed IAPS:

- A Glossary of Terms which contains a complete listing of terms used in the IAPS to assist in common and consistent interpretation and translation;
- Additional guidance on subsequent event procedures in accordance with ISA 560, Subsequent Events to be performed by the auditor relating to complex financial instruments. The IAPS briefly mentions in Para 84 and 112 on events after the balance sheet date. The financial market condition in the recent economic environment has indicated that the volatility of such complex financial instruments over a short period of time could have a significant impact on the financial statements if it straddles that financial year-end; and
- Application of ISA 450, Evaluation of Misstatements Identified during the Audit, in particular misstatements relating to:
 - (i) Valuation assertion - IAPS 1000 Para 103 - The model range or point estimate developed by the auditor may be materially different to management's estimate of value, which may arise from different assumptions, inputs or methodologies;
 - (ii) Presentation and disclosure assertions - IAPS 1000 Para 107 - Financial information may not be disclosed fairly and at accurate amounts in relation to financial instrument disclosures; and
 - (iii) Presentation and disclosure assertions - IAPS 1000 Para 109 - Financial information may not be properly classified and understood in relation to master netting agreements.

Comments to the questions: (continued)

- Going concern consideration in relation to valuation uncertainty in determining whether event or conditions that may cast significant doubt on the entity's ability to continue as a going concern and additional audit procedures to be performed when events or conditions are identified.

Q2. Whether the balance of material included in the proposed IAPS is appropriate in light of its purpose of assisting a wide range of auditors on an international basis.

The balance of material included in the proposed IAPS is appropriate and suitable internationally. The proposed IAPS provides the current global best practice and assist auditors in obtaining sufficient appropriate audit evidence in auditing complex financial instruments by providing a useful background and the related audit considerations in auditing complex financial instruments. We believe the guidance will be very useful in particular for auditors who have minimal or no experience previously in auditing complex financial instruments.

Q3. Whether the proposed form of the IAPS, including the use of two separate sections and shaded tables, enhances its readability.

The proposed form of the IAPS, including the use of two separate sections and shaded tables, enhances its readability.

The presentation of the document can be further enhanced by incorporating a sub-heading on "Reporting Considerations in Auditing Complex Financial Instruments" that deals with matters relating to communications to those charged with governance, regulators and others currently addressed under Section II.

Q4. Whether respondents believe an effective date should be established for the proposed IAPS and, if so, what would be an appropriate date would be.

We believe an effective date should be established for the proposed IAPS. Whilst the IAPS do not impose additional requirements on auditors beyond those included in the ISAs, auditors are expected to determine whether any individual IAPS is relevant to the audit engagement and, if so, to obtain an understanding of its content. Inclusion of an effective date is more pragmatic in light of the proposed status and authority of new IAPSs for firms and auditors to consider the IAPS relative to their training programs and audit methodologies.

Because there is strong demand from auditors on such guidance, principally due to the fact that auditing complex financial instruments has always been challenging, we recommend IAASB to consider finalising the IAPS earlier than the proposed intended date of September 2011.

Comments to the questions: (continued)

Q5. Special Considerations in the Audit of Smaller Entities - Respondents are asked to comment whether, in their opinion, material addressing considerations in the audit of smaller entities is sufficient and appropriate in the IAPS.

Material addressing considerations in the audit of smaller entities is sufficient and appropriate in the IAPS.

Q6. Special Considerations in the Audit of Public Sector Entities - Respondents are asked to comment whether, in their opinion, special considerations with respect to public sector entities have been dealt with appropriately in the proposed IAPS.

No comment.

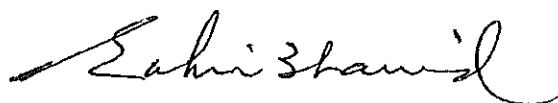
Q7. Developing Nations - Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in using the proposed IAPS in a developing nation environment.

Not Applicable.

Q8. Translations - Recognizing that many respondents may intend to translate the final IAPS for adoption in their own environments, the IAASB welcomes comment on potential translation issues noted in reviewing the proposed IAPS.

Not Applicable.

Yours sincerely,
MALAYSIAN INSTITUTE OF ACCOUNTANTS



ABDUL RAHIM ABDUL HAMID
President