



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS  
ACCOUNTANTS: MANAGERS OF VALUE

PROUD HOST:



31 March 2011

Mr. James Gunn  
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International Federation of Accountants  
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Dear Sir

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD ("IAASB") EXPOSURE DRAFT ON PROPOSED INTERNATIONAL STANDARD ON RELATED SERVICES 4410 (REVISED), COMPILATION ENGAGEMENTS

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 draft on proposed International Standard on Related Services 4410 (Revised), Compilation Engagements.

MIA supports IAASB's effort in addressing the growing demand for services other than audit to meet the unique needs of small and medium sized entities ("SMEs") and the users of their financial information.

Our comments are as follows:

Q1. Proposed ISRS 4410 is designed to apply when the practitioner is engaged to compile financial information in accordance with an applicable financial reporting framework and to provide a compilation report for the engagement performed in accordance with this ISRS. Do respondents believe this scope is appropriate, and is it clear when practitioners undertaking the compilation of financial information are required to apply the standard? What practical challenges, if any, might arise from the proposed scope of the standard?

We believe the scope of proposed ISRS 4410 is appropriate. The proposed standard provides clarity on the specific circumstance of the practitioner's responsibility when engaged to compile and report on historical financial information. However, it is worth noting that applying the ISRS to compilation engagements for non-financial information as permitted in paragraph 2 may pose challenges in the consistent application of the standard. It is less clear how the standard would be adapted for engagements to compile non-financial information, given the diverse range of engagements that this may comprise.

Comments to the questions: (continued)

Q2. Do respondents believe the compilation engagement performed under the proposed ISRS is clearly distinguishable from assurance services (audits and reviews of financial statements) to users of compiled financial information and the practitioner's report, to those who engage practitioners to prepare and present financial information of an entity, and to practitioners undertaking these engagements?

Yes, the compilation engagement performed under the proposed ISRS is clearly distinguishable from assurance services (audits and reviews of financial statements) to users of compiled financial information and practitioners undertaking the engagement.

The requirement of the proposed standard to include explicit statement about the nature of compilation engagement in the terms of engagement and the practitioner's compilation reports facilitates the distinction of a compilation engagement from assurance and review engagements.

Having mentioned this, it is challenging in practice to impress upon stakeholders of the non-assurance nature of a compilation engagement mainly due to the mass perception that practitioners are customary service providers for assurance engagement.

Q3. Is the requirement for the practitioner to obtain management's acknowledgement of its responsibilities as specified under the proposed ISRS an acceptable premise for the practitioner undertaking a compilation engagement under the standard?

Yes, the requirement is an acceptable premise for the practitioner undertaking a compilation engagement under the standard. The statement emphasises and reminds that management cannot absolve themselves from their overall responsibility for the preparation of the financial information which is the subject of the compilation engagement. Generally, in a compilation engagement, the expectation gap on the extent of work performed and level of involvement by practitioner is particularly significant.

Comments to the questions: (continued)

Q4. Do respondents believe the proposed requirements dealing with the responses and actions by the practitioner when the practitioner believes the compiled financial statements contain a material misstatement, or are misleading, are appropriate?

The proposed requirements are appropriate. The proposed requirements affirm the stance that the management is responsible for any amendments made to the financial information as a result of any material misstatements identified by the practitioner for the purpose of the compilation engagement. The proposed requirements set the appropriate tone that distinguishes a compilation engagement from assurance and review engagements.

Q5. When the practitioner identifies the need to amend the compiled financial information so that it will not be materially misstated or misleading, do respondents agree that the practitioner may, in appropriate circumstances, propose the use of another financial reporting framework as long as the proposed alternative framework is acceptable in the circumstances of the engagement and is adequately described in the financial information?

To avoid association with financial information that is materially misstated or misleading, we agree that the practitioner may, in appropriate circumstances, propose the use of another financial reporting framework as long as the proposed alternative framework is acceptable in the circumstances of the engagement and is adequately described in the financial information.

Q6. Appendix 3 of the proposed ISRS sets out several illustrative practitioners' compilation reports. Do respondents agree these reports provide useful additional material to illustrate some different scenarios for compilation engagements? Do respondents believe the communications contained in these illustrative reports are clear and appropriate?

The illustrative reports provide useful additional material to illustrate some different scenarios for compilation engagements. We believe the communications contained in these reports are clear and appropriate; particularly management's responsibility for the entity's financial statements, the extent of the practitioner's involvement regarding the entity's financial statements and the non-assurance nature of a compilation engagement.

Comments to the questions: (continued)

We suggest that the header "Alert to Reader" included in illustration 2, 3 and 4 of Appendix 3 is replaced with a more appropriate term such as "Basis of Preparation" to avoid the perception that the practitioner's report is a vehicle to express an opinion or conclusion on the compiled financial information.

Q7. Proposed ISRS 4410 is premised on the basis that a firm providing compilation engagements under the standard is required to apply, or has applied, ISQC 1 or requirements that are at least as demanding. In light of this, are the requirements concerning quality control at the engagement level sufficient? Does this approach to specifying quality control provisions in proposed ISRS 4410 create difficulty at a national or firm level? If so, please explain.

We believe the requirements concerning quality control at the engagement level are sufficient.

ISQC 1 applies to all IAASB engagement standards as mentioned in ISQC 1. The IAASB engagement standards are adopted in Malaysia with minimal amendments to localise the reference to Malaysian context which is highlighted in the foreword to the standard.

On this premise, the specification of quality control provision in the proposed ISRS 4410 does not create difficulty at national or firm level in Malaysia.

Q8. *Users of Financial Information or Financial Statements of SMEs, including Regulators* – Recognizing that information compiled by professional accountants under proposed ISRS 4410 will likely be of particular interest and relevance to users in the SME environment (for example, creditors, lending institutions, suppliers) and, in some cases, regulators, the IAASB invites respondents from these constituencies to comment on the proposed ISRS, in particular on the form and content of the illustrative practitioners' reports.

Not Applicable.

Q9. *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 applying the proposed ISRS in a developing nation environment.

Not Applicable.

Comments to the questions: (continued)

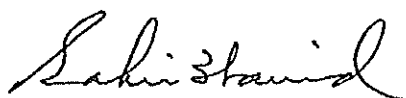
Q10. Translations - Recognizing that many respondents may intend to translate the final ISRS for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed ISRS.

Not Applicable.

Q11. Effective Date - Recognizing that proposed ISRS 4410 is a substantive revision of extant ISRS 4410, and given the public interest need to harmonize practice internationally as soon as practicable, the IAASB believes that an appropriate effective date for the standard would be 18 months after approval of the final revised standard. Assuming the IAASB intends to finalize the revised standard in December 2011, it would then be effective for compilation engagements performed for financial information for periods ending on or after June 30, 2013. The IAASB welcomes comment on whether this would provide a sufficient period to support effective implementation of the final ISRS.

We believe the tentative effective date is reasonable and provides a sufficient period to support effective implementation of the final ISRS.

Yours sincerely,  
MALAYSIAN INSTITUTE OF ACCOUNTANTS



ABDUL RAHIM ABDUL HAMID  
President