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27 May 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") PROPOSED
INTERNATIONAL STANDARD ON REVIEW ENGAGEMENTS 2400 (REVISED), ENGAGEMENTS
TO REVIEW HISTORICAL FINANCIAL STATEMENTS

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") proposed International Standard on Review Engagements ("ISRE") 2400 (Revised), Engagements To Review Historical Financial Statements.

MIA supports IAASB's effort in addressing the needs of small and medium sized entities ("SMEs"), specifically considering alternative services to the audit and its effort to revise ISRE 2400. The proposed ISRE 2400 encourages practitioners to exercise professional judgement which is fundamental in performing review engagements.

We have categorised our response into general comments, specific comments and other comments as follows:

General Comments

There has always been a concern whether audits to be conducted in accordance with the International Standards on Auditing ("ISAs") is the right service for SMEs due to the increasing complexity and cost of providing an audit service. Alternative services such as compilation and review engagements could be seen as more appropriate for SMEs in some jurisdictions notwithstanding in some countries the demand for audit alternatives is still immature. We strongly suggest that IAASB develop communication tools to communicate these alternative services to regulators, users and practitioners to assist in the development of markets for audit alternatives.

While acknowledging that the level of work effort for a review performed under ISRE 2410 is different from ISRE 2400, we suggest IAASB to revisit ISRE 2410 to determine if any conforming amendments are necessary as a result of the revision of ISRE 2400. Alternatively, IAASB may consider combining both standards and establish the risk assessment approach detailed in ISRE 2400 as a minimum benchmark in performing review engagements.

General Comments (continued)

Review of Group Financial Statements has always been a challenging task. Therefore, it is essential that the proposed ISRE 2400 be expanded to provide more comprehensive guidance, similar to ISA 600, in the context of reviews of group financial statements.

We encourage that the proposed standard also address the practitioner's responsibility for accompanying information similar to "Auditor's Responsibility for Accompanying Information" addressed in ISRE 2410 as there are circumstances where the financial statements that have been reviewed are included in a document that contains other information.

Specific Comments:

Q1. Do respondents who are users or preparers of financial statements believe the proposed ISRE will result in an assurance engagement that is meaningful?

Not Applicable.

Q2. Do respondents who are practitioners believe that proposed ISRE 2400 will result in engagements that can be understood and performed by practitioners in a cost-effective manner in a way that clearly distinguishes the engagement from an audit?

The overall objective of a review of financial statements is similar to other assurance engagement which is to enhance the user's degree of confidence in the entity's financial statements. In a review engagement, the objective is achieved by an expression of a review conclusion by the practitioner whether anything has come to the practitioner's attention that causes the practitioner to believe the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.

The requirements and the application material provided in the proposed standard are unambiguous in distinguishing the level of assurance, work effort and extent of procedures to be carried out for review engagements which enables the engagement to be understood and performed by practitioners in a cost-effective manner that clearly distinguishes the engagement from an audit.

Specific Comments: (continued)

Q3. Do respondents believe that the objectives stated in the proposed ISRE appropriately describe the expected outcome of the practitioner's work in a review engagement, and the means by which the objectives are to be achieved? Is there any wording in the objectives that might have unintended consequences, or that may blur understanding of the difference between a review and an audit?

We believe the objective clearly conveys the limited assurance nature obtained from a review engagement.

It is achieved through asserting appropriate procedures and types of evidence needed to be clearly stated in the context of the objective of conducting a review of financial statements. We also agree with the presentation of the objectives in two parts, the first part addressing the practitioner work effort and the second part on the practitioners' report.

Q4. Do respondents believe that the factors affecting engagement acceptance and continuance, and the preconditions for performing a review under the proposed ISRE, are appropriate and clearly communicated in the proposed ISRE?

We believe the factors affecting engagement acceptance and continuance, and the preconditions for performing a review under the proposed ISRE are appropriate and clearly communicated to assist practitioners' judgement in accepting a review engagement.

There could be occasion when a newly appointed practitioner is requested to perform a review on the final interim result of a company for the purpose of announcement. The same practitioner is also required subsequently to conduct an audit on the same set of financial information. Due to the differing nature and the practitioner's work effort level in a review engagement from an audit engagement, and the fact that both engagements are carried out at different time, new information may be available subsequently during the audit that may render finding from the audit to vary from those reported during the review. To avoid any conflicting situation, we suggest that the proposed standard includes provisions to address such situation.

Specific Comments: (continued)

Q5. The approach to performing a review set out in the proposed ISRE (paragraphs 43 and 44) requires the practitioner to identify areas in the financial statements where material misstatements are likely to arise, based on the practitioner's understanding of the entity and its environment, and the applicable financial reporting framework, and then to focus the design and performance of inquiry and analytical procedures in those areas.

- (a) Do respondents believe this approach is appropriate for a review?
- (b) Do respondents believe that the requirement and guidance in the proposed ISRE adequately convey this intended approach?
- (c) Do respondents believe that the requirements and guidance relating to the practitioner's understanding (explained in paragraph 43), and designing and performing inquiry and analytical procedures (explained in paragraph 44), are sufficient to promote performance of reviews on a reasonably consistent basis with the application of the practitioner's professional judgment and understanding, taking account of the circumstances in individual review engagements?

- (a) This approach is appropriate for a review engagement and will produce a more effective review engagement. We are in agreement with how the concept of risk is being dealt with in the proposed standard to distinguish the risk assessment process used in audit engagements with the approach adopted in review engagements.
- (b) The requirements and guidance in the proposed ISRE adequately convey the intended approach. The sequence of the procedures in a review engagement will be better served if paragraph 41 and 42 on "Materiality in a Review of Financial Statements" are placed after paragraph 43 which addresses "The Practitioner's Understanding" on the entity, environment and its applicable financial reporting framework.
- (c) We believe the requirements and guidance are appropriate. Nevertheless, to ensure consistent application of the standard, we suggest additional guidance addressing initial review engagements - opening balances and practitioner's responsibilities relating to comparative information in a review of financial statements would be helpful.

Q6. Do respondents agree with the requirements and guidance in the proposed ISRE (paragraphs 57 and 58) describing the trigger point at which additional procedures are required? Do respondents agree with the related requirements concerning the practitioner's response when there are matters that cause the practitioner to believe the financial statements may be materially misstated?

Yes, we agree that these requirements and the related guidance are appropriate to address any material misstatements that may arise in the conduct of a review.

Specific Comments: (continued)

Q7. With respect to the practitioner's review report (as illustrated in Appendix 2 of the proposed ISRE):

- (a) Do respondents believe the report adequately communicates to users the work undertaken by the practitioner for the review?
- (b) Do respondents believe that the form of the practitioner's conclusion (that is, "nothing has come to the practitioner's attention that causes the practitioner to believe ...") communicates adequately the assurance obtained by the practitioner? Is this form of wording of the practitioner's conclusion preferable to other forms that have been explored by the IAASB as discussed above, including those that use wording perceived as being more positive? If not, please explain and provide alternative wording that could be used to express the practitioner's conclusion.
- (c) Is the practitioner's conclusion expressed in this form likely to be understandable and meaningful to users of the financial statements? Does this form of conclusion achieve the intended purpose of properly differentiating the conclusion reported in a review from the opinion expressed in an audit of financial statements?

- (a) We believe the communication on the practitioner's work effort for a review is clear and appropriate. To draw a clearer distinction and avoid the misconception that the level of assurance obtained from a review engagement is the same as an audit engagement, we suggest explicit statement to be included in the review report conveying a clear message that the procedures performed in a review engagement are primarily designed to the extent sufficient to identify areas in the financial statements where material misstatements are likely to arise.
- (b) We believe the negative form of expression of the review conclusion is appropriate to reflect the extent of procedures and work effort applied in a review engagement. The other forms of wording that have been explored by IAASB may create misconception by users due to the positive form of expression conveyed in the review conclusion.
- (c) Similar to the extant ISRE 2400, the use of a negative form of expression of the review conclusion draws the users attention to the limitations associated with the conclusion expressed in a review report. The form of conclusion is clearly distinguishable from the opinion expressed in an audit of financial statements.

Specific Comments: (continued)

Q8. Users of Financial Statements of SMEs, including Regulators - Recognizing that financial statements reviewed by professional accountants under proposed ISRE 2400 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 ISRE, 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 ISRE in a developing nation environment.

We do not foresee any difficulties in applying the proposed ISRE in our environment.

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

Not Applicable.

Q11. Effective Date - Recognizing that proposed ISRE 2400 is a substantive revision of extant ISRE 2400, 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 standard. Assuming the IAASB finalizes the revised standard in the first half of 2012, it would then likely be effective for reviews of financial statements for periods ending on or after December 31, 2013. The IAASB welcomes comment on whether this would likely provide a sufficient period to support effective implementation of the ISRE.

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

Other Comments

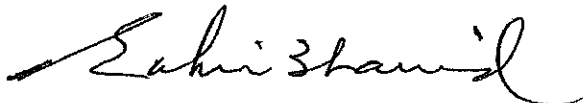
Paragraph 60

We suggest inclusion of the requirement that management has to provide written representation to the practitioners as to whether they believe the effects of uncorrected misstatements, if any, are immaterial individually and in aggregate, to the financial statements as a whole.

Scope of ISRE

ISRE 2400 deals with a practitioner's responsibility in undertaking an engagement to review historical financial statements when the practitioner is not the entity's auditor. ISRE 2410, on the other hand, deals with a practitioner's responsibilities in undertaking an engagement to review interim financial information of an entity when the practitioner is the entity's auditor. ISRE 2410 presumes that through performing the audit of the annual financial statements, the auditor obtains an understanding of the entity and its environment, including its internal control. Clarity is required on the applicability of these ISREs when a practitioner is newly appointed as the entity's auditor and is engaged to perform a review.

Yours sincerely,
MALAYSIAN INSTITUTE OF ACCOUNTANTS



ABDUL RAHIM ABDUL HAMID
President