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ACCOUNTANTS: MANAGERS OF VALUE

PROUD HOST



MIAconference
2011

MIA INTERNATIONAL ACCOUNTANTS CONFERENCE



13 September 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 ASSURANCE ENGAGEMENTS 3000 (REVISED), ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION

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 Assurance Engagements ("ISAE") 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

MIA welcomes and supports IAASB's effort in revising the international assurance standard on this important subject given the growing development for subject-specific assurance reporting. The proposed revised ISAE 3000 will provide a strong basis for current and future subject-specific ISAEs and accordingly, it is a timely revision of the standard by IAASB.

Our comments are as follows:

Examples of Assurance Engagements

The IAASB recognizes the increasing demand for assurance engagements under ISAE 3000 in several jurisdictions and its growing use in different engagement circumstances. To assist the IAASB in ensuring broad applicability and relevance of ISAE 3000, respondents are asked to provide examples of assurance engagements that are being undertaken in practice. Please include copies of relevant assurance reports where possible; or alternatively describe the underlying subject matter, the subject matter information, the criteria, the procedures, whether the engagement was a direct engagement or an attestation engagement, and whether it was a limited assurance or reasonable assurance engagement.



Examples of Assurance Engagements (continued)

Assurance reporting is highly in demand especially from government agencies and regulators in Malaysia on subject-specific matters. Such engagements are normally of compliance nature such as compliance with a prescribed set of criteria or rules by the appropriate agencies for the purpose of license renewal for services provider example telecommunication provider and property developer, application of tax and other incentives and assurance on Pro Forma Financial Information included in the Accountants Report. The type of assurance; whether it is a limited or reasonable assurance varies dependent on the requirement of the respective government agencies and regulators which amongst others, take into consideration the costs and benefits involved in achieving the objective of which such assurance is obtained.

Specific Comments:

Q1. Do respondents believe that the nature and extent of requirements in proposed ISAE 3000 would enable consistent high quality assurance engagements while being sufficiently flexible given the broad range of engagements to which proposed ISAE 3000 will apply?

The nature and extent of requirements included in ISAE 3000 reflect more common elements for assurance engagements thus reducing the potential duplication and inconsistency in the application to a broad range of engagements and circumstances to which proposed ISAE 3000 will apply.

Q2. With respect to levels of assurance:

- (a) Does proposed ISAE 3000 properly define, and explain the difference between, reasonable assurance engagements and limited assurance engagements?
- (b) Are the requirements and other material in proposed ISAE 3000 appropriate to both reasonable assurance engagements and limited assurance engagements?
- (c) Should the proposed ISAE 3000 require, for limited assurance, the practitioner to obtain an understanding of internal control over the preparation of the subject matter information when relevant to the underlying subject matter and other engagement circumstances?

- (a) Reasonable assurance engagements and limited assurance engagements are appropriately defined and the differences between these engagements are adequately explained in the proposed ISAE 3000.
- (b) We believe that guidance may need to be included under paragraph 37 on examples of factors the practitioner may consider when obtaining an understanding of the underlying subject matter and other engagement circumstances; for example the size and complexity of the entity and its transactions.

Specific Comments: (continued)

In addition, more guidance may need to be included in the ISAE to assist practitioners on the types of audit procedures performed to obtain an understanding of the underlying subject matter and other engagement circumstances such as inquiries of responsible party to assist in identifying material misstatements due to fraud or error, analytical procedures, observation and inspection.

- (c) We believe the proposed ISAE 3000 should require practitioner to obtain an understanding of internal control over the preparation of the subject matter information for all assurance engagements. However, for limited assurance engagements, such understanding of relevant aspects of internal control over the subject matter information is to the extent the practitioner is able to identify areas where material misstatements are likely to arise to determine the nature, timing and extent of procedures to be performed.

Q3. With respect to attestation and direct engagements:

- (a) Do respondents agree with the proposed changes in terminology from "assurance-based engagements" to "attestation engagements" as well as those from "direct-reporting engagements" to "direct engagements"?
- (b) Does proposed ISAE 3000 properly define, and explain the difference between, direct engagements and attestation engagements?
- (c) Are the objectives, requirements and other material in the proposed ISAE 3000 appropriate to both direct engagements and attestation engagements? In particular:
 - (i) In a direct engagement when the practitioner's conclusion is the subject matter information, do respondents believe that the practitioner's objective in paragraph 6(a) (that is, to obtain either reasonable assurance or limited assurance about whether the subject matter information is free of material misstatement) is appropriate in light of the definition of a misstatement (see paragraph 8(n))?
 - (ii) In some direct engagements the practitioner may select or develop the applicable criteria. Do respondents believe the requirements and guidance in proposed ISAE 3000 appropriately address such circumstances?

- (a) The AASB supports the changes in terminology to facilitate understandability of the standard.
- (b) The definition and explanation of differences between direct engagements and attestation engagements is appropriate.

Specific Comments: (continued)

- (c) (i) While the Explanatory Memorandum addresses the matter where ISAE 3000 makes no distinction between a misstatement in the subject matter information and a failure (in a reasonable assurance engagement) of the practitioner to detect a material misstatement, it may be helpful to include clarification on this area in the guidance to avoid any ambiguity on the application of the standard.

The term "subject matter information is free from material misstatement" may not be appropriate for certain direct reporting engagements, for example assurance engagement on system/process. Accordingly, we believe further clarification is needed to address this type of engagements or alternatively a different objective should be established for direct engagements.

- (ii) The requirements and guidance in proposed ISAE 3000 appropriately address such circumstances.

Q4. With respect to describing the practitioner's procedures in the assurance report:

- (a) Is the requirement to include a summary of the work performed as the basis for the practitioner's conclusion appropriate?
- (b) Is the requirement, in the case of limited assurance engagements, to state that the practitioner's procedures are more limited than for a reasonable assurance engagement and consequently they do not enable the practitioner to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement, appropriate?
- (c) Should further requirements or guidance be included regarding the level of detail needed for the summary of the practitioner's procedures in a limited assurance engagement?

- (a) There are merits to include the summary of work performed to help the intended users understand the basis for the practitioner's conclusion.
- (b) It is important to clearly communicate to intended users of the assurance report on the level of assurance attained and the nature of engagements performed. This is particularly important in distinguishing the assurance level and extent of work performed in a limited assurance from a reasonable assurance engagement. Accordingly, we believe including such assertion in the report is appropriate.

Specific Comments: (continued)

- (c) We believe further guidance is required in this area as the level of detail needed in the summary of procedures is subject to different interpretations. It is helpful to establish the criteria for reporting, for example using the response to practitioner's assessed risks as a basis of providing a summary of work performed.

Q5. Do respondents believe that the form of the practitioner's conclusion in a limited assurance engagement (that is, "based on the procedures performed, nothing has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated") communicates adequately the assurance obtained by the practitioner?

The negative form of expression communicates clearly the practitioner's conclusion in a limited assurance engagement.

Q6. With respect to those applying the standard:

- (a) Do respondents agree with the approach taken in proposed ISAE 3000 regarding application of the standard by competent practitioners other than professional accountants in public practice?
- (b) Do respondents agree with proposed definition of "practitioner"?

- (a) We agree with the approach taken in proposed ISAE 3000 to include competent practitioners other than professional accountants in public practice subject to meeting the required standard in a range of measures such as competency, quality control and ethics.
- (b) Other than our comment included in paragraph 3(c)(i) on the appropriateness of the term "subject matter information is free from material misstatement" in certain direct reporting engagements, we believe the proposed definition of "practitioner" is appropriate.

Q7. *Public Sector* - Recognizing the applicability of proposed ISAE 3000 to many assurance engagements in the public sector, the IAASB invites respondents from this sector to comment on the proposed ISAE, in particular on whether, in their opinion, the special considerations in the public sector environment have been dealt with appropriately in the proposed ISAE.

No comment.

Specific Comments: (continued)

Q8. *Small-and Medium-Sized Practices (SMPs) and Small-and Medium-Sized Entities (SMEs)* - Recognizing the applicability of proposed ISAE 3000 to assurance engagements on historical financial information in a SME context or by SMPs, the IAASB invites respondents from this constituency to comment on the proposed ISAE, in particular on the scalability of requirements.

The AASB considers the requirements in the proposed ISAE 3000 are scalable for SMEs and SMPs.

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 on the proposed ISAE, in particular, on any foreseeable difficulties in applying it in a developing nation environment.

We do not foresee any difficulty in applying the proposed ISAE in our environment.

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

Not Applicable.

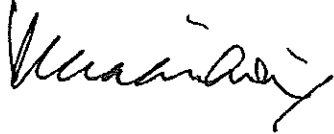
Q11. *Effective Date* - The IAASB believes that an appropriate effective date for the final ISAE 3000 would be 12 - 15 months after approval of the final standard but with earlier application permitted. The IAASB welcomes comment on whether this would provide a sufficient period to support effective implementation of the ISAE.

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

Other Comment:

While we acknowledge that the assurance report is determined by the underlying subject-specific matter and the related subject-specific information, we believe illustrative reports should be included in the standard to facilitate understandability and to demonstrate the reporting required by the standard.

Yours sincerely,
MALAYSIAN INSTITUTE OF ACCOUNTANTS



DATUK MOHD NASIR AHMAD
President