



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

10 August 2020

Mr Willie Botha
Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, 10017 USA

Dear Mr Botha,

PROPOSED NON-AUTHORITATIVE GUIDANCE: *EXTENDED EXTERNAL REPORTING ASSURANCE*

The Auditing and Assurance Standards Board (“AASB”) of the Malaysian Institute of Accountants (“MIA or the Institute”) welcomes the opportunity to provide its comments on the Proposed Non-Authoritative Guidance: *Extended External Reporting Assurance*.

We enclose in Appendix 1 our response to the questions contained in the proposed non-authoritative guidance.

We hope our comments would contribute to the IAASB’s deliberation in finalising the said guidance. If you have any queries or require clarification of this submission, please contact Simon Tay Pit Eu at +603 2722 9271 or email at simontaypiteu@mia.org.my.

Thank you.

Yours sincerely,
MALAYSIAN INSTITUTE OF ACCOUNTANTS

DR. NURMAZILAH DATO' MAHZAN
Chief Executive Officer

APPENDIX 1

Overall comments

The combined guidance and supplements provides better clarity and comprehension as compared to the Phase 1 Guidance. However, certain aspects of the Guidance come across as too generic especially for a knowledgeable practitioner with financial statement auditing background and may be shortened to reduce the overall length of the Guidance.

QUESTION 1:

Does the draft Guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft Guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

Chapter 1: Competence and capabilities

- The Guidance should be further expanded to encompass practical examples on how to deal with practitioner's experts. The Guidance should also consider having more specific examples or illustration on the competency requirements for more complex EER assurance engagements.
- It would be beneficial to provide guidance on how to address the inherent limitations arising partly from the practitioner's lack of competency and capabilities in the subject matter despite having engaged a practitioner's expert.

Chapter 2: Professional skepticism and professional judgment

- Questions may arise on how to encourage the practitioner's expert to exercise appropriate professional skepticism. Whilst the practitioner is expected to review and supervise the work of a practitioner's expert closely, in practice, such work is done closer to the end of the fieldwork/engagement when a draft report is prepared by the practitioner's expert. Hence, a reiteration of early involvement in engaging the practitioner's expert during planning will provide better context for follow up later in the engagement on whether sufficient professional skepticism was applied.
- Diagram 4 on professional skepticism and professional judgment is useful for general assurance purposes. Some relevant and useful material in the Supplements may be brought into the body of the Guidance.
- It would be beneficial to provide examples on how professional skepticism influences the judgement of assurance engagements.

Chapter 3: Determining preconditions and agreeing the scope of EER engagements

Chapter 4: Determining the suitability and availability of criteria

- For assurance work on key performance indicators (KPIs), it would be useful to have benchmarks of KPIs for specific industries to enable comparability of entities within similar industries.

Chapter 5: Considering the system of internal control

- It would be beneficial to consider the following scenarios to be addressed in the Guidance:
 - (i) It is possible that an SMI may not be directly covered by a particular internal control within the entity and hence, the management may consider engaging an external service provider to address the SMI.
 - (ii) There may be occasions where internal controls are not robust or are deficient and require the gathering of additional persuasive evidence.

- G.205 may give rise to confusion as recent revisions to ISAs 540 and 500 state that service organizations are not considered as external information sources when providing such information in that capacity. Paragraph A9 of ISA 500 states that “information from sources independent of the entity that the auditor may use as audit evidence may include confirmations from third parties, and information from an external information source, including analysts’ reports, and comparable data about competitors (benchmarking data).”

Chapter 6: Considering the entity’s process to identify reporting topics

- Changing the term from “materiality process” to “process to identify reporting topics” is useful to avoid confusion with materiality.
- Diagram 8 guides the practitioner to consider if the entity’s process is effective in identifying reporting topics. As the term “effective” may be rather subjective, it would be better to assess if the entity’s process identified reporting topics that management determined would assist the intended users’ decision making.

Chapter 7: Using assertions

- Splitting the assertions to both period and point in time may be confusing to non-financial practitioners or experts.

Chapter 9: Considering the materiality of misstatements

- Additional guidance or examples on “evaluation uncertainty” in G.143 will be helpful to illustrate the difference as compared to “measurement uncertainty”.

Chapter 10: Preparing the assurance report

- It would be useful to have an illustration on the combined wording of the assurance report where there is assurance done on both historical non-financial information and forward-looking information as the wording is expected to be different.
- It would be also be useful to illustrate the impact on the assurance report where insufficient evidence is obtained or available to support the assertions made by a reporting entity.

Chapter 11: Addressing qualitative EER information

- In relation to G.396, there can be more guidance and specific examples to illustrate application in practice.
- There is merit to consider qualitative materiality in the context of risks in relation to achieving the strategic objectives or outcomes of a reporting entity, for example, the impact on its reputation and business sustainability.

Chapter 12: Addressing future oriented EER information

- Practical examples should be provided in guidance to clarify how to overcome the practical challenges, particularly in the context of determining suitability of degree of evidence required to support the estimation of forecasts/projections and future oriented EER qualitative information.
- Additionally, as certain jurisdictions may prohibit the provision of assurance on prospective information, local tailoring/guidance may be required when applying the guidance to engagements in those jurisdictions.

QUESTION 2:

Is the draft Guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

Chapter 5: Considering the system of internal control

- Diagram 7 is useful but the pyramid may be misleading in relation to the relative volume or breadth of the matters covered. A different type of diagram may illustrate them better. The sequence in the diagram should follow the sequence of the explanatory text with control activities at the bottom after information systems.

Chapter 11: Addressing qualitative EER information

Chapter 12: Addressing future oriented EER information

- Given the nature and content of these chapters, there may be a need for clearer links to the earlier chapters particularly on the following:
 - (a) agreeing the scope of the engagement;
 - (b) understanding the entity's process to identify reporting topics and determining the suitability and availability of criteria;
 - (c) highlighting to practitioners that engagements that consist of qualitative or future-orientated information may pose greater challenges for assurance work to be performed. This may result in scope limitations or if assurance is provided on such information, it may give rise to litigation risk. The Guidance should provide clarification on these expectations.