



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

4 October 2022

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

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD'S EXPOSURE DRAFT: PROPOSED NARROW SCOPE AMENDMENTS TO ISA 700 (REVISED) AND ISA 260 (REVISED) AS A RESULT OF THE REVISIONS TO THE IESBA CODE THAT REQUIRE A FIRM TO PUBLICLY DISCLOSE WHEN A FIRM HAS APPLIED THE INDEPENDENCE REQUIREMENTS FOR PUBLIC INTEREST ENTITIES (PIEs)

The Auditing and Assurance Standards Board (AASB) of the Malaysian Institute of Accountants (MIA) welcomes the opportunity to provide its comments on the Exposure Draft, *Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised) as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for Public Interest Entities (PIEs)* by the International Auditing and Assurance Standards Board (IAASB).

We attach in Appendix 1, our responses to the questions found in the Exposure Draft. We hope our comments would contribute to further deliberation by the IAASB on the matter. If you have any queries or require clarification of this submission, please contact Simon Tay Pit Eu at +603 2722 9271 or email to simontaypiteu@mia.org.my.

Thank you.

Yours sincerely

MALAYSIAN INSTITUTE OF ACCOUNTANTS

DR WAN AHMAD RUDIRMAN WAN RAZAK
Chief Executive Officer

Exposure Draft for Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised) as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose when a Firm Has Applied the Independence Requirements for PIEs

PART A: Request for Specific Comments

Transparency About the Relevant Ethical Requirements for Independence for Certain Entities Applied in Performing Audits of Financial Statements

1. Do you agree that the auditor's report is an appropriate mechanism for publicly disclosing when the auditor has applied relevant ethical requirements for independence for certain entities in performing the audit of financial statements, such as the independence requirements for PIEs in the IESBA Code?

Yes, we agree that the auditor's report is an appropriate place to publicly disclose the information that the auditor has applied the relevant ethical requirements for independence applicable to PIEs in response to the recent IESBA's PIE pronouncement.

Please answer question 2A or 2B based on your answer to question 1:

- 2A. If you agree:

- (a) Do you support the IAASB's proposed revisions in the ED to ISA 700 (Revised), in particular the conditional requirement as explained in paragraphs 18-24 of the Explanatory Memorandum?

- (b) Do you support the IAASB's proposed revisions in the ED to ISA 260 (Revised)?

Yes, the conditional requirement as suggested by the IAASB and as explained in paragraphs 18-24 of the Explanatory Memorandum is a reasonably straightforward approach.

- 2B. If you do not agree, what other mechanism(s) should be used for publicly disclosing when a firm has applied the independence requirements for PIEs as required by paragraph R400.20 of the IESBA Code?

Not applicable.

Transparency About the Relevant Ethical Requirements for Independence for Certain Entities Applied in Performing Reviews of Financial Statements

3. Should the IAASB consider a revision to ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code?

We agree with the IAASB's position of not amending on a piecemeal basis the ISRE standards as per paragraph 29 (a). In addition, as has been pointed out, ISRE 2410 does not preclude the auditor/practitioner from providing a disclosure that different independence requirements have been applied in certain engagements, where necessary. It will be better to revise the review standards when tackling the proposed Track 2 project

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on listed entities and PIEs in the next phase. As part of the revision, the clarity convention should also be adopted for the ISRE standards as a way forward.

4. If the IAASB were to amend ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for certain entities, do you support using an approach that is consistent with ISA 700 (Revised) as explained in Section 2-C?

Yes, for consistency purposes.

Matter for IESBA Consideration

5. To assist the IESBA in its consideration of the need for any further action, please advise whether there is any requirement in your jurisdiction for a practitioner to state in the practitioner's report that the practitioner is independent of the entity in accordance with the relevant ethical requirements relating to the review engagement.

Presently, in Malaysia, there is only a requirement for the practitioner to report his/her compliance with the relevant ethical requirements in the practitioner's report without going into details. This is consistent with the requirement under ISRE 2400. However, under ISRE 2410, there is no requirement for such reporting in the practitioner's report.

PART B: Request for General Comments

In addition to the request for specific comments above, the Institute is also seeking comments on the matters set out below:

- **Translations**—Recognising that many respondents may intend to translate the final pronouncement for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing this ED.

Not applicable.

- **Effective Date**—Given the need to align the effective date with IESBA, do you support the proposal that the amendments to ISA 700 (Revised) and ISA 260 (Revised) become effective for audits of financial statements for periods beginning on or after December 15, 2024 as explained in paragraph 26?

Yes, we agree with the need for such alignment.