



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

22 May 2023

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 PART 10, AUDITS OF GROUP FINANCIAL STATEMENTS OF THE PROPOSED INTERNATIONAL STANDARD ON AUDITING FOR AUDITS OF FINANCIAL STATEMENTS OF LESS COMPLEX ENTITIES (ISA FOR LCE)

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 (ED), *Proposed Part 10, Audits of Group Financial Statements of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)*.

Consistent with our submission in January 2022, the AASB continues to have mixed views on the general approach to this ISA for LCE.

We are grateful as the IAASB has reconsidered its decision and developed proposals (as a separate section) to address audits of less complex groups in this ED which addressed a key concern we had in the previous ED.

While this project continues to be significant to the SMPs, we are of the view that the value proposition of having a separate LCE standard has yet to be properly articulated. During our Board's deliberations, members raised concerns regarding the value proposition for promulgating a separate standard for LCE given the ability to tailor nature, extent and timing of audit procedures in the current ISAs. We propose the IAASB strengthen the articulation of the value of this new standard especially in communication with the wider business community out there.

We attach in Appendix 1, our responses to the questions in the ED. 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, PROPOSED PART 10, AUDITS OF GROUP FINANCIAL STATEMENTS OF THE PROPOSED INTERNATIONAL STANDARD ON AUDITING FOR AUDITS OF FINANCIAL STATEMENTS OF LESS COMPLEX ENTITIES (ISA FOR LCE)**Request for Specific Comments**

1. In the Authority, do you agree with the proposed prohibition on the use of the proposed ISA for LCE for group audits where component auditors are involved, other than in limited circumstances where physical presence is required?

There remain some challenges in permitting the use of the proposed standard on group audits. While we acknowledge that there can be simple group audits, we also believe that in order to avoid unacceptable risks to audit quality (including that the LCE standard is inconsistently applied), clear criteria need to be prescribed for when the standard may be applied to such groups.

We are of the view that the use of the ISA for LCE may be permitted for a group audit when the

- group entity and all components are audited by a single firm;
- consolidation does not require adjustments to reconcile financial information of components recorded under a local financial reporting framework to that of the group financial reporting framework; and
- group audit does not involve using the work of component auditors other than in certain limited circumstances as the Board has proposed in the ED.

It is critical that the Board also addresses the question of the standards that may be applied in respect of the audit of components of a group and how that may impact a group audit required to be conducted in accordance with the ISAs. For example, if a component entity is considered to be an LCE for purposes of a local statutory audit and the auditor plans to conduct that audit in accordance with the ISA for LCE, guidance will be required as to whether the evidence obtained from that audit can meet the group auditor's purposes, if the group auditor is required to assert in their report on the group financial statements that the audit was conducted in accordance with the "full" ISAs.

We are still unconvinced regarding the reason for the need of having a differentiated group audit requirement/scope when the IAASB is of the view that the LCE standard should be conceptually the same with the full ISAs.

2. In the Authority, do you agree with the proposed group-specific qualitative characteristics to describe the scope of group audits for which the proposed ISA for LCE is designed to be used?

While the proposed qualitative characteristics may serve as a guide for the auditor to consider the scope of a group audit when deciding on the use of this standard, it could still result in subjective judgements that differs from firm to firm. The IAASB will need to consider other ways to drive more consistencies in their application.

3. Do you agree with the content of proposed Part 10 and related conforming amendments?

Overall, we agree with the content of proposed part 10 and the related conforming amendments.

We also recognise that should the IAASB decide to change the scope of when component auditors can and are involved, this would similarly require further consideration of the materials presently drafted in the proposed Part 10 of the ED.