



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

21 March 2016

Ken Siong
Technical Director
The International Ethics Standards Board for Accountants
545 5th Avenue, 14th Floor
New York, NY 10017

Dear Sir,

Comments on the Exposure Draft “Proposed Revisions Pertaining to Safeguards in the Code – Phase 1”

The Malaysian Institute of Accountants (“MIA”) appreciates the opportunity to provide comments on the Exposure Draft “Proposed Revisions Pertaining to Safeguards in the Code – Phase 1”. We thank the International Ethics Standards Boards for Accountants’ (“IESBA”) effort in improving the extant Code of Ethics for Professional Accountants (“the Code”) to deal with evolving ethics issues.

Our comments on the Exposure Draft are provided as below:

Proposed Revisions to the Conceptual Framework

1. Do respondents support the Board’s proposed revisions to the extant Code pertaining to the conceptual framework, including the proposed requirements and application material related to:
 - (a) Identifying threats;
 - (b) Evaluating threats;
 - (c) Addressing threats;
 - (d) Re-evaluating threats; and
 - (e) The overall assessment.If not, why not?

The MIA is supportive of the IESBA’s proposed revisions to the extant Code pertaining to the conceptual framework, especially emphasising the importance of applying the conceptual framework, rather than simply complying with specific requirements in the Code. In Malaysia, we observe that many professional accountants seem to perceive that no guidance is provided so long as their scenarios are not matched with the extant specific requirements and hence the application of the conceptual framework should be emphasised throughout the Code.

Proposed Revised Descriptions of “Reasonable and Informed Third Party” and “Acceptable Level”

2. Do respondents support the proposed revisions aimed at clarifying the concepts of (a) “reasonable and informed third party;” and (b) “acceptable level” in the Code. If not, why not?

The proposed revisions enhance the clarity on the concept of “reasonable and informed third party” and “acceptable level”. However, the skills, knowledge and experience that a person shall possess in assessing “reasonable and informed third party” test should be elaborated in the Code. We wonder if a person from other professions such as the legal profession will be regarded as part of the person who is able to objectively evaluate the appropriateness of the professional accountant’s judgements and conclusions. We would appreciate if the IESBA could clarify and indicate as to whether the reasonable and informed third party must be a hypothetical person from the accounting profession.

Proposed Revised Description of Safeguards

3. Do respondents support the proposed description of “safeguards?” If not, why not?

We support the proposed description of “safeguards” as it is more stringent application than the description in extant Code, unlike the extant Code which allows manipulation when applying safeguards:

- Proposed description – Safeguards are actions that effectively eliminate threats to compliance with the fundamental principles or reduce them to an acceptable level.
- Extant description – Safeguards are actions or other measures that may eliminate threats or reduce them to an acceptable level.

4. Do respondents agree with the IESBA’s conclusions that “safeguards created by the profession or legislation,” “safeguards in the work environment,” and “safeguards implemented by the entity” in the extant Code:

- (a) Do not meet the proposed description of safeguards in this ED?
- (b) Are better characterized as “conditions, policies and procedures that affect the professional accountant’s identification and potentially the evaluation of threats as discussed in paragraphs 26–28 of this Explanatory Memorandum?”

If not, why not?

- (a) Safeguards created by the profession, legislation or regulation cannot be regarded as safeguards that directly eliminate threats to compliance with the fundamental principles. We believe that actions must be able to effectively eliminate threats to compliance with the fundamental principles or reduce them to an acceptable level in order to be considered as safeguards. The examples of safeguards given in the extant Code do not meet the proposed description of safeguards as they are merely conditions that affect identification of threats. For example, educational, training and experience requirements for entry into the profession.
- (b) The proposed phrase i.e. conditions, policies and procedures that affects the professional accountant’s identification of threats to compliance with the fundamental principles is more reflective of the actual meaning of the examples listed in Paragraph 120.5 A4 of the Code.

Proposals for Professional Accountants in Public Practice

5. Do respondents agree with the IESBA’s approach to the revisions in proposed Section 300 for professional accountants in public practice? If not, why not and what suggestions for an alternative approach do respondents have that they believe would be more appropriate?

We agree with the proposed Section 300.

In addition to the above-mentioned comments, in order to enhance the clarity, we suggest the IESBA to include "an engagement team member does not possess, or acquire, the relevant competencies and adequate resources to perform the professional services" as one of the examples of facts and circumstances that might create self-interest threat under Paragraph 300.2 A1 of the Code.

We trust the above comments will be helpful in your final deliberations. The MIA looks forward to strengthening the dialogue between both organisations.

Yours faithfully,

MALAYSIAN INSTITUTE OF ACCOUNTANTS



HO FOONG MOI

Chief Executive Officer