



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

18 April 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 “Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1”

The Malaysian Institute of Accountants (“MIA”) appreciates the opportunity to provide comments on the Exposure Draft “Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1”. We appreciate the International Ethics Standards Boards for Accountants’ (“IESBA”) develops the Exposure Draft based on the comments received on the Consultation Paper which was previously issued on the same topic.

Our comments on the Exposure Draft are provided as below:

Refinements to the Code

1. Do you agree with the proposals, or do you have any suggestions for further improvement to the material in the ED, particularly regard to:

- (a) Understandability, including the usefulness of the Guide to the Code?

The Guide to the Code is useful as it provides an overall picture on how the Code is developed.

- (b) The clarity of the relationship between requirements and application material?

The relationship and distinguishment between requirements and application materials are well explained. However, we suggest Paragraph 100.3 A1 of the restructured Code to be marked as “R” and modified as follows:

“The fundamental principle of professional behaviour requires a professional accountant to comply with relevant laws and regulations. Some jurisdictions might have requirements and guidance that differ from or go beyond are more stringent than those these¹ set out in the Code. Accountants in those jurisdictions need to be aware of those differences and shall² comply with the more stringent requirements and guidance unless prohibited by law or regulation.”

- (b) The clarity of the relationship between requirements and application material?
(continued)

¹ These wordings are amended as it may mean that the requirements and guidance in other jurisdictions could be more or less stringent than the Code, which is different as compared to the extant Code. The extant Code requires that a member firm of IFAC or firm shall not apply less stringent standards than those stated in the Code.

² The word "shall" is inserted to make the paragraph as a requirement.

In addition to the above, with regard to Section 521 *Family and Personal Relationships*, we are of the view that requirement level should be higher when a **close family member** of an audit team member is a director/officer of the audit client or an employee in a position to exert significant influence over financial statements or client's accounting records, as compared to **other close relationships** of an audit team member. Hence, Paragraph 521.4 A1 of the restructured Code should be marked as "R".

We support the proposed separation of the extant Code into requirements and application materials. We, however strongly recommend that this restructuring of the Code exercise should not change the intended meaning and objective. A separate consultative paper should be drawn up if there are changes in meaning and objective of the Code. Moreover, we are also concerned that the enforceability of the Code could be an issue. Please see our comments in Question 1 (g) below.

- (c) The clarity of the principles basis of the Code supported by specific requirements?

It is clear that the principles are supported by specific requirements.

- (d) The clarity of the responsibility of individual accountants and firms for compliance with requirements of the Code in particular circumstances?

The responsibility of individual accountants and firms for compliance with requirements of the Code in particular circumstances is clearly stated.

- (e) The clarity of language?

The wordings used in the restructured Code are clear and easy to understand.

- (f) The navigability of the Code, including:
(i) Numbering and layout of the sections;
(ii) Suggestions for future electronic enhancements; and
(iii) Suggestions for future tools?

The new numbering used enhances the navigability of the Code, especially the inclusion of a new section "Guide to the Code" and separation of the extant Code into requirements and application materials.

We agreed with the suggestions for future electronic enhancements and tools.

- (g) The enforceability of the Code?

Notwithstanding that we agree with the separation of the extant Code into requirements and application materials, it appears that the paragraphs marked with "R" and "A" have different levels of prominence and hence, regulators may have difficulties in enforcing certain paragraphs of the Code.

2. Do you believe the restructuring will enhance the adoption of the Code?

We believe that the restructuring will enhance the adoption of the Code as it enhances the usability and understandability.

3. Do you believe that the restructuring has changed the meaning of the Code with respect to any particular provisions? If so, please explain why and suggest alternative wording.

We believe that the restructuring does not change the meaning of the Code.

Other Matters

4. Do you have any comments on the clarity and appropriateness of the term "audit" continuing to include "review" for the purpose of the independence standards?

The clarification on the term "audit" includes "review" should remain in the body of the Code, in addition to its inclusion in the glossary, to alert the users of the Code.

5. Do you have any comments on the clarity and appropriateness of the restructured material in the way that it distinguishes firms and network firms?

Firms and network firms are clearly and appropriately distinguished in the restructured Code.

Title

6. Is the proposed title for the restructured Code appropriate?

The proposed title "International Code of Ethics Standards for Professional Accountants" is appropriate.

In addition to the comments above, we suggest not to duplicate the definition in the body of the Code and *Glossary*. Instead, making reference to the *Glossary* in the body of the Code is sufficient.

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

Thank you.

Yours faithfully,

MALAYSIAN INSTITUTE OF ACCOUNTANTS



HO FOONG MOI

Chief Executive Officer

