



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

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

Dear Sir

**INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS ("IESBA")
CONSULTATION PAPER, PROFESSIONAL SKEPTICISM – MEETING PUBLIC
EXPECTATIONS**

The Malaysian Institute of Accountants ("MIA") appreciates the opportunity to provide comments on Consultation Paper, *Professional Skepticism – Meeting Public Expectations* by the International Ethics Standards Board for Accountants (IESBA).

Support and active participation from the preparers and other stakeholders in the financial reporting supply chain are paramount to enable the flow of reliable information for its intended use. The concept of professional scepticism is embedded in the fundamental principles of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "Code"). Therefore, we urge the IESBA to encapsulate this point in the introduction or preamble to the Code material emphasising the importance of professionalism on the part of professional accountants as it sets context on the expectation of what it means to be a professional accountant. The application material under the fundamental principles should then be developed to explain how the fundamental principles apply to professional accountants undertaking different roles.

We also urge the IESBA to continue the coordinated work with the International Auditing and Assurance Standards Board (IAASB) and the International Accounting Education Standards Board (IAESB) to achieve an effective conceptualisation of the concept of professional scepticism by all professional accountants.

The attachment sets out our responses to the questions contained in the Consultation Paper.

Yours sincerely,

MALAYSIAN INSTITUTE OF ACCOUNTANTS

DR. NURMAZILAH DATO' MAHZAN

Chief Executive Officer

Our comments to the questions are as follows:

- Q1. Paragraph 5 – Do you agree with the premise that a key factor affecting public trust in the profession is whether information with which a professional accountant is associated can be relied upon for its intended use?**

We agree that a key factor affecting public trust in the profession is whether information associated with the professional accountant can be relied upon for its intended use. A distinguishing mark of a profession is acceptance of its responsibility to the public. The public relies on the objectivity and integrity of the profession to maintain the orderly functioning of the capital markets.

- Q2. Paragraph 10 – Do you agree with the behavior associated with public expectations of professional accountants? Are there aspects that should be included or excluded from the summary?**

We agree with the behaviour described in paragraph 10 as it relates to the compliance of the fundamental principles of professional competence and due care, integrity and objectivity.

- Q3. Paragraphs 13 and 14 – Do you agree that the mindset and behavior described in paragraph 10 should be expected of all professional accountants? If not, why not?**

Applying this mindset as described in paragraph 10 is an essential skill in almost any professional or custodial role. We agree that such behaviour should be expected of all professional accountants. The term “professional” itself invokes a higher sense of duty by professionals to supply objective advice or course of actions.

- Q4. Paragraph 16 – Do you believe the fundamental principles in the Code and related application material are sufficient to support the behaviors associated with the exercise of appropriate “professional skepticism?”**

Whilst we believe the fundamental principles of the Code are sufficient to support relevant behaviour of professional scepticism, the same cannot be said of the related application material. There is a need to examine which fundamental principle needs to be enhanced to support the behaviours associated with the exercise of appropriate professional scepticism. Efforts to address behavioural characteristics through application material will be helpful. It is also important to emphasize the need of other means to inculcate professional scepticism such as education to prepare the pipeline of future accountants.

- Q5. Paragraph 18 – Do you believe professional skepticism, as defined in International Standards on Auditing, would be the appropriate term to use?**

Professional scepticism as defined in the International Standards on Auditing (“ISAs”) represents a good starting point but suffers from the premise that it is designed by auditors for auditors. The concepts underlying professional scepticism are relatively straightforward.

Comments (continued)

Q6. Paragraph 19 –

- (a) Do you believe that the Code should retain/use the term “professional skepticism” but develop a new definition?**
 - (b) If so, do you support a new definition along the lines set out in paragraph 19?**
 - (c) If you do not support a definition along the lines described, could you please provide an alternative definition.**
- (a) We are of the view that the Code should retain the term ‘professional scepticism’ because it is a widely used term. We also suggest IESBA to consider explaining what professional scepticism means to the different roles of professional accountants (professional accountants in public practice and professional accountants in business).
 - (b) We support the new definition set out in paragraph 19. However, we recommend that the definition be expanded to overtly include the term ‘questioning mind’ from ISAs because a ‘diligent mindset’ (as stated in the proposed definition) may not necessarily convey the thought of having a questioning mind.
 - (c) Not applicable.

Q7. Paragraph 20 –

- (a) Would you support an alternative term to ‘professional skepticism’, such as ‘critical thinking’, ‘critical analysis’ or ‘diligent mindset’?**
- (b) If not, what other term(s), if any, would you suggest which focusses on the mindset and behaviors to be exercised by all professional accountants?**

- (a) Critical thinking, critical analysis and diligent mindset when used in a negative sense can link with professional scepticism. However, there are also positive aspects of those terms that are not the same as professional scepticism.

Critical analysis is very broad and can cover areas where there is no doubt involved. It can be used to identify trends and viable options which are beyond professional scepticism.

- (b) We have no comment on this.

- Q8. Paragraph 21 – Should the IESBA develop additional material, whether in the Code or otherwise, to highlight the importance of exercising the behavior and relevant professional skills as described? If yes, please suggest the type of application material that in your view would be the most meaningful to enhance the understanding of these behavioral characteristics and professional skills.**

We welcome additional material to highlight the importance of exercising the behaviour and relevant skills described. We recommend the IESBA to also invest in relevant research and produce application materials on professional scepticism in addition to promulgating the importance of professional scepticism.

- Q9. What implications do you see on IAASB's International Standards as a result of the options in paragraphs 18 to 21?**

If a broader definition of 'professional scepticism' is adopted, it would not represent a conflict to the auditors' understanding of 'professional scepticism' as defined in ISAs because the latter's definition could represent a substantial subset in the context of the broader definition. The broader definition of 'professional scepticism' would reinforce the financial ecosystem and facilitate qualitative improvements in the audit process.

- Q10. Paragraph 22 – Should the Code include application or other material to increase awareness of biases, pressure and other impediments to approaching professional activities with an impartial and diligent mindset and exercising appropriate professional skepticism in the circumstances? If yes, please suggest the type of materials that in your view would be the most meaningful to help professional accountants understand how bias, pressure and other impediments might influence their work.**

Application material to increase awareness of biases, pressures and other impediments to approaching professional activities with an impartial and diligent mindset and exercising appropriate professional scepticism in the circumstances would definitely be helpful. Illustration of scenarios in the form of non-authoritative material would be meaningful to facilitate professional accountants in their understanding on how bias, pressure and other impediments might affect their work.