



March 16, 2020

The IESBA Chairman
International Ethics Standards Board
International Federation of Accountants
529 5th Avenue, 6th Floor
New York
New York 10017
United States of America

Via Online Submission

Dear Mr Stavros Thomadakis

COMMENTS ON IESBA EXPOSURE DRAFT 'PROPOSED REVISION TO THE CODE ADDRESSING THE OBJECTIVITY OF ENGAGEMENT QUALITY REVIEWERS'

The Malaysian Institute of Certified Public Accountants ("MICPA") appreciates the opportunity to comment on IESBA Exposure Draft, '*Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers*'.

We are pleased to provide the MICPA's comments as set out below:

Question 1: Do you support the proposed guidance addressing the topic of the objectivity of an EQ reviewer?

MICPA supports the proposed guidance addressing the topic of the objectivity of an EQ reviewer. We would also like to highlight that in practice, many have placed their focus on self-interest threat, self-review threat and familiarity threat of an EQ reviewer. Emphasis should also be placed on intimidation threat of an EQ reviewer. We believe that an accountant who serves as EQ reviewer, including both EQ review partner and assistant, for an audit engagement should not be a *direct and an indirect* reporting line to the engagement partner. For example, threat to compliance with the objectivity will be created in a situation where a head of audit is the person who evaluates the performance of an EQ review partner and has final say with regard to the career progression of an EQ review assistant, at the same time, the said head of audit is an engagement partner whose audit working papers are being reviewed by the EQ review partner and assistant. As such, we recommend IESBA looks into this matter, such as providing examples of safeguard. We believe safeguards for this situation can be:

- (a) a person with higher authority performs the EQ review process; or
- (b) a committee within the firm addresses this.

We hope IESBA can also consider the impact to smaller firms where the above-mentioned suggestions may not be feasible.

Question 2: If so, do you support the location of the proposed guidance in Section 120 of the Code?

MICPA has no objection of the location of the proposed guidance in Section 120 of the Code.

Question 3: Do you agree with the IESBA that it would be more appropriate for the IAASB to determine whether a cooling-off requirement should be introduced in proposed ISQM2 as discussed in Section III.C above and that the Code should not be prescriptive in this regard?

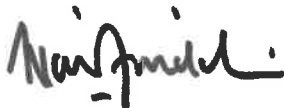
The Code has been providing the similar cooling-off requirement for EQ reviewers (formally it is known as 'engagement quality control reviewers'). This shows that there is an inconsistency of the IESBA's stance and approach. Furthermore, the Code has been segregated clearly into audit engagement, review engagement and other assurance engagement. We do not see as to why the cooling-off requirement for EQ reviewers cannot be done under these categories. Besides, failure to compliance with the cooling-off requirement is a clear breach of fundamental principle of the objectivity. This should be regarded as a contravention of the Code. In conclusion, we are of the view that the cooling-off requirement should be included as part of the Code.

We trust our comments and accompanying recommendations to be of value and useful to the IESBA, in your onward deliberation. MICPA looks forward to further strengthening such dialogues with your organisation.

Please do not hesitate to contact the undersigned or the Technical Director, Ms Chiam Pei Pei, at +603-2698 9622 should you require any clarification.

Thank you.

Yours faithfully



NOVIE TAJUDDIN
Chief Executive Officer