



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

ETHICS STANDARDS BOARD

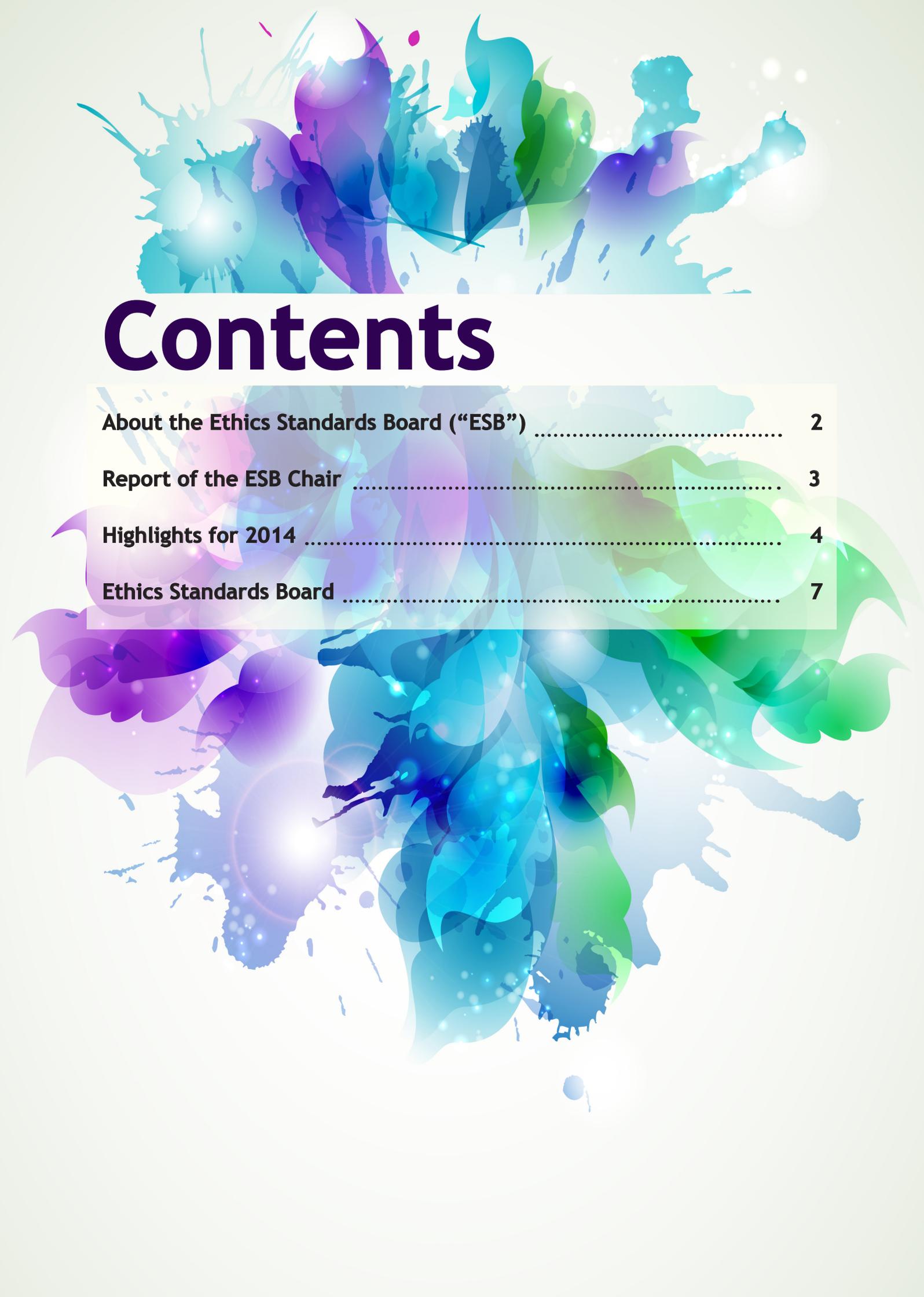
Annual Report 2014

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About the Ethics Standards Board

The Ethics Standards Board ("ESB") is a standard setting body designed by and operating independently under auspices of the Council of the Malaysian Institute of Accountants ("MIA"). The objective of the ESB is to promote adherence to high quality professional and ethics standards and convergence with international ethics standards.

High quality profession and ethics standards will enhance the quality and consistency of services provided by professional accountants throughout Malaysia. This will in turn strengthen public confidence in the accounting profession.

The ESB's membership consists of nine (9) Malaysian board members. The nine members comprise five (5) individuals who are not members or employees of an audit firm and four (4) practitioners. Members are appointed by MIA Council based on recommendations from the MIA Nominating Committee.

The structures and processes that support the operations of the ESB are facilitated and supported financially by MIA. The ESB is a component of the overall MIA reporting entity.

Report of the ESB Chair

On behalf of the ESB, it gives me great pleasure to present to you the ESB annual report for 2014. In 2014, the ESB continued to provide comments to the International Ethics Standards Board for Accountants ("IESBA") on its exposure drafts throughout the year. In August and November 2014, the ESB submitted its comments on the exposure drafts entitled "*Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients*" and "*Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client*" to the IESBA.

Recognising the importance of engaging stakeholders to achieve its objectives, in May 2014, the ESB engaged with key stakeholders on the topic of "*Responding to Non-Compliance with Rules and Regulations*". The ESB will continue to engage stakeholders in its standards-setting process as it firmly believes that input from stakeholders contributes to the quality of the ethics standards it sets.

This year, the ESB also placed greater emphasis on interacting with MIA members to ensure that they are kept abreast with the latest developments in the sphere of professional ethics as well as to provide them with a forum for discussion and to share experiences. Hence, in April, June and December 2014, the ESB hosted outreaches for members in Kuala Lumpur and Penang. The ESB also interacted with the IESBA and other ethics standards-setters by participating in an IESBA roundtable.

The ESB also took note of the enquiries received from members on ethics related matters and felt that it was important to ensure that all members benefit from the guidance that had been provided. As such, in November 2014, the ESB produced a 'frequently asked questions' ("FAQs") on ethics. This will be released to members in 2015. All the FAQs can be accessed for free-of-charge on the MIA website at www.mia.org.my.

Moving forward, the ESB will continue with its efforts to engage with members as well as identify means to bring ethics into the mainstream of the profession, where it rightly belongs.

I would like to record my appreciation to all ESB members

and observers, along with the ESB technical staff, for their unwavering commitment, enduring support and keen participation.



EUGENE WONG WENG SOON
Ethics Standards Board Chair
02 November 2015

Highlights for 2014

Convergence Efforts

As part of its efforts in promoting convergence, the ESB met five (5) times during the year to review and discuss the IESBA exposure drafts:

Definition of “Those Charged with Governance”

Adoption of Change to the Definition of “Those Charged with Governance” in the MIA By-Laws, 11 June 2014

This pronouncement provides more comprehensive guidance to professional accountants in business and in public practice. The changes clarify that a subgroup of those charged with governance of an entity, such as an audit committee, may assist the governing body in meeting its responsibilities. In those cases, if a professional accountant or firm communicates with such a subgroup, the Code requires the professional accountant or firm to determine whether communication with all of those charged with governance is also necessary so that they are adequately informed. This pronouncement was adopted by the Council in 2014, upon the recommendation of the ESB.

Responding to Non-Compliance with Laws and Regulations

Comments on Topic “Responding to Non-Compliance with Laws and Regulations” at IESBA Roundtable, 20 May 2014

On 20 May 2014, the ESB participated in the IESBA Roundtable in Hong Kong to discuss on the topic “Responding to Non-Compliance with Laws and Regulation”. The Roundtable in Hong Kong was a follow-up to the exposure draft issued by the IESBA in August 2012, which described the circumstances in which a professional accountant would be required or expected to breach confidentiality and disclose a matter to an appropriate authority.

In conjunction with the above, the ESB conducted a local roundtable on 12 May 2014. Details of the roundtable can be viewed from page 6 of this report.

Non-Assurance Services for Audit Clients

Comments on Exposure Draft “Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients”, 10 August 2014

The proposed changes aim to enhance the independence provisions in the Code by providing additional guidance regarding what constitutes management responsibility, including enhanced guidance regarding how the auditor can better satisfy itself that client management will make all judgements and decisions that are the responsibility of management, when the auditor provides non-assurance services to an audit client.

It also provides guidance on the concept of “routine or mechanical” services relating to the preparation of accounting records and financial statements for non-public interest entity audit clients, and removing the provision that permits an audit firm to provide certain bookkeeping and taxation services to public interest entity audit clients in emergency situations.

In providing its comments to the IESBA on this Exposure Draft, the ESB suggested to impose a requirement on the firm to establish a set of policies and procedures that require others within the firm, when considering whether to accept a potential engagement to provide a non-audit service to an audit client or its related entities, to communicate details of the potential engagement to the audit engagement partner on a timely basis.

The Long Association of Personnel with an Audit or Assurance Client

Comments on Exposure Draft “Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client”, 12 November 2014

The proposals aim to strengthen the independence provisions in the Code. Among the proposed changes are strengthened general provisions applicable to all audit engagements regarding the threats created by long association and strengthened restrictions on the type of activities that can be undertaken with respect to the audit client and audit engagement by any former key

Highlights for 2014 *(continued)*

audit partner during the cooling-off period.

With respect to partner rotation, it was proposed to increase the mandatory cooling-off period, from two to five years for the engagement partner on the audit of a public interest entity.

The IESBA proposed a requirement for those charged with governance to concur on the application of certain exceptions to the rotation requirements.

The ESB had commented to the IESBA that it is of the view that if the cooling-off period for the engagement partner on the audit of public interest entity is set at five years, then, a seven-year time-on period for the engagement partner on the audit of public interest entity is reasonable. The ESB also commented that more attention should be accorded to familiarity threats that arise from audit engagements on the audit client's operations and the financial statements before deciding the cooling-off period for the management partner.

Addressing Other Issues on Ethics

The ESB had also discussed various matters pertaining to the application of local ethics requirements as well as issues on ethics during its meetings. An outcome of such discussions is the decision to release a FAQs on ethics to members. The discussions have also provided input for the ESB outreaches and workplans.

Outreach Activities

A highlight in 2014 was the success of the ESB outreach efforts. The ESB strongly believes that outreach to both members and stakeholders will reinforce public trust in professional accountants. The outreach programmes help bring the ethics discussion to life and provide a platform for members to discuss issues on as well as share their experiences in this area.

Outreach

Outreach sessions were held in Kuala Lumpur on 22 April and 19 December 2014 and Penang on 13 June 2014

The outreach programme titled "Ethical Challenges in Today's World" held in 2014 attracted a total of 150 participants consisting of professional accountants from business, public practice, as well as students. These outreach programmes offered members and students an opportunity to keep themselves abreast of the latest updates on MIA By-Laws on Professional Ethics, Conduct and Practices.

The programme incorporated an innovative game based learning approach. Participants played an ethics board game called "Living Ethics". The board game simulates real life situations in which participants address difficult ethical dilemmas and experience the impact of the decisions they made.



Panel discussion in Kuala Lumpur; from left:- Ravi Navaratnam, Executive Vice President of Minconsult Sdn Bhd; Nik Mohd Hasyudeen Yusoff, Executive Chairman of the Audit Oversight Board; Eugene Wong Weng Soon, MIA Ethics Standards Board Chairman; Mohd Izani Ghani, Chief Financial Officer of Khazanah Nasional Berhad; and Tan Soo Yan, Professional Practice Director of Ernst & Young Malaysia.

Highlights for 2014 *(continued)*



Participants in Kuala Lumpur



The "Living Ethics" board game session in Kuala Lumpur



Panel discussion in Penang; from left:- Ravi Navaratnam, Executive Vice President of Minconsult Sdn Bhd; Dr. Mary Ann Harris, General Manager of Eastin Hotel Penang; Eugene Wong Weng Soon, MIA Ethics Standards Board Chairman; Prof. Dr. Ayoib Che Ahmad, Professor of Universiti of Utara Malaysia; and Tan Soo Yan, Professional Practice Director of Ernst & Young Malaysia.



Participants in Penang

ESB Roundtable

Securities Commission Kuala Lumpur, 12 May 2014

The ESB Roundtable with regulators was held on 12 May 2014. The purpose of the Roundtable was to solicit views and comments from the regulators on the topic "Non-compliance with Laws and Regulations".

The Roundtable was held to discuss the Exposure Draft issued by the IESBA in August 2012, which describes circumstances in which a professional accountant would be required or expected to breach confidentiality and disclose a matter to an appropriate authority. The discussion revolved around how to balance professional accountants' responsibility to act in the public interest against confidentiality.

The participating regulators included Bank Negara Malaysia, Malaysian Anti-Corruption Commission, Suruhanjaya Syarikat Malaysia, Audit Oversight Board and Securities Commission.



ESB Roundtable:- Participated regulators included Bank Negara Malaysia, Malaysian Anti-Corruption Commission, Suruhanjaya Syarikat Malaysia, Audit Oversight Board and Securities Commission

Ethics Standards Board

(January 1, 2014 to December 31, 2014)

NAME	ORGANISATION	TERM ENDED / ENDING
Board Members		
Eugene Wong Weng Soon, <i>Chairman</i>	Securities Commission Malaysia	2017
Prof. Dr. Ayoib Che Ahmad	Universiti Utara Malaysia	2016
Chan Siew Mei	KPMG	2017
Mohd Nizam Mohd Ali	Institute of Integrity Malaysia	2016
Ravindran Navaratnam	Minconsult Sdn Bhd	2017
Stefanie Ng	Federation of Public Listed Companies Bhd	2015
Tan Khoon Yeow	BDO	2017
Tan Soo Yan	Ernst & Young	2017
Teoh Wuey Sze	Russell Bedford	2017
Observers		
Datin Paduka Ong Swee Leng	Auditor General Department of Malaysia	
Lim Fen Nee	Audit Oversight Board	
Tan Lay Khoon	Bursa Malaysia Berhad	
ESB Secretariat		
Eddie Wong	MIA Professional Standards and Practices	
Chiam Pei Pei	MIA Professional Standards and Practices	
Suzana Mohd Hulaimi	MIA Professional Standards and Practices	

Ethics Standards Board *(continued)*

Members and Observers



ESB Members and Observers.

Sitting from left:-*Tan Lay Khoon, Stefanie Ng, Eugene Wong Weng Soon and Ong Swee Leng.*

Standing from left:- *Prof. Dr. Ayoib Che Ahmad, Tan Soo Yan, Teoh Wuey Sze, Mohd Nizam Mohd Ali and Ravi Navaratnam.*

**Not pictured:*

- *ESB Member - Tan Khoon Yeow*
- *ESB Observer - Lim Fen Nee*

Chartered Accountants Malaysia and MIA

The Chartered Accountant Malaysia or “C.A.(M)” is a designation conferred by the Malaysian Institute of Accountants (“MIA”) to a professional in accountancy, business and finance with a recognised accountancy qualification and relevant work experience. C.A.(M) are the industry captain, corporate leaders and decision makers that play a significant part in nation building.

MIA was established under the Accountants Act 1967 as the statutory accountancy body that regulates, develops, supports and enhances the integrity and status of the profession while upholding the public interest.

Working closely alongside strategic business partners and stakeholders, MIA connects its members to a wide range of continuous professional development programme, updates and networking opportunities. Presently, there are close to 32,210 members making their strides across all industries in Malaysia and around the world.

Vision

To be a globally recognised and renowned institute of accountants committed to nation building.

Mission

To develop, support and monitor quality and expertise consistent with global best practice in the accountancy profession for the interest of stakeholders.

Objectives

1. Develop and enhance the competency of accountancy professionals to meet market demand.
2. Advance and enhance the status of members and the accountancy profession in Malaysia.
3. Regulate the practice of the accountancy profession in Malaysia consistent with global standards and best practices.



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