



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

# ETHICS STANDARDS BOARD

ANNUAL REPORT 2017

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## ACRONYMS AND ABBREVIATIONS

The following acronyms and abbreviations are used throughout this report:

ESB	Ethics Standards Board
FAQs	Frequently Asked Questions
IESBA	International Ethics Standards Board
The Code	IESBA Code of Ethics for Professional Accountants
MIA	Malaysian Institute of Accountants
MIA By-Laws	MIA By-Laws (on Professional Ethics, Conduct and Practice)
PAIBs	Professional Accountants in Business



## About the Ethics Standards Board

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

In addition, the ESB also reviews exposure drafts issued by International Ethics Standards Board for Accountants (IESBA) and submits comments thereon. The ESB will take into consideration any final pronouncements issued by IESBA and issue guidance or clarification to assist the implementation of Sections 100 to 300 of MIA By-Laws (on Professional Ethics, Conduct and Practice) ("MIA By-Laws").

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

As at 31 December 2017, the ESB consists of seven (7) members whereby four (4) members are practitioners and three (3) members are non-practitioners. ESB members are appointed by the MIA Council based on recommendations by the MIA Nominating Committee.

The structure and processes that support the operations of the ESB are facilitated and supported by the MIA.

## Chairman's Message



On behalf of the Ethics Standards Board (ESB), it gives me great pleasure to present the ESB Annual Report for 2017.

A key role of the ESB is our review, commentary and analysis on every Exposure Draft issued by the IESBA. During the year, there were three (3) IESBA Exposure Drafts which were reviewed and commented on by the ESB, namely "Proposed Revisions Pertaining to Safeguards in the Code-Phase 2 and Related Conforming Amendments", "Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice" and "Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2". This review process is an essential element of the overall process for the setting of International Ethics Standards and the ESB commits extensive human capital and time resources towards ensuring that our feedback to the IESBA is cogent and of value.

In addition to carrying out the above-mentioned initiatives, the ESB also recognises the importance of engaging professional accountants to promote adherence to ethics standards, observing that cases of professional accountants associated with accounting irregularities were increasing and public trust on professional accountants has been deteriorating. In 2017, the ESB continued with outreach activity to professional accountants in collaboration with the Securities Commission Malaysia.

Finally, I would like to welcome all new ESB members and observers and thank the outgoing ESB members and observers for their valuable and insightful contributions. My heartfelt gratitude also to the MIA's management team and staff for their unwavering support throughout the year.

Thank you!

**RAVI NAVARATNAM**  
Chairman  
26 July 2018

## ESB Members, Observers and Secretariat

1 January 2017 - 31 December 2017

NAME	DESIGNATION AND ORGANISATION
<b>Board Members</b>	
Ravi Navaratnam (Chairman)	Executive Vice President, Minconsult Sdn Bhd
Alex Khaw Hock Hoe	Audit Partner and Head of Technology, Media and Telecommunications, KPMG
Mohd Nizam Mohd Ali	Senior Director & Chief Coordinator for The Centre of Knowledge and Consultancy on Integrity, Malaysian Institute of Integrity
Assoc. Prof. Dr. Zuraeda Ibrahim <sup>1</sup>	Deputy Dean (Student Affairs & ICAN), Faculty of Accountancy, Universiti Teknologi MARA
Ong Chee Wai <sup>2</sup>	Partner - Assurance, Ernst & Young
Stanley Teo <sup>3</sup>	Partner – Assurance, Deloitte
Tan Khoon Yeow	Partner – Audit & Assurance/Learning & Professional Development, BDO
Tan Soo Yan <sup>4</sup>	Professional Practice Director, Ernst & Young
Teoh Wuey Sze <sup>5</sup>	Partner – Assurance and Advisory Services, Russell Bedford LC & Company
Prof. Dr. Ayoib Che Ahmad <sup>6</sup>	Dean, Universiti Utara Malaysia
Leong Wai Leng <sup>7</sup>	General Manager and Head of Corporate Surveillance, Securities Commission Malaysia
<b>Observers</b>	
Alex Ooi Thiam Poh <sup>8</sup>	Executive Officer, Audit Oversight Board
Chow Hsiao Mei <sup>9</sup>	Senior Manager of Registration and Research, Audit Oversight Board
Lim Sok Kiang	Audit Director 3, Financial Audit Sector, National Audit Department
Tan Lay Khoon	Assistant Vice President of Corporate Surveillance and Governance, Bursa Malaysia Securities Berhad
<b>ESB Secretariat</b>	
Simon Tay Pit Eu	Executive Director of Professional Practices and Technical ("PPT"), MIA
Chiam Pei Pei	Head of Capital Market and PAIB, MIA
Lee Shook Cheng	Manager of Capital Market and PAIB, MIA

**Note:**

<sup>1</sup> Assoc. Prof. Dr Zuraeda Ibrahim was appointed on 26 October 2017.

<sup>2</sup> Ong Chee Wai was appointed on 23 November 2017.

<sup>3</sup> Stanley Teo was appointed on 23 November 2017.

<sup>4</sup> Tan Soo Yan retired on 23 November 2017.

<sup>5</sup> Teoh Wuey Sze resigned on 22 June 2017.

<sup>6</sup> Prof Dr. Ayoib Che Ahmad was not reappointed on 26 October 2017.

<sup>7</sup> Leong Wai Leng was not reappointed on 26 October 2017.

<sup>8</sup> Alex Ooi Thiam Poh was appointed on 19 April 2017.

<sup>9</sup> Chow Hsiao Mei resigned on 4 April 2017.

## Activities during the Year

### Convergence Efforts

As part of its efforts in promoting convergence with the Code, the ESB met two (2) times during the year to review and discuss the IESBA Exposure Drafts and Consultative Papers.

#### Comments on IESBA Exposure Draft “Proposed Revisions Pertaining to Safeguards in the Code—Phase 2 and Related Conforming Amendments”, 19 April 2017

The Exposure Draft “Proposed Revisions Pertaining to Safeguards in the Code—Phase 2 and Related Conforming Amendments” sets out the IESBA’s proposals in Phase 2 of the Safeguards project. It also explains the rationale for the revisions to the non-assurance services section of the extant Code (Proposed Section 600, Provision of Non-assurance Services to an Audit Client and Section 950, Provision of Non-assurance Services to an Assurance Client); and the proposed conforming amendments arising from the Safeguards project as these relate to the text of Phase 1 of the Structure of the Code project (“Structure project”).

The focus of the proposed revisions in Sections 600 and 950 is to clarify the safeguards in the Non-assurance Services sections of the Code and, more broadly, enhance the requirements for addressing threats that are created by providing Non-assurance Services to audit and assurance clients.

The ESB is supportive of the IESBA’s proposed revisions to the Code.

#### Comment on IESBA Exposure Draft “Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice”, 19 April 2017

The Exposure Draft “Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice” seeks to clarify

the applicability of the requirements and application material in extant Part C, Professional Accountants in Business, to professional accountants in public practice (“PAPPs”).

The IESBA believes that it is possible for PAPPs to find themselves in ethically problematic circumstances that do not involve clients and hence face the same issues and ethical dilemmas as PAIBs. Accordingly, the IESBA agreed to clarify the circumstances in which the provisions in Part C should also apply to PAPPs. During its deliberations, the IESBA noted that those provisions focus on issues relating to professional accountants who act as employees or contractors of organizations, and address both internal issues within the employing organization as well as business relationships with external parties. In contrast, the provisions in extant Part B address issues about the relationships between PAPPs and their clients. In considering the applicability of Part C to PAPPs, the IESBA focused on the following three specific areas:

- Conflicts of interest;
- Pressure; and
- Inducement.

The ESB is supportive of the IESBA’s proposed applicability paragraphs as well as the location of those paragraphs in the proposed restructured Code.

#### Comment on IESBA Exposure Draft “Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2”, 25 May 2017

The Exposure Draft “Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2” summarises significant feedback received from respondents to Structure ED-1 and explains the rationale for the IESBA’s conclusions on Phase 1 of the Structure project. It also sets out key elements and other highlights of the restructuring.

The key elements of the restructuring include:

- Increased prominence of the requirement to comply with the fundamental principles and apply the conceptual framework.

## Activities during the Year (continued)

- Requirements in paragraphs identified with an “R”, distinguished from other material.
- Application material generally positioned next to the relevant requirements in paragraphs identified with “A”.
- Increased clarity of responsibility – more clearly enabling identification, where relevant, of a firm’s responsibilities and, together with firms’ policies and procedures, the responsibilities of particular professional accountants; specific references to network firms to clarify when the Code applies to them; reduction of the use of the word “generally.”
- Increased clarity in drafting – where possible: simpler and shorter sentences; simplifying complex grammatical structures; increased use of the active voice; and avoiding legalistic and archaic terms.

The ESB is supportive of the IESBA’s proposed restructuring of the Code. However, the ESB had provided some comments to IESBA to provide greater clarity to the restructured Code.

#### Comment on IESBA Strategy Survey Questionnaire

As the first step in developing a new strategy and work plan for its next planning horizon beyond 2018, the IESBA sought the views of stakeholders, through this survey, as to the key issues that it should address. The input from this survey will inform the IESBA as it develops its proposed new strategy and work plan, which it expects to issue for formal public consultation in 2018.

The topics covered by the survey include:

- Trends and developments in technology and innovation
- Emerging or newer models of service delivery
- Concepts of “public interest entity” and “listed entity”
- Collective investment vehicles
- Tax planning and related services
- Materiality
- Communication with those charged with governance
- Documentation

- Familiarity threat in relation to extant Part C
- Breach of the Code
- Definitions and descriptions of terms
- Post-implementation review of the restructured Code
- Meaning of public interest in the global context.

The ESB had replied the IESBA Strategy Survey Questionnaire and set out the priorities of the topics suggested.

## Activities during the Year *(continued)*

### Ethics Outreach Activity

As part of its continuing effort to strengthen the ethics of professional accountants in Malaysia, the ESB held an ethics outreach activity entitled "Ethics Outreach 2017" on 30 August 2017 at the Securities Commission Malaysia.

The Ethics Outreach 2017 drew 40 participants from the SC who were briefed on the latest updates on MIA By-Laws as well as the required compliance and behaviours.

To help participants hone their ethical behaviour, the Ethics Outreach 2017 included a board game that stimulated various real life ethical dilemmas. Participants were required to decide on the appropriate action to take when facing an ethical dilemma, and would earn marks when they made the right ethical decision.



Participants of the "Ethics Outreach 2017".

#### About the Malaysian Institute of Accountants

Established under the Accountants Act 1967, MIA is the national accountancy body that regulates, develops, supports and enhances the integrity, status and interests of the profession in Malaysia. MIA accords the Chartered Accountant Malaysia or "C.A. (M)" designation to a professional in accountancy, business and finance with a recognised qualification and relevant work experience.

Working closely alongside businesses, MIA connects its membership to an unmatched range of information resources, events, professional development and networking opportunities. Presently, there are more than 35,000 members making their strides in businesses across all industries in Malaysia and around the world.

MIA's international outlook and connections are reflected in its membership of regional and international professional organisations such as the ASEAN Federation of Accountants (AFA), and the International Federation of Accountants (IFAC).

#### Purpose

To regulate and develop the accountancy profession to support economic growth and nation building.

#### Vision

To be a globally recognised Professional Accountancy Organisation (PAO) in regulating and developing the profession for nation building.

#### Values

Integrity, Mutual Respect & Teamwork, Professionalism, Accountability, Commitment, Trust, Sustainability.

#### Strategic Objectives

1. Develop and enhance the competency of accountancy professionals to stay relevant to business and market;
2. Nurture professional values and ethics of members to uphold a strong accountancy profession;
3. Regulate and develop the practice of the accountancy profession consistent with global standards and best practices; and
4. Promote the value proposition of accountancy profession and continuously uplift global recognition.



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