



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

13 April 2020

Mr Ken Siong
Senior Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, 10017 USA

Dear Ken Siong,

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (“IESBA”) EXPOSURE DRAFT, *PROPOSED REVISION TO THE CODE ADDRESSING THE OBJECTIVITY OF ENGAGEMENT QUALITY REVIEWERS*

The Ethics Standards Board (“ESB”) of the Malaysian Institute of Accountants (“MIA or the Institute”) welcomes the opportunity to provide its comments on the IESBA Exposure Draft (“ED”), *Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers*.

We enclose in Appendix 1, our response to the questions contained in the ED.

We hope our comments would contribute to the IESBA’s deliberation in finalising the ED. If you have any queries or require clarification of this submission, please contact Simon Tay Pit Eu at +603 2722 9271 or email at simontaypiteu@mia.org.my.

Thank you.

Yours sincerely,

MALAYSIAN INSTITUTE OF ACCOUNTANTS

DR. NURMAZILAH DATO' MAHZAN
Chief Executive Officer

APPENDIX 1

Our comments on the ED are as follows:

Specific Comments

Q1. Do you support the proposed guidance addressing the topic of the objectivity of an EQR?

We support the proposed guidance addressing the objectivity of an Engagement Quality Reviewer (“EQR”) as set out in the Exposure Draft. However, we strongly believe that a cooling-off period should be prescribed by the Code before an individual is appointed to the EQR role after having served on the engagement.

Q2. If so, do you support the location of the proposed guidance in Section 120 of the Code?

We support the location of the proposed guidance in Section 120 of the Code.

Q3. 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 ISQM 2 as discussed in Section III.C above, and that the Code should not be prescriptive in this regard?

In the extant Section 540 of the Code, an individual is allowed to act in a combination of engagement partner and engagement quality control review roles on audit clients that are public interest entities, for a period of seven cumulative years, before the cooling-off period of three or five consecutive years. Accordingly, it would be more appropriate for the IESBA to determine the cooling-off requirement for EQR in the Code.

Although it is logical to have the eligibility criteria and cooling-off criteria within the proposed International Standard on Quality Management (“ISQM”) 2, it is no different in approach from having the eligibility criteria for an Engagement Partner in ISA 220 and the cooling-off criteria in the Code. The IAASB could always either replicate the intended EQR cooling-off requirements in the Code in the proposed ISQM 2 or draw reference to the Code in the proposed ISQM 2. This also helps reinforce the importance for practitioners to always read ISQMs in conjunction with the Code rather than as separate documents.

ISQC 1 similarly has the same requirements for engagement quality control reviews but the current Section 540 already has guidance on the objectivity of engagement quality control reviewers. Therefore, the proposed introduction of ISQM 2 does not necessarily mean that the existing Section 540 could not be augmented to support the objectivity requirements of EQRs.

General Comments

Q4. Small and Medium Practices (SMPs) – The IESBA invites comments regarding the impact of the proposed guidance for SMPs.

As sole proprietors and practices with a limited number of audit partners may face significant challenges to implement the proposal, implementation guidance such as addressing self-interest and self-review threats as indicated in the proposed Section 120.14 A2 should be issued on a timely basis.