



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

Ethical Guidelines on Technology Usage for Public Practitioners



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Foreword

On behalf of the Ethics Standards Board (ESB), it is my pleasure to release this publication that deals with the ethical considerations to be considered by practitioners when using technology in their work.

Adoption of technology is inevitable. The pandemic has been a great teacher in showing us how technology usage has at least ensured that businesses do not stand still. But, for many, there is an ethical dimension which is rarely discussed or even considered.

This publication follows the heels of the International Ethics Standards Board for Accountants (IESBA) and its Exposure Draft (ED) (Proposed Technology-Related Revisions to the Code) that was issued in February 2022. The ED builds on some of the earlier work of the Technology Working Group of IESBA that was set up in early 2019.

The Working Group has since documented the possible impact of many disruptive and transformative technologies on the work of professional accountants and provided an extensive analysis and insights into the ethical dimension of such development through its Phase 1 and Phase 2 Reports (the second phase report was just released in November 2022). In its observation, the Working Group also discussed the relevance and importance of the overarching principles and specific provisions in the International Code of Ethics for Professional Accountants (including International Independence Standards) (known as the By-Laws in Malaysia) in laying out the ethical guardrails for professional accountants as they face opportunities and challenges in their work as a result of rapid digitalisation.

Through the survey of the present technology landscape in Malaysia and reviewing the various reports by IESBA in the area of ethical dilemma or challenges, these Guidelines by the ESB chose to focus on six potential risks of using technology (which are more common for our local practitioners) and the relevant ethical principles that should be applied when dealing with the associated risks so that our members will not run afoul of the Institute's By-Laws, and more importantly, serve their clients in an objective and effective manner.

The Guidelines is principles-based and hence, the ESB fervently believes that the principles can be equally applied by accountants who are non-practitioners. The only specificity may arise from the issue related to the provision of non-assurance services, a concept which may not be applicable to non-practitioners in the first place. Nevertheless, non-practitioners are certainly encouraged to study and leverage on the Guidelines where they are of relevance.

The ESB would also like to thank the MIA Digital Technology Implementation Committee (DTIC) and its Governance Working Group for the development of these Guidelines. As part of the Institute's contribution to the nation's digital transformation initiative, the Guidelines have been shared with the Ministry of Science, Technology and Innovation (MOSTI).

I believe these Guidelines will be very useful in advancing the serious (and timely) conversation in this area of ethics and the use of technology amidst the government's push for all businesses to adopt technology as a way forward. I believe these Guidelines will eventually foster greater public trust in the work of our members in the age of rapid digitalisation.

Dr Veerinderjeet Singh

Chair, Ethics Standard Board

Malaysian Institute of Accountants (MIA)

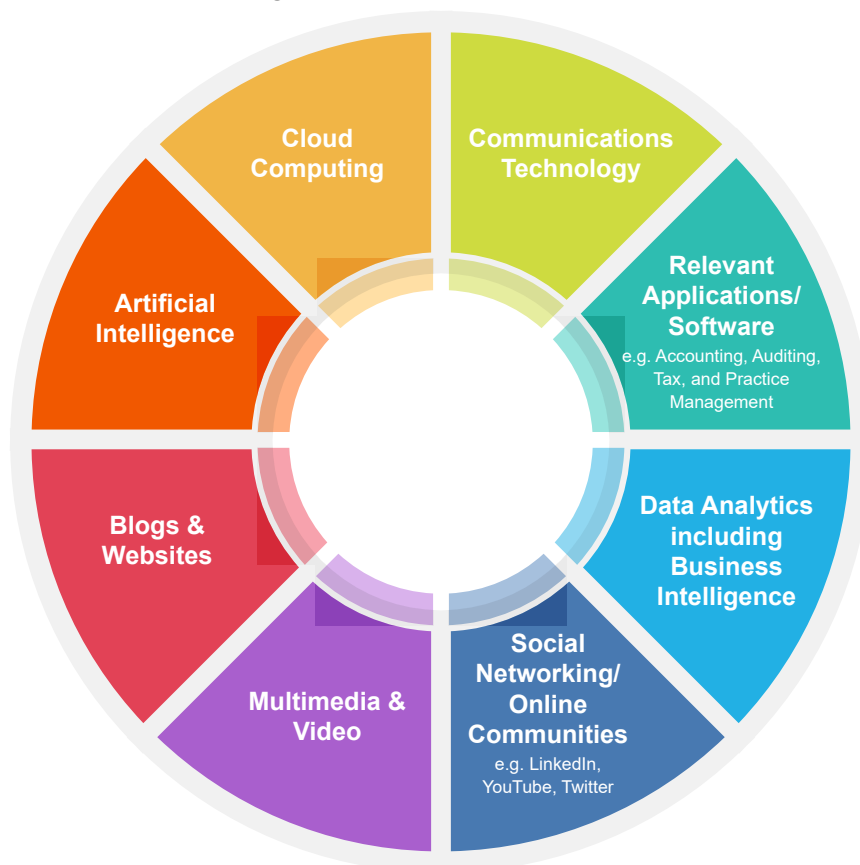
11 April 2023

Introduction

Public practitioners are bound by the MIA By-Laws which sets out the ethical standards that govern professional conduct for the members of MIA (including the public practitioners) in view of the professional responsibilities and duties owed to their clients, employers, the authorities and the public¹. A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. The public practitioner's responsibility is not exclusively to satisfy the needs of an individual client.

The [MIA Digital Technology Blueprint](#) issued in 2018 aspires for its members in public practice (public practitioners) to retain, reimagine and innovate their practices and services². A member in public practice³ is a professional accountant, irrespective of functional classification (e.g., audit, tax or consulting) in a firm that provides public practice services. The term “professional accountant in public practice” is also used to refer to a firm of professional accountants in public practice. Public practice services include auditing, accounting, taxation and many others as specified in the MIA Rules. A list of public practice services is outlined in Appendix 1.

The public practitioners use technology in their provision of public practice services as well as in their operation and practice management. Common technologies used by the public practitioners or when servicing their clients include the following:



Module 5 Leveraging Technology, Guide to Practice Management for Small and Medium-Sized Practices 4th Edition, IFAC

This Guideline provides guidance to the public practitioners on the ethical considerations that need to be taken into account in the application of technologies used by public practitioners in order to assist them in complying with the fundamental principles outlined in the MIA By-Laws.

¹ Malaysian Institute of Accountants (MIA), 2022, Revised By-Laws (On Professional Ethics, Conduct and Practice) of the MIA

² MIA, 2018, MIA Digital Technology Blueprint – Preparing the Malaysian Accountancy Profession for the Digital World

³ MIA, MIA Rules 2001

MIA By-Laws

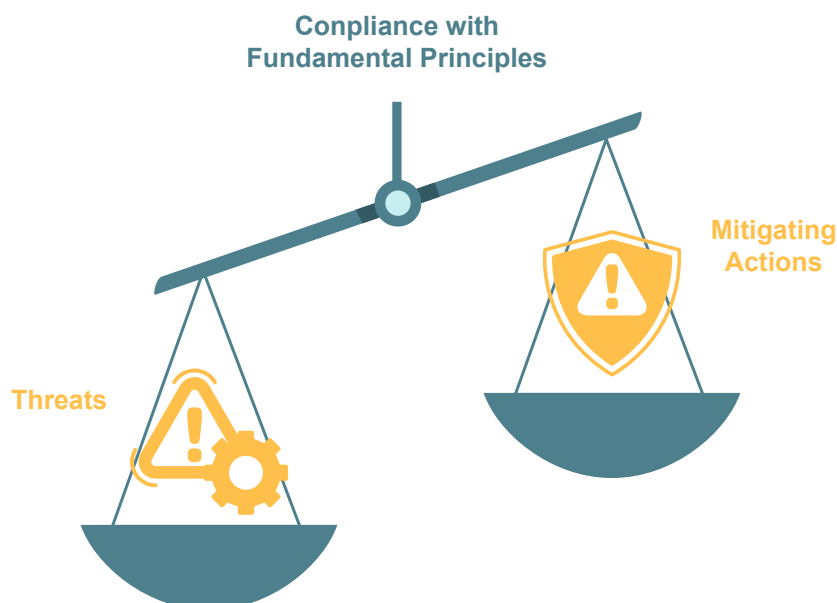
The MIA By-Laws set out five fundamental principles of ethics as illustrated below which establish the standard of behaviour expected of its members (known as 'professional accountants' in the By-Laws). The details of each fundamental principle is listed in Appendix 2.



The conceptual framework establishes the approach which an accountant is required to apply in complying with those fundamental principles.

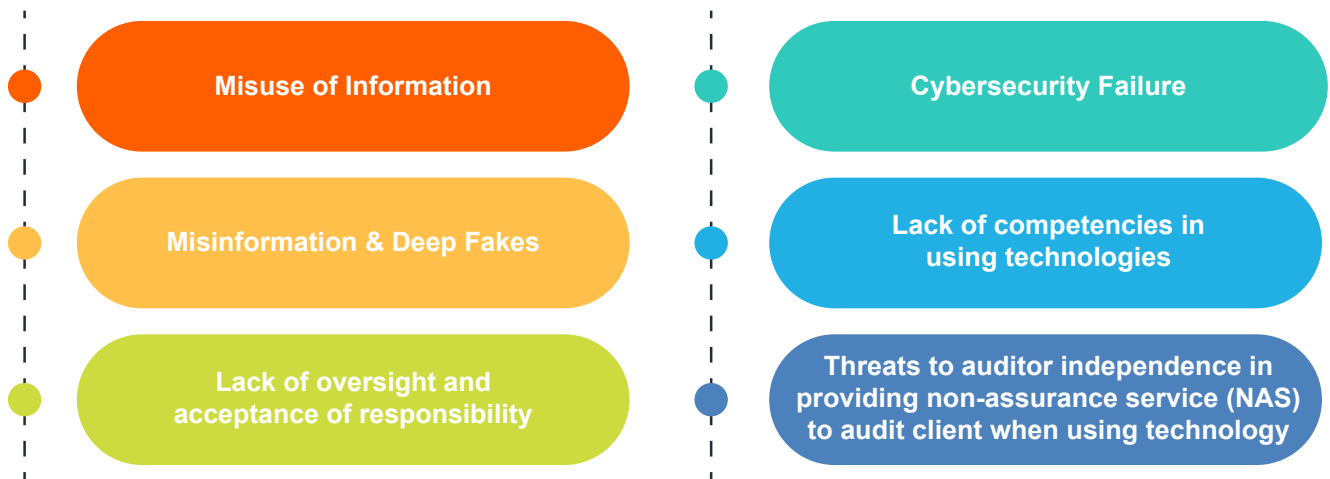
The conceptual framework specifies an approach for a professional accountant to:

1. Identify threats to compliance with the fundamental principles;
2. Evaluate the threats identified; and
3. Address the threats by eliminating or reducing them to an acceptable level. This can be achieved by applying appropriate safeguards. When safeguards are not available or unable to reduce the threat to an acceptable level, the professional accountant may possibly terminate the activity/relationship.



Potential Risks of Using Technology

It is crucial that public practitioners understand the potential risks of technologies on their practices, services, operations and practice management and address the risks appropriately. There are various potential risks in using or relying on technologies which includes the following:



1. Misuse of Information

Public practitioners have access to various data within their own practice such as staff's personal information or information from their clients such as bank accounts and details of their customers. As technology facilitates the ease of access to such information, there is a risk of such information being accessed by an unauthorised person and used inappropriately.

2. Misinformation and Deep Fakes

As information is freely created, public practitioners would face challenges in ensuring that the information is reliable and appropriate. For example, the use of information from social media without further due diligence before advising clients or rendering a conclusion on an engagement is not appropriate.

3. Lack of oversight and acceptance of responsibility

For some practitioners, IT systems and technology solutions are implemented by their IT consultants or managed by third party vendors. For example, public practitioners may be running software as a service such as cloud accounting software and in the event of a breach and client information is compromised, there should be clarity on who should be responsible and accountable for the impact arising from the breach.

4. Cybersecurity Failure

According to the Global Risks Report 2022, cybersecurity failure is one of the top ten risks globally in the next two to five years. Public practitioners are exposed to such risk either in relation to their own practice or in respect of information that they possess on their clients. Cybersecurity issues can affect public practitioners and their reputation. When a hacker obtains sensitive information about the public practitioners or their clients, the data breach may result in a loss of reputation for the practitioners. In addition, there is also the risk of legal or regulatory action against the public practitioners. The clients may also potentially file a suit against the public practitioners for any loss from the data breach.

Potential Risks of Using Technology

5. Lack of competencies in using technology

When using technologies within their practice or in the provision of services such as in performing audit procedures in an audit engagement, public practitioners may not have relevant competencies in the technology used and how such technology affects their practices or services. Not understanding the tools being used or assuming the output produced by the tools or an entity's system is appropriate for use without further consideration, may potentially create biases or result in an error in relying on the information or output generated from the procedures performed.

6. Threats to auditor independence in providing non-assurance services (NAS) to audit clients when using technology

When public practitioners provide NAS to their audit clients such as information technology (IT) systems services, threats to auditor independence⁴ may be created as set out in the MIA By-Laws. The IT systems services may cover a wide range of services including:

- ♦ Designing or developing hardware or software IT systems.
- ♦ Implementing IT systems, including installation, configuration, interfacing, or customization.
- ♦ Operating, maintaining, monitoring, updating or upgrading IT systems.
- ♦ Collecting or storing data or managing (directly or indirectly) the hosting of data⁵.

A self-review threat⁶ exists when there is a risk that the results of the IT systems services have an impact on or affect the audit of the financial statements, in particular where the services relate to the audit client's financial records and financial reporting. Examples of services affecting auditor independence as a result of self-review threat include:

- ♦ Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems, including those related to cybersecurity.
- ♦ Supporting an audit client's IT systems, including network and software applications.
- ♦ Implementing accounting or financial information reporting software, whether or not it was developed by the firm or a network firm.⁷

Risk of assuming management responsibility⁸ may give rise to threats of auditor independence when providing an IT systems service. Examples of IT systems services that result in the assumption of a management responsibility include where the auditor:

- ♦ Provides services in relation to the hosting (directly or indirectly) of an audit client's data.
- ♦ Operates an audit client's network security, business continuity or disaster recovery function

⁴ Paragraph 400.6 of the MIA By-Laws requires that when performing audit engagements, firms are required to comply with the fundamental principles and be independent.

⁵ International Ethics Standards Board for Accountants (IESBA), 2022, Exposure Draft Proposed Technology-related Revisions to the Code.

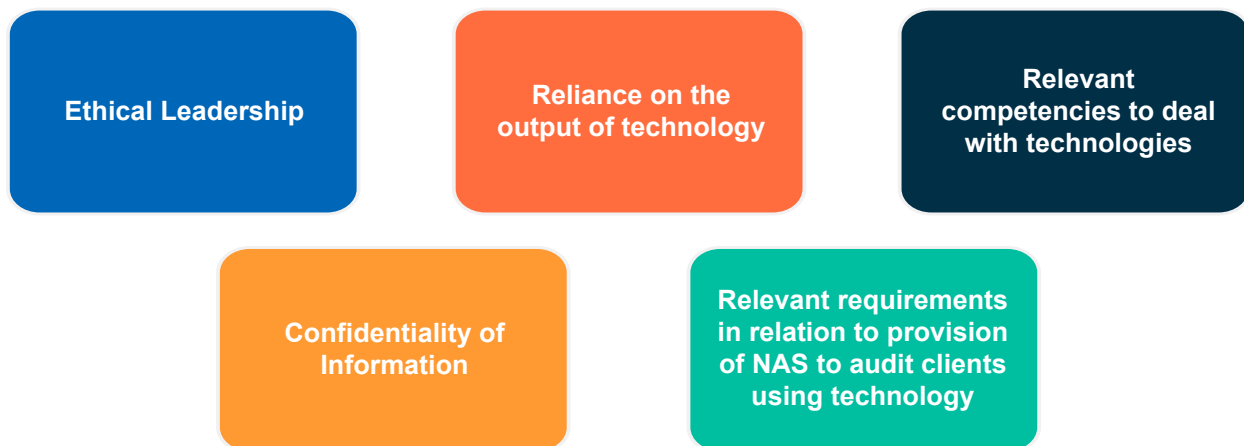
⁶ Paragraph 120.6 A3(b) of the MIA By-Laws defines self-review threat as the threat that a professional accountant will not appropriately evaluate the results of a previous judgment made, or an activity performed by the accountant or by another individual within the accountant's firm or employing organization, on which the accountant will rely when forming a judgment as part of performing a current activity.

⁷ International Ethics Standards Board for Accountants (IESBA), 2022, Exposure Draft Proposed Technology-related Revisions to the Code.

⁸ Paragraphs R400.13, 400.13 A1 to 400.13 A4 and R400.14 provide guidance in relation to the prohibition on assuming management responsibilities.

Ethical Principles in Technology Usage by Public Practitioners

The ethical principles in technology usage by public practitioners are as follows:



1. Ethical Leadership

As public practitioners increasingly use, develop, implement or rely on technology, public practitioners should demonstrate a commitment towards ethical behaviour in their adoption of technology as this will set the overall tone within the practice and influence the behaviour of all personnel within the practice.

Public practitioners should at least demonstrate the following commitments:

- ♦ Leadership is responsible and accountable for the use of technology (including outsourced solutions) in the practice, including securing the systems and data from breaches and ensuring the availability of the technology for the practice during an outage.
- ♦ Leadership demonstrates a commitment to ethics through their actions and behaviour.
- ♦ Inculcating a culture for ethical responsibility and leadership across the practice.
- ♦ The importance of ethics in the practice's strategic decisions and actions.
- ♦ The organisational structure and assignment of roles, responsibilities and authority is appropriate to enable ethical behaviour.
- ♦ Resource needs, including financial resources, are planned for and resources are obtained, allocated or assigned in a manner that is consistent with the practice's commitment to being ethical.

2. Reliance on the output of technology

When the public practitioners rely on publicly available data or the output of technologies either within their practice or when servicing their clients, they need to determine whether the reliance is reasonable. Factors to consider include:

- ♦ The sources of the data, extent of validation feasible and the significance in the use of the data in the engagement.
- ♦ The nature of the activity to be performed by the technology and the use of the publicly available data in that activity.
- ♦ The expected use of, or extent of reliance on the publicly available data and the output from the technology.
- ♦ The practitioner's ability to understand the publicly available data and output from the technology for the context in which it is to be used.
- ♦ Whether the technology is established and effective for the purpose intended.

Ethical Principles in Technology Usage by Public Practitioners

- ♦ Whether new technology has been appropriately tested and evaluated for the purpose intended.
- ♦ The reputation of the developer of the technology if acquired from or developed by an external vendor.
- ♦ The appropriateness of the inputs to the technology, including data and any related decisions.⁹

3. Relevant competencies to deal with technology

Public practitioners are required to maintain professional competence which includes a continuing awareness and an understanding of technology-related developments. This could be achieved by understanding their digital competency or maturity through the use of assessment tools and acquire knowledge on the gaps identified.

In addition, it is important for public practitioners to develop and enhance their non-technical professional skills needed in the digital age (i.e., “soft” skills) through the application of interpersonal, communication and organisational skills as outlined in [International Education Standard \(IES\) 3, Professional Skills](#)¹⁰.

4. Confidentiality of information

In light of today’s data-driven world and the ease with which data is accessible, public practitioners must maintain the confidentiality of information acquired either within their practice or their clients. Public practitioners should take appropriate action to secure such information in the course of its collection, use, transfer, storage, dissemination and lawful destruction. Public practitioners should establish policies, procedures and controls on data management, governance, security and privacy which may include collecting data on a need basis. Public practitioners should also be conversant with the Personal Data Protection Act 2010 (PDPA). For more resources on big data and data analytics for accountants, please visit <https://www.at-mia.my/> and <https://www.ifac.org/knowledge-gateway>.

5. Relevant requirements in relation to provision of NAS to audit clients using technology

In providing such services to audit clients which might create threats to compliance with the fundamental principles and threats to independence, public practitioners should apply the requirements and application guidance as set out in the MIA By-Laws. For example, when technology is used by a public practitioner in performing NAS for a client such as IT systems services, the public practitioner should not assume the role of management or undertake management responsibility in the provision of such services to the client and must be satisfied that the client is managing this independently and is competent to make all judgments and decisions that are the sole responsibility of management.

⁹ International Ethics Standards Board for Accountants (IESBA), 2022, Exposure Draft Proposed Technology-related Revisions to the Code

¹⁰ The level of proficiency for “Interpersonal and Communication Skills” as specified by IES 3 is for professional accountants to:

- Demonstrate collaboration, cooperation and teamwork when working towards organizational goals.
- Communicate clearly and concisely when presenting, discussing, and reporting in formal and informal situations.
- Demonstrate awareness of cultural and language differences in all communication.
- Apply active listening and effective interviewing techniques.
- Apply negotiation skills to reach solutions and agreements.
- Apply consultative skills to minimize or resolve conflict, solve problems, and maximize opportunities.
- Present ideas and influence others to provide support and commitment.

The level of proficiency for “Organizational Skills” as specified by IES 3 is for PAs to:

- Undertake assignments in accordance with established practices to meet prescribed deadlines.
- Review own work and that of others to determine whether it complies with the organization’s quality standards.
- Apply people management skills to motivate and develop others.
- Apply delegation skills to deliver assignments.
- Apply leadership skills to influence others to work towards organizational goals.

Mapping of The Guidelines to The Fundamental Principles

The mapping below provides an overview on how fundamental principles of the MIA By-Laws are being complied with by using the ethical principles to address the identified potential risks.

Potential Risks	Ethical Principles	Fundamental Principles
Misuse of information	Ethical leadership	All fundamental principles
	Confidentiality of information	Confidentiality
	Relevant competencies to deal with technologies	Professional competence and due care
Misinformation and deep fakes	Ethical leadership	All fundamental principles
	Reliance on the output of technologies	Objectivity
	Relevant competencies to deal with technologies	Professional competence and due care
Lack of oversight and acceptance of responsibility	Ethical leadership	All fundamental principles
	Relevant competencies to deal with technologies	Professional competence and due care
Cybersecurity failure	Ethical leadership	All fundamental principles
	Confidentiality of information	Confidentiality
	Relevant competencies to deal with technologies	Professional competence and due care
Lack of competencies in technologies	Ethical leadership	All fundamental principles
	Relevant competencies to deal with technologies	Professional competence and due care
Threats to auditor independence in providing NAS to audit clients	Ethical leadership	All fundamental principles
	Relevant requirements in relation to provision of NAS to audit clients using technology	<ul style="list-style-type: none"> ♦ Integrity ♦ Objectivity ♦ Professional behaviour
	Relevant competencies to deal with technologies	Professional competence and due care

References

1. Exposure Draft, Proposed Technology-related Revisions to the Code, June 2022, International Ethics Standards Board for Accountants (IESBA)
2. The Global Risks Report 2022, World Economic Forum
3. MIA Digital Technology Blueprint – Preparing the Malaysian Accountancy Profession for the Digital World, 2018, MIA
4. MIA Rules 2001
5. Revised By-Laws (On Professional Ethics, Conduct and Practice) of the MIA, 2022, MIA
6. Moving to the Cloud, 2016, Accountancy Europe
7. Guide to Practice Management for Small and Medium-Sized Practices 4th Edition, 2018, IFAC

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 the convergence with international ethics standards.

In addition, the ESB also reviews exposure drafts issued by IESBA and submits comments thereon. The ESB will take into consideration any final pronouncements issued by IESBA to be adopted in Malaysia and issue guidance or clarification to assist the implementation of Sections 100 to 990 of Part A of the By-Laws (On Professional Ethics, Conduct and Practice) of the Institute.

High quality professional and ethics standards benchmarked against international practices 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.

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

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- ♦ Ir Dr Karl Ng – Malaysia Digital Economy Corporation

Representatives from Other Committees

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- ♦ Arief Putera Hj Mohd Sharipudin – Taxation Practice Committee

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- ♦ Johnny Yong
- ♦ Sharifah Nur Aina Syed Omar
- ♦ Nur Diyana Junaidi
- ♦ Nurul Nadira Muhammad Shaharudin

Public Practice Services

Section 2 of MIA Rules 2001 states that public practice services includes the following:

- a. auditing including internal auditing;
- b. accounting and all forms of accounting related consultancy;
- c. accounting related investigations or due diligence;
- d. forensic accounting;
- e. taxation, tax advice and consultancy;
- f. bookkeeping;
- g. costing and management accounting;
- h. insolvency, liquidation and receiverships;
- i. provision of management information systems and internal controls;
- j. provision of secretarial services under the Companies Act 1965; or
- k. such other services as the Council may from time to time prescribe.

Fundamental Principles of Ethics

Paragraph 110.1 A1 of the MIA By-Laws sets out the five fundamental principles of ethics for professional accountants which are as follows:

1. Integrity – to be straightforward and honest in all professional and business relationships.
2. Objectivity – to exercise professional or business judgment without being compromised by:
 - (i) Bias;
 - (ii) Conflict of interest; or
 - (iii) Undue influence of, or undue reliance on, individuals, organizations, technology or other factors.
3. Professional competence and due care – to:
 - (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and
 - (ii) Act diligently and in accordance with applicable technical and professional standards.
4. Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships.
5. Professional behaviour – to:
 - (i) Comply with relevant laws and regulations;
 - (ii) Behave in a manner consistent with the profession's responsibility to act in the public interest in all professional activities and business relationships; and
 - (iii) Avoid any conduct that the professional accountant knows or should know might discredit the profession.



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