



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

ETHICS STANDARDS BOARD REPORT

2019 - 2021

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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 a wide range of information resources, events, professional development and networking opportunities. Presently, there are more than 38,000 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 Trust & Respect, Professionalism, Accountability, Commitment, Teamwork, Sustainability.

Strategic Objectives

1. Develop and enhance the competency of accountancy professionals to stay relevant to business and market demand.
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.
4. Promote the value proposition of accountancy as a preferred profession and continuously uplift global recognition.

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Acronyms

The following acronyms are used throughout this report:

ED	Exposure Draft
ESB	Ethics Standards Board
EQR	Engagement Quality Review
IAASB	International Audit and Assurance Standards Board
ICAEW	Institute of Chartered Accountants in England and Wales
IESBA	International Ethics Standards Board for Accountants
IISs	International Independence Standards
IFAC	International Federation of Accountants
ISAE	International Standard on Assurance Engagements
ISQM	International Standard on Quality Management
MIA	Malaysian Institute of Accountants
MIA By-Laws	MIA By-Laws (on Professional Ethics, Conduct and Practice)
NAM	Non-authoritative Materials
NAS	Non-assurance Services
NOCLAR	Non-compliance with Laws and Regulations
PAIB	Professional Accountants in Business
PAPP	Professional Accountants in Public Practice
PIEs	Public Interest Entities
PPT	Professional Practices and Technical
TCWG	Those Charged with Governance



About the Ethics Standards Board (ESB)

The 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 benchmark 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.

As of 31 December 2021, the ESB consists of nine (9) members whereby two (2) members are practitioners, and seven (7) 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

I am pleased to present this report showcasing the important work of this Board over the past 3 years. The main highlight is the adoption in Malaysia of the revamped IESBA Code which was eventually renamed as the International Code of Ethics for Professional Accountants (including the International Independence Standards) (the IESBA Code) on 30 May 2019. The effective date was set by the MIA Council to be on 15 June 2019, as advised by this Board.

The adoption of the new Code by this Board could not have come at a more opportune time with the impact of the pandemic in 2020, elevating many of the ethical issues that have been in the limelight since the start of the pandemic. The restructuring of the IESBA Code, in terms of clarity of concept and language, and transparent architecture while taking into account global applicability and enforceability, was the centerpiece of the work of IESBA, spanning the past 5 years. It was also very relevant to the Malaysian context and hence, the MIA Council had been advised to adopt the Code and integrate it into the MIA By-Laws with minimum modification.

The restructured Code includes substantial changes that advance the many public interest objectives. These include:

- An enhanced conceptual framework that raises alertness to threats to ethical behavior and better target responses to them.
- New provisions that set clear behavioral expectations regarding the common issues of pressure and unacceptable inducements, with guidance on how to navigate such situations.
- A path-breaking new standard on NOCLAR (non-compliance with laws and regulations) to guide accountants' responses in the public interest
- Strengthened independence requirements for partner rotation addressing long association with an audit client.

IESBA had reported that more than 80 jurisdictions have adopted, or are in the process of adopting, the new Code, including the majority of the G20 jurisdictions. The international networks of the Forum of Firms have also aligned their policies and methodologies to it in respect of transnational audits. In fact, IESBA is expecting this considerable momentum on adoption to continue and grow following the release of this restructured Code.

Since 2020, IESBA have fashioned a valuable partnership with the International Federation of Accountants (IFAC) in supporting the adoption and implementation of the Code. IFAC has been working to incentivize professional accountancy organizations, national standards setters, firms, accounting educators and others to use, adopt and implement the Code. It is hoped that more webinars and other non-authoritative materials (NAM) will be produced by the collaboration of IESBA-IFAC in the future. The ESB looks forward to eventually promote these materials to MIA members as these are invaluable to create the necessary awareness and facilitate the compliance with the Code as part of the MIA By-Laws.

On a more recent note, a final pronouncement on "Role and Mindset" was completed and released in October 2020. As advised by the ESB, MIA obtained approval for this update and it became effective on 31 December 2021. Under this new pronouncement, accountants are required to exhibit an inquiring mind in applying the conceptual framework and be aware of bias in exercising professional judgement, among other considerations. The role and mindset pronouncement represents a significant ethical advancement, and it applies to all professional accountants, including those in business, government, and public practice. Hopefully, with this new approach, MIA members will be more alert when confronted with business arrangements or transactions that are out of the ordinary.

The COVID-19 pandemic has affected everyone's lives and work. This Board, as with many other organisations, had to adjust to virtual meetings while pursuing its work program. A number of topic-specific COVID-19 guidance materials were developed by IESBA since the middle of 2020, highlighting the importance of ethical judgment and compliance with the Code especially during this pandemic. These have been duly promoted to MIA members through the various circulars and alerts. The Board also organised a webinar at the end of 2020 which, apart from covering the restructured Code, also highlighted some of the elevated issues being brought forward because of the pandemic and how MIA members should be responding to such issues under the current restructured Code. Going forward, the Board will continue to explore organising more webinars and even interactive quiz sessions in our future outreach, firstly to interact with MIA members but also to listen to them as they cope with the new normal post-pandemic.

I am confident that with the commitment of the Board and collaboration with the MIA members, the profession will continue to be resilient in the face of change. Professional accountants have and will continue to be an important voice in the conversation around public trust and ethics.

Finally, I would like to record my grateful acknowledgement of my Board Members, both present and retired from the Board during this period, who have made distinguished contributions to the work in the past 3 years. And, of course, not forgetting our dedicated staff who have been effective, diligent, and dependable in their work. They have gained the respect of our stakeholders, exhibited resilience in adversity, and carried a collective responsibility for the multi-faceted progress as I have mentioned earlier.

Special thanks must go to the immediate past Chairman of the Board, Mr. Ravi Navaratnam for setting the right tone and pace, allowing me to pick up the Chairmanship with ease. His structured approach to the work of this Board in the past is set to continue under my current watch.

Dr. Mohd Nizam Mohd Ali
Chairman
7 June 2022

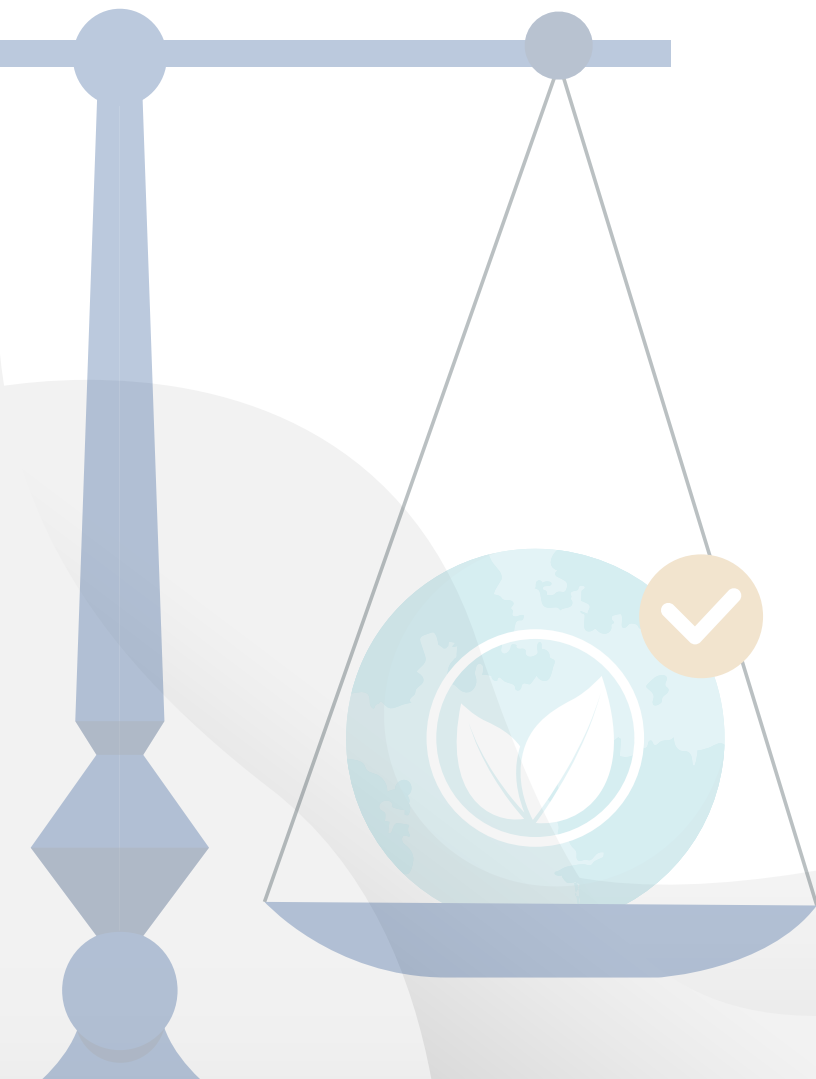
Key Activities

From 2019 to the end of 2020, a major focus of the ESB's activities has been on adoption and implementation activities following the release of IESBA's revised and restructured Code in 2018.

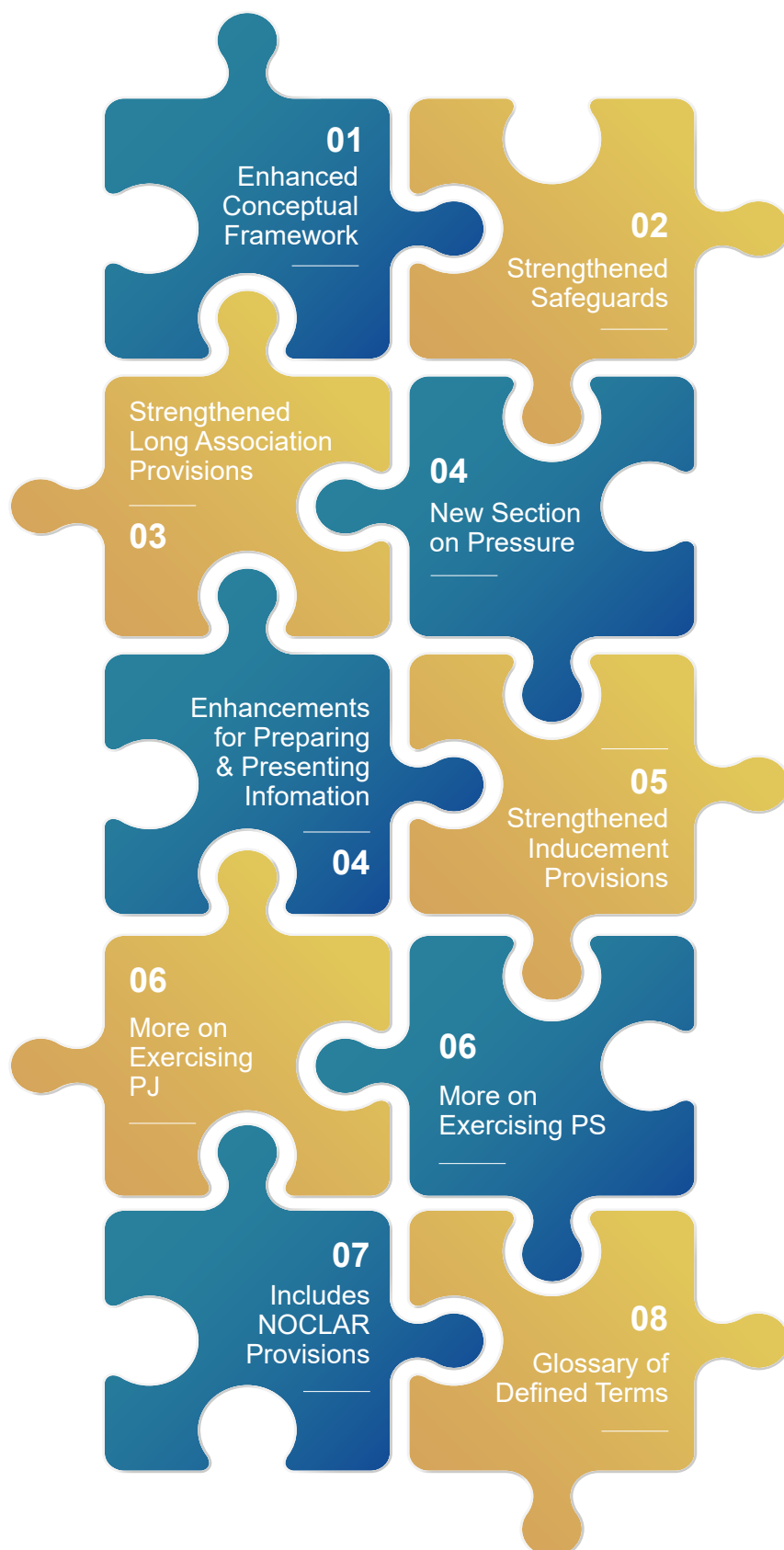
Revised and Restructured Code

During the second half of 2018 and early 2019, the ESB has analysed and finalised Part A: By-Laws on Professional Ethics of the Revised By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants which are substantially based on the Code of Ethics for Professional Accountants of the International Ethics Standards Board of Accountants (IESBA), published by the International Federation of Accountants (IFAC) and are used with permission of IFAC. Part B of the By-Laws on Professional Conduct and Practice was mostly unaffected.

Subsequently, the Revised By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants were issued by the Council of the Malaysian Institute of Accountants on 30 May 2019 and came into effect on 15 June 2019 unless otherwise stated herein. The Revised By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants are issued pursuant to section 10(a) of the Accountants Act 1967 and are binding on all members of the Malaysian Institute of Accountants.



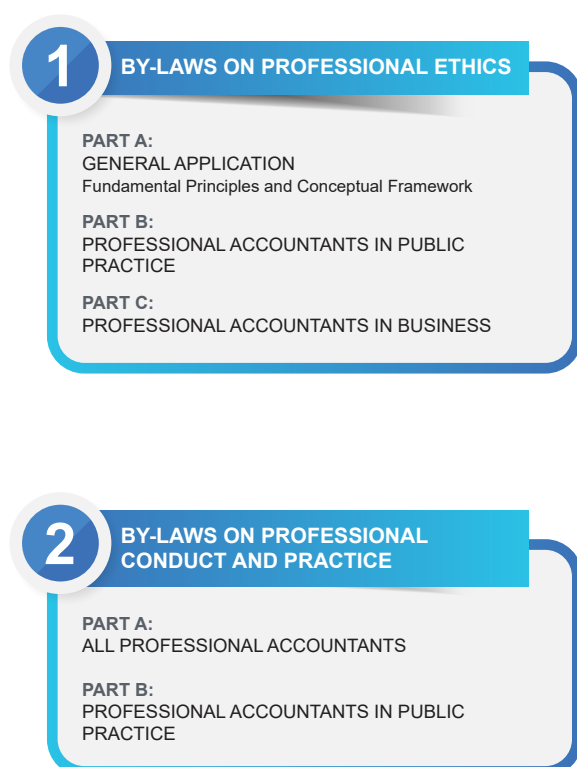
Key enhancements to the Code include:



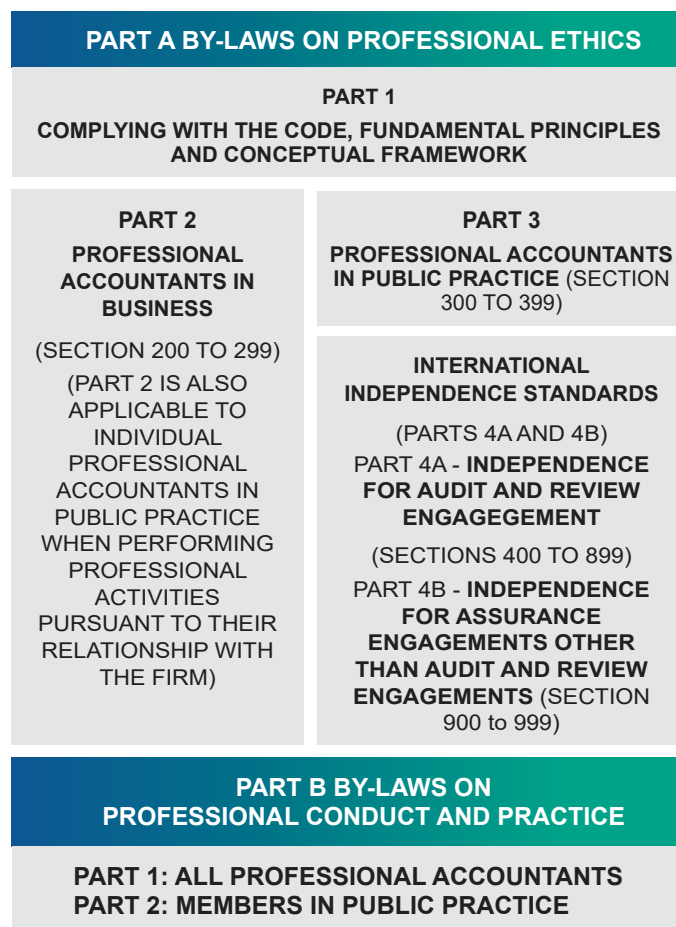
01. An **enhanced** and more prominently featured **conceptual framework**.
02. Clearer and **more robust** provisions pertaining to **safeguards** that are better aligned to the specific threats.
03. **Strengthened** independence provisions addressing the **long association** of personnel with an audit or assurance client.
04. New and revised sections dedicated to **professional accountants in business (PAIBs)** relating to:
 - **Pressure** to breach the fundamental principles; and
 - **Preparing and presenting information**
 - Clear guidance for **professional accountants in public practice (PAPPs)** that relevant PAIB provisions set out in Part 2 of the Code are applicable to them.
05. **Strengthened** provisions for PAIBs and PAPPs relating to offering or accepting **inducement**, including gifts and hospitality.
06. New application material to:
 - Emphasise the importance of understanding facts and circumstances when **exercising professional judgement (PJ)**.
 - Explain how compliance with the fundamental principles supports the **exercise of professional skepticism (PS)** in an audit or other assurance engagement.
07. Packages the **NOCLAR provisions** which came into effect in a restructured format.
08. Includes a **glossary of defined terms** and key concepts.

Comparison of Previous By-Laws with Revised Version

MIA's Previous By-Laws



Revised By-Laws



Summary of local requirements within the Revised MIA By-Laws that has been incorporated in Part A as advised by this Board:

NO.	SECTION / SUBSECTION	SPECIFIC PARAGRAPH
1.	Subsection 113 - Professional Competence and Due Care	Paragraph R113.1(b) MY
2.	Section 320 - Professional Appointments	Paragraph R320.4 MY
3.	Section 330 - Fees and Other Types of Remuneration	Paragraph 330.3 A2 MY
4.	Section 523 - Serving as a Director or Officer of an Audit Client	Paragraph R523.4 MY
5.	Section 540 - Long Association of Personnel (including Partner Rotation) with an Audit Client	Paragraph R540.11 MY
6.	Subsection 608 - Legal Services	Paragraph 608.3 A1 MY

Following the issuance of the Revised By-Laws on Professional Ethics, the ESB has made video recordings of a few interview sessions to share the key highlights of the International Code of Ethics for Professional Accountants (including International Independence Standards) that came into effect on 15 June 2019:

1. **In Brief – IESBA Revised Code of Ethics for Professional Accountants** with Ravi Navaratnam, Chairman of the ESB and moderated by Simon Tay, Executive Director of MIA.

The [video published in February 2019](#) can be watched [here](#).

2. **Key Changes to the IESBA Revised Code of Ethics for Professional Accountants** with Tan Khoon Yeow, Member of the ESB and moderated by Simon Tay, Executive Director of MIA.

The [video published in May 2019](#) can be watched [here](#).

A webinar facilitated by Tan Khoon Yeow around this topic coupled with the impact of COVID-19 and application of ethics is elaborated in the later part of this report under the heading **“Complimentary Webinar: Applying Ethics during the Pandemic and Beyond”**.

Additionally, Chew Li Ling, the previous manager of the Assurance and Digital Transformation Unit within MIA presented the topic entitled “A Restructured Code of Ethics for Accountants” during the technical updates session which was held in December 2019 mainly to enlighten practitioners on the key changes on the Code of Ethics related to the professional accountants in public practice.

In conjunction with the visit of [ICAEW](#) Chief Executive, Michael Izza, MIA in collaboration with the ICAEW organised a roundtable discussion on ‘Regaining Trust in the Profession’ on 26 July 2019. Chaired by the then MIA Chief Executive Officer, Dr.

Nurmazilah Dato’ Mahzan, the roundtable was attended by 33 participants comprising Chief Financial Officers, Directors and senior personnel of Government-Linked Investment Companies and statutory bodies as well as partners of audit firms.

Michael shared about the Kingman Review Report, the Competition and Markets Authority Report and Brydon Review Report, as well as the numerous recommendations to strengthen the audit profession in the United Kingdom (UK). The audit reforms in the UK could potentially impact audit firms in Malaysia in the future.

Submission of Comments on Consultation Documents and Participation in Surveys

During the period under review, the ESB provided timely and robust input to the following consultation documents and surveys released by IESBA.

a. Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised)

In March 2019, IESBA solicited views from practitioners and other stakeholders in relation to proposed revisions to Part 4B of the revised and restructured International Code of Ethics for Professional Accountants (including International Independence Standards) to reflect terms and concepts used in the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

A summary of the key comments raised to IESBA are as follows:

- There is no reference to the new term “direct engagement” in the revised Part 4B of the Code other than in the definition of responsible party. The ESB had therefore suggested an amendment be made to allow the defined term to be searched in the Code.
- An example of an attestation engagement and a direct engagement with similar fact patterns should be shown to illustrate the application of the Code in different situations.

b. IESBA’s ED, *Proposed Revisions to the Code to Promote the Role and Mindset expected of Professional Accountants*

In July 2019, IESBA issued an ED that proposes revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) to promote the right role and mindset expected of professional accountants.

A summary of the key comments raised to IESBA are as follows:

- It would be clearer if there is a hierarchy of professional duties introduced, whereby acting in the public interest comes ahead of duties to employer and clients.
- It is essential that the “public interest” concept be defined and a “public interest framework” be developed to assist the standard-setting boards to better understand and address different stakeholders’ needs.
- It is almost impossible to remain objective when accountants are in a position of conflict of interest; accountants should consider abstaining or removing themselves from such situations.
- Greater clarity in the definition of “undue reliance” and guidance on how such reliance could happen in practice should be provided.
- Additional application guidance to differentiate between “inquiring mind” and “professional scepticism” will be helpful.

c. IESBA’s ED, *Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers*

IESBA released the ED explaining the different types of threats to compliance with the fundamental principle of objectivity that might be created in circumstances where an individual is being considered for appointment as an engagement quality reviewer (EQR) for a given engagement. The ED also sets out factors to consider in evaluating the level of identified threats and actions that might be safeguards to address the threats.

A summary of the key comments submitted to IESBA are as follows:

- 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.
- 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 two separate documents.

- IESBA should provide detailed guidance on the application of professional judgment in determining materiality and strengthening the requirements of the reasonable and informed third party test in applying the provisions in the Code.
- IESBA should consider expanding the section on multiple non-assurance services provided to the same audit client to include guidance on services provided by other firms within the same network. Depending on the circumstances, if evaluations were to include the impact of fees, the provision of NAS could be restricted in an unintended manner for firms operating in countries with traditionally lower audit fees or countries with weaker currencies.

d. IESBA’s ED, *Proposed Revision to the Non-Assurance Services (NAS) Provisions of the Code*

In January 2020, IESBA released the ED with the proposed revisions to the non-assurance services provisions of the Code including a prohibition on providing NAS to an audit client that is a PIE if a self-review threat to independence will be created. The ED also includes enhanced guidance to assist firms in evaluating the level of threats to independence when providing NAS to audit clients.

A summary of the key comments raised to IESBA are as follows:

- Since this proposal represents a paradigm shift of immense consequences, IESBA and the IAASB should expedite the project on the definition of PIE project because of the intricate linkages between the outcome of the definition of PIE and the eventual implementation of the proposal in the ED.

e. IESBA’s ED, *Proposed Revision to the Fee-Related Provisions of the Code*

The Fees ED issued by IESBA in January 2020 includes proposed revisions of prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client. The ED also includes enhanced guidance on identifying, evaluating and addressing threats to independence in relation to other fee-related matters, including the proportion of fees for services other than audit to the audit fee. Similarly with the NAS ED, there will be new roles to be played by Those Charged with Governance (TCWG) in approving the fees to be charged and the procurement of NAS as part of the transparency reporting requirement.

A summary of the key comments submitted to IESBA are as follows:

- Greater prominence should be given to PAIBs to facilitate auditor’s independence and associated audit quality in the proposed revisions to the Code. A specific requirement requiring PAIBs to apply a reasonable and informed third party test in ensuring the audit fees are sufficient and reasonable to enable

the auditors to comply with professional standards and independence requirements should be considered.

- The more senior PAIB individuals whom the auditors interact with during an audit should be made aware that the determination of audit fees should be premised on ensuring sufficient appropriate resources to perform the audit engagement in compliance with auditing standards are assigned or made available without any relationship with services other than the audit itself. This could be reflected in sections of the Code for PAIB.
- In order to achieve transparency of fee-related information for PIEs audit clients, consideration should be made for fee information reported to audit regulators as an alternative appropriate channel. Actions and concurrence of audit regulators serves as an effective meaningful safeguard on addressing self-interest and intimidation threats.

definition of PIEs to best suit their local environments. However, there are concerns about the need to refine the list of PIEs by excluding entities and the resulting inconsistent practices may lead to a lack of comparability and potential unintended consequences from jurisdiction to jurisdiction.

- If the new term “publicly traded entity” is being used to replace the term “listed entity”, it would have been ideal if all the international standard setters can possibly come up with a common definition. It is strongly encouraged that the international standard setters work together to eliminate the differences and harmonize the definitions. The Glossary defines a publicly traded entity as “An entity that issues financial instruments that are transferrable and publicly traded”. It is understood that the term “financial instruments” is intended to be broadly applied covering shares, stock or debt, securities, equity or debt instruments etc. However, it may be helpful to include such detail and clarity to reduce potential confusion in the future.
- There will be a need for guidance material to support relevant local bodies hence it is best to release further non-authoritative guidance and organise webinars and targeted stakeholder outreach to help adoption and implementation. In addition, case studies/scenarios would be particularly useful to demonstrate how firms determine if an entity should be treated as a PIE, should this be the outcome of this consultation.

f. IESBA's ED, [*Proposed Revision to the Definitions of Listed Entity and Public Interest Entity in the Code*](#)

This ED issued by IESBA in January 2021 proposed changes to the Code to broaden the definition of a public interest entity (PIE) to include more categories of entities, given the level of public interest in their financial condition, for the purposes of additional independence requirements to enhance confidence in their audits.

A summary of the key comments submitted to IESBA are as follows:

- It is necessary for IESBA to adopt a broad approach with the expectation/ implications of refinement of IESBA definition by the relevant local bodies to ensure that a principles-based approach to standard-setting is maintained, and for local regulatory or other authorities to refine the definition of PIEs to best suit their

In addition to submitting comments on the various consultation documents, the ESB also responded to the following questionnaires and surveys:

- a. IESBA's Task Force's *Professional Accountancy Organisations Questionnaire for IESBA's Definitions of Listed Entity and Public Interest Entity Project* submitted in August 2020.

The PIE project which was approved in December 2019 aims to review the definitions of "listed entity" and "PIE" in the IESBA Code (the Code), in coordination with the International Auditing and Assurance Standards Board (IAASB), while ensuring that revising the terms so that they remain relevant and fit for purpose. Following the project approval, IESBA PIE Task Force issued a questionnaire to enable IESBA to better assess the likelihood of success of the project.

- b. Online surveys by the IESBA Technology Task Force on the Impact of Technology on Auditor Independence and Technology and Complexity in the Professional Environment submitted in November 2020.

The survey which was released in October 2020 explored a number of matters related to technology with a view to determine whether there is a need for further enhancement to the Code. The inputs submitted for this survey included feedback from the MIA Education Board too.

- c. In April 2021, a questionnaire on IESBA's Long Association Post Implementation Review (LAPIR) was released, forming part of the IESBA LAPIR Working Group's information gathering process with the aim to inform IESBA's review of the implementation of the five-year cooling-off requirement for engagement partners on audits of public interest entities. This review is being undertaken before the "jurisdictional provision" in the standard expires for audits of financial statements for

periods beginning on or after 15 December 2023. The jurisdictional provision permits jurisdictions to apply a cooling-off period less than five years subject to specified conditions.

While the ESB did not specifically respond to the questionnaire, this was nevertheless circulated to audit partners, and member firms of MIA and they were encouraged to provide and submit their response directly to IESBA.

All these inputs, directly or otherwise, reflect the ESB's continuing advocacy role in governance and the international standard setting process.

Other Initiatives and Outreaches

a. *Complimentary Webinar: Applying Ethics during the Pandemic and Beyond*

Apart from a suite of COVID-19 resources publicised by IESBA and IFAC, a specific webinar was organised by this Board on 22 December 2020 and was attended by 416 MIA members. The webinar highlighted salient aspects of the Revised By-Laws on Professional Ethics issued on 30 May 2019 and also provided MIA members with the opportunity to meet and engage with some members of the Ethics Standards Board who shared their views in a panel session on the application of ethics especially during the COVID-19 pandemic, the recovery phase and beyond.

Topics and speaker, moderator and panellists

1. *Highlights of the Revised By-Laws on Professional Ethics* by Tan Khoo Yeow

During this session, the speaker presented on the key features of the Revised By-Laws which include non-compliance with laws and regulations (NOCLAR), inducements and other enhanced provisions for PAIBs.

2. *Panel Discussion on Applying Ethics during the Pandemic and Beyond*

This session was moderated by Simon Tay, Executive Director of MIA. The panellists were the Board members as follows:

- Ravindran Navaratnam
- Dr. Mohd Nizam Mohd Ali
- Eulis Rachmatiah Iskandar Sastrawidjaja
- Tan Khoo Yeow

During this panel discussion, the panellists discussed several ethical areas which relate to the application of ethics during the pandemic and the recovery period as follows:

- Maintaining objectivity during the pandemic and beyond
- Ethical conflicts, tension and pressures and association with misleading information
- Bringing professional qualities to the role of CFO and Finance Function to the organisation
- Enhancing ethical capability during pandemic, internal and external push factors
- Whistleblowing
- Applying ethics when working from home

Based on the polls and responses to the online questionnaires carried out during the webinar, close to 20% of members had experienced ethical issues in their work-space in the past one year (rated as often and very often). The aspect of the Code that members find most challenging and more guidance can be made available, are in the area of independence, integrity and objectivity (all these are closely connected). The Board will take note of these matters as it plans its activities for the coming years. Leveraging on the activities of IFAC-IESBA will be a quick win for the Board in the immediate term.

The following are the top 5 responses gathered, post webinar, on specific areas regarding ethics that MIA members hope the Board will cover in the future:

- i. Independence
- ii. Professional competence and due care
- iii. Integrity
- iv. Professional scepticism and professional judgement
- iv. Threats and the safeguards

interaction with the International Independence Standards (IISs) as well as awareness on the new pronouncements on NAS and Fees that will be coming into effect in December 2022 presented by Tan Khoo Yeow; and

- For the professional accountants in business (PAIB), the importance of having a proper role and mindset when dealing with information with a focus on bias, dealing with potential conflict of interest situations and inducement, whether directly to the accountant or his/her close family members presented by Eulis Rachmatiah.

The presentations were then followed by a question & answer (Q&A) session moderated by the Chairman of the ESB, Dr. Mohd Nizam and the speakers as the panellists. During this discussion, the panellists addressed the questions submitted by the attendees.

Ethics Quiz

An ethics quiz was made available online to be attempted by the attendees of the webinar within 7 days after the conclusion of the webinar. In order to be prepared for the quiz, attendees were invited to read the materials in the form of the IESBA's 12-installment series at: [Exploring the IESBA Code: The Building Blocks Installment](#)

Out of 287 attendees of the first webinar, 247 attendees have attempted the quiz with 63% of participants obtaining a passing mark of 65% and above. In the second webinar, 235 attendees attempted the quiz with 78% of participants scoring 65% and above.

Due to the encouraging participation and requests from members, the Institute is planning to organise another Ethics Webinar and Quiz in the second quarter of 2022.

b. *Ethics Webinar and Quiz*

With the aim of enhancing awareness among MIA members that ethics should be practised as part of the daily routine of professional accountants, the Institute organised a combination of webinar and a subsequent quiz for its members in December 2021 and May 2022. A total of 287 members attended the first webinar held on 2 December 2021 and 330 members attended the webinar held on 12 May 2022.

The topics covered by the speakers are as follows:

- The fundamental principles as elaborated in the Code of Ethics, the application of the conceptual framework (encompassing the identification of threats, evaluation and addressing the threats by eliminating or reducing them to an acceptable level) and the application of the reasonable and informed third party (RITP) test presented by Professor Dr. Aiman;
- For the professional accountants in public practice (PAPP), the importance of independence for auditors together with the

c. **Outreach, Townhall Sessions, Student Outreach and other Future Initiatives**

In 2020 and 2021, the Executive Director of MIA, Simon Tay shared with MIA members on various ethical updates during the Town Hall sessions, in Kuala Lumpur as well as regionally. The more recent sessions have all been virtual. In addition, Khoon Yeow and Eulis Rachmatiah were asked to represent the Board to speak to 2 universities as part of the ESB's virtual outreach activities:

- University Malaysia Terengganu on 26 November 2020 (Forum Titled: Life As Future Professionals: Being Ethical)
- University Technology Malaysia on 6 December 2020 (Forum Titled: Ethics in the Accounting Profession: Expect the Unexpected)

Moving forward, IESBA and IFAC will be collaborating much more actively in developing non-authoritative materials (NAM), informative webinars and launching the E-Code in the form of a downloadable app. MIA members should also leverage on these initiatives to get access to these insights and tools which will help them in enhancing their understanding on the MIA By-Laws and especially Professional Ethics. This is because Part A of the Institute's By-Laws is substantially aligned with that of the IESBA Code – a deliberate strategy by the ESB.

There are future plans to reach out to more local institutions of higher learning to promote ethical thinking among future accountants as part of the ESB's contribution to the society at large.

In the Horizon: Incorporating the Revisions to IESBA's Code into the MIA By-Laws

The following are IESBA's final pronouncements which will be effective in Malaysia by the end of 2021 and in 2022. As advised by this Board, these final pronouncements are currently in the process of being adopted into the MIA By-Laws (on Professional Ethics, Conduct and Practice).

1. Final Pronouncement: *Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in International Standard on Assurance Engagements (ISAE) 3000 (Revised)* issued on 3 January 2020

The revised ISAE 3000 came into effect in Dec 2015. Accordingly, the Code will need to be updated for any changes to make the provisions in this part of the Code consistent with the revised assurance terms and concepts in the revised ISAE 3000. In March 2019, IESBA approved the proposed revised Part 4B of the Code for exposure. The new pronouncement was finalised and issued in January 2020.

Some of the changes include:

- Incorporating new terminologies such as attestation engagement and direct engagement;
- The existence of possible self-review threats in a direct engagement where the professional accountants (PA) perform an evaluation and issue an assurance report and the need for further clarity on the independence requirements due to the involvement of multiple parties; and
- The application of independence provisions to relationships with or service as employees in an assurance engagement scenario.

The Council of the Institute approved this final pronouncement on 15 September 2021 and it is effective for engagement periods beginning on or after 31 December 2021.

2. Final Pronouncement: *Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants* issued on 5 October 2020

These revisions are aimed to better promote the role and mindset expected of all professional accountants.

The revisions clearly recognise that the accountancy profession is entrusted with public confidence in the wide-ranging roles it plays in society and that such confidence is based on the skills and values it brings to its professional activities. Importantly, they reaffirm the profession's responsibility to act in the public interest and the fundamental role of the Code in meeting that responsibility.

The revisions, among others:

- Highlighted the wide-ranging role of the accountancy profession in society and the relationship between compliance with the Code and a PAPP's responsibility to act in the public interest;
- Included enhancements to the fundamental principles of objectivity and professional behavior;
- Strengthened the fundamental principle of integrity to include the determination to act appropriately in difficult situations (known as moral courage);
- Included some enhancements that reflect the impact of technology;
- Required all PAPP to have an inquiring mind when applying the conceptual framework; and
- Highlighted the importance of being aware of bias and having the right organisational culture.

The Council of the Institute approved this final pronouncement on 15 September 2021 and it is effective as of 31 December 2021.

3. Final Pronouncement: *Objectivity of Engagement Quality Reviewer (EQR) and Other Appropriate Reviewers* issued on 14 January 2021

These revisions address the objectivity of an engagement quality reviewer (EQR) and other appropriate reviewers. This project comes together with the International Auditing and Assurance Standards Board's (IAASB's) development of *International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews*, which was finalised in December 2020.

The revisions provide guidance that supports ISQM 2 in addressing the eligibility of an individual to serve in an EQR role, focusing on the critical attribute of objectivity.

This pronouncement is effective as follows:

- For Part 4A: audits and reviews of financial statements for periods beginning on or after 15 December 2022.
- For Part 4B: assurance engagements beginning on or after 15 December 2022.
- For all other engagements within the scope of Part 3: engagements beginning on or after 15 December 2022.

4. Final Pronouncement: *Revisions to the Non-Assurance Service Provisions of the Code* issued on 28 April 2021

The revised non-assurance service (NAS) provisions contain substantive revisions that will enhance the *International Independence Standards* (IIS) by clarifying and addressing the

circumstances in which firms and network firms may or may not provide a NAS to an audit or assurance client. The revised provisions include new requirements that expressly prohibit firms and network firms from providing certain types of NAS to their audit clients, especially when they are PIEs.

Key changes arising from this pronouncement include:

- A new general prohibition on the provision of NAS to an audit client that is a PIE if the provision of that service might create a self-review threat;
- New provisions to assist firms and network firms identifying and evaluating self-review threats that might be created by the provision of a NAS;
- New guidance indicating that the provision of advice and recommendations might create a self-review threat and which also explains the circumstances in which a firm or a network firm may provide advice and recommendations to an audit client without breaching the Code;
- New provisions to strengthen and improve the quality of firm communication with Those Charged with Governance (TCWG) about NAS-related matters, especially in the case of audit clients that are PIEs and entities within that PIE's corporate structure;
- Enhanced guidance to explain that the concept of materiality is no longer relevant in evaluating whether a self-review threat might be created by the provision of a NAS to an audit client that is a PIE; and
- Strengthened provisions to assist firms in addressing threats to independence that are created by the provision of the NAS to audit clients that are not PIEs, including new application material in relation to situations where a safeguard is not available.

This pronouncement will become effective as follows:

- Revised Section 600 and the conforming amendments to Part 4A will be effective for audits and reviews of financial statements for periods beginning on or after 15 December 2022.
- The conforming and consequential amendments to Sections 900 and 950 in relation to assurance engagements with respect to underlying subject matters covering periods of time will be effective for periods beginning on or after 15 December 2022; otherwise, these amendments will be effective as of 15 December 2022.

5. Final Pronouncement: *Revisions to the Fee-related Provisions of the Code* issued on 28 April 2021

The revisions to the fee-related provisions of the code include a prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client; in the case of PIEs, a requirement to cease to act as auditor if fee dependency on the audit client continues beyond a specified period; communication of fee-related information to Those Charged with Governance (TCWG) and to the public to assist their judgments about auditor independence; and enhanced guidance on identifying, evaluating and addressing threats to independence.

Some of the major revisions are as follows:

- Better approach in articulating and addressing the issue of threats to independence created when fees are negotiated with and paid by the audit or assurance client with reference to the current conceptual framework;

- Clarification that the audit fee should be a standalone fee within the spectrum of total fees from the audit client so that the provision of services other than audit does not influence the level of the audit fee (however, cost savings achieved as a result of the provision of previous services are allowed to be taken into consideration when determining the current audit fee though);
- Enhancement to the provision regarding fee dependency for PIE and non-PIE clients, including establishing a threshold for addressing threats in the case of non-PIE audit clients;
- Requirement for a firm to cease to be the auditor for a PIE audit client if circumstances of the dependency continue beyond a certain period (with very strict exception);
- Enhanced transparency with regard to fees-related information for PIE audit clients to assist TCWG and the public in forming their views about the firm's independence. The benefit to the client's stakeholders of the client making such disclosure of fees-related information is also being emphasised; and
- Providing a more flexible approach for firms to achieve transparency with more examples of a suitable location for disclosure by the firm. The possible ways of disclosure are also in line with the auditing standards approach regarding communication with external parties in the quality management standards.

This pronouncement will become effective as follows:

- For the revised Section 410 and consequential amendments to Part 4A: effective for audits of financial statements for periods beginning on or after 15 December 2022.

- For the revised Section 905: in relation to assurance engagements with respect to underlying subject matters covering periods of time, effective for periods beginning on or after 15 December 2022; otherwise, effective as of 15 December 2022.
- For conforming and consequential amendments to other Sections of the Code: effective as of 15 December 2022.

In respect of the EQR, NAS and Fees-related pronouncements, the ESB has since advised the MIA Council to adopt the same effective date as those being proposed by the IESBA Board. Such approach will be less disruptive for firms that operate through international network or where the clients of the firm operate in multiple jurisdictions.

ESB Members, Observers and Technical Staff

1 January 2019 - 31 December 2021

NAME	DESIGNATION AND ORGANISATION	NOTE
Chairman		
Dr. Mohd Nizam Mohd Ali	Fellow to Tunku Intan Safinaz School of Accountancy	
Board Members		
Professor Dr. Aiman Nariman Mohd Sulaiman	Professor of Corporate Law at the Ahmad Ibrahim Kulliyah of Laws (AIKOL), International Islamic University Malaysia (IIUM)	
Eulis Rachmatiah Iskandar Sastrawidjaja	Founder & Principal Trainer, Ethiculture Training and Consultancy	
Mohamed Hanif Abdul Hamid	Head of Commercial & Strategic Relations, SEA Hibiscus Sdn Bhd	
Ng Yee Yee	Partner, Ernst & Young	
Ravindran Navaratnam (Past Chairman from October 2015 until November 2019)	Chief Strategy Officer, Minconsult Sdn Bhd	
Tan Khoon Yeow	Partner, BDO PLT	
Dr. Veerinderjeet Singh	Group Chairman, Tricor Services (Malaysia) Sdn Bhd	
Assoc. Prof. Dr. Zuraeda	Director of Students Leadership, University Teknologi MARA	
Teo Swee Chua, Stanley	Partner, Deloitte	Retired on 19 November 2019
Khaw Hock Hoe, Alex	Partner, KPMG	Retired on 21 February 2019
Leong Kah Mun	Managing Partner, Ngage Advisory PLT	Retired on 25 October 2019

Observers

Ooi Thiam Poh, Alex	Audit Oversight Board	
Tan Lay Khoon	Bursa Malaysia Berhad	
Lim Sok Kiang	Jabatan Audit Negara Malaysia	Retired on 19 November 2019

Technical Staff

Simon Tay Pit Eu	Executive Director, PPT
Rasmimi Ramli	Executive Director, Digital Economy, Reporting & Risk
Johnny Yong	Head of Capital Market & Assurance
Nadiah Mohammad	Manager, Small & Medium Practices Department, PPT
Lee Yee Fung	Assistant Manager, Capital Markets & Assurance, PPT
Nur Hidayah Othman	Senior Executive, Capital Market & Assurance, PPT



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