



**Suruhanjaya Sekuriti**  
Securities Commission  
Malaysia

Reference No: AOB/IESBA/R&RT/2015-003/PAIB

14 April 2015

Mr Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY10017  
USA

Dear Sir,

**COMMENTS ON IESBA EXPOSURE DRAFT  
PROPOSED CHANGES TO PART C OF THE CODE ADDRESSING PRESENTATION OF  
INFORMATION AND PRESSURE TO BREACH THE FUNDAMENTAL PRINCIPLES**

We thank you for the opportunity to comment.

The Audit Oversight Board, Malaysia (AOB) supports the efforts of the International Ethics Standards Board for Accountants (IESBA) to enhance guidance in the Code of Ethics for Professional Accountants (the Code) to better assist professional accountants in business (PAIBs) in identifying and addressing inappropriate pressure that could lead to a breach of the fundamental principles.

In this regard, the AOB has no objection to the proposed changes to Part C of the Code outlined in the exposure draft addressing presentation of information and pressure to breach the fundamental principles.

In addition, the AOB commends the IESBA for emphasising the role of PAIBs as the first line of defence in ensuring that the financial reports produced by their organisations are faithful representations of the economies of transactions.

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However, the AOB wishes to draw attention to the following:

(i) **Consultation with third parties**

The proposed Para 320.7 provides an option whereby a PAIB may consider consultation with legal counsel, a relevant professional body or third parties, including users of the information, regulatory authorities or the employing organisation's external accountant, in the event that corrective action has not been taken and information is still misleading despite taking steps to resolve the matter.

In such a situation, the AOB wishes to highlight that whilst a certain degree of protection is accorded to those in consultation with regulatory authorities<sup>1</sup>, the same protection may not be accorded to those who consult with legal counsel, a relevant professional body, or other third parties.

In addition, consultation with third parties may result in the inadvertent violation of the fundamental principle of confidentiality. In this regard, the AOB recommends that PAIBs be reminded to be alert to the fundamental principle of confidentiality prior to any such consultation, similar to that highlighted in the proposed Para 370.5 of the Code.

(ii) **Potential conflict of understanding**

The proposed Para 370.3 clearly states that the proposed Section 370 of the Code does not address routine pressures encountered in the workplace such as pressure to meet a reporting deadline.

Thereafter, the proposed Para 370.4 provides examples of pressure that could result in a breach of the fundamental principles, including pressure from superiors to perform a task without sufficient skills or training or without sufficient time.

In view of the similarities and possible overlap between these examples, the AOB is concerned that there may be a potential conflict of understanding when applying these paragraphs in a real work situation.

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<sup>1</sup> In Malaysia, whistleblower protection is only applicable if the disclosure of improper conduct is made to an 'enforcement agency' as defined and subject to the requirements of the Whistleblower Protection Act 2010.

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The AOB also notes that discussion with the person exerting the pressure to clarify their intent (as recommended in the proposed Para 370.5) may well establish that the situation is not intended to be in violation of the fundamental principles, and thus would not assist in alleviating the pressure applied.

Should you require any further clarification, please do not hesitate to contact Lim Fen Nee at +603 2091 0608 or at her email FNlim@seccom.com.my.

Thank you.

Yours sincerely



**NIK MOHD HASYUDEEN YUSOFF**  
Executive Chairman  
Audit Oversight Board

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