



Suruhanjaya Sekuriti
Securities Commission
Malaysia

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4 July 2014

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

Dear Sir

**COMMENTS ON IESBA EXPOSURE DRAFT
PROPOSED CHANGES TO CERTAIN PROVISIONS OF THE CODE ADDRESSING
NON-ASSURANCE SERVICES FOR AUDIT CLIENTS**

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) in clarifying and strengthening the non-assurance services provisions in the *Code of Ethics for Professional Accountants* ("the Code") in order to ensure that they continue to support a rigorous approach to independence for assurance services, in particular with regard to audits of financial statements.

In response to your exposure draft, we are pleased to provide our comments and feedback on the proposed changes to certain provisions of the Code addressing non-assurance services for audit clients, as attached in **Appendix I**.

Audit Oversight Board

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In addition, we wish to draw your attention to the auditor licensing requirements in Malaysia which prohibit an auditor from directly or indirectly recording or maintaining accounting records for any company where the auditor or his partners are the appointed auditors of the aforementioned company except for accounting work related to the audit. Our comments and feedback should therefore be read in context with this prohibition.

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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**SECURITIES COMMISSION MALAYSIA
AUDIT OVERSIGHT BOARD**

Comments on

**International Ethics Standards Board for Accountants
Exposure Draft**

***Proposed Changes to Certain Provisions of the Code
Addressing Non-Assurance Services for Audit Clients***

The Audit Oversight Board, Malaysia, (AOB) supports the efforts of the International Ethics Standards Board for Accountants (IESBA) in clarifying and strengthening the non-assurance services provisions in the *Code of Ethics for Professional Accountants* ("the Code") in order to ensure that they continue to support a rigorous approach to independence for assurance services, in particular with regard to audits of financial statements.

In this regard, our comments on the *Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients* are as follows:

Specific Comments

Emergency Provisions

1. Are there any situations that warrant retention of the emergency exceptions pertaining to bookkeeping and taxation services?

In Malaysia, paras 290.172 and 290.185 of the Malaysian Institute of Accountants By-Laws (On Professional Ethics, Conduct and Practice) ("MIA By-Laws") prohibit a firm from providing such services to an audit client that is a public interest entity, without any further consideration of whether the provision of such services are of a routine or mechanical nature.

AOB thus welcomes the removal of the emergency provision as this would better align the requirements of the Code to that of the MIA By-Laws.

Notwithstanding the above, AOB wishes to draw attention to the auditor licensing requirements in Malaysia which prohibit an auditor from directly or indirectly recording or maintaining accounting records for any company where the auditor or his partners are the appointed auditors of the aforementioned company except for accounting work related to the audit.

Management Responsibilities

2. Does the change from "significant decisions" to "decisions" when referring to management responsibilities (para 290.162) enhance the clarity of a management responsibility?

Yes.

3. Are the examples of management responsibilities in para 290.163 appropriate?

AOB is of the view that the examples in para 290.163 of the Code allow for more clarity to the definition of management responsibilities. However, it is crucial to be mindful that the list is non-exhaustive.

4. Are there any challenges in understanding and applying the prerequisite set out in para 290.165 for non-assurance services that should be considered?

AOB supports the proposed amendments as more clarity is provided with regard to the level and type of competence expected in an individual designated by management to make all judgements and decisions that are the responsibility of management.

However, depending on the talent pool, such prerequisites may pose a challenge to the identification of suitable candidates who match the proposed profile, i.e. preferably within senior management, who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services, etc.

5. Will the enhanced guidance assist engagement teams to better meet the requirement of not assuming a management responsibility?

AOB is of the view that the enhanced guidance will provide more clarity whilst eliminating the element of judgment with respect to the types of activities that would be considered as assuming a management responsibility.

6. Does the relocation of the guidance pertaining to administrative services into its own subsection provide greater clarity?

Yes.

Routine or Mechanical

7. Does the proposed guidance on “routine or mechanical” clarify the term, or is additional guidance needed?

AOB is of the view that additional guidance would be helpful.

8. Is the meaning and identification of source documents sufficiently clear, taking into account documents that may be generated by software?

Yes.

Section 291

9. Do the changes proposed to Section 291, specifically the additional requirements to proposed para 291.146, enhance the clarity of a management responsibility?

AOB supports the proposed amendments as more clarity is provided with regard to the level and type of competence expected in an individual designated by management to make all judgements and decisions that are the responsibility of management.

However, depending on the talent pool, such prerequisites may pose a challenge to the identification of suitable candidates who match the proposed profile, i.e. preferably within senior management, who possesses suitable skill, knowledge and experience to be responsible at all times for the client’s decisions and to oversee the services, etc.

10. Are the examples of management responsibilities in para 291.144 appropriate?

AOB is of the view that the examples in para 291.144 of the Code allow for more clarity to the definition of management responsibilities. However, it is crucial to be mindful that the list is non-exhaustive.

11. Does the relocation of the guidance pertaining to administrative services provide greater clarity?

Yes.

General Comments

Translations

Translation issues are not applicable for Malaysia as the final standard will be adopted in English.

Effective Date

AOB has no objection to the proposal that the effective date for the changes will not be less than 12 months after issuance of the final changes, with earlier application permitted.