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Analytics for Accounting

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By Cheryl Lim

The MIA International Accountants Conference 2018 focused heavily on technology and transformation, including a session on data analytics for accounting.

Moderator Simon Tay Pit Eu, Executive Director, Professional Practices & Technical MIA kicked off the session by explaining data analytics in a nutshell. “Data analytics involves the acronym ICTM, which is the Inspecting, Cleansing, Transforming and Modelling of data, for three purposes: one, discovering of useful information, two, to suggest conclusions and three, to support decision- making.”

Big data analytics is especially critical as accountants evolve from just record keeping and hindsight to offering predictions and foresight to support and guide businesses, agreed Nik Shahrizal Sulaiman, Assurance Partner, Risk Assurance Services, PwC Malaysia and Surendran N Sankaran, Technical & Digital Insight, Maybank.

“While accountants and the finance function might have relied on the IT team to run analytics before, these days, accountants are capable of doing the data mining and data analytics with the aid of tools,” added Surendran, who predicted that “data visualisation or data dash boarding and what we call as infographics using pictures will be the next wave.”

He explained that Group Audit in Maybank is “trying to build an intel of analytics for the future. Instead of you coming up with the possible scenarios, the system or tool can tell you what are the potential things happening or could potentially happen using internal data as well as external data that place an impact on all factors outside of the bank.” Rather than the auditor’s traditional pure focus on compliance, effective data exploration requires an in-depth analysis involving the four Ws (What, Who, When, Why) and one H (How), with the 'Why' being the most important to understand the reason behind an occurrence, said Surendran.

(L – R) Simon Tay Pit Eu, Nik Shahrizal Sulaiman, Surendran N Sankaran & Prof Dr Siva Muthaly

"In essence, Big Data Analytics involves the concept of D2 and P2, where the two Ds are Descriptive and Diagnostics – describing and diagnosing a data set – and the two Ps relate to Prediction and Prescription – predicting the future, inferring from the patterns and behaviours and applying any prescriptions to remediate anomalies found," explained Professor Dr. Siva Muthaly, Dean, Faculty of Business & Management, Asia Pacific University of Technology & Innovation.

"For practical purposes, Big Data Analytics is also being deployed to stamp out creative cyber fraud, such as the use of Benford's Law to pick up complex split transactions, said Surendran, and to give actionable insights into areas as varied as consumer behaviours," said Dr. Siva. Going beyond this, Nik urged accountants to use data analytics for strategic business purposes because "increasingly, many accountants are expected to give business insights in terms of how businesses can be made better rather than just providing information about transactional values. That is the real challenge because the most important thing is to give the correct insight."

Asked whether accountants or data scientists should take the lead in data analytics, Surendran emphasised that top management needs to be in the driver's seat. "Who drives data analytics is the key. (There is a) stronger message if it is conveyed from the CFO downwards. Ultimately the CFO wants to see results, they want to see more of foresights and how this data could actually make more meaningful decisions." Offering an Australian perspective, Dr. Siva noted that while the CIO handles big data analytics in collaboration with a pool of experts, the actual final decision rests with the CEO.

In order to give the right insights, completeness of data and the ability to ask the right questions are key. "Reliability of the data, data integrity, and data accuracy are among the factors that must be considered," pointed out Surendran. "By asking the right questions, you can figure out the tools and methodology to answer the questions. Sometimes the danger of data analytics is that you have so much data, so many conclusions being produced but these are not relevant to the question at hand. So, in summary it is very important to know what you are trying to do with that question," concluded Nik.

Breaking Down the Blockchain

at-mia.my/2018/12/18/breaking-down-the-blockchain

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By Amalina Anuar

Like artificial intelligence (AI) and the cloud, blockchain has been dubbed a technological wonderkid. Harnessed effectively, it can improve a slew of processes not only within the corporate world but also in the public sector.

Experts at the recent MIA International Accountants Conference 2018 broke down some blockchain basics, including how the public and private sectors can use the technology, in the sessions on "Raising the Bar: How Blockchain and AI Solutions can Enhance the Public Sector" and "Riding the Digital Wave, Leading Transformation".

What is blockchain?

At its core, blockchain is a distributed ledger technology.

"It's basically photocopies of data all around the world on computer servers," explained blockchain session moderator Khoo Hsu Chuang, Producer/Presenter, The Morning Run on BFM. "It's highly accurate, highly transparent, and it's very dis-intermediary in nature [which means] it removes by-and-large the middleman."

Speaking at the first plenary session, Toh Beng Siew, CFO, IBM Malaysia added, "It is an independent system, where if there are changes at any point of time in the transaction, everyone is aware of where it is. That's why it is called a single source of truth."

Meanwhile, Hari Haran Iyer, Associate, CIPFA highlighted that people tend to conflate blockchain with cryptocurrencies, but this misperception should be corrected. "Cryptocurrency only uses the [blockchain] technology for generating coins."

Neither is using blockchain a process devoid of human involvement, pointed out Zhong Yang Chan, Assistant General Manager, Innovation, Digital & Strategy, Securities Commission Malaysia.

"At a fundamental level, blockchain is a ledger and a ledger just records information. In the case of blockchain, it makes [data] very easy to be audited."

Auditors, therefore, are still very much necessary to ensure that data inputs are accurate and flow through the proper system processes.

It's also worth noting that there are two types of blockchain technologies: a public ledger and a private ledger. The former allows for universal access of uploaded data, while the latter— also known as a hyper-ledger— is permission-based and requires access granted by the owner of the private ledger.

Why is blockchain useful to the public sector?

Since data is shared and is very hard to manipulate once it's on the ledger, blockchain acts as a source of immutable truth. Hiding illegal financing activities, for example, becomes a Herculean, if not impossible, task.

"Blockchain is a tool for public good," emphasised Stephen Darley, CEO Asia Pacific, BDO. "Approximately USD1.5-2 trillion is lost through fraud and corruption in the public sector globally per annum. That represents 2% of global GDP, so we can combat that level of corruption through using blockchain globally."

"There's huge potential for public sector use cases," noted Khoo, "such as government services, procurement, payments, voting and land registration, healthcare and taxation and the eradication of corruption eventually. The UK, Brazil, China and India are all running pilots… and a lot of developed countries, especially from the northern hemisphere, are testing the technology."

Hari highlighted how blockchain specifically helped Estonia. "Estonia used blockchain technology to process 100% of its public sector transactions, whether it is the electoral register or health records. Blockchain minimises corruption, minimises errors in… and duplication of records, and brings in efficiency."

Political stability could also be strengthened through blockchain adoption. "If you think about democracy," continued Hari, "it heavily relies on the accuracy of your electoral register. The minute you lose that accuracy, there's going to be a… challenge on the validity of election results. Blockchain will enable bringing [more] credibility and reliability of data."

Having indelible records would also be a boon for public services since shared data such as health records could be accessed regardless of citizens' changes in location, for instance.

"This is something blockchain could potentially solve," said Zhong, "which is to help link up some of this disparate data that exists in this country for the betterment of the rakyat."

There is also potential in cleaning up procurement processes via blockchain in the future.

“There’s going to be some variance from organisation to organisation, but 80% of the procurement process is pretty standard,” noted Hari. “Migrating that procurement process [onto blockchain technology] would to a great extent eliminate the risk of fraud, and introduce efficiency and accuracy of records.”

Hari also surmised that since procurement— excluding the tendering process, which has to be a separate process on blockchain— is non-political, it may also be easier to get wider buy-in from stakeholders.

According to Khoo, blockchain could also be mobilised to bolster states’ fiscal strength if data flows and concomitant e-commerce revenues were uploaded onto the ledger before subsequently being taxed.

“The Starbucks and Googles of the world use international transfer pricing to move from countries where they generate the profits to where there is zero tax rating,” echoed Hari. “With blockchain, the advantages are that once transactions are recorded, they can’t be amended or deleted. You don’t have the luxury of hiding taxable income.

“Therefore,” he concluded, “you don’t have to introduce new tax measures or increase existing tax rates if you can just make [the corporate world] use blockchain technology. Revenue on existing tax measures and tax rates will significantly increase.”

During the first plenary session, Dr. Noel Tagoe, Executive Vice-President, Research and Curricula, CGMA elaborated on how blockchain may further change tax regimes as we know it.

“For key regulators in Asia, Europe and the US, blockchain allows them not to accept accounts as given. They are beginning to ask for access to the database of organisations to construct their own accounts in the banking sector to check if you are meeting prudential requirements or not.”

“Transparency is coming in this particular area,” he underscored. “For the Big 4 and tiers below, you have to restructure tax practices because blockchain and databases like that will change the way taxation and tax authorities deal with you.”

(L – R) Khoo Hsu Chuang, Stephen Darley, Hari Haran Iyer & Zhong Yang Chan

What blocks blockchain's spread?

Further expanding the reach of blockchain-based processes in Malaysia may not be so easy, however, despite the huge potential for use cases.

More generally, acknowledged Khoo, the rapid pace of technological advancement can leave many potential adopters confused. "It also involves huge environmental costs," he added, "and it's disruptive enough that interests might not align in the financial sector."

Plus, though Malaysia was one of the first in the region to jump on the blockchain bandwagon, blockchain has taken flight faster in countries like Singapore thanks to small populations and political will.

As for early adopters like Estonia and Georgia, explained Darley, "some of these are post-conflict countries where records have been destroyed or there's a threat of destruction of records. There's a motivation and political willingness to place these records on immutable frameworks like what blockchain presents for the future."

The Singapore model is also a tough act to follow simply because of financial constraints, pointed out Zhong. While Singapore can hire technology vendors to solve its problems, he noted that "Malaysia… depends a lot more on private sector initiatives. We depend a lot more on ingenuity, on our people to drive through this process."

Regulators such as Bank Negara and Securities Commission, added Zhong, "are as facilitative as we can be within the ambits of our responsibilities for investor protection and financial stability, but ultimately, we cannot force the technology down someone's throat."

Another hindrance is the decentralised data systems in healthcare records, tax regimes or otherwise— a phenomenon slowing down blockchain adoption even in developed countries such as the US and UK.

It's very difficult to bring all of them into one standardised platform before you can roll out blockchain type technology," noted Hari.

The panellists, however, gave assurances that blockchain will be an indispensable feature of the future nonetheless.

“Blockchain adoption,” emphasised Darley, “will rise especially in countries like Malaysia, where there is such a young demographic and there is such a crave for new technology and new initiatives.”

In a couple of years, added Hari, “smaller countries that have implemented blockchain would have derived the benefits and that will also motivate other countries where records are not standardised [to do so].”

Meanwhile, the private sector faces its own challenges in adopting blockchain, and these obstacles can vary depending on the industry.

A big hurdle for the financial services sector, which is the top piloter and adopter of blockchain at about 69% globally, are legacy institutions.

“Due to regulatory constraints,” explained Hari, “[financial service providers] haven’t adapted fast enough in moving in the technology space. They are still operating on dinosaurs like AS400 mainframe systems. For them to come to current technology, it’s a big leap.”

What can the private sector gain from blockchain?

For Hari, the advantages of following the blockchain gravy train are simple.

Blockchain, he noted, is a “fantastic opportunity for accountants to step up [and] adapt the blockchain to move away from the mundane processing tasks into doing more, creating ideas, and coming up with more innovative solutions for your own organisation.”

In Zhong’s view, blockchain could be critical to slashing costs as well.

“From an auditor’s perspective, if you’re seeing your clients doing a lot of reconciliation, that’s probably a good place to start [rolling out blockchain].

“It means there’s an asymmetry of data quality, of data standards, which blockchain can potentially come into the picture and help solve,” he explained. “If we just save on the reconciliation costs… operation costs suddenly shrink down by 20-30%.”

Blockchain has also been imperative for resolving disputes for IBM by up to 90% due to shared and indelible data entries, shared Toh, in addition to speeding up intercompany transactions that require much documentation.

“Blockchain makes life better for auditors as well in dealing with authorities,” continued Toh, “because documentation and everything required is kept within the blockchain.”

Moreover, though blockchain was born with pseudo-anonymity in mind, such as with bitcoin, Zhong was quick to add that this doesn't mean the technology is ill-suited for integration with a whole suite of financial services.

"Know Your Client, Anti-Money Laundering, Due Diligence, and Counter-Terrorism Financing is still top of the mind," he said. "The real world still needs these regulations, this compliance to be involved in this process. The technology can adapt and evolve to what we need it to do."

Of course, opportunities for the private sector— and especially accountants— don't just lie in adopting blockchain but in helping others adopt it too. "There's a huge potential in the standardisation of public records," emphasised Darley, "and that's a great opportunity for us as accountants."

How can organisations adopt blockchain?

Given how blockchain may be a holy grail for technological-based operations, the panellists shared advice on how to put blockchain adoption roadmaps into action.

Chief among their recommendations was to phase blockchain in slowly but surely.

"It's not about big investments," counselled Zhong. "The easiest way to understand this technology, to get around this technology, is to just choose an area and start piloting it around your organisation. It's about taking bite sized pieces of this apple rather than trying to swallow the whole apple."

Beyond proof of concepts and small pilot projects, Hari added that role models are just as imperative: "Money doesn't always solve all technological problems or all operational issues. The issue is whether the tone at the top really wants change to happen."

Rather than obsessing over the technology alone, he continued, getting project management governance right— whether in terms of controls, risk management, or regulatory compliance— is as important as ever. Compared to public ledger-based cryptocurrency projects, which face an estimated 85% failure rate, projects in the hyper-ledger space have better success because of this.

"The [hyper-ledger] project sponsors have good structures in place. They know what they want to achieve. It may or may not necessarily be monetary benefit," noted Hari.

"They are looking at improving compliance, improving efficiency, [and bringing] a broad-based economic benefit to the organisation and economic benefit to the country. It's a long-term agenda, a long-term focus, unlike the cryptocurrency agenda which have a short-term focus."

As for regulatory compliance, Zhong noted that toeing the line of the law works similarly vis-à-vis blockchain despite the nascent nature of the technology.

“It’s not about the technology. It’s about the activity you intend to conduct on the blockchain. Regulators,” he underscored, “are ready to step in when things are not right.”

This is especially the case in an era where competing demands between data privacy and data liberalisation exist.

For governments, Zhong noted that the concept of self-sovereign identities may prove useful such as when dealing with powerful technology companies. “The idea is that you have all this data on the blockchain,” he explained, “but you control who gets access to that data.”

Still, Darley noted that the private sector would rather see less stringent requirements from regulatory bodies at this early stage of the blockchain game.

“The more you regulate something, the more it stifles innovation.” Instead of constraining blockchain use in business, he recommended that “the conversation should be around standardisation of blockchain so it can be used more uniformly globally.”

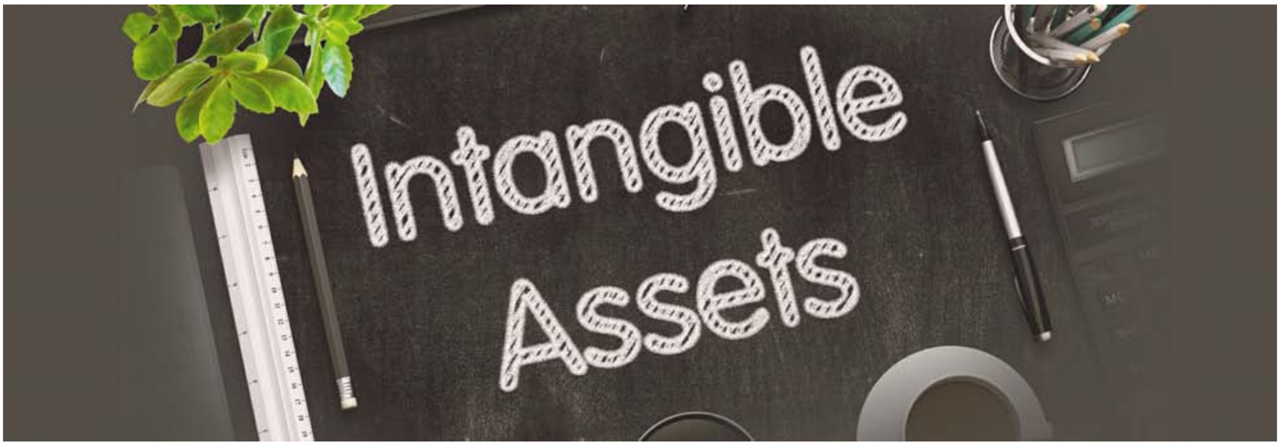
This would enable players both big and small to reap the yields of blockchain adoption, though panellists pinpointed the need for SMEs to proceed with their size in mind.

Speaking of Google and Amazon Web Services, Hari noted that “for SMEs to embark on blockchain technology on their own is cost prohibitive, so they ought to consider cloud-based solutions.”

Comparison between MPSAS, MFRS and MPERS: Intangible Assets

at-mia.my/2018/12/18/comparison-between-mpsas-mfrs-and-mpers-intangible-assets

December 18, 2018



This article analyses the accounting treatment for intangible assets under Malaysian Public Sector Accounting Standard (MPSAS) 31, Malaysian Financial Reporting Standard (MFRS) 138 and Section 18 of Malaysian Private Entities Reporting Standard (MPERS).

This analysis focuses on the significant requirements in MPSAS that are similar and different from the requirements in MFRS and MPERS in relation to (i) recognition; (ii) measurement; (iii) disclosures and (iv) first-time adoption. This comparison does not discuss the requirements in MFRS or MPERS that are not available in MPSAS.

Definition

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable when it:

- Is separable, i.e., is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- Arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Recognition

The recognition of an item as an intangible asset requires an entity to demonstrate that the item meets:

- The definition of an intangible asset; and
- The recognition criteria.

This requirement applies to the cost measured at recognition and those incurred subsequently to add to, replace part of, or service it.

	MPSAS	MFRS	MPERS
Recognition as an intangible asset	An intangible asset shall be recognised if, and only if: (a) It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and (b) The cost or fair value of the asset can be measured reliably.		An intangible asset shall be recognised if, and only if: (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; (b) the cost or value of the asset can be measured reliably; and (c) the asset does not result from expenditure incurred internally on an intangible item.
Internally generated intangible assets	***Research phase*** Expenditure on research should be recognised as an expense when incurred. ***Development phase*** An intangible asset from development should only be recognised if, and only if, an entity can demonstrate the following: (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale; (b) Its intention to complete the intangible asset and use or sell it; (c) Its ability to use or sell the intangible asset; (d) How the intangible asset will generate probable future economic benefits or service potential. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development. ***Other internally generated assets*** Internally generated brands, mastheads, publishing titles, lists of users of a service (or customer lists) and items similar in substance should not be recognised as intangible assets.		Expenditure incurred internally on an intangible item, including all expenditure for both research and development activities should be recognised as an expense when it is incurred unless it forms part of the cost of another asset that meets the recognition criteria in MPERS.
Internally generated goodwill	Shall not be recognised as an asset.		No specific guidance in MPERS.
Recognition as an expense	Expenditure on an intangible item shall be recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria.	Expenditure on an intangible item shall be recognised as an expense when it is incurred unless: (a) it forms part of the cost of an intangible asset that meets the recognition criteria; or (b) the item is acquired in a business combination and cannot be recognised as an intangible asset.	Expenditure incurred internally on an intangible item, including all expenditure for both research and development activities, shall be recognised as an expense when it is incurred unless it forms part of the cost of another asset that meets the recognition criteria in this Standard.
Past expenses not to be recognised as an asset	Those expenditures that were initially recognised as an expense cannot be recognised as part of the cost of an intangible asset at a later date.		

Measurement

<table>
<tr><th></th><th>MPSAS</th><th>MFRS</th><th>MPERS</th></tr>
<tr><td>Initial measurement</td><td colspan="3">Measured at cost.</td></tr>
<tr><td>Initial measurement (non-exchange transaction)</td><td>Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition shall be measured at its fair value as at that date.</td><td colspan="2">Not applicable</td></tr>
<tr><td>Subsequent measurement</td><td>Either the cost model or the revaluation model as an accounting policy.

If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets.</td><td>Either the cost model or the revaluation model as an accounting policy.

If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets.</td><td>Cost model.</td></tr>
<tr><td>Intangible assets with indefinite useful lives</td><td colspan="2">Should not be amortised.

The useful life should be reviewed at each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate in accordance with MPSAS 3.</td><td>All intangible assets should be considered to have a finite useful life. If the useful life cannot be established reliably, the life should be determined based on management's best estimate but shall not exceed ten years.</td></tr>
<tr><td>Intangible assets with finite useful lives</td><td colspan="3">Amortisation period and method
The depreciable amount should be allocated on a systematic basis over its useful life.

The amortisation method used should reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method should be used.

The amortisation charge for each period should be recognised in surplus or deficit/profit or loss/expense unless it is required or permitted to be included in the carrying amount of another asset.

Residual value
The residual value is assumed to be zero unless:
(a) There is a commitment by a third party to acquire the asset at the end of its useful life; or
(b) There is an active market for the asset, and:
(i) Residual value can be determined by reference to that market; and
(ii) It is probable that such a market will exist at the end of the asset's useful life.

Review of amortisation period and method
The amortisation period and method should be reviewed at least at each reporting date.

If the expected useful life of the asset is different from previous estimates, the amortisation period needs to change accordingly.

If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method also should change to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates.</td></tr>
<tr><td>Recoverability of the carrying amount</td><td>For impairment of an intangible asset measured under the cost model, an entity applies either MPSAS 21 or IPSAS 26 as appropriate.</td><td>For impairment of an intangible asset measured under the cost model, an entity applies MFRS 136.</td><td>For impairment of an intangible asset measured under the cost model, an entity applies Section 27.</td></tr>
</table>

Retirements and Disposal

The three frameworks stipulate that an intangible asset should be derecognised:

- on disposal; or
- when no future economic benefits (or service potential) are expected from its use or disposal.

The gain or loss arising from the derecognition should be recognised in profit or loss (surplus or deficit) when the asset is derecognised.

Disclosure

MPSAS 31, MFRS 138 and Section 18 of MPERS have some similar requirements in relation to disclosure. Both MPSAS 31 and MFRS 138 have some additional requirements on disclosure compared to Section 18 of MPERS.

First-Time Adoption

General requirements in relation to first-time adoption in relation to intangible assets are as follow:

MPSAS	MFRS	MPERS
A first-time adopter: may elect to measure the intangible asset (that meets certain criteria) at its fair value when reliable cost information about it is not available and use that fair value as the deemed cost; and i. should recognise and/or measure an internally generated intangible asset if it meets the definition of an intangible asset and the recognition criteria, even if the first-time adopter has, under its previous basis of accounting, expensed such costs. A deemed cost may not be determined for internally generated intangible assets.	A first-time adopter may elect to: i. measure the intangible asset on the date of transition at its fair value and use that fair value as its deemed cost at that date; or ii. use a previous GAAP revaluation of the intangible asset at, or before, the date of transition as its deemed cost	A first-time adopter may elect to use a previous GAAP revaluation of the intangible asset at, or before, the date of transition as its deemed cost at the revaluation date.

Complying with the New Malaysian Business Reporting System

at-mia.my/2018/12/18/complying-with-the-new-malaysian-business-reporting-system

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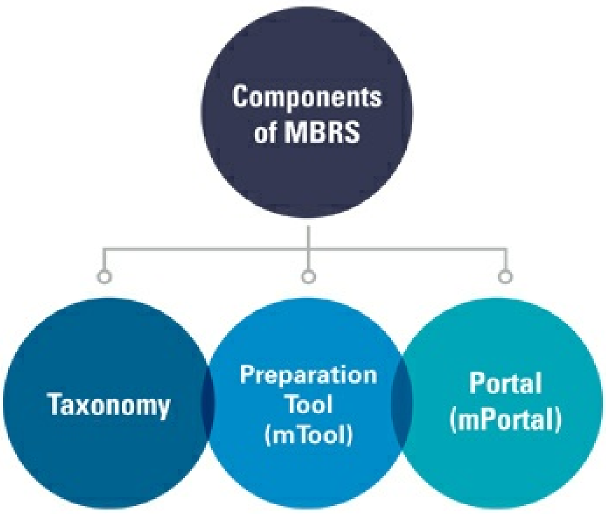
By Nurul Hidayah Zailani



The Malaysian Business Reporting System (MBRS) is a submission platform introduced by the Companies Commission of Malaysia (SSM) for companies incorporated in Malaysia to submit: annual return, financial statements and exemption application as required under the Companies Act 2016. The MBRS submission platform is based on the eXtensible Business Reporting Language (XBRL) format.

The MBRS submission platform consists of three main components: (1) the XBRL taxonomy; (2) the preparation tool (known as mTool); and (3) the portal (known as mPortal).

Here are some FAQs to familiarise accountants with the MBRS:

Why is the XBRL important for businesses and other stakeholders (e.g. regulators, investors, banks)? How would they benefit from the XBRL?

The XBRL increases the usability of financial statement information whereby businesses, investors, regulators, policy makers and other stakeholders can utilise financial and non-financial information in a timely, systematic and efficient way for policy and economic decisions.

In Malaysia, other regulators such as Bank Negara Malaysia and Securities Commission have already leveraged on the XBRL to collect certain data relating to financial institutions as well as capital market. In other jurisdictions, the XBRL is used not only for submission of information but also for enforcement and surveillance.

What are the practices in other jurisdictions with regard to the XBRL?

The XBRL is used by more than 100 regulators, governments, data providers, analysts, investors and accountants in over 60 countries worldwide. For example:

1. The Securities and Exchange Commission of the United States (US SEC) uses the XBRL to analyse listed companies and securities' compliance with disclosure obligations as well as to identify outliers that may indicate accounting fraud.
2. The Emirates Securities and Commodities Authority (ESCA) uses the XBRL for listed companies to submit quarterly XBRL-based financial statements to enhance transparency for the UAE market, particularly to allow foreign investors to view the financial statements in a range of languages.
3. The UK Companies House, the UK company registry, uses the XBRL for UK companies to file their financial statements.
4. The Spanish Business Register uses the XBRL for corporations to submit their annual financial statements.

What are the differences between current submissions as compared to submissions via the MBRS platform?

There are two significant differences:

1. The MBRS allows companies to submit documents online, hence eliminating over-the-counter hard copy or paper-based submissions.
2. There is no need to submit the paper-based financial statements, annual return and exemption application. Instead, companies need to prepare these documents using the mTool for online submission.

However, similar to the previous practice, company secretaries are required to do the submission of these documents.

What are the expected challenges from the implementation of the MBRS?

There are three main challenges:

Preparation of dual financial statements

The MBRS financial statements are different from the audited financial statements, although the preparation tool itself is constructed based on the IFRS taxonomy and most of the information required for the MBRS financial statements are derived from the audited financial statements. This means that companies are required to prepare two sets of reports – financial statements for the purpose of statutory audit as required under the Companies Act 2016 and the MBRS financial statements for the purpose of submission to the SSM. However, this is only applicable for the first year of implementation as the MBRS allows pre-population of prior year data, which reduces the effort to key-in prior year data into the mTool.

Judgement surrounding the process of tagging to prepare the MBRS financial statements

The SSM XBRL taxonomy consists of approximately 5,500 elements for the MFRS financial statements and 2,364 elements for the MPERS financial statements, which is built from the analysis of various industries based on National Key Economic Areas (NKEAs). Judgement is required on how best to tag items in the audited financial statements into the MBRS financial statements. Preparers are expected to be familiar with financial reporting and have adequate accounting technical knowledge to be able to prepare the MBRS financial statements.

Increase in cost of compliance

The expected increase in cost of compliance from the implementation of the MBRS is mainly derived from: one, cost of providing the XBRL tagging service and two, cost of assurance service.

As the process of tagging information from the audited financial statements into the mTool generally needs to be done manually, companies without in-house financial expertise may resort to outsourcing the work and incurring additional cost to prepare the MBRS financial statements.

Company directors, who have the ultimate responsibility for the financial statements, require comfort or assurance that information in the audited financial statements have been properly tagged and entered into the MBRS financial statements. The assurance service is also expected to increase the cost of compliance for businesses.

How can the MBRS benefit small and medium practitioners (SMPs)?

SMPs may be approached to provide the MBRS-related compliance and assurance services to small and medium enterprises (SMEs), which are generally without in-house financial expertise. SMEs would likely turn to SMPs for support in areas such as preparing the MBRS financial report or providing assurance on whether the financial data has been filled up accurately for regulatory submission.

As such, it may be worthwhile for SMPs to invest time and effort to gain competency in the MBRS.

Why is MIA organising the MBRS courses for businesses and preparers? What is MIA's role with regard to the MBRS?

We believe accountants play an important role in this MBRS journey. Accountants, as trusted partners to businesses, are expected to play a significant role either in assisting their organisations/clients to prepare the MBRS reports or as a subject matter expert in this area.

As part of our commitment to the accountancy profession in Malaysia, MIA has been appointed as an MBRS approved training partner by the SSM to conduct the MBRS training programmes. From June to September 2018, MIA conducted 31 training programmes throughout Malaysia and trained approximately 1,200 participants. MIA has also scheduled another 21 training programmes until the end of the year. MIA will continue to educate and create awareness among our accountants on the MBRS.

Nurul Hidayah Zailani is Head, Financial Reporting & Capital Market, MIA.

Conquering Accounting Job Fears

at-mia.my/2018/12/18/conquering-accounting-job-fears

December 18, 2018

(L to R) David Chew, Dr Nurmazilah Dato' Mahzan, Toh Beng Siew & Dr Noel Tagoe

By Nazatul Izma

Job obsolescence, specifically risks to accounting jobs as organisations embrace technology, was an overriding concern at the recent MIA International Accountants Conference 2018 with the theme of Riding the Digital Wave, Leading Transformation.

Below are some of the insights and recommendations for accountants seeking to future-proof themselves in the era of Industrial Revolution 4.0, culled from the Plenary 1 session.

Automation is a Key Risk for Accounting Jobs

According to research from the likes of the McKinsey Global Institute and Frey and Osborne's seminal Future of Employment report, as cited by plenary session moderator David Chew, Producer/Presenter BFM89.9, "Accountants and auditors have a 98% risk of losing their jobs to automation as opposed to dentists and even dancers."

Meanwhile, MIA CEO Dr. Nurmazilah Dato'Mahzan quoted highlights from the Asian Development Bank (ADB)'s research paper entitled the Asian Development Outlook (ADO) 2018: How Technology Affects Jobs.

The ADO 2018 report identified the three essential technologies that are impacting all workers – artificial intelligence (AI), blockchain (BC) and robotics. Further, the report categorised jobs into four classes – routine/cognitive, routine/manual, non-routine/cognitive and non-routine/manual.

"Today, the job of accountants is typically routine/cognitive and almost 100% at risk of being automated. However, members and accountants working in non-routine yet cognitive jobs face a lesser risk of being automated," warned Dr. Nurmazilah.

Accountants Need to Acquire Higher Order Skills

According to Dr. Nurmazilah, citing research from the World Economic Forum (WEF), there is growing demand for jobs that require analytical thinking and problem solving, systems analysis and evaluation. However, there is a declining trend in terms of jobs requiring memory, verbal, management of financials, quality control, safety awareness, etc. which are in probability replaceable or can be supplanted by robots.

Dr. Noel Tagoe, Executive Vice-President, Research and Curricula, CGMA underscored that as data and analytics become predominant, accountants need to acquire the right skills and competencies to play in the data space.

According to Dr. Tagoe, his conversation with 15 data analytics heads of 15 top FTSE 100 companies, showed that there are four key competencies for managing data: data strategy and planning abilities; ability to extract and store data; ability to analyse and model data; and ability to communicate insights about the data.

"Their advice to accountants is to major in data strategy and planning and data communications." To do data strategy and planning, accountants must understand the business externally and internally and the ecosystem back and forth. To do data communications, accountants have got to be masters of communications.

"Strip accountants of everything and you are storytellers about the numbers. You have to learn to tell stories in different ways. Become polymaths of telling stories or polyglots, just in different languages," said Dr. Tagoe.

Dr. Tagoe also advised accountants not to compete in areas where computers shine e.g. predictions and calculations. "Do excel in areas where humans are superior – empathy, judgement and creativity – and in the computer-human interface where humans improve what computers do and vice versa."

Rethink Your Roles to Add Value, Become Trusted Business Advisors

Since the ADB research reported losses in routine cognitive jobs and routine manual jobs where algorithms are able to replicate these jobs, such as in bookkeeping, accountants have to rethink their roles.

"We have to seriously think about how we advance and enhance our skills as accountants, in order to provide services where we can apply our expertise, our professional judgement and decision-making abilities," urged Dr. Nurmazilah. These are the abilities that accountants must harness in order to become indispensable and valued business partners able to provide business with trusted advisory, she continued.

“There is more potential in the space of non-routine advisory and communications-based roles. There are reports that a high percentage of new jobs being created in Malaysia are about public relations (PR) and communications. Accountants should remain multiskilled and look into how you do communications and get people to use financial data that is provided by machines. Take that and use the analytical skills and judgement and professional scepticism – which are all in our education standards – to give advice and be trusted advisors,” she concluded.

Continuous Quality Monitoring for Type 3 Audit Firms

December 18, 2018

By MIA Practice Review Department

Audit firms with Type 3 rating under the practice review framework need to submit the remedial action plan (RAP) one month after receipt of the final practice review report approved by the Practice Review Committee (PRC).

Upon the approval of the RAP by the PRC, the audit firm is reminded to ensure that all action plans and the timelines as stated in the approved RAP are strictly implemented / adhered to. The audit practitioners and their audit engagement team are cautioned to consider the application of the principles and guidance under all the professional standards, based on the distinct characteristics of each engagement. As the approved RAP is only meant to focus on specific areas of the audit and deficiencies noted and serves only as guidance, the listed audit procedures in the approved RAP may not be exhaustive for purpose of addressing all the audit assertions relating to any particular account balance or transaction. Practitioners must recognise that the remedial process is not a one-off exercise to satisfy the requirements of the Practice Review Programme (PRP) but an ongoing continuous project in the interest of elevating the audit quality of the firm.

Monitoring Review

A monitoring review on the implementation of the RAP and its ensuing requirements (as prescribed in the MIA By-Laws) will be imposed on the audit firm three months after the approval of the RAP by the PRC. The onus is on the audit firm to update the PRC on the firm's progress on the implementation, including providing relevant supporting documents to substantiate the action plan implemented to facilitate the start of the monitoring review and it will be closely monitored by the reviewer. At the first stage of the monitoring review, the PRC expects the audit firm's audit quality controls and procedures manual should have been established and implemented as it is the backbone towards better audit quality. Failure to update the PRC on the progress might lead to a complaint lodged with the Registrar.

The core focus of the monitoring review is to determine that the weaknesses identified in the practice review report are adequately rectified. Subsequent to the receipt of the audit firm's update on its rectification progress, the second stage of the monitoring review will be conducted. The reviewer shall adopt an approach to ensure that the firm subjected to the monitoring review has adhered to professional standards, legal and regulatory requirements in the review of audit engagement files.

Reporting

At the end of the monitoring review, the factual findings as indicated in the Summary of Monitoring Review Findings (MRF) will be communicated to the sole proprietor or partner of the audit firm being reviewed. During the closing meeting, the practitioner has the opportunity to make representations on the audit work performed and make suggestions and recommendations in relation to the findings made by the reviewer before they sign off the MRF to confirm on the accuracy of the factual findings of the review.

Examples of MRF as below:

Reference *(Part A / Part B of Approved RAP)*	Weaknesses identified from 1st review report approved by PRC	Monitoring Review Findings *(from firm level and engagement level review)*		Audit Firm's Comment	Audit Firm's Sign off as Acknowledgement of Findings
Part A – Engagement Level Review					
		Engagement 1	Engagement 2		
Construction Contract	No working paper to indicate the recognition of revenue and expenses based on the stage of completion.	Not rectified	Rectified	For Eng.1, not rectified due to...... *(AF to provide explanation)*	
Trade Receivable	No assessment on recoverability of trade receivables, no aging analysis	Rectified	Rectified	No Comment	
Part B – Firm Level Review					
Engagement Performance – Fraud Risk Assessment	Consideration of risk of material misstatement in the financial statements due to fraud was not specifically documented	Rectified	Not rectified	For Eng 2, not rectified due to .... *(AF to provide explanation)*	

A dated draft report (known as Monitoring Review Comments or MRC) will then be sent to the audit firm for their comments subsequent to the closing meeting. Any comments made on the MRC must be submitted in writing within 21 days.

Monitoring Review Result (MRR)

A meeting of the PRC will be held to consider the Monitoring Review Findings (MRF) and the audit firm's comments. Where the monitoring review shows that the audit firm failed to effectively remedy its weaknesses to uphold audit quality and standard, the PRC shall lodge a complaint with the Registrar.

Conclusion

Based on preliminary feedback from the firms, the RAP process allows firms to be more focused in identifying the shortcomings which need to be addressed. Firms should devote considerable attention, time and effort to analyse the deficiencies identified during the practice review exercise and identify the root causes underlying the failure of the quality control system.

The continual support and commitment of the audit firms are critical for the satisfactory outcome of the monitoring review process. The audit firm should proactively look out for improvements on the firm's overall audit quality as what is effective now may be irrelevant tomorrow.

Corporate Governance: Service Above Self

December 18, 2018

By Amalina Anuar

In a world hyper-aware of scandals, the importance of corporate governance cannot be overstated. At the Malaysian Institute of Accountants' (MIA) annual Accounting Students Conference 2018, an expert panel broke down this key concept in simple manner to the future leaders of tomorrow.

What is corporate governance?

Put simply, corporate governance is about company behaviour.

Good corporate governance is when a company behaves responsibly towards its stakeholders, explained Dato' Yusli Mohamed Yusoff, President, Malaysian Institute of Corporate Governance (MICG). Meanwhile, bad corporate governance is when companies short-change customers through unsustainable practices that harm society, the environment, and its employees among other things.

Dr.Nurmazilah Dato' Mahzan, CEO, MIA, explained further that in any organisation, four key players— directors and the management, along with external and internal auditors— must be working together effectively and efficiently to ensure best corporate governance practices.

Since companies are run by humans, she noted that "what is important in corporate governance is the attitude of the people surrounding the organisation and corporate governance structures."

Integrity, accountability, transparency and disclosure must be embedded in the company's standard operating procedures (SOPs), systems, and processes, added Dr.Nurmazilah.

In this sense, Dr.Zarina Zakaria, Head of Accounting Department, University Malaya, explained that corporate governance is both institutional and social. "Institutional [corporate governance] are the rules, the process, the system and the social [aspect] is where we are coming from, the impactors interacting within that system. It's every one of us."

Why is it important?

Without good corporate governance, explained Dato' Yusli, "in the long run, the business of the company will not be sustainable."

Stakeholders hold businesses to high standards in the current era. Failure to meet expectations will not only invite judgement and reputation risk, but potential loss of profit and eventual business failure.

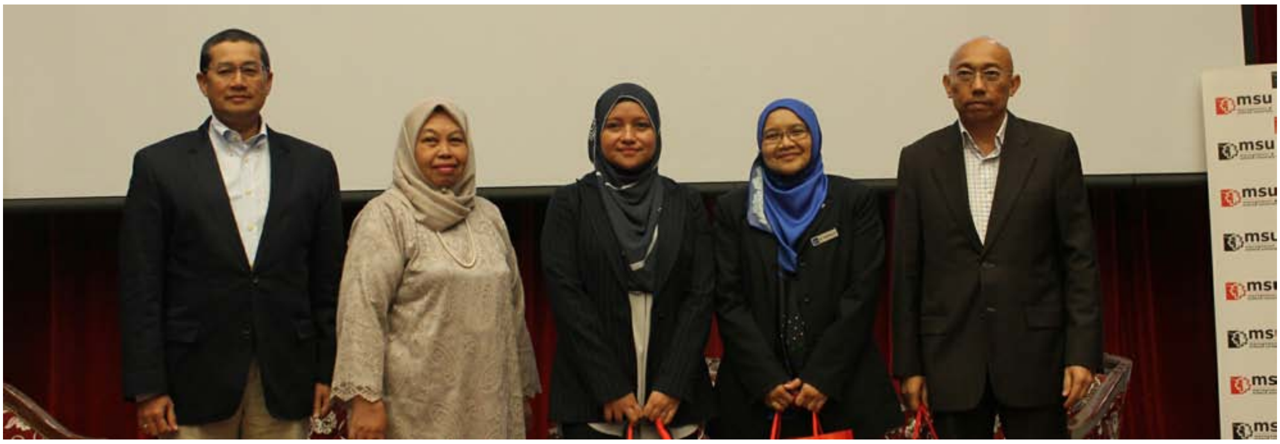
Accountants must be on the ball vis-à-vis corporate governance, noted the panellists. This is because, as noted by Dr.Zarina, "accountants to a certain extent, will definitely be involved very, very deeply in any scandal that we have these days."

Because of this, corporate governance is a process that must begin early.

"Discussions on corporate governance are important at various levels," said Dr.Nurmazilah. "It's not just a discussion that needs to happen among business leaders, among the political leaders, but needs to happen especially among students because all of you will become the leaders of tomorrow."

Dr.Zarina stressed that people should forget the misconception that corporate governance only begins in the boardroom.

"All of us are actors within corporate governance. It's not just that Board, just that management," she continued. "The values that you have within you don't accumulate within a day or two."



(L – R) Dato' Mohammad Azlan Abdullah, Associate Professor Dr Siti Khalidah Mohd Yusoff, Dr Zarina Zakaria, Dr Nurmazilah Dato' Mahzan & Dato' Yusli Mohamed Yusoff

Why do corporate governance breaches occur?

"Most of the problems arise because of human greed," said Dato' Yusli. "Sometimes the checks and balances don't work, because the people who are supposed to be controlling these things, they either close one eye or they look another way or they are also greedy."

Setting the tone from the top is therefore crucial, he added. “The role model is very important. The people at the top have to lead by example.”

The panellists also highlighted that stakeholders must not condone illegal practices and step up as whistleblowers when necessary.

Meanwhile, Dato’ Mohammad Azlan Abdullah, CEO, Prolintas, emphasised the importance of having enforceable controls that are continuously enhanced, especially with regards to having limits to authority. He cautioned against concentrating power in the hands of any one individual.

“The moment that happens, the fundamentals of internal controls will be weakened,” he noted. “There’s no check and balance. There’s no segregation of duties.”

How can students instil corporate governance values?

Better awareness and understanding of corporate governance practices, as well as of how accountants can get mired in illegal practices, is imperative for any future accountant.

In addition to reading up on corporate governance case studies, Dr.Zarina suggested watching a Netflix documentary on Dirty Money and scouring YouTube videos for more information.

Textbook knowledge can only carry accountants so far though, as real-life situations that require good corporate governance can be very challenging. On the ground, acknowledged Dato’ Azlan, there will be situations where “something is not right”.

Manoeuvring these circumstances will require soft skills, including good communication and critical thinking. “You need to combine all your academic knowledge, your work experience and how you interact with your stakeholders to be able to present and justify whether we should proceed.”

Still, even with knowledge and soft skills, the panellists concluded that there is no substitute for robust work ethics and a strong moral compass.

“The starting point is that integrity must be in our DNA,” noted Dato’ Azlan.

Dr.Zarina added, “If integrity is at stake, then the whole corporate governance system, no matter how good it is, will collapse.”

Dato’ Yusli emphasised that everyone has a choice; the only question is if it is going to be an honest or dishonest choice.

"The right choice from a corporate governance perspective is to make sure you take care of the interests of the company, of the stakeholders," explained Dato' Yusli, "and most of the time, it may mean not taking care of your own interest."

In this sense, he explained, corporate governance is about service above self.

Conclusion

Overall, corporate governance is an integral part of doing business, a concept every student and aspiring practitioner should inculcate.

Dr.Nurmazilah cautioned, however, that any accountant should not fail to see the forest for the trees.

"Governance is not just about corporate governance," continued Dr.Nurmazilah. "Governance is also about public governance and it's about social governance. At the end of the day, we have to see the harmonisation of people within any system so we can deliver value to the stakeholders."

Digital Disruption: Revolutionising Islamic Finance

at-mia.my/2018/12/18/digital-disruption-revolutionising-islamic-finance

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While Islamic financial institutions (FIs) are adopting technology, most still lag behind conventional or more traditional banking institutions in leveraging on innovations that can strengthen the sector and further enhance consumer experience.

Session moderator Dato' Badlisyah Abdul Ghani, Executive Chairman, Souqa Fintech acknowledged the need for Islamic financial institutions to have an organisational readiness to support digital transformation. He said, "Islamic financial institutions need to have a changed mindset across all its players within the ecosystem. It's a critical requirement for them to do so or they will find themselves without any business – being challenged not only by a challenger bank that is already licensed in some countries, but also by newer banks that operate outside the regulated space and by the likes of Amazon and Ali Baba that are already behaving like the largest financial institutions in the world albeit unregulated." Digital disruption is real, he said, and thus begs the question: how do Islamic financial institutions approach their business?

A clear hurdle and limitation for Islamic financial institutions remains the lack of agility and technological know-how that are the hallmarks of a fintech start-up. Without embracing innovative tools possessed by fintech start-ups, such as efficient use of big data or data analytics, traditional banks are not able to provide a sustainable model that can reach underserved communities – such as micro financing for SMEs that lack traditional access to finance. "Fintech start-ups are able to establish the financial behaviour of micro SMEs, allowing them to look at a company's characteristics that enable them to issue out micro financing. Traditionally this is not within the banks' purview but should aspire to as this is what promotes real economy" said Zahrain Aris Bakti Zulkifli, Head of Digital Banking, Bank Islam Malaysia. With fintechs leveraging on mobile connectivity and digitally connecting peers in P2P lending networks with technology, Zahrain stressed that it is critical to cultivate an Islamic Fintech Ecosystem with the support of Islamic FIs.

(L – R) Dato' Badlisyah Abdul Ghani, Datuk Noor Azrin Mohd Noor, Shah Mohammad Ali & Zahrain Aris Bakti Zulkifli

In a report by the Boston Consulting Group, there are 9,000 fintech companies across the world and 200 are involved in payment activities which compete directly with banks. Though fintechs and FIs seem to be in market competition, Shah Mohammad Ali, Head, Islamic Markets & FinTech, Malaysia Digital Economy Corporation (MDEC) is more pragmatic, saying that a collaboration between fintechs and banks is the way forward. "A lot of start-ups have no capital and no users but they have the agility to deploy solutions quickly as opposed to banks. Banks have the capital and users, but they are answerable to Boards that require short-term returns." By complementing each other instead of competing, they both can fill the gaps within the finance industry to fulfill social and developmental needs.

While digital acceleration can allow Islamic FIs to offer easier, more affordable and need-based financial products, Datuk Noor Azrin Mohd Noor, Managing Director, Sedania Group cautioned against chasing technology disruption for the sake of being disruptive and innovative. Instead, the focus should be on leveraging technology to serve customers. "The fundamental underlying theme is attending to a fast-changing consumer behaviour. Digital disruption becomes a threat if we mimic the behaviour of the generic fintech."

Malaysia can strengthen its status as an Islamic finance hub and as a digital leader for Industrial Revolution 4.0 (IR4.0) by seizing the opportunity to develop and position Syariah-compliant fintech as a premium service. "If we focus on the behavioural aspects of our primary target market, which is the Muslim consumers, this becomes the basis of how we come up with our services and how we position ourselves." Products that extend beyond banking, such as Islamic insurance and Islamic microfinancing can help boost the Islamic finance industry and put them in a strong position to lead change with technology as an enabler.

Do the Robot

at-mia.my/2018/12/18/do-the-robot

December 18, 2018

By Amalina Anuar

What are some basic dos-and-don'ts to adopting robotics and capitalising on the various opportunities it offers? Thought leaders at the recent MIA International Accountants Conference 2018's Plenary 2 session on 'Robotics: Fact and Fiction for the Future CFO' offered some tips:

DO understand what robotics is all about.

There are several types of robotics relevant to accounting: namely, application programme interfaces (API) and robotics process automation (RPA).

Though API is still critical, noted Helen Brand, CEO of ACCA, issues with availability, integration between different systems, time-consuming set-ups, as well as licensing and operating costs make it a less favourable first foray into robotics.

Helen Brand

Contrastingly, RPA is more accessible. It has no complex programming and can be easily configured by end users. Essentially, RPA entails a robot using software to mimic and repeat what a human employee does using the number of input keystrokes, for instance.

"It is replicating the exact actions the human would perform [in] that activity," said Brand.

Alvin Gan, Executive Director and Head of KPMG's IT-Enabled Transformation cautioned users not to mistake RPA for physical robots. "Robotics in that word stands for software that sits on top of all your other solutions, whether it is ERP or a CRM solution. So that means it can cut across your finance function. It cuts across HR, cuts across marketing and so forth."

DON'T automate unsuitable and inefficient processes.

Tasks that benefit most from being automated are "voluminous, rule-based and dependent a lot on human behaviour, human involvement," explained Gan.

Organisations must also review processes to ensure that they are lean before being automated, said Ray Ng Kar Teik, Senior Manager, Averis Sdn Bhd. "Cut down all the unnecessary process step or else you will not be automating something which is effective."

Gan added that organisations should not rely on IT departments alone when automating. "What we are trying to automate is the business, so business involvement is very key," he explained. "If we choose the wrong process, that will set off the wrong tone. So the involvement of business [professionals] from finance is very key to make sure that automation is done well."

In this sense, both business and IT functions must communicate and understand each other's needs for successful automation.

DO manage expectations.

Albeit RPA is a long-term asset, Ng warned that it will be an operating expenditure for the first few years due to the many test-runs and training hours involved.

Further, Gan added, "There are some incapabilities of RPA and this needs to be explained very well to the business user." Otherwise, disappointment will ensue.

There should also be no misconceptions that RPA means letting robots record everything. Ng advised organisations to document the rules/inputs for any automated processes, lest all the replications and relevant reference materials be erased when certain employees leave the organisation.

DON'T ignore whole-of-company engagement on robotics.

Greater staff involvement and support is key. This is because, as pointed out by Alan Hatfield, Executive Director, Strategy & Development, ACCA, employee resistance to adoption is one of the top three challenges vis-à-vis automation along with IT legacy systems making implementation difficult, and difficulties combining RPA with other technologies.

Change management, he emphasised, as well as a clear communication strategy on how RPA works and its benefits is very important.

Organisations can also highlight how indispensable employees are even with RPA's onset. Ng added that human staff are still necessary to see organisations through multiple rounds of automation, contribute original and creative ideas, and writing assumptions into the robotics software.

He further encouraged more analytical training and upskilling employees to a "post-RPA level".

(L – R) Alan Hatfield, Alvin Gan, & Ray Ng.

DO promote data accuracy and security.

Inputting good data is the first step to better RPA. "Getting good data," acknowledged Gan, "will be the next challenge a lot of organisations are facing today because it's garbage in, garbage out."

He further noted that organisations cannot fully rely on machine-generated data. "There must be checkpoints within the process itself… where the accountants or the CFO has to come in and validate some of this information."

Both the panellists also underscored the importance of data security. Data processing should be free from any external interference, said Ng, while Gan highlighted that there is "no point spending a million dollars on tech and then you buy a two-dollar padlock from the market".

"Because it is something digital, it needs digital protection," noted Ng.

Cybersecurity education, added Gan, is critical since employees may not be implementing the best cybersecurity practices, such as by leaving passwords lying around.

DON'T jump the gun.

Instead of automating everything from the get-go, Gan advised organisations to get a demo or proof of concept (POC) from consultants or vendors to first understand how RPA works and to phase it in slowly but surely.

Overall, robotics is the logical next step for the forward-looking accountant. It offers many opportunities for future CFOs, since it bolsters finance's role at the heart of the business.

As Brand puts it, disruptive technology like robotics helps in "shaping [business'] future strategy, managing its performance, driving innovation, supporting more effective risk management and of course better decision-making."

"Perhaps the biggest benefit," noted Hatfield, "is that it allows the truly talented professionals to focus on truly adding value to the business."

While adoption rates are higher in larger economies and organisations, the 49% of Malaysian practitioners who are currently trialling or deploying indicate that the trend is already on the upswing in this region.

This trend will likely only accelerate in the future. Robotics is already an exciting frontier now, noted Brand, but it is on the cusp of creating even greater impact and value as finance teams start to combine robotics with other emerging smart technologies.

Anyone who wishes to remain relevant, if not ahead of the pack, should thus jump on the robotics bandwagon soon.

"Professional accountants can either be swept along by the digital tide," she concluded, "or they can acquire the tools needed to master the current and steer their organisation forward to fresh opportunities."

Engaging Audit Talent Better

at-mia.my/2018/12/18/engaging-audit-talent-better

December 18, 2018

By Jenny Chua and Brian Wong

Accounting firms in Malaysia invest heavily in talent and the larger firms have built a reputation for progressive and innovative talent management practices. For instance, the largest accounting firms in Malaysia were again ranked at the top of the cross-sectoral Malaysia's 100 Leading Graduate Employers Awards 2018.

Despite their efforts, accounting firms – especially their audit practices – continue to report high attrition, attributable to intense competition from within and outside Malaysia for talent in a relatively limited accounting talent pool, and from work-related stress pressures that come with the challenging external service environment.

This is a major concern as audit careers may no longer be as attractive especially to those in the present generation who have a different outlook in life. It was against this backdrop that MIA undertook the work-related stress survey with audit firms and published the survey findings in the July / August 2018 issue of the Accountants Today.

As a follow-up, MIA organised a high-level talent roundtable with HR Heads from 16 major audit firms, moderated by Mr.Brian Wong, the immediate past chair of the MIA Public Practice Committee (PPC).

Key Findings

In general, larger accounting firms have the resources to devote more time and effort in embedding first class talent management practices to heighten employee engagement, satisfaction, loyalty, and performance. These include:

- ***Placing talent management at the core of leadership and management activities.*** Leadership and management-based initiatives are supported by a clear strategic mission and inspire staff with a sense of purpose in developing their careers with the firm.
- ***Clear and structured career pathways to enable talent to evolve and grow.*** High performers are often placed on a fast track career path.
- ***A structured learning environment.*** Staff can expect life-long learning and professional development opportunities within the firm.
- ***Employee empowerment.*** "We motivate employees by empowering them to achieve both professional and personal success." said Ms.Monsy Siew, Executive Director, People, Performance & Culture, KPMG PLT.
- ***Open communication and creating an atmosphere of inclusion and respect based on ongoing personal interaction.*** This is important for employees to have the right level of personal comfort regarding how they fit within the organisation. "At PwC, we are spending more time visiting audit teams to listen to feedback and respond to issues. We track our people engagement index closely, as we continue to focus on employee wellbeing and enhancing our work-life practices," said Ms.Salika Suksuwan, Human Capital Leader, PwC Malaysia.
- ***Overseas opportunities.*** In today's globalised economy, a premium is attached to international experience, and audit firms can offer employees cross-border mobility and diversity of experience through secondment opportunities. Firms are able to enhance their attractiveness as choice employers by working closely with overseas affiliated offices to explore international staff exchange, including short-term arrangements.

Meanwhile, mid-tier firms' flatter hierarchies have shortened the power distance between partners and junior auditors and enable more intimate mentoring and counselling. "We have seen results of some who have left the firm return afterwards seeking that sense of personal growth and belonging," said Ms.Bonnie Tham, Head of People and Support, BDO in Malaysia.

Smaller professional services firms, however, have basic talent management systems that generally do not capture and effectively manage talent-related information. Many lack ongoing management processes and some have just begun the journey to implement better talent management programmes within their firms. The lack of a systematic approach limits management's ability to identify, nurture and motivate employees. Smaller firms also may not have the in-house resources to develop structured training modules and hence, have to leverage on what is offered by external professional bodies.

Brian Wong is the immediate past Chairman of the MIA Public Practice Committee and Jenny Chua is the Head of MIA Small and Practices Department, Professional Practices and Technical Division.

Enhancing Preparers Key to Resolving Auditor Stress

at-mia.my/2018/12/18/enhancing-preparers-key-to-resolving-auditor-stress

December 18, 2018

By Jenny Chua and Brian Wong

Addressing the challenges posed by the external environment is core to solving the issue of work stress in the audit profession.

At a recent talent roundtable with HR leaders from 16 major accounting firms on 15 November 2018, participants said that the other players in the financial reporting ecosystem, namely preparers (the audit clients) and regulators need to coordinate and work together with the audit profession to collectively raise the quality of financial reporting – which will help alleviate audit stress and pressures on auditors.

Improve Preparer Quality

"In order to raise the standards of financial reporting, we need to start from the source – the preparers of financial statements," said Brian Wong, the immediate past chair of the MIA Public Practice Committee (PPC), moderating the roundtable.

Auditors have to deal with relatively heavy workloads due to the pressure of deadlines, as most companies have common financial year ends. High auditor workloads are also related to the clients' financial reporting capabilities.

Therefore, company directors need to improve the quality of their accounting and financial reporting function to raise the quality of their financial reports and ease the burden on auditors. To improve the quality of prepares, a quality control standard for preparers is proposed to establish the baseline quality requirements for accounting and financial reporting.

Pay Audit Fees That Reflect the True Value of an Audit

Undercutting is a reality in the highly competitive audit market. “Fierce competition among audit firms results in price-cutting pressures. Audit clients invariably get away with producing sub-standard work in the preparation of financial statements, resulting in auditors having to pick up the slack,” said Wong.

To solve the undercutting issue, MIA has initiated an effort to amend the Accountants Act to empower MIA with the power to set the standard for fees as a regulator to ensure that adequate resources are employed in the performance of an audit. MIA was also advised to continue to advocating the value of audit to stakeholders to reduce audit fee pressures.

Increased Regulatory Scrutiny of Preparers

“Regulators are focused on the quality of the auditor’s work but unfortunately do not exercise the same rigour on the environment of the preparers and their quality standards. Whilst it is mandatory for auditors to comply with international standard on quality (ISQC1), there is no such similar requirement and quality control standard for preparers,” said Wong.

“This ultimately costs auditors’ time and effort, and significantly impacts on their productivity and effectiveness. The imbalance in the financial reporting ecosystem places great pressure on auditors to continue with their role in the ecosystem,” he added.

Uphold Auditor Ethics

From the perspective of the MIA, auditors too need to raise professional ethics to the highest level. Auditors must be aware of their role in an audit of financial statements. Preparing financial statements is the duty of the preparers. However, if assistance is needed, it can be carried out by another registered accounting firm,” said Wong.

Conclusion

There is a need to improve quality control within the preparers’ environments and for firms to increase audit fees commensurate with effort and risk to ensure the continued integrity of financial reporting. Establishing better balance in the ecosystem will reduce unfair pressures to the profession, including the risk of losing quality talent.

“A more holistic approach in managing quality in the financial reporting ecosystem will improve the integrity and quality of financial reporting in Malaysia and is expected to result in better accountability and transparency for the benefit of all stakeholders, i.e. shareholders, creditors, customers, the tax authorities and the capital market as a whole. Nevertheless, it requires the coordinated efforts of the firms, professional bodies, the business community and the regulators,” concluded Wong.

Brian Wong is the immediate past Chairman of the MIA Public Practice Committee and Jenny Chua is the Head of MIA Small and Practices Department, Professional Practices and Technical Division.

Governance Symposium 2019

at-mia.my/2018/12/18/governance-symposium-2019

December 18, 2018

Good governance is a hot topic nowadays with the government emphasising on Competency, Accountability and Transparency to address the decline in public trust, while the private sector too has to up its governance game to enhance reputation and global competitiveness.

However, good governance flourishes only in a supportive ecosystem. This high-level Symposium suitable for decision-makers, Board members and those charged with governance (TCWG) aims to discuss the latest governance developments and regulations geared towards the ongoing development of a healthy governance ecosystem.

The Symposium has lined up the following programme:

- **ASIAN CORPORATE GOVERNANCE ASSOCIATION (ACGA) CORPORATE GOVERNANCE REPORT WITH A MALAYSIA FOCUS** – which gives an overview of the regional corporate governance landscape based on ACGA research, incorporating survey findings from the Malaysia CG Report, plus insights on current corporate governance trends and practices in Malaysia.
- **CYBERSECURITY GOVERNANCE (PANEL SESSION)** – which covers the Board's obligation to develop, implement and maintain a cybersecurity governance framework, including running a Cyber Governance Health Check.
- **OPEN SOURCE LEADERSHIP: GOVERNANCE PERSPECTIVE** – a new counterintuitive model for leadership that rewrites the rules of management for the modern business world and questions traditional management dogma.

- **DIRECTOR'S FIDUCIARY DUTIES AND EMERGING LEGISLATIONS (PANEL SESSION)** – assesses the impact on directors and their companies arising from the new Section 17A on Corporate Liability in the Malaysian Anti-Corruption Commission (MACC) Act 2009, which was gazetted in May 2018. The applicability of Sections 210, 251, 591 & 592 of the Companies Act 2016 will also be examined.
- **UPHOLDING GOVERNANCE THROUGH INTEGRATED REPORTING** – how and why Boards should implement the international integrated reporting framework in order to articulate their governance, reach out and gain trust from the owners of capital and investors.

The Governance Symposium in collaboration with the Malaysian Institute of Corporate Governance (MICG) takes place on 7 March 2019 at Hilton Petaling Jaya. For further details, please contact Fara at 03-27229194 or sp@mia.org.my

Enrolment for all CPE programmes will be ***STRICTLY VIA ONLINE REGISTRATION.***

How to Fight Stress in the Audit Workplace

at-mia.my/2018/12/18/how-to-fight-stress-in-the-audit-workplace

December 18, 2018

By Jenny Chua and Brian Wong

Accounting firms – especially their audit practices – continue to report high attrition, attributable to intense competition from within and outside Malaysia for talent in a relatively limited accounting talent pool, and from work-related stress pressures that come with the challenging external service environment. On 15 November 2018 HR leaders from 16 major accounting firms shared their initiatives to combat stress and retain talent at the high-level MIA talent roundtable.

Brian Wong

Key takeaways:

- **Cultivate an open and non-judgemental but consultative environment and culture at the firm –** It is important to allow staff to come forward and surface issues relating to their job satisfaction and well-being. Communication is often at the heart of the problem, so keep the channels open.
- **Work-life integration –** Audit firms can make the workplace less stressful by having initiatives such as flexible working arrangements in terms of working hours, where to work and what to wear. Other well-received initiatives include off-peak leave, birthday leave, sponsorships for further study, short career breaks to cater for unique needs, as well as recreational activities such as yoga, meditation, spa, swimming pool and gym access. Audit firms can also customise their workplace flexibility to better suit the needs of female auditors with family commitments and facilitate policies to encourage female employees to return to the workforce.
- **Leverage on technology –** Audit firms can improve the efficiency of audit work-flow by employing audit and practice management software to automate certain audit processes. The major firms leverage on the latest tools that include analytics to make the audit process more efficient and effective.

How does your firm deal with audit stresses to retain talent? Let us know in your comments.

Brian Wong is the immediate past Chairman of the MIA Public Practice Committee and Jenny Chua is the Head of MIA Small and Practices Department, Professional Practices and Technical Division.

NACRA 2020 to Introduce New Assessment Framework

at-mia.my/2018/12/18/nacra-2020-to-introduce-new-assessment-framework

December 18, 2018

Winners from all categories

The 2018 National Annual Corporate Report Awards (NACRA 2018) continues to recognise and reward excellent corporate reporting in Malaysia.

A total of 26 awards were given out to deserving winners at the NACRA 2018 Awards Presentation Ceremony and Dinner, jointly organised by the Malaysian Institute of Certified Public Accountants (MICPA), Malaysian Institute of Accountants (MIA) and Bursa Malaysia Berhad. In the category of most outstanding annual report of the year, CIMB GROUP HOLDINGS BERHAD won Platinum, PETRONAS GAS BERHAD Gold, and TELEKOM MALAYSIA BERHAD silver.

In his keynote address, Guest of Honour Yang Berhormat Tuan Lim Guan Eng, Finance Minister, Ministry of Finance Malaysia encouraged more companies to "embrace all the improvements being endorsed by NACRA". These include integrated reporting, sustainability reporting and reporting on diversity and inclusion (D&I), which are aligned to best practices and standards in global corporate reporting. "The government's stance is that transparency in corporate reporting promotes confidence and public trust in the capital market, which in turn drives a dynamic capital market, so we are pleased to endorse NACRA's efforts," he said.

Since it was launched in 1990, NACRA has sought to continually improve on the quality of annual reports by continuously reviewing and enhancing guidelines and criteria for NACRA each year to:

- encourage the disclosure of all material and relevant information beyond the statutory requirements.
- raise the standard of corporate reporting and to benchmark NACRA against the latest global developments in corporate and financial reporting.

YB Tuan Lim Guan Eng

Stanley Teo Swee Chua, NACRA 2018 Organising Committee Chairman in his remarks said that manifest changes in stakeholder expectations and the global corporate reporting landscape make it timely for NACRA to revise its criteria/ framework. "NACRA 2019 will be the last year that entries will be assessed using the existing framework. Beginning from 2020, a new framework will be introduced for NACRA 2020," he said.

Ahmad Zahirudin Abdul Rahim, NACRA 2018 Adjudication Committee Chairman shared a few observations with regards to the NACRA 2018 entries. To elevate future disclosure on diversity and inclusiveness in line with global frameworks such as the Global Reporting Initiative (GRI) Standards, he recommended that organisations should consider providing more details such as "workforce composition, flexible work arrangements (FWA) and their take up rate as well as the percentage of new hires." Best Inclusiveness and Diversity awards were won by TELEKOM MALAYSIA BERHAD – Platinum, CIMB GROUP HOLDINGS BERHAD – Gold and NESTLE (MALAYSIA) BERHAD – Silver.

CIMB Group Holdings Berhad (CIMB) won the coveted Overall Excellence Platinum Award

As this is just the second year since NACRA introduced its integrated reporting (IR) award, only approximately 40% of the participating companies presented IR. Ahmad Zahirudin noted improvement of the adoption of best integrated reporting practices in some entries, whereby the winners demonstrated "clear and good articulation of value creation to various stakeholders, their strategies and future outlook", all of which are key elements of IR. Best IR awards were won by SIME DARBY BERHAD – Platinum, SUNWAY REAL ESTATE INVESTMENT TRUST – Gold and PETRONAS GAS BERHAD – Silver.

LIST OF WINNERS FOR NACRA 2018

OVERALL EXCELLENCE AWARDS

MOST OUTSTANDING ANNUAL REPORT OF THE YEAR		
Platinum CIMB Group Holdings Berhad	**Gold** Petronas Gas Berhad	**Silver** Telekom Malaysia Berhad

INDUSTRY EXCELLENCE AWARDS – MAIN MARKET			
Consumer Products Nestle (Malaysia) Berhad	**Industrial Products & Technology** Petronas Gas Berhad	**Trading & Services** Telekom Malaysia Berhad	**Finance** CIMB Group Holdings Berhad
Construction & Infrastructure Project Companies Gamuda Berhad	**Properties & Hotels** OSK Holdings Berhad	**Plantations & Mining** FGV Holdings Berhad	**Real Estate Investment Trusts (Reits) & Investment Funds** KLCC Property Holdings Berhad & Klcc Reits

PRESENTATION AWARDS

BEST ANNUAL REPORT IN BAHASA MALAYSIA		
Platinum RHB Bank Berhad	**Gold** Telekom Malaysia Berhad	**Silver** Public Bank Berhad

BEST DESIGNED ANNUAL REPORT		
Platinum Petronas Gas Berhad	**Gold** CIMB Group Holdings Berhad	**Silver** RHB Bank Berhad

BEST SUSTAINABILITY REPORTING AWARDS		
Platinum Nestle (Malaysia) Berhad	**Gold** Petroliam Nasional Berhad	**Silver** FGV Holdings Berhad

BEST INCLUSIVENESS AND DIVERSITY REPORTING AWARDS		
Gold Telekom Malaysia Berhad	**Silver** CIMB Group Holdings Berhad	**Silver** Nestle (Malaysia) Berhad

BEST INTEGRATED REPORTING AWARDS		
Platinum Sime Darby Berhad	**Gold** Sunway Real Estate Investment Trust	**Silver** Petronas Gas Berhad

SPECIAL AWARD FOR NON-LISTED ORGANISATIONS

BEST ANNUAL REPORT OF NON-LISTED ORGANISATIONS
Petroliam Nasional Berhad

LIST OF CERTIFICATES OF MERIT RECIPIENTS

1. AMMB Holdings Berhad
2. Astro Malaysia Holdings Berhad
3. Axiata Group Berhad
4. Axis Real Estate Investment Trust
5. British American Tobacco (Malaysia) Berhad
6. Fraser & Neave Holdings Berhad
7. Heineken Malaysia Berhad
8. IHH Healthcare Berhad
9. IJM Corporation Berhad
10. KPJ Healthcare Berhad
11. Media Prima Berhad
12. MISC Berhad
13. MSM Malaysia Holdings Berhad
14. Petronas Chemicals Group Berhad
15. Petronas Dagangan Berhad
16. S P Setia Berhad
17. Sunway Construction Group Berhad
18. Tenaga Nasional Berhad
19. UEM Edgenta Berhad

Tax Reforms – Actionable Recommendations

at-mia.my/2018/12/18/tax-reforms-actionable-recommendations

December 18, 2018

By SM Thanneermalai

The national Tax Reform Committee (TRC) has a big task ahead, in reforming taxes to support the government's agenda of driving growth amidst worrisome geopolitical concerns and tepid local finances.

Commendably, the TRC is moving in the right direction by inviting all the relevant stakeholders (i.e. professional bodies, professional firms, industry organisations, chambers of commerce, Inland Revenue Board, and the Royal Malaysian Customs Department) to present their views.

Speed is of the essence. Ideally, the TRC should provide a preliminary report within a six-month period and complete the assignment within 12 months. If there is any delay, the government will in turn be delayed in considering their recommendations; their recommendations may be out-of-date as the global and local economic conditions would have changed.

Political will is key to implementation. In the past, the government had conducted studies reviewing the tax system. However, the recommendations from those studies and reports were not implemented in most cases. It is important for the TRC to impress on the government to seriously consider implementing their recommendations, otherwise it will be a wasted effort by all parties.

The following are some recommended reforms that should be considered by the TRC:

Review of Incentives

Incentives should not be given to business enterprises that are involved in exploiting our natural resources and who benefit from our markets locally, without adding value in the form of employment, expenditure, transfer of technology and skills.

Instead, incentives should be made available to businesses locating their operations in Malaysia for efficiency purposes i.e to gain a cost advantage, establish a regional hub, or engage our labour force for their diversity and multilingual fluency. Tax incentives are important for this group of investors as one, there is significant competition from other countries in the region and two, tax incentives are necessary to support operations that may not be highly profitable.

Mr SM Thanneermalai

It is important to monitor businesses which benefit from tax incentives to ensure that they comply with the promises made at the time of the application to the authorities. There should also be no discrimination between foreign direct investments and local investments.

Encourage Adoption of Industry 4.0

The government is intent on assisting small and medium enterprises (SMEs) to migrate towards Industry 4.0 (IR4.0) automated manufacturing. Currently, there are incentives, financing assistance and training assistance provided to promote the migration.

However, it is critical to change the mindset of the owners or principal shareholders who are the primary drivers of the SMEs, to encourage them to embrace IR4.0. To motivate them, tax incentives in the form of additional tax deductions, cash grants, etc. should be provided to SME owners and entrepreneurs.

Place Labuan on Par with Singapore

Labuan has a unique role of encouraging captive businesses (i.e. insurance and leasing), and provides a location for other activities such as foundations and offshore businesses.

From 1 January 2019, Labuan Financial Services Authority has made it mandatory for Labuan Offshore companies to meet the substance requirements to avoid being caught within the BEPS Action 5. However, Budget 2019 made changes to the Labuan tax regime by removing the RM20,000 tax ceiling and disallowing 97% of the expenses incurred in the transactions between the Malaysian resident companies and the Labuan offshore companies.

These measures may make Labuan unattractive for Malaysian resident companies to deal with Labuan offshore companies.

If this happens, Malaysian companies dealing with Labuan offshore entities are likely to move their operations to other locations such as Singapore / Hong Kong, which are in the same time zone and serve the same purpose as Labuan.

The TRC should consider making recommendations to the government that will position Labuan on par with Singapore or Hong Kong. The TRC could recommend increasing the tax rate from 3% to possibly 8%, such that it is equivalent to a withholding tax paid on a transaction between Malaysia and Singapore.

Sustainable Tax Revenues

Currently, development expenditure is approximately 17% compared to 83% in operating expenditure. Development expenditure has to significantly increase in order for the country to grow.

Despite the government's concerted efforts to reduce operating expenditure, it is necessary to also increase tax revenues to narrow the government budget deficit and to increase the development expenditure to help the country grow.

It is inevitable that the government has to consider diversifying its sources of tax revenue away from the current income taxation as the global trend is to lower the corporate tax rates to 20% or less, where even our neighbours Indonesia and Vietnam are following suit.

Alternatively, the TRC should consider taxing income that is not currently taxed (i.e. foreign sourced income), extending the scope of our tax regime from territorial to worldwide. Our economically significant neighbours such as Vietnam, Thailand, Indonesia and the Philippines have a capital gains tax regime; this equally applies to most countries in the world except Singapore and Hong Kong. Now may not be the right time to introduce capital gains tax, but there is a serious need to look into it in the future.

Protect Taxpayer Rights

The current legislation should be reviewed thoroughly to strengthen the taxpayer's position.

SM Thanneermalai is Managing Director of Thannees Tax Consulting Services Sdn Bhd and Chairman of the Malaysian Tax Research Foundation.

The Changing Shape of the Finance Function

at-mia.my/2018/12/18/the-changing-shape-of-the-finance-function

December 18, 2018

By Venkkat Ramanan

Digital technologies threaten and transform business models and they will radically change the world of work. This applies as much to the finance function as it does anywhere else. As organisations come under pressure to adapt and respond to a fast-paced environment, they expect their finance professionals to support them by taking on a more strategic role. This means management accountants must be more strategically aware, make use of new technological tools, learn new skills, and organise themselves in new and more effective ways to deliver insights and solutions to the challenges ahead.

Inevitably, the shape of the finance function must evolve to meet these expectations. So it is moving away from a traditional hierarchical triangle, where broad populations of workers report directly upwards through a series of ever-narrower management bands, towards a more hexagonal structure where professional experts collaborate with business managers to achieve shared corporate objectives. For finance professionals themselves, the implications of this migration are wide-ranging. There are impacts on their individual career paths and on succession planning within the finance function more broadly. The migration also requires them to become more commercially and strategically aware and to acquire new skills that go far beyond the traditional accountant's skillset.

A traditional finance function, organised according to a triangle structure, would have had a broad base of people carrying out transaction processing and basic accounting activities and fewer roles at each rung higher up the career ladder. Technological change has eroded the base to create the more hexagonal structure of today. The automation of repetitive rules-based tasks, such as steps in the accounts payable and accounts receivable processes or even in the assembly of management information, means that fewer people are needed to perform entry-level roles. This will present challenges for succession planning since these positions have previously served as a training ground for the senior finance professionals of the future. On the other hand, more people are needed to generate insight from digital data and to partner with other colleagues across the business to help the organisation create and preserve value. Finance leaders are still required, of course, but they lead with a collaborative, rather than top-down, approach.

There are three main reasons why the shape of the finance function is changing.

The first is that organisations continue to invest in technology to make the finance function ever more efficient and improve its capabilities. For example, using robotic process automation to improve the efficiency and consistency of transaction processing. Another example, is the emerging use of cognitive computing (artificial intelligence, machine learning and natural language processing) to automate report writing and give advice to business managers.

Venkkat Ramanan

The second is due to the need to be able to access and analyse the vast amount of data generated by digital technologies throughout the business. Performance must be managed keenly in an increasingly competitive environment where intangibles are likely to be the drivers of value. Analysis of this data can provide solutions. Descriptive analytics improves understanding of how the business has performed. Predictive analytics improves understanding of how the business will perform. Prescriptive analytics helps to determine what the business should do. These all depend on advanced analytical techniques such as data mining, multivariate analysis and sentiment analysis which require the expertise of 'data scientists'. There is also an important role for finance professionals who can ask the right questions and who can help to translate analytical insights into commercial insights and ensure these are applied to improve the business' performance.

The third is the shift in emphasis in the role of the management accountant from accounting towards management; from working mostly within the finance function to working more alongside the business. With the CFO increasingly viewed as the co-pilot of the organisation, the finance function is called upon to cascade the CFO's influence through the business as a finance business partner in its truest sense – using its unique, end-to-end view of the organisation and professional objectivity to act as a guardian of the business model and to apply the discipline of commercial finance to decision-making and value creation.

As the mandate of finance changes, and new technology puts more emphasis on finance as a discipline right across the business, the finance function is undergoing fusion. Different finance specialisms are coming closer together, while the function is also fusing more broadly with the rest of the business. Examples of fusion include: shared service centres offering higher value services to the financial planning and analysis (FP&A) team; finance professionals working alongside business unit managers or as part of a multidisciplinary team in a centre of expertise; and the full integration of cloud-based IT systems to reduce the function's reliance on spreadsheets and legacy platforms. Fundamentally, accounting operations, finance subject matter expertise, the production of management information, FP&A, and data analytics, are all being more thoroughly combined with decision support and performance management to enable the finance function to better integrate with the rest of the business.

The shape of the finance function is evolving and it will evolve further as the emphasis of professional-level roles continues to shift from the production of accounts, management information and analysis towards decision support and performance management. Furthermore, increased demand for specialist expertise in certain areas of business operations, such as fighting cybercrime, will lead to multidisciplinary teams being formed. The result will be that experts in data analytics, IT and logistics will become members of the finance function; finance will no longer be the preserve of accountants alone.

Ultimately, all organisations face the same challenges. So how can they best accommodate the changing shape of finance to build a function that is ready to face the journey to the future? Our own research has found that organisations' top priorities for transforming the finance function should include making use of the latest technologies to release the full capacity of the finance function; widening the remit of finance to cover a broader range of management information, which generates new insights and business solutions; and empowering finance professionals with new competencies and growth mind-sets. It is through the application of these strategies that we will see the emergence of an agile, informed and proactive finance function that has the skills and knowledge to help the organisation create and preserve value over the short, medium and long-term.

Venkkat Ramanan FCMA, CGMA is the Regional Vice-President – Asia Pacific at the Association of International Certified Professional Accountants.

Further insight based on extensive research by the Association of International Certified Professional Accountants on the changing shape of finance can be found at https://www.cgma.org/resources/reports/changing-shape-of-the-finance-function.html

The Future of Corporate Reporting

December 18, 2018

"The future of corporate reporting is using the (IR) framework to achieve the UN SDGs," said Uantchern Loh, Asia-Pacific CEO, Black Sun Plc Singapore at MIA's recent exclusive masterclass on The Future of Corporate Reporting which followed the successful completion of its MIA International Accountants Conference 2018 recently.

Uantchern Loh

The masterclass showed companies how to link SDGs to (IR) to achieve desired outcomes and create value. Beyond that, the masterclass aimed at providing guidance on compliance with reporting rules as well as recommended best practices for writing unique narratives that tells the corporate story and sells the brand.

"Effective, high-quality corporate reporting builds stakeholder trust and confidence in an organisation. This can translate into a robust capital market and financial wellbeing of the nation – in short, nation- building," Dr. Nurmazilah Dato' Mahzan, CEO, MIA said in her welcome remarks. With the new government's renewed focus on competency, accountability and transparency to improve good governance and public trust and sound reporting in both the public and private sectors, corporate reporting is one way of achieving this, she added.

Companies must realise that traditional financial statements alone are insufficient currently. Corporate reporting today should provide both financial and non-financial information to allow stakeholders to understand the prospects and performance of the business against a constantly changing business and regulatory environment. Furthermore, the new corporate reporting provides greater transparency, accountability and easier access to information.

Dr Nurmazilah Dato' Mahzan

With storytelling linked to value creation, the masterclass also showcased examples of successful (IR) by inviting Mohd Muazzam Mohamed, Acting CEO, Bank Islam and Nor Fadhilah Mohd Ali, Financial Controller, Telekom Malaysia, to share their respective journeys in producing a balanced narrative while meeting stakeholders' expectations.

Other key aspects of the masterclass included inculcating a sound culture of good governance and learning to produce a streamlined and succinct report that aligns the three reporting frameworks, while attracting investors and enlightening stakeholders.