MALAYSIAN INSTITUTE OF ACCOUNTANTS

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Accountants: Beat Disruption with Upgraded Skills

May 12, 2021

By BlackLine

As every accountant knows, change is a way of life. Businesses grow, go public, merge with others, create new products, and find new markets. Accounting teams are required to keep up, and in many cases, step up their efforts.

Today, change is coming at a quicker pace than ever before. New technology is changing the ways companies work, and disrupting operations across the organisation. The same is true in Accounting, where cloud-based process automation is bringing new efficiencies to the financial close and other accounting processes.

Accounting automation technologies are doing something else, too: they're offering today's accountants opportunities to learn valuable new skills and explore new career paths. That's because automation solutions offer new analytical tools, along with widening opportunities to add value to the business.

"Opportunities for analysis are immense," says Michael Shultz, BlackLine's director of strategic accounting. "This is true both in and outside of Finance and Accounting. In Finance, accountants can take on responsibilities overseeing compliance or governance functions. Outside of Finance, they can apply analytical skills in decision support for business partners."

Identifying & Seizing the Opportunities

There are plenty of educational resources today for accountants who want to augment their skills. Most important, though, is the desire to grow and the willingness to take on new challenges.

“The accountant should put him or herself out there, and seize the opportunity,” says Shultz. “Take a proactive look at the business and see where you might be able to help. Think about the business and what they’re trying to do, then be creative in finding ways you can help in those areas.”

“Some folks still consider technology to be disruptive,” he says. “It is, but that disruption is for the better when it’s the right technology. And that’s your opportunity, as an accountant, to find creative ways to use that technology to partner with the business.”

An accountant could, for example, put analytical skills to use by serving as a contract review manager. This is a job Shultz held before coming to BlackLine. He reviewed any contract that exceeded a certain dollar threshold to determine if the terms were favorable from an accounting standpoint. The contract couldn’t be finalised until he approved it.

“This is an example of a job that brings real, monetary value to a company,” he says. “It’s an example of putting the accounting analysis at the most beneficial point of the contract workflow, where the analysis can have a financial impact, rather than waiting until after the contract is signed.”

Shaping the Story

Opportunities for such partnerships are becoming more widespread as process automation continues to flourish in finance and accounting organisations. Automation frees up accountants to develop greater analytical skills, and it also supplies the tools—such as unified data stores and sophisticated reporting—needed to apply those skills to real-world business initiatives.

“For years, accountants were asked simply to tell the story of the business through its numbers,” says Shultz. “Now we’re getting a seat at the table, and we’re helping to shape the story—what I call helping to advise forward.”

“This is good for accountants who enjoy being proactive, and it’s good for businesses that have the foresight to ask for help and encourage career development in their finance and accounting teams.”

Brief Hearing Procedures in a Disciplinary Proceeding

June 22, 2021

The proceeding before the Disciplinary Committee (**‘the DC’**) of the Malaysian Institute of Accountants (**‘the Institute’**) is governed by the Accountants Act 1967 (**‘the Act’**) and the Malaysian Institute of Accountants (Disciplinary) Rules 2002 (**‘the Rules’**). The conduct of the proceeding is embedded in the Rules which gives the DC power to regulate its own procedures subject to the Act and Rules therein. The proceeding before the DC is also based on the principles of Natural Justice. **A full hearing is commenced when Respondents do not admit to the charge proffered against them. Below is the summary of the hearing process.**

A. Pre-Hearing

- The Investigation Committee (‘IC’) upon investigation and findings on merits, refers the Report of the IC and the Charge (IC Report) to the DC.
- The DC then issues to the Respondent a Notice of Hearing enclosing the IC Report and informing the date, time place of the Hearing.
- Respondent must inform the DC if he wants to be represented by an Advocate & Solicitor or a member of the Institute by submitting the relevant form given.

B. During Hearing

- The IC to present its case first. The IC will be allowed to bring in witnesses including the Complainant to support the Charge against the Respondent. Relevant documentary evidence can also be tendered for the DC's consideration.
- After the IC's witnesses have given evidence, the Respondent will be given an opportunity to cross examine each of the IC's witnesses based on the evidence tendered before the DC.
- The IC will then be given further opportunity to re-examine the witness if it wishes to.
- Thereafter, the Respondent will also be given the same opportunity to bring his witnesses to be examined and cross-examined by the IC. The IC is also allowed to cross examine the Respondent.
- The DC can ask questions for purposes of clarifications from both the IC and the Respondent.
- The IC and the Respondent to give final submission if so required, before the DC makes a decision.
- After hearing the final submission, the DC will proceed to deliberate on the evidence tendered by and submission of both parties and make a decision.
- If the DC finds the Respondent guilty, the DC will request points of mitigation from the Respondent before imposing the appropriate punishment(s). The DC will explain on the Respondent's right to appeal if the Respondent is unsatisfied with the DC's decision.

C. Post Hearing

- The Respondent may appeal to the Disciplinary Appeal Board against the decision of the DC within 21 days after the receipt of the DC's decision letter.
- If the Respondent does not wish to appeal, the decision will take effect after the expiry of the 21 days.
- Once the decision takes effect, the DC shall pursuant to the Rules proceed to publish the decision in the newspapers, government gazette, official publication of the Institute and inform the relevant government licensing authorities and the associations the Respondent is associated with.

Continuing Professional Education: What You Need to Know

at-mia.my/2021/05/07/continuing-professional-education-what-you-need-to-know

May 7, 2021

By MIA CPE Compliance Unit

The coronavirus pandemic has indeed affected many of us. It was challenging when the pandemic struck, and in the transitioning period, we strived to adapt to the new normal in many aspects of our daily routine. Nevertheless, professional accountants need to maintain resilience, competence and credibility in carrying out their professional duties during these challenging times. With this in mind, Continuing Professional Education (CPE) plays an important role to enable all professional accountants to keep abreast with the latest developments in the ever-changing accountancy landscape.

Importance of CPE

A competent professional accountant is an invaluable asset to the business ecosystem and entrusted to safeguard the public interest. Hence, professional accountants should take responsibility for their self-development to uphold the value of integrity, accountability, and trust.

CPE is vital to ensure professional accountants continue to be competent throughout their professional career. With well-planned CPE, professional accountants are able to keep abreast of the current developments involving the profession, acquire new skill sets and gain expertise on new developments, which are essential for them to remain relevant in the industry.

The importance of CPE should not be underestimated, as it is a lifelong learning to protect public interest, supports the performance of high-quality service for clients, employers and other stakeholders, and promotes the credibility of the accountancy profession.

Regulation and Governance

As a member of the International Federation of Accountants (IFAC), the Institute needs to ensure that members fulfil the CPE requirements as stipulated in the International Education Standard (IES) 7, Continuing Professional Development (Revised) issued by the IFAC. Section B110 of the Institute's By-Laws lays out the CPE requirements that are in line with IES 7. Members of the Institute are required to undertake and record relevant continuing professional education that develops and maintains professional competence to perform their professional role.

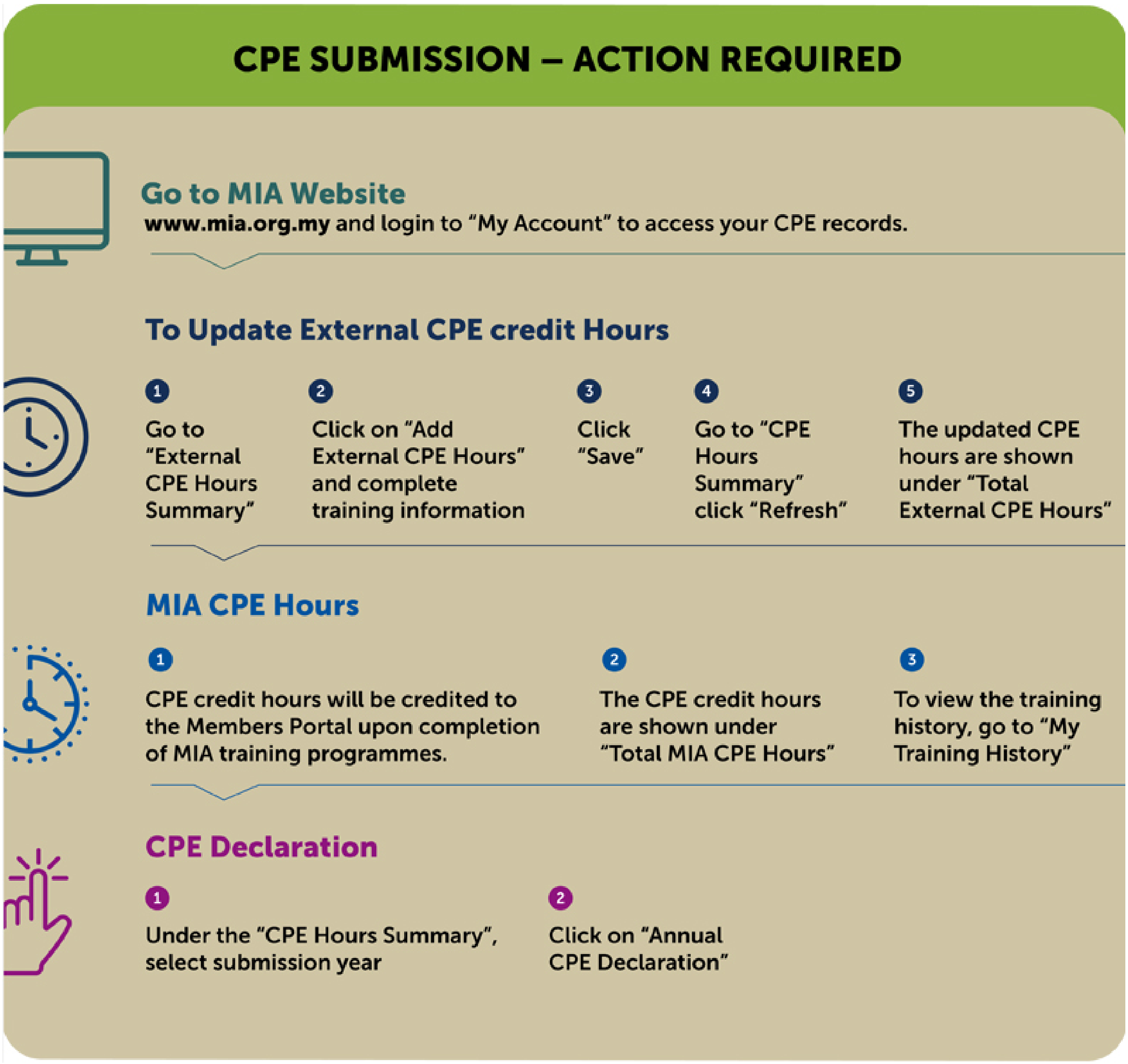
To ensure that members comply with the CPE requirements, CPE audit is conducted annually as a monitoring process in line with the prescribed standards. As a step-up effort in safeguarding the public interest, the Institute has imposed CPE as a mandatory requirement for members to uphold their audit license and practising certificate (PC) status. A periodic review on the CPE status of audit license holders and PC holders is conducted to ensure practitioners comply with the CPE requirements. Where there is no justifiable basis, audit license holders who flout the CPE compliance requirements will not obtain the Institute's support on their application for audit license renewal to Accountant General and PC holders will not have their PC renewed.

CPE Obligations

To demonstrate compliance with CPE, all members must undertake a minimum of 20 structured CPE credit hours each calendar year. For renewal as an approved company auditor, a minimum of 10 out of 20 structured CPE hours to be completed by the member each year must be related to International Standards on Quality Control (ISQC1), approved auditing standards, approved accounting standards and/or professional ethics.

Upon application for audit license renewal, the audit license holders must demonstrate compliance with the CPE requirements in the three preceding years. PC holders must demonstrate compliance with CPE requirements for the year prior to PC renewal. For 2021/2022 PC renewal, the CPE requirements for year 2020 will be reviewed.

To ease the CPE hours submission, members may submit their CPE hours and related documents online through the MIA Members Portal. Members are required to upload the related certificates for verification and submit an annual declaration meeting the CPE requirements.



What Counts: Relevant CPE Programmes

A wide range of learning programmes are qualified for CPE credit hours provided that they are relevant to the members' scope of work and professional responsibilities. To comply with the CPE requirements, the following criteria need to be addressed:

- The learning activities are relevant to their professional career.
- Able to illustrate how the learning activities can be applied in carrying out their professional duties.
- Evidence (e.g. certificate) to support that the member participated in the learning activities.

The Institute provides a wide range of CPE courses to support members' compliance with CPE requirements. Other CPE learnings may include in-house training organised by employers or external training organised by certified training providers. The structured CPE learnings are stated in Appendix V of the Institute's By-Laws.

To facilitate CPE record keeping, the CPE credit hours gained by attending the Institute's CPE courses are automatically uploaded to the Institute's Members' Portal upon completion of the course.

Meeting the CPE Requirements: Era of Covid-19

The Institute recognises the challenges encountered by members in adhering to the CPE requirements, especially in the current Covid-19 predicament. With the Covid-19 measures imposed by the Government, face-to-face or classroom training may not be feasible. The Institute has focused on providing greater online support to members in various areas. To support and facilitate members' CPE Compliance, the Institute has rolled out the MIA Webinar Series and other online courses/ conferences. Members have spontaneously adapted to virtual learning and the Institute has received encouraging responses to the online programmes.

Take Home Message

The Institute undertakes strict compliance of CPE requirements to ensure all members remain competent, especially in the current challenging environment. Members are urged to review and plan their CPE learnings throughout the year and avoid the stress of completing all the CPE activities at the end of the calendar year. Members are advised not to limit their enrolment to specific courses merely to meet the CPE hours requirement and should diversify the CPE learnings according to their technical and functional competency. CPE is essential in enhancing professionalism and ensuring the future relevance of the accountancy profession, which is in line with the Institute's distinctive vision for nation building.

Corporate Board Leadership Symposium 2021: Enhancing Governance and Ethics Towards Future Sustainability

at-mia.my/2021/05/17/corporate-board-leadership-symposium-2021-enhancing-governance-and-ethics-towards-future-sustainability

May 17, 2021

In this volatile and uncertain age of "Covidonomics", it is crucial for Boards to provide a proactive oversight role in supporting the management of an organisation. The methods chosen by Boards must not only be steeped in good governance and corporate compliance practices, but also factor in the elements of sustainability to mitigate the risks and ethical challenges faced by organisations today.

This year, to support Boards in enhancing governance and ethics towards future sustainability, MIA will bring you the Corporate Board Leadership Symposium 2021. With the theme Enhancing Governance and Ethics Towards Future Sustainability, the symposium will provide updates on regulatory developments and best practices for managing crisis and strengthening governance in the age of Covidonomics, including the urgent need to acquire competencies in digital finance transformation and Environmental, Social and Corporate Governance (ESG).

The symposium will highlight the following areas:

Key current regulatory updates, crisis management and Board Assessment exercises

Participants can look forward to a comprehensive view of key current regulatory updates that should be prioritised in setting the boardroom agenda over the coming year, and how Boards can enhance their oversight in this challenging Covidonomics environment to mitigate risks. Speakers will also speak on Board Assessments, the advantages of internal vs externally facilitated evaluations and Board Evaluation efficacy and outcomes.

Embracing digital transformation in Board decision-making

With the inevitable adoption of digital finance transformation and a concomitant push for automation, Boards should be prepared to modernise the financial architecture of their organisations. An esteemed panel of experts from various industries will discuss the impact of digital transformation on boardroom decision-making and hence organisational performance.

Transparency, compliance and accountability

Find out more about Section 17A of the MACC Act, and the policies and procedures that need to be in place in compliance with the Act. The symposium will also focus on the crucial and fundamental need for tax transparency among corporations, and how integrated reporting can help to restore transparency and accountability in corporate disclosure while managing the challenges of corporate reporting in the age of Covidonomics.

The need for sustainability and governance around climate-related risks and opportunities

The demand for non-financial information, including ESG and sustainability reporting, is on the rise as investors seek insights into the impact of social and environmental issues on business models. Our speakers will discuss how to effectively report on climate, assessing sustainable strategies and the role of Boards in addressing climate-related issues.

The Corporate Board Leadership Symposium 2021 will take place from 22 & 23 June 2021. For more information about the symposium, click HERE.

COVID-19 and Valuation – Part 1

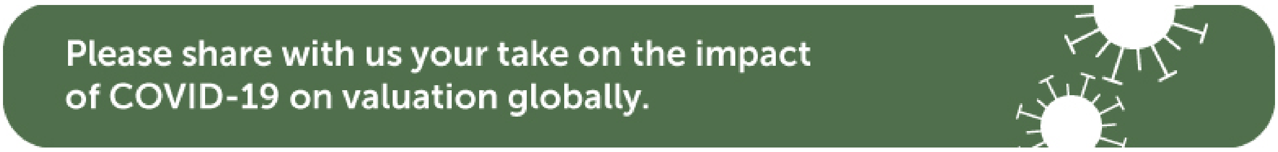
at-mia.my/2021/06/02/covid-19-and-valuation-part-1

June 2, 2021

This is the first of two parts in the COVID-19 and Valuation series.

Nick Talbot

The spread of COVID-19 has had a significant impact on the global economy and financial markets, causing business disruptions worldwide. At the same time, the evolving situation and uncertainties created by the COVID-19 pandemic have significant implications on valuation practices. Recently, MIA sought insights from Nick Talbot, CEO of the International Valuation Standards Council (IVSC), on the challenges faced by valuation professionals in these difficult times.



The impact of COVID-19 has made valuation more difficult due to both uncertainty and fewer comparables. In relation to valuation uncertainty, the valuer will need to pay particular attention to the following three areas:

Input Availability

Where there is a lack of relevant market data, there may be a need to extrapolate inputs from directly observable prices for similar assets, or to rely on unobservable inputs. These are inputs for which market data are not available but that can be developed using the best information available about the assumptions that market participants would use when pricing the asset. The valuation method used may adjust for input uncertainty.

Choice of Method or Model

Arguably, the current climate is a situation where more than one approach should be used as the economic and political climate is such that “there are insufficient factual or observable inputs for a single method to produce a reliable conclusion.” (IVS 105 para 10.4)

Significant Uncertainty

Most valuations contain an element of uncertainty but IVS 103 only requires this to be disclosed when it is “significant”. However, the existence of significant uncertainty does not mean a valuation cannot be undertaken, but it does mean that significant assumptions within the valuation approach and methodology should be disclosed within the valuation report. Significance should be considered from two interrelated aspects: first, whether the potential impact on the valuation figure is significant; and second, whether it is of relevance to an intended user of the valuation. A useful test for considering whether valuation uncertainty is significant is to consider whether failure to disclose the uncertainty would lead a reasonable person to take action that relies on the reported valuation that they may not have taken if the uncertainty had been disclosed.

In respect of what is expected of valuation professionals making professional judgements and assumptions on valuation, IVS provides the following guidance:

IVS 103 – Reporting

It is essential that the valuation report communicates the information necessary for proper understanding of the valuation or valuation review. A report must provide the intended users with a clear understanding of the valuation. It must set out a clear and accurate description of the scope of the assignment, its purpose and intended use (including any limitations on that use) and disclosure of any assumptions, special assumptions, significant uncertainty or limiting conditions that directly affect the valuation.

IVS 105 – Valuation Approaches and Methods

Valuers should consider the use of multiple approaches and methods and more than one valuation approach or method should be considered and may be used to arrive at an indication of value, particularly when there are insufficient factual or observable inputs for a single method to produce a reliable conclusion. Where more than one approach and method is used, or even multiple methods within a single approach, the conclusion of value based on those multiple approaches and/or methods should be reasonable and the process of analysing and reconciling the differing values into a single conclusion, without averaging, should be described by the valuer in the report.

What would you consider to be the main benefits of having a set of internationally accepted valuation standards? What are the key challenges in adopting the standards in different jurisdictions?

From a country point of view there is competition for inward investment; international investors don't want to have to understand 195 different approaches to valuation or accounting, they seek confidence from globally consistent valuations which underpin investment decisions. Domestic investors also want to see best practice used to give them confidence. Valuation professionals want to be internationally relevant be it winning work from overseas or giving them globally relevant skills to work across the world.

A key challenge can be that each country sees themselves as different and sometimes think an international approach will take away local ownership. To counter that, the IVSC has principles-based standards and works in partnership with local organisations who are vital to provide additional guidance on e.g. local legislation as well as education and professionalism. IVS are owned by the world, and we are always looking to take the best ideas from anywhere in the world; hence strong national organisations and experts are of vital importance to the IVSC to continuously improve our approach.

What are the direction and strategy of the IVSC for 2021 and what is your outlook on valuation practices in Year 2 of the pandemic and the near future?

Signs from the vaccination approach are increasingly positive and whilst the speed of recovery will vary country by country, we hope in the not too distant future to again be able to engage in person. The IVSC has actually just completed an agenda consultation on our future direction, the results of which will be published shortly and will cover areas such as additional components of Environmental, Social and Governance (ESG). The IVSC has also just completed a first consultation in relation to a major evolution in our approach to the valuation of Financial Instruments, the second part of which is being worked on and will be issued towards the end of the year.

We are currently working closely with key regulatory and investor leaders from across the world, as well as encouraging consistent high quality professionalism in all markets. In particular, we will continue to work with our global network to support the valuation community, many of whom have seen increased workloads as the world emerges from the shadow of COVID-19. In this time of great uncertainty, the valuation profession is more important than ever to our financial system to help restore confidence to investors and other stakeholders.

Nick Talbot has been CEO of IVSC since 2016. Since joining the IVSC, Nick has overseen the introduction of technical standards boards for all valuation asset classes. Nick has placed a strong focus on the adoption of International Valuation Standards (IVS) which has seen its use increase significantly throughout the world over recent years. He has led efforts to foster and enhance partnerships and collaboration with governments, leading financial and market regulators and other global standards setters. Nick has also overseen a strong growth in the IVSC's member network, which has more than doubled since 2016 and now includes over 170 prominent organisations in all regions of the world.

COVID-19 and Valuation – Part 2

June 8, 2021

This is the second and final part of the COVID-19 and Valuation series. The first part can be read here.

Dato' Wong Wing Seong

The spread of COVID-19 has had a significant impact on the global economy and financial markets, causing business disruptions worldwide. In addition, the evolving situation and uncertainties created by the COVID-19 pandemic have significant implications on valuation practices.

Recently, MIA caught up with Dato' Wong Wing Seong, Chairman of MIA's Valuation Committee, to obtain insights into business valuation in Malaysia. He also articulated the initiatives of the Valuation Committee in pushing the adoption of the Best Practice Guide for Business Valuation and implementation of the Skills Set to Perform Business Valuation in Malaysia.

The Best Practice Guide for Business Valuation was released by MIA in July 2019 through the initiative of its Valuation Committee. Please share with us regarding the importance and relevance of this Best Practice Guide. Are there plans to make it mandatory for valuation professionals?

The application of the Best Practice Guide for Business Valuation will promote the application of globally recognised valuation standards by valuation professionals in Malaysia. Application of this Guide, which is based on the International Valuation Standards (IVS) issued by the International Valuation Standards Council (IVSC), will enhance the standard of valuation reports and comparability both locally and internationally as the IVS has been widely adopted worldwide.

Adopting the Guide will also assist in the development of our capital and financial market as users, be they companies, regulators and bankers, will be made aware of the standards that the valuation professionals have considered and applied in arriving at their conclusion, thus providing a basis for comparability as the approach is consistent through the application of the Guide.

With this in mind, as the Guide will eventually evolve into an approved standard in Malaysia which would make it compulsory for MIA members to comply with it when undertaking a valuation engagement, the intention is to have it widely exposed to all our MIA members and other groups of users. This exposure period will facilitate valuation professionals to familiarise themselves with the adoption and application of the IVS.

Another publication on Skills Set to Perform Business Valuation in Malaysia was developed by the Valuation Committee in 2019. This document is a companion to the Best Practice Guide for Business Valuation. Why is the setting of competency considerations for a business valuation professional necessary?

A Guide or a Standard only sets out what should be done or considered. However, the undertaking of the valuation engagement must be done by professionals who have the necessary training, education and experience. Thus, when the Best Practice Guide was issued, the MIA Valuation Committee was of the view that from the outset, the expectations regarding the competency of valuation professionals and charting the path and education for future valuers should be set out. The document serves as a less formal version of a competency framework.

The Best Practice Guide and the Skills Set to Perform Business Valuation would instil trust and confidence in the MIA's valuation professionals.

Overall, what would you consider to be the key impact of COVID-19 on valuation professionals in Malaysia? What would you consider to be the main affected areas in the scope of work of valuation professionals?

The key impact of COVID-19 to the valuation scope of work are the uncertainties of the key bases and assumptions applied in the financial projection and the volatility of the discount rate parameters. It makes the assessment of comparable transactions and preparation of projections challenging as the market situation is so different during this period compared with the pre-pandemic environment.

However, notwithstanding the COVID-19 pandemic, the work expected of valuation professionals remains the same, for example, approaching the valuation with a high level of scepticism, understanding the business and the industry, determining the comparable companies, sensitivity analysis and robust evaluation of the financial projections.

How has COVID-19 impacted cash flow projections and the use of discount rates? How should professional scepticism and judgement be applied in assessing the reasonableness of assumptions and projections?

Below are some of the considerations that can be undertaken in evaluating projections:

- Ensure the bases and assumptions in the financial projections are up to date with the appropriate value drivers;
- Run the sensitivity analysis on the key revenue and cost drivers, accompanied with a narrative describing the cause and nature of the uncertainty; and
- Depending on circumstances, to consider disclosing the significant uncertainty with regards to the valuation being carried out, taking into considerations the users of the valuation report and its impact to the value.

On the use of an appropriate discount rate, the Capital Asset Pricing Model (CAPM) approach is a transparent approach. The key judgement would be the selection of comparable companies and upon considering the evaluation of the projections and stress testing them, the valuation professionals would need to consider if any adjustments are required to the discount rate to arrive at the value. The preferred approach is to ensure the bases and assumptions adopted in the financial projections are reasonable rather than adjusting the discount rates to reflect the uncertainty arising from the COVID-19 pandemic.

Please share with us the key plan and priority of the Valuation Committee for the future.

The Valuation Committee understands the importance of training and knowledge sharing as reflected in the competency framework. Thus, it will host seminars and workshops on valuation related topics.

It will also move towards converting the Best Practice Guide into a Standard mandated for all valuation engagements by MIA members who have the necessary competence to do so.

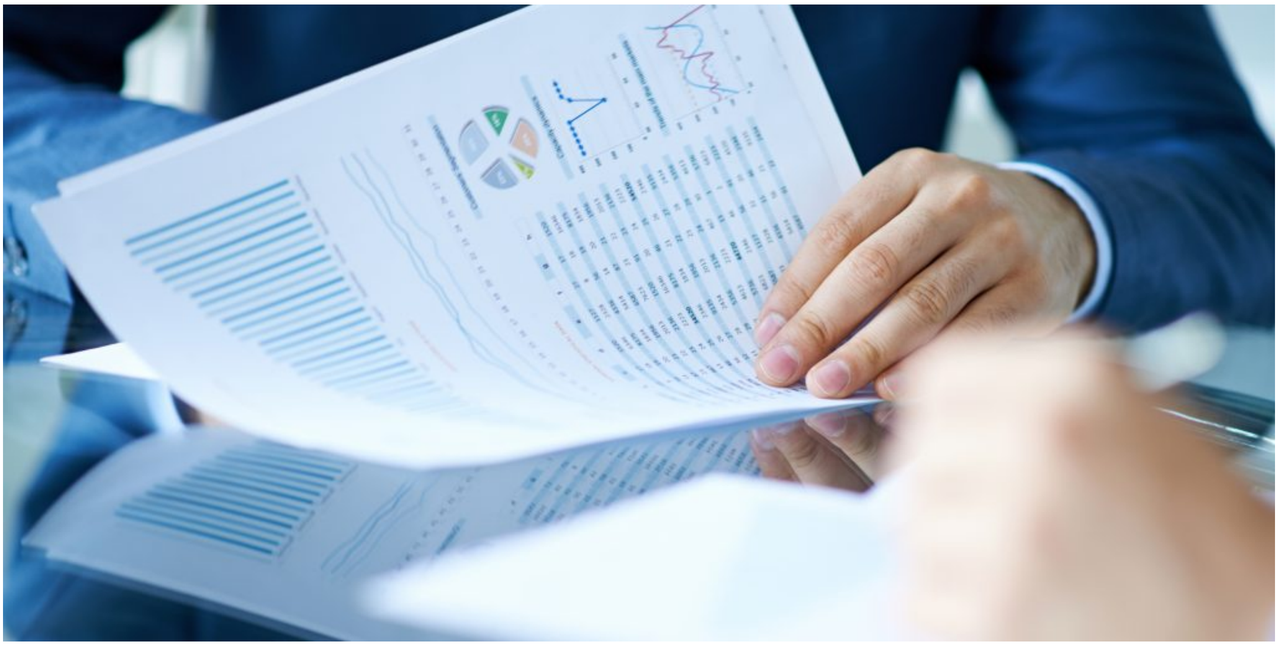
We believe that the IVS, being globally accepted standards, should be adopted not only by all MIA valuation professionals but by all professionals who undertake valuation, in the interest of the development of the capital and financial market and to ensure international comparability of valuation reports produced from Malaysia. Towards this end, the Committee will continue to promote such adoption to all interest groups including regulators.

Dato' Wong is the inaugural Chairman of the MIA Valuation Committee and also the Head of Advisory in BDO in Malaysia. He had also served as a board member of the Capital Market Compensation Fund, a fund set up by the Securities Commission. Dato' Wong has vast experience in the field of IPO, corporate valuation, and other corporate finance and restructuring related engagements. These are gained through his role as an adviser and working in a regulatory environment since 1987.

COVID-19 Financial Reporting Issues for Entities Using MPERS

at-mia.my/2021/06/29/covid-19-financial-reporting-issues-for-entities-using-mpers

June 29, 2021



By Nazatul Izma

MIA's first e-book – the Interactive e-Book of the MIA Illustrative MPERS* Financial Statements, with Commentaries and Guidance Notes (MPERS Interactive e-Book) is especially relevant in the light of the uncertainty caused by the COVID-19 pandemic which affects every business, including SMEs. The COVID-19 pandemic is an unprecedented and unusual event and it has significant accounting implications for SMEs. These include going concern assessment, cessation of operations or business segments, impact on revenue recognition, impairment of assets, furlough of employees, as well as other consequential impacts, such as cancellations of contracts with customers and delays in satisfying performance obligations to customers.

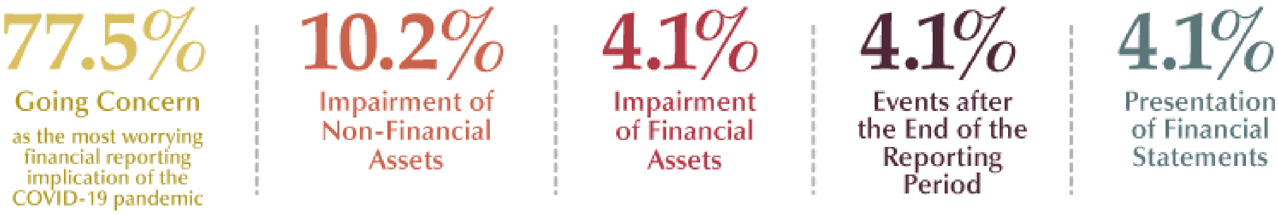
This e-Book will be very helpful in guiding both preparers and auditors to understand and accordingly address the impacts of these issues on the MPERS financial statements.

To support the launch of the e-Book, a panel session was held on the "Impacts of COVID-19 on MPERS Reporting Entities and MPERS Updates". The panel featured Tan Liong Tong, the lead author of the e-Book, as well as Tan Khoon Yeow, Partner, Learning & Development, BDO and Danny Tan, MIA Trainer and Project Manager with MASB on Financial Reporting by Small and Medium Entities who both collaborated on the e-Book. Rasmimi Ramli, Deputy Executive Director, Digital Economy, Reporting and Risk, MIA moderated the panel.

The following are highlights of the panel session:

Overall Issues Worrying Preparers and Auditors

In a snap poll of the participants at the launch, 77.5% ranked Going Concern as the most worrying financial reporting implication of the COVID-19 pandemic, followed by Impairment of Non-Financial Assets (10.2%), Impairment of Financial Assets (4.1%), Events after the End of the Reporting Period (4.1%) and Presentation of Financial Statements (4.1%).



Going Concern

Liong Tong spoke extensively on the going concern assumption to allay the concerns of preparers and auditors. With the economy in distress due to the COVID-19 pandemic, one of the most crucial tests in financial reporting is the going concern assumption i.e. whether a reporting entity would be able to continue to operate its businesses as a going concern or whether it needs to be liquidated or restructured.

When management has decided to shut down or cease business, the financial statements can no longer be prepared on the going concern basis, but must be prepared on the break-up or liquidation basis where assets are measured at net realisable values and liabilities at settlement values.

The assessment of the going concern requires judgement. Some of the indicators that a reporting entity might face on the going concern issues include: current liabilities exceeding current assets; insufficient cash to meet short-term obligations; a high debt-to-equity ratio with debts maturing in the near future; huge accumulated losses; and negative shareholders' equity i.e. the entity is technically insolvent.

Notwithstanding these adverse conditions, the financial statements of a reporting entity might still be prepared on the going concern basis if its management concludes that there are reasonable and supportable assumptions to support it. However, it needs to disclose the uncertainties and the judgements applied, including financial support from creditors and shareholders.

Impairment of Non-Financial Assets

Impairment of non-financial assets is subject to the requirements of Section 27 of the MPERS and the scope of assets subject to this include inventory, property, plant and equipment, investment property (cost model) as well as goodwill and identifiable intangible assets, among others.

Currently, one of the most difficult challenges with regard to impairment of non-financial assets is the confusion of indicators of impairment with events after the end of the reporting period, or hindsight. It is appropriate to exercise hindsight in assessing going concern. However, a key challenge is to refrain from applying too much hindsight in making that decision on impairment. According to paragraph 27.7 of the MPERS, the indication of impairment, whether it is internal or external, must be assessed at the entity's reporting date.

In MPERS, the test for impairment is required only if there is any indication of impairment. Amid the COVID-19 pandemic, evidences of impairment are likely to be triggered by internal sources (such as losses, lower than expected returns, closures or suspensions of operations, restructuring, etc.) and external sources (adverse effects brought about by the crisis, such as declining commodity prices, falling demand for entities' goods and services, changing consumer preferences, increase in discount rates that are caused by increase in market risk, etc.).

Assumptions and inputs used in the previous impairment tests (tests performed prior to the COVID-19 crisis in 2019 or earlier) need to be revised and updated to reflect the current conditions of the assets and fluid uncertain environment. Fair value less costs to sell will be impacted negatively due to declining prices of most assets. Similarly, value-in-use calculations would need to factor in the effects of suspension or curtailment of operations (declining revenues) and changes in the discount rates.

Impairment of Financial Assets

Two-stage approach	Another challenge is to assess impairment, which requires the application of the two-stage approach of impairment. The first stage is the objective evidence or indicators of impairment e.g when repayments by a trade debtor become past due which indicate that the debtor or receivable is in financial difficulty. The second stage is to measure that impairment loss which entails, among others, using discount rates and assessing credit risks to estimate the present value of future cash flows from the financial asset.
Use Good Judgement on a Case-by-case Basis	Judgement on a case-to-case basis will be crucial in determining the threshold of significant financial difficulty of a debtor as an objective evidence of impairment. For example, it would be necessary to differentiate between real financial difficulties and administrative difficulties that arose from COVID-19 when businesses and offices were shutdown. Many businesses would have delayed payments to creditors during the MCO from March – May 2020, and this should not have been deemed a credit risk or breach of contract if the debtor had a good track record of paying on time previously. Similarly, it is also common practice for companies to give their debtors an extension of time for repayment and this should not automatically be deemed as an indicator of impairment. Other methods of determining if a debtor is in financial difficulties or has a going concern problem would be to check their auditors' report for disclosure on emphasis of matter, which would serve as corroborative evidence.
Fair Value of Unquoted Equity Instruments	In MPERS, the norm is to apply the cost method of valuing financial instruments that are equity investments. These are usually units that are not traded, unquoted, and not held for trading purposes. These equity instruments are also subjected to impairment under Section 11 of MPERS, which states that impairment must be calculated regardless of the materiality threshold e.g. how significant or insignificant the equity instruments are. This then requires the measurement of impairment, by calculating the fair value or recoverable amount of these equity investments at the balance sheet date. In determining fair value, there are various methods available in a marketplace such as using comparables, e.g. a price to earnings or price to sales ratio obtained from an observable Bursa Malaysia equivalent adjusted for a liquidity discount. Many gray areas and judgement calls will be involved in relation to determining the fair value of these equity instruments. It will be crucial to have robust discussions between preparers and auditors in order to reach consensus on the methodology and inputs used to define the recoverable amount and the impairment of these equity investments.
Accounting for Government Assistance	In addition, government assistance schemes must also be considered in how impairment losses are measured and recognised, said Khoon Yeow. With government assistance, companies would have to consider whether there is an actual impairment to their financial assets and how the government assistance would affect their impairment calculations and practices.

Additional Disclosures When Necessary

MPERS Section 3.2 states that the application of MPERS with additional disclosure when necessary, is presumed to result in fair presentation of financial statements. Such an additional disclosure is necessary when compliance with a specific requirement of the MPERS is insufficient to enable users to understand the effect of a particular transaction or event, advised Danny Tan.

For example, an item of inventories was not impaired at period end because the net realisable value was determined to be above cost based on best information available as at that date. However, the same item of inventories was sold for below cost after the period end but before financial statements were authorised for issue, and assuming this is due to an event that is indicative of condition that arose after the end of reporting period, the item of inventory is not impaired, but a disclosure is required in accordance with Section 30.10. If the disclosure requirements in Section 30.10 is insufficient for user to understand the impact of the above event, additional disclosure in accordance with

Section 3.2 will need to be considered. Auditors and preparers are required to exercise judgement in deciding the extent of disclosures, which could be none, if the above event is assessed to be immaterial (see Section 10.3), explained Danny Tan.

Amendment to Companies Act 2016 and Impact on Financial Reporting

This is unrelated to the issues of the COVID-19 pandemic but an update of the MPERS Illustrative Financial Statements. According to Liong Tong, the key amendment in the Companies Act 2016 (CA 2016) that would impact on financial reporting relates to the redemption of preference shares out of capital.

The CA 2016 S72(4) specifies that preference shares are redeemable only if they are fully paid up and the redemption shall be out of profits, a fresh issue of shares, or capital of the company. The redemption out of capital is a new provision in the Act.

Under the original Companies Act 1965, preference shares were deemed redeemable, only if they are fully paid up and the redemption shall be out of profits or out of the fresh issue of shares. In addition to these two conditions, the CA 2016 S72(4) enables redemption out of capital of the company.

The CA 2016 requires capital maintenance for redemption of preference shares out of profits. The CA 2016 S72(5) specifies that where the preference shares are redeemed otherwise than out of the proceeds from a fresh issue of shares, a sum equal to the amount of the shares redeemed shall be transferred into the share capital accounts, out of profits that would otherwise have been available for dividend. “This capital maintenance applied equally to redemption out of capital,” clarified Liong Tong.

However, in practice, there were divergent views on whether or not capital maintenance applies equally to redemption of preference shares out of capital, as some viewed this as being unnecessary.

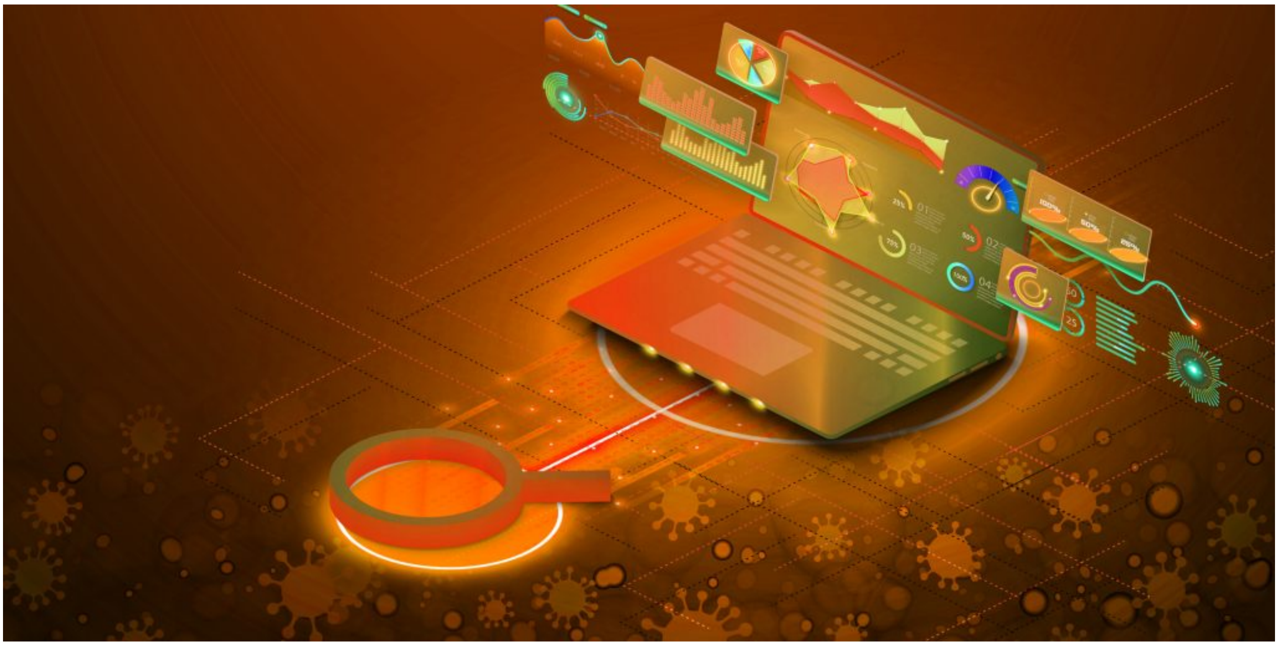
Hence, the Companies (Amendment) Act 2019 amended S72 of the principal Companies Act 2016 to require capital maintenance on redemption of preference shares, only if the redemption is out of profits. “This means that when preference shares are redeemed out of capital, capital maintenance is no longer required under subsection 72 (5) of the principal Act, so long as the solvency requirements of the Act are met.” In other words, there is no need to transfer an equivalent sum from profits to share capital and this would enable companies that have losses to redeem preference shares out of capital, concluded Liong Tong.

** MPERS refers to the Malaysian Private Entities Reporting Standard.*

COVID-19 Impact on Audits of Entities Applying MPERS

at-mia.my/2021/06/28/covid-19-impact-on-audits-of-entities-applying-mpers

June 28, 2021



By Nazatul Izma

MIA held a panel discussion on the impact of COVID-19 on MPERS financial reporting during the launch of the MPERS* Illustrative Financial Statements e-book. Tan Khoon Yeow, Partner, Learning & Development, BDO highlighted some issues that auditors should note:

No Requirement for KAMs

Auditors are only required to report on key audit matters (KAMs) when performing the audit of a public interest entity (PIE). Preparers applying MPERS will therefore not see KAMs in the auditor report, “unless your auditor wants to give you value-for-money reporting,” quipped Khoon Yeow.

Assess the Entity’s Going Concern or MUGC

Auditors are required to look into the entity’s material uncertainty over going concern (MUGC) that is increasingly critical since COVID-19 has significantly impacted business continuity, especially small medium enterprises (SMEs). “We as auditors would have to really look and challenge in depth the going concern assumptions used by management during this COVID-19 period,” said Khoon Yeow. Rather than being satisfied with a basic understanding of the assumptions and the inputs used by the management, do insist on more information, such as management’s scenario analysis.

He emphasised the importance of exercising judgement and professional skepticism in determining MUGC. The starting point of these discussions could be the following questions: Is your going concern assumption intact? What are your assumptions underlying your going concern? Are you disclosing these assumptions in the financial statements? Could a material uncertainty be detected just by scrutinising the statement of financial position, statement of profit or loss and statement of cash flows?

For better understanding of MUGC, Khoon Yeow advised auditors to refer to the circulars and FAQs issued by MIA.

Risk Disclosures

There is no direct equivalent of IFRS 7 *Financial Instruments: Disclosures* in MPERS, which eliminates the requirement for exhaustive disclosures on risks, risk management, risk exposures, and other risk-related issues that could take up voluminous pages in the financial statements.

However, Sections 11 and 12 of the MPERS contain paragraphs that deal with the disclosure on risk of defaults and breaches of loans. This is pertinent for auditors as many preparers who are applying MPERS have loans with covenants. “In practice, there is a high chance that due to COVID-19, the loan covenants are breached. And if this happens, it automatically triggers the relevant requirements of Section 12 for which preparers will now need to disclose it,” explained Khoon Yeow.

Tan Khoon Yeow

Disclosures must also be made if the situation has been remedied after the balance sheet date, or if a government-announced moratorium enabled preparers to remedy the situation. “Preparers should also be disclosing how they have actually remedied the situation whether through action of direct renegotiation with the lenders, by intervention of the government, or for example via the CDRC (Corporate Debt Restructuring Committee). This is where as auditors, we will need to exercise our judgement call again."

Khoon Yeow warned auditors that they should persuade preparers to disclose this information or risk queries from parties to the covenants, such as bankers and creditors who will read the financial statements. In some circumstances, auditors could be fielding calls from bankers and creditors querying the auditors' report on financial statements that omit disclosures of a loan covenant that was clearly breached.

Physical Stocktake Difficulties

Pandemic lockdowns and movement control orders meant that many auditors were unable to carry out physical stockcounts. In March 2020, when Malaysia was under a strict Movement Control Order (MCO), MIA issued FAQs that included guidance on inventory count. The FAQs clearly state that alternative procedures were allowed in the auditing standards or International Standards on Auditing (ISAs) as auditors were not able to physically go and perform an inventory count as of 31 March 2020, for instance. The FAQs can be accessed here.

An alternative is for auditors to carry out an emergency stocktake immediately upon the lifting of the MCO. Roll back procedures could then be performed, whereby auditors could roll back their samples or items that they had selected in order to derive what would have been the quantity of the stocks as of the balance sheet date.

External auditors are also allowed to obtain assistance from the internal auditors of the company, although SMEs are usually too small to retain their own internal audit department. If the company does not have an internal audit department, external auditors could rely on the internal controls of the company, depending on the system of perpetual stocktake or cyclical stocktake. Such reliance depends on the strength of internal controls that the client has in relation to their stock counts or their stock quantities. "As auditors, we need to obtain an understanding of the client's systems and see how best we can execute these alternative procedures in accordance with the auditing standards."

A potential impact on the auditors' report arising from inability to verify stocks is the risk of issuing a modified audit opinion due to the inability to obtain sufficient appropriate audit evidence (SAAE) over inventories. The MIA has highlighted this as well in the aforementioned FAQs.

"In this situation, there is no hard and fast rule because it depends on the materiality of inventories to the financial statements," said Khoon Yeow. If the auditor was unable to attend the stocktake and could not perform alternative procedures reliably for which the impact is not pervasive to the financial statements, then based on the MIA FAQs, it is likely that an "except for" opinion would apply.

However, if the stocks are material, which constitutes a significant percentage of the balance sheet items and have a material impact on reported gross profits of the company, then that would result in a major qualification because of its "pervasive impact," explained

Khoon Yeow. “When something is pervasive, the ISAs unfortunately point one way, which is a disclaimer of opinion because we are not able to obtain SAAE.”

“As practitioners, I would be very worried about jumping straight to an audit qualification. I would do my best to look for alternative procedures to be performed,” advised Khoon Yeow. Although alternative procedures such as roll back of stocks could be hard work, do weigh that option against an audit qualification. “When you qualify, obviously there is a big impact to the markets. Although the client might only be an SME, they do have stakeholders such as banks that provide loans to the SMEs. When you qualify your audit opinion, you could trigger one of the loan covenants and it could become an immediate loan default” he concluded.

**MPERS – Malaysian Private Entities Reporting Standard*

Developing a Technology Adoption Strategy for SMPs

at-mia.my/2021/06/30/developing-a-technology-adoption-strategy-for-smps

June 30, 2021

By Rasmimi Ramli

Developing a technology adoption strategy is crucial for small and medium practices (SMPs) to be relevant in the evolving digital economy. This article lists the guidance, resources, and tools available to SMPs in Malaysia for crafting a viable and effective technology adoption strategy.

The MIA Digital Technology Blueprint outlines five principles to be considered in developing a strategy to adopt technology in an organisation. The five principles are:

Assess digital technology trends and identify capabilities

The International Federation of Accountants (IFAC) Practice Transformation Action Plan (PTAP) sets out four key areas for practice transformation to be successful as follows:

The PTAP further iterated that one of the key initiatives for SMPs to successfully adopt and embed technology is **aligning technology with the long-term strategy**. The Blueprint aspires for members in public practice to retain, reimagine and innovate practices and services[1]. SMPs may seek to harness technology developments to improve efficiency, client service or profitability. This could include remote access, document management and scanning, using multi-screens, website improvements and using software packages for time sheets, billing and monitoring recovery rates[2].

It is critical for SMPs to be aware of various digital technology trends and understand how the trends affect their own processes and practices as well as their client service offerings. This can be done through attending webinars, seminars, online learnings and conferences as well as having conversations within their networks.

MIA provides various professional development programmes for members on technology topics which can be accessed at https://pd.mia.org.my. In addition, MIA also encourages members to use the PwC's Digital Fitness App – a free self-assessment tool that assesses one's digital fitness by giving a score. The tool provides access to a rich library of resources that enables one to improve his or her digital awareness and knowledge. For more information on the App, check out the article on Why Self-Assessments Should be the First Step in Building Your Digital Skills.

At the same time, SMPs need to identify their capabilities, build differentiated skills and innovate. SMPs need to identify the skillset that they or their staff need in order to adopt technology and develop accordingly. For example, they can attend detailed trainings or obtain certifications on relevant technology. MIA does provide such trainings in collaboration with third parties such as technology providers as well as international organisations. In addition, SMPs would also need to attract talent with the right skills. Identifying a 'project champion' to lead a digital adoption initiative will allow for stronger communication with the team throughout the process and ensure a successful and impactful implementation of the technology adoption strategy.

Harness digital technology

This principle relates to capitalising on the appropriate technology in the SMPs. As mentioned earlier, such technology must be in line with the SMPs' long-term strategy. SMPs then need to identify their current digital competency and compare that with the required competency to achieve the long-term strategy.

Self-assessment of digital competency

One way to do that is by undertaking a digital self-assessment to determine their level of digital maturity, by completing the EFAA[3] Digital Competency Maturity Model (DCMM). The DCMM has four sections as follows:

SECTION A The level of automation of the firm's internal processes.	This covers the extent of usage of IT for its own internal processes – for example, billing, document management, client relationship management, staff attendance and work tracking, cybersecurity, compliance with data protection regulations and social media presence.
SECTION B Availability of a qualified resource pool and talent development relating to digital competencies	This covers aspects like attracting, retaining and developing staff with requisite qualifications and skills.
SECTION C1 Level of automation relating to audit processes and the nature of audit services being rendered	This covers the level of automation at the client's end, access to automated audit tools, training of employees on audit tools, ability to handle digital evidence, Information Technology Audits, etc.
SECTION C2 Level of automation relating to accounting processes and the nature of accounting services being rendered	This covers the level of automation at the client's end, access to automated accounting tools, training of employees on client accounting tools etc[4].

By completing the DCMM, SMPs would be able to:

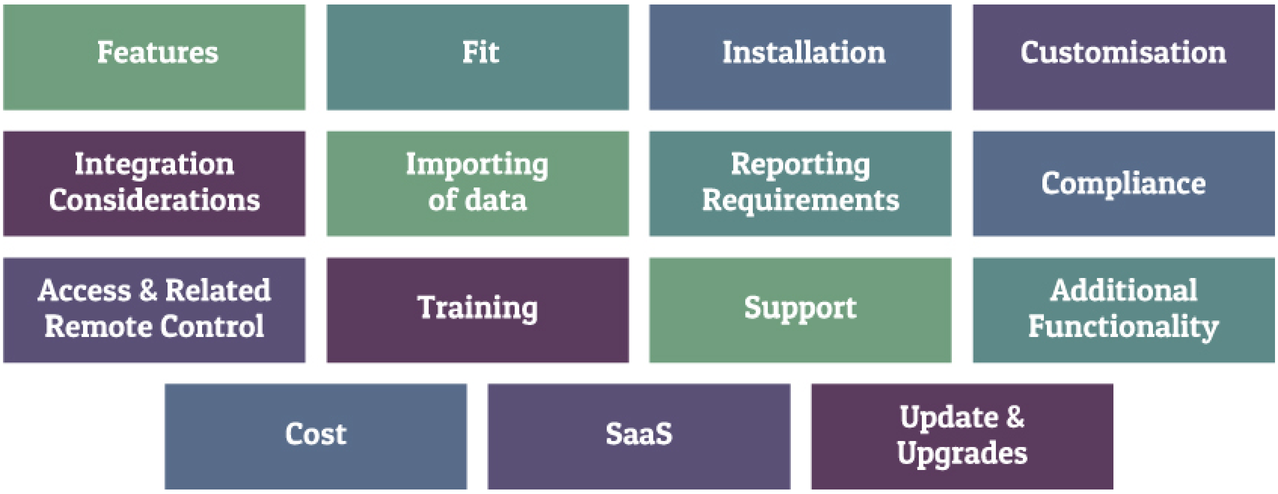
- Rate their respective current level of maturity on digital competency;
- Identify areas where competencies are strong or lacking; and
- Develop a roadmap for achieving a higher level of maturity.

The Institute is calling all SMPs to utilise the DCMM tool as part of their digital transformation journey.

Guidance and database

While many SMPs are aware of the benefits of digital adoption as evidenced in our 2019 and 2017 survey on 'Technology Adoption by the Accountancy Profession in Malaysia', often SMPs lack the resources to implement a dedicated function to tackle technology and technology adoption. As such, they are unlikely to develop technology on their own and will look to adopt mature technologies as opposed to technologies that are in their infancy.

At the same time, also due to the lack of internal resources, they are unlikely to develop their own guidelines and policies to assist them in the selection of software and/or software vendors[5]. In order to address this, MIA has issued the MIA Guidance on Software & Software Vendor Selection (Guidance). In selecting software, the Guidance sets out fifteen factors for SMPs to consider as follows:



The Guidance also provides guidelines on selecting the appropriate vendors for the software selected. Module 5 – Leveraging Technologies of the IFAC Guide to Practice Management for Small- and Medium-Sized Practices also provides guidance on leveraging technology by SMPs which includes discussion on various new and emerging technologies, how to develop a technology strategy, determining hardware and software options and understanding technology risks.

SMPs may also not necessarily have the time or resources to perform extensive research in looking for a vendor to supply their technology needs[6]. Hence, SMPs can refer to the MIA Software Vendor Database, a directory of companies that provide software to address five areas that have been identified, namely, accounting, tax, auditing, practice management and systems integration. The Database can be read together with the Guidance to help SMPs in choosing a suitable and appropriate software and software vendor.

Coaching programme

SMPs are also encouraged to participate in the MDEC[7] 100 Go Digital Coaching Programme which was recently launched. The Programme is made up of three key components as follows:

- Coaching session which includes the identification of pain points and challenges as well as sharing of practical guidance by renowned companies.
- Provision of recommendations of digital solutions and incorporation of strategy into business plans.
- Tracking and monitoring of progress by MDEC to ensure participants stay on the right track and receive intervention and assistance where required.

Funding

SMPs need to determine the budget required for a technology adoption plan and identify financing options either internally or externally. A realistic budget should be allocated. While the actual final amount may differ, allocating an amount at the outset will provide SMPs with a feeling of serious commitment to the implementation and ensure that it is given priority.

MIA has identified and engaged with MDEC on the following grants, which have now been made available for application by SMPs:

GRANT	SME DIGITALISATION GRANT	SMART AUTOMATION GRANT
Eligibility	Small and medium enterprises (SMEs) from any sector	SMEs, mid-tier companies (MTCs) from the services sector as well as small and medium practices (SMPs)
Maximum grant amount	RM5,000	RM250,000
Mechanism	Matching basis based on identified digitalisation areas	Matching basis of up to 50% of the total cost
Availability	Currently available	Pending announcement for the next submission
Detailed information	SME Digitalisation Grant*	Smart Automation Grant**

*https://mdec.my/digital-economy-initiatives/for-the-industry/sme-digitalisation-grant/
**https://mdec.my/digital-economy-initiatives/for-the-industry/smart-automation-grant/

Governance

Finally, SMPs need to adhere to good governance practices through adoption of industry and regulatory requirements. This would include setting a proper governance in technology adoption plan such as getting appropriate approval from top management on the adoption plan and budget with interval reviews and updates as well as adopting relevant policies and procedures such as an IT Policy.

SMPs should also ensure compliance with relevant legislations when adopting technology. For example, in adopting accounting software, SMPs need to ensure the software complies and is updated with the accounting standards requirements.

Conclusion

Developing a strategy for technology adoption is crucial so that SMPs approach technology adoption with necessary care and planning. Undertaking digital adoption without a strategy can result in poor decisions, resulting in increased cost, loss of productivity as well as loss of benefits that could have been avoided if better decisions were made. SMPs should also classify the strategy into short-term and long-term and review it on a regular basis, as technology and the environment in which SMPs are operating are volatile.

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[1] *Malaysian Institute of Accountants (MIA), 2018, MIA Digital Technology Blueprint – Preparing the Malaysian Accountancy Profession for the Digital World*
[2] *International Federation of Accountants (IFAC), 2020, Practice Transformation Action Plan – A Roadmap to the Future*
[3] *European Federation of Accountants and Auditors for SMEs*
[4] *EFAA, 2020, EFAA Digital Competency Maturity Model: Recommendations from Initial Results*
[5] *MIA, 2021, Guidance on Software & Software Vendor Selection*
[6] *MIA, 2021, Software Vendor Database*
[7] *Malaysia Digital Economy Corporation*

Government Announces Pemerkasa Plus Economic Stimulus Worth Rm40 Billion

at-mia.my/2021/06/01/government-announces-pemerkasa-plus-economic-stimulus-worth-rm40billion

June 1, 2021

Malaysia's Prime Minister Tan Sri Muhyiddin Yassin yesterday announced RM40 billion in economic aid as the country begins its national lockdown or MCO3.0 on 1 June 2021. The Pemerkasa Plus economic stimulus package has three main thrusts – to boost public healthcare capacity, to preserve the people's welfare and to ensure the sustainability of businesses in a bid to cushion the economic impact of the lockdown that will take place from 1-14 June 2021.

The package comes on top of previously announced stimulus packages worth over RM100 billion combined. Highlights of the Pemerkasa Package Plus that are relevant for MIA members are as follows:

Additional RM1 Billion to Strengthen Public Healthcare

The funds will help expedite the COVID-19 immunisation programme and increase vaccination capacity to 150,000 jabs per day from 80,000.States with high population density (Selangor, Kuala Lumpur, Johor, and Penang) are due to complete vaccination in October, while the rest would finish by the end of the year.

Continuing the 'Prihatin Rakyat' Agenda

- RM2.1 billion for additional payments under the Bantuan Prihatin Rakyat (BPR) programme –RM500 for households earning less than RM2,500, RM300 for households earning between RM2,501 and RM5,000, and RM100 for unmarried individuals. Additional payments are to be credited at the end of June, and an additional RM2.4 billion allocated for BPR payments in September.

- Choice of a three-month loan moratorium or six months of 50 percent reduced loan repayments, for those in the B40 group, those who have lost their jobs, and small-and-medium enterprises that cannot operate during the MCO.
- The federal government will allocate RM1.5 billion to extend the Social Security Organisation's (SOCSO) wage subsidy programme by one month in all economic sectors, for up to 500 workers per application.
- Companies registered under the Human Resource Development Corporation will be exempted from paying the levy for the month of June.
- Free upskilling for workers through over 400 modules and courses available online under the e-Latih portal.

Supporting Business Continuity and Ensuring Sustainability

- RM 1.5 billion allocated as microcredit working capital for businesses.

- Prihatin Special Grant will be increased from RM1,000 to RM1,500. Out of this amount, RM1,000 will be paid in mid-June, and RM500 will be paid in July.
- Low-interest microcredit loans from BSN, Tekun, Mara, SME Corp and Yapeim totalling RM1.5 billion for traders and micro-entrepreneurs, with an interest rate of three percent.
- Additional RM2 billion for Bank Negara's Targeted Relief and Recovery Facility on top of the RM5 billion still available, which would offer loans to small-and-medium enterprises at 3.5 percent interest.
- Deadline for submission of financial statements to the Companies Commission and for listed companies to hold annual general meetings for listed companies will be extended.
- Companies Commission will waive penalties for late renewal of business licenses for micro-businesses, sole proprietorships, and partnerships, up to Dec 31 2021.
- Protection for companies unable to fulfil their contractual obligations will be extended under the Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (Covid-19) Act2020 until Dec 31. The government will continue to offer free mediation services through the Covid Mediation Centre.
- 30 percent discount on rental of business premises for MARA entrepreneurs.

- Exemptions for tourism tax and service tax for hotel stays extended until Dec 31 2021.
- Stamp duty exemption under last year's Home Ownership Campaign extended until Dec 31. It was due to expire on 31 May 2021.
- Sales tax exemption for CKD and imported CBU passenger vehicles extended from July 1 to Dec31 2021.

Please click HERE for the Prime Minister's speech.

The Institute hopes that the Pemerkasa Plus package stimulus will boost the morale of our members, and that member firms in particular will benefit from the concessions that are aimed at supporting businesses and jobs through the lockdown period.

MIA will continue to closely monitor the situation, maintain close communication with the Government, regulators and our stakeholders, and will notify members of any future developments.

In the interim, MIA hopes that everyone will comply with the lockdown SOPs and all rules and regulations for our mutual benefit.

We thank you for your understanding and patience and we hope that everyone will stay safe.

#STAYSAFE #ACCOUNTABILITY #INTEGRITY

Dr. Nurmazilah Dato' Mahzan
Chief Executive Officer

Government Unveils Pemulih Aid Package Worth RM150 Billion

at-mia.my/2021/06/29/government-unveils-pemulih-aid-package-worth-rm150-billion

June 29, 2021

Yesterday, Malaysia's Prime Minister Tan Sri Muhyiddin Yassin announced RM150 billion in economic aid with a fiscal injection of RM10 billion following the extension of the first phase of the National Recovery Plan, where the full movement control order (MCO) remains indefinitely until daily cases drop below 4,000, ICU capacity in hospitals are eased and 10 percent of the population has been vaccinated.

The Pemulih aid package outlines several measures targeted at tiding people and businesses over the first phase of the National Recovery Plan, where only businesses providing essential goods and services are allowed to operate. Focusing on three key areas, the aid package will be implemented to continue with the people-caring agenda, support businesses and accelerate vaccination efforts.

The package is a continuation of seven financial assistance and economic stimulus packages that were implemented since the COVID-19 pandemic began early last year and amount to RM380 billion combined.

Highlights of the Pemulih aid package which are relevant for MIA members are as follows:

Special Grants or Geran Khas Prihatin (GKP) for Micro Businesses

The GKP for micro-businesses will be further expanded under the Pemulih package and additional one-off payments will be given to eligible recipients with RM500 to be paid inSeptember and another RM500 in November. This aid comes on top of the GKP 3.0

payout of RM1,000 which was distributed earlier this month and RM500 in mid-July. To date, an overall RM5.1billion has been allocated for GKP.

Salary Subsidy Programme Limit Removed

The cap on the salary subsidy programme to employees who earn below RM4,000 is removed. Employers can now apply for the scheme even if their employees earn more than RM4,000 a month.

Payment Exemption for HRD Levy

The Government will automatically exempt payments for the HRD levy for two months for employers who are unable to operate during phase one of the National Recovery Plan.

Syarikat Jaminan Pembiayaan Perniagaan Bhd (SJPP) Increases Its Guarantee Ceiling

The Syarikat Jaminan Pembiayaan Perniagaan Bhd (SJPP) has agreed to increase its guarantee ceiling by RM20 billion to ensure the SME sector remains relevant and competitive.

Additional Funds from Bank Negara Malaysia for SMEs

An additional RM2 billion from Bank Negara Malaysia will be given for the purpose of supporting and aiding SMEs and micro entrepreneurs, increasing available funds for new applicants to RM8.6 billion.

Microcredit Scheme Expansion

The expansion of the microcredit scheme, with Agrobank and Bank Simpanan Nasional pumping in RM500 billion each and the Tekun scheme preparing RM100 million. The cumulative amount of the microcredit funds now available this year for micro entrepreneurs is RM3 billion.

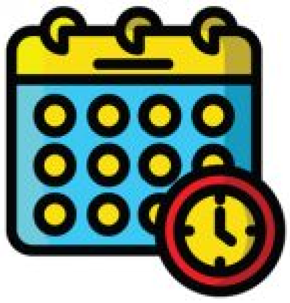
Small Entrepreneur Digital Empowerment Programme (Pupuk)

Under the newly-introduced Small Entrepreneur Digital Empowerment Programme (PUPUK), the Government will be allocating RM200 million to assist micro SMEs and RM100 million for SMEs.

These allocations will go towards the Shop Malaysia Online and Go-eCommerce On boarding initiatives; the SME Digitalisation Grant for SMEs to acquire matching grants of up to RM5,000; to encourage strategic partnerships between social media providers, telecommunication companies and community internet centres to help rural entrepreneurs go digital; and to the Agriculture Sector Digitalisation and Transformation Programme.

i-Citra Withdrawal

The Employees Provident Fund (EPF) will introduce a new withdrawal facility, the i-Citra. Under this withdrawal scheme, 12.6 million EPF members can make withdrawals of up to RM5,000, with a fixed payment rate of RM1,000 per month for five months.



Automatic Moratorium for All Borrowers

An automatic, blanket moratorium will be given on loan repayments for individual borrowers in the B40, M40 and T20 groups. Borrowers will need to apply for this moratorium, where banks will give automatic approval and applications will begin on 7 July 2021.

RM150 Million Allocation for Public-Private Partnership Immunisation Programme (PIKAS)

The Ministry of International Trade and Industry (MITI) is coordinating with the Public-Private Partnership COVID-19 Industry Immunisation Programme (PIKAS) to incentivise companies and industries to use their premises as vaccination centres (PPVs) and conduct immunisation programmes for employees, where the Government will supply the vaccines while the company makes logistical arrangements at their premises. The RM150 million will be allocated for the implementation of PIKAS and to alleviate companies' costs.

Employers registered under the Human Resources Development Corporation (HRD Corp), can use up to 10 percent of their remaining current levy for the cost of management and purchase of COVID-19 vaccines.

1 Gigabyte of Daily Free Data

Telecommunications companies have agreed to extend the 1GB of daily free data until the end of the year. This initiative estimated to be worth RM500 million will benefit 44 million registered users in the country.

Please click HERE for the full speech.

The Institute hopes that the Pemulih aid package will provide reprieve for our members, and that the grants and subsidies aimed at reducing costs borne by employers, encouraging digitalisation efforts and providing financial support and tax incentives will benefit member firms throughout the National Recovery Plan.

MIA will continue to closely monitor the situation, maintain close communication with the Government, regulators and our stakeholders, and will notify members of any future developments. In the interim, MIA hopes that everyone will comply with the lockdown SOPs and all rules and regulations for our mutual benefit.

We thank you for your understanding and patience and we hope that everyone will stay safe.

#STAYSAFE #ACCOUNTABILITY #INTEGRITY

DR. NURMAZILAH DATO' MAHZAN
Chief Executive Officer

How Integrated Thinking Can Support Boards in Creating Long-Term Value

at-mia.my/2021/05/25/how-integrated-thinking-can-support-boards-in-creating-long-term-value

May 25, 2021

A collaboration between the Malaysian Institute of Accountants (MIA) and the Institute of Corporate Directors Malaysia (ICDM), this Virtual Talk discussed the development of corporate reporting around the world and the material impacts on corporate reporting in Malaysia in the years ahead. It also provides the benefits and relevancy of adopting integrated reporting and integrated thinking for board directors moving forward.

Societal demands and the evolving external environment are changing the risk and opportunities that boards need to assess today. The known values are changing and evolving, requiring a new way of thinking about value creation. Integrated thinking creates the connectivity between a company's strategy, governance, performance, and prospects in an integrated reporting process that impacts the running of the company's business. Long-term success comes from meeting the needs of the organisation's stakeholders, working effectively with the supply chain, customers, the society, and the environment in which it operates. The merger of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) may accelerate the alignment in corporate reporting and the adoption of integrated reporting.

This executive summary captures the salient points presented by the speakers at the Virtual Talk.

Key Insights & Discussions

1 It is critical to understand how value is changing and evolving in today's world. Mega trends such as inclusive capitalism and long-termism, sustainable development, climate change, globalisation and interconnectedness, technological disruption and governance stewardship are requiring new ways of thinking about value creation. The Ocean Tomo Intangible Asset Market Value Study highlighted that only 10% of the S&P 500 market capitalisation is accounted for by tangible assets as intangibles in terms of human, intellectual, social and relationships capitals are becoming more important, making integrated reporting and integrated thinking more relevant than ever.

2 Integrated reporting can be used as an Environmental, Social and Governance (ESG) tool for boards in assessing risks and opportunity. The insights help boards make better informed decisions, providing a more holistic view, shifting the focus from just financial performance to a broader emphasis on value creation over the short, medium, and longer-term, as well as enabling the organisation to better engage with and address the needs of key stakeholders.

3 Integrated thinking starts with having a clear understanding of your business model and strategy, the material risks and opportunities of your organisation in the changing business landscape, how you are creating value in meeting your stakeholder needs, and how you are communicating all these factors in a way that matters to them.

4 Integrated thinking drives connectivity between the company strategy, governance, performance and prospects, creating a flow of information and communication through the organisation. It breaks down internal silos and gives both board and management a full line of sight of the business.Other benefits include:

Challenging the culture of short-termism	Quicker response to new and emerging risks	Driving connectivity across the organisation	Better understanding of the dimensions of value

5 Organisations need to ensure that the information in their integrated report are material, meaningful and comparable across markets and industries. It should provide relevant and meaningful disclosures that help and facilitate the long-term view of investors. For example, the earnings per share information is less relevant and meaningful for BlackRock as compared to information on how the company is using its social capital, human capital and natural capital for the business to be sustainable and creating value over time.

6 It is vital for an integrated report to address the organisation's commitment towards the six capitals: financial, manufactured, intellectual, human, social and relationship, and natural. The Chairman's and CEO's statements need to collectively demonstrate the organisation's commitment, long-term strategy and outcomes in relation to the capitals.

7 Setting up a steering committee involving all relevant departments will be helpful for organisations embarking on their integrated reporting journey. This may help break the silo mentality and instil integrated thinking while producing the organisation's first integrated report and to collectively understand the value of the IR framework.

8 An integrated report needs to balance disclosures of both positive and negative outputs, outcomes and value creation. The organisation needs to be honest and transparent about the negative outcomes and disclose the mitigation action plan to reduce or prevent the same incidents from recurring in the future. Being transparent upfront will do more good than keeping stakeholders in the dark.

Actionable Outcomes

MOVING FORWARD

1. **Challenge the management to embrace integrated reporting and thinking** and thus, benefit from the exercise.

2. **Link your business model and strategy** to how you can create value to meet your stakeholders' needs.

3. **Build trust and lasting relationships with stakeholders** to co-create value and to enable long-term plan implementation.

4. **Take ownership of integrated reporting** as a management tool for monitoring and disclosing value creation.

5. **Collaborate with the management** in linking the stories, providing **meaningful** information to create a **comprehensive report.**

6. Ensure the **integrity and transparency of the report** in disclosing value creation and the organisation's strategies.

7. **Communicate** the organisation's premise of value creation and **become the source of reliable information** to avoid rumours or fake news.

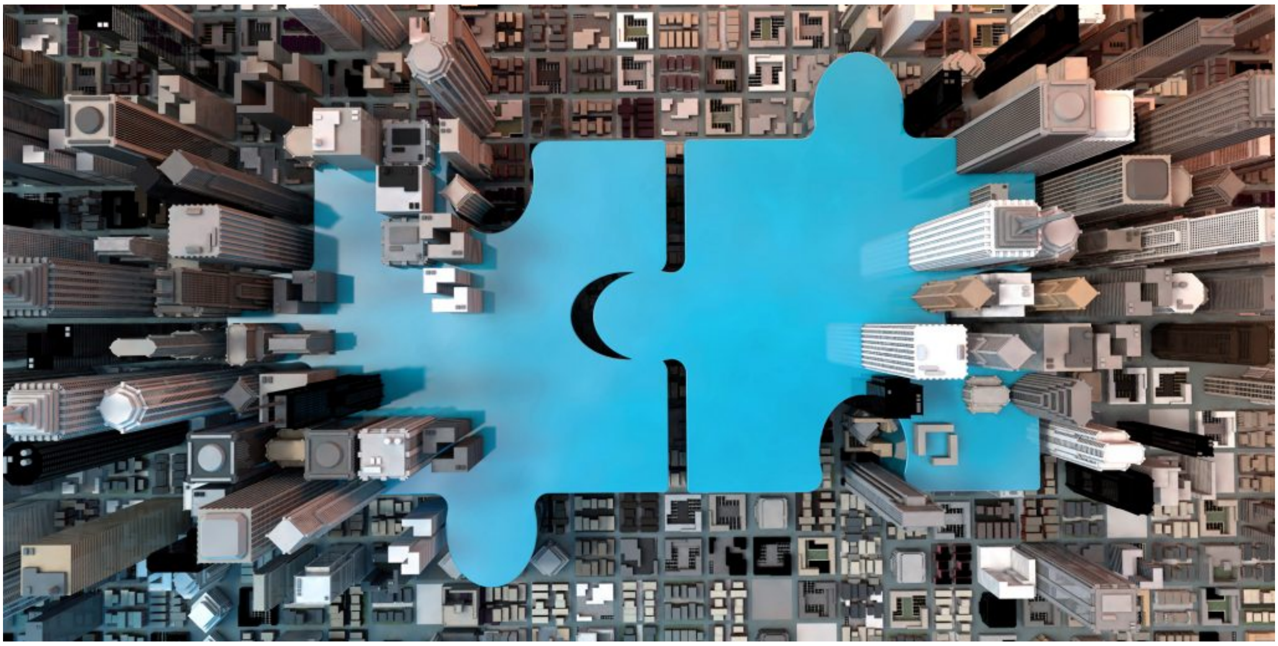
The framework does three things:

1. It is a framework for reporting.
2. It is a framework for integrated thinking for board and management.
3. It is a framework on how you bring your data and information together for effective decision-making.

Charles Tilley, CEO of International Integrated Reporting Council (IIRC)

Integrated Reporting in ASEAN

May 27, 2021



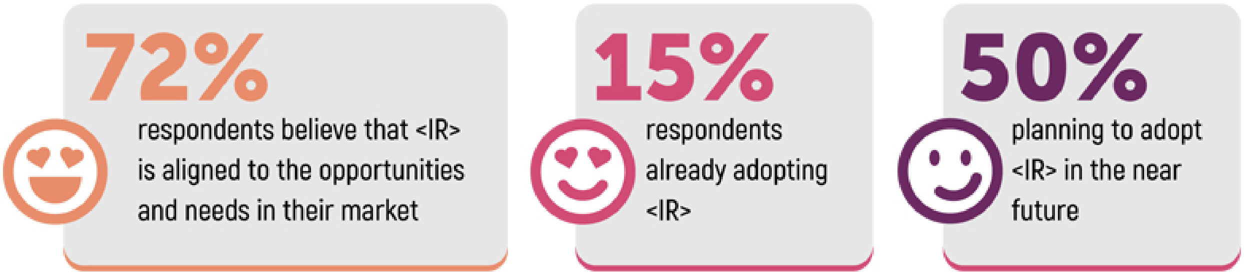
By Aucky Pratama

Even as <IR> is gaining traction in various jurisdictions around the world, its adoption in ASEAN is still limited mostly to larger companies in selected jurisdictions such as Malaysia, Singapore, and the Philippines. Representatives of early adopters from Malaysia shared insights into their <IR> journey, highlighting key challenges and what is needed to adopt and implement the framework, whilst the International Integrated Reporting Council (IIRC) and CPA Australia representatives provided updates on <IR> and its revised framework.

Why <IR>?

With 52% of the poll respondents stating their lack of knowledge in <IR>, it was clear that although <IR> is adopted by companies in more than 70 economies around the world, ASEAN stakeholders are still warming up to the idea of <IR> as a framework for organisations to communicate a comprehensive and coherent story of their value creation journey.

However, the interest is definitely there, as 72% of the respondents believe that <IR> is aligned to the opportunities and needs in their market. With 15% of the respondents already adopting and more than 50% planning to adopt <IR> in the near future, ASEAN stakeholders could take a page from success stories such as DBS Bank in Singapore, Ayala Corp in the Philippines, and KPJ Healthcare Berhad and Sunway REIT Management Sdn Bhd in Malaysia.



"Our understanding of value is changing, as intangibles become more prominent in defining the value of a business. With the world today wanting to know more about business' value creation and its governance, a new measurement matrix and reporting framework are needed to better convey the real value of a business," said Jonathan Labrey, Chief Strategy Officer of the IIRC. He highlighted how the COVID-19 pandemic has forced us to rethink the way we collaborate – breaking silos and promoting integrated thinking in operating a business and its reporting to stakeholders.

<IR> is an important management tool that enables management to better understand its use of capitals for value creation. More importantly, it is a platform for businesses to better communicate with their stakeholders about their value creation journey.

Taking the first step

"It needs to start with a champion, or champions. This could be a member of the Board who feel strongly about <IR>" said Christina Foo, Chair of Audit Committee at KPJ Healthcare Berhad, one of the early adopters of <IR> in Malaysia. She highlighted the importance of building awareness and acceptance towards the benefits and value propositions of adopting <IR>, whilst harnessing the desire for management to accept the fundamental change in mindset.

Boards need to understand the potential resistance that may come from mid-management because integrated thinking has to take place to a certain extent for <IR> to be implemented effectively. A change in mindset from working in silos (silo mentality) to integrated thinking is a fundamental part of the <IR> journey that needs to be done with support from everyone in the organisation. With more useful information presented in <IR>, the organisation also needs to ensure the integrity of information presented to their stakeholders.

"Businesses need to start with the premise of transforming its corporate reporting, and continuously improve. It is a journer" said Irene Sin, Chief Financial Officer at Sunway REIT Management Sdn Bhd, another early adopter of <IR> in Malaysia. As part of the management, she recognises the challenge in getting everyone onboard. It is about fostering a long-term value reporting process, focusing on what is important for the business. She encouraged businesses to start their journey early and improve along the way.

Why accountants?

Quoting Peter Bakker, CEO of the World Business Council on Sustainable Development: “Accountants will save the world”, Dr. John Purcell, Policy Adviser, Environmental, Social and Corporate Governance for CPA Australia believes accounting bodies have a public interest obligation to promote better reporting. He highlighted how accountants can play a role in transforming businesses to better operate in a resource constrained economy, as well as better communicate with their stakeholders.

Accountants have the knowledge, understanding, and better appreciation of the connection between financial performance, risk management, and sustainability. Those in leadership positions such as CFOs can provide the critical link between management and stakeholders. CFOs have the longer term vision on the importance of <IR> and can serve as enablers, to push the boundaries of reporting and constantly think about the future and beyond the numbers.

Accountants can bridge the gap and establish connection between all parts of the business and interpret the numbers meaningfully. Their rigour in assessing financial information could spill over into the non-financial aspects of the business.

How to make it work?

Pauline Ho, a member of the MIA Integrated Reporting Steering Committee and Assurance Partner for PwC Malaysia shared five key areas that businesses need to focus on in adopting <IR>: materiality assessment, risk disclosure, consistency and comparability (of financial and non-financial performance indicators), internal and external factors impacting the business, and the value creation business model.

“Encouragement to start is very important. Start small and take the journey over time,” said Pauline. She added that professional accountancy bodies can encourage businesses to take the first step and learn from the experience of others.

In their closing remarks, the panellists shared the following takeaways:

1. Nobody knows your business like you do. Use <IR> as a tool to share your passion about your company.
2. <IR> adoption does not happen overnight, as it is a journey. Start now, take your time, embrace change and the challenges that come with it, get help from those who know, and learn from your journey.
3. Make use of the many resources available. In addition to the framework, the IIRC provides guidance, practice examples, and other supporting resources that businesses can use to learn more about and start with their <IR> journey (https://integratedreporting.org/resources/). Other resources are also available from MIA (https://integratedreporting.org/resources/) and CPA Australia (https://content.cpaaustralia.com.au/professional-resources/esg/integrated-reporting).

Regional collaboration

For AFA, the Malaysian institute of Accountants (MIA), and CPA Australia, the webinar was their second collaboration in the space of 12 months, after a successful joint webinar on Improving Public Sector Governance through Financial Reporting in November 2020.

“AFA aspires to lead in and contribute to our collective efforts in enhancing the capacity of our ASEAN accountancy profession. Today’s webinar is another example of our excellent collaboration with Professional Accountancy Organisations (PAOs) in the ASEAN region, to provide ASEAN accountants with an opportunity to hear first-hand from our regional and international experts. Despite the difficult circumstances, technology has been a key enabler for AFA and our member organisations in our efforts to transition most of our activities to online platforms,” said Aucky Pratama, Executive Director of AFA, reflecting on the Federation’s productive 2020.

#afaaccountants #aseanaccountants

Aucky Pratama is the Executive Director of the ASEAN Federation of Accountants (AFA). This article was first published in May 2021 on http://www.afa-accountants.org/home

LHDN’s Responses to Appeal for Extension of Time (EOT) and Other Tax Compliance Matters

at-mia.my/2021/06/25/lhdns-responses-to-appeal-for-extension-of-time-eot-and-other-tax-compliance-matters

June 25, 2021

Further to Circular No 54/2021 and No 66/2021, please be informed that the Institute received a letter dated 25 June 2021 from the Inland Revenue Board (IRB) on the appeal for extension of time for filing of income tax return forms and tax payments. The IRB allowed the following relaxation of tax compliance matters and payment of tax during the total lockdown period:

CATEGORY OF TAXPAYER	FINANCIAL YEAR ENDED	STATUTORY FILING DEADLINE	EXTENSION OF TIME GRANTED BY LHDNM
Companies, Co-Operative Societies, Limited Liability Partnerships and Trust Bodies	31 October 2020	31 May 2021	2 months from the statutory deadline *(i.e. 31 July 2021)*
	30 November 2020	30 June 2021	2 months from the statutory deadline *(i.e. 31 August 2021)*
	31 December 2020	31 July 2021	2 months from the statutory deadline *(i.e. 30 September 2021)*
	31 January 2021	31 August 2021	2 months from the statutory deadline *(i.e. 30 October 2021)*
Partnerships, Individuals, Associations, Deceased Persons Estate, Hindu Joint Families Who Carry on Business		30 June 2021	31 August 2021

There are other relaxations that have been provided by the IRB and the Institute is still going through the IRB’s responses. We will update members on the details via a Circular in due course. For more details, please click HERE.

Practice Review's Key Findings on Acceptance and Continuance of Client Relationships and Specific Engagements

May 4, 2021

By MIA Practice Review Department

The following are some of the key findings from practice review related to the audit firm's implementation of one of the elements of quality control (ISQC 1), which is "client acceptance and continuance relationships".

The review findings in the context of client acceptance and continuance procedures are related to the completeness of documentation, timeliness of performance of acceptance and continuance considerations and the audit team's ability in performing the audit. The Practice Review Department (PRD) wishes to emphasise that the findings raised below merely serve as guidance to help members understand some of the well-developed client acceptance or continuance implementation within their firms, which shall be in compliance with relevant professional standards, applicable legal and regulatory requirements, as well as in achieving quality audit.

Key Findings and Reviewer's Recommendations

Sample 01	Sample 02	Sample 03	Sample 04
The firm has no formal written policies for acceptance and continuance of client relationships and specific engagements. For two (2) of the engagements, the firm documented the conclusion of client continuance assessments, but the details of procedures performed were not documented. Further, the conclusions of client continuance assessments were not dated and therefore, there was no clear evidence when the said assessments were completed.	Client continuation assessment checklist was completed during the performance of the audit instead of the completion of the last audit. Further, the policy and procedures to ensure the firm fulfils its obligations as a reporting institution with respect to the requirements imposed under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ("AMLA") were also not established.	The firm has formal policies and procedures relating to the acceptance and continuance of client relationships. However, for certain engagements selected for review, the following findings were noted: • no evidence of review by the engagement partner on the acceptance and continuance procedures; • engagement letters were not dated; • professional clearance was not obtained from the previous auditors; and • no evidence that letter of consent to act was issued.	For one of the engagements reviewed for a group audit, there was no evidence of consideration during the client acceptance and continuance process that the group engagement partners had determined whether sufficient appropriate audit evidence can reasonably be expected to be obtained in relation to the consolidation process and the financial information of the components on which to base the group audit opinion. Also, where component auditors will perform work on the financial information of such components, there was no indication of evaluation by the group engagement partner whether the group engagement team will be able to be involved in the work of those component auditors to the extent necessary to obtain sufficient audit evidence.

Recommendations

Commitment to maintain appropriate quality control standards in accordance with ISQC 1, and having policies that comply with ISAs and in accordance with ISA 220 and ISA 600, is significant in addressing issues arising from client acceptance and continuance. The PRD also wishes to highlight that ISA 600 – Special considerations – audit of group financial statements (including work of component auditors) is included in this article as ISA 600 refers to group audits, which are equally important to client acceptance and continuance consideration at the firm level to ensure conformance to the overall quality control processes.

ISQC 1 (26) states:

26. The firm shall establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where the firm:

(a) Is competent to perform the engagement and has the capabilities, including time and resources to do so;

(b) Can comply with relevant ethical requirements; and

(c) Has considered the integrity of the clients and does not have information that would lead it to conclude that the client lacks integrity.

The firm can also refer to ISQC 1(27) and (28) on the specific requirements on policies and procedures for acceptance, continuing engagement and client relationships.

ISQC 1 (26)(a)

ISQC 1 (26)(a) focuses on the firm's competency and capabilities to perform the engagements. To enable the determination of the firm's competency, the firm needs to have a thorough understanding of the entity and its industry. The need to have the necessary competency under paragraph (26)(a) is supported by paragraph A18 providing further guidance for the firm's consideration of the implementation of their policies and procedures as they relate to competence, capabilities, and resources to undertake a new engagement from a new or an existing client. As stated in paragraph A23, in the public sector, auditors may be appointed in accordance with the statutory procedures. Accordingly, certain of the requirements and considerations regarding the acceptance and continuance of client relationships and specific engagements as set out in paragraphs 26-28 and A18-A22 may not be relevant. Nonetheless, established policies and procedures as described may provide valuable information to public sector auditors in performing risk assessments and in carrying out reporting obligations.

ISQC 1 (26)(b)

ISQC 1 (26)(b) requires the firm to have polices and procedures to ensure compliance with relevant ethical requirements. Should issues with respect to independence or conflicts of interest be identified in considering client acceptance, action should be taken to mitigate those risks to reduce them to an acceptable level. However, in circumstances where conflicts identified cannot be waived by a client and/or managed by implementing safeguards, the prospective engagement should be declined.

ISQC 1 26 (c)

ISQC 1 26 (c) indicates the need for considering the integrity of the client, and that the firm does not have information that would lead it to conclude that the clients lack integrity. In the process of assessment and evaluation for client acceptance and continuance procedures, possessing as much information as necessary is crucial to ensure an informed assessment is made about the acceptability of the potential client and the ability of the audit firm to perform a quality audit. If the firm has reason to question the integrity of the management or principal owner of the prospective client or existing client and that they do not meet the acceptable level on standard of integrity, the firm shall not accept or continue to be associated with the entity. Also, certain firms in some jurisdictions are required to implement extensive procedures relevant to this element to deal with regulations, for example, money laundering.

It is also recommended for the audit firm to communicate with preceding auditors to ascertain whether there are circumstances that a firm should consider in deciding whether to accept the engagement. This recommendation is associated with the requirement under MIA's By-Laws Section 210.10A of Part 1(b): Changes in a Professional Appointment, where, no member in public practice shall accept a nomination for the engagement without enquiring from the existing auditor as to whether there is any professional or other reason for the proposed change of which he should be aware before deciding whether or not to accept the appointment and, if there are such reasons, requesting the existing auditor to provide him with all the details necessary to enable him to come to a decision. (Note: The firm may refer to the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants [Issued June 2019] Section R320.4 MY for the same requirement in future.)

It is a common finding from practice review that there are inadequacies in documentation with respect to client acceptance and continuance considerations. While all the necessary considerations may have taken place and a rationale determined in accepting and continuing with the client, all these "thought processes" were not documented in the audit files. As with documentation, an appropriate and timely assessment can create a stronger auditor-client relationship and reduce the risk of damage to the firm's professional reputation and growth. Thus, formal (written) documentation shall be maintained for the procedures performed to evaluate the acceptance of prospective clients and the continuation of existing clients together with the conclusion as part of the firm’s risk management policy.

Also, partner/ partners must approve and sign off on the decision to accept or continue an engagement in accordance with the firm’s policies and procedures and this shall be completed before proposing or committing to accept the engagement and/or at the last audit. Failing to perform diligent and timely client and engagement acceptance assessment not only leads to the possibility of an unplanned relationship termination but also leads to significant professional liability disputes and concerns. Besides timely performance of the said procedures, the level and extent of involvement of firm’s personnel in the performance of client acceptance and continuance determination is equally important but might vary according to the risk associated with the overall engagements, as well as the scope of services engaged within the firm.

As regards client acceptance and continuance consideration for engagements with group audit, ISA 600 (12) and (13) states:

ISA 600 (12) states that: In applying ISA 220, the group engagement partner shall determine whether sufficient appropriate audit evidence can reasonably be expected to be obtained in relation to the consolidation process and the financial information of the components on which to base the group audit opinion. For this purpose, the group engagement team shall obtain an understanding of the group, its components, and their environment that is sufficient to identify components that are likely to be significant components. Where component auditors will perform work on the financial information of such components, the group engagement partner shall evaluate whether the group engagement team will be able to be involved in the work of those component auditors to the extent necessary to obtain sufficient appropriate audit evidence. (refer: Para A10 – A12)

ISA 600 (13) states – If the group engagement partner concludes that:

(a) it will not be possible for the group engagement team to obtain sufficient appropriate audit evidence due to restriction imposed by group management: and

(b) the possible effect of this inability will result in disclaimer of opinion on the group financial statement,

the group engagement partner shall either:

- In the case of a new engagement, not accept the engagement, or, in the case of a continuing engagement, withdraw from the engagement, where withdrawal is possible under applicable law and regulations; or
- where law or regulation prohibits an auditor from declining an engagement or where withdrawal from an engagement is not otherwise possible, having performed the audit of the group financial statements to the extent possible, disclaim an opinion on the group financial statements. (refer: Para A13-A19)

Conclusion

While this article focuses on findings for relevant client acceptance and continuance requirements, practitioners are advised to study all relevant professional standards and review available supporting implementation guidance in order to have full understanding of the entire text of all the relevant professional standards and regulations, including its application.

**Reminder for member firms: The firms are advised to look into ISQM 1 as the firms will be required to design and implement a system of quality management in compliance with ISQM 1 by 15 December 2022.*

Strengthened Provisions on Inducements

June 30, 2021

By MIA's Capital Market and Assurance

The Revised By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants [Revised By-Laws of MIA] which came into effect on 15 June 2019 made the provision on inducements far more robust.

MEANING OF INDUCEMENT

An object, situation, or action that is used as a means to influence another individual's behaviour, but not necessarily with the intent to improperly influence that individual's behaviour	Inducements can range from minor acts of hospitality between business colleagues (for professional accountants in business), or between professional accountant and existing or prospective clients (for professional accountants in public practice), to acts that result in possible non-compliance with laws and regulations	An inducement can take many different forms, for example:
		Gifts
		Hospitality
		Entertainment
		Political or charitable donations
		Appeals to friendship and loyalty
		Employment or another commercial opportunities
		Preferential treatment, rights or privileges

A professional accountant shall not offer/accept, or encourage others to offer/accept, any inducement that is made, or which the accountant considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behaviour of the recipient or of another individual. Furthermore, a professional accountant shall remain alert to potential threats to the accountant's compliance with the fundamental principles (FPs) where an inducement is being offered to or made by an immediate or close family member. The professional accountant shall also advise the immediate or close family member not to offer or accept the said inducement in the event there is intent to improperly influence the behaviour of the accountant or of the counterparty or the accountant considers a reasonable and informed third party would be likely to conclude such intent exists.

The determination of whether there is actual or perceived intent to improperly influence behaviour requires the exercise of professional judgement. Relevant factors to consider might include:

- The nature, frequency, value and cumulative effect of the inducement.
- Timing of when the inducement is offered relative to any action or decision that it might influence.
- Whether the inducement is a customary or cultural practice in the circumstances, for example, offering a gift on the occasion of a religious holiday or wedding.
- Whether the inducement is an ancillary part of a professional service, for example, offering or accepting lunch in connection with a business meeting.
- Whether the offer of the inducement is limited to an individual recipient or available to a broader group. The broader group might be internal or external to the firm, such as other suppliers to the client.
- The roles and positions of the individuals at the firm or the client offering or being offered the inducement.
- Whether the professional accountant knows, or has reason to believe, that accepting the inducement would breach the policies and procedures of the client.
- The degree of transparency with which the inducement is offered.
- Whether the inducement was required or requested by the recipient.
- The known previous behaviour or reputation of the offeror.

Examples of actions that may be safeguards to address threats created by offering or accepting such an inducement include:

- Being transparent with senior management of the firm or of the client about offering or accepting an inducement.
- Registering the inducement in a log monitored by senior management of the firm or another individual responsible for the firm's ethics compliance or maintained by the client.
- Having an appropriate reviewer, who is not otherwise involved in providing the professional service, review any work performed or decisions made by the professional accountant with respect to the client from which the accountant accepted the inducement.
- Donating the inducement to charity after receipt and appropriately disclosing the donation, for example, to a member of senior management of the firm or the individual who offered the inducement.
- Reimbursing the cost of the inducement, such as hospitality, received.
- As soon as possible, returning the inducement, such as a gift, after it was initially accepted.

In a nutshell, the key revisions to the ethics code relating to inducements afford a proper framework to guide the behaviour and actions of all professional accountants in situations involving inducements. They provide more examples of “what are inducements”. It also provides application material to help the professional accountants to understand what could assist them in applying the conceptual framework in relation to the offering and accepting of inducements when performing professional activities/services.

Below are three flowcharts that have been developed by the International Ethics Standards Board for Accountants (IESBA) to facilitate and explain the thought process and logical steps that could be taken by a professional accountant in dealing with the ethical issues that may arise from offering or accepting an inducement. These flowcharts are extracted from Appendix 1 to 3 of the *Basis for Conclusions*: *Revisions to the Code Pertaining to the Offering and Accepting of Inducements* which is downloadable from the IESBA’s website with references to the respective paragraphs in the MIA By-Laws on Professional Ethics.

FLOWCHART 1 INDUCEMENTS OFFERED BY OR TO A PROFESSIONAL ACCOUNTANT

This flowchart describes how a professional accountant (PA) should address threats to compliance with the fundamental principles in relation to the offering or accepting of an inducement

An Inducement is an object, situation or action that is used as a means to influence another individual's behavior **(250.4 A1; 340.4 A1)**

Is the offering or accepting of the inducement prohibited by laws and regulations?

YES → Comply with the relevant laws and regulations **(R250.5; R340.5)**

This may include a range of actions in addition to not offering or accepting the inducement, such as reporting to relevant regulators

NO ↓

A PA is prohibited from offering or accepting, or encouraging others to offer or accept, an inducement that is made with intent to improperly influence behaviour (This may include encouraging others to offer or accept an inducement that is prohibited by laws and regulations if this is not already an action prohibited by such laws and regulations)

An inducement will improperly influence behaviour if it causes an individual to act in an unethical manner **(250.9 A1; 340.9 A1)**

Intent can be either actual or perceived; Use the RITP test to determine perceived intent **(R250.7-R250.8; R340.7-R340.8)**

See list of relevant factors when determining intent **(250.9 A3; 340.9 A3)**

Was the inducement made with intent to improperly influence behavior?

YES → Prohibited from offering, accepting or encouraging others to offer or accept, the inducement **(R250.7-R250.8; R340.7-R340.8)**

↓ Even if the prohibitions are complied with, apply the conceptual framework (Section 120) to identify, evaluate and address any threats to compliance with the FPs created as a result of being aware of the offer **(120,250.10 A1 - 250.10 A2; 340.10 A1-340.10 A2)**

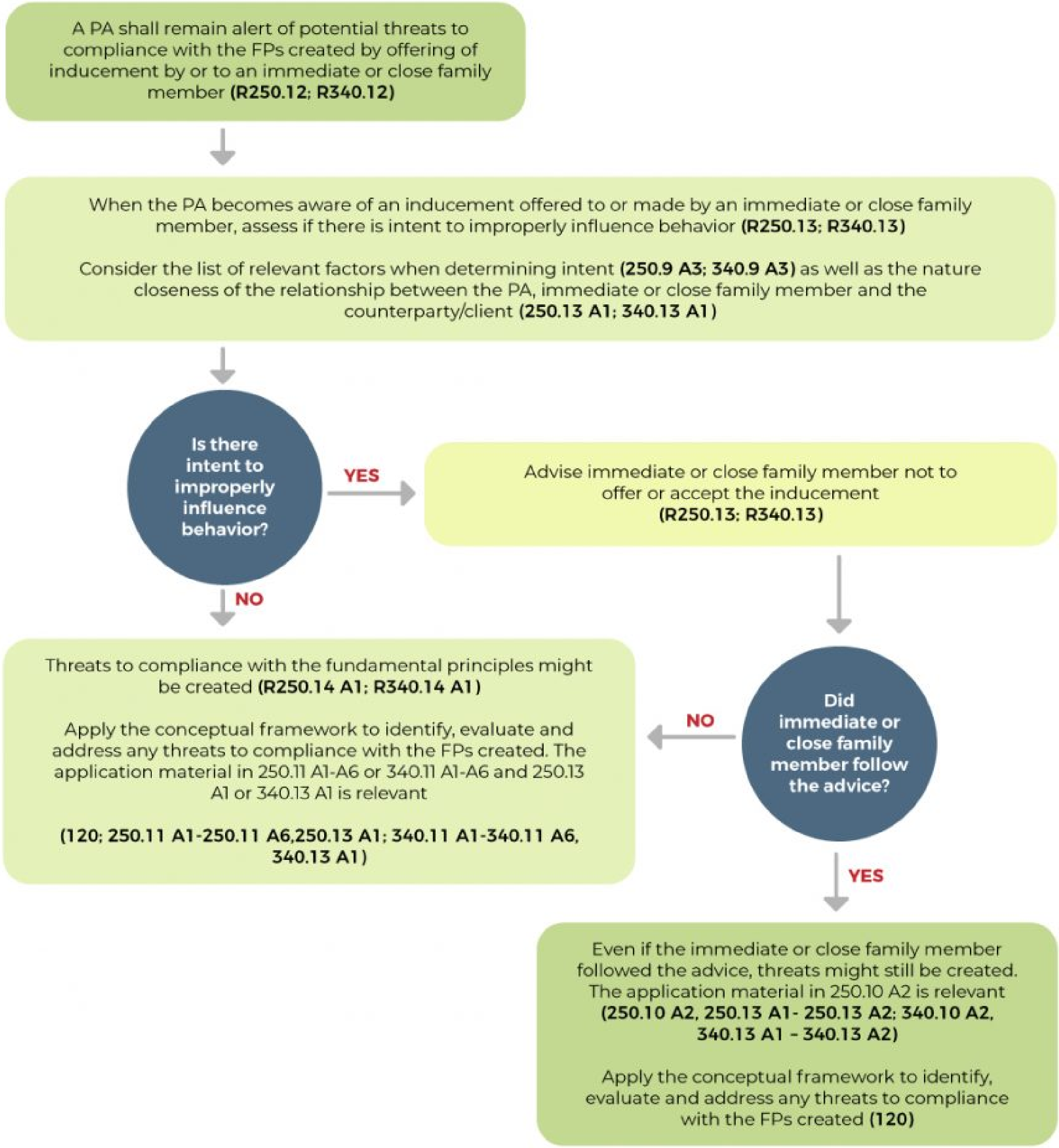
NO ↓

If no improper intent, apply the conceptual framework (Section 120) to identify, evaluate and address any threats to compliance with the FPs created **(120, 250.11 A1 - 250.11 A6; 340.11 A1-340.11 A6)**

If the inducement is trivial and inconsequential, the threat created will be at an acceptable level **(250.11 A2; 340.11 A2)**

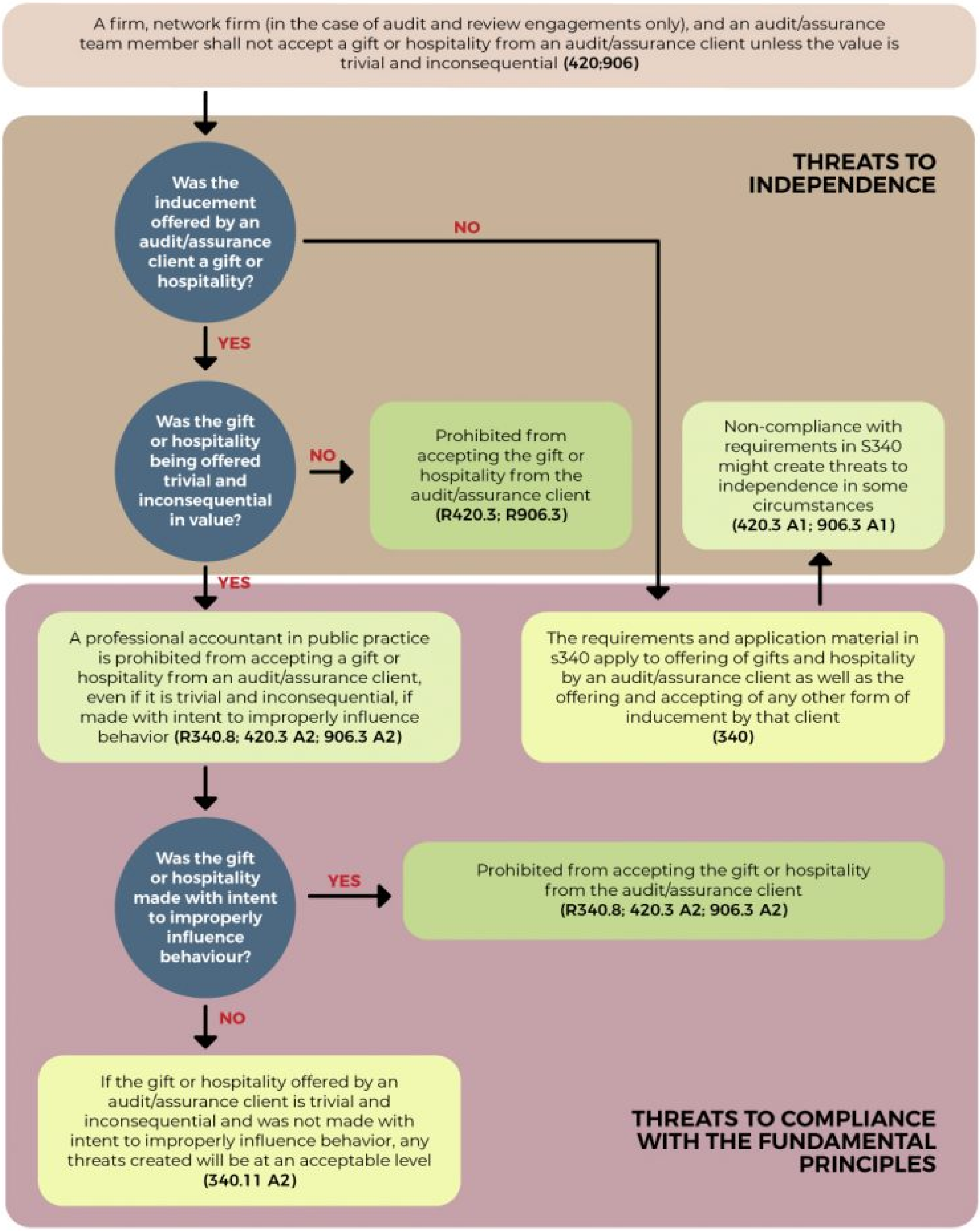
FLOWCHART 2 INDUCEMENTS OFFERED BY OR TO AN IMMEDIATE OR CLOSE FAMILY MEMBER

This flowchart describes how a professional accountant (PA) should address threats to compliance with the fundamental principles in relation to the offering or accepting of an inducement by an immediate or close family member of the PA



FLOWCHART 3 GIFTS AND HOSPITALITY OFFERED BY AN AUDIT OR ASSURANCE CLIENT

This flowchart describes how firms, network firms (in the case of audit and review engagements only), and audit and assurance team members should address threats to compliance with the fundamental principles and to independence created from gifts and hospitality offered by an audit or assurance client



Test of Controls: Effective Methodology to Improve Audit Fieldwork Efficiency (Part 1)

at-mia.my/2021/05/10/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-1

May 10, 2021

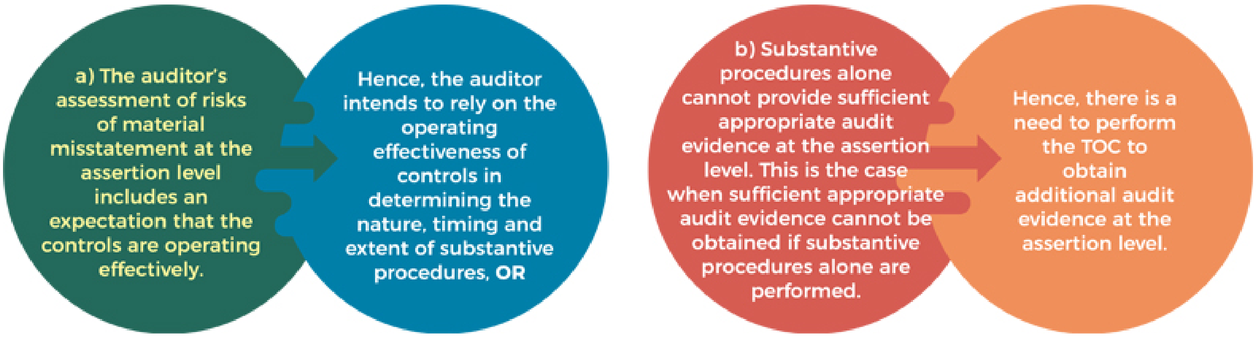
By MIA Professional Practices & Technical

What is a test of controls (TOC)? Why is there a need to perform TOC and how can it help in improving audit efficiency?

Before we delve into the technicalities, let us start with a quick understanding of TOC. TOC is a type of audit procedure that auditors perform to evaluate whether the client's internal controls operate effectively in preventing or detecting risks of material misstatements at the financial assertion level. Auditors can choose to rely on the controls and thus, reduce some substantive audit procedures if the client's internal controls work as intended. Hence, with reduction of the substantive audit procedures, this will improve audit fieldwork efficiency since a lesser volume of testing are required while still being able to accumulate an adequate amount of audit evidence.

It is common for most organisations to implement certain controls to manage their business operations. However, what really matters is the extent of the strength and effectiveness of the client's controls, which can affect the level of risk of material misstatements in the financial statements at the assertion level. Thus, performing a TOC can address this important question. If the controls over the operations in a particular area are strong and effective, it is likely that the risk of material misstatements in the financial statements in relation to that area would be relatively low, whether those risks are due to errors or fraud. On the other hand, if the controls are weak and not effective in preventing or detecting risks of material misstatements (i.e. the control risk[1] is high), there is a higher risk of such material misstatements in the financial statement. In this case, there will be a need to increase the level of substantive testing in order to reduce the audit risk to an acceptable level[2].

Paragraph 8 of ISA 330 *The Auditor's Responses to Assessed Risks* states that an auditor shall design and perform TOC to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls if:



In short, TOC is performed to evaluate whether the controls are working effectively for two main purposes, i.e. to reduce substantive audit procedures or to obtain additional audit evidence.

In designing and performing TOC, the auditor shall obtain **more persuasive audit evidence the greater the reliance** the auditor places on the effectiveness of a control.

The next questions are on how to design the TOC and extent of work necessary to make a conclusion regarding whether the TOC provides an appropriate basis for reliance on the controls.

Types of TOC

There are 5 types of TOC, which are:

Types of TOC	Approaches	Examples
Inquiry	To seek information from both finance and non-finance staff throughout the entity about the control activities.	Inquire management about the business processes, the key approver personnel in the control activities, etc.
	Note: *Inquiry is a type of TOC that can only provide limited evidence as the client's staff may be aware of a very good control procedures that are described in the operational manual but may not properly perform such control procedures in actual practice.*	
Observation	To observe a business process being performed by others, particularly the control elements of the process. This is to make sure the internal controls exist, and the procedures are as described.	Attend the inventory counts by client's staff and observe the performance of control activities.
	Note: *Similar to an inquiry, limited audit evidence can be gathered using observation. This is due to audit client's staff may try to be more diligent in performing the internal control procedures when they are being observed rather than throughout the whole period.*	
Inspection of evidence	To examine the records or documents that the manual controls are in place.	Examine business documents for approval, such as signatures, stamps, or review check marks, which indicates that controls have been performed.
	Note: *This can provide us better evidence because we inspect the physical evidence that the control procedures are in place and performed by the audit client's staff. However, there is usually a sampling risk because it would be impractical to perform inspection on all transactions.*	
Re-performance	To re-execute a transaction to see which controls are used by the client and the effectiveness of those controls.	Create a new dummy inventory purchase and check the automated weighted average costs computation in the accounting system.
	Note: *Re-performance is the most reliable type of TOC and provides better level of assurance. The downside of re-performance is that it is a very time-consuming process as we need to re-perform the whole process of the control procedures. So, we usually do not apply this type of procedure on a large sample.*	
Computer assisted audit technique (CAATs)	To analyse large volumes of data or every transaction, rather than just a sample of all performed transactions.	Software is generally used to perform a CAAT, which can range from using a spreadsheet to using specialised databases or software designed specifically for data analytics.
	Note: *The use of CAATs may enable more extensive testing of electronic transactions and account files, which may be useful when the auditor decides to modify the extent of testing, for example, in responding to the risks of material misstatement due to fraud.*	

Inquiry alone is not sufficient to test the operating effectiveness of controls. Accordingly, other audit procedures are performed in combination with inquiry. In this regard, inquiry combined with inspection or reperformance may provide a higher level of assurance than inquiry and observation, since an observation is pertinent only at the point in time at which it is made.

In the upcoming **second and last part of this article**, more aspects of the TOC will be further discussed which includes the timing, nature and extent of the TOC and also considerations for smaller entities which will further illustrate how TOC can help to improve efficiency of the audit fieldwork. There will also be a flowchart for determining when to use TOC in combination with substantive procedures.

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[1] The risk that a misstatement that could occur in an assertion about a class of transaction, account balance or disclosure and that could be material, either individually or when aggregated with other misstatements, will not be prevented or detected and

corrected on a timely basis by the entity's internal control.

[2] If the internal controls are strong and the auditors can rely upon them, the audit work can be reduced by lowering the quantity of substantive tests. However, if the internal controls are weak, the auditors will have to perform more substantive tests so that the overall audit risk can be minimised.

Test of Controls: Effective Methodology to Improve Audit Fieldwork Efficiency (Part 2)

at-mia.my/2021/05/12/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-2

May 12, 2021

By MIA Professional Practices & Technical

In **Part 1 of this article**, we have briefly introduced and highlighted the importance of test of controls (TOC), the principles behind TOC as well as the type of TOC and the level of reliability of audit evidence obtained from each type of TOC.

For the second and last part of this article, more aspects of TOC will be further discussed which includes the timing, nature and extent of TOC and also considerations for smaller entities. The effectiveness of these procedures can help improve the overall efficiency of the audit fieldwork.

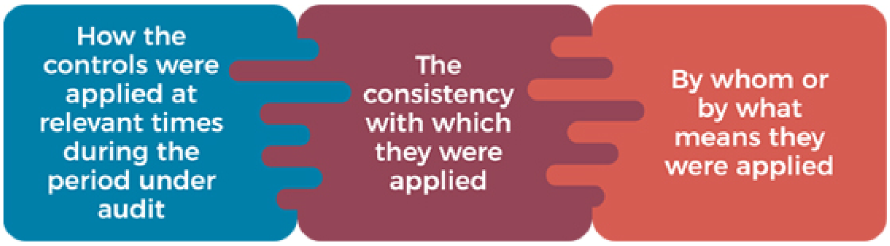
Timing of TOC

The auditor shall test controls for the particular time, or throughout the period, on which the auditor intends to rely. For instance, if the auditor is to rely on a control over a period, the tests of the entity's monitoring of controls should cover the entire financial period in which the activities are carried out, instead of certain months of the financial period only.

Nature and Extent of TOC

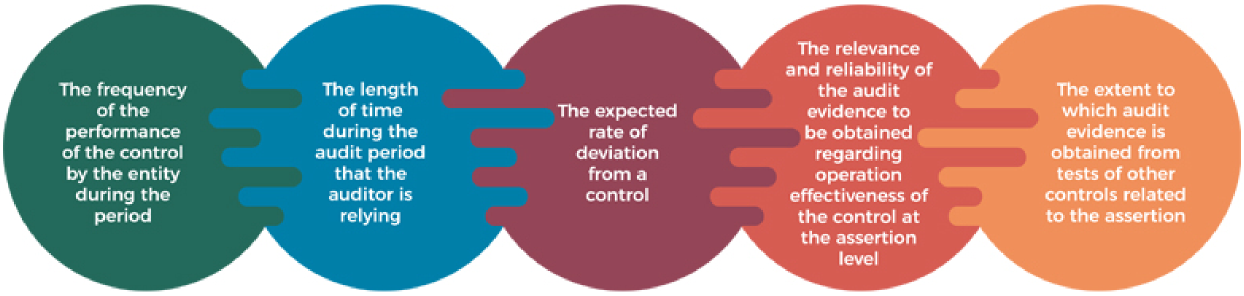
Paragraph 10 of ISA 330 imposes requirements for the auditor when designing and performing TOC as follows:

> Auditor shall perform other audit procedures in combination with inquiry to obtain audit evidence about the operating effectiveness of the controls, including:



Auditor shall determine whether the controls to be tested depend upon other controls (indirect controls) and, if so, whether it is necessary to obtain audit evidence supporting the effective operation of those indirect controls.

When more persuasive audit evidence is needed regarding the effectiveness of a control, it may be appropriate to increase the extent of testing of the control. In determining the extent of tests of controls to be performed, auditors should consider the following factors:

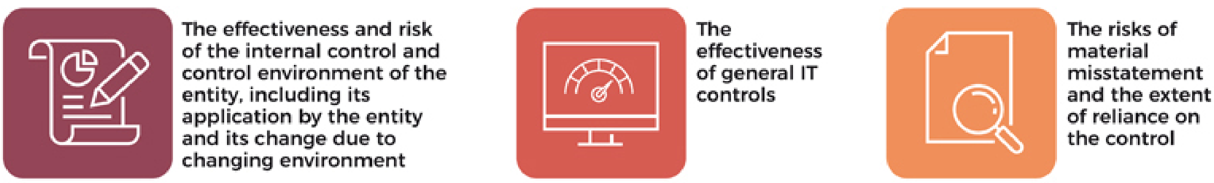


If the auditor plans to use audit evidence from a previous audit about the operating effectiveness of specific controls, the auditor shall establish the continuing relevance of that evidence by obtaining audit evidence about whether significant changes in those controls have occurred subsequent to the previous audit. The auditor is required to make inquiry in combination with observation or inspection, in confirming the auditor's understanding of those specific controls, and:

- If there have been changes that affect the continuing relevance of the audit evidence from the previous audit, the auditor shall test the controls in the current audit.
- If there have not been such changes, the auditor shall test the controls at least once in every third audit and shall test some controls during each audit in the subsequent two audit periods.

Using Audit Evidence Obtained in Previous Audits

Paragraph 13 of the ISA 330 indicates that the auditor is allowed to use audit evidence obtained in previous audits, subject to the proofs established by the auditor on the continuing relevance of that evidence. The auditor shall consider the following:



Considerations Specific to Smaller Entities

There is always a need to consider the disparity of the structure and simplicity of internal controls in smaller entities.

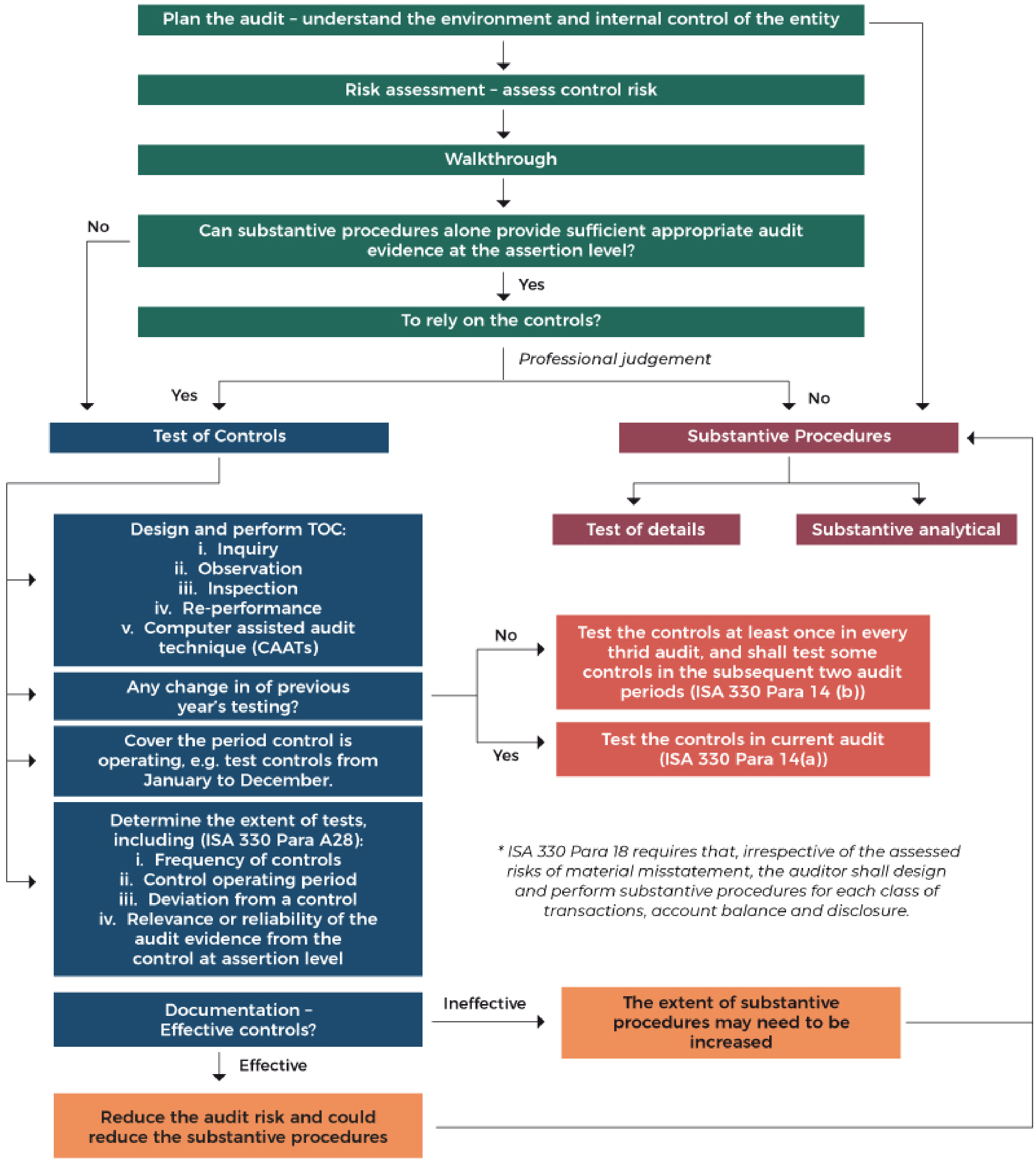
In the case of very small entities, there may not be many control activities that could be identified by the auditor, or the extent to which their existence or operation have been documented by the entity may be limited. In such cases, Paragraph A18 in ISA 330 provides special considerations to those entities whereby it may be more efficient for the auditor to perform further audit procedures that are primarily substantive procedures. In rare cases for some very small entities, however, the absence of control activities or of other components of control may make it impossible to obtain sufficient appropriate audit evidence.

Summary

A TOC assesses the operating effectiveness of the audit client's internal controls in preventing and detecting material misstatements. TOC also assists auditors to reconfirm whether their initial understanding obtained when assessing the control environment and internal controls is appropriate or otherwise. This would then enable auditors to determine the extent of their reliance on the internal control system during the audit fieldwork.

Therefore, it is expedient for auditors to consider whether greater efficiency could be achieved by placing more emphasis on TOC in order to reduce the extent of substantive audit procedures as seen in the flowchart below. By having resources deployed to performing procedures that are more tailored to the level of risk, both audit quality and efficiency could be better attained.

WHEN TO USE TEST OF CONTROLS VS SUBSTANTIVE PROCEDURES



Transitioning to MPSAS

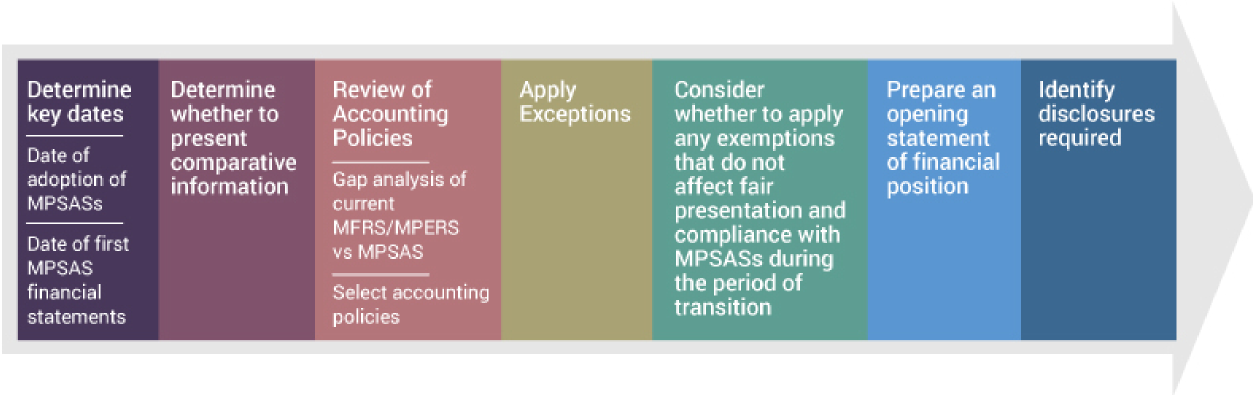
June 4, 2021

By Rasmimi Ramli

In 2016, the Ministry of Finance issued a letter to all federal statutory bodies (FSBs), encouraging the application of the Malaysian Public Sector Accounting Standards (MPSAS) in their financial statements. Gradually, FSBs are moving from their existing accounting framework which could be either the Malaysian Financial Reporting Standards (MFRS) or the Malaysian Private Entities Reporting Standard (MPERS) to MPSAS.

While the majority of FSBs have successfully moved to MPSAS, there are those that will either not move to MPSASs due to specific reasons or they happen to be at an early stage of their MPSAS implementation. This article provides an overview of the steps to be taken in implementing MPSAS by a FSB.

MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)* provides guidance to a first-time adopter that prepares and presents financial statements under MPSAS. The diagram below shows the step-by-step application of MPSAS 33 by a first-time adopter transitioning to MPSAS.



Determine key dates

Firstly, the FSB needs to determine the date of adoption of MPSASs[1] as well as the first MPSAS financial statements. This can be illustrated as follows:

FSB X determines that its date of adoption of MPSASs is 1 January 2021. If it does not apply the exemptions available to first time adopters that affect fair presentation and compliance with MPSAS, its first MPSAS financial statements[2] would be on 31 December 2021. However, if it does, it produces its first transitional MPSAS financial statements[3] on 31 December 2021 and continues to produce transitional MPSAS financial statements until the exemptions have expired i.e. when the 3-year transitional relief period ends and/or when it complies with all MPSASs requirements (whichever is earlier). This article does not cover such exemptions.

Determine whether to present comparative information

As MPSAS 33 does not require a first-time adopter to present comparative information, it can elect whether or not to present such information. This is illustrated below.

FSB Y determines to adopt MPSAS in its financial statements for the year ending 31 December 2021. It also decides to present comparative information. Accordingly, its date of adoption of MPSAS is 1 January 2020. If it elects not to present comparative information, its date of adoption is 1 January 2021.

Accordingly, FSB Y should present the following whether it elects to present or not to present comparative information.

COMPARATIVE INFORMATION PRESENTED	NO COMPARATIVE INFORMATION PRESENTED
Opening statement of financial position as at 1 January 2020	Opening statement of financial position as at 1 January 2021
Statements of financial position as at 31 December 2021 and 31 December 2020	Statement of financial position as at 31 December 2021
Statements of financial performance for the period ending 31 December 2021 and 31 December 2020	Statement of financial performance for the period ending 31 December 2021
Statements of changes in net assets/equity as at 31 December 2021 and 31 December 2020	Statement of changes in net assets/equity as at 31 December 2021
Cash flow statements for period ending 31 December 2021 and 31 December 2020	Cash flow statement for period ending 31 December 2021
Statement of comparison of budget and actual information for the period ending 31 December 2021 (if the first-time adopter makes its approved budget publicly available)	Statement of comparison of budget and actual information for the period ending 31 December 2021 (if the first-time adopter makes its approved budget publicly available)
Notes to the financial statements including its comparative information	Notes to the financial statements

Review of accounting policies

The general rule is when a first-time adopter adopts MPSAS, it shall apply all the requirements of the MPSASs retrospectively subject to certain exceptions and exemptions set out in MPSAS 33. Accordingly, it needs to select relevant accounting policies, apply exceptions as well as determine whether to apply relevant exemptions. This would require a gap analysis to be performed to compare the accounting for the items and transactions under its previous basis of accounting and MPSAS.

Apply exceptions

The exceptions relate to estimates where the first-time adopter's estimates under MPSAS should be consistent in accordance with its estimates under the previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were inconsistent with the requirements in MPSASs.

Exemptions

These are the exemptions that will not affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis MPSASs during the period of transition. The first-time adopter may elect to use one or more of the available exemptions[4]. It shall not apply these exemptions by analogy to other items.

Prepare an opening statement of financial position

In its opening MPSAS statement of financial position, the first-time adopter should:

- recognise all assets and liabilities whose recognition is required by MPSASs;
- not recognise items as assets or liabilities if MPSASs do not permit such recognition;
- reclassify items that it recognised in accordance with its previous basis of accounting as one type of asset, liability or component of net assets/equity, but are a different type of asset, liability or component of net assets/equity in accordance with MPSASs; and
- apply MPSASs in measuring all recognised assets and liabilities.

As the accounting policies that an entity uses in its opening MPSAS statement of financial position differ from those that it used for the same date using its previous basis of accounting, all adjustments resulting from the application of MPSASs to the opening MPSAS statement of financial position are recognised in accumulated surplus or deficit (or, if appropriate, another category of net assets/equity) at the date of adoption.

Identify disclosures required

MPSAS 33 also requires compliance with all of the disclosure requirements of other MPSASs and imposes additional disclosure requirements specific to the first MPSAS financial statements or transitional MPSAS financial statements. In particular, a first-time adopter is required to provide reconciliations between amounts reported under its previous accounting policies and the equivalent measures under MPSASs.

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[1] The date an entity adopts MPSASs for the first time and is the start of the reporting period in which the first-time adopter adopts MPSASs and for which the entity presents its first transitional MPSAS financial statements or its first MPSAS financial statements.
[2] The first annual financial statements in which an entity complies with MPSASs and can make an explicit and unreserved statement of compliance with those MPSASs because it adopted one or more of the transitional exemptions in MPSAS 33 that do not affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis MPSASs.
[3] The financial statements prepared in accordance with MPSAS 33 where a first-time adopter cannot make an explicit and unreserved statement of compliance with other MPSASs because it adopted one or more of the transitional exemptions in MPSAS 33 that affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis MPSASs
[4] Refer to paragraphs 64 to 134 of MPSAS 33 for the exemptions available.

Rasmimi Ramli is the Deputy Executive Director, Digital Economy, Reporting & Risk (DERR) Division, MIA

Why Self-Assessments Should Be the First Step in Building Your Digital Skills

at-mia.my/2021/05/31/why-self-assessments-should-be-the-first-step-in-building-your-digital-skills

May 31, 2021

By Ling Hsern Wei

The pace of change that we are experiencing is great, owing to the rapid developments in technology which show no signs of slowing down. A report by the World Economic Forum published last year found that COVID-19 has in fact accelerated the adoption of increased automation, resulting in a division of labour between humans and machines. It predicts that while 85 million jobs will be displaced, 97 million new ones will be created by 2025, many of which will be technology-related. Meanwhile, in Malaysia, 57% of respondents believe it is likely their job will be made obsolete in the next five years because of technological advancements.

Because tech innovations are continuously evolving, the pace at which we develop skills will need to speed up too. That is arguably the root of the belief that the half-life of technical skills learnt today is five years. In short, much of what you learnt 10 years ago may already now be obsolete, and half of what you learnt five years ago may no longer be relevant.

As not everyone will possess skills on an equal level, it is critical for you to first assess where you are at before undertaking any upskilling or reskilling.

The purpose of assessments in upskilling and reskilling

In our ‘Digital resilience in a new world’ report, almost half of our respondents believed individuals are responsible for upskilling themselves. And this is encouraging, because nothing accelerates learning and personal growth faster than self-motivation.

Self-learning can also supplement work-mandated training programmes. For example, reading up on emerging technologies while receiving workplace training on how to use an automated software. Think about how such a pairing could reinforce learning.

However, with so much to learn and so little time, learning has to be strategic. And that is where assessments come in, because you need to know what you are fixing or improving, whether individually or as part of an organisation.

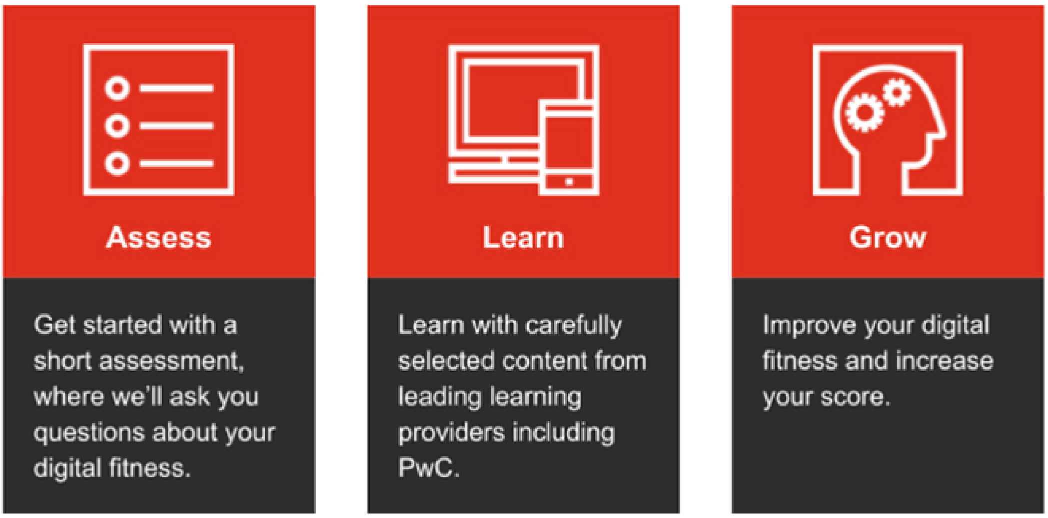
During the launch of our digital upskilling initiative two years ago, we got our people to first complete a learning agility self-assessment to get insights into their willingness to adopt new ways of thinking and their openness to acquiring new skills. It also provided an opportunity for the participants to reflect, and to gain some self-awareness of how agile they were in terms of learning. We then asked them to nominate five colleagues they work closely with to complete the same assessment.

As a result, participants were able to compare their personal views of their own learning agility to the perceptions formed by their colleagues. They also learnt about what particular mindsets were holding them back, after which, we were able to suggest some steps that they could take to remove the mental barriers that hindered learning.

Improving digital acumen with PwC's Digital Fitness App

The same principles apply to the development of digital skills – assess first before diving into the learning.

That is where our Digital Fitness App (DFA) comes in. Before starting, you are asked questions about your digital fitness across four areas: Skills, mindset, behaviour, and relationships. Your answers are then given a score, and tallied up. The total score becomes the starting point in your DFA journey, where the goal is to improve your scores over time.



How you do this is by going through short, easily digestible content (e.g. articles, videos, podcasts from leading learning providers including PwC) that tie in with the four focus areas above. This rich library of resources enables you to improve your digital awareness and knowledge. The app also allows you to learn at your own pace, so you do not feel overwhelmed, encouraging consistency in learning.

To support our communities in these uncertain times, we have made DFA free to the public since last year. To start, head to the Apple App Store or Google Play. Then search for ‘Digital Fitness Assessment’ and use the code ‘**LRNALL**’ for the free download.

Sharing DFA with the Malaysian Institute of Accountants (MIA)

The MIA rolled out their Digital Technology Blueprint in 2018, to act as a guide for the accountancy profession in Malaysia to respond appropriately to the rise of digital technology.

One of the initiatives outlined in the implementation plan of the Blueprint is for members to have a self-assessment tool that would allow them to assess where they are at in terms of technology adoption, and to guide them in developing their digital competence. After extensive research, MIA identified PwC’s DFA as a tool suitable for this purpose and issued a circular to the MIA members on 3 March 2021, encouraging the use of PwC’s DFA for their members to assess and enhance their personal digital competency.

Developing new skills is a continuous journey

In summary, if you are looking to build your digital skills, assessments are key because they tell you where your blindspots are. After you have established your starting point, you will have to ensure your efforts remain consistent. Because with technology evolving day by day, there will always be more to learn.

Ling Hsern Wei is the Head of PwC’s Academy, PwC Malaysia