MALAYSIAN INSTITUTE OF ACCOUNTANTS

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THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

accountants today

CEO's Message – 2022 Outlook

at-mia.my/2021/12/30/ceos-message-2022-outlook

December 30, 2021

It's that time of the year again when we look ahead with optimism and set our agenda for the new year.

Looking back, amidst the pandemic, MIA was steadfast in its purpose of regulating and developing the profession. Throughout 2021, we carried out regulation and enforcement activities physically and virtually to enhance compliance and protect the public interest. We fortified our development activities and programmes to enhance competency among our members in our key sectors of public practice, professional accountants in business, public sector and academia. We continued to emphasise on digital platforms and virtual connections in order to ensure uninterrupted continuing professional development amidst the new norms and stratified movements of COVID-19 containment strategies. To mitigate the impact of COVID-19 controls, we kept members updated on relevant COVID-19 developments affecting the profession, engaged actively with the Government to enable member firms to operate, and assisted members with business continuity guidance and access to state and private financial support initiatives.

Moving into the new year, I predict three core emerging trends in 2022. First is the hybrid revolution. Apart from the hybrid working model driven by the impact of COVID 19, other activities such as engagement and training will also move into this mode. Therefore, risk management, processes and procedures need to be adapted to ensure targets and outcomes can be achieved. The hybrid revolution also brings opportunities where new products and services can be introduced such as hybrid vehicles and hybrid cloud. Next would be the imminent impact of climate change which may not wait for organisations to be prepared. Despite the plans that are being drawn up to mitigate the risks, disaster recovery plans need to be ready to manage the transitions. Finally, the health and happiness of the employees. Against the backdrop of the COVID-19 pandemic, which has seen death and massive infections, employees will act boldly to safeguard their own sustainability and longevity which may influence the great resignations trend in certain parts of the world.

For our part, MIA will continue to prioritise key initiatives that support our regulatory and development agenda for the benefit of the profession and members, while providing continuing updates and support during the COVID-19 endemic phase as well as facilitating businesses, firms and the public sector to recover and grow.

Also, at the top of the agenda for 2022 are accelerating digitalisation and ESG adoption. We will continue to advocate relentlessly for the digitalisation of the profession and for the integration of ESG (environmental, social and governance) by organisations and MIA members to ensure the future relevance of the accountancy profession (FRAP) and support sustainable economic and social development.

For 2022, members can look forward to increased guidance on adopting and implementing digital transformation, including guidance on choosing the right platform and tools and accessing the financial aid and incentives available in the market. MIA will also deliver more knowledge content on ESG, such as the upcoming series of seven ESG courses specially curated for accountants and financial professionals, kicking off in January 2022.

I strongly encourage members to make full use of MIA's programmes and facilities to add value to your skillsets and portfolios. It is especially critical for members to become adept in digital business and ESG integration to support your organisation's business continuity, enterprise purpose and long-term sustainability.

MIA hopes that by acquiring these new skills, our members will be more agile, adaptable, and relevant in an economy being indelibly transformed by digital disruption and efforts towards net-zero carbon to manage climate change. As we can see from the devastation of COVID-19 and the recent floods, none of us are immune to the impacts of pandemics, climate change and other global headline risks. However, MIA strongly believes that by embracing digitalisation and ESG, the profession can influence and lead businesses and organisations to become more mindful and accountable for their impacts, for the wellbeing of the planet and people.

This is an opportune time to make the change. Let's collaborate and work together to deliver more value and become more sustainable in 2022 and beyond.

Wishing you and your family Season's Greetings and Happy New Year! May you have a joyful, healthy and meaningful 2022.

Dr Nurmazilah Dato' Mahzan
Chief Executive Officer
Malaysian Institute of Accountants

2022 Budget to Catalyse More Inclusive and Sustainable Nation Building in The COVID-19 New Normal

at-mia.my/2021/11/03/2022-budget-to-catalyse-more-inclusive-and-sustainable-nation-building-in-the-covid-19-new-normal-2

November 3, 2021

The Malaysian Institute of Accountants (MIA) welcomes the inclusivity and sustainability themes of the 2022 Budget which are aligned with the global momentum of ESG (environment, social and governance) and the 17 UN Sustainable Development Goals (SDGs).

“As the regulator and developer of the accountancy profession, the MIA has been emphasising strongly on the adoption of ESG and sustainability among accountancy professionals and our members in order to help drive good governance and support sustainable business and economic development,” stated MIA President Dr. Veerinderjeet Singh in an initial response to the Budget.

Given the size of the Budget which is the largest in the nation’s history, good governance and monitoring will be vital to ensure that desired outcomes are achieved, and leakages plugged. “MIA continually advocates for budgetary governance to ensure that the spending is prudent, without wastage and achieves the desired outcomes,” stressed Dr. Veerinderjeet.

“As finance professionals, accountants especially those in the public sector, can play a key role in monitoring the implementation of projects and ensuring the accountability and transparency of public spending,” continued Dr. Veerinderjeet, who welcomed the Budget’s announcement of the public expenditure review in collaboration with the World Bank.

The MIA also praised the Government's efforts to engage inclusively and obtain feedback on the Budget proposals from different quarters. "We are delighted that some of our key proposals were incorporated into the Budget, especially those related to upskilling and ESG advocacy," said Dr. Veerinderjeet.

Specifically, MIA's recommendation for increasing the tax relief for professional development and upskilling courses has been incorporated, along with a recommendation for a tax relief on course fees for programmes (including accountancy, finance and ESG) offered by approved professional bodies.

MIA CEO Dr. Nurmazilah Dato' Mahzan also lauded the Budget's focus on sustainability and inclusivity.

"The measures outlined in the Budget are clearly meant to stimulate the economy, enhance the wellbeing and growth of diverse stakeholders, and drive long-term sustainable development reforms. In line with our nation building purpose, MIA is ready to deploy its expertise to support the implementation of the Budget proposals. We look forward to contributing especially in the emerging areas of climate change and sustainability, which is aligned with the global accountancy profession's direction as MIA strives to enhance the future relevance of the accountancy profession."

Tax-Related Concessions

To reduce the burden of taxpayers, theBudget has proposed the following:

- Special Voluntary DisclosureProgramme by the Royal MalaysianCustoms Department (RMCD) to be introduced, with remission of penalty of100% for phase 1 and 50% for phase2.
- No real property gains tax on disposal of chargeable assets by individuals, permanent residents and non-corporates from the sixth year of holding the property.

SDG-Related: Making Malaysia a Carbon-Neutral Country by 2050

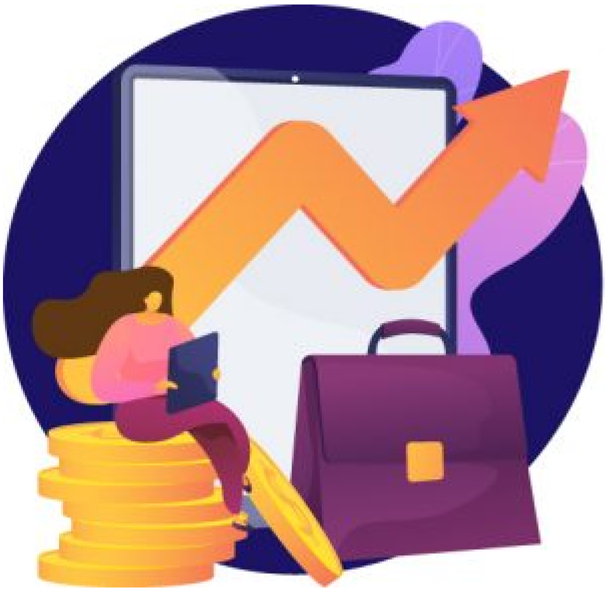
MIA has focussed on positioning the profession as a leader for ESG and climate governance in line with the stance of theInternational Federation of Accountants. MIA supports the Government's aspiration of making Malaysia a carbon-neutral country by2050 through the introduction of the following:

- Launch of Voluntary Carbon Market underBursa Malaysia as a voluntary platform for carbon credit trading between green asset owners and other entities, influencing transition towards low carbon practices.

- The allocation of RM1 billion from Bank Negara Malaysia to match funds from participating financial institutions, facilitating micro, small and medium enterprises (MSMEs) in adopting sustainable and low-carbon practices such as usage of sustainable raw materials and renewable energy.
- Issuance of Sustainable Sukuk in RinggitMalaysia valued up to RM10 billion to be channelled to eligible social or environmental-friendly projects.

Inclusivity for Improved Corporate Performance and Stakeholder Representation

MIA is committed to championing inclusivity through the increased participation of women leaders in C-Suites and corporate boards. MIA supports the gender equality goal whereby the Government through theSecurities Commission Malaysia will make it compulsory for public-listed companies (PLCs) to appoint at least one female director to the PLC boards by 1 September 2022.



Education and Upskilling for Higher Value Jobs

The Institute applauds the various initiatives aimed at strengthening the sustainability and future-relevance of the nation's talent pool, which will support sustainable economic and social development, namely:

- The allocation of RM6.6 billion for education facilities under MARA, UiTM and Yayasan Peneraju, which among others focuses on upgrading quality of education programmes from Diploma to Degree level as well as producing more Bumiputera professionals.

- Tax relief for expenses to upskill has been increased from RM1,000 toRM2,000 until 2023 and those who attend courses related to professional qualifications will be entitled to tax relief of up to RM7,000.The inclusion of approved professional qualifications that include accounting and ESG bode well for the adoption of sustainability within the accountancy profession as well as positioning accountants as climate change and sustainability leaders.
- The allocation of RM52.6 billion for the Ministry of Education, which is the largest allocation from the Budget for this year, and the allocation ofRM14.5 billion for the Ministry of Higher Education to strengthen education quality. This is critical for future proofing accounting graduates as well as accountancy academicians via Train the Trainer initiatives. In addition, the Institute hopes that the allocations will help to enhance the incorporation of emerging technologies in the programmes offered by higher learning institutions (including the accounting programmes) to ensure that future graduates are equipped with technology knowledge and awareness.

- The allocation of RM6.6 billion to further enhance the Technical andVocational Education and Training (TVET) initiatives will produce more quality graduates who can support the roles and functions of accountants, thereby further improving the ecosystem of the accountancy profession.
- The allocation of RM450 million to supply B40 students from Institutions ofHigher Learning with a tablet will facilitate them in attending online courses and undergoing online assessments. The digitalisation initiative, which is expected to benefit 600,000 undergraduates from B40 families, is in line with the emphasis on technology adoption and acceleration in the wake of the COVID-19 pandemic and the Industrial Revolution 4.0 (IR4.0).

Capacity Building and Social Responsibility

MIA fully supports the incentives in theBudget that promote capacity building and social responsibility among corporates, including the extension of the scope to all study fields for double deductions to corporates that provide scholarships to students of higher educational institutions.

This is in line with the proposal submitted by MIA that corporate contributions to fund professional studies be made eligible for double deduction and/or other tax incentives, to incentivise corporate social responsibility.

Personal Reliefs, Support for Household Wellbeing

In line with the 2022 Budget theme of "A Prosperous Malaysian Family," the Institute welcomes the generous reliefs and incentives that will alleviate the burden of individuals and households, including:

- Personal relief for employees and tax deduction for employers on the cost ofCOVID-19 booster shots.
- Tax relief of RM2,500 for the purchase of smartphones, computers and tablets to be extended to 31 December 2022.
- Personal relief for contributions to theSocial Security Organisation (SOCSO) to be increased to RM350.

Digital Transformation

Digital transformation especially for smaller-sized organisations will be critical to ensuring their business continuity in an environment of digital disruption. As a firm advocate of digitalisation for the profession and businesses, MIA welcomes the following measures to support digital transformation:

- RM300 million allocated under "Skim Geran Pendigitalan SME dan Geran Automasi" to support automation and modernisation activities.
- RM700 million allocated to enhance digital connectivity which will facilitate digitalisation of SMPs and SMEs.

Incentives and Reliefs Benefiting the SMEs and SMPs

Digital transformation especially for smaller-sized organisations will be critical to ensuring their business continuity in an environment of digital disruption. As a firm advocate of digitalisation for the profession and businesses, MIA welcomes the following measures to support digital transformation:

As small and medium practices (SMPs) and small and medium enterprises (SMEs) are a crucial category of the profession and business,MIA welcomes the Budget initiatives that support their financial wellbeing and business continuity, including:

- SMEs allowed to postpone income tax instalments for six months until30 June 2022.
- Zero interest scheme for informal and micro-SMEs under TEKUN, with a provision for funding of up to RM10,000 with a moratorium of up to12 months.
- BSN and Agro bank to offer micro financing of up to RM75,000 at zero interest for the first 6 months with a moratorium of up to 6 months.

Conclusion

MIA is committed to supporting the initiatives proposed in the Budget which will strengthen the inclusivity and sustainability of Keluarga Malaysia and the nation for the digital and IR4.0 economy.

ESG Series for Accountants & Finance Professionals 2022

at-mia.my/2021/12/20/esg-series-for-accountants-finance-professionals-2022

December 20, 2021

Sustainability today is a tremendous priority for businesses as concerns such as the climate emergency and widening global social inequality affect the triple bottom line of people, planet and profit/prosperity. Environmental, social and governance (ESG) issues are hence no longer just good-to-know or nice-to-have but are now must-haves for enlightened Boards and management focused on sustainable business and growth.

To support their organisation's ESG endeavours, accountants and finance professionals must be able to comprehend, manage and integrate ESG data and approaches into business strategies, governance, investment and operations for sustainable future outcomes. The key to a successful ESG and sustainability strategy is a clear definition of the organisation's corporate purpose and the development of the requisite skills, talent, leaders and culture to achieve this enterprise transformation for long-term sustainability.

To help clarify purpose and develop ESG skills, the Malaysian Institute of Accountants (MIA) together with The Business Council for Sustainable Development (BCSD) Malaysia will deliver a highly interactive series of seven ESG-focussed courses geared to accountants and finance professionals. These seven webinar courses will guide accountants and finance professionals to help manage and lead ESG organisational transformation and integration, through providing insights and practical guidance into sustainability, materiality assessment, enterprise risk management, human rights and environment, carbon foot printing and reporting for organisations, natural capital, and natural capital assessment.

Participants can be assured of high-quality learning led by subject matter experts from BCSD Malaysia, an independent non-profit organisation that helps companies embed sustainability into core business strategy and operations. Through education, training and capacity building, BCSD advocates for systems transformation that leads to more sustainable business practices.

Participants signing up for any or all of these courses will also be entitled to tax relief on course fees for ESG programmes of up to RM7,000 as announced in the recent Malaysian Budget 2022, which placed a tremendous emphasis on sustainability and carbon neutrality.

The seven courses will be delivered over the course of **seven months from January to July 2022**. Below are the highlights of the seven courses that will serve as a gateway to this emerging body of high-priority knowledge for accountants and finance professionals:

COURSE 01 **Foundation Course on Sustainability** 20 January 2022 (Thursday) 2.00pm - 6.00pm

An introduction to help you understand the business case for sustainability and key sustainability topics as well as empower you to implement sustainability in your daily job.

COURSE 02 **Materiality Assessment** 24 February 2022 (Thursday) 2.00pm - 6.00pm

Equips participants with a sound understanding of the materiality assessment process as a necessary foundation of sustainability reporting and a valuable enterprise strategic tool. Materiality and the materiality assessment process are considered vital for helping companies effectively identify, manage and report on significant ESG risks and opportunities concisely and succinctly, tightening the focus on what is important to the business and stakeholders and supporting decision-making.

COURSE 03 **ESG and Enterprise Risk Management** 24 March 2022 (Thursday) 2.00pm - 6.00pm

Provides insights and tools to integrate ESG risk and opportunity management into business strategy, performance management and disclosures, building on concepts outlined by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and the World Business Council for Sustainable Development (WBCSD) in their award-winning guidance *Applying Enterprise Risk Management (ERM) to ESG-related risks.*

COURSE 04 **Business and Human Rights and Environment** 21 April 2022 (Thursday) 2.00pm - 6.00pm

Gain an in-depth understanding of the importance of applying human rights and environmental (HRE) concerns into business operations. Learn best practices and tools to implement these concepts in order to integrate sustainable practices into operations and supply chains, thereby developing a more resilient portfolio and managing risks related to HRE non-compliance.

COURSE 05 Carbon Footprinting and Reporting for Organisations

19 May 2022 (Thursday)
2.00pm - 6.00pm

Introduces climate change, carbon footprinting (greenhouse gas or GHG Accounting), carbon management and energy management, carbon reporting, and carbon reduction and presents an overview of different methodologies (e.g. the Greenhouse Gas Protocol) to identify, quantify, account, and report GHG emissions and plan actions to reduce these. The course materials are based on the WRI/WBCSD GHG Protocol Corporate Standard while referring to the ISO 14064: Part 1 international standard for GHG inventories. The course is suitable for anyone wishing to learn about climate risk and carbon management, as well as ways to measure, monitor, report, and reduce their impact.

COURSE 06 Introduction to Natural Capital

23 June 2022 (Thursday)
2.00pm - 6.00pm

Learn more about natural capital, why it is important for business and how to start integrating it into business decision-making. Participants will achieve a good understanding of the relationships between business and nature, the related business risks and opportunities, as well as familiarity with a few key practical approaches, practices, and tools.

COURSE 07 A First Natural Capital Assessment

21 July 2022 (Thursday)
2.00pm - 6.00pm

Using the Natural Capital Protocol as a basis, this course provides practical and concrete guidance on how organisations can begin to approach a first natural capital assessment to integrate nature into decision-making. This training module has been developed in collaboration with We Value Nature and Little Blue Research Ltd.

*To learn more about the **ESG Series for Accountants & Finance Professionals 2022,** please visit https://bit.ly/3F7K8nm*

The Climate Crisis: Is Your Business Ready for the Transition to Net-Zero?

at-mia.my/2021/12/06/the-climate-crisis-is-your-business-ready-for-the-transition-to-net-zero

December 6, 2021

By Deloitte Malaysia

Climate change is one of the greatest environmental challenges facing the world. The constantly growing emissions of greenhouse gases (GHG) have increased the global and annual mean air temperature of our planet.

The latest Intergovernmental Panel on Climate Change (IPCC) climate report warns a 1.5˚C global warming above the pre-industrial level will very likely increase the intensity and frequency of extreme climate events. Achieving the 1.5˚C scenario requires net global GHG emissions to be zero by 2050. It is estimated that we have a 300 $GtCO_2$ remaining carbon budget to achieve the 1.5˚C scenario.[1]

Reaching net-zero will require transformative change. Businesses play a vital role in decarbonising the economy. Investing in climate mitigation and carbon transition is likely to yield a significant competitive edge through increased innovation, competitiveness, risk management, and growth.

We share five things to consider when embarking on a net-zero journey:

Carbon footprint accounting

Understanding the company's carbon footprint and the emission hotspots across the value chain is the first step in taking climate action. The company will need to develop a GHG inventory, accounting for Scope 1 (Direct GHG emissions), Scope 2 (Indirect GHG emissions), and Scope 3 (other indirect GHG emissions).

Align decarbonisation ambition with business strategy

On top of the GHG inventory, consider other climate intelligence such as competitors' climate action, climate disclosure requirements, and stakeholders' expectations in the decarbonisation strategy. The decarbonisation strategy should be integrated into the existing business strategy, to complement the company's mission, vision, and values.

Operationalise decarbonisation

Consider a full range of tools and options, including culture, incentives, and the right management information and structure, to prepare the company's operations for the transition to net-zero. This will facilitate and drive change internally while playing a role in mainstream disclosures.

Track and disclose progress

Corporates need to disclose and report their actions, strategy, and targets. Clear articulation of decarbonisation plans with progress updates would provide a common ground for stakeholders. The most widely adopted climate-related disclosure is the Task Force for Climate-Related Financial Disclosures (TCFD), which serves as a recommendation guide to corporates on reporting their climate-related risks and opportunities.

Help drive sectoral change

Think about emissions on a system level, and build partnerships to drive change across that system. Individual corporate climate actions are great but real change requires systemic rethinking. Companies can work with partners to drive emission reduction throughout the value chain and consider the whole system as an essential step to create meaningful change.

Climate inaction represents a major threat to global health. Based on Deloitte's D.Climate Model, climate inaction is projected to cost Asia-Pacific's economies US$96 trillion by 2070 whereas strong climate action could deliver US$47 trillion to the region by 2070. At Deloitte, we believe in guiding businesses to realise their full potential and to unlock business value. With the right strategy and risk management, businesses will be able to capitalise on climate-related opportunities for long-term gain.

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[1] IPCC. 2021. Climate Change 2021 Physical Science Basis Report.

Cessation of Cash and Cheque Payments to MIA

at-mia.my/2021/12/14/cessation-of-cash-and-cheque-payments-to-mia

December 14, 2021

In line with Bank Negara Malaysia's Financial Sector Blueprint for a cashless society, which is aligned with Malaysia's Digital Economy Blueprint, the Malaysian Institute of Accountants will cease to accept payments through cash or cheque beginning **1 January 2022**.

Members can make payments to the Institute through our existing electronic payment channels as follows:

- Online payment through the MIA member website: mia.org.my that allows immediate update of your payment and submission of your e-receipt. This is the preferred channel. The gateway provides many options of payment mode i.e. FPX, Credit and Debit cards and other e-wallets.
- Auto debit feature in "my payment" for members to subscribe for payment of their annual subscriptions/PC fee.
- Payment through electronic funds transfer (EFT)
  Please indicate the membership number/ invoice number in the EFT payment and email the remittance advice to us to update your payment manually in the system for the e-receipt to be submitted to you.

The use of electronic payments saves time, eliminates the risks associated with handling cash and enhances the efficiency of the processing and tracking of transactions.

For any queries on payment, please send an e-mail to finance@mia.org.my.

CFO Conference 2021: Driving Transformation, Accelerating Performance

at-mia.my/2021/11/24/cfo-conference-2021-driving-transformation-accelerating-performance

November 24, 2021

Backed by their financial and strategic expertise, CFOs are key leaders who will help drive their organisation's transformation and performance in the post-pandemic and digital economy.

Across industries, CFOs are now shouldering expanded duties beyond finance function stewardship. Expectations of CFOs now include steering transformation efforts – both within finance and the overall organisation – and leading the enterprise ESG agenda in order to boost organisational sustainability and growth.

How can CFOs fulfil these intensifying expectations?

One, CFOs must focus on how the finance function can transform to best serve the business by leveraging on technology, process evolution, organisational restructuring, and talent management. At the same time, CFOs must look into enterprise transformation to enhance the organisation's performance, for example through embracing purpose-driven leadership values and advocating digitalisation.

Two, CFOs must be adept in managing data and the proliferation of information on financials as well as ESG to set the most appropriate course for the enterprise. Both quantitative and qualitative data must be strategically harnessed and utilised to drive more informed decisions that create better outcomes and value for customers, employees, investors, society and other stakeholders.

Backed by our specialised expertise in the finance and accounting domain, the Malaysian Institute of Accountants (MIA) has designed this CFO Conference 2021 which will be held virtually on **8 December 2021**, especially for finance leaders aspiring to evolve into Chief Value Officers and sustainability leaders in the post-pandemic economy. Below are the highlights of this Conference, with a focus on enterprise, finance function, data analytics and ESG transformation, specially designed to future-proof CFOs:

INTEGRATING ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) TO DRIVE BUSINESS GROWTH

Panellists will guide participants on building robust ESG data collection systems for better decision-making/reportin, integrating ESG into organisational operations, and lessons and best practices from ESG leaders

SIGNIFICANCE OF PURPOSE DRIVEN LEADERSHIP AND MANAGING TRUST DEFICIT

Discusses the reasons for business to do the right thing, with a focus on Purpose Driven Leadership and Purpose vs Profits to overcome the trust deficit, along with global examples of good ethics and ethical violations.

MANAGING FINANCIAL RISKS IN TIMES OF UNCERTAINTY

This panel session examines how CFOs can better manage the myriad financial risks (e.g. cashflow, credit, and financial performance) that continue to affect organisations' business sustainability.

TAX GOVERNANCE: RELEVANCE TO CFOs

Looks at how tax strategy and governance can have a significant impact on an organisation's ESG performance, with a discussion of tax governance principles and the role of CFOs, Boards and Audit Committees in ensuring tax compliance for long-term business sustainability.

RM1BN CROWDFUNDING, ANGEL, VC, MEZZANINE, BRIDGING & PROJECT FINANCING WITHOUT COLLATERAL

Learn first-hand how a dynamic and growing company can capitalise on alternative and innovative financing solutions in this panel discussion featuring representatives of EKUINAS, Malaysian Business Angel Network & Moneysave P2P Crowdfunding. Also, don't miss the LIVE sharing session by Potboy Groceries Founder, Eddie Chew, on Potboy's successful crowdfunding journey, with up to RM20 million financing raised through Moneysave (P2P Crowdfunder) and up to RM15 million raised through the banks.

SUSTAINABILITY REPORTING

Discusses the way forward for sustainability reporting by adopting a set of comparable and consistent standards, as opposed to the current patchwork scenario where preparers report using multiple frameworks and standards such as the Integrated Reporting framework, the Global Reporting Initiative (GRI) Standards and Task Force on Climate-related Financial Disclosures (TCFD) framework with limited impact but increasing cost.

One-of-a-kind in the industry, this Conference is tailor-made for CFOs seeking success in the forefront of business. To learn more or register for this Conference, please click here.

Driving the Adoption of Digital Signatures

at-mia.my/2021/12/22/driving-the-adoption-of-digital-signatures

December 22, 2021

By Zulaikha Nurain

Thanks to the COVID-19 pandemic impact, remote working and virtual meetings have become a norm, with one key consequence: the need to find alternatives to signing off physical documents. As such, many organisations have turned to digital and electronic signatures as Malaysia adapts to remote working.

Despite the prevalence of digital and electronic signatures, which are not new in Malaysia, some organisations are understandably hesitant to use them due to security and validity issues. A recent webinar organised by the Malaysian Institute of Accountants (MIA) titled, “Digital Signatures: How does it work and what is the legal impact?” explored this subject in depth, covering the laws behind digital and electronic signatures, their benefits as well as their challenges.

Mohamed Ridza, the Managing Partner of Mohamed Ridza & Co. discussed the elements and laws binding electronic and online transactions, including the Electronic Commerce Act 2006, which also covers digital signatures. He stressed the importance of understanding the laws and guidelines, having the necessary firewalls, authentication and security systems in place when implementing digital and electronic signatures to mitigate risks like hacking and forgeries. “The important thing is to ensure that the person signing the document has the right to do so, and to ensure electronic channels are secure to prevent unauthorised third parties signing documents,” explained Ridza. “Another important aspect to note is what you see is what you sign, meaning each page of the document presented must be verified and confirmed by the person signing them before placing the signature.”

In his presentation on the technology behind digital and electronic signatures, Sea Chong Seak, Chief Technology Officer of Signing Cloud Sdn Bhd enumerated the challenges arising from the use of digital signatures. "This includes the lack of user expertise and knowledge and having to ensure a smooth experience for all parties involved when a digital signature is used for transactions," he said. "Millions of transactions using digital signatures happen each day in different types of documents, so businesses must also ensure data privacy."

At the same time, Sea highlighted several benefits of adopting digital signatures, particularly during the COVID-19 pandemic:

BUSINESS CONTINUITY DURING THE PANDEMIC	CONTROL AND COMPLIANCE	EASE OF USE	AUDIT TRAIL
Digital signatures allow existing customers to be served without service interruption and removes the need to have physical, in person meetings to authorise documents.	The proper use of digital signatures ensures that the integrity of the document or to be signed (DTBS) is protected and delivered over a trusted platform or interface, protecting the data shared between customers and clients and ensuring legal compliance.	Digital signature solutions such as apps and platforms are becoming more and more user-centric and user-friendly. Apps like DocuSign allow the signee to insert their signatures anytime, anywhere.	Digital signatures enforce the audit trail, as they cannot be backdated, unlike physical signatures, particularly when certain applications are used. Digital signature apps will also send reminders and notifications to the signees, ensuring better security where the risk of others tampering with the document is lessened.

The use of electronic and digital signatures was further discussed during a panel session moderated by Steven Chong, Member of the MIA Digital Technology Implementation Committee (DTIC). The panellists comprised Samantha Tai Yit Chan, Chief Executive Officer of Boardroom Corporate Services Sdn Bhd, Shamsul Izhan Abdul Majid, Chief Technology & Innovation Officer at the Malaysian Communications and Multimedia Commission (MCMC), Johnny Yong Buong Peah, Head of Capital Market & Assurance of MIA, Mohamed Ridza, and Sea Chong Seak.

The panellists discussed the practicality of digital signatures in today's time and concurred that the agility of an organisation in adapting digital signatures into their processes is also a reflection of the landscape shifting into a digital economy.

The discussion also centred on the expectations of using digital signatures moving forward, with the following highlights:

Digital signatures will become more prevalent – Piggybacking on the government's My Digital Aspiration, where 22% of the economic landscape will become digital, SMEs will gain more access to digital e-commerce as there will be more investments into digitisation. By the year 2022, 80% of data, which includes documents, will be shared on Cloud, allowing for a more digitised landscape for business and operational transactions. The government, through the various digital initiatives are working towards removing impediments in the various statutes that may hamper the adoption of electronic or digital signatures such as those under the Statutory Declarations Act 1969.

Businesses must adapt – Businesses must find new ways to adapt to digitalisation and to guarantee the safety of their processes, such as using secure apps to sign documents, and ensuring that all parties consent to the use of digital signatures. Organisations can also facilitate sustainable practices and expedite their processes by using digital signatures, which enable remote approvals and authorisation. This not only reduces the carbon footprint from physical transactions but was also proven to be especially critical and effective during the movement control orders and lockdowns. By adapting systems like digital signatures, businesses can increase their digital maturity and concentrate on processes that will bring efficiency, sustainability and productivity.

Building awareness is key – While electronic signatures and digital signatures are not new in some countries, there is still a sense of trepidation and resistance. Awareness needs to be built within an organisation among its employees and management, and externally with third parties and clients, to drive digital signatures. This is important especially now amidst all the disruption caused by COVID-19. In addition, the concept known as "intention to authenticate" should be encouraged across the business community as a form of best practice over time.

As part of MIA's efforts to drive the digitalisation agenda forward, the Institute has set up a digital signature working group with the long-term goal of providing guidance to the auditing fraternity when it comes to digital and electronic signatures. These initiatives include exploring available options such as simple or advanced platforms for electronic signatures that can be used by auditors in Malaysia and the different level of security application. MIA is also pursuing this initiative with other regulatory authorities such as the Suruhanjaya Syarikat Malaysia (SSM), and the Inland Revenue Board Malaysia (IRBM), to further advocate for the adoption of digital signatures in the Malaysian ecosystem or to further expand its application into other service areas (stamp duty under IRBM, for example).

Click here for more information on the Digital Signature Act, licenses and other guidelines.

Zulaikha Nurain is Manager of the Strategic Communication & Branding, Malaysian Institute of Accountants.

Islamic Social Finance: A Viable Way to Assist ASEAN MSMEs?

at-mia.my/2021/12/01/islamic-social-finance-a-viable-way-to-assist-asean-msmes

December 1, 2021

By Aucky Pratama

As a region predominantly consisting of small enterprises, ASEAN continues to deal with a wide range of structural, financial, and other challenges, including limited access to finance in efforts to support this sector of businesses. Experts believe that Islamic social finance can bring about ample opportunities to support these enterprises, building on the principles of fairness and justice and providing pathways to stimulate economic activity and promote social welfare and financial inclusion.

The State of ASEAN MSMEs

Despite the impact of the COVID-19 pandemic to the global economy, ASEAN is expected to fulfil its potential as one of the largest economies in the world by 2030. The Asian Development Bank (ADB) in its September economic outlook highlighted a 7.1% growth forecast for developing Asia (including ASEAN jurisdictions) in 2021 (from 7.3% in April 2021), and up to 5.4% in 2022. This reflects the region's overall optimism towards recovery from the impact of COVID-19 despite the latest resurgence in the pandemic — possibly due to new virus variants, slow progress in vaccination or waning effectiveness of the vaccines.

A major part of the ASEAN economy consists of the Micro, Small and Medium Enterprises (MSMEs). According to the ADB's Asia Small and Medium-sized Enterprise Monitor 2020, MSMEs account for an average 97% of all enterprises and 69% of the national labour force in developing Asia's jurisdictions. MSMEs are the backbone of ASEAN's economy as they stimulate domestic demand, create jobs, innovate, and compete nationally and regionally. MSMEs can play an important role in contributing to the region's recovery in demand, trade, and investment. Their development remains important to promoting inclusive growth in ASEAN. However, for many MSMEs, access to finance and expanded markets remain at the core of their growth challenges.

For jurisdiction such as Indonesia — the largest population in the region and the only member of the G20 in ASEAN, difficulties for MSMEs (comprising 98.7% of enterprises in Indonesia) in accessing finance from traditional banking industry is a major issue. "There needs to be an alternative for the MSMEs to get access to finance, and Islamic social finance can be the answer," stated Associate Professor Dr. Murniati Mukhlisin, Member of the Sharia Accountants Compartment, the Institute of Indonesia Chartered Accountants and Rector of Tazkia Islamic University College, Indonesia.

As a regional body for the accountancy profession, AFA as part of its priorities, has identified ASEAN MSMEs as an important group of stakeholders. In addition to publishing a report on ASEAN MSMEs in 2018 and ASEAN Small and Medium Practices (SMPs) in 2020, this year the Federation launched its ASEAN SMP Webinar Series to serve as a platform for networking, learning, and sharing between ASEAN SMPs. It is a recognition for the important role of SMPs as trusted partners and advisers for the MSMEs.

Focus on MSMEs' Financial Needs

For the ASEAN MSMEs, it is not just about recovering from the impact of COVID-19. The pandemic, in particular, has further highlighted several salient needs of the MSMEs, as they continue to elevate their productivity and dynamism to achieve their high-income aspiration. According to Puan Madelena Mohamed, Director of the Islamic Banking and Takaful Department, Bank Negara Malaysia, these may include:

Many MSMEs in the region may have significant challenges in meeting these needs without the right support from relevant stakeholders, including governments through their policies and financial institutions. Islamic social finance, built on the principles of fairness and justice, can provide pathways to stimulate economic activity, promote social welfare and financial inclusion, and address these pressing needs.

Islamic Social Finance and Its Value Propositions

What makes Islamic social finance unique other than its features to enhance quality access and inculcate responsible usage of finance for MSMEs? As discussed by Mohammad Muazzam Mohamed, Chief Executive Officer, Bank Islam Malaysia Berhad and Muhammad Syarizal Abdul Rahim, Partner and Head of Islamic Financial Services | Assurance, Ernst & Young Malaysia, Islamic social finance potentially brings several value propositions, including but not limited to reducing risks for financial institutions and indebtedness of MSMEs and enforcing accountability with amplified social benefits.

Islamic social finance is an approach to strategically offer banking products, services, and initiatives beyond traditional banking. For MSMEs that typically have an informal business structure and lack a credit track record, high credit risk is the common issue and major hurdle for them to access traditional financing. Islamic social finance serves as an alternative, as long as the relevant parties (i.e., financial institutions and MSMEs as the debtors) can match their credit risk and funding needs. In short, it is about nurturing the unbankable MSMEs to become bankable.

ASEAN Experiences

ASEAN stakeholders need to look no further than countries such as Indonesia, Malaysia, and even Cambodia to identify excellent examples of how this system is being implemented. This includes iTEKAD (now iTEKAD 2.0) and PruBSN Microtakaful Jariyah in Malaysia, as well as initiatives introduced by Phillip Bank and KIVA in Cambodia.

Bank Wakaf Mikro in Indonesia is a registered Sharia microfinancing institution which aims to provide access to capital for small communities with no access to formal financial institutions. As at October 4, 2021, there are 60 registered banks with 48,200 customers on an accumulated IDR73.1 billion in financing. “Indonesia as the largest Muslim populated country in the world has all the potential to become a major player in the development of Islamic social finance in ASEAN,” said Gunawan Yasni, Member of the Sharia Accounting Standards Board, Institute of Indonesia Chartered Accountants.

ASEAN stakeholders need to leverage the growing momentum in social impact investing, including Islamic social finance to help ASEAN MSMEs and ASEAN’s economy in general to rebuild their operations post-pandemic.

Aucky Pratama is the Executive Director of the ASEAN Federation of Accountants (AFA)

Less Complex Entities (LCE) Standard: A Panacea for A Cost-Effective Audit?

at-mia.my/2021/12/15/less-complex-entities-lce-standard-a-panacea-for-a-cost-effective-audit

December 15, 2021

By Dato' Lock Peng Kuan and Johnny Yong

The long-awaited, separate, standalone, proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) which is based on the core requirements of the International Standards on Auditing (ISAs) was issued by the International Auditing and Assurance Standards Board (IAASB) for comments on 23 July 2021.

The term Less Complex Entities (LCE) was adopted as the IAASB is of the view that ISA for LCE should focus on the complexity of an entity rather than its size. Accordingly, ISA for LCE, by design, does not address complex matters or circumstances and is not permitted to be used for audits other than LCE. The proposed ISA for LCE has included specific prohibitions and qualitative characteristics that will make the ISA for LCE inappropriate for use in an audit of the financial statements of entities other than LCE.

Following the publication of the proposed ISA for LCE, questions arose as to whether the proposed ISA for LCE will significantly change the way auditors perform their audits of financial statements of LCE. An example of questions is whether auditors of LCE are still required to use the systematic sampling approach when performing the substantive testing of transactions or to comply with the ISQC 1[1] which is going to be replaced by the ISQM 1.

Hence, it is important to set the scene right at the outset. As mentioned by the Technical Director of the IAASB, Willie Botha, this standard is not a license to do less audit but a set of standards that will guide you to do a more efficient audit, i.e., to do a "right audit".

Doing the Right Audit

How is this proposed ISA for LCE able to guide the auditors to do the right audit? The proposed ISA for LCE takes the full suite of ISAs, strips it of those requirements typically expected of a complex operation and calls whatever that is left the ISA for LCE. The IAASB has adopted different approaches to keep the ISA for LCE concise and succinct as much as possible by:

- Excluding areas specific to listed entities such as "Segmental Information" in ISA 501 *Audit Evidence – Specific Consideration for Selected Items* and "Key Audit Matters" in ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* as ISA for LCE can never be used for listed entities due to their being subject to significant public interest.
- Excluding areas arising from complexities or structure of operations not typical of LCE, such as the requirements to perform procedures in accordance with ISA 610 *Using the Work of Internal Auditors.*
- Excluding the requirements in ISA 540 *Auditing Accounting Estimates and Related Disclosures* simply because it is not envisaged that LCE will have complex estimates in the preparation of their financial statements.
- Excluding the requirements of group audits in ISA 600 *Special Considerations – Audits of Group Financial Statements (Including the work of Component Auditors)* as group audits are deemed to inherently exhibit characteristics of complexity within an entity.
- Excluding the requirements in ISA 402 *Audit Considerations Relating to an Entity Using a Service Organisation* relating to an auditor's ability to rely on reports on the operating effectiveness of controls from the service organisation as it is anticipated that where transactions are less complex, the auditor would be able to obtain the necessary audit evidence without difficulty from records available; and
- excluding detailed requirements in relation to management amendments to the financial statements after the date of the auditor's report as this is expected to be rare for audits of LCE.

Recently, the IAASB produced a document mapping and detailing the differences between the ISAs and ISA for LCE and the rationale for the inclusions or exclusions in the proposed ISA for LCE. ISA for LCE is not exactly a think-small-first approach but, in the current situation, may be the only palatable option for an interim solution whilst another work stream known as CUSP[2] progresses.

In addition, to enhance the readability and understandability of the proposed ISA for LCE, the IAASB had focused on:

- Articulating the requirements in a clearer and simpler way.
- Avoiding the use of long or multiple layers of bulleted lists, where appropriate, since this may be perceived as a "checklist approach" rather than a principles-based approach.

- Summarising or excluding entirely explanatory materials that are lengthy or background in nature, as per what is presented within the existing ISAs. Only explanatory material that is crucial to support the requirements or concepts used (Essential Explanatory Material) will be included in the ISA for LCE;
- Using simpler numbering and the “one thought per paragraph” approach; and
- Avoiding repetition by combining requirements from various ISAs where appropriate, a welcomed relief as most Small and Medium Practices (SMPs) have requested for this approach over the years.

Handling Expectations

The IAASB expects that the auditing process will become more effective and efficient once the ISA for LCE is in force. Auditors of LCE will not need to dwell upon the identification of applicable standards as in the case of the ISAs, since core requirements are clearer when the nature and circumstances of the entity and audit engagement are less complex. The auditor would thus be able to invest more time executing appropriate procedures that more effectively target the risks of material misstatement when used for audits of LCE.

On the other hand, the ISA for LCE may not necessarily reduce the number of core procedures the auditor is required to perform to support the overall quality of the audit, A strong message received from one of the IAASB’s stakeholders opined that this separate standard should be based on the ISAs and retain the robustness of an audit using the ISAs. Accordingly, the ISA for LCE would present the requirements for audits of LCE based on the core requirements of the ISAs and thus, auditors using this ISA for LCE will be able to provide reasonable assurance in the audits of LCE.

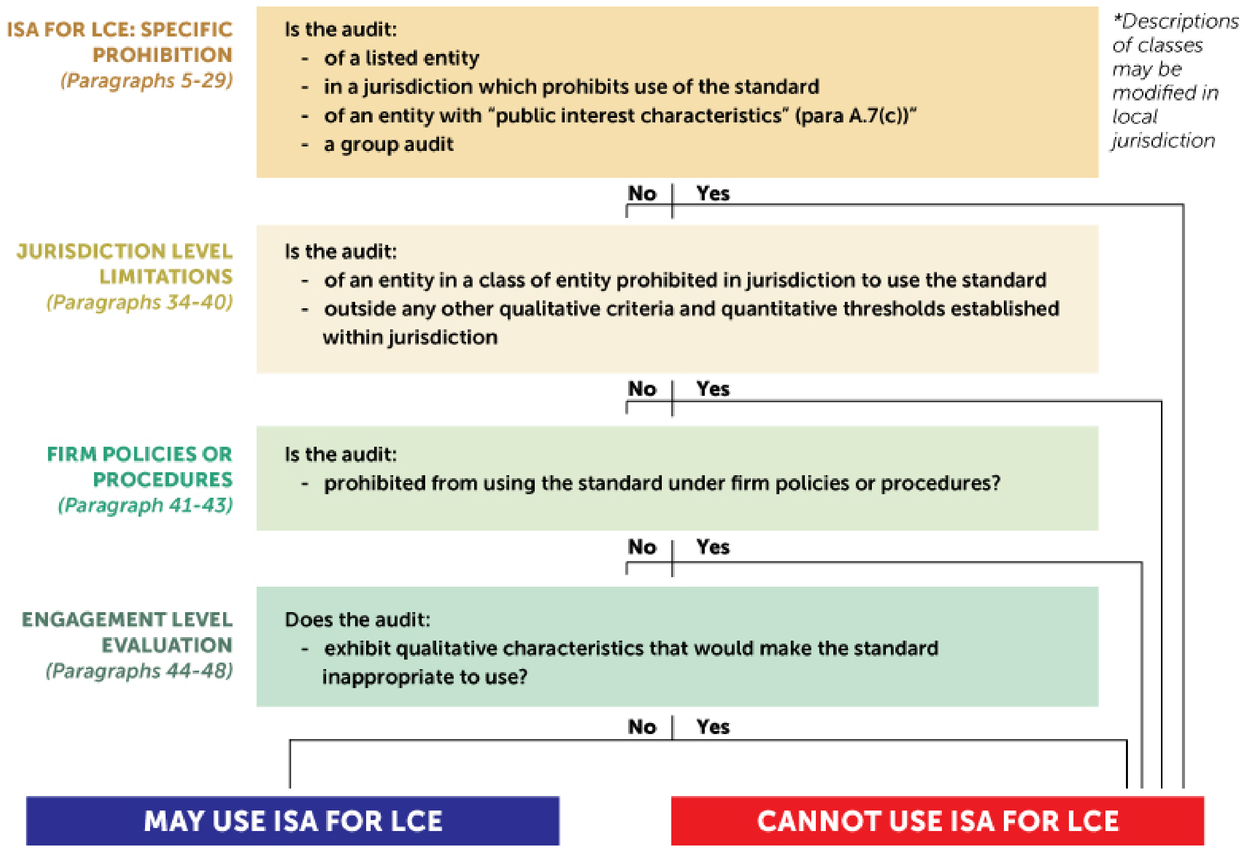
The Standalone, No Top-Up Approach

One of the more controversial viewpoints by the IAASB is the “No Top-Up” approach when it comes to the adoption and implementation of this proposed ISA for LCE.

IAASB has developed the ISA for LCE as a standalone, self-contained standard, separate from the ISAs with no intended need for direct reference back to the requirements or application material in the ISAs. This means that if there is a circumstance that has not been contemplated in the design of the ISA for LCE, ISA requirements cannot be used to “top-up” the ISA for LCE to address the circumstance.

Accordingly, as depicted in the flowchart below, the overall decision for the audit engagement is whether the ISA for LCE is appropriate for use, given the nature and circumstances of the entity. As an example, consider a situation where a less complex entity has a complex accounting estimate that is not contemplated by the proposed ISA for LCE; the auditor should apply the full ISAs instead of using the ISA for LCE together with the requirements from ISA 540 (Revised) to supplement those requirements not addressed in the ISA for LCE when planning and performing the audit of that entity. In fact, in case of any doubt, the auditor should revert to the use of the full ISAs. This is because it could be disruptive and burdensome to switch to the full ISAs at the later stages of audits of purported LCE.

CLASSES OF ENTITIES THAT ARE SPECIFICALLY PROHIBITED



Group Audits

As mentioned earlier and from the diagram above, group audits have been excluded from the proposed ISA for LCE. The baseline assumption is that all group audits are essentially complicated and hence, should not be included in the proposed ISA for LCE.

The Exposure Draft (ED) has solicited firms to "estimate" the number of group audits that would inevitably be excluded, following the IAASB's current position. Since the implication could be significant, MIA members are requested to read Paragraph 158 of the ED as to why group audits are deemed more complex and then provide their views for the IAASB to make an impact assessment on the overall audit market.

The present length of the ED at 115 pages is fairly reasonable. However, if group audits are included, the length of the standard may potentially expand significantly as the principles and work efforts for group audits will be embedded into various parts of the standard, from planning and risk assessment to auditor's reporting. Therefore, a possible approach suggested by the IAASB is to have a separate section called ISA for LCE – Applicable to Group Audits. Such compartmentalisation may facilitate navigation of the ISA for LCE, either for a single company audit or a group audit but this could pose a burden on the IAASB in terms of maintenance of the standard, going forward.

ED-ISA for LCE: Your View Matters

The ED is now open for feedback – with more than 180 days for MIA members and network firms to respond. Ensure your voices are heard, either by forwarding your comments to MIA (e-mail: technical@mia.org.my) or writing directly to the IAASB. The closing date is 31 January 2022.   MIA had organised a few outreach activities (including the SMP Forum on 16 November 2021) with the intention that these will provide the necessary input for the Auditing and Assurance Standards Board's submission to IAASB before the due date of submission.

The proposed ISA for LCE may not be a panacea for effective audits of LCE locally but a better understanding of the standard will benefit the profession in the overall by focusing more effort into performing appropriate audits for LCE. The simpler more straightforward proposed ISA for LCE will also enable firms to better train their junior staff and eliminate "over-auditing" of certain areas of the financial statements.

By promoting a better focused approach on auditing, small and medium-sized audit practitioners may perhaps be able to provide more ancillary value-added services that come with better understanding of their clients and their operations as opposed to merely conducting checklist-driven, tick-the-box exercises called audits.

Please click here to complete the Survey which will enable the Institute to compile further statistics in responding to the IAASB's recent LCE Exposure Draft. All responses will be kept confidential.

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[1] ISQC 1 is a new set of standards issued by the International Auditing & Assurance Standards Board that will be coming into effect on 15 December 2022. It deals with the firm's responsibility for having a system of quality management that creates an environment that enables and support engagement teams in performing quality engagements on a consistent basis.

[2] CUSP is a mid to long term project to address the complexities, understandability, scalability and proportionality of the current ISAs. You can read more of this here: Complexity Understandability Scalability Proportionality (CUSP) | IFAC (iaasb.org)

Dato' Lock Peng Kuan is a Member of the MIA Auditing and Assurance Standards Board & Johnny Yong is the Head, Capital Market & Assurance, MIA

MIA Launches Report of a Study on Emerging Technology Adoption Within Accounting Programmes by Higher Learning Institutions in Malaysia

at-mia.my/2021/12/10/mia-launches-report-of-a-study-on-emerging-technology-adoption-within-accounting-programmes-by-higher-learning-institutions-in-malaysia

December 10, 2021

As the world and the workplace become increasingly digitalised, it is essential that accountants be able to stay abreast of technological developments and adapt these for work. To ensure that the profession remains relevant now and in the future, it is critical to future-proof young accounting talents to ensure that they are adept and adaptable when it comes to managing in an ever-changing environment.

To achieve this, the Malaysian Institute of Accountants (MIA) continually advocates for the transformation of the accountancy education to enhance the relevance of accounting talents to employers and organisations. MIA's latest initiative was to launch the Report of a Study on Emerging Technology Adoption within Accounting Programmes by Higher Learning Institutions in Malaysia (Report).

Based on a study carried out by the Academicians Working Group (AWG) under the Digital Technology Implementation Committee of MIA, the Report addresses the future skillsets of accounting graduates in Malaysia and the incorporation of emerging technologies in the accounting programmes to ensure future relevance.

The Report recommends that the future skillset of the accounting graduates in Malaysia should be based on the three proficiency levels as set out in the MIA Competency Framework. The MIA Competency Framework is a key tool in future-proofing accounting talents that illustrates the benchmark required for the three proficiency levels for accountancy professionals in line with the International Education Standards (IES).

Accordingly, the Framework has identified the future skillsets that young accountancy talents are advised to acquire, which include:

- Training on technical knowledge
- Critical thinking, problem solving, decision-making and the ability to exercise professional judgement
- Literacy and leadership skills in digital transformation, ESG (environmental, social and governance), climate change and business sustainability
- Agility and adaptability, in order to be able to perform different roles in an evolving and highly volatile landscape.

Meanwhile, the emerging technologies recommended for incorporation into accounting programmes are:

- Artificial intelligence
- Data science/Data analytics
- Cybersecurity
- Cloud computing
- Blockchain

The Report further analyses the approaches to incorporate the emerging technologies into the accounting programmes as well as the delivery of those topics including who best to deliver them. It also calls for a collaborative effort involving key stakeholders as well as taking into consideration the challenges on technology infrastructure and funding.

National Accounting Educators' Convention 2021

The Report was launched at the recent National Accounting Educators' Convention 2021 (NAEC 2021), a flagship MIA event that is specially geared to upskill one of the profession's most important categories: academicians, specifically accounting educators who are entrusted with developing the nation's accountancy talent.

With the theme of "Nurturing Future Ready Accounting Educators", the NAEC 2021 identified the COVID-19 pandemic's impact, digital technologies, and the increasing emphasis on environmental, social and governance (ESG) factors and sustainability matters, especially climate change, as key disruptive factors that accountancy educators must be aware of to support the development and future-relevance of young accounting students and graduates.

To strengthen their awareness and readiness for change, “MIA is prioritising the importance of equipping accounting educators to become future-ready and relevant for the digital economy and society,” stated YBhg Tan Sri Abdul Samad Haji Alias, Chairman – Education Board, MIA in his NAEC 2021 address.

Over the past years, MIA has delivered numerous initiatives such as the NAEC, Train the Trainer workshops in collaboration with professional accountancy organisations, facilitated digital adoption and pedagogical innovation, and provided opportunities for accountancy research through MIA’s collaboration with the Malaysian Accountancy Research and Education Foundation (MAREF) that have benefited academicians. “MIA is providing the tools and resources that can support transformation, so that accountancy educators can be more agile, adaptable and resilient in navigating the new normal,” said Tan Sri Abdul Samad.

“Failure or reluctance to change, especially in this new environment that is digitally driven and ESG-conscious, will be catastrophic,” he warned. However, even as accountancy education is transformed and the digital economy and IR4.0 (Industrial Revolution 4.0) usher in new and expanded roles for accountants, accounting professionals are reminded to always uphold the profession’s values of accountability, integrity and trust in the public interest.

Click here to download the Report.

MIA-MICPA Tax Governance Guide Champions Tax Transparency for Better Corporate Reporting and Governance

at-mia.my/2021/11/19/mia-micpa-tax-governance-guide-champions-tax-transparency-for-better-corporate-reporting-and-governance

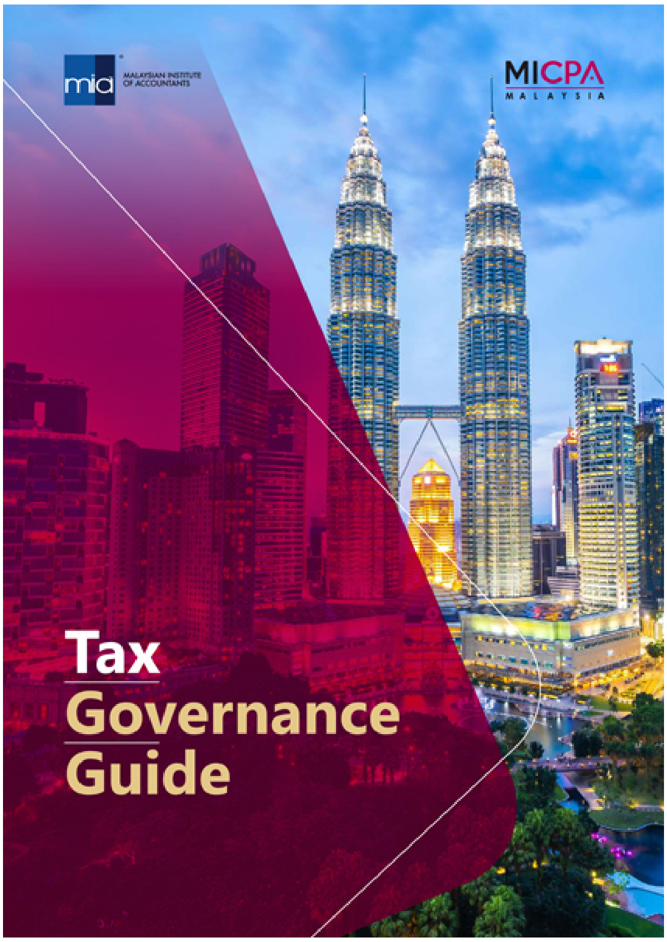
November 19, 2021

The Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA) are pleased to announce that they have jointly published the new Tax Governance Guide (the Guide) as part of the accountancy profession's advocacy for tax transparency and good reporting practices amongst listed issuers.

“The Tax Governance Guide is intended to provide guidance to the directors of listed issuers in reporting the management of tax matters affecting corporations in their annual reports, in line with international developments related to the Environmental, Sustainability and Governance (ESG) agenda. Such improvements in tax transparency will promote trust and credibility in the tax practices of listed issuers and enable investors and stakeholders to make informed decisions,” stated Dr. Veerinderjeet Singh in his capacity as MIA President and MICPA President.

In order to improve access to the Guide, Bursa Malaysia in its longstanding collaboration with the accountancy profession has made the e-publication available on the BURSA SUSTAIN platform which advocates for best practices among listed issuers. On behalf of MIA and MICPA, Dr. Veerinderjeet thanked Bursa for supporting the accountancy profession's advocacy for enhanced tax governance reporting in annual reports.

“Subsequent to Bursa publishing this Guide on its platform, MIA and MICPA look forward to exploring future collaborations with Bursa on potential advocacy programmes for tax governance reporting among listed issuers. MIA and MICPA strongly encourage directors



of listed issuers to be cognizant of the importance of tax governance in their oversight over tax policies, as Malaysia pursues improvements in corporate governance, market confidence and business sustainability," concluded Dr. Veerinderjeet.

The Tax Governance Guide can be accessed here on the BURSA SUSTAIN platform and on the MIA and MICPA websites respectively.

For more information, please contact communications@mia.org.my or technical@micpa.com.my.

NACRA Applauds High-Quality Corporate Reporting

at-mia.my/2021/12/16/nacra-applauds-high-quality-corporate-reporting

December 16, 2021

CIMB Group Holdings Berhad, Sunway Berhad, Kumpulan Perangsang Selangor Berhad and Petroliam Nasional Berhad emerged as winners of the Excellence Awards in their respective categories at the National Annual Corporate Report Awards (NACRA) 2021. Now in its 31st year, NACRA is jointly organised by Bursa Malaysia Berhad (Bursa Malaysia), Malaysian Institute of Accountants (MIA) and The Malaysian Institute of Certified Public Accountants (MICPA), and continues to be a force for spurring continuing excellence and improvement in corporate reporting in Malaysia, in line with its theme, "Towards Accountability & Excellence". NACRA guidelines are continuously reviewed and enhanced to ensure that the assessment standards for annual reports are in line with current requirements and the latest global developments.

In a congratulatory message delivered by Tan Sri Abdul Wahid Omar, Chairman of Bursa Malaysia at the virtual awards presentation ceremony held earlier today, he highlighted the need for better corporate reporting resulting from COVID-19. "It is crucial that our corporate reporting narrative recognises the need to evolve. Companies must now examine how to bring certain underlying company fundamentals to the forefront, rather than focusing solely on earnings highlights. They should also be prepared to discuss how to position the company to thrive once the social and economic sectors have recovered from the pandemic."

He also expects greater Environmental, Social and Governance (ESG) adoption post-pandemic. "As we move into 2022, this global movement towards sustainability will gain even more traction. Apart from the need to comply with the updated Malaysian Code on Corporate Governance 2021, the case for companies to embrace ESG is clear. It is not a case of 'nice to have' but a case for survival. In light of these developments, finance professionals must realise that their role now is no longer limited to just reporting financial metrics, but to play a key role in embedding a clear and well-defined ESG strategy within their organisations," he states.

Dr.Veerinderjeet Singh, President of MIA and MICPA stated in his speech that organisations should integrate sustainability-related considerations into all aspects of their business and they must consider ESG in their strategies and reporting framework. "Stakeholders are now more aware of the impact that businesses have on the economy, environment and society, and sustainability-related issues can significantly affect an organisation's risk profile, potential liabilities and its value. One recent development is the need for tax governance to also be considered in the context of ESG as tax transparency is also a global issue."

Mr Stanley Teo, Chairman of the NACRA 2021 Adjudication Committee commended the participating organisations for the high quality of corporate reporting observed. He advised that more attention needs to be paid to non-financial information disclosures as traditionally, more emphasis is placed on financial information. He also shared, "Many countries have seen dramatic shifts in the reporting on sustainability, driven not only by regulations but also by a growing understanding of ESG issues. Whilst it is true that there are some costs involved when it comes to implementing sustainability reporting, the benefits far outweigh them. In the long- term, your enterprise value is likely to increase. Hence, it's time to place greater effort in sustainability reporting."

Aligned with NACRA's goals of being forward-looking and anticipating the trends and requirements of corporate reporting of the future, Encik Ahmad Zahirudin Abdul Rahim, Chairman of the NACRA 2021 Organising Committee shared that a new logo for NACRA was launched this year, carrying a modern, clean and futuristic design. Winners can also look forward to a new trophy design this year.

NACRA is open to all companies incorporated or registered in Malaysia as well as the public sector and other organisations established in Malaysia.

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2021

EXCELLENCE AWARDS

Companies with more than RM10 Billion in Market Capitalisation

Platinum	**CIMB GROUP HOLDINGS BERHAD**
Gold	**MALAYAN BANKING BERHAD**
Silver	**AXIATA GROUP BERHAD**
Silver	**TELEKOM MALAYSIA BERHAD**

Companies with RM2 Billion to RM10 Billion in Market Capitalisation

Platinum	**SUNWAY BERHAD**
Gold	**FGV HOLDINGS BERHAD**
Gold	**MALAYSIA BUILDING SOCIETY BERHAD**
Gold	**SUNWAY REAL ESTATE INVESTMENT TRUST**
Silver	**LPI CAPITAL BHD**
Silver	**SIME DARBY PROPERTY BERHAD**

Companies with less than RM2 Billion in Market Capitalisation

Platinum	**KUMPULAN PERANGSANG SELANGOR BERHAD**
Gold	**MAH SING GROUP BERHAD**
Gold	**MATRIX CONCEPTS HOLDINGS BERHAD**
Silver	**MSM MALAYSIA HOLDINGS BERHAD**

Non-listed Organisations

Gold	**BANK ISLAM MALAYSIA BERHAD**
Silver	**KULIM (MALAYSIA) BERHAD**

SPECIAL AWARDS

Best Sustainability Reporting

Platinum	**FRASER & NEAVE HOLDINGS BHD**
Gold	**NESTLÉ (MALAYSIA) BERHAD**
Silver	**SUNWAY BERHAD**

Best Annual Report in Bahasa Malaysia

Platinum	**RHB BANK BERHAD**
Gold	**TELEKOM MALAYSIA BERHAD**
Silver	**FGV HOLDINGS BERHAD**
Silver	**MSM MALAYSIA HOLDINGS BERHAD**

Best Designed Annual Report

Platinum	**MALAYAN BANKING BERHAD**
Gold	**PETRONAS GAS BERHAD**
Silver	**CIMB GROUP HOLDINGS BERHAD**
Silver	**NESTLÉ (MALAYSIA) BERHAD**

NAEC 2021: Nurturing Future Ready Accounting Educators

at-mia.my/2021/11/16/naec-2021-nurturing-future-ready-accounting-educators

November 16, 2021

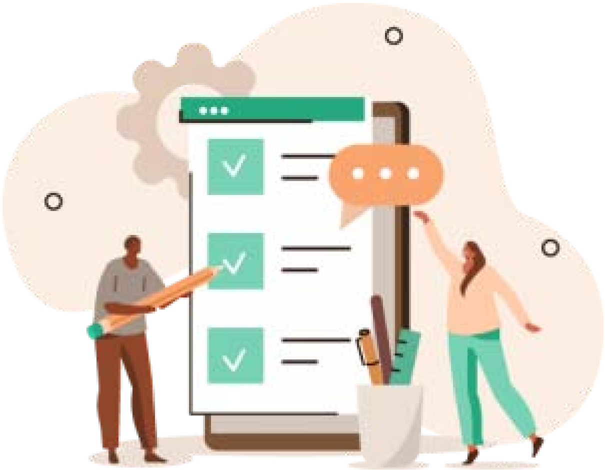
Accounting educators play a pivotal role in strengthening the accountancy talent pipeline and shaping graduates for the workforce of the future.

Recognising this, MIA has always prioritised the importance of equipping accounting educators to become future-ready and relevant for the digital economy and society. Throughout the years, MIA has supported accounting educators in terms of upskilling through initiatives such as the Train the Trainer workshops in collaboration with professional accountancy organisations, facilitating digital adoption and pedagogical innovation, and providing opportunities for accountancy research through MIA's collaboration with the Malaysian Accountancy Research and Education Foundation (MAREF).

Yet another specialised initiative is the **National Accounting Educators Convention 2021** with the theme of **Nurturing Future Ready Accounting Educators**, which is the flagship programme for members in academia. Taking place virtually from **23-24 November 2021**, this platform prioritises the latest and most relevant knowledge that accounting educators must know to be future-proof and in turn support the future-proofing of young accounting talents.

Featuring a stellar line-up of subject matter experts, speakers and panellists, the Convention will focus on the significant trends and developments impacting the accountancy profession and education, including:

- **MIA Competency Framework**



A key tool in future-proofing accounting talents, the MIA Competency Framework illustrates the benchmark required for the three proficiency levels for accountancy professionals in line with international standards.

• Agreed-Upon Procedures (AUP) Engagements for Future Accounting Professionals

Technical and professional sharing on AUP engagements which are gaining traction in many jurisdictions due to the high cost of audit or the inevitable increase of the audit threshold for private limited entities.

In an AUP engagement, management or a third-party user can specify the procedures they want conducted. The professional accountant in public practice will then carry out the procedures and issue an AUP report describing the procedures being agreed upon and the resulting findings, with the management or the third-party user concluding on the outcome of the process being carried out.

As AUPs are the wave of the future, this panel discussion will focus on what academicians need to know in order to train future accounting professionals on AUP engagements.

• Ethics and Trust in a Digital Age – Accounting Ethics Education and Ethical Awareness

Reiterates that ethics and professionalism are the foundation of the profession and familiarises accounting educators with the latest issues in ethics.

• ESG for Educators

As ESG issues gain momentum in business, accounting educators will need to be updated on sustainability matters and the importance of developing ESG competence among future accountants.

• Emerging Technology Adoption – An Imperative for Future Accounting Education Programmes and Educators

Presents findings of the Report of a Study of Emerging Technology Adoption within Accounting Programmes by Higher Learning Institutions in Malaysia, to be followed by a panel discussion on the impact of emerging technology adoption and value creation on accounting professionals.

This important report concluded that emerging technologies such as Artificial Intelligence, Data Science / Data Analytics, Cybersecurity, Cloud Computing and Blockchain are crucial to be included in the accounting curriculum as these are considered necessary competencies for future accounting graduates.

• Industrial Revolution 4.0: The Readiness of Graduates of Higher Education Institutions for Fulfilling Job Demands

Discusses Industrial Revolution 4.0 (IR4.0) which is the mass implementation of cyber physical systems in the industry. IR4.0 leads to an intelligent, connected and decentralised production system that influences the value chain related to the regulation of organisations. Identifies the requisite mindset and tools that accounting graduates must be equipped with to be productive in the IR4.0 environment.

• Why Is It Time for Educators to Prioritise Cybersecurity?

Emphasises cybersecurity awareness for undergraduates, as they will need a broad range of knowledge on the type of cyber threats, security policies, cyber law, and security framework to manage cyber risks effectively in the workplace of the future.

Don't miss this specialised Conference, geared to helping educators innovate and develop accounting students in line with the future needs of organisations and business sustainability. To learn more, please click here.

Professional Certificate in Digital Business Transformation

at-mia.my/2021/11/12/professional-certificate-in-digital-business-transformation

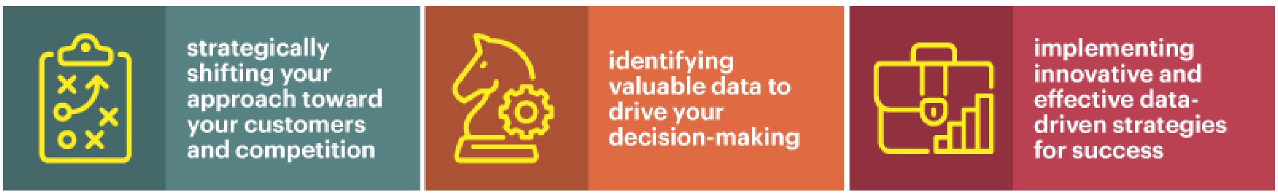
November 12, 2021

Add value to your portfolio and position yourself for the vast potentials of the digital economy by taking on a highly relevant professional qualification in digital leadership.

As more and more organisations embark on digital transformation in order to enhance their outcomes in the digital economy, professional digital qualifications will be more coveted than ever.

To answer this need, the Malaysian Institute of Accountants (MIA) and the Asia Pacific University of Technology & Innovation (APU) have teamed up to roll out their sophomore joint certification, the Professional Certificate in Digital Business Transformation (DBT). This online certification programme is a follow-up to their successful inaugural joint programme, the MIA-APU 3-day Professional Certificate in Digital Leadership (PCDL) executive programme.

Designed as a competency-based learning programme, this new MIA-APU Professional Certificate in Digital Business Transformation is specially designed to equip executives, professionals, and leaders with knowledge of game-changing digital business transformation strategies to capture future demand, regardless of their level of expertise and experience. The certificate will focus on disseminating skills in three core areas:



The programme will be delivered virtually in real-time, and participants will enjoy an experiential classroom experience through built-in collaboration tools. Scheduled to run from 10 January 2022 to 24 February 2022, the programme will be delivered over 160 hours (seven weeks), inclusive of online lectures and assignments.

By the end of the course, participants will have learnt how to adapt to organisations that are increasingly influenced by the digital economy and how to approach and leverage on the strategic opportunities and challenges presented by digital technologies.

Learning outcomes include:

Formulating the key drivers of digital transformation	**Verifying the impact of digital technologies and business models in radically changing competency and competitiveness across industries**	**Interpreting and delivering a presentation on how digital transformation has impacted digital strategies**

The programme targets participants' improvement in the following key areas:

- Ability to infuse technology into strategic decision-making
- Strengthening of innovation and problem-solving guided by Design Thinking ideas and integrated with technology
- Shaping an entrepreneurial outlook
- Intellectual stimulation and fresh ideas via thought leadership delivered by our esteemed Programme Faculty
- Improved learning and collaboration through participation in a highly dynamic and interactive world-class environment
- Future-proofing and leading a digital transformative agenda in organisations.

So do check out this year-end/new year's programme if you are keen on acquiring or enhancing your:

To find out more, please click here.

Supporting SMEs through tough times

at-mia.my/2021/11/08/supporting-smes-through-tough-times

November 8, 2021

The past 18 months have been defined by uncertainty and disruption, both economically and socially. While the world settles into a “new normal” and Malaysia begins to ease restrictions, it is time for businesses to realign their objectives and refocus on operations.

For accountants and business advisors, there is a huge opportunity to help clients plan for long-term growth and profitability through digitalisation. By leveraging data and insights through digital tools, businesses can develop greater resilience through the transformation of business operations and practices.

For example, Xero partner InTune Outsourcing switched to a remote working model to keep operations running within one day of the government’s announcement of the first MCO in March 2020. The cloud-based accounting and financial advisory firm asked clients to send their physical accounting documents via couriers to InTune Outsourcing’s staff, who were working remotely from home. Using a cloud-based data automation tool, employees then digitised and processed the documents, providing clients with the financial information they needed to keep their business running.

Digital tools also help free up time that could be spent on higher value areas like crafting business strategies, utilising the insight that these tools offer. A global McKinsey report revealed that SMEs spend up to 74% of their time on non-core business activities, of which banking is a primary one. By implementing cloud accounting solutions, bank feeds are directly processed in the accounting system, removing the need for manual data entry and bank reconciliation. SMEs and their advisors can easily access this data for greater insight on their cash flow and real-time visibility over revenue and costs. This in turn helps business owners identify opportunities and make smarter, data-driven decisions.

Navigating the world of digital solutions can be challenging. However, the benefits realised with the right combination of tools are clear. A recent research report from Xero showed that firms in Australia, New Zealand and the UK that used five or more business tools performed better than those with none. At the height of the pandemic, businesses that used Xero and connected tools experienced less of a decline in sales compared to the year before (13% decline year on year), a considerably smaller impact than SMEs that had not adopted any digital technology to manage their business, which experienced a 21% decline year on year. Improved cash flow can also support business operations, like staff retention, that are likely to be impacted in challenging economic climates. The report additionally found that businesses which had digitalised downsized only one in seven jobs during the pandemic, compared to one in five jobs lost by those which hadn’t during the same period.

Digital accounting platforms can be game-changers for businesses — they improve efficiency while empowering data-driven decision-making. Find out more about how digital tools can elevate your practice and better support your clients by attending Xero Roadshow Asia, where industry leaders will share their expertise, learnings and best practices.

Take control of your finances to survive the recovery: 5 top tips for SMEs

at-mia.my/2021/11/29/take-control-of-your-finances-to-survive-the-recovery-5-top-tips-for-smes

November 29, 2021

By Venkkat Ramanan

This period of economic recovery could be a dangerous time for many small businesses, especially if they have had to take loans or exhausted their cash reserves in an attempt to stay afloat during the pandemic. For small business owners, how can you ensure your business keeps trading through this period and prospers in the months and years ahead?

Keep up-to-date and accurate accounts, with all transactions reconciled against your business bank accounts.

This is made possible by cloud accounting software that connects to your online banking service. Real-time accounting information will give you a realistic overview of how your business is performing.

Set some money aside for emergencies.

As the COVID-19 crisis has shown, the business environment can take a turn for the worst quite unexpectedly. Having cash set aside will allow both you and your business to withstand turbulent times. Make sure you understand your business's fixed costs, including lease and rental commitments, since this will help you to work out how much money you should set aside. Ideally there should be enough to cover at least six months of expenses.

Make use of automation.

Automate as many routine tasks as possible. While automation does require some financial investment, it will free up your time to focus on marketing, and securing and retaining customers, which will help to drive profits in the long run.

Ask your accountant to prepare management accounts and review them on a monthly basis.

This will allow you to keep track of your business's monthly profit and loss, as well as profitability by customer and product. If there are too many numbers, track a few Key Performance Indicators (KPIs) and ask your accountant to develop a dashboard for you. By actively monitoring your management accounts, you can boost your business's resilience so that it can survive any short-term trading difficulties.

Understand your business's balance sheet.

A balance sheet is effectively a summary of your business's position. It lists the business's assets, liabilities and shareholders' equity at a specific point in time. When you understand your balance sheet, you understand what's going on in your business, including the level of debt that it has, and the risks it is currently facing. Best practice is to plan your salary, dividends and drawings at the start of each financial and tax year.

Open access to other markets.

Many SMEs struggle to expand or internationalise their business even with an open and fair-trade framework in place. Local authorities or agencies can help businesses face competition, access foreign markets and find new business partners abroad. Going international increases SMEs' performance, enhances competitiveness and reinforces sustainable growth.

Access to digital platforms.

Digitalisation is crucial for data processing, storage and transmission. Going digital in today's knowledge economy offers more gains and is part of your business edge. SMEs should go digital to increase productivity and profits given the constantly changing business landscape, increasing market competition and everchanging customer needs.

A great way to boost the resilience of your business in this period of economic recovery is to draw on the services of a management accountant. Even if you can't afford to employ someone on a full-time basis, you may be able to hire a management accountant for one day per week or month. By building a strong working relationship with your management accountant, you will be better positioned to manage your current risks and plan for a better future.

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

Upholding the Public Interest: MIA's Surveillance and Enforcement Initiatives from July 2020 to June 2021

at-mia.my/2021/11/15/upholding-the-public-interest-mias-surveillance-and-enforcement-initiatives-from-july-2020-to-june-2021

November 15, 2021

By the MIA Surveillance and Enforcement Team

MIA is committed to upholding the regulation and development of the accountancy profession in Malaysia in the public interest. The following article seeks to remind members that they must strictly adhere to the provisions under the Accountants Act and the Rules in carrying out public practice services, or risk running afoul of the law. Backed by our proactive enforcement approach, MIA will take stern action against members and non-members who are in non-compliance with the Accountants Act, including the imposition of penalties such as the stripping of Practice Certificates.

MIA is a statutory body established under the Accountants Act 1967 (Act 94) together with the rules in relation to members and the disciplinary rules, to provide for the registration of accountants and matters connected therewith. The more pertinent role and functions of MIA **includes the power to regulate the practice of the accountancy profession in Malaysia.**

To enhance professional competency of members thus upholding the profession's reputation and to safeguard public interest, members must be cognizant of the following vital information.

Salient Provisions of the Accountants Act 1967 (the 'Act ')

Section 18 of the Act – Prohibition

No member shall:-

Allow any person not being a member to practise in his name as a chartered accountant.	Be a director/ shareholder in a company incorporated under the Companies Act 2016 (1965) which carries on a business of auditing, nor shall he use a trade or association name to practise the profession.	Practise as a chartered accountant other then:- • in his own name • in the name or names of partner/partners being chartered accountants.	Certify accounts verified by a person other than a member of his firm/his staff unless the qualification of that person and the extent of his work is disclosed.	Directly or indirectly allow or agree to allow any advocate to participate in the profits of the member's professional work or otherwise.

Section 22 of the Act

No person shall, unless he is **registered as a chartered accountant** under this Act and has a principal or only place of residence in Malaysia, practise or hold himself out as a chartered accountant, auditor, tax consultant, tax adviser or any other like description or adopt, use or exhibit the term accountant or any other term of like description in such circumstances as to indicate or to be likely to lead persons to infer that he is a chartered accountant or that he is qualified by any written law to practise the profession as a chartered accountant.

MIA (Membership and Council) Rules 2001

Rule 2 MIA (Membership and Council) Rules 2001.

"Member in public practice" – means a chartered accountant who as a sole proprietor or in a partnership provides or is engaged in public practice services in return for a fee or reward for such services.

"Public Practice Services" include –

- auditing including internal auditing;
- accounting and all forms of accounting related consultancy;
- accounting related investigations or due diligence;
- forensic accounting;
- taxation, tax advice and consultancy;
- bookkeeping;
- costing and management accounting;
- insolvency, liquidation and receiverships;
- provision of management information systems and internal controls;
- provision of secretarial services under the Companies Act 2016 (1965); or
- such other services as the Council may from time to time prescribe.

Rule 9(1) MIA (Membership and Council) Rules 2001

A member shall not hold himself out as a member in public practice unless he holds a valid practising certificate issued by MIA.

Rule 2 MIA (Disciplinary) Rules 2002

Unprofessional conduct means conduct which is discreditable to the accountancy profession and includes gross carelessness, neglect and incapacity in the performance of professional duties, impropriety in professional conduct and conduct unbecoming of an accountant.

Complaints from Registrar

87	82	Total complaints Investigated and Disposed	
Total Complaints Received	Total complaints forwarded for Investigation	61 Referred to DC	21 Dismissed

Proactive Enforcement

whereby complaints were lodged against 19 MIA members for the following offences:

- Engaged in public practice services without a Practice Certificate/Audit License/Tax License.
- Working in a partnership with non-members of MIA.
- Not being the controlling shareholders of the Business.
- Offering/advertising audit services through a corporate entity.
- Offering public practice services through a business registered under Registration of Businesses Act 1956.

Common Offences / Breaches by Members

- Accounting and auditing failure
- Liquidators' failure
- Company Secretary's failure to communicate
- Practice Review failure
- Tax Agent's failure
- Professional Misconduct
- Professional Competence and due care
- Integrity/confidentiality/conflict of interest
- Material misstatement/misleading information
- Professional Conduct
- Breach of Method of Practice
- Bankruptcy

Penalties Imposed by Disciplinary Committee

- Fines between RM1,000 to RM5,000 with ancillary costs incurred by Committees
- Removal of membership – 2
- Suspension of Membership - 15
- Reprimand – 2
- Cancellation of Practice Certificate – 4
- To attend mandatory CPE course to enhance competency
- Publication in Government Gazette
- Notification in official publication on MIA's website
- Notification in 2 daily newspapers
- Notification to all Government licensing authorities
- Notification to other associations of accountants with which such members are associated.

Action Against Non-Members

for advertising or offering public practice services without being a chartered accountant registered with MIA – 13 cases

Types of Action Taken:	Notice to show cause	Public Announcement in Media	Referral to other Co-Regulators for action such as Suruhanjaya Syarikat Malaysia (SSM) & Inland Revenue Board of Malaysia (IRBM)	Referral to Malaysian Communications and Multimedia Commission (MCMC) for removal of fake business websites

Conclusion

Members are advised to strictly adhere to the provisions under the Accountants Act and the Rules in carrying out the public practice services enshrined under Rule 2 to uplift the reputation of the profession and to instill public confidence in the conduct of services offered.

Use of Artificial Intelligence (AI) on Accounting Transactions to Enhance Audit Quality

at-mia.my/2021/12/08/use-of-artificial-intelligence-ai-on-accounting-transactions-to-enhance-audit-quality

December 8, 2021

By Dr Shyamala Dhoraisingam, Dr Ravichandran K. Subramaniam and Prof Dr Ravindran Ramasamy

Rachel Grimes, former International Federation of Accountants (IFAC) President said that “technology will go on helping to burnish (enhance) the profession’s credentials as a trusted adviser.” She called for the profession to continue adopting and implementing emerging technologies or otherwise being left stranded on the sidelines. Malaysian Institute of Accountants (MIA) has appropriately prepared for this emerging era of the fourth industrial revolution (IR 4.0) and has moved in tandem with the global call by the IFAC.

MIA has developed the MIA Digital Technology Blueprint, which aims to guide accountants in developing appropriate action plans for their environment to respond to digital technology. The survey on Preparing the Malaysian Accountancy Profession for the Digital World was undertaken in 2019, a follow-up to a similar survey carried out in 2017. Interestingly, the survey results found that approximately 52 per cent and 36 per cent of survey respondents propose to adopt data analytics tools and artificial intelligence (AI) respectively in the next three years, signaling the effectiveness of MIA’s advocacy for the profession’s digital transformation. Furthermore, 93 per cent of survey respondents ranked technology as either very important or essential, and 92 per cent of respondents said they were either very interested or interested in knowing more about technologies affecting the accountancy profession. This article looks at how AI is used in auditing to increase the degree of confidence of the intended users of the financial statements by providing reasonable assurance (i.e., true and fair opinion) on the audited financial reports (IFAC, 2018).

Adaptation of AI to Auditing

Computerised accounting makes auditing very challenging. Millions of transactions are not entered manually by individuals but scanned by the cashiers at the point of sale. Hence, when a risk-based audit approach is utilised (audit risk model), it influences the audit planning and gathering of audit evidence to arrive at an audit opinion on the financial statements. Income statement and balance sheet accounts such as revenue and inventory have inherent and control risk. The use of AI provides a starting point to analyse the data for any unusual transactions or patterns documented in the audit plan for further audit testing and gathering of audit evidence. The adoption of AI aids in identifying red flags where potential misstatements (errors or fraud) may occur. One such example is that relating to a client's closing procedures. The closing procedures are considered a high-risk audit area. The use of machine language aids in identifying any unusual transactions, for example, when in the closing process in the sales cycle, it is noted that there are increases in the sales invoices just prior to the year-end. Therefore, using AI involves pattern matching and identifying deviations or variations. The reduction of audit risk to an acceptably low level is essential from the perspective of detection risk, i.e., the risk the auditor will give the inappropriate audit opinion on the financial statements[1].

Traditional auditing uses sampling techniques to select and examine samples from a homogeneous population randomly. The sampling results based on tolerable error allow an auditor to make inferences about the attributes of the population. According to the International Standard on Auditing (ISA) 315[1], sampling increases audit efficiency but, on the other hand, creates a sampling risk. ISA 530[2] defines sampling risk as the risk that the auditor's conclusion built on a sample may differ if the auditor examined the entire population.

AI-enabled Technology

The use of AI enables examining the entire population of accounting transactions, which can considerably improve audit quality and obtain more audit evidence on a larger scale. AI provides audit evidence obtained from examining 100 per cent of the transactions, therefore eliminating sampling risk. It also allows auditors to better perform their audits by focusing on unusual/suspicious transactions. The use of AI is targeted explicitly for data acquisition, which means that the use of AI-enabled technology can extract information that will enable the auditor to devote more time to areas requiring higher-level judgment. For example, AI enables full automation of time-consuming tasks such as payment transaction testing, including extracting any supporting data for further substantive testing. The AI software undertakes a complete population analysis to investigate transactions at risk of material misstatement or deviation from planned materiality.

This article was motivated by the results of MIA surveys, hence further research is conducted on the application of machine learning. We observe that there was a rising interest in technology among its members where one of the main concerns was on which technologies relate to them and which one they should take up first.

Application of Machine Learning (ML)

Machine learning can theoretically influence all stages of the audit processes, from planning to the reporting stage of an audit. We explored the use of ML to predict frauds. In our approach, we examine whether any internal control risks arising from the complexity and nature of a firm's operations and issues of accounting measurement application may cause variations in the patterns relating to transactions and balances in the draft trial balance. This article examines the practices indicated in the closing procedures between the general ledger accounts and the supporting accounting records, including cash/bank transactions. We chose the use of AI in closing procedures as closing procedures complete the accounting cycle to prepare draft financial statements.

Using MathLab

Within the subgroup of AI, our study focuses on machine learning (ML) language, using MathLab. The MathLab is used as an AI software to execute cognitive tasks. The study examines whether the use of AI reduces audit risks (misstatements). We carried out interviews to better understand the use of AI in the financial statements closing procedures. The discussion commenced with general questions (e.g., job title and responsibility) to make respondents feel at ease. The interviewer explained the primary purpose of the research. We collected actual data from an audit firm and analysed it through a boxplot.

MATLAB Algorithm for Speedy Accounts Verification

In our study , the client's chart of accounts consists of 86 columns. Some are numeric, string data, and alphanumeric. The debit and credit balances are in six columns of three pairs, where columns 54 and 55, and columns 74 and 75 provide debit and credit balances in pairs. Data is in time and date-wise. In the ledger, the bookkeeping accounts are retained for all accounts. Finally, the general ledger will have separate entries and balances and bring them to trial balance. The tabular presentation of statements is based on time and date, and there are no ledger-wise classifications. Hence the entries are coded first by account name and then later by transaction number to verify them thoroughly. Though AI is recommended, the auditor's professional judgment is still needed to identify deviations or patterns in accounts. Identifying the debit credit mismatches is possible only if there is an intelligent software to detect and isolate the questionable items. The artificial intelligence-related software, once applied to data, will trigger the mismatching items to the auditors.

TABLE 1: Descriptive Statistics of Debits and Credits in Two Pairst

	Debit in col 54	Credit in col 55	Debit in col 74	Credit in col 75
Mean	3140308.18	3140308.18	3140308.18	3140308.18
Median	3057792.74	3057792.74	3057792.74	3057792.74
Mode	1707028.05	1707028.05	1707028.05	1707028.05
Std Dev	1936324.67	1936324.67	1936324.67	1936324.67
Skewness	0.04	0.04	0.04	0.04
Kurtosis	1.19	1.19	1.19	1.19
Minimum	1030114.97	1030114.97	1030114.97	1030114.97
Maximum	5363781.46	5363781.46	5363781.46	5363781.46

*Note: **Table 1** shows the descriptive statistics of debits and credits for a sample of transactions. This helps to gauge the outliers and the next course of action to be undertaken by the auditors*

The auditors could investigate and elicit more information from clients to satisfy themselves with the authenticity and accuracy of these transactions. In addition, the auditor must finish the work within one or two months. Checking the entire transactions entered throughout the financial year is practically impossible, so AI coding could help auditors to quickly identify and isolate the dubious transactions and raise questions and doubts to the accountant. Hence, this will facilitate finishing the audit on time with high integrity, which will increase the assurance level provided to the stakeholders. If not appropriately investigated, these transactions may cause severe losses to the organizations, and audit firms' reputations will be in jeopardy. **Table 1** above shows the same values for each parameter and concludes that there is no mismatch in debit and credit balances.

MATLAB algorithms can be used in a number of ways which includes (a) matching debits/credits, (b) identifying extreme values, (c) classification of accounts/items etc., (d) use of a large database of built-in algorithms, (e) developing computational codes easily and (f) implementing and test algorithms easily.

Hence, it is salient to identify accounting transactions that are normal and those that need to be investigated due to their abnormality. Under these circumstances, auditors should use their professional experience and judgment to review a random sample of extreme values via the diagrammatic presentation, using boxplots. Furthermore, AI coding could help the auditors to easily identify and isolate transactions and raise questions and doubts to the accountants.

The auditor's responsibility during the risk assessment phase of the audit is to reduce the audit risk of their assignment. Especially when it relates to Cash at Bank transactions and under such circumstances, large extreme values need to be investigated. Therefore, the auditor would plan to focus on these extreme values by understanding the client's control environment as well as designing more substantive procedures on the cash and bank transactions and the cash flow statements. If such transactions are not made available to the auditors, this may be overlooked and may pose higher risk of detection to the auditors. Hence, in this instance, the auditor has to note these transactions and thoroughly investigate for any typo error, fraud, misfeasance or misappropriation. If proper investigation is not done, these transactions could cause severe losses to the organisations and the reputation of the audit firms will be in jeopardy.

Conclusion

In this research, we found that there were many significant figures, either extreme values or outliers. Once applied to the accounting data obtained from the client, the artificial intelligence-related software will trigger the outliers to the auditors to investigate and to design audit procedures to obtain sufficient appropriate audit evidence regarding the outliers. Hence, the auditors should investigate these outliers to avoid any suspicious transactions or misstatements to reduce the audit risk to an acceptably low level. Accordingly, this will enhance the audit quality as a whole.

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[1] *International Standard on Auditing (ISA) 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement, should be read in conjunction with ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.*

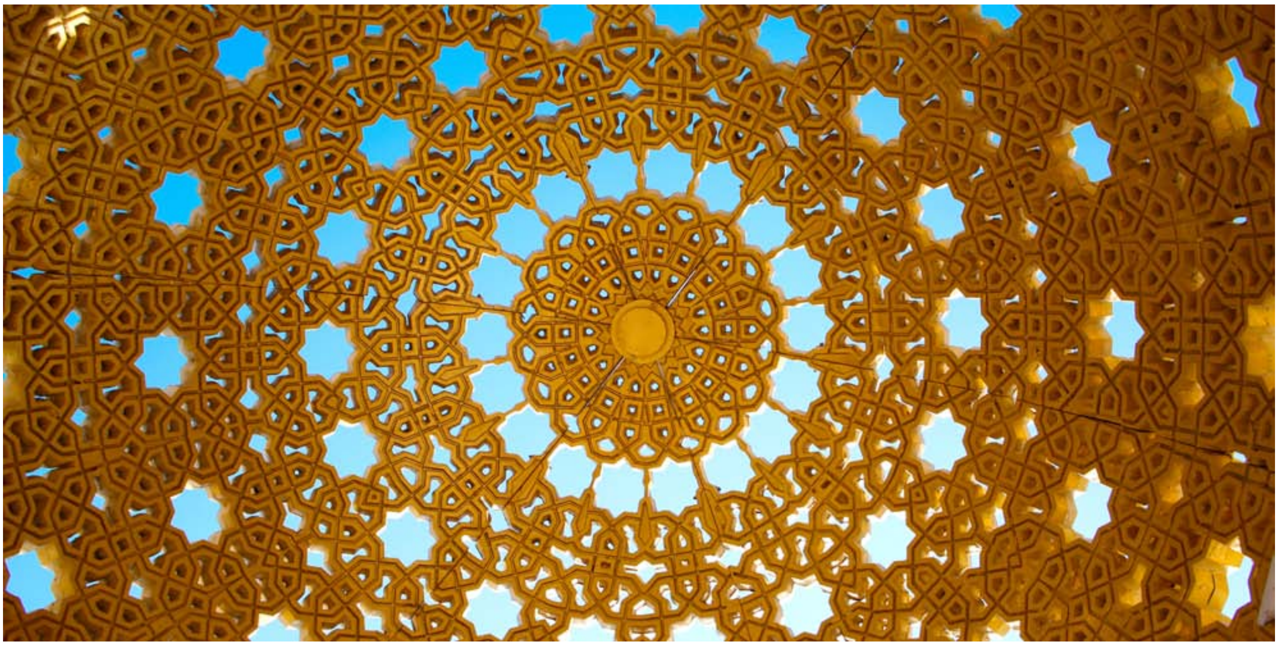
[2] *International Standard on Auditing (ISA) 530, "Audit Sampling and Other Means of Testing" should be read in the context of the "Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services," which sets out the application and authority of ISAs.*

Dr Shyamala Dhoraisingam (Monash University Malaysia); Dr Ravichandran K. Subramaniam (Monash University Malaysia) and Prof Dr Ravindran Ramasamy (Formerly from University Tun Abdul Razak). *Acknowledgment to Mr Hari Iyer and Mr Chin Wei Xun from BDO for their assistance.*

Waqf, Fintech Innovation and Sustainability to Drive Future Growth of Islamic Finance Sector

at-mia.my/2021/11/12/waqf-fintech-innovation-and-sustainability-to-drive-future-growth-of-islamic-finance-sector

November 12, 2021



Waqf, fintech solutions, and the global sustainability agenda were identified as key drivers for the future growth of Islamic finance at the recent Malaysian Institute of Accountants (MIA) Islamic Finance Conference 2021, which focused on the theme of "Islamic Finance: Latest Developments and Drivers for Growth in a Post-Pandemic World".

These three drivers will enable the Islamic finance sector to achieve its higher goals of inclusive development, equitable prosperity, and positive social impact in the post-pandemic economy.

"Over the last 18 months since the pandemic came about, the Islamic finance industry has dedicated much of its development efforts to address the threats and challenges posed by the pandemic, making its impact on building social resilience, facilitating economic recovery as well as championing the sustainability agenda," said Mohd Muazzam Mohamed, Chairman of the Islamic Finance Committee, Malaysian Institute of Accountants and CEO of Bank Islam in his Conference address. He pointed out the industry's proactivity in assisting customers with various relief measures, including

Mohd Muazzam Mohamed

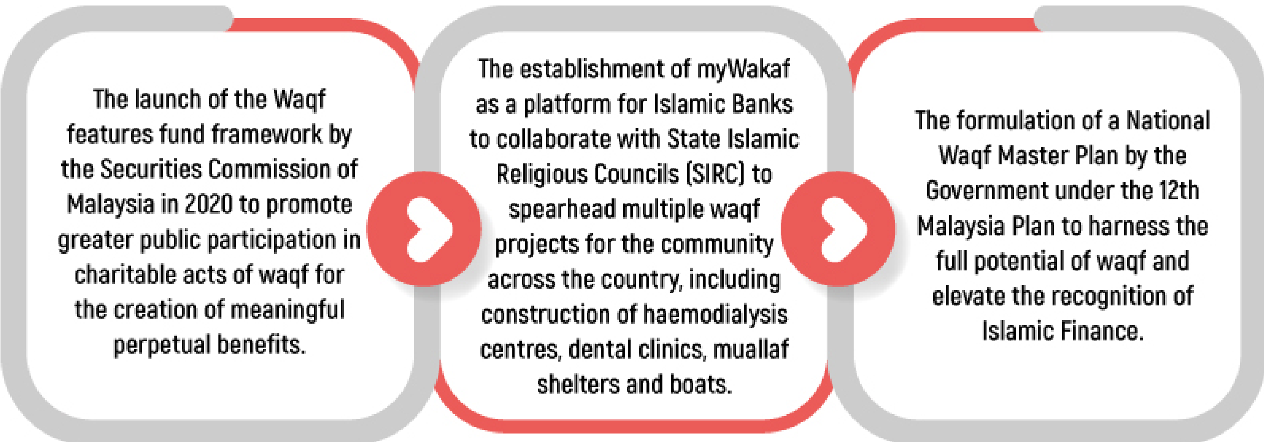
automatic payment moratorium, targeted
payment assistance and, more recently, the extended financial support scheme under URUS, is aimed to promote long-term financial resilience.

"Notably, the Islamic finance principle of prohibiting compounding charges was also adopted as the market practice by the conventional counterparts during the deferment period – highlighting the positive influence of Islamic finance on the broader financial industry," added Muazzam.

Waqf for Social Finance

Muazzam emphasised the importance of waqf and social finance instruments as a lever to support the social welfare or ijtima'iy component of the Islamic economy. Waqf can have a positive long-term social impact creation by moving Malaysia closer to the ideal path of more inclusive, equitable and sustainable growth.

Muazzam enumerated the steps that Malaysia has put in place to mobilise waqf further:



Fintech Innovations for Social Resilience and Impact

To assist those who have lost their jobs or source of income, the industry continuously explores new innovative financial products and services to create financial solutions that can nurture micro-entrepreneurship. "Towards this end, a few Islamic banks in collaboration with strategic partners have blended traditional banking offerings with Islamic Social Finance instruments like sadaqah and zakat to create affordable microfinancing product, known as iTekad, that is provided along with structured business coaching and training to ensure effective business nurturing," explained Muazzam.

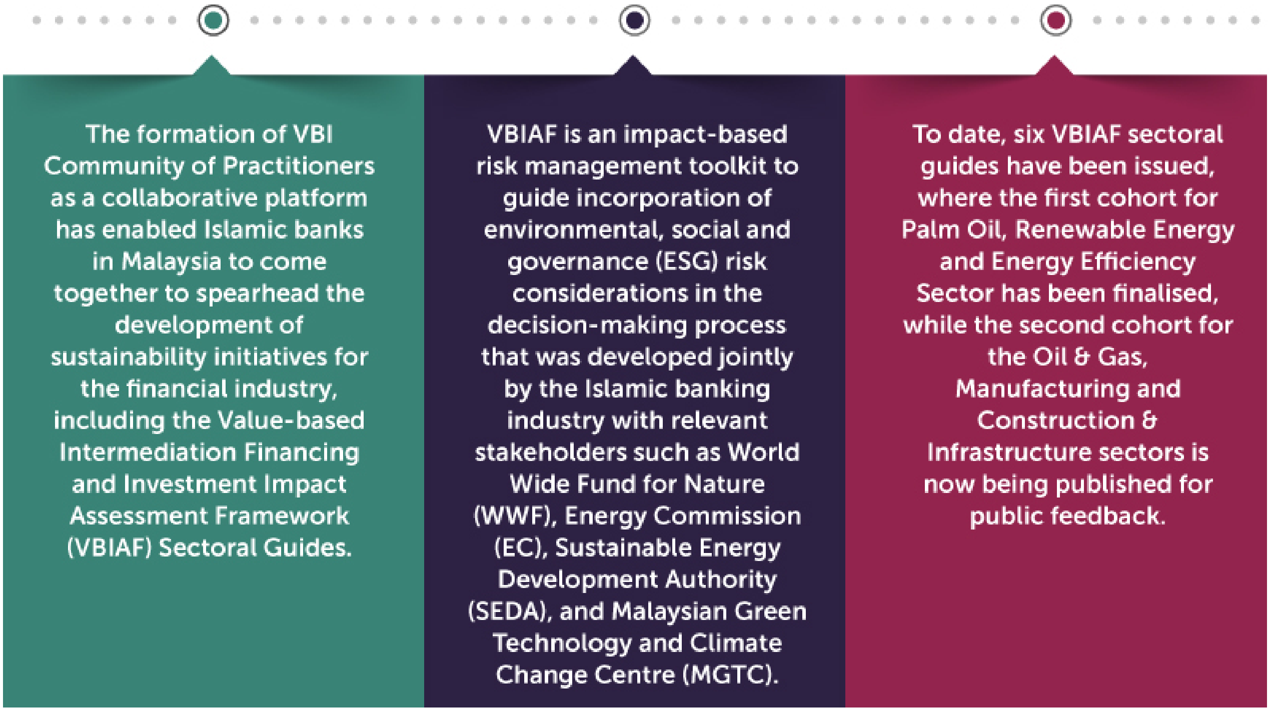
Other complementary tools to increase funding access include the Securities Commission (SC) Shariah screening assessment toolkit for unlisted micro, small and medium enterprises (MSMEs). The toolkit enables MSMEs to tap funding from Shariah-compliant investors through market-based crowdfunding platforms such as equity crowdfunding (ECF) and peer-to-peer financing (P2P).

Driving Sustainability Through Value-Based Intermediation

Accelerated by the COVID-19 pandemic, sustainability is now a mainstream agenda across all financial sectors, particularly Islamic finance that has inherent considerations that include, among others, being ethical, sustainable, responsible, transparent, green, and equitable. “Islamic financial institutions (IFIs) hence have a natural duty to do more as financial intermediaries – they need to generate positive and sustainable impact on the economy, community and environment,” remarked Muazzam.

“For the Islamic banking and takaful sectors, the shared vision and commitment to champion sustainability agenda is anchored upon the Value-based Intermediation (VBI) framework by Bank Negara Malaysia (BNM),” he stated.

So far, the VBI initiative has logged the following milestones:



The MIA Islamic Finance Conference 2021 was held on 27-28 October 2021. As the regulator and developer of the accountancy profession, MIA plays a key role in building up the capacity and competency of accountancy and finance professionals in the Islamic finance sector via initiatives such as its ongoing Islamic Finance Mini-pupillage programme and its free-to-download textbook on accounting for Islamic finance transactions.

Women of Substance Symposium – Diversity, Equity & Inclusion Towards Future Sustainability

at-mia.my/2021/11/02/women-of-substance-symposium-diversity-equity-inclusion-towards-future-sustainability

November 2, 2021

The UN Sustainable Development Goal (SDG) number five, Gender Equality, aims to end all discrimination against women and empower women to help drive economic growth and development. To achieve this, it is imperative that women's equal participation and inclusion in decision-making in the workplace and professional settings be implemented within the next decade as stipulated in the UN's Decade of Action.

The Women of Substance Symposium 2021 (WOS) is the first of many steps the Malaysian Institute of Accountants (MIA) is taking to create a workplace culture and environment that elevates, amplifies and empowers women.

Themed **Diversity, Equity and Inclusion towards Future Sustainability,** the half-day symposium is a platform where women leaders will have the opportunity to champion the SDGs and their role in the corporate environment. The symposium comprises a series of specially curated content centring on megatrends, diversity, equity and inclusion, sustainable leadership from the perspective of women leaders and the environmental, social and governance (ESG) strategy. The discussions will be tailored to upskill participants on strategy development, communications, influencing and problem-solving skills while building their all-round capacity and capability.

Participants can expect the following highlights from the symposium:

Our esteemed panel of speakers will initiate conversations around incoming megatrends such as **demographic shifts through globalisation and urbanisation, climate change**, and how they will transform the workplace for women. Participants will have the opportunity to learn more about leveraging these megatrends and how they might impact women leaders.

Why championing **diversity, equity and inclusion is a critical factor** in improving a company's leadership, decision-making and how it is connected to the overall financial, ESG performance and ultimately, the company's sustainability.

Sustainable leadership and a strategic ESG mindset will touch on the role of women leaders in upper management positions and how organisations must navigate the new ESG landscape to balance the expectations and interests of various stakeholders while practicing greater corporate accountability.

To learn more about the ***Women of Substance Symposium,*** *please visit https://bit.ly/3e9ZNqn. To register for this symposium, please send an email to sp@mia.org.my.*