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# Accountants Urged to Drive ESG at the MIA International Accountants Conference 2022

at [at-mia.my/2022/07/01/accountants-urged-to-drive-esg-at-the-mia-international-accountants-conference-2022](https://at-mia.my/2022/07/01/accountants-urged-to-drive-esg-at-the-mia-international-accountants-conference-2022)

July 1, 2022



Steered by the theme “Leading ESG, Charting Sustainability”, the MIA International Accountants Conference 2022 (MIA Conference 2022) sought to upskill accountants with future-relevant competencies to lead and support ESG implementation for business sustainability. It is increasingly critical that businesses integrate ESG (environment, social and governance) considerations into their strategies and outcomes, as the climate crisis and poor governance emerge as the leading risks to humanity and the planet.

The Conference was organised by the Malaysian Institute of Accountants (MIA) from 8 – 9 June 2022 for the second year on a virtual platform.

Recognised as one of the largest accountancy conferences, the Conference was officiated by Malaysia’s Finance Minister, YB Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz and drew close to 3,000 Malaysian and international delegates and over 70 expert speakers from around the world – including Bursa Malaysia Chairman Tan Sri Abdul Wahid Omar and the President of the International Federation of Accountants (IFAC), Alan Johnson – as well as global sponsors, supporters, and partners.

In his address, Tengku Zafrul outlined the Government’s Reformist & Responsible efforts to support the nation’s ESG aspirations towards achieving climate and socio-economic resilience. Accordingly, the Ministry of Finance (MoF) has prioritised three main strategies to drive sustainable nation building:

**Strengthening sustainability-related financing, which complements the UN Sustainable Development Goals (SDGs)** by coordinating initiatives and programmes inculcating the elements of ESG. Specifically, at the ministry and national level, via the annual budgets, the MOF has tagged all programmes and projects under the development expenditure to the SDGs. “Not many are aware that Malaysia is among 10 countries in the world that have fully aligned their national budget measures to the SDGs,” stated Tengku Zafrul.



**Developing the capacity of Malaysian SMEs**, as the SME sector is a key contributor to the economy and employs almost 50% of the nation’s workforce. “Through the recently launched Principles for Good Governance (or PGG) to be implemented by the Government-Linked Investment Companies (GLICs), we aim to catalyse the embracing of ESG principles by SMEs,” said Tengku Zafrul.

The six GLICs – EPF, PNB, KWAP, Khazanah Nasional Berhad; Lembaga Tabung Haji dan Lembaga Tabung Angkatan Tentera – collectively manage RM1.7 trillion of assets and support a huge ecosystem comprising SMEs. The PGG implementation will equip the

GLICs-SMEs ecosystem for the growing demands of the global ESG-related market and investments. Budget 2022 also provides specific financing measures to support SMEs in integrating ESG principles into their operations.

**Institutionalising ESG through the establishment of the Malaysia Sustainable Development Goals Trust Fund (MySDG Fund)** by the Government of Malaysia, through the MOF and in collaboration with the United Nations (UN) in Malaysia.

Tengku Zafrul commended MIA and the accountancy profession for their efforts to uphold good governance in the public interest. He said that in galvanising the nation towards achieving its ESG vision, from the Government's standpoint, auditors and accountants have a great responsibility to:

**Help companies (including corporates, GLICs and SMEs) improve their ESG standing and practices, particularly the 'G' or governance in ESG, based on global standards and frameworks.** The Minister commended MIA for actively advocating for sustainability reporting based on international ESG standards and frameworks on climate reporting, such as the Task Force on Climate-Related Financial Disclosures (TCFD), which are critical to drive actions and implementation on ESG and climate change and to support decision-making by investors, capital providers and customers.

**Upskill themselves to master the technical competencies required for ESG reporting, as ESG risks are both business and investment risks.** "As auditors of your clients' financials, you all have a responsibility to help quantify value creation, its preservation or erosion as a result of these ESG risks. Entities like the MIA need to also help develop industry-specific standards to guide the disclosure of financially material sustainability information by companies to their stakeholders such as customers, civil society, and policymakers like MOF," stated the Minister.

**Advocate for tax compliance – an important aspect of Governance in ESG – because it supports the nation's fiscal sustainability, which is crucial for continued socio-economic development.** The Minister commended MIA's advocacy on tax governance, which focuses on addressing non-compliance and systemic inefficiencies, especially post-COVID-19, when tax collection has been constrained by business losses.

Commenting on fiscal reforms, Tengku Zafrul shared that "The MOF is looking to table the Fiscal Responsibility Act in the upcoming Parliament session, which includes efforts to broaden our tax base – including taxing the shadow economy – and improve tax compliance and administration towards helping boost tax collection."

In his welcome remarks, MIA President Datuk Bazlan Osman (then Vice President) reiterated MIA's commitment to upholding good governance as the regulator and developer of the Malaysian accountancy profession governed by the Accountants Act 1967. MIA will continue to advocate and upskill members on ESG and to inculcate the profession's professional practices and values, in support of sustainable nation building, he said. "As strategic advisors and partners to business, accountants are at the frontline,



therefore, we are expected to be cognisant of the key risks and opportunities facing business and to respond with foresight, insight, agility, adaptability, and resilience,” advised Datuk Bazlan.

To help delegates get started on their ESG journey, MIA awarded a Digital Badge to all delegates that signed up for the MIA Pledge to tackle Climate Change during the MIA Conference.

# Brief Hearing Procedure in a Disciplinary Proceeding (Part 2)

at [at-mia.my/2022/08/02/brief-hearing-procedure-in-a-disciplinary-proceeding-part-2](https://at-mia.my/2022/08/02/brief-hearing-procedure-in-a-disciplinary-proceeding-part-2)

August 2, 2022



*By the MIA Surveillance and Enforcement Team*

It is essential that members understand the procedures of MIA's enforcement proceedings. One channel to strengthen members' awareness is through articles published on eAT, MIA's knowledge gateway.

On 22 June 2021, eAT published an article on Brief Hearing Procedures in DC Proceedings. This is a continuation of the said article<sup>1</sup>.

When a Respondent does not admit to the Charge proffered against him by the Investigation Committee ('**IC**'), the Disciplinary Committee ('**DC**') will proceed to schedule the matter for a full hearing and in that, the DC is empowered to regulate its own procedures as it deems fit and necessary<sup>2</sup>.

Briefly, the process during the hearing is as follows:

1. The representative of the IC will present its case, by calling witness(es) and tendering documents, if necessary. Any document referred to shall also be made available to the Respondent. The Respondent/legal counsel has a right to cross-examine the witness(es) produced by the IC. The IC's representative may re-examine its witness(es), if necessary.



2. The Respondent may then call his witness(es) and tender documents, to defend his case where necessary. Any document referred to shall also be made available to the representative of the IC. The representative of the IC may cross-examine the Respondent's witness(es) and be allowed to be re-examined by the Respondent/legal counsel.
3. Both the IC and the Respondent will then be given the opportunity to make final submissions on any facts or points of law for the DC's consideration. No new evidence may be brought at this stage.
4. The DC will proceed to deliberate and decide whether the Charge against the Respondent is established or otherwise based on the evidence and submissions put forward by both the Respondent and the IC.
5. If the DC finds the Charge against the Respondent is established, the DC shall impose any one or a combination of the disciplinary punishments as specified in the MIA (Disciplinary) Rules 2002<sup>3</sup>.
6. In deciding punishment(s) to be imposed on the Respondent, the DC will consider both the mitigating and the aggravating factors submitted by the Respondent and the IC respectively. Mitigating points from the Respondent may include factors such as prompt rectification of a failure or breach, prolonged illness (with supporting medical report), Respondent's attitude and actions during investigation/disciplinary hearing. On the other hand, aggravating factors from the IC may also include severity of the charge/misconduct, dishonesty, harm or adverse impact on client and/or public, habitual offence, lack of co-operation during investigation/disciplinary hearing and concealment of wrongdoing. It is to be noted that these lists are not exhaustive.
7. Once the decision has taken effect, i.e., no appeal lodged by the Respondent in accordance with the Rules<sup>4</sup>, the decision and the name of the member will be published in the publications prescribed under the Rules. In terms of publication, the decision as well as the name of the member will be published in the government gazette, the Institute's official publication, 2 daily newspapers, Institute's official website and any other publication as determined by the Council. The relevant government licensing authorities, association(s) of accountants that the Respondent is associated with and any other body, corporate or unincorporated will also be informed of the decision against the Respondent, whose name will be mentioned.
8. However, if the DC finds the Charge against the Respondent is not established, the Charge will be dismissed, and the matter will be deemed closed by the DC.

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<sup>1</sup> *Brief Hearing Procedures in DC proceeding – Accountant's Today (Published on 22 June 2021).*

<sup>2</sup> *Rule 17 of the MIA (Disciplinary) Rules 2002.*

<sup>3</sup> *Rule 18(3) (a) to (g) of the MIA (Disciplinary) Rules 2002.*

<sup>4</sup> *Rule 19 and Rule 26 of the MIA (Disciplinary) Rules 2002.*

# Corporate Financial Reporting Conference 2022 (Physical Conference)

at [at-mia.my/2022/08/29/corporate-financial-reporting-conference-2022-physical-conference](https://at-mia.my/2022/08/29/corporate-financial-reporting-conference-2022-physical-conference)

August 29, 2022



The MIA Corporate Financial Reporting Conference 2022 which will be held on 26 September 2022 at **Pullman Kuala Lumpur Bangsar** is specifically designed to keep attendees up to date on key developments in corporate financial reporting and its implications and prospects for the profession.

One key development is the establishment of the International Sustainability Standards Board (ISSB) by the International Accounting Standards Board (IASB) which is paving the way for the adoption of Environment, Social and Corporate Governance (ESG) or sustainability values and climate change disclosure in reporting.

Participants will also be exposed to best practices and approaches for accounting and financial reporting via key highlights, updates, and panel discussions on various amendments and implementations to reporting as a critical instrument of any business strategy.

The following are some of the key session highlights from the Conference that will help delegates strengthen their organisations' corporate financial reporting to meet evolving market and investor expectations.

Corporate Financial Reporting Today: An Overview

Focuses on key developments in corporate financial reporting and their potential impacts for business and the profession.

Key Highlights and Updates on the International Accounting Standards Board (IASB) in 2022



Get updated on IASB's latest amendments and current projects for the year 2022.

Preparing IFRS-Compliant Corporate Financial Reports: Impacts of Climate-Related Disclosures on Financial Statements

According to the ISSB's latest exposure draft on climate-related disclosures, climate change matters should be taken into consideration in applying IFRS Standards when the effect of those matters is material in the context of the financial statements taken as a whole. This session recommends angles and approaches for integrating climate matters in your reporting.

The Future of Financial Reporting: Automation Benefits and Best Practices

Explores how the adoption of automated financial processes could facilitate quicker and better gathering and consolidation of information compared to manual processes, thereby enhancing financial reporting and supporting better decision-making.

Implementing MFRS 17 and MFRS 9 Amendments

This panel will discuss concerns raised by insurance entities with regards to the implementation of MFRS 17 (Insurance Contracts) and MFRS 9 (Financial Instruments) and the amendments made by the IASB to address these concerns. Join this session to learn more about the amendments and their implications.

The Establishment of the International Sustainability Standards Board (ISSB) and the New Exposure Drafts

Focuses on the new ISSB and its work in developing a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs. This session will discuss the ISSB's role and collaboration with the IASB in ensuring connectivity and compatibility between IFRS Accounting Standards and the ISSB's IFRS Sustainability Disclosure Standards, while also sharing insights into the ISSB's General Requirements Exposure Draft and Climate Exposure Draft.

Raison d'être of Professional Accountants: Leading the Incorporation of ESG in Reporting and Beyond

Explores how accountants can harness their financial and core competencies to drive the incorporation of ESG in corporate financial reporting in their organisations while contributing as strategic leaders and business advisors for business sustainability.

*For more information on the Corporate Financial Reporting Conference 2022, please [click here](#).*







# ESG Advocacy, Protection of the Public Interest and Talent Development are Top Priorities for the Institute, Says MIA CEO

**at** [at-mia.my/2022/08/02/esg-advocacy-protection-of-the-public-interest-and-talent-development-are-top-priorities-for-the-institute-says-mia-ceo](https://at-mia.my/2022/08/02/esg-advocacy-protection-of-the-public-interest-and-talent-development-are-top-priorities-for-the-institute-says-mia-ceo)

August 2, 2022



Joining MIA as the new CEO on 28 March 2022, Dr. Wan Ahmad Rudirman Wan Razak said in a recent interview with eAT that he is honoured to have the privilege of leading the Institute on the next phase of its journey, as it navigates a high-potential yet complex and volatile landscape.

“This is a truly exciting time to be part of MIA as the profession enjoys tremendous prospects for advancement,” he said. Two key developments that augur well for the profession are the increasing pressure for business to adopt environment, social and governance (ESG) matters for better sustainability as well as growing public expectations for strong enforcement, good governance and protection of the public interest.

In response, said Dr. Wan, “MIA is strategically advocating for accountants to lead the ESG agenda in their organisations and to spearhead the adoption of sustainability reporting and climate change disclosure for improved decision-making and outcomes that support sustainable nation building.”

At the same time, “MIA will continue to build on its strong foundations to prioritise and strengthen values-based regulatory, enforcement and development activities, in order to drive good governance in the public interest,” he added.

To improve MIA's efficiency and effectiveness in discharging its mandate of regulation and development as empowered under the Accountants Act 1967, it is critical to focus on core areas and priorities, said Dr. Wan. "Key priorities for the Institute are to strengthen regulation and talent competencies and capacity-building to future-proof the profession and further benefit the more than 37,500 MIA members."

"To strengthen regulation, MIA will continue to engage with the Ministry of Finance on the repeal of the Accountants Act and its operationalisation to strengthen MIA's powers as the regulator of the profession," he stated. MIA is also considering reviewing the Practice Review process and rules to improve compliance and the quality of audit. Dr. Wan emphasised that, "MIA will also continue to clamp down on members linked with bogus accountants to eradicate unauthorised public practice services in the market, for good governance and the public interest."

Equally essential is to enhance the Institute's internal talent retention and competency building to effectively regulate and develop the profession. "As MIA serves as the reference point for anything related to the accountancy sector, the Institute must be a centre of excellence and expertise in terms of regulation and development, looking at new standards and providing guidance on professional practices," he stressed.

Strategic collaboration with members and stakeholders has been beneficial for MIA in boosting competency and talent. "MIA is fortunate to have our members who contribute their knowledge and expertise through various committees, providing guidance and sharing their knowledge for the profession's advancement." Furthermore, MIA's robust engagement with global bodies such as IFAC, the International Accounting Standards Board (IASB), the International Auditing and Assurance Standards Board (IAASB), the new International Sustainability Standards Board (ISSB) and AFA among others supports knowledge sharing and MIA's relevance to the profession. MIA's strategic collaboration with its fellow regulators have also enabled the Institute to strengthen its regulation and enforcement activities, in the interests of the public and good governance. Dr. Wan also commended the efforts of MIA's capable management team who are "on top of global and local developments in the market that relate to the profession, such as governance, sustainability, technology and digital economy."

Last but not least, Dr. Wan thanked MIA members for their continuing commitment and support of the Institute as it strives to implement its nation building purpose in the public interest. "With the support and collaboration of our diverse stakeholders, I am confident that MIA will be able to achieve its vision of future-proofing the profession in the interest of the public and the nation," he concluded.

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Dr. Wan Ahmad Rudirman Wan Razak joined MIA as the new CEO on 28 March 2022. His extensive experience in corporate leadership, corporate strategy and restructuring, and corporate finance equips him well to lead MIA's continuing pursuit of enterprise transformation and sustainability for the future relevance of the profession.

Before joining MIA, Dr. Wan was the former President/Group Chief Executive Officer of Terengganu Incorporated Sdn Bhd (Terengganu Inc), the strategic investment arm of the State Government of Terengganu. He also served on the boards and senior management teams of public listed companies, Selia Group and KUB Berhad. Earlier in his career at Malaysia Airports Holdings Berhad, Dr. Wan had been handpicked after a rigorous selection process to lead the New Corporate Strategy division as the Head of Corporate Strategy reporting to the Managing Director's Office, responsible for developing and executing a 5-year Business Plan and Key Performance Indicators for senior management. His interest and accumulated experiences in business also spurred him to earn an MBA and a DBA in strategy and leadership to boost his competencies and credentials.



Since joining MIA, Dr. Wan has been appointed as the MIA representative on the Councils of the International Federation of Accountants (IFAC) and the ASEAN Federation of Accountants (AFA), a Member of the MIA-MQA Joint Technical Committee (JTC) and Member of the MAREF Board of Trustees. His participation will support the Institute's ongoing engagement and strategic collaboration with its diverse stakeholders.

Dr. Wan strongly endorses talent development and inclusion to boost organisational performance. He is an advocate of the 30% Club – a global campaign led by Chairs and CEOs to increase gender diversity at board and senior management levels.

In his leisure time, Dr. Wan enjoys golf and adventure biking.



# From Commitments to Implementation – How the Accountancy Profession is Driving Meaningful Climate Action

at [at-mia.my/2022/08/04/from-commitments-to-implementation-how-the-accountancy-profession-is-driving-meaningful-climate-action](https://at-mia.my/2022/08/04/from-commitments-to-implementation-how-the-accountancy-profession-is-driving-meaningful-climate-action)

August 4, 2022



*By Alan Johnson, President of the International Federation of Accountants (IFAC), and Datuk Bazlan Osman, President of the Malaysian Institute of Accountants (MIA)*



*Alan Johnson, President of the International Federation of Accountants (IFAC)*

The UN Secretary-General Antonio Guterres put the climate crisis in context during his address to world leaders at COP26 in November last year: the 2020s, he said, is “the critical decade.” Global warming beyond 1.5 degrees Celsius will mean irreversible environmental catastrophe, and currently greenhouse gas emissions through 2030 are projected to exceed that level. “The critical decade” has begun. In fact, we have only three-quarters of it left — and we have already reached 1.1 degrees of warming.

How we choose to spend the rest of the decade — and whether we find a way to meet the urgent demand and need for non-financial information — will decide our future both in Malaysia and globally.





*Datuk Bazlan Osman, President of the  
Malaysian Institute of Accountants (MIA)*

## **State of Play and How the Global Accountancy is Best Positioned to Lead**

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COP26 led to significant commitments to mitigation, including the adoption of the Glasgow Climate Pact in which nations agreed to strengthen their 2030 emission reduction targets to align their policies more with the Paris Agreement. If climate action and mitigation efforts are to succeed, then the accountancy profession must help lead the world from commitments to implementation — starting with institutionalizing ESG measures.

Specific plans, with clear measures and targets, need to be made to cover every step of global and local climate action strategies. Professional accountants have the skills and competencies that are critical for connecting financial and sustainability information, including a grasp of business models, risk management, systems & processes, and performance measurement — along with growing specific knowledge of ESG factors and the ability to collaborate with experts.

As global demand for regulatory guidance on ESG reporting standards increases, so does the need for sustainability assurance services — and for trust in the non-financial information being reported. Seated at the center of information flows and decision making, professional accountants are uniquely positioned to capture, analyze, report on, and assure sustainability information.

And the accountancy profession has a global reach like no other profession: as strategic advisors and business partners, our duties extend broadly to ensure the needs of global capital markets, global clients, and global supply chains are met. We also have a public interest mandate — as a regulated profession, professional accountants everywhere are subject to an ethical code and public oversight, and act with professional judgment, skepticism, and independence.

## The Malaysian Agenda

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As a member of ASEAN and a COP signatory, Malaysia has announced its own commitments to climate action and net zero targets. The Government has even stressed that the climate change and green technology agenda is a national priority, and the commitment is further emphasized in the 12th Malaysia Plan (12MP) – fundamentally to spur sustainability.

The national statement at COP also highlighted the country's aspiration to achieve net zero GHG emissions as early as 2050, subject to findings of the Long-Term Low Emissions Development Strategy to be finalized by the end of 2022 by the Ministry of Environment and Water. Mindful of the above, MIA has been actively advocating that accountants upskill their competencies and drive climate action towards net-zero — specifically in the key areas of disclosure, sustainable growth, and climate governance.



We expect climate disclosure demands to rise as more companies adopt net zero targets to comply with the 2050 national target — and as external GHG emissions limits are imposed by more trading partners, authorities, and regulators in other jurisdictions.

Climate-related measurement, disclosure, and assurance will be urgently required, and this is where accountants can upskill and leverage their domain expertise in corporate and financial reporting to add value.

Firstly, to ensure sustainability goals are met, accountants can guide businesses to capitalize on emerging opportunities from a net zero growth strategy, including investment and trading opportunities. One key development in the pipeline is the implementation of the voluntary carbon market before it transitions to the Domestic Emissions Trading Scheme.

As Malaysia draws low carbon investments into the country, this will not only enhance the credibility and international competitiveness of Malaysian products and enable access to sustainable financial resources for Malaysian entities, but also will educate accountants

on the implications of these developments.

Secondly, accountants can drive good climate governance backed by the profession's values and integrity. In Malaysia, the Government has announced plans to strengthen climate change governance in the country through measures such as the establishment of the National GHG Centre to improve transparency in climate change data and information reporting.

The accountancy profession can collaborate with key stakeholders to provide advocacy and expertise on disclosure and assurance for good climate governance. By doing so we can also support sustainable nation-building.

## **The Road Ahead – Challenges and the Pathways to Net Zero**

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Ultimately, to drive meaningful climate action, the accountancy profession must set out to advocate for smart sustainability-related policymaking & regulation. What rings equally true is the call for greater cooperation from the global and local accountancy profession. IFAC and MIA will continue to collaborate innovatively together and with our stakeholders for the betterment of the profession and business in the climate and sustainability space.

Whether it is Malaysia or around the world, future prosperity depends on how effectively the world's public and private organizations can adopt and integrate ESG factors into their planning, strategies, operations, and disclosures.

By championing an integrated mindset and breaking down information silos within companies, professional accountants can bridge the gap between financial performance, risk management and ESG considerations to ensure the resilience of businesses, and society, as a whole — through sustainable value creation, trust and fairness in institutions, a healthy natural environment, and economic revival.

# Leading the Digital Transformation of the Accountancy Profession in Malaysia

at [at-mia.my/2022/07/01/leading-the-digital-transformation-of-the-accountancy-profession-in-malaysia](https://at-mia.my/2022/07/01/leading-the-digital-transformation-of-the-accountancy-profession-in-malaysia)

July 1, 2022



Held in March 2022, the MIA Digital Month 2022 (MDM 2022) sought to drive MIA's aspirations in supporting digital technology adoption by the accountancy profession in Malaysia. A virtual, month-long convention of digitalisation for the accountancy profession in Malaysia, MDM 2022 consisted of four complimentary webinars and was concluded with MIA's AccTech Conference 2022.

Week 1 of MDM 2022 was kicked off with a webinar on **Leading the Digital Transformation of the Accountancy Profession in Malaysia**. The panel session featured the Chair, Lim Fen Nee and members of the MIA's Digital Technology Implementation Committee (DTIC), Prof Dr David Asirvatham and Steven Chong Hou Nian and was moderated by Rasmimi Ramli, Executive Director, Digital Economy, Reporting & Risk of MIA.

Rasmimi presented on the Institute's various digital initiatives to facilitate the accountancy profession's digital transformation journey. Among the highlights of the digital initiatives are as follows:

- **Technology Adoption by the Accountancy Profession in Malaysia Survey 2022**

This is the third technology survey conducted by the Institute. The findings of the survey will provide insights to the impact of the pandemic on the accounting profession's digital adoption and assist the Institute to further identify digital initiatives to move the profession forward. Highlights of the survey findings can be read [here](#).

- **Digital competency assessment**



To initiate a digital adoption journey, companies should assess their readiness and competency in digitalisation and then develop a roadmap to move to the next level. The Digital Competency Maturity Model by the European Federation of Accountants and Auditors for SMEs (EFAA) enables such readiness and competency which can be explored further [here](#).

- **Guidance on Software & Software Vendor Database**

The [guidance](#) and the [database](#) issued by the Institute is aimed to assist small and medium practitioners (SMPs) and small and medium enterprises (SMEs) in selecting software needed as well as selecting the right vendor for the implementation.

- **Future accounting talent**

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 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. To know more about this [Report](#) , kindly visit [here](#).

- **Conferences and webinars**

The Institute has organised and continue to organise conferences and webinars as well as offer certifications related to digital technology which you could explore [here](#) .

- **Funding**

Various circulars have been issued to provide updates on the funding available to assist companies in embarking their digital adoption journey. The circulars are available [here](#). You will need to login to access the circulars.

Among the key takeaways from the panel discussion are:

### **Technological trends**

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Accountants must evolve and upskill to become future relevant. Future-proof accountants must be adaptable to the latest technology and capable to carry out high quality, high impact and high value tasks to contribute to decision making process and improve desired outcomes.

Among the key technological trends that will impact the profession are artificial intelligence (AI), cybersecurity, data science and natural language processing (NLP).

Technology applications such as collaborative tools and cloud-based applications are reshaping how accountants carry out their work and enables accountants to add value to their organisations. For example, with real-time information, accountants are able to contribute significantly to the risk management process.

## **Personal development**

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Accountants need to be proactive to take advantage of the trainings and certification opportunities available from the Institute and other training providers. Accountants could also subscribe to digital-related contents that are available online. Less structured knowledge acquisition would include resources from social media or through networking within the accounting fraternity and business community.

There are also micro credential courses offered by universities. For advanced level, accountants could also secure a post graduate program in relevant areas such as artificial intelligence.

Tone from the top is important and leaders are advised to set the right example by developing their personal digital competencies and demonstrating digital leadership. It is also critical to start appointing digital champions within organisations and equip them with relevant skills and knowledge. The champions will then help leaders nurture business culture and mindset changes needed for successful digital transformation.

## **SMPs and SMEs**

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Revenue model related technology is crucial for businesses to stay relevant and competitive. Digital adoption has become a key for sustainability and business continuity.

Businesses should identify the drivers for technology adoption such as leveraging technology to improve the service delivery for the customers. Once the drivers are identified, businesses could develop a framework to allocate sufficient resources in implementing digitalisation in the business.

The setting up of a proper governance structure and policy will assist companies to execute the digitalisation strategy efficiently.

## **Cybersecurity**

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Accountants shall play a role in strengthening cybersecurity. Accountants need to be aware of the various cybersecurity tools that are available in the market. With this awareness, accountants are capable of providing inputs towards the controls and contingency plans in place. This will assist in preserving the integrity of data and minimise the financial impacts in the event something happens. Accountants need to collaborate with the cybersecurity experts, the information technology (IT) team and the risk team to execute a strategic and whole-of-enterprise approach to cybersecurity.

## **Future talent**

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The Institute launched a report which outlines the findings and recommendations of a study on technology adoption within the accounting programmes/courses by the higher learning institutions (HLI) in Malaysia. The report identifies that among the emerging technologies for accounting programmes are artificial intelligence, data science, data analytics, cybersecurity, cloud computing and blockchain. It 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. The report also calls for a collaborative effort involving key stakeholders as well as taking into consideration the challenges on technology infrastructure and funding. Read the report [here](#).

# MIA Digital Economy and Reporting Insights (April – June 2022)

at [at-mia.my/2022/08/15/mia-digital-economy-and-reporting-insights-apr-jun-2022](https://at-mia.my/2022/08/15/mia-digital-economy-and-reporting-insights-apr-jun-2022)

August 15, 2022



*by MIA Digital Economy, Reporting and Risk (DERR) Team*

The MIA Digital Economy and Reporting Insights provides quarterly updates on the areas of digital economy, tax and reporting. The Insight highlights contents and initiatives that are of high value to members.

## Leading the Digital Transformation of the Accountancy Profession in Malaysia

In March 2022, MIA organised MIA Digital Month 2022 (MDM 2022) which is a virtual, month long convention of digitalisation of the accounting profession in Malaysia. It aims to drive MIA's aspirations in supporting digital technology adoption by the accounting profession in Malaysia. MDM 2022 consisted of four complimentary webinars and ended with MIA's Annual AccTech Conference.

MDM 2022 was kicked off with a webinar on Leading the Digital Transformation of the Accounting Profession in Malaysia. Featuring the Chair, Lim Fen Nee and members of the MIA Digital Technology Implementation Committee (DTIC), Prof Dr David Asirvatham and Steven Chong Hou Nian, the webinar covered the Institute's various digital initiatives to facilitate the accounting profession in its digital transformation journey. To gain insights from the session, click [here](#).





## Digitalisation Grants

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MDM 2022 continued with sharing on digitalisation grants where participants were enlightened on the application process of both Smart Automation Grant and SME Digitalisation Grant and how the grants have been used in digital transformation journey. The session was followed by a panel discussion moderated by a DTIC member, Bryan Chung, covering many aspects of the grants including the importance of selecting the appropriate software in digitalisation and the ability to measure the quantitative and qualitative benefits of such selection. For more information on the grants and the issues and matters discussed at the session, click [here](#).

## Findings of Technology Adoption by the Accountancy Profession Survey 2022

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The Survey reveals that the accounting profession is progressing well with their technology adoption where 97% of respondents indicated that they are at various stages of adoption with 72% of respondents having the status of adoption of 30% or more. The survey was conducted to ascertain the progress since the last survey in 2019, to gain insights on the impact of the pandemic on digital adoption of the accounting profession and to help MIA in identifying further initiatives to move the profession forward. For more survey findings, the article can be accessed [here](#).

## Advocacy

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### *Taxation*

In June 2022, MIA submitted Joint Memorandum for 2023 Budget Consultation to the Ministry of Finance which comprises 77 proposals. In the same month, MIA also engaged with the Ministry of Trade and Industry (MITI) in developing appropriate tax incentives to promote exports of Malaysian professional services under Budget 2023. MIA looks forward for the proposals to be taken up in 2023 Budget.

### *Public sector*

In May 2022, MIA submitted a comment letter on the International Public Sector Accounting Standards Board (IPSASB) on Exposure Draft 81 Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements. The update on Chapter 3 involves the inclusion of new guidance that explains the role of prudence and the guidance on materiality that better serves the users of financial statements. While for Chapter 5, IPSASB is proposing minor changes to definitions of an asset and a liability and the addition of new guidance on a transfer of resources, unit of account and binding arrangements that are equally unperformed. The comment letter can be viewed [here](#).

## Common Issues on Consolidation

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Since the Malaysian Private Entities Reporting Standard (MPERS) became effective in 2015, the Institute received various accounting queries on consolidation through the technical queries facility. As part of our effort to assist members on this topic, an article covering common questions on consolidation under the MPERS framework and the suggested guidance for reference has been issued which can be accessed [here](#).



## Sustainability Reporting in the Public Sector

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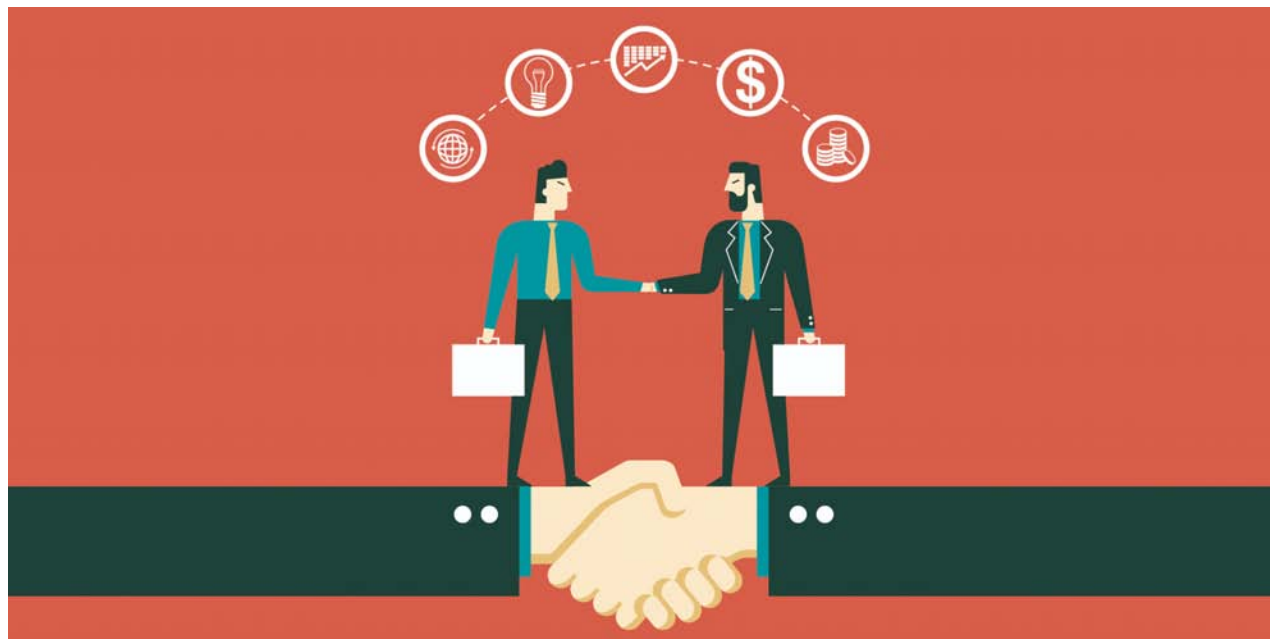
Sustainability reporting is becoming common practice in the private sector where there has been notable progress towards the development of a global baseline for sustainability reporting in the private sector including the formation of the International Sustainability Standards Board (ISSB) to deliver a comprehensive global baseline of sustainability disclosure standards that will assist in providing information about company's sustainability-related risks and opportunities that can help with their decision making.

However, sustainability reporting in the public sector is still at the infancy stage. For more insights on the developments driving sustainability reporting in the public sector, the role being played by the IPSASB and the role of public sector accountants in sustainability, please [click here](#).

# MIA Digital Month 2022: Sharing on Digitalisation Grants

at [at-mia.my/2022/07/01/mia-digital-month-2022-sharing-on-digitalisation-grants](https://at-mia.my/2022/07/01/mia-digital-month-2022-sharing-on-digitalisation-grants)

July 1, 2022



Held earlier in the year, the MIA Digital Month 2022 (MDM 2022) sought to drive MIA's aspirations in supporting digital technology adoption by the accountancy profession in Malaysia. A virtual, month-long convention of digitalisation for the accountancy profession in Malaysia, MDM 2022 consisted of four complimentary webinars and was concluded with MIA's AccTech Conference.

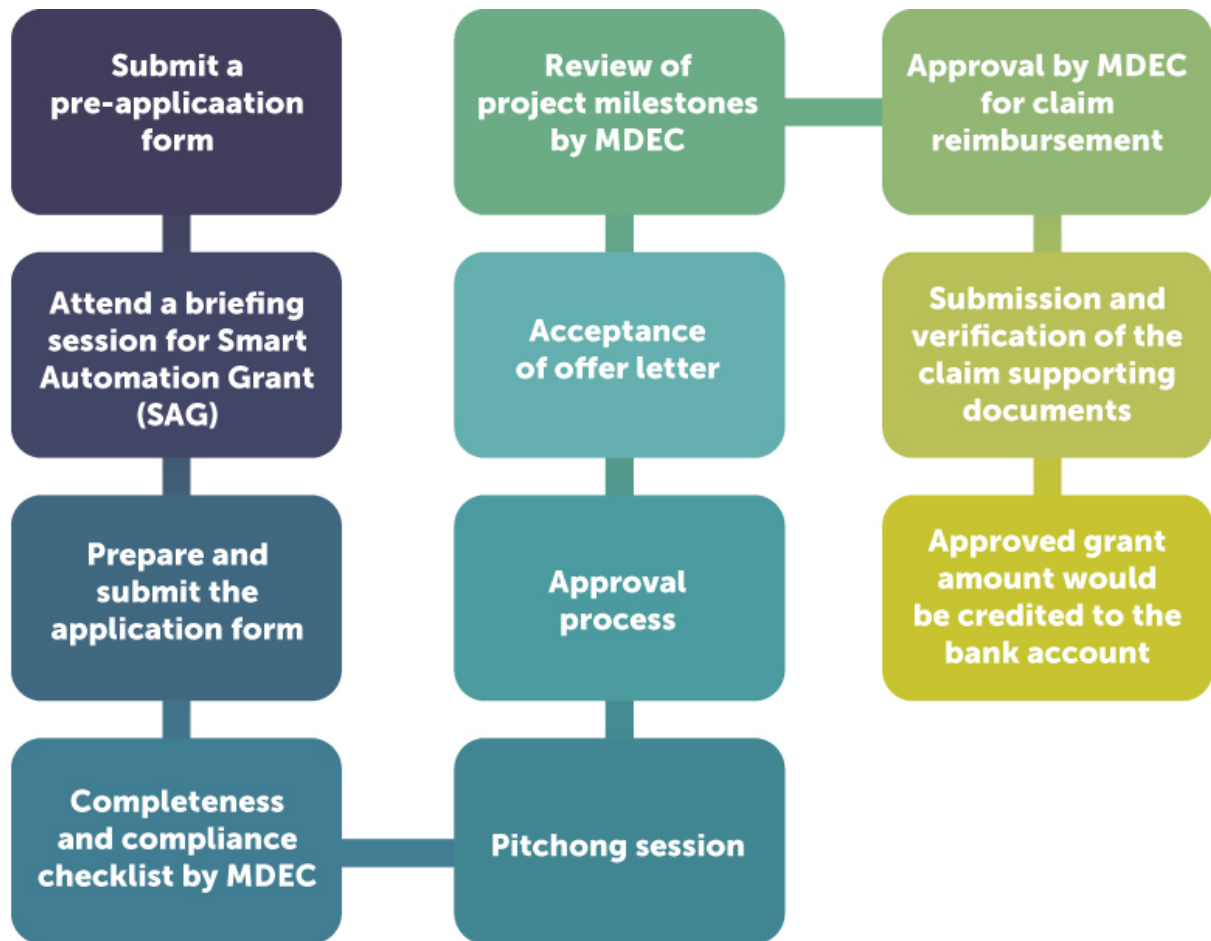
Week 2 of MDM 2022 kicked off with a session on **Sharing on Digitalisation Grants**. The MIA Technology Adoption Survey in 2017 and 2019 identified that technology investment costs is the top barrier to digital adoption, especially for smaller-sized organisations including the small- and medium-sized practices.

The session started with sharing by successful applicants – MIA Digital Technology Implementation Committee (DTIC) Member, Steven Chong Hou Nian and BDO Malaysia Director, Chan Kwan Yee on the application of SME Digitalisation Grant (SDG) and Smart Automation Grant (SAG) as well as how the grants have assisted them in their digital transformation journey.

## Smart Automation Grant

### Brief overview of Smart Automation Grant (SAG) application and approval process





### ***Post approval process***

Upon the acceptance of the offer letter, companies are required to present to MDEC on the progress of the project milestone. Companies need to update about the project status, evidence of deliverables, impact of technology adoption to them, challenges conquered as well as the total expenses incurred throughout the project. Following the presentation, the submitted supporting documents will be verified and approved and the approved grant amount will be received by companies. The timeframe for the whole process is approximately 6 months.

### **MDEC SME Digitalisation Grant**

It is a 50% matching grant (up to RM5,000) for subscription of digital services. This grant focuses on 7 digitalisation areas such as digital marketing and sales, ERP accounting and tax, HR payroll system/CRM, electronic point of sales (e-POS) system, ecommerce, remote working, and procurement.

### **Applicant Eligibility**

The eligibility requirements to be able to apply for the grant is set out below.

**Available to SME  
and cooperative  
registered under  
the relevant  
laws of Malaysia**

**The SME is  
at least 60%  
owned by  
Malaysia**

**The SME has  
been in operation  
for at least 6  
months**

**The SME has  
minimum average  
annual sales  
turnover of  
RM50,000**

## **Takeaways of the session**

The following are some takeaways from the session:

### ***Initial phase***

As applicants, the most crucial stage is to identify the problem statement, for instance the type of customisation needed for the company and the technology solution that is suitable for its need.

Companies need to ensure that the technology solutions that they have selected are customizable based on their requirements. If funds are constrained, they can start small by spending on the basics and add on customisation in the future when the budget is available.

During this stage, it is also useful to pull together a narrative or story that lays out the quantitative and qualitative data and potential outcomes that will result from the digital adoption or the worst-case scenarios resulting from the refusal to adopt.

### ***Tips to apply for grants***

Documentation is key to successfully securing the grants. Companies will need to spend some time to compile all the required documents. Start compiling relevant documents way before the application date and ensure documents are complete before submitting an application. It is recommended to compile documents and set up a “data room”, as a prelude to bigger fundraising exercises in the future and to facilitate future fundraising process.

Have duplicate sets of completed applications as they may get lost in the process. Be pragmatic and realistic on the timing of receipt of funds as the disbursement will not be immediate.

Use the MIA [Guidance](#) on Software and Software Vendor Selection & Software Vendor [Database](#) and also refer to the [MDEC Technology Solution Providers \(TSP\) List](#), as using a registered service provider can facilitate the grant approval. The judges will scrutinise the choice of TSP to ensure that the digital implementation exercise has a high chance of success.

### ***Other funding options***

Grants alone are not sufficient to finance a comprehensive digital adoption plan. Therefore, companies will need to raise more funding either internally or externally. In addition to internal funding, be resourceful in assessing options in the market available for digitalisation, including crowdfunding, grants, loans, and external investors. Optimising a combination of equity and debt funding can be a means for companies to accelerate digitalisation and achieve the targeted outcomes faster.

SMEs also have financing options from various financial institutions such as Malaysian Industrial Development Finance Berhad (MIDF) that carry a lower interest rate than commercial loans and hence are more affordable for SMEs. SMEs need to ensure that their background, profiling, and documentation support the loan application.

With regards to internal funding, accountants and digital champions will need to justify a budget for digital investment and software purchases to their management and decision-makers. The first step is to prepare the problem statement to identify which process needs to be automated and prioritised to deliver the best Return on Investment (ROI) as well as productivity and revenue gains. Digitalisation should not be regarded as just a cost centre measure but a growth strategy to increase productivity and revenue.

# New Risk Factors to Consider in a Time of Accelerated Change

at [at-mia.my/2022/08/08/new-risk-factors-to-consider-in-a-time-of-accelerated-change](https://at-mia.my/2022/08/08/new-risk-factors-to-consider-in-a-time-of-accelerated-change)

August 8, 2022



*By Andrew Harding*

For businesses today, risk planning goes far beyond common operational, compliance, or fraud risks. The risks businesses face today are nuanced and evolving — and have been strongly influenced by the years-long pandemic, the war in Ukraine, and other global factors.

In these changing and complex times, finance leaders must be nimble and proactive. They need to be prepared for these new risks and their potential impact to every level of their business.

Being proactive starts by addressing four business risks now to ensure businesses thrive in a time of accelerated change.

## **Develop a workplace culture built on empathy**

Employees want to feel valued and utilised and they want their voices heard.

A workplace culture built around collaboration, trust, and empathy will address these employee concerns and help with overall employee retention and morale. Improved communication between staff and leadership can help bolster employee engagement and productivity.

A leader who actively listens to their staff members is practising empathy and learning more about what each member of their team values. Listening to team members helps develop strong bonds, and that promotes morale, workplace culture, and effective collaboration.

If your team is remote, building these bonds of trust is even more crucial.

## Boost cyber resiliency

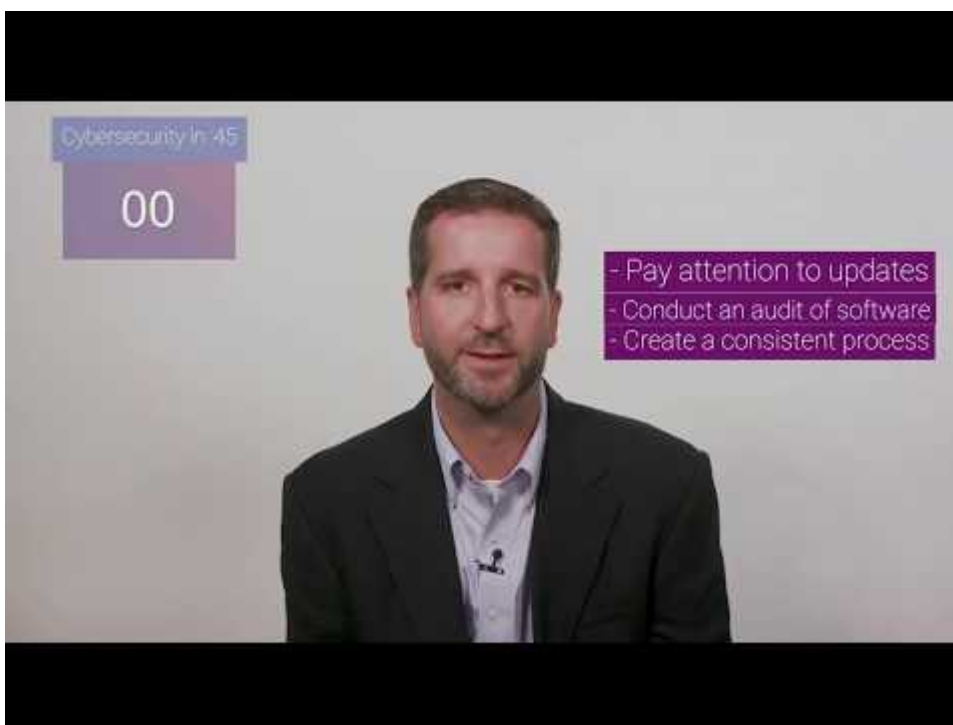
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When news of big-time cyberattacks hits, it can be easy to look at these examples and think, “This could never happen to my company.”

But we shouldn’t be complacent. While very large companies experience fraud or extortion, smaller-scale cyberattacks like phishing, malware, spamming, and so many more are very real, everyday threats, which can still cause a lot of damage.

In 2021, an average of 270 attacks per company occurred — a 31% increase over 2020 — according to Accenture. Cyberattacks are a real risk and the need for cyber resilience grows stronger each day.

AICPA® & CIMA® have resources available to help your organisation prepare for a cyberattack. Check out the CGMA cybersecurity tool and the short video series “Cybersecurity in 45 seconds”.



Watch Video At: <https://youtu.be/c9tDn0O62bM>

## Consider inflation

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Inflation rates are on the rise, hitting countries unevenly, and will likely only get more severe. This will undoubtedly affect businesses, and finance teams will need to be nimble in this higher-inflationary environment.

To operate in these circumstances, finance teams need to plan diligently. During strategy planning, ask yourself these key questions:

- Have different geopolitical risk scenarios been developed for our business?
- Have different inflation scenarios been modelled?
- Have mitigations been established that enable our business to keep generating a healthy cash flow?

The rising costs will affect your customers. New customer habits will need to be calculated within your business and operational models.

Your staff will likely be feeling the burn of inflation, too, and may require additional help and support. This does not necessarily mean wage increases, but they may need supplementary considerations to help them navigate these changing economic environments.

Meeting your staff where they are and seeing their struggles in this inflationary environment relate back to the importance of empathy in the workplace.

## Fortify your supply chains

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The pandemic rocked global supply chains and forced all levels of business to consider how they manufacture, purchase, and supply goods.

Should any global event of this magnitude happen again, businesses need to be ready and nimble. Take precautions now to strengthen your own supply chains. Adaptation is critical.

To create a more resilient personal supply chain, you can:

- **Educate yourself.** A commitment to growth, learning, and unlearning will enable your company to expand in the future. This is a developmental process that won't happen overnight, but will help you, your team, and your organisation thrive.
- **Prepare for the digital age.** Now is the time to prioritise tech developments and schedule any necessary trainings.
- **Build new reporting processes.** Business leaders need relevant information to help them make informed decisions. It will be the role of the management accountant to report both financial and non-financial data to drive decision-making and mitigate risks.
- **Shake things up.** Now is the time to be the disruptor and reinvent how you do business. When finance leaders embrace a growth mindset — one built around resilience, education, and innovation — and frequently question existing ways of working, they can better influence strategic direction.

In this environment of accelerated change, business leaders must be proactive to ensure their future. They'll be leaning on the guidance and expertise of accounting and finance professionals to address these new risks and develop new mitigation practices.

As an accounting and finance professional, you have what it takes to bolster the resiliency of individuals, businesses, and economies.

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*Andrew Harding, FCMA, CGMA is the Chief Executive — Management Accounting at the Association of International Certified Professional Accountants, representing AICPA & CIMA*

# Positioning Accountants as Climate Leaders in a Net-Zero World

at [at-mia.my/2022/08/02/positioning-accountants-as-climate-leaders-in-a-net-zero-world](https://at-mia.my/2022/08/02/positioning-accountants-as-climate-leaders-in-a-net-zero-world)

August 2, 2022



*By Dr Veerinderjeet Singh, Immediate Past President*

Climate change today is a global crisis, affecting all strata of business and society. As such, the profession as leaders, partners and stewards in business must evaluate how we accountants can harness our specific strengths and competencies to strategise and implement the environmental, social and governance or ESG agenda for long-term sustainability.

As we can see from the devastating global heatwave of summer 2022 which is one of the hottest years on record, fuelled by human-induced global warming, we ignore climate change and its consequences at our own peril.

As such, it is imperative to tackle global warming if we are to manage climate change risks. Authorities such as the Intergovernmental Panel on Climate Change (IPCC) have warned that it's 'now or never' to limit global warming to 1.5 degrees Celsius or risk the world becoming uninhabitable.

How do we limit global warming? By hitting our net zero targets for greenhouse gas (GHG) emissions, which simply means that we achieve a state of equilibrium whereby the amount of greenhouse gases entering the atmosphere is balanced by the equivalent amount of carbon being removed from the atmosphere. In the business context, net zero can be achieved through transitioning towards low carbon business models (producing products which use less carbon or producing energy efficient products...), adopting ESG initiatives (such as a strategy to manage the impact on the environment, etc) and

adopting green technology solutions, championing sustainable consumption (such as eliminating plastic usage, recycling products that do not cause emissions, getting involved in the circular economy), as well as implementing strong climate adaptation measures (drive less, fly less, etc).

According to a report by the World Economic Forum in collaboration with BCG, entitled “Winning the Race to Net Zero – the CEO Guide to Climate Advantage”, the world is not yet on track to reach the Paris Agreement target of capping temperatures at the 1.5 degrees Celsius level.

## The Global Context

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On the bright side though, stakeholders are coming together to take action, spearheaded by Governments and corporate leadership. According to the report, “Today, over 90 countries representing almost 80% of global emissions have made net zero commitments, up from a mere 10% in 2019.” Corporate commitments have also been commendable.

To quote the report authors, it is hoped that these commitments can “translate into actions and investments.” Early movers who demonstrate climate leadership will also be able to “secure sources of business advantage. The time is ripe for bold climate action to become the norm.”

## The Profession’s Perspective

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ASEAN constitutes a leading economic and social bloc, and our actions and behaviour have a tremendous impact on global warming and climate change. So, what can accountants including ASEAN CPAs, the profession as a whole and businesses do to support the net zero journey?

**One**, the most pressing need is to create awareness and educate all levels of society and business on global warming and the climate crisis. All of us play a part in acquiring and enhancing our knowledge of this phenomenon and contributing to the healing of what is already a worldwide crisis.

As the regulator and developer of the profession which has domain expertise in disclosure, the Malaysian Institute of Accountants (MIA) is actively advocating for accountants to upskill on ESG matters as well as climate-related measurement and reporting, as businesses are facing new-found pressure around the demands to disclose an organisation’s climate-related risks and opportunities. To educate the profession and the market on Task Force on Climate-Related Financial Disclosures (TCFD), MIA has published technical articles on implementing these disclosures, organised a 2021 Conference on **CLIMATE CHANGE** focusing on **Accountants as Champions of Climate Change & Sustainability**, and we continue to embed climate change, ESG and sustainability content across all our professional development programmes, including our flagship MIA International Accountants Conference 2022 which concluded recently and

drew nearly 3,000 delegates from around the region and the world. With the theme of “Leading ESG, Charting Sustainability”, the Conference successfully articulated and conveyed the role of accountants in leading the ESG agenda in business, especially climate action initiatives for enterprise sustainability and sustainable nation building.

Our climate disclosure advocacy supports the efforts of our fellow regulator Bursa Malaysia Berhad (the Malaysian Stock Exchange), which recently proposed amendments to the Listing Requirements, aimed at enhancing disclosures on sustainability for listed issuers across all sectors. Bursa’s proposals align with the climate change-related disclosures of the Task Force on Climate-Related Financial Disclosures.



**Two**, we need to innovate and comply. The Malaysian Government has called on organisations and individuals to tackle global warming, in alignment with Malaysia’s pledge to become a net zero GHG emissions country by 2050. As such, we expect a rising trend of companies adopting net zero GHG emissions targets, which will also be necessary to comply with external GHG emissions limits imposed by trading partners, authorities, and regulators in other jurisdictions. In addition, these same partners, authorities, and regulators will require climate-related disclosure to assess compliance. As such, companies will need to start assessing their climate exposure and measuring their GHG footprint and ESG-related impact across their operations, supply, and value chains in their efforts to transition to acceptable low carbon business models.

**Three**, we need to engage and collaborate in order to capitalise on emerging opportunities from a growth strategy anchored by net zero and sustainability targets. Within the Malaysian context, the Ministry of Environment and Water with the cooperation of the Ministry of Finance and Bursa Malaysia Berhad will drive the implementation of the voluntary carbon market before it transitions to the Domestic Emissions Trading Scheme which is expected to draw low carbon investments into the country, enhance the credibility and international competitiveness of Malaysian products and enable access to sustainable financial resources for Malaysian entities.



The Government has also announced plans to strengthen climate change governance in the country through measures such as the establishment of the National GHG Centre to improve transparency in climate change data and information reporting managed by the centre to enhance confidence in low carbon investment. This is an area in which the accountancy profession could potentially collaborate with key stakeholders to provide advocacy and expertise on disclosure and assurance, to support our nation building purpose.

In addition, MIA looks forward to learning from the initiatives and best practices that are being put in place by ASEAN members to achieve net zero targets and long-term sustainability.

## **Future-proofing Accountants for the Net Zero Economy**

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If ASEAN CPAs are to support the transition to low carbon models, we must acquire the requisite knowledge and competencies. Professional accountants, as trustworthy advisers to organisations they work with and for, are expected to be competent and cognizant in:

- Identifying, assessing, and managing enterprise climate-related risks and net zero emission targets,
- Calculating cost-benefit perspectives
- Assessing and managing its implications to the finance function of organisations, and
- Advising employers suitably and diligently.

In short, professional accountants and finance functions play a key role in navigating the way to achieve organisational net zero emission targets, including:

- raising and allocating funds needed for adaptation; providing information and data to drive the agenda on the reduction of carbon dioxide emission;
- embedding the reduction of carbon dioxide emission in the decision-making process;
- devising strategies to achieve the committed targets;
- interacting with capital markets to meet the committed targets;
- ensuring compliance with regulatory requirements; and
- reporting performance against the committed targets.

Given the urgency and magnitude of the climate change crisis, time is of the essence. ASEAN CPAs are in a prime position to take up climate leadership and therefore should start dealing with climate-related risk and net zero targets from now on. The ultimate aim is to prevent a worsening climate crisis and to seize the opportunities that will arise in the process of transitioning to cleaner and greener energy. In line with MIA's larger purpose of advocating sustainable development, I urge all accountants in ASEAN to step forward and help drive the sustainability and transformation agenda within your organisations.

By harnessing our value as strategic business partners and advisors, our collaborative and leadership skills, our professionalism and ethics, our unique competencies in disclosure, our financial rigour, and our expertise in assurance, ASEAN CPAs are ideally positioned to seize the advantage and to inspire and implement an exciting new phase in the region's growth trajectory.



Watch Video At: [https://youtu.be/6S\\_-1REFYV0](https://youtu.be/6S_-1REFYV0)

*This article is a condensed version of a video titled 'Thriving in a Net Zero World' produced by MIA and uploaded on MIA's YouTube channel.*

# Public Sector Internal Audit Conference 2022: Accountability, Equity, and Integrity (Physical Conference)

[at-mia.my/2022/08/08/public-sector-internal-audit-conference-2022-accountability-equity-and-integrity-physical-conference](https://at-mia.my/2022/08/08/public-sector-internal-audit-conference-2022-accountability-equity-and-integrity-physical-conference)

August 8, 2022



Greater transparency and accountability in the public sector are becoming increasingly important in carrying out the public sector agenda.

It is critical to instil the ideals of accountability, equity, and integrity as the foundation of a more open and clear decision-making and governance structure for public sector assets. Said strong governance in the public sector will then enable mechanisms that can have a substantial impact on organisations' attempts to minimise risks and achieve their goals.

As a pillar of good governance, the internal audit function in the public sector is expected to fulfil its role to replicate and innovate best and improved business practices. With the surge of digital technology and ESG principles, the internal audit function is also expected to integrate increased automation and the sustainability agenda to mitigate organisational risks that are growing in complexity.

To inspire internal auditors to step up and play a bigger role in monitoring and mitigating organisational and strategic risks while instilling ethics to spearhead good governance in the public sector, MIA and The Institute of Internal Auditors Malaysia will be organising the Public Sector Internal Audit Conference 2022 on 25 August 2022 at **Connexion Conference & Events Centre @ Vertical, Bangsar South, Kuala Lumpur**.

Following are the key session highlights scheduled for the Conference:

## CYBERSECURITY RISK AND DATA INTEGRITY: PROTECTING THE PUBLIC DATA

Good governance is essential to protect public data from cybersecurity threats. In this session, delegates will be exposed to the overall duty and evolving roles of internal auditors in managing cyberrisks and ensuring data integrity in the interest of public data protection.

## GOVERNANCE IN PUBLIC SECTORS: PROTECTING THE PUBLIC FUNDS

Learn how to strengthen IA procedures to increase accountability while also improving public sector performance and reporting for good governance in the public interest.

JOINTLY ORGANISED BY:

MAI MALAYSIAN INSTITUTE OF ACCOUNTANTS

THE INSTITUTE OF INTERNAL AUDITORS

SUPPORTED BY:

ANCA THINK AHEAD

CIMA

MICPA MALAYSIA

**PUBLIC SECTOR INTERNAL AUDIT CONFERENCE 2022**

*Accountability, Equity, and Integrity*

25 August 2022 (Thursday), 9.00am – 5.00pm  
Connexion Conference & Event Centre @ Vertical, Bangsar South, Kuala Lumpur

Good governance is becoming increasingly critical in the public sector as stakeholders demand greater accountability and transparency for public funds and spending from public officials.

To help enhance good governance in the public interest, this Conference will focus on the latest developments affecting the work and deliverables of public sector internal auditors as the gatekeepers of public spending.

Thought leaders and expert speakers will be sharing on how internal auditors can step up to play a part in setting organisational strategy, designing, and enforcing checks and balances, providing supervision, and instilling ethics to spearhead good governance in public sector bodies.

The Conference will also delve into how digital technology and ESG principles can be integrated to drive greater automation and effectiveness in the internal audit function, which in turn will assist internal auditors in monitoring if public organisations are meeting their legal and ethical commitments to their constituents and acting with accountability, equity, and integrity.

**OBJECTIVES**

- Understand the importance of well-developed integrity systems and the presence of information technology functions as an enabler to better serve the public with robust assurance and risk mitigation
- Identify the key areas for improvement and propose the push factors and changes needed for public sector internal audit to emulate best practices of the corporate world
- Identify the components of good governance in protecting public funds
- Understand the best practices on ESG and Public Procurement Policy in achieving the vision of Net Zero
- Understand benefits of ICT in increasing efficiency, effectiveness, and democratic function enhancement
- Understand the best practices in auditing corporate communications crisis
- Identify the future-proofed skills and competencies to remain relevant

**WHO SHOULD ATTEND**

- Public Sector Internal Auditors/ Compliance Officers of:
  - Federal Government agencies
  - State Government agencies
  - Government Linked Companies (GLCs)
  - Statutory Bodies
  - Regulatory Bodies
- Accountants
- Other Professionals who carry out internal audits

## ESG AND PUBLIC PROCUREMENT POLICY: ACHIEVING THE NET ZERO TARGET BY 2050

Achieving the net zero target by 2050 will necessitate a fundamental shift towards the ESG agenda, which can only be accomplished if every organisation including public sector agencies works towards sustainability goals. This panel discussion examines how the internal audit function can better manage ESG and procurement risks and uphold integrity in practices and reporting to achieve the Government's net zero target.

## **ICT AS A SERVICE BY PUBLIC SECTORS: AUDITING THE EFFICACY AND EFFICIENCY OF ONLINE SERVICES**

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The use of information and communication technology (ICT) in the public sector has increased, bringing about related performance and security concerns. Discover the role of internal audit in managing the risks arising from the proliferation of public sector ICT services.

## **AUDITING CORPORATE COMMUNICATIONS: PR DISASTERS AND BETTER MANAGING PUBLIC PERCEPTION**

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Unexpected and disruptive events that affect the organisation or its stakeholders are rarely prevented. This session looks at the role of internal audit in analysing and assuring the organisational plan for crisis management and disaster.

## **INTERNAL AUDIT COMPETENCIES AND UPSKILLING: NEW AUDIT APPROACH IN REMOTE AUDITING ENVIRONMENT**

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The pandemic accelerated technology adoption, which also transformed the internal audit function and processes. This session highlights the necessity for internal auditors to learn new skills and competencies in remote auditing.

*For more information on the Public Sector Internal Audit Conference 2022, please [click here](#).*



# Risk Management Conference 2022 – Towards Recovery & Resiliency (Physical Conference)

at [at-mia.my/2022/07/14/risk-management-conference-2022-towards-recovery-resiliency-physical-conference](https://at-mia.my/2022/07/14/risk-management-conference-2022-towards-recovery-resiliency-physical-conference)

July 14, 2022



*By Nurul Syafiqah Abd Rahman*

Even as the pandemic lingers on, worsening climate change and the Russia-Ukraine crisis continue to impede the fragile global economic recovery. The World Bank in June 2022 warned that the world is entering “a protracted period of feeble growth and elevated inflation,” as it cut global growth forecasts by 1.2 percentage points to 2.9% for 2022 from predicted growth of 4.1% in January<sup>1</sup>.

As such, risk managers now play an even more important role in fostering agility, adaptability, and resilience in organisations today to mitigate risks and achieve more sustainable results.

The **MIA Risk Management Conference 2022** which will be held on **10 August 2022** at **Connexion Conference & Events Center @ Nexus, Bangsar South, Kuala Lumpur** is specifically intended to assist businesses in aligning risk management with sustainability strategies to improve climate risk resilience and instil a supportive risk culture and strong governance in organisations.

Participants will also benefit from expert panel discussions on various types of risks that threaten organisations, strategies for companies to achieve greater cyber resilience, best practises that can be replicated across industries and economies, and the best cyber threat defence tools.

# RISK MANAGEMENT CONFERENCE 2022

## Towards Recovery & Resiliency

10 August 2022 (Wednesday), 9.00am – 5.00pm

Connexion Conference & Event Centre @ Nexus, Bangsar South, Kuala Lumpur

Risk managers today face numerous challenges ranging from worsening climate change to the ongoing global pandemic crisis and most recently the disruption of the Russia-Ukraine war, all of which are weighing down the fragile recovery of the global economy following two years of pandemic-derived weakness.

Amidst this volatile and uncertain outlook, it is important for risk managers to cultivate agility, adaptiveness, and resilience to strengthen risk management and achieve more sustainable outcomes for their organisations.

The upcoming MIA Risk Management Conference 2022 will bring together leading risk experts to discuss the latest developments affecting risk management and provide guidance on how the enterprise risk management function can strategise and take action to help support a more prosperous world.

### WHY YOU SHOULD ATTEND THE CONFERENCE

This conference will help you to understand:

- The imperative for risk managers and directors to align risk management with sustainability strategies to enhance resilience to climate risk, and inculcate a supportive culture and strong governance
- Various categories of risks that threaten organisations in the VUCA environment and to map out strategies that are essential to business continuity
- Strategies for companies to achieve greater cyber resilience, the best practices that can be replicated across industries and economies, and the best tools for defence against cyber threats
- How boards and senior management can prioritise proactive steps to mitigate the risk of fraud and corruption and the steps required to develop robust anti-fraud and anti-corruption programmes
- Risk in the chain of talent supply and apply appropriate mitigation strategies and to examine the talent risks and gaps that exist for each skill

### WHO SHOULD ATTEND

- Risk Management Officers
- Compliance Officers
- Advocates of Corporate Governance
- Directors
- Chief Financial Officers & Accountants
- Internal & External Auditors
- Financial Controllers & Analysts
- Audit Committee Members
- Integrity Officers
- Company Secretaries

ENJOY 10%  
GROUP DISCOUNT  
for registration of 2 pax  
and above from the same  
organisation.

Following are the key session highlights scheduled for the Conference:

**ALIGNING SUSTAINABILITY AND RISK MANAGEMENT** – Focuses on implementing long-term sustainable business models and strategies in businesses to combat the threat of climate change and environment related risks which are ranked among the Top 10 global risks by the authoritative Global Risk Report 2022.

**ADDRESSING CYBER THREATS** – Discusses the growing number of cybersecurity concerns in organisations as a result of the pandemic, and offers guidance on developing sophisticated approaches for businesses to remain vigilant against cyber threats.

**GEOPOLITICAL LANDSCAPE & SUPPLY CHAIN DISRUPTION** – As a result of the COVID-19 pandemic and Russia's invasion of Ukraine, the global supply chain and shipments have slowed, hence resulting in worldwide shortages. The panelists will discuss risk mitigation and supply chain resilience strategies for businesses.

**MANAGING FINANCIAL RISKS THROUGH VOLATILE MARKETS AND UNCERTAIN TIMES** – Learn how to adapt strategies to effectively manage financial volatility amidst these trying times.

**CORRUPTION RISK MANAGEMENT** – Fraud and corruption pose serious threats to all organisations in all jurisdictions. This session examines practical approaches for implementing effective anti-fraud and anti-corruption programmes in your organisation.

**FINDING THE RIGHT HUMAN SKILLS IN THE AGE OF MACHINES** – Focuses on how to manage talent supply gaps as technological change transforms businesses, making it critical to integrate both innovation and human skills for optimal performance.

**STRENGTHENING RISK MANAGEMENT IN A VUCA WORLD** – The omnipresence and increasing intensity of VUCA in the business environment creates roadblocks in most companies' pursuit of their goals. This session looks into refreshing and strengthening businesses' approach to risk management.

*For more information on the Risk Management Conference 2022, please [click here](#).*

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<sup>1</sup> <https://www.voanews.com/a/world-bank-warns-of-global-economic-slowdown-more-inflation-/6606865.html>

# Transfer Pricing Characterisation – Why does it matter?

at [at-mia.my/2022/08/10/transfer-pricing-characterisation-why-does-it-matter](https://at-mia.my/2022/08/10/transfer-pricing-characterisation-why-does-it-matter)

August 10, 2022



*By Gagandeep Nagpal and Thomas Chan Yeu Wai*

The risk-reward theory in economics states that higher the risk, higher the return. This principle of economics is also used in transfer pricing (TP) to determine the arm's length compensation of the transacting parties. It means the transacting entity who takes relatively more risk in any business arrangement vis-à-vis its counterparty would be expected to have relatively higher returns (actual/expected) under TP principles. Therefore, it is critical to define the precise risk profile of the transacting parties, as TP compensation for any transaction would be determined accordingly. In TP jargon, the risk profile of the entity is reflected through a few commonly used phrases, which we generally refer to as TP characterisation.

In this context, it is worth discussing certain latest amendments to the Year of Assessment (YA) 2022 Form C, which requires significant additional TP disclosures (as per Item F8). One of the main TP disclosures in this updated Form relates to TP characterisation, which hints at an increasing reliance by the Inland Revenue Board of Malaysia (IRBM) upon information about TP characterisation to perform risk-based selection of audit cases. As such, we will examine the important aspects of TP characterisation in the subsequent paragraphs.

## **TP characterisation is the foundation of arm's length analysis**

One of the building blocks of any TP analysis is the functions, assets, and risks (FAR) analysis, wherein the functions performed, assets deployed, and risks assumed by the transacting parties are analysed. TP characterisation is basically an outcome of FAR

analysis which sums up the entire functions, assets, and risk analysis in a defined short phrase. It further lays the foundation of economic analysis viz. selection of the most appropriate TP method, profit level indicator, selection of tested party and comparable companies.

Malaysia TP Guidelines (the Guidelines) have also recognised the TP characterisation as an important step towards determination of arm's length price of the controlled transaction. The Guidelines also talk about characterisation based on the nature of activity and complexity of the operations. The most commonly used transfer pricing characterisation based on the nature of the business activities is listed below:

MANUFACTURING PROFILE ENTITIES	DISTRIBUTOR PROFILE ENTITIES	SERVICE PROVIDER PROFILE ENTITIES
<ul style="list-style-type: none"> <li>• Full-fledged/licensed manufacturer</li> <li>• Routine manufacturer</li> <li>• Contract manufacturer</li> <li>• Toll manufacturer</li> </ul>	<ul style="list-style-type: none"> <li>• Full-fledged distributor</li> <li>• Routine distributor</li> <li>• Limited risk distributor</li> <li>• Commissionaire/agent</li> </ul>	<ul style="list-style-type: none"> <li>• Full-fledged service provider</li> <li>• Routine service provider</li> <li>• Limited risk service provider</li> </ul>

Kindly note that there could be a situation wherein the profile of the transacting parties may not fit exactly into any of the above water-tight compartments of TP characterisation – i.e. hybrid situations.

## Approach to determine the right TP characterisation

After discussing the relevance of TP characterisation, the next obvious question is how to determine the right TP characterisation in relation to the business activities carried out by the transacting parties. As a matter of caution, it would be a risky proposition to determine TP characterisation without conducting a FAR analysis. FAR analysis not only indicates which transacting party is assuming economically significant risks arising from the transaction, but also functions performed and assets deployed by transacting parties to manage and control those economically significant risks. To illustrate the relevance of FAR analysis in determination of TP characterisation, the following case study would be useful.

**Case study** - A Malaysian entity manufactures and sells goods entirely to its related party in Singapore. The Singapore entity is the marketing arm that facilitates onward sales of the goods supplied by the Malaysian entity. In this kind of supply chain, we have tabulated below two scenarios to appreciate how FAR analysis impacts the characterisation of the transacting entities.

	SCENARIO 1		SCENARIO 2	
	Malaysia Co	Singapore Co	Malaysia Co	Singapore Co
Market /Price strategy and related market risk	✓	-	-	✓
Production activities and related risk	✓	-	✓	-
Marketing intangibles	✓	-	-	✓
<b>TP Characterisation</b>	<b>Full-fledged manufacture</b>	<b>Limited/Routine risk distributor</b>	<b>Contract/Routine manufacturer</b>	<b>Full-fledged distributor</b>



The above FAR analysis (although not comprehensive for the sake of brevity) reflects how this analysis could have an impact on TP characterisation of both Malaysia and Singapore entities.

## **Common disputes around TP Characterisation**

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Based on recent TP audit trends, some common disputes by the IRBM around TP characterisation were:

### Determination of arm's length compensation

As mentioned above, TP characterisation lays the foundation of economic analysis. Therefore, any incorrect declaration about TP characterisation could give a wrong impression to the tax authorities about the risk profile and accordingly could lead to a situation wherein the IRBM may expect particular type of compensation for the taxpayer. In order to illustrate it better, we have laid out below two illustrative scenarios (not exhaustive) –

- In the first scenario, a Malaysian taxpayer declares that it is a full-fledged manufacturer (selling to a related party limited risk foreign trading arm). In such a case, the IRBM would expect that the transaction pricing should be such that the trading arm only gets a routine return, and the residual profit should be attributed to the Malaysian taxpayer.
- In the second scenario, a Malaysian taxpayer characterises its business as a limited risk distributor (buying from a risk-bearing foreign related party manufacturer). In such a case, the IRBM would expect that the local taxpayer should be entitled to an assured routine return, generally irrespective of market situations. During the pandemic, it was a moot question debated by many limited risk entities.

Further, TP characterisation could have a bearing on the selection of TP method. For instance, the IRBM may expect a taxpayer with the characterisation of a full-fledged manufacturer to apply the profit split method instead of the transactional net margin method, if the foreign counterparty is sharing certain economically significant risks with said manufacturer. In other cases, the dispute could also be on the selection of the tested party or the profit level indicator, and most commonly the selection of comparable companies.

### Performance of economic adjustments

A taxpayer may perform certain economic adjustments in case its financial performance in any particular year was impacted by abnormal business factors. However, the IRBM considers such economic adjustments on a case-by-case basis after evaluating the TP characterisation of the entity. For example, in case the taxpayer is a limited risk entity, then the IRBM may not recognise any economic adjustments to improve the operating results and may expect that limited risk entity to get an assured routine compensation from the risk-bearing counterparty.

### Business restructuring

If there is any change in TP characterisation, it may be viewed as a case of business restructuring and any business restructuring would come with its own set of consequential TP issues. In particular, if a change in business characterisation has an impact on the profit potential, then it attracts attention from the IRBM and could be challenged if there is no change in the functions performed, the assets deployed, or the risks assumed, pre and post restructuring, based on the conduct of the parties.

In fact, information about business restructuring is another set of particulars sought by the IRBM in the updated Form C that applies to YA 2022. Therefore, these particulars need to be filled in carefully.

Significant advertisement, marketing and promotion expenses

The IRBM also tends to challenge the TP characterisation of limited risk and routine distributors, if the IRBM determines that the local entity is involved in significant local advertisement, marketing, and promotion activities, usually reflected through high local expenditure on these activities. As a consequence, the IRBM may expect additional compensation in the form of reduced royalty (or discount on purchase price) or cost-plus compensation treating it as a separate service over and above routine distribution activities or consider only comparable companies having a similar level of advertisement, marketing and promotion expenses. In certain cases, the IRBM may go into the realms of profit split method as well.

The above examples are not exhaustive in terms of the potential areas of dispute relating to TP characterisation, but these at least provide a sense of how critical the issue of TP characterisation is.

## Way forward

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With the introduction of the updated YA 2022 Form C on TP disclosures involving business characterisation, it is important that the taxpayer is characterised accurately, with reference to the FAR analysis. Taxpayers eligible to prepare minimum transfer pricing documentation (without FAR analysis) especially should exercise care in providing the declaration about TP characterisation. An incorrect declaration regarding TP characterisation could have significant implications during an audit.

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Gagandeep Nagpal is Executive Director of Transfer Pricing, Deloitte Malaysia.

Thomas Chan Yeu Wai is Director of Transfer Pricing, Deloitte Malaysia.

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