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Addressing Deficiencies in ISA 570 Going Concern Assessments

at at-mia.my/2023/01/27/addressing-deficiencies-in-isa-570-going-concern-assessments

January 27, 2023

By MIA Practice Review Department

The concept of going concern is a fundamental assumption when it comes to preparing the financial statements of a company. Therefore, it is essential for an auditor to obtain sufficient appropriate audit evidence and conclude on the appropriateness of management's use of the going concern basis of accounting in the financial statements.

The going concern assessments can require that a significant amount of time and judgement be devoted, particularly when significant estimates are applied. Hence, an auditor should consider engaging management and those charged with governance at an early stage as this would allow for more timely discussion and give the management adequate time to prepare its assessment and action plan to address any potential going concern issue. The auditor may also want to consider seeking assistance from an expert in obtaining sufficient appropriate audit evidence.

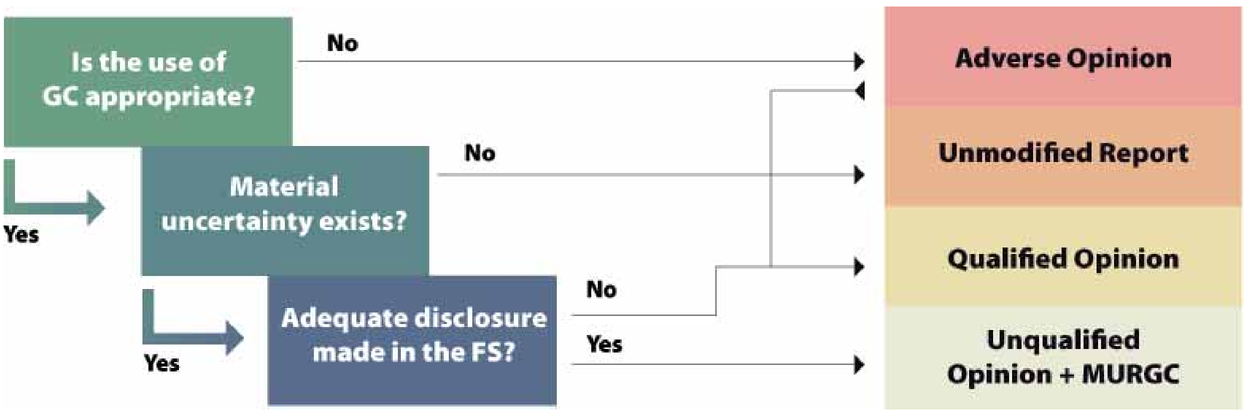
Common findings relating to Going Concern

Through the conduct of practice review, the MIA Practice Review Department (PRD) has identified going concern assessment as one of the areas many audit firms fail to grasp. Although many auditors attempt to perform the assessment as part of their mandatory audit procedures, there is still a lack of sufficient appropriate audit evidence obtained; this has become a common inspection finding following the review of the audit firms' working papers.

The audit deficiencies in going concern assessment and its relevant audit procedures that are expected to be performed by the audit firms are summarised in the table below:

Common findings	Relevant Procedures to consider
Going concern checklist was perfunctorily/poorly prepared. **AREAS OF CONCERN** • Checklists normally consist of close-ended questions, requiring yes or no answers which often results in a column of ticks, and little evidence that anything was actually looked at, as no remarks and cross-references to the relevant working paper were provided. • The set of questions in the checklist is not all-inclusive and the auditor shall adjust/perform further assessment depending on the specific circumstances of an entity.	• Auditor shall discuss with management whether the circumstances listed in the going concern checklist exist or are likely to happen. The result should be documented and detailed, particularly for a 'Yes' to the questions that probably signify that a material uncertainty exists. > *The existence of one or more 'exceptional' items does not necessarily indicate that a material uncertainty exists, and further inquiries should be made on management's plan to address them.* • Auditor is to ensure that all the questions listed in the checklist are attended to and cross-referenced to the relevant working papers, where necessary. • The conclusion derived from the going concern checklists shall mirror the audit opinion to be issued.
Inadequate assessment of the sources of financial support and the financial ability of the owner/shareholders/ relevant party in providing the support.	• Auditor is to ensure that the support letter is obtained from the right entity and the period covered is adequate *(to be a period of at least, but not limited to, 12 months from the end of the reporting period).* • Auditor should not only evaluate the financial capacity but also the intent of the said entity to continue to provide financial support to the company.
Inadequate assessment of the cash flow projections used in supporting the going concern assumption. **AREAS OF CONCERN** • The reliability of underlying data generated to prepare the projections • The reasonableness of assumptions used in management's projections • The period covered in the assessment • The conduct of sensitivity analysis	• Auditor should focus on obtaining sufficient appropriate evidence when evaluating the management's assessment, rather than merely accepting all the tabulated figures or lack of detailed analysis without critically assessing the rationale of it. This may include challenging management as to why the selected rate/basis is more favoured than other available alternatives and considering the consistency of management in preparing the estimates. > *The auditor shall design and perform audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory* • Auditor shall consider whether management's assessment includes all relevant information of which the auditor is aware as a result of the audit • Enquiries about the management's future plan and assessment of the key financial information/ assumptions used in the projections should be

	adequately documented in the working paper.
Inadequate additional audit procedures performed when events or conditions are identified, including consideration of mitigating factors. **AREAS OF CONCERN** • The feasibility of the management plan. • The degree of uncertainty or complexity associated with the outcome of an event or condition.	• Auditor shall review the management's plans for future actions in respect of going concern in order to establish whether they are feasible and likely to improve the situation. • Auditor is also to be cognizant of any additional facts or information that have become available since the date of the management's assessment. • Obtain written representations from management regarding their future action plans.
'Material Uncertainty Related to Going Concern' (MURGC) section is not included in the auditor's report, in response to adequate disclosure made by the entity in the financial statements in disclosing material uncertainty events/conditions. **AREAS OF CONCERN** • The extent of disclosures in the financial statements.	• Auditor is required to disclose the principal events/conditions and management plans in dealing with it in the MURGC section in the auditor's report, draw attention to the note in the financial statements that disclose the matter and state that the auditor's opinion is not modified in respect of the matter. On the contrary, the following shall apply in these circumstances: • When adequate disclosure of a material uncertainty is not made in the financial statements by the entity > to express adverse/qualified opinion • When going concern basis is inappropriate > to express adverse opinion Kindly refer to the below diagram for reference:



Conclusion

In the aftermath of the Covid-19 pandemic, there is a rise in uncertainty pertaining to the economy, inflation, geopolitical instability, and future earnings that may directly affect business continuity. In this respect, PRD expects auditors to exercise due care and significant professional judgment when performing audit procedures over going concern assessments, in order to ensure that sufficient, appropriate audit evidence has been obtained and to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

Lastly, we also wish to draw readers' attention to the latest content from IAASB on this topic at https://www.ifac.org/system/files/publications/files/IAASB-Going-Concern-Frequently-Asked-Questions.pdf

Advice for Minimising Risk in a World of Unknowns

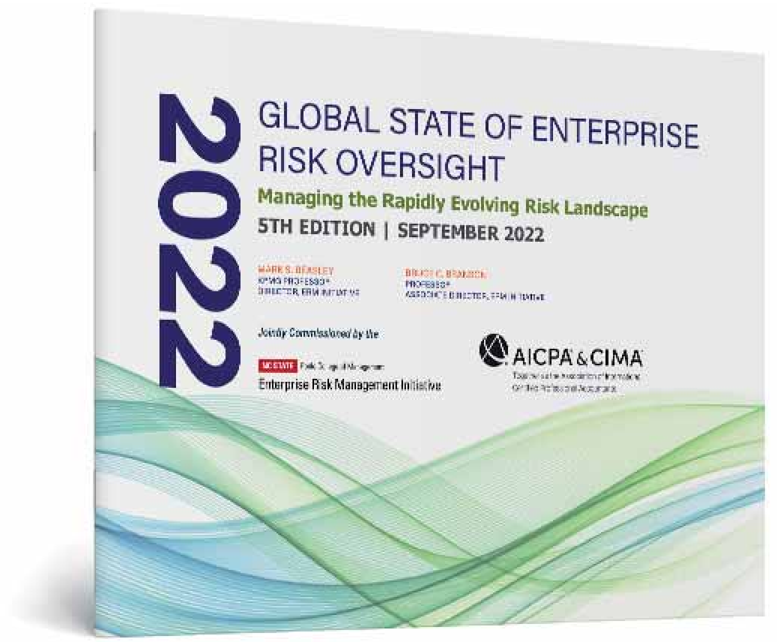
at-mia.my/2023/01/30/advice-for-minimising-risk-in-a-world-of-unknowns

January 30, 2023

By Peter Spence, Associate Technical Director – Management Accounting, AICPA & CIMA

Events of the past few years have stress-tested the business continuity management (BCM) and enterprise risk management (ERM) of organisations around the world.

According to the 2022 Global State of Enterprise Risk Oversight, jointly commissioned by the ERM Initiative at North Carolina State University and AICPA® & CIMA®, in most regions of the globe, only about one out of every three organisations claim to have complete ERM processes in place.



In a complex world, unknowns are unavoidable. Eliminating uncertainty is not only impossible, but ill-advised, because the pursuit of certainty can lead to focusing only on what can be measured, creating dangerous blind spots.

Finance leaders should aim to create robust BCM and ERM processes while fostering a culture that encourages debate and constructive tensions around data to surface unknown but knowable risks and opportunities.

For senior leaders looking to minimise risks and take advantage of opportunities in a world of unknowns, here are some key tips gleaned from AICPA® & CIMA® research:

Boost resilience through business continuity planning

Disruptions happen. It’s how businesses deal with them that matters most to stakeholders. A solid business continuity plan allows organisations to continue delivering critical products and services in the face of an incident or crisis.

The CGMA Business Continuity Management Tool outlines six key steps to developing BCM capabilities:

ASSESSMENT AND OBJECTIVE SETTING. Gather organisational support, identify a team to lead the project, review existing plans and create a BCM policy.	**CRITICAL PROCESS IDENTIFICATION.** Pinpoint essential business functions, how they are executed and what resources they need to perform tasks.	**BUSINESS IMPACT ANALYSIS.** Identify the ways each business function could be impacted by potential disasters and incidents. Estimate the maximum tolerable outage (MTO) and recovery point objective (RPO) for each process.
CONTINUITY RESPONSE APPROACHES. Accelerate the return to normal business operations with preparation and crisis management.	**PLAN IMPLEMENTATION AND TESTING.** Carry out annual (or quarterly) tests of the plan. Aim to simulate real-world conditions.	**MONITORING, VALIDATING AND IMPROVING.** Identify any gaps or weaknesses in the plan following tests and actual incidents. Make improvements based on post-crisis analysis.

Financial management professionals possess many of the skills required to create effective and cost-efficient business continuity plans. Leverage your finance team to conduct cost-benefit analyses, align investments with business objectives and identify how organisational change affects large investments.

Invest in risk management for greatest returns

Most businesses have processes in place to manage risk, but some organisations may not be investing enough resources into ERM. According to the 2022 Global State of Enterprise Risk Oversight, fewer than half of organisations think their risk management processes provide important strategic advantages.

Organisational leaders shouldn't think of risk management as competing with other top priorities, but as a way of ensuring their success.

If your organisation doesn't have complete ERM processes in place, you should engage key stakeholders to create a plan to refine them.

The best time to prepare for an incident or crisis is during periods of relative calm. Once an incident occurs, it's already too late to form an effective plan.

Business leaders have packed schedules, often lacking time to focus on managing risk. For that reason, an increasing number of organisations are appointing a Chief Risk Officer (CRO) to spearhead risk management.

The CRO might start by asking a series of questions to assess the organisation's starting point, such as:

- What aspects of current ERM processes are working well?
- Which aspects could be improved?
- How can the organisation better align risk information with strategic decision making?
- Which issue should be addressed first?

More advice for assessing an organisation's risk management can be found in the Global State of Enterprise Risk Oversight report.

Open lines of communication across functions to pinpoint potential risks

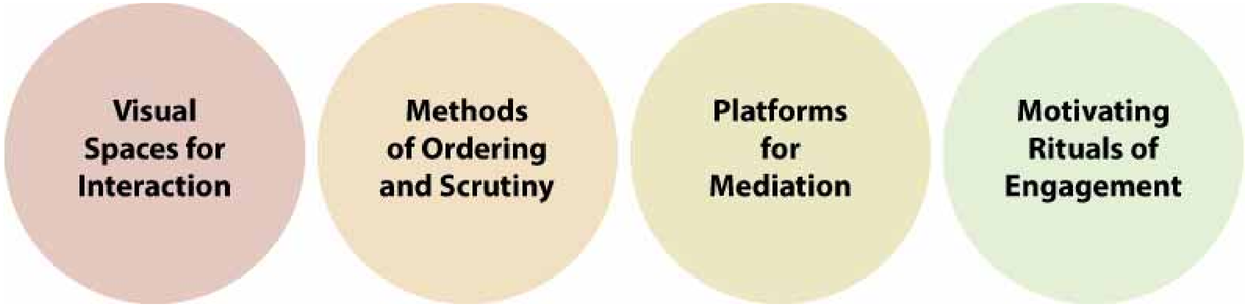
Silos are the enemy of agility. When an incident occurs, each key function needs to work together to address the situation with a unified front.

To make sure risks are managed across the enterprise, many organisations have formed management-level risk committees comprised of individuals from each business function.

Whether an incident in question is a global pandemic or company scandal, it will probably involve more than one function. For example, a pandemic will require a coordinated response by human resources, IT, finance, marketing and more.

The finance function can help facilitate cross-functional problem solving by encouraging debate and constructive tensions around doubts.

In AICPA® & CIMA®'s thought leadership on Dealing with the Unknown, the report's authors argue for management accounting systems that are:



Not all risks are going to be revealed in spreadsheets, which is why it's essential for management accountants to consistently raise questions about things that cannot be measured. When working to solve complex problems with other business functions, finance professionals should address and mediate any tensions that arise to develop better solutions for the entire enterprise.

***Peter Spence** is the Associate Technical Director – Management Accounting of the AICPA & CIMA*

Becoming an Approved Company Auditor Under the Companies Act 2016 – Revised Application Criteria and Frequently Asked Questions

at **at-mia.my**/2023/02/10/becoming-an-approved-company-auditor-under-the-companies-act-2016-revised-application-criteria-and-frequently-asked-questions

February 10, 2023

By Small and Medium Practices Department

Those aspiring to become an approved company auditor under the Companies Act 2016 in the near future must take cognisance of the **new application criteria effective 1 April 2023**.

Approval as an approved company auditor is under the purview of and granted by the Ministry of Finance (MOF) as per the Companies Act 2016. The MOF has delegated its power to approve the application of company auditors under Section 263 of the Companies Act 2016 to the Accountant General (AG). Eligible persons who wish to apply to be an approved company auditor are required to submit their application with the AG and to sit for and pass an interview with the **Committee for the Approval of Company Auditor**.

The AG has issued the revised Guidelines for Approval of Company Auditors under Companies Act 2016, which will take effect from **1 April 2023**. The major changes are in the application criteria for interview of approved company auditors as the last major revision in the application criteria was about 10 years ago. You may refer to the comparison table below for the comparative changes:

Application Criteria	**Current** ***(before 1 April 2023)***	**New** ***(effective from 1 April 2023)***
Post-MIA membership	At least one-year post-MIA membership.	3 years' post-MIA membership (for local candidates) or 2 years' post-MIA membership (for candidates who work in foreign jurisdictions*). **A minimum of one year's working experience overseas is needed in order to be considered as candidates working in foreign jurisdictions.*
Years of working experience	5 years of accumulated full-time experience *(pre- and post-MIA membership)*	6 years of accumulated full-time experience *(pre- and post-MIA membership)*
Years of audit experience	At least 3 years of working experience must be in audit. Auditors who worked in foreign jurisdictions are required to work in the Malaysian environment for at least 1 year.	At least 5 years of audit experience where 2 recent years of audit experience must be in the Malaysian environment.
Audit hours	Not applicable.	Fulfil a minimum of 7,500 audit hours over the immediate past 5 years prior to application.
Audit supervisory hours	Not applicable.	Accumulate at least 1,800 audit hours in an audit supervisory role over the immediate past 5 years prior to application.
Number of audits of Financial Statements	Not applicable.	Involved in at least 40 audits of financial statements over the immediate past 5 years prior to application.
Sponsor and format of sponsor letter	No specific format and the sponsor can be any approved auditor who is not an immediate family member of the candidate.	Sponsors must be from previous employer(s)/ supervisor(s) who can verify the audit hours, supervisory hours and number of audit engagements. There is a specific format to verify the audit/supervisory hours and number of engagements (Refer to Appendices 1 and 2 of the Guidelines).

Application Criteria	Current *(before 1 April 2023)*	New *(effective from 1 April 2023)*
Definition of audit supervisory role	Audit supervisory means overseeing, managing and controlling audits consulting engagements including financial reports and audit planning.	Audit supervisory means being in a managerial role involved in overseeing, managing and controlling audit engagements including audit planning and preparing audit reports.

The other requirements such as attendance of Public Practice Programme and holding a valid MIA practising certificate remain unchanged.

The full Guidelines issued by the Accountant General's Department can be downloaded here.

You may also refer to the following article in Accountants Today for further information on the interview process: Interview to Become an Approved Company Auditor –The Myths and Facts.

Frequently Asked Questions

I obtained my MIA membership on 31 March 2022. Can I still submit my application for audit licence interview on 31 March 2023 under the existing criteria, since I have fulfilled one-year post-MIA membership requirement one day before the effective date on 1 April 2023?

Yes, you may do so, provided your application meets all existing criteria and is submitted through Business Licensing Electronic Support System (BLESS) before 1 April 2023.

I obtained a marginal failure result (marks between 50% to 59%) in one module before 1 April 2023. Can I still apply for subsequent interview under the existing criteria?

Yes, all marginal failure cases before 1 April 2023 will be allowed for subsequent attempts under the existing criteria. However, failure to pass the subsequent interview will result in a new application submission under the new criteria.

In relation to question 2 above, is there a timeframe for a subsequent attempt after marginal failure?

The minimum waiting period for subsequent interview is 3 months and the candidate is required to resubmit the application for resit interview as soon as possible. The application will be considered by AG subject to the applicant's fulfilment of existing requirements.

I did not obtain a marginal failure result during the interview (before 1 April 2023) and could only apply to re-attempt the audit license interview after 1 April 2023. Thus, when submitting the application, am I subject to the new criteria?

Yes, the new requirement for the eligibility criteria and the sponsor letter is applicable to those candidates who will re-attempt the interview after 1 April 2023 (for a non-marginal failure case).

However, if the waiting period ended before 1 April 2023 and subsequently, the submission of application is made before 1 April 2023, then the candidate is not subject to the new requirement for the eligibility criteria and the sponsor letter.

Why are auditors working in foreign jurisdictions subjected to 2 years post-MIA membership, while auditors working in Malaysia are subjected to 3 years post-MIA membership?

Some candidates may have worked and qualified overseas and subsequently returned to work in Malaysia and became MIA members. To require them to adhere to the '3-year post-MIA' ruling would deprive them from practising despite their experience overseas.

Auditors who worked in foreign jurisdictions are required to work in a Malaysian environment for at least 2 years under the new criteria. Hence, this is in line with the 2 years post-MIA membership requirement.

For further enquiries on the guidelines, you may drop an email to:

AG's Secretariat at ukp@anm.gov.my or **MIA's Secretariat** at smp@mia.org.my

Digital transformation remains priority for MIA

at-mia.my/2023/02/16/digital-transformation-remains-priority-for-mia

February 16, 2023

The Malaysian Institute of Accountants (MIA) continues to staunchly prioritise digital transformation to ensure that the profession stays relevant and future-proof in a highly challenging digital landscape.

Digital transformation is an imperative for the Malaysian accounting profession as implementation of key technologies are already revolutionising the accounting industry by making tasks quicker, more accurate, and more efficient. One, repetitive tasks such as data entry and invoice processing can be automated, freeing up accountants to focus on higher-level and higher value complex and strategic tasks. Two, technologies such as data analytics could be utilised to analyse large amounts of data and identify patterns and trends, allowing accountants to make more informed decisions. Three, technology adoption could support accountants in financial forecasting, enabling them to use historical financial data to make predictions, identify potential issues, and make more informed decisions and recommendations on future financial performance. Four, technology can support audit professionals by enhancing their ability to detect any anomalies, errors or fraud in financial data, to further improve the accuracy and reliability of financial statements.

MIA's endeavours to promote the digital transformation of the Malaysian profession are being spearheaded in 2023 by the MIA Digital Month 2023 (MDM 2023), a dynamic month-long digitalisation learning series geared to enabling digital technology adoption by the accounting profession in Malaysia. Over four weeks, MDM 2023 will showcase a weekly complimentary webinar that will champion ethical leadership in the digital economy, share success stories on digital technology adoption, and proffer advice on managing cybersecurity risks and acquiring the digital skills required for relevance, resilience and future sustainability of the accounting profession.

MDM 2023 will culminate in the grand finale, the annual MIA AccTech Conference that highlights the latest pivotal developments in technology to accelerate the profession's digital transformation.

Throughout MDM 2023 and AccTech, accountants will see how to adopt and benefit from these technologies – spanning cloud accounting, Enterprise Resource Planning (ERP), finance transformation, cybersecurity, data Intelligence/analytics, and tech-driven business innovation – to make work easier and deliver improved outcomes. Our expert speakers will guide you on how to apply these tools together with human oversight and interpretation, to make the most of an accountant's professional judgement, ethical reasoning, and communication skills that can elevate organisations and future-proof the profession, while advancing its nation building purpose.

MIA Digital Month 2023 (MDM 2023) will take place from 16 February to 8 March 2023, culminating in the grand finale of the MIA AccTech Conference on 14 March 2023. For more information, please click here.

Expansion of the Coverage of Pembangunan Sumber Manusia Berhad (PSMB) Act 2001

at-mia.my/2023/02/13/expansion-of-the-coverage-of-pembangunan-sumber-manusia-berhad-psmb-act-2001

February 13, 2023

By Small and Medium Practices Department

As part of the initiative to facilitate the increase in the number of skilled workforces in Malaysia under the 11th Malaysia Plan, the Human Resources Development Corporation (HRD Corporation) broadened access to the Human Resources Development Fund (HRDF) by expanding the coverage of the PSMB Act 2001, with the exception of Federal Government, State Government, local council, and statutory body, effective from 1 March 2021. Please refer to the PSMB (Amendment of First Schedule) Order 2021 (PSMB Order 2021) which was gazetted on 26 February 2021 for the list of industries after the expansion of coverage.

It is significant to note that the professional services industry (including the accountancy industry) is one of the new industries identified following the expansion of the coverage of the PSMB Act 2001.

The History of Expansion of PSMB Act

In the past, there were two attempts in 2005 and 2010, to expand the scope of coverage of the PSMB Act, to include the accounting profession. However, the Government eventually reversed that decision after MIA submitted a memorandum. The points raised in the memorandum were that training is an integral part of the accounting and auditing profession, and hence, there is no necessity to expand the coverage of the PSMB Act to the profession. Furthermore, based on recent statistics, only 21% of total member firms have 10 or more staff, to be liable for registration with HRDF.

Efforts of MIA in getting the accounting and auditing profession exempted from the expansion of scope under PSMB Act 2001 since 2019 include the following:

- Submission of the "Memorandum Pertaining to the Proposed Expansion Scope of the Pembangunan Sumber Manusia Berhad (PSMB) Act, 2001 (Act 612) to the Accounting and Auditing Industries" to HRDF, MOF and Ministry of Human Resources (MOHR);
- Several engagement sessions with HRDF/MOF/MOHR to convey MIA's stance and also to lobby for exclusion of accounting and auditing from the First schedule;
- Submission of a letter to Ministry of Human Resources after the PSMB (Amendment of First Schedule) Order 2021 was gazetted on 26 February 2021, requesting to delay the effective date for expansion of scope to 1 July 2022;
- Submission of a Joint Letter by the Bar Council, MIA, The Malaysian Institute of Certified Public Accountants (MICPA), the Chartered Tax Institute of Malaysia (CTIM), the Institute of Engineers, the Association of Consulting Engineers Malaysia and Pertubuhan Akitek Malaysia to the MOHR. The letter was also sent to the Prime Minister's Office.

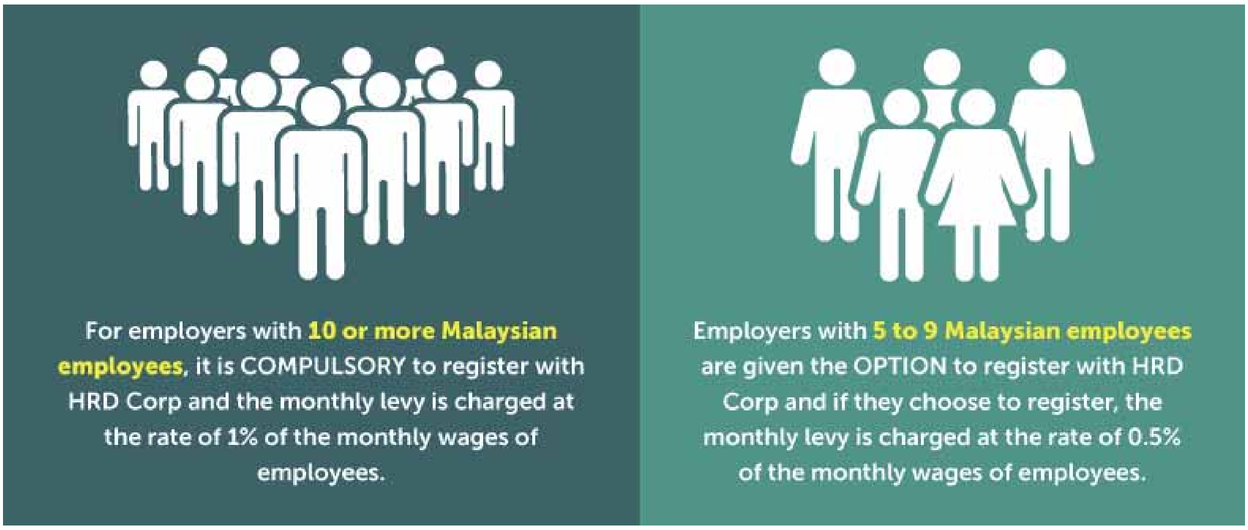
As there was no response from the MOHR after the submission of the Joint Letter in December 2021 and after checking with HRD Corp staff that no further levy exemption will be granted, MIA issued Circular MF2/2022 in early February 2022 to clarify that there will be no further extension of levy exemption and MIA member firms that met the requirement for registration and levy contribution were required to register with HRD Corp and start contributing levy since January 2022.

For the legal profession, the Bar Council initiated action by filing an application at the High Court of Malaya, Kuala Lumpur to seek declaratory relief that the PSMB (Amendment of First Schedule) Order 2021 is not applicable to those regulated by the Legal Profession Act 1976 ("LPA 1976") as well other reliefs relating directly to the LPA. A stay of the application of the PSMB Act, including its enforcement, vis-à-vis the legal profession, pending the disposal of their application, is also being sought.

If the decision from the Court is favourable to the Bar Council, MIA may be able to apply the same legal precedent in that decision. On 16 October 2022, the attempt to seek a judicial review by the Bar Council was rejected and on 18 October 2022, an interim stay was granted until the next court date. The Institute will continue to monitor the progress and update member firms accordingly.

Requirement for registrations and levy contribution

For employers that fall under the expansion of coverage, following are terms and conditions for new registration:



Currently, HRD Corp still accepts registration with no penalty **except for the cases that had been referred for further action.**

Payment of levy

The deadline for levy payment is by every 15th of the following month. Previously, employers that are required to be registered as employers with HRD Corp (i.e., those with 10 or more employees), are given an exemption from paying the HRDF levy for three (3) months from 1 March to 31 May 2021 under the PSMB (Exemption of Levy) Order 2021 (PSMB Exemption Order 2021) gazetted on 26 February 2021.

Subsequently, the Minister of Human Resources extended the period for exemption of levy payment until 31 December 2021 for employers covered under the Pembangunan Sumber Manusia Berhad (Amendment of First Schedule) Order 2021, PSMB Act, 2001 (P.U. (A) 84/2021) commencing 1 March 2021 and registered with HRD Corp before 1 July 2021. The levy exemption period was from 1 June 2021 to 31 December 2021.

No further extension was granted for exemption of levy payment. All member firms with 10 or more employees and registered with HRD Corp are subject to levy payment effective 1 January 2022, and the first levy payment shall be made to HRD Corp by the 15th of the following month.

FAQs on HRD Corp Claimable Courses

MIA's courses have been granted the Approved Training Programme (ATP) status under the PSMB Act 2001.

Based on the HRD Corp's Training Providers' Circular No. 3/2021, HRD Corp has imposed a requirement that training providers need to register their training programmes under the HRD Corp Claimable Course Scheme to become eligible to offer trainings to registered employers.

Here are some frequently asked questions on claimable courses:

What are HRD Corp Claimable Courses?

HRD Corp Claimable Courses, formerly known as SBL Khas, are collectively a scheme to assist registered employers, especially those with limited resources to train and upskill their employees in line with their operational and business requirements.

Under this scheme, HRD Corp will pay the course fee (subject to a 4% service fee from 1 April 2021) directly to the training providers by deducting the amount from the employers' levy account. HRD Corp will also pay other claimable allowances to the employer.

What is the submission process for HRD Corp Claimable Courses?

- Firstly, MIA will submit its courses registration via the HRD Corp e-TRiS system. Once the course is approved as a Claimable Course, it will appear in the e-TRiS system.
- Employers will need to access the e-TRiS system to select the course and submit to HRD Corp for grant approval. The total claimable amount is subject to the approval of each Employer's individual grant application.
- Once HRD Corp has approved the Employer grant, the e-TRiS system will generate and send the approval letter to the training provider.
- After the training is completed, Employers are required to verify the JD 14 Form, Attendance Form (T3) and Attendance Report filled in by the Training Provider. The Employers need to sign (Manager and above) and insert their company stamp on required documents. The signed and stamped documents are to be forwarded back to the Training Provider.
- MIA will then submit all completed documents to HRD Corp e.g., JD 14 Form, Attendance Form (T3), invoice and system-generated report (for Remote Online Training only).

In the event that HRD Corp rejects the Employer-approved grant submitted by MIA, due to any unresolved queries or lack of documentation on the training (including shortage of attendance, change of participant details or unqualified participants), MIA reserves the right to issue their invoice directly to the company/member firm. The company/member firm is obligated to settle the payment to MIA directly for all training conducted and services provided to the company/member firm.

What is required in the submission of a training grant application (for Employer)?

Employers can view the details here https://hrdcorp.gov.my/wp-content/uploads/2022/03/Claimable-Courses-HRDCorp-Grant-Helper.pdf

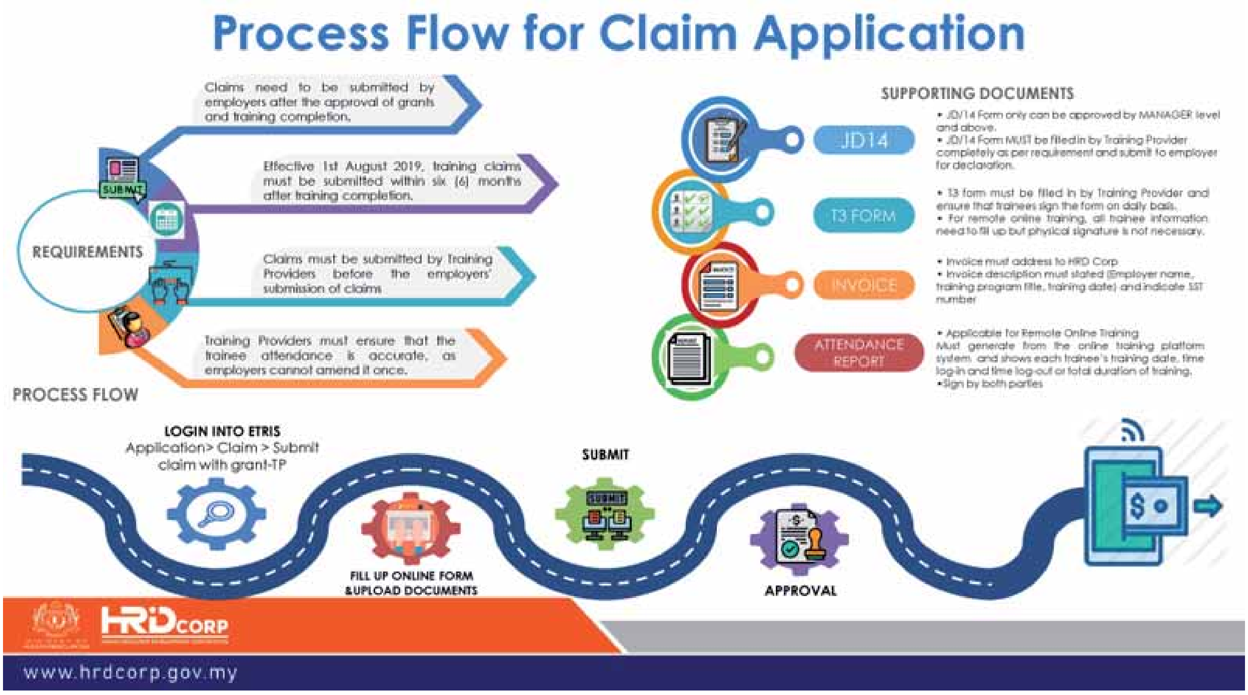
What are the procedures to submit a complete claim application for a training conducted?

There are two (2) types of claims for HRD Corp Claimable Courses.

Training Providers will have to submit claims for the course fees while employers will submit the claims for their allowances.

Please click on the following link for more information on training claim application by employers: https://hrdcorp.gov.my/wp-content/uploads/2021/10/Claim-Submission_SBLKHAS_EMPLOYER_HRDCORP-Claim-Helper-3.pdf

The submission of claims by training providers is explained in previous question above. Please click on the following link for the process flow for claim application by training providers:



Note: For more information and updates on HRD Corp, please visit www.hrdcorp.gov.my.

Should you have any problem accessing your e-TRiS account, kindly forward the issue to HRD Corp Support Centre via supportcentre.hrdcorp.gov.my.

Harness Four Simple Design Principles to Become an Effective Finance Business Partner

at-mia.my/2023/01/25/harness-four-simple-design-principles-to-become-an-effective-finance-business-partner

January 25, 2023

By Peter Spence

Finance professionals can really drive value when they work with other functions. AICPA & CIMA's Associate Technical Director offers some advice for maximising the opportunities of business partnering.

Accounting and finance professionals have an opportunity to step into leadership roles and unite their organisations toward a common goal.

By bringing together stakeholders across functions to raise doubts and engage in productive debate, finance business partners can help generate new knowledge and provide more value than ever before.

CIMA®'s work on Dealing with the Unknown offers a framework for how finance leaders can leverage four design principles to effectively partner with other functions and take on the role of mediator. These four principles include generating discussion and debate, engaging with a variety of viewpoints, embracing visuals and simplifying processes.

Generate discussion and debate across functions

Finance professionals love numbers and spreadsheets, but numbers don't always hold all the answers. By focusing exclusively on what can be measured, we risk ignoring the unmeasurable but vital factors that could create dangerous blind spots for our organisations.

Leaders can incorporate the first design principle by providing opportunities for regular interaction among functions.

In a CIMA® finance business partnering research report, Toyota UK lays out their approach to effective business partnering. The organisation creates opportunities for inter-departmental discussion by embedding business partners in each division to break down silos and having teams work in an open plan office to facilitate regular interaction.

These strategies have been effective because they encourage employees to simply walk over and ask questions of other functions and allow them to organically form relationships and build trust with one another.

These interactions help finance understand all aspects of the business to gain context and empathy for other functions, while simultaneously humanising finance professionals.

By tearing down silos and moving away from a hierarchical system where business partners are viewed as policemen who control the budget, organisations can align everyone to the same goals.

Encourage and embrace different viewpoints

The second design principle is related to the first in that they both aim to surface new knowledge and enrich conversations.

For any investment proposal, finance should take the lead on probing the business case and mediating productive debate among stakeholders with a variety of viewpoints.

At Toyota UK, they make a habit of repeating ‘why’ at least five times to ensure every major business decision and investment creates value. This process of raising doubts and questioning assumptions also helps to minimise unnecessary risk, develop solutions to problems and generate buy-in from key stakeholders.

Another organisation profiled in the CIMA® report under the pseudonym Mancunia sought out different viewpoints by adapting their questions to each stakeholder or function.

For example, when the finance director was working with the marketing director, they didn't simply show them the raw numbers. Instead, they chose two areas that mattered most to the marketing director (product launches and portfolio life-cycle planning) and crafted probing questions around those. This approach helped the marketing director truly understand what drives costs and profits while allowing the finance director to gather valuable insights in return.

Use visuals to demystify the numbers

The third design principle is to use visuals to facilitate better understanding. Visuals have the potential to demystify finance and offer entry points for discussion among people with varied backgrounds.

Presenting spreadsheets or dull PowerPoint slides are not always effective ways to engage other functions and encourage productive debate.

Finance business partners should aim to speak a common language so everyone can understand one another and effectively engage with uncertainties.

For example, the finance team at Mancunia uses simple, visual charts to help the marketing team understand the relationship between selling price and margin percentage.

Because finance doesn't always know best, visuals are powerful tools that allow other functions to question the numbers and generate collaborative, novel solutions to problems.

Simplify coordinating processes and systems

In siloed organisations, each function has their own way of doing things, which results in a fractured system where knowledge often falls through the cracks.

The fourth design principle suggests creating unified processes that allow functions to effectively coordinate with one another.

For example, at Toyota UK, the entire organisation uses the same simplified system to see investment proposals through to delivery. Having a clear, unified process avoids duplication of reports and burdening of other functions with numbers.

All four design principles are deeply entangled and meant to be implemented simultaneously. By taking the initiative to break down silos and unite functions, finance professionals can accept the mantle of leadership and orchestrate immense value for their organisation.

Peter Spence is the Associate Technical Director – Management Accounting of the AICPA & CIMA

How Audit firms with Zero Clients Apply for Practice Review Exemption?

February 8, 2023

By MIA Practice Review Department

Pursuant to Paragraph (8) of Appendix VI of MIA By-Law, all members in public practice offering audit engagements are required to adhere to the standards as prescribed by the Institute. All members in public practice and their audit firms so engaged, must submit to practice review.

However, under certain circumstances, the audit firm can be exempted from practice review if they meet the criteria as stated in Paragraph (9) of the of Appendix VI of MIA By-Law, extracted as below:

Where a member in public practice holding a practising certificate completes a declaration in prescribed form certifying that he/she is not engaged in public practice services in so far as it pertains to audit engagements during the preceding twelve (12) months and does not intend to so practise for the foreseeable future, or that he/she will be discontinuing public practice in so far as it pertains to audit engagements in the immediate future (that is a maximum of three (3) months from the date of selection of the firm), he/she may be exempted from practice review at the discretion of the Practice Review Committee.

Since year end of 2020, the MIA Practice Review Department (PRD) has been actively reviewing the submission of annual returns by the audit firms so as to ensure the consistency and accuracy of our risk profiling mechanism, as well as the accuracy and completeness of information as disclosed in the annual return submitted to MIA.

The following are the steps that the audit firms (with zero audit clients) are required to perform if selected for practice review:

STEP 01

> PROCEDURES

PRD notifies audit firm on practice review and instructs audit firm to submit Practice Review Questionnaire (PRQ) and relevant supporting documents.

STEP 02

> PROCEDURES

Audit firm to inform the PRD of its zero-client status within 21 days from the receipt of PRD's notice of practice review.

STEP 03

> PROCEDURES

Should the audit firm wish to apply for exemption for practice review due to zero-client status, the following are two (2) of the options:

a. If the audit firm chooses to discontinue their practice as it pertains to audit services in the immediate future and to cease the audit firm:

i. Submit the SSM Section 265(4) form as well as SSM's confirmation letter on the cessation of firm; and

ii. Update the MIA Membership Department on the cessation of the firm together with the submission letter to SSM

b. If the firm decides to maintain the current status:

i. Practitioners shall complete a declaration in the prescribed form certifying that he/she is not engaged in public practice services in so far as it pertains to audit engagements during the preceding twelve (12) months and does not intend to practice for the foreseeable future; or

ii. Should the audit firm also provide other non-audit services, the audit firm need to submit the list of clients engaged for the period of past twelve (12) months from the date of the notice of practice review.

Note: In circumstances where there are audit services being provided by the audit firm but the audit firm decides to resign from all the audit clients subsequent to the receipt of notification of practice review, the audit firm can seek for exemption from practice review with submission of all the relevant supporting documents and information in regard to the resignation as auditor pursuant to Section 281 of Companies Act 2016 together with the completed audit client listing for verification.

STEP 04

> PROCEDURES

The PRD will then assist to table a report to the Practice Review Committee (PRC) for approval of exemption from practice review. If the PRC requires further documents to be submitted after the deliberation, PRD shall inform the audit firm accordingly. In doing so, the reviewer shall not name any individual in the report except in a suitably codified manner.

STEP 05

> PROCEDURES

An audit firm granted an exemption by the PRC needs to adhere to the following terms and conditions upon the approval of the exemption:

the audit license holder of the firm shall undertake the responsibility to immediately notify the Institute if the firm is again engaged in audit practice in future; and

to update the status of the firm every six (6) months subsequent to the date of approval for exemption from practice review.

The audit license holder shall undertake the legal obligation and failure on his/her part to comply with any of the above stated terms and conditions would be deemed to be unprofessional conduct and can lead to disciplinary action being taken against him/her.

In addition, with regards to those audit firms where inconsistency was identified and/or there is a reasonable belief that it constitutes a dishonest disclosure, a complaint will be lodged against the audit license holders of the firm.

Conclusion

An audit is important as it provides credibility to a set of financial statements and gives the shareholders confidence that the accounts are true and fair. Therefore, auditors shall express an opinion on a subject only when it is based on adequate knowledge and honest conviction. Similarly, it is expected that audit practitioners should at all time, act in an ethical manner which will bring credit upon themselves, their audit firm and the quality of the auditing profession. Audit practitioners must avoid making false, unsupported or misleading statements that will bring reputational risk to their firms.

ISA 600 (Revised) – Special Considerations: Audits of Group Financial Statements (Including the Work of Component Auditors)

at-mia.my/2023/02/17/isa-600-revised-special-considerations-audits-of-group-financial-statements-including-the-work-of-component-auditors

February 17, 2023

By Edwin Tan Aik Win and Johnny Yong

The International Auditing and Assurance Standards Board (IAASB) had, through the issuance of the Invitation to Comment (ITC) Paper, Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits in December 2015, identified a series of enhancements to the current standard ISA 600 in light of the stakeholders' feedback. A project proposal was then launched a year later which culminated with the release of the Exposure Draft (ED) back in April 2020.

The objectives of the ED were aimed to:

- Keep the revised ISA 600 fit-for-purpose including explaining whether the revised standard applies to shared service centres, entities operating with branches or divisions and non-controlled entities;
- Clarify and reinforce in the revised standard that all ISAs need to be applied in a group audit engagement through establishing stronger linkages to the other ISAs – particularly ISA 220 (Revised), ISA 315 (Revised 2019) and ISA 330;
- Introduce a principles-based approach to group audits that is adaptable to a wide variety of circumstances, and scalable for audits of groups of different complexity. For example, the revised standard will focus on identifying, assessing and responding to the risks of material misstatement in group audits and highlights the requirements and application material when component auditors are involved;
- Clarify how to address restrictions in access to people and information in group audits; and
- Foster an appropriately independent and professionally skeptical mindset of the auditor throughout the engagement.

In total, 83 comment letters were received on ED-600, including from the Auditing and Assurance Standards Board (AASB) of Malaysia. The ED was recently finalised and approved by the Public Interest Oversight Board (PIOB) in April 2022 and will be effective for audits of group financial statements for periods beginning on or after 15 December 2023. Malaysia is adopting the same effective date as that of the international standard with earlier application being permissible.

What are the Key Changes as Compared to the Current Standard?

Scope and Applicability

The revised ISA 600 is applicable when an auditor has been engaged to audit group financial statements. The revised standard provides further clarity in the following areas:

- **Consolidation** – A consolidation process in the revised standard is not intended to have the same meaning as "consolidation" or "consolidated financial statements" as commonly understood in a typical financial reporting framework. Thus, the process here may include:
  - Consolidation, proportionate consolidation, or an equity method of accounting;
  - The presentation in combined financial statements of the financial information of entities or business units that have no parent but are under common control or common management; or
  - The aggregation of the financial information of entities or business units such as branches or divisions.
- **Flexibility** – A group auditor shall look beyond the group's legal structure to plan and perform the group audit in a way that takes into account different and increasingly complex group structures and information systems, including the use of shared service centers. Therefore, the concepts of components are now wider than previously defined in the current standards.

In addition, auditors may find it useful to adapt the principles in the revised standard to audits of financial statements other than a group audit when the engagement team includes individuals from another firm, such as those performing an inventory count at a remote location. Auditors are expected to adapt the requirements in the revised standard as necessary to specific engagement circumstances that may arise.

Encouraging Pro-active Management of Quality

This standard now clarifies how the requirements in ISA 220 (Revised) apply to manage and achieve audit quality in a group audit, including the allocation of sufficient and appropriate resources to perform the engagement, filtering down to the component level. The group engagement partner is required to take ultimate responsibility for the nature, timing and extent of direction and supervision of component auditors and the review of their work to support the group audit.

Further, the risk-based approach of the revised standard is expected to promote greater alignment with the requirements in ISA 315 (Revised 2019) and ISA 330 (e.g., on the identification of significant risks and the corresponding audit procedures). This can drive the group engagement team to focus on planning the most appropriate approach to obtaining sufficient appropriate audit evidence with adequate documentation for areas involving significant auditors' judgement.

Under this risk-based approach, with appropriate oversight, component auditors continue to be and are often involved in all phases of the group audit.

Risk-Based Approach for Planning and Performing the Group Audit

The revised standard approaches the group audit using the risk-based approach as enshrined in the revised risk assessment standards of ISA 315 (Revised 2019) Identifying & Assessing the Risks of Material Misstatement and ISA 330 The Auditor's Responses to Assessed Risks to plan and perform the group audit engagement. It drives auditors to identify and assess the risks of material misstatement at the group financial statements level and line-item assertion level covering account balances, classes of transactions or disclosures and subsequently, for designing and performing the appropriate audit procedures to respond to the assessed risks. It also stipulates the responsibilities of the group auditors in determining the nature, timing and extent of the involvement of component auditors, especially at the audit planning stage. This is critical in cases where the legacy knowledge of the component auditors greatly aids the identification and assessment of risks of material misstatement.

Materiality and Aggregation Risk

ISA 600 (Revised) also clarifies how the concept of materiality and aggregation risk apply in a group audit (in contrast to how materiality is used in performing a standalone audit of the financial information of the component for other reporting purposes). While the current standard contains both concepts of component materiality and component performance materiality, it does not explain the consideration of aggregation risk in the group audit in a meaningful way. As a consequential amendment to the revised ISA 600, a new definition of aggregation risk has been added to ISA 320 Materiality in Planning and Performing an Audit along with a corresponding alignment to the definition of performance materiality for added clarity.

When applied to the revised standard, component performance materiality has been defined as "an amount set by the group auditor to reduce aggregation risk to an appropriately low level for purposes of planning and performing audit procedures in relation to a component" thereby reminding group auditors that their determination of component performance materiality is key to ensuring the group audit opinion is sufficiently robust to meet the objectives of a financial statement audit and to reduce aggregation risk to an appropriately low level for the group audit.

Reinforcing the Need for Robust Communication and Interactions with Component Auditors

ISA 600 (Revised) strengthens and clarifies:

The importance of two-way communications between the group auditor and component auditors; and	Various aspects of the group auditor's interaction with component auditors, including communicating relevant ethical requirements, determining competence and capabilities of the component auditor and determining the appropriate nature, timing and extent of involvement by the group auditor in the work of the component auditor.

There are also requirements outlining matters to be communicated by component auditors to the group auditor that may be relevant to the group auditor's conclusion about the group audit.

Restrictions on Access to Information or People

The revised ISA clarifies the various type of restrictions a group auditor may face in applying the revised standard (e.g., access to component management, those charged with governance of the component, component auditors or information at the component level and component auditor's audit documentation). Guidance is provided on how to overcome such restrictions especially at the engagement acceptance and continuance phase of the audit by requiring the group auditor to obtain agreement from group management at the onset.

Interestingly, the revised ISA highlights that the existence of such restrictions of access in a group where non-controlling interest in an entity accounted by the equity method may require the group auditor to consider the appropriateness of group management's use of the equity method of accounting.

Professional Skepticism

Consistent with other more recent standards being issued by IAASB, ISA 600 (Revised) similarly emphasizes the importance of exercising professional scepticism, including as part of the group auditor's:

Direction, supervision and review of the work of engagement team members, including component auditors; and	Evaluation of whether sufficient and appropriate audit evidence has been obtained (including by the component auditors) to provide a basis for forming an opinion on the group financial statement. Under the current and revised standards, there is no concept of shared responsibility for group audits.

The standard also includes some examples of the impediments to the exercise of professional scepticism at the engagement level and possible actions that the engagement team may take to mitigate such impediments.

Documentation

ISA 600 (Revised) includes enhanced documentation requirements and application materials to emphasize the requirements in ISA 230 Audit Documentation and the documentation requirements in other relevant ISAs. The revised standard also clarifies what the group auditor may need to document in different situations including where there are restrictions on access to component auditors or their audit documentation. Some of the examples are:

Documentation on how significant matters related to restrictions on access to people and information within the group were resolved;	The basis for the group auditor's determination of components for purpose of planning and performing the group audit;	The basis for the determination of component performance materiality and the threshold for communicating misstatements in the component(s) financial information to the group auditor in a timely manner; and	The nature, timing and extent of the group auditor's direction and supervision of component auditors and the review of their work.

What has not changed is the fundamentals encapsulated in ISA 230 which is for audit documentation for a group audit engagement to be sufficiently robust to enable an experienced auditor, having no previous connection with the audit, to understand the audit procedures performed, the evidence obtained and the conclusion reached with respect to significant matters arising from the group audit.

Conclusion

The revised ISA 600 offers consistency, clarity and reiterates the important role group auditors have in managing and performing audits of group financial statements. The standard engenders flexibility and scalability as concepts of 'groups' and 'ways of working' continue to evolve in today's ever-changing environment. What is constant, however, is the focus on exercising professional judgement in identifying and evaluating risks of material misstatements in group audits, ensuring close involvement of the group auditor with the component auditor(s) and their work with a skeptical mindset and sufficient and robust documentation of the group auditor's significant judgements.

Members are urged to read AAPG 1 and AAPG 2 that were issued in June 2021 for the latest format of the auditors' report (as Malaysia is adopting a dual compliance regime), as the illustration under Appendix 1 of the ISA 600 (Revised) is intended for the international audience.

The following additional resources are available for members to download:

Basis for Conclusion (issued by IAASB in April 2022); and	IAASB's Fact Sheet - Audits of Group Financial Statements: Introduction to International Standard on Auditing 600 (Revised), Audit of Group Financial Statements (Including the Work of Component Auditors). This was also issued in April 2022.

The IAASB will also be issuing the first-time implementation guide and some other implementation tools in early 2023. The AASB of Malaysia will be sharing all these future resources with members as and when these resources are made available at a later date. Please do stay tuned with all these developments coming your way. Meanwhile, the standard is accessible at: *https://mia.org.my/regulatory-public-interest/standards/international-standards-on-auditing/*

Edwin Tan Aik Win is the Audit & Assurance Quality Leader of Deloitte PLT, a member of the MIA Council and the MIA Auditing and Assurance Standards Board (AASB).

Johnny Yong is Head, Capital Market and Assurance of MIA.

MIA Digital Economy and Reporting Insights (October – December 2022)

at-mia.my/2023/01/20/mia-digital-economy-and-reporting-insights-october-december-2022

January 20, 2023

By the Digital Economy, Reporting and Risk Team

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

Digital Transformation in Small and Medium Practices

As part of its continuing efforts in supporting the small and medium practices (SMPs) to transform their practices, the Institute organised a webinar titled ‘Leading a Digital Transformation Journey in Your Practice’ on 20 October 2022. The webinar kicked off with an overview of MIA digital initiatives by Rasmimi Ramli, Executive Director of MIA Digital Economy, Reporting and Risk Division. This was followed by a presentation on an overview of the Digital Competency Maturity Model

(DCMM) tool by Martin de Bie, Chair of EFAA's Digital Working Group, European Federation of Accountants and Auditors for SMEs (EFAA). Martin de Bie also provided step-by-step guidance on using the tool. The webinar ended with a sharing of a digital transformation journey by Jeremy Chia, Managing Partner & Co-Founder, Chia, Ka & Partners PLT. More than 500 MIA members attended the webinar where 250 of them have used the tool and assessed their digital competency. For more details on the tool, go to https://efaa.com/projects/dcmm-supporting-digitalisation/.

Accountants Combating Cybersecurity Challenges

Watch Video At: https://youtu.be/LyAbOsJKG_0

Accountants hold the keys to confidential information such as sensitive financial and high-value commercial data, which is gold to cybercriminals. Watch this video to find out more about the critical cybersecurity risks that plague organisations today and directly affect the profession as financial stewards and gatekeepers, including lessons learnt from high-profile cybersecurity failures.

As guardians of high-value financial and commercial data, accountants play a critical role in their organisations in strengthening cybersecurity. Watch this video to see how accountants at all levels including Board members and C-Suite executives can champion good governance by boosting cybersecurity defences to outwit cybercriminals.

Watch Video At: https://youtu.be/rzBP1utrF_k

Let’s Champion Tax Governance

As an effort to drive ESG practice in the accounting profession, a Virtual CFO Event titled Let’s Champion Tax Governance was held on 23 November 2022. Dr Veerinderjeet Singh, member of MIA Taxation Practice Committee spoke on the following:

- Corporate governance and global developments on tax governance
- Knowing your organisation’s tax risk and its impact
- Tax transparency disclosure
- Role of audit committees and chief financial officers
- Developing a tax governance framework

In November 2021, the Institute and the Malaysian Institute of Certified Public Accountants jointly published the Tax Governance Guide as part of the accountancy profession’s advocacy for tax transparency and good reporting practices amongst listed issuers. The Inland Revenue Board (IRB) published the Tax Governance Framework (TCFG) in April 2022 which establishes the techniques and processes within an organisation to identify and assess tax risks. It also sets out appropriate actions to mitigate the impact of those tax risks. An effective tax corporate governance framework can cultivate a level of confidence that the organisation is reporting and paying the right amount of tax, enabling organisations to achieve greater certainty in relation to their tax affairs. Detailed information on TCGF can be found here.

Tax advocacy

Proposals on sales and services tax policy

In November 2022, the Institute submitted the following proposals in relation to sales and services tax policy issues:

Amendment on exclusion of duty/tax-free treatment on goods not used directly in any approved activity in free zone, licensed warehouse and licensed manufacturing warehouse (LMW).

Single application procedure for customs duties and sales tax exemptions.

Tax exemption for foreign sourced income

In January 2023, the Institute jointly submitted the Joint Memorandum for Tax Treatment on Income Received in Malaysia from Outside Malaysia to the IRB. The Joint Memorandum sets out comments/feedback pertaining to the tax exemption for foreign sourced income as gazetted under the following statutory orders dated 19 July 2022:

- Income Tax Exemption (No 5) Order 2022 [P.U.(A) 234/2022]
- Income Tax Exemption (No 6) Order 2022 [P.U.(A) 235/2022]

Accounting for Natural Resources

The International Public Sector Accounting Standards Board (IPSASB) issued a Consultation Paper, *Natural Resources* in October 2022. This Consultation Paper is the IPSASB's first step in developing guidance on the recognition, measurement, presentation, and disclosure of natural resources in the public sector. MIA has submitted comments to the Consultation Paper on 17 October 2022 which can be accessed at https://mia.org.my/consultation-paper-natural-resources/.

Studies Commissioned by the Institute and MAREF

MIA and the Malaysian Accountancy Research and Education Foundation (MAREF) have carried out a research programme to steer the commissioning of priority research topics (PRT) that are funded by MAREF Research Grants. The main objectives of MAREF are the promotion, encouragement and advancement of accountancy research and education which are in line with MIA's advocacy activities to promote the future relevance of the accountancy profession.

The PRT 2.0 programme has ended where four studies have been completed as follows:

TITLE	BRIEF DESCRIPTION OF THE RESEARCH
Single application procedure for customs duties and sales tax exemptions.	This study investigates the standing of Malaysian tax schemes for SMEs compared to 17 countries across continents and economic classification. Upon determining the position and area of improvements of the schemes, this study investigates the SMEs' willingness to pay more income tax and the factors that contribute to the observed willingness. In addition to contributions to literature, this study also contributes to practice by highlighting the area of improvements of Malaysian tax schemes for SMEs and the factors that warrant the focus of the authority if the SMEs are to be encouraged to pay more income tax.
Accrual Accounting and Financial Management in The Malaysian Public Sector: A Comparative Case Study of Two Statutory Bodies	This research examines the preparedness, level of adoption and challenges faced by two government statutory bodies in implementing accrual accounting.
Cryptocurrencies: Risk and Governance	The research looks at research evidence on different types or sources of cryptocurrency risk by considering stakeholders' perceptions, knowledge and/or experiences and explores the governance challenges for cryptocurrency markets including perceived gaps in the present regulatory perimeter. It also gains insights from the UK's experience as a reference for learning.
Intangible Assets Reporting Practices in Integrated Reporting (IR) Among Malaysian Public Listed Companies	This study examines the current reporting practices of intangible assets using the <IR> approach and identifies improvements that could be made by Malaysian public listed companies.

The short research reports (SRR) of these studies are available for purchase from the MIA e-library at https://eknowledge.mia.org.my/mia/purchase.html. All receipts from the purchase go to MAREF.

MAREF Priority Research Topics 3.0 – Call for Proposals

In December 2022, MAREF invited submission of research proposals on Priority Research Topics 3.0 (PRT 3.0). The deadline for submission is 31 January 2023. For more details, please read Circular No 65.

President’s 2023 New Year Message

at at-mia.my/2023/01/04/presidents-2023-new-year-message

January 4, 2023

On behalf of the Institute, I would like to reflect on 2022 and thank you for your support and engagement with MIA and the profession.

In 2022, we continued to stride forward in forging a future-fit profession that contributes to sustainable nation building.

Among the highlights of the year were prioritising the environmental, social and governance (ESG) agenda to enhance the future relevance of the profession and better business. MIA delivered numerous programmes for upskilling members while enhancing the profession’s development and regulation, with an emphasis on standards, best practices and ethics.

We are equally committed to elevating members’ wellbeing in this challenging environment and launched the MIA Members Assistance Programme that seeks to support members’ psychological health. If you have not tried it yet, these services which include a full suite of digital features and a support network for professional coaching and counselling can be accessed through the MIA Careline.

For the year ahead, the Institute will continue to focus on strategic collaboration and sustainability to drive our development and regulation endeavours.

As always, strategic collaboration with diverse stakeholders will be imperative to advance the profession.

Importantly, we intend to increase collaboration with regulators to improve compliance and good governance especially in combating bogus accountants, uplifting sustainability and corporate disclosure, and strengthening audit quality and practice management to protect the public interest. This will be supported by programmes to build capacity and competency, especially via implementation of the International Standard on Quality Management (ISQM) 1 and embedding of ethics.

We are committed to enhancing the talent pipeline for the profession to address the skills shortage. In 2022, we collaborated actively with universities to convey the value proposition of the accountancy profession. In 2023, we plan to collaborate more with universities to penetrate into schools and expose young talents to the potentials of the profession earlier on.

Collaboration is also baked into the DNA of the MIA International Accountants Conference 2023, which returns in the physical form factor from 13-14 June. So do make a date for the Conference and reinvigorate your networks while learning from top leaders.

To elevate business continuity and sustainability, MIA will continue to emphasise digital adoption and accountants as leaders in the integration of the business environmental, social and governance (ESG) agenda. Proposed initiatives include the introduction of the Digital Technology Awards to celebrate and inspire the profession's digital innovation and the development of MIA's sustainability standard for the profession. MIA will also continue to support the International Sustainability Standards Board and its advocacy for sustainability reporting.

I hope that these insights have been useful and will help you to prepare to navigate 2023 successfully.

Once again, we thank you for helping the profession to achieve a memorable 2022, and we wish you a bountiful and prosperous 2023.

DATUK BAZLAN OSMAN
President
Malaysian Institute of Accountants

SMP Forum 2023 – 21st Century SMPs – A New Approach

February 21, 2023

As part of its endeavours to help public practitioners become more relevant and future-proof, the Malaysian Institute of Accountants (MIA) will organise the MIA SMP Forum 2023 on 9 March 2023 at **Connexion Conference & Event Centre @ The Vertical, Bangsar South.**

The Forum will be led by top-tier speakers who will share their perspectives on the most recent key developments affecting SMPs in the global and local landscape, ranging from complex changes in standards and regulation to implementing best practices in the environmental, social, and governance (ESG) agenda, technology adoption, and talent management.

Importantly, the Forum will update participants on the proposals for IFRS for SMEs Accounting Standards which are expected to have a sweeping impact on the profession, while providing insights into the latest digital transformation trends affecting SMPs.

Participants will also be exposed to the major requirements of the monitoring and remediation process within ISQM 1 and be able to understand DRP as a mechanism to resolve disputes arising from an appeal or application for relief filed by a taxpayer.

The Forum will also convey the importance of sustainability at SMPs for business continuity and share tips on how to get started with the ESG agenda.

The following are highlights of the key sessions:

Successful Digital Transformation of SMPs

MIA recently released the Digital Competency Maturity Model (DCMM) tool, which greatly aids in the digital transformation of organisations. This sharing session endeavours to motivate SMPs to stay future-ready by working on their own success story in digital transformation.

International Standard on Quality Management (ISQM) 1: Monitoring and Remediation Process

This session will go over a solid monitoring and remediation system that allows for proactive and continuous improvement in engagement quality and overall quality management within an organisation.

Gen Z: the Future of Accountancy

This panel session covers Generation Z’s impact on the future of accounting as the newest entrants into the workforce and future leaders.

ESG & Sustainability: The Way Forward for SMPs

ESG and sustainability will become more prevalent and sophisticated in the coming years, making it critical for SMPs to develop the capacity to provide high-quality sustainability services as soon as possible. This session will explore why public practice firms should prioritise sustainability, as well as how organisations can begin to take action.

Dispute Resolution Proceedings (DRP): What You Should Know

Examines the Inland Revenue Board Malaysia's (IRBM) DRP initiative and why the medium is an effective approach to saving time and money when reviewing and reaching a settlement with the IRBM.

Updates on IFRS for SMEs and Its Implication on Accounting

The session walks participants through the accounting implications of the International Accounting Standards Board's (IASB) proposals to update the IFRS for SME Accounting Standards.

For more information on the Forum, please click here.

Special Benefits for MIA Members on CPE Programmes and Publications

at-mia.my/2023/01/20/special-benefits-for-mia-members-on-cpe-programmes-and-publications

January 20, 2023

Mindful of the cost-of-living crisis that is affecting everybody, MIA has initiated exclusive privileges for MIA members and member firms to ensure continuous learning and competency building are unimpeded by budget woes.

Under a new initiative for 2023, MIA members and member firms can enjoy a special discount of RM100 on selected programmes up until June 2023. Members will also enjoy an exclusive discount of up to 10% off the purchase price of MIA publications to support learning and enhance their knowledge.

MIA hopes that these special privileges will be of benefit to members as we navigate the challenging outlook for 2023. To learn more about this initiative, just click on the relevant links.

Selected CPE Programmes (with Special Discount)

MIA Publication

Why Professional Accountants will Save the World

at-mia.my/2023/01/16/why-professional-accountants-will-save-the-world

January 16, 2023

As the global voice of the accountancy profession, the International Federation of Accountants (IFAC) has 180 members representing more than three million professional accountants in over 135 countries. IFAC's role essentially is to speak out as the global voice of the profession, to lead and develop a large and ready profession, and to support the development, adoption and implementation of high-quality international standards.

As an IFAC member since the global body was founded in 1977, the Malaysian Institute of Accountants (MIA) has been a strategic collaborator with IFAC for decades. IFAC and MIA partner together to drive the profession's advocacy on developments relevant to the profession, including future-proofing of accountants, the sustainability agenda and the growth of the global Islamic finance sector.

Continuing a long tradition of thought leadership and shared discourse by the IFAC at the flagship MIA International Accountants Conference (MIAC), IFAC President Alan Johnson spoke at MIAC 2022 on the profession's role in driving ESG for sustainability.

The following are some key excerpts from his speech at MIAC Plenary 7 – Professional Accountants – Driving ESG for Sustainability which emphasised IFAC's global perspective on why, "there are very good reasons to believe that professional accountants will save the world."

ESG is the Crux of the Climate Crisis

Leading from Commitment to Implementation

If adaptations of mitigation are to succeed, then the accountancy profession needs to lead the world from commitments to implementation. Specific plans need to be made to cover every step of the process, from the first tree to be saved to the last tree to be planted. These plans need to have clear measures and targets that should be reported on regularly and transparently with independent verification. This must happen throughout society – in government as well as in private organisations, especially where public sector capacity is relatively low or where comparative public-private advantages can be leveraged for the common goal of sustainability.

Alan Johnson

- Professional accountants are the centre of information flows and decision making, and so are uniquely positioned to capture, analyse, report on, and assure sustainability information.
- Professional accountants have skills and competencies that are critical for connecting financial and sustainability information, including a grasp of business models, risk management, understanding of systems and processes, and performance management and measurement, along with the growing specific knowledge of ESG factors and the ability to collaborate with experts.
- Professional accountants have global reach like no other profession.
- Professional accountants are able to meet the needs of global capital markets, of global clients and of global supply chains for high quality sustainability assurance, which enhances credibility and trust in disclosures. Our assurance services are based on the International Auditing and Assurance Standards Board's (IAASB) ISAE 3000, which has recently been revised, and applied by professional accountants in compliance with high quality management standards and an ethical framework.
- Professional accountants have our public interest mandate. As a regulated profession, we are subject to an ethical code and public oversight. We are charged with acting in the public interest with professional judgement, scepticism, and most important of all, independence.

According to Johnson, "There will be more that we need to learn, new competencies to acquire and new roles to fill as ESG factors increasingly guide the decisions of our organisations and of our clients." He advised professional accountants to be ready to seize the opportunities that come with climate action and broader sustainability efforts, especially through advisor roles and in assuring sustainability information.

How Professional Accountants Can Save the World

IFAC has laid out four calls to action for the accountancy profession to help drive sustainability.

01 To advocate for smart policy and regulation

- We should work to enhance corporate reporting through the regulatory framework, to promote vigour and define the scope of reporting. This approach will discourage compliance-based behaviours.
- We can foster trust and confidence in the sustainability of information that companies and government report by supporting regulatory requirements for high quality assurance, conducted in accordance with the standards set by the IAASB and performed by professional accountants.
- We should advocate for sustainability disclosure requirements, with a proportional approach that is right-sized for the smaller enterprises.

02 To demonstrate sustainability-related skills and competencies

- In our engagement with our stakeholders, we should position professional accountants as best placed to meet sustainability-related needs of reporting entities including assurance services.
- We should integrate new ESG subject matter with foundational skills and competencies with our professional judgements and the integrity of professional accountants.
- We should support and provide education and technical guidance that promotes high quality reporting assurance of sustainability information. This is a path to promoting the role of professional accountants as valued partners and advisors.

03 Be proactive on climate reporting

- We must, as always, comply with financial statement reporting requirements without material emissions or misstatements, to reflect climate matters of materiality to the performance of organisations, and how they create value both in the short, and most importantly, in the longer term.
- Our goal within organisations must be to align and integrate climate-related reporting and financial disclosures with a reporting entity's climate commitments and targets and strategic decisions to be made.
- We should apply our existing skills to quantify climate related risks and build robust data capture and reporting systems for sustainability information.

04 To champion an integrated mindset, because our work towards enhanced corporate governance must continue

- Those charged with governance should provide effective oversight of all reporting, including sustainability-related disclosures.
- We need to work hard to eliminate information silos within organisation. This will better integrate sustainability disclosures with the work of CFOs and their finance teams and facilitate holistic decision making and communications with stakeholders.
- In every organisation, we need to consider ESG factors carefully and when appropriate, integrate them into strategic decision making, the development of business models and our assessment of risks right across the organisation.

"The bottom line is that the future prosperity in Malaysia and around the world depends on how effectively the world's public and private organisations can adopt and integrate ESG factors into their planning, into their strategies, their processes, their operations, their decisions and, of course, ultimately their disclosures."

"Our profession must innovate, advise and lead wherever and whenever we can. Our job is to ensure that our professionals can create a better world for all people. Our role relates to the resilience of society as whole, through sustainable value-creation, trust and fairness in institutions," Johnson emphasised.

"There's an incredibly important need for our profession to play a critical role in identifying and then addressing the risks to society, from not just addressing the issues we are facing today, but also considering the issues that we may face tomorrow."

"This is why we are professional accountants. This is why we are proud about what we do, and this is our public-interest mandate. There is an incredible opportunity for us to help address the tough choices facing every organisation and indeed every government," concluded Johnson.

FAQs

Johnson's session incorporated a lively Q&A session following his remarks.

Asked how to balance the three elements of ESG, he replied that all three are equally important and they cannot be divided. He stressed the importance of governance. "If we don't get the governance right, we won't address the environmental changes that we need to make, and we won't address the social injustices that we face in society today."

"It's not one, two and three, E is first, S is second. Maybe that's the order in which the ESG is written, but I can assure you that G is as important as the other two. And if we don't get that right, we will not be able to address the other two.

He was also asked how to shift the focus from profitability to other ESG areas, which is a key concern for the accountancy fraternity.

“Profitability is important because we cannot operate unviable and non-profitable businesses, because you won’t get the capital you need to invest and to grow. However, the purpose alone is not profitability.”

He noted that an entity would only be viable and profitable if it addresses its public interest duties and ensures that the company or organisation is serving the needs of the whole society, not just one aspect of stakeholders, encompassing shareholders, employees, customers, suppliers, business partners, governments, society, local communities.

Stakeholders give organisations the right to operate and the freedom to operate. By addressing their needs, in time, there will be no issue with profitability, said Johnson, who advised accountants not to think only about the short-term but to also take into consideration their longer term impacts.

Replying to concerns that accountants are overwhelmed by ESG roles and that Boards need to assign ESG responsibilities to everybody, Johnson replied that he focused on the roles of accountants because “in most organisations, accountants are at the centre of everything organisations do, we have a critical role as finance professionals in any organisation to connect the dots and make sense, and then communicate both internally and externally.”

He fully agreed that everybody is involved in ESG. “The Board has to take complete responsibility individually as Board Members and collectively as the Board to support everyone in the organisation, particularly the professional accountants to make sure that this is delivered appropriately.” The organisation must also practise an integrated thinking mindset to make sure that decisions are made for the long term in addition to addressing short-term needs, in order to deliver on its 2050 climate commitments.

Responding to concerns that ESG reports might just be an avenue for greenwashing,Johnson noted that integrating ESG reporting into the reporting framework will be the way to go. Currently, financial statements capture maybe an estimated 10% of the value of any organisation, and the other 90% lies outside the financial statements and is not captured in the balance sheet. Therefore, the integration of non-financial reporting, or what is termed ESG reporting, is going to become increasingly important.

Integration of ESG information will be relevant to users of reports to understand what, why and how the organisation is acting and its impacts. “Please don’t think of them as two separate reporting streams. They’ve got to come together and ESG reporting will become the most relevant change that we can make to help make the world a better place.”

Asked whether sustainability reporting should be voluntary or mandatory, he **s**uggested that both should be supported, although he prefers voluntary reporting. To get the momentum going, this could entail starting with the mandatory frameworks that organisations should report against to avoid the challenge of applying different reporting frameworks. He added that standards should be developed, and referred to the new International Sustainability Standards Board (ISSB) established under the IFRS Foundation to establish coherent, consistent and international standards for sustainability reporting. “I hope that we can just rely on voluntary reporting, but I suspect we may have to use a little bit of mandatory pressure to get the adoption of ESG reporting… into mainstream reporting, and not as a separate strand of reporting.”

This article captures the insights of Alan Johnson, Immediate Past President, International Federation of Accountants (IFAC) at the MIA International Accountants Conference (MIAC) 2022. Join us at the MIA International Accountants Conference 2023 to be held on 13-14 June, specially designed to equip you for the “Future Fit Profession – Charting a Better Tomorrow”.