MALAYSIAN INSTITUTE OF ACCOUNTANTS

2023
SEPT-OCT

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accountants today

Budget 2024 will Enhance the Nation’s Sustainability and Resilience, says Malaysian Institute of Accountants

at-mia.my/2023/10/26/budget-2024-will-enhance-the-nations-sustainability-and-resilience-says-malaysian-institute-of-accountants

October 26, 2023

The comprehensive Budget 2024 tabled on 13 October 2023 is geared to putting the nation on a stronger fiscal footing while ushering in key reforms for good governance and sustainability. At the same time, the Budget put forth numerous measures that are relevant to the future-proofing of the accountancy profession and MIA members. Among others, these included measures on talent, taxation, environment, social, governance (ESG) and the sustainability agenda, digital transformation, Islamic finance and public sector.

Talent Development

‘’Accountancy talent is critical to the business and economy. We are pleased that certain measures support the development and on-going implementation of the MIA’s Competency Framework (CFM),” said Datuk Bazlan Osman, President of the MIA. “The MIA CFM is a set of principles that defines the baseline competencies and skill sets required to become accountancy professionals who are able to demonstrate their proficiency at different levels including Accounting Technicians.”

These measures include:

> The allocation of RM6.8 billion for TVET education which is essential to train and produce more young graduates who can perform the role of Accounting Technicians in support of organisations and Shared Service Centres.
>
> The extension of tax rebate up to RM2,000 for self-development and upskilling to 2026, which is a good move in encouraging young graduates and accountancy professionals to continue upskilling on specific courses as part of personal development.
>
> The introduction of the Long-Term Social Visit pass for international students who have completed their education bodes well for international accounting graduates to stay in the country to support the profession. This will contribute towards the net export for accounting services as well as promote the country as the accounting education and training hub.

Allocation of RM20 million to stimulate research, creativity and innovation in Islamic economics. This will bolster MIA's aspiration to promote the development and advancement of Islamic finance talent along with accountancy education and research in Malaysia through the Malaysian Accountancy Research and Education Foundation (MAREF).

Taxation

The Budget placed emphasis on strategic tax measures and efforts to diversify and strengthen revenue collection to support development spending and other national expenditures. These include the increase in the SST rate to 8%, the introduction of new legislation that will subject the luxury goods to a tax rate of 5 to 10% and the imposition of capital gains tax of 10% on shares of unlisted companies, subject to certain exemptions. In addition, MIA welcomes the retention of tax incentives to encourage women to re-enter the workforce which has been extended to 31 December 2027.

ESG and Sustainability

MIA strongly advocates that accountancy professionals embrace the nation's ESG efforts and sustainability agenda and lend their expertise to the following incentives:

Continuous support for sustainable and responsible investment (SRI) i.e. the extension of tax exemptions to fund management companies that manage SRI funds as well as tax deductions on the cost of issuing SRI sukuk until the year of assessment 2027.

Encouragement for more companies to participate in the voluntary carbon market i.e. additional tax deduction up to RM300,000 for companies that spend on Measurement, Reporting and Verification (MRV) related to the development of carbon projects. These expenses can be deducted from the sales income of carbon credits traded on the Bursa Carbon Exchange (BCX).

Provision for various forms of tax deductions for preservation and conservation activities in order to encourage more involvement from the private sector to contribute through charity or community projects. Tax deductions will be given to entities that sponsor tree planting activities or environmental preservation and conservation awareness projects certified by the Malaysian Forestry Research Institute (FRIM).

Support for the social enterprise movement to create a positive environmental and social impact in line with the pillars of sustainability and well-being under Malaysia MADANI where the application period for tax exemption will be extended on all income of social enterprises until 2025.

Digital Transformation

MIA's Chief Executive Officer Dr Wan Ahmad Rudirman Wan Razak welcomed the Budget's focus on digital transformation and the allocation of funds/loans for digitalisation. “Digital transformation can streamline financial processes, improve reporting accuracy, and enhance business efficiency, presenting opportunities for the accountancy profession in Malaysia.”

MIA members are advised to take note of and upskill for the rollout of e-Invoice. According to Budget 2024, it is mandatory for taxpayers with an annual turnover of more than RM100 million to implement e-Invoice by 1 August 2024. This is in line with the joint feedback by MIA and the other bodies to the Lembaga Hasil Dalam Negeri Malaysia (LHDNM) which will allow sufficient time for smaller businesses (i.e. those with turnover of RM100 million and below) to prepare for e-Invoicing.

Budget 2024 is also geared to support the business continuity and resilience of micro, small, and medium enterprises (MSMEs) by providing financial assistance, digitalisation grants and loans. This aims to enhance competitiveness and encourage digitalisation among MSMEs to promote economic growth and inclusivity. These include:

RM100 million being allocated to provide digitalisation grants of up to RM5,000 for the benefit of over 20,000 MSMEs. These grants can be used to upgrade digital sales, inventory, and accounting systems.

RM900 million loans under Bank Negara Malaysia to encourage SMEs to enhance business productivity through automation and digitalisation.

Professional accountants in public practice should embrace the opportunity to digitalise their practices and utilise this as an opportunity to advise their clients in terms of applying for grants or loans, managing these funds effectively, ensuring the funds are used for intended purposes and complying with the requirements of grants/loans.

Professional accountants in business, particularly those working within companies eligible for grants, loans, and financial assistance, should seize this opportunity to transform their finance functions.

Islamic Finance

Islamic finance is a key area of focus for Budget 2024, in line with the Government's efforts to strengthen Malaysia's leadership in this sector. To support the government's initiatives, MIA has continuously nurtured Islamic finance talent by building capacity and competency within the accountancy profession to support developments in the Islamic finance industry, through publications and relevant focus group discussions on current issues.

''The measures will support MIA's advocacy for Islamic Finance to facilitate the attainment of the UNSDGs and enhance shariah assurance. MIA is currently working on the Shariah Audit Best Practice Guide to promote consistency in industry practices for halal entities and aid members on providing assurance services,'' said Dr. Wan Ahmad Rudirman. This supports the Government's efforts to simplify the halal certification process by reducing the processing days from 51 to 30 days especially for the export of halal products as mentioned in the Budget.

Public Sector

The Institute is strongly advocating for improving public financial management systems in support of good governance and sustainability. To address the fiscal deficit, the Government has passed the Public Finance and Fiscal Responsibility Bill 2023 or the Fiscal Responsibility Act (FRA). This reinforces the Government's commitment to strengthening governance and ensuring transparency and accountability.

Advancing the Accountancy Profession through Research: The Role of MAREF

at-mia.my/2023/10/06/advancing-the-accountancy-profession-through-research-the-role-of-maref

October 6, 2023

Enabling accountancy-related research and education is vital to ensuring the future relevance of the accountancy profession.

Recognising this need, the Malaysian Institute of Accountants (MIA) initiated the establishment of the Malaysian Accountancy Research and Education Foundation (MAREF) in 2007 under the Trustees (Incorporation) Act 1952.

> The main goal of MAREF is to advance the accountancy profession in Malaysia via research and education. Since its inception, MAREF has funded more than RM500,000 in research studies focusing on the accounting industry.

In order to address current issues facing the accounting profession, Priority Research Topics (PRTs) Programme was introduced in 2018 to drive the commissioning of research funded by MAREF Research Grants. These Grants are intended to encourage and support relevant, timely and applied accounting research. This involves identifying pertinent issues in the accounting profession and developing solutions to address those issues.

In the future, MAREF aims to coordinate upcoming iterations of the PRT Programme with the goal of enhancing research and education for the profession’s continued growth. To achieve this, MAREF is actively engaged in fundraising efforts. MAREF will be organising the MAREF

Charity Golf Tournament 2023, a fundraising event scheduled to take place on Saturday, 4 November 2023 at Kelab Golf Perkhidmatan Awam Malaysia (KGPA) located in Bukit Kiara, Kuala Lumpur.

You are invited to participate in and donate for the tournament. The contributions will not only promote the success of the event but will also assist MAREF to reach its fundraising goal. Contributions are eligible for tax deductions as MAREF was gazetted as an approved organisation under Section 44(6) of the Income Tax Act 1967. MAREF has prepared a range of donation packages for the tournament which can be viewed here. Kindly register here by Friday, 15 October 2023.

For more information on MAREF, please visit https://maref.org.my/.

Boost Your Productivity with Cloud-based and AI Accounting Technologies

at-mia.my/2023/09/05/boost-your-productivity-with-cloud-based-and-ai-accounting-technologies

September 5, 2023

By Auto Count Team

Throughout the history of business, people have utilized various methods to record and report data, leading to the accounting processes we see today. Innovation has propelled accounting technology evolution, progressing from physical ledger books to computerised spreadsheets, to professionally designed software, to even Cloud and AI solutions. These advancements streamline financial reporting, boosting efficiency and data processing capabilities for accountants.

Latest Accounting Technologies

Two innovations that have been game changing for the profession are Cloud-based accounting and Artificial Intelligence (AI) Accounting, which are some of the latest accounting technologies for accountants. Cloud accounting is an accounting system hosted within the cloud that does not require an organisation to own the whole system. It enables remote data access, which is especially useful for businesses with multiple sites or mobile teams. Beyond these advantages, what other benefits does cloud-based accounting provide?

Meanwhile, AI Accounting systems work similarly to Cloud-based accounting systems, with a touch of extra modules, such as additional analysis and forecasting modules, and are touted to be able to reduce costs and save time by automating the bookkeeping process.

AI Accounting systems utilize machine learning to analyse data, detect abnormalities, perform data checking and prevent data errors, thus further reducing the need for cross-checking and notifying accountants of possible mistakes.

Just like cloud accounting systems, AI systems can be programmed to meet regulatory requirements, ensuring compliance. Some also offer extra financial forecasting modules, aiding businesses with predictive insights based on past performance and current market trends.

On-Premises Accounting Solutions vs Cloud-Based Accounting Systems

Cloud Accounting and AI Accounting emphasize accessibility, yet some businesses still prefer on-premises systems. How do on-premises systems differ from Cloud-Based Accounting technology?

Unlike cloud systems, on-premises accounting confines users to local access, and even though hindering remote work and collaboration, offers independence from unstable internet, ensuring uninterrupted on-site access.

For security and maintenance, on-premises software is locally installed, and the owner has complete control. There are customized security measures, spanning system security to physical safety measures to protect sensitive information and assets. In contrast, cloud-based accounting utilises logins, multi-factor authentication, and data encryption for security, and automatic backup eliminates the need for data recovery. For maintenance, on-premises solutions require users to update system or security patches, often involving tech support at an additional cost, but cloud solutions handle upgrades on the provider end, with each user login leading to the latest features.

However, on-premises accounting software offers an exceptional advantage: customisation. For organisations with specific system requirements, on-premises accounting can be tailored to address that need, may it be industry-specific needs or user-specific recording and reporting preferences. These are often plug-ins to be integrated to enhance the system's capabilities and align it with the organization's requirements. The possibilities are limitless.

Even though cloud accounting does not offer the same level of customization, it comes with essential accounting features that cater to standard usage and are deemed sufficient for most SMEs and accountants for reporting processes.

Conclusion

Accounting technology has revolutionized accountants' work, and this transformation boosts efficiency, accuracy, and data security. Real-time updates empower accountants with instant access to information for informed decision-making.

Cloud-based accounting systems heighten accessibility and cost-effectiveness for both businesses and accountants. As technology advances, accountants become more efficient and client-centric. Explore AutoCount Cloud Accounting, a real-time solution offering flexibility with minimal investment.

Learn more at: http://marketing.autocountsoft.com/accountants-mia18/?ts=169139808947

Guidelines on Requesting Extension for Practice Review Deadlines (Republished)

at at-mia.my/2023/09/29/guidelines-on-requesting-extension-for-practice-review-deadlines-republished

September 29, 2023

By MIA Practice Review Department

In the process of practice review, the Practice Review Department (PRD) has encountered many instances where the audit firm (AF) selected for review tends to defer the submission of documents to the PRD without first obtaining approval from the PRD.

Deferment of submission of documents without any written approval based on an acceptable reason is a non-compliance with MIA By-Laws and a complaint can be filed against the AF. To facilitate the process of Practice Review, the AF may apply for an extension of time (EoT) for the submission, with the request being subjected to the PRD's consideration for approval under selected circumstances only.

AFs can refer to the following Frequently Asked Questions (FAQs):

1. At what stage(s) can the AF ask for an extension?

AFs selected for review must adhere to the following submission deadlines:

1. 1st review – The completed Practice Review Questionnaire (PRQ) and audit clients listing must be submitted to the Practice Review Department (PRD) within 1 month from the date of receipt of the notice of review.
2. For engagement files selected for review, the AF must submit the required documents to PRD within 7 days from the date of receipt of the notification of files selection. (This will be applicable for both the 1st review and monitoring review for Type 3 cases)
3. The comments on the draft report (1st review and monitoring review) must be submitted to PRD within 21 days from the date of receipt of the draft report.
4. The Remedial Action Plan (RAP) and Root Cause Analysis (RCA) (for Type 3 cases) must be submitted to PRD within 1 month from the receipt of the final report.
5. The AFs are required to update PRD on the progress of RAP within 3 months from the RAP approval date (for Type 3 cases)

The AF may request for an EoT to the above submissions provided there is a valid basis with supporting evidence.

2. Process for requesting EoT for submission

1. The process by which an extension to a deadline for the submission of documents may be requested should be determined as follows:
    - A formal application for requesting an extension is required and must be applied two (2) weeks in advance of the original deadline. The request for an extension to the deadlines should be made via official write-in (with the AF's letterhead) and email. Evidence of the reason for the extension is required.
    - AFs should not use the process as a mechanism for delay in the practice review process for more than 3 months.
2. In determining whether to approve an EoT, the PRD will consider whether the reason provided (i.e. the circumstances experienced or being experienced by the AF):
    - Is directly affecting or has affected the ability of the AF to submit the documents by the deadline;
    - Is having or has had a significant impact between the time of the preparation of the requested documents and the deadline being set, which reasonably prevents the AF from completing and submitting their documents by that deadline;
    - Could not have been foreseen;
    - Are circumstances that relate to the practitioner's medical condition and/or personal issues;
      *** In circumstances related to medical conditions and/or personal issues, the practitioner needs to consider if he/she will be deemed fit and able in managing the audit engagements of the firm. Should the circumstances implicate the practitioner in his ability to carry out the necessary audit work, the Institute may reconsider its support of the renewal of the audit license.*
3. Evidence
    - Evidence can be in various forms, but it must be independent and sufficiently detailed to support the reason provided by the audit practitioner.
    - Evidence of a medical condition must be supported by a medical report issued by a licensed medical practitioner.

3. Circumstances where extension will not be granted

- Deadlines are set such that the AF, in planning their submission, is expected to be able to work around or factor in the potential for short disruption to their firm's daily operation. Extension will not be granted for reasons/circumstances that are perceived as having minimal effect on the firm's ability to submit the documents in relation to the time of the submission that has been set and the deadline, unless it can be shown and supported that the circumstances have had a significant effect on the ability of the AF to submit the documents by the deadline;
  *** As a general rule, peak period is NOT considered as a valid reason for application of EoT as the deadline set has taken into account the time required for turnaround of responses and provision of documents.*
- As a guide, a "short disruption" is deemed to be where an AF has experienced circumstances that prevents it from operating their firm for more than 1 week;

4. Length of extension

- Where it is decided by the PRD that it is appropriate to provide an extension, the agreed length of that extension will be at the sole discretion of the PRD;
- Depending on the severity of the reason provided, an extension of between 7 to a maximum of 14 days may be granted;
- Where a circumstance requires an extension beyond 14 days, the approval of the Practice Review Committee (PRC) will be required.

5. Informing the AF of the outcome

- The Institute will consider the request and provide a written response to the AF 1 week prior to the deadline;

- Where an AF missed the deadline for requesting an extension or in the event where the request for EoT was not approved, the AF shall submit their documents as soon as possible, by the pre-determined submission deadline. A Complaint can be filed against all the audit license holders of the AF should there be no response from the AF after the issuance of the final reminder.

Conclusion

Every member in public practice is required to ensure that his or her AF complies with all applicable professional standards on quality prescribed by the Institute and all legal and regulatory requirements.

Thus, any deferment or non-cooperation by the practitioners in meeting the submission deadline will be factored in and taken into account during the process of practice review in ensuring the compliance and quality of the respective AF. Acknowledging the various challenges and predicaments faced by the audit practitioners and unforeseen circumstances that may be encountered, PRD is willing to consider granting EoT to an AF, based on the reasonableness and nature of the circumstances.

AFs selected for review are advised to be in contact with PRD at their earliest convenience should they foresee any delay in meeting the submission deadline due to valid circumstances.

This article was originally published on eAT on 1 May 2020.

MIA Integrated Annual Report 2023

at-mia.my/2023/09/26/mia-integrated-annual-report-2023

September 26, 2023

The Malaysian Institute of Accountants (MIA) is pleased to present the latest MIA Integrated Annual Report (IAR) 2023, themed *Future Fit Profession for a Better Tomorrow*.

Prepared in accordance with the Integrated Reporting Framework of the IFRS Foundation, the IAR succinctly narrates MIA's efforts to regulate and develop the profession in order to future-proof accountants, ensure the future relevance of the profession, and support sustainable nation building.

The strategic collaboration approach is the basis of MIA's value creation activities. As such, the IAR demonstrates how MIA continues to strengthen strategic collaborations with our diverse and extensive stakeholders in the key focus areas of regulation and enforcement; capacity and competency building; enhancement of audit quality, business continuity and economic resilience; digital transformation of the profession; ethics and good governance, and ESG and sustainability, among others.

The following are some highlights of the IAR 2023:

President's Message

Datuk Bazlan Osman discusses MIA's efforts to strengthen the future relevance of the profession for the financial year under review and for the year to come. Key highlights of his message include his overview of MIA's initiatives in the context of strengthening governance, developing competency and strengthening the talent pipeline, enhancing the profession's value proposition, embedding ethics and developing the two-pronged sustainability agenda.

CEO's Message

Dr Wan Ahmad Rudirman Wan Razak shares his insights on the key highlights of the Institute's operational performance for FY2022/2023 and its future prospects. In his message, Dr. Wan also touches on the Institute's key strategic focus areas for Fy2023/2024, which include:

Special Focus – Sustainability Agenda

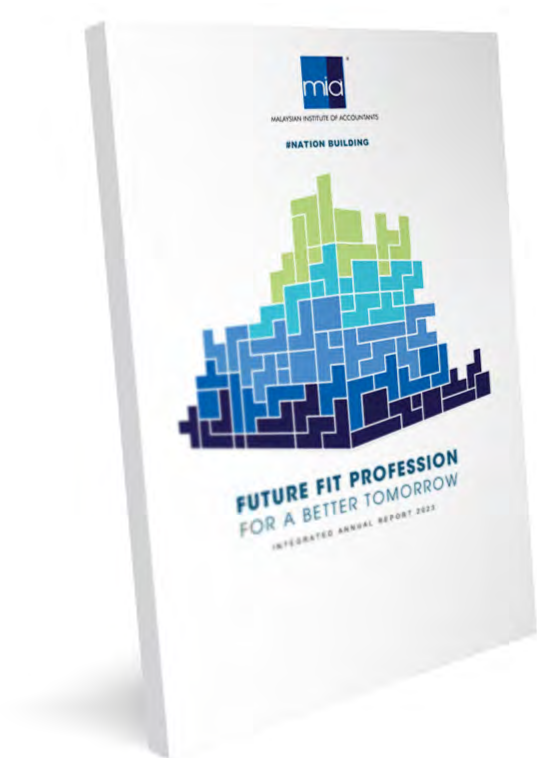
This section discusses the development of the MIA sustainability agenda, which is a two-pronged approach that advocates sustainability for the accountancy profession and the Institute respectively.

Among the areas the MIA sustainability agenda will focus on are governance, ethics, accounting, people, reporting, process, assurance, systems, regulation and guidance. These are fundamental areas relevant to the accountancy profession and the Institute whereby the sustainability agenda needs to be mapped and addressed.

MIA has established the Sustainability Department which is part of the Sustainability, Digital Economy and Reporting (SDER) Division to manage the MIA sustainability agenda. The MIA Council has also established the Sustainability Blueprint Task Force to oversee the development of the MIA Sustainability Blueprint for the accountancy profession. Simultaneously, the MIA Sustainability Framework and Targets are being developed which outline the sustainability agenda for the Institute.

Case Study – Advocating Ethics in the Public Interest

Ethics is fundamental to public trust in the conduct of professional accountants and it must always be the basis of their judgments, decisions, and actions when performing professional activities or services.



As the regulator of the profession, MIA emphasises the importance of ethical behaviour and enforces compliance with the MIA By-Laws (On Professional Ethics, Conduct and Practice) of which Part A is substantially based on the International Code of Ethics for Professional Accountants established by the International Ethics Standards Board for Accountants (IESBA).

This section discusses MIA's strategy and initiatives to strengthen ethical behaviour, including thought leadership, outreach programmes, education, webinars, quizzes and issued Ethical Guidelines on Technology Usage for Public Practitioners.

In addition to these, the IAR 2023 presents MIA's overview of its extensive stakeholder engagements and strategic collaborations, material matters, risks and how these impact our business model, capitals and performance as measured against our four strategic objectives and the key UNSDGs, as well as other information that can help stakeholders to better understand MIA's strategy, decision-making and outcomes.

Click here to read the full report.

Practice Review (PR) Process: Guidelines on Submission of Practice Review Questionnaire for Practice Review

at at-mia.my/2023/09/27/practice-review-pr-process-guidelines-on-submission-of-practice-review-questionnaire-for-practice-review

September 27, 2023

By MIA Practice Review Team

This article provides the guidelines on the submission of the Practice Review Questionnaire (PRQ) upon the receipt of the notification letter of Practice Review (PR). By reading this article, practitioners will be made aware of the rationale behind the submission of PRQ which symbolises the commencement of the audit firm's PR process. This article also allows the audit firm to take into consideration some of the focus areas in their audit performance prior to the submission to PR.

The audit firm can refer to the summary of practice review process under Appendix VI of Section B250 of the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (MIA By-Laws) for more information.

(a) Selection for Audit Firm for PR – Risk-Based Approach

Audit firms will be selected for review by the Practice Review Department (PRD) using a risk-based approach via the Institute's Risk Profiling Database. The selection approach is also in line with the requirements of IFAC Statement of Membership Obligations 1: Quality Assurance. In addition to the risk-based selection, audit firms may also be chosen for PR based on referrals from other regulatory bodies in Malaysia or committees within MIA (the Institute).

For the risk-based approach adopted by PRD, information in the Risk Profiling Database is obtained from the audit firm's annual return filed with the Institute. The annual return provides key information about the size and activities of the audit firms coupled with other information gathered from external sources by PRD. In ensuring the consistency of our risk profiling mechanism in risk determination of the respective audit firm, it is therefore crucial for the audit firm to ensure timely and accurate submission of the annual return as it forms the foundation of this approach. The risk-based approach takes into consideration several risk factors faced by the audit firm, the risk levels of these factors, the risk scores, and the overall risk of the firm.

The identity of the audit firm is always kept confidential from all parties who are not directly involved in the Practice Review of the firm, including the Practice Review Committee (PRC) and staff of the Institute. Therefore, all audit firms selected will be assigned a code for the purpose of preserving the confidentiality of the identities of the audit firms.

(b) Return of the PRQ and Submission of Audit Client Listings

Once an audit firm is selected for practice review, the Institute will send a written notification of practice review via registered post. The notification letter of selection for practice review comprises the following:

i. **The PRQ:** The PRQ has been designed to assist the Practice Review team in planning their review work. The size of the audit practice will determine the scale of the Practice Review in terms of the staffing and duration of visit. It will also have some bearing on the sample size of audit engagement files reviewed to confirm the accuracy of the responses provided in the PRQ. Therefore, the audit firm is expected to complete the PRQ diligently.

ii. **Submission of Audit Client Listings:** Audit firms are required to prepare a complete list of their audit clients, in a prescribed format, and to provide any other information the reviewer considers necessary to facilitate the selection of a representative sample of audit engagements for review. Such listing must be certified as complete by the audit firm prior to the selection of sample audit engagement files. The selection of audit engagement files is made by the reviewer from the most current client listing as provided by the audit firm. The audit firm should always ensure that all current audit engagements which are representative of the operations of the firm should be readily retrievable during the practice review. For the purposes of practice review, such current audit engagement files refer to engagements which have been signed off in the past eighteen (18) months up to the date of the practice review or any other dates that can be reasonably accepted by the reviewer as a practical alternative.

The completed PRQ, along with all the requested information as mentioned above, should be submitted to the Institute within twenty-one (21) days from the date of receipt of the notification. The submission should be made through the designated practitioner of the audit firm, who can be the sole proprietor, the senior partner, or another partner assigned with the responsibility for practice review. Non return of the completed PRQ within the stipulated timeline and/or deferment of submission of documents without any written approval from PRD is a non-compliance with MIA By-Laws and a complaint can be filed against the audit firm. Therefore, it is important for the audit firm to obtain approval for submission within the new timeframe to avoid being penalised. Moreover, it is essential for audit firms to understand that any deferment or lack of cooperation by practitioners in meeting the submission deadline will be factored in and considered during the practice review process.

Upon the receipt of the notification of practice review along with the PRQ and requested information, should the audit firm:

i. Deem that their audit firm meets the criteria as stated in Paragraph (9) of Appendix VI of MIA By-Laws, the audit firm may write in officially to apply for exemption from Practice Review. The audit firm will need to provide the relevant supporting evidence to facilitate the

PRD in obtaining approval of exemption from Practice Review from the Practice Review Committee (PRC); or

ii. Wish to apply for extension of time (EOT) to submit the completed PRQ – The audit firm shall write in officially to PRD to seek for approval for the deferment of submission of documents. The audit firm shall, in their application letter, state the reasons for the extension together with relevant and appropriate supporting evidence. Any further extension is at the reviewer's sole discretion, as guided by the PRD's Standard Operating Procedures and shall only be granted for valid reasons. Please refer to e-AT dated 1 May 2020 for the article on "Guidelines on Requesting Extension for Practice Review Deadlines".

(C) Components and Assessment Criteria of PRQ

The PRQ consists of five (5) parts.

Part A: Practice Profile

Audit firms are obligated to prepare a comprehensive list of their audit clients in a specified format, provide any additional information deemed necessary by the reviewer to facilitate the selection of a representative sample of audit engagements for review, and a complete list of all partners indicating whether they have signed any audit reports during the stipulated period and to provide details if the partners of the firm selected for practice review are also partners of any affiliated firms.

For a sole practitioner, the audit firm is required to have a practice continuation arrangement (PCA) pursuant to Section B220 Part 2 of the MIA By-Laws. Therefore, the sole practitioner is required to furnish the reviewer with a copy of the PCA for sighting during the practice review.

Part B & C: Components of International Standard on Quality Management 1 (ISQM 1) and International Standard on Quality Management 2 (ISQM 2)

Part B of the PRQ comprises mainly the requirements of ISQM 1. The reviewer shall carry out a review of the system of quality management of the audit firm and evaluate the degree of reliance to be placed upon it. Audit firms are expected to address all components in the ISQM 1. In each component of ISQM 1 in Part B, there are supplementary questions and matters to consider. These are intended to indicate the system of quality management that is expected to be implemented and operated within each audit firm.

Part C of the PRQ focuses on evaluating the audit firm's processes and procedures related to ISQM 2. ISQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the engagement quality reviewer's responsibilities relating to the performance and documentation of an engagement quality review (EQR). ISQM 2 applies to all engagements for which an engagement quality review is required to be performed in accordance with ISQM 1. The EQR section aims to gather information about how the firm ensures that EQRs are effectively performed. It may inquire about the firm's policies and procedures for selecting engagements to undergo an EQR, as well as the qualifications and independence of the individuals involved in conducting these reviews.

All questions in Part B and Part C may not necessarily be relevant to some audit firms because of their size and culture etc. However, audit firms should still assess their internal quality management systems to ascertain whether they address the quality objectives for all key areas as expected from ISQM.

Part D: Performance of Audit Engagement

Practice Review's approach to performing inspections of individual engagements comprises of detailed engagement inspections of the audit firm to assess whether the audit work is conducted in compliance with relevant professional standards, and legal and regulatory requirements. For practical reasons, not all partners of an audit firm that have been selected for Practice Review will be reviewed individually with regards to the current audit engagement files. However, in most circumstances, the samples of audit engagement files selected for Practice Review should be reflective of the firm's overall operation and size.

Part E: Sign-off

As part of the completion process for the PRQ, the sign-off from the practitioner with the audit firm's stamp signifies the official endorsement and completion of the PRQ by the responsible authorities (referred herein as the managing partner and/ or sole practitioner or the senior partner of the audit firm) within the audit firm. Affixing the firm's stamp confirms that the PRQ has been thoroughly reviewed, verified, and approved in accordance with the established policy and procedures of the audit firm.

Conclusion

The PRQ is meant to assist the audit firm to reduce the time cost required to go through the practice review process. By working through the PRQ, the audit firm should be able to identify the gaps for improvements and also, pick up some valuable ways to improve the firm's system before the commencement of practice review. Therefore, the PRQ should be deemed as a tool for review instead of a mere stand-alone document for submission. In sum, practitioners can be assured that the process of practice review is set out in such a manner so as to be free from bias and enable all parties in the practice review process to carry out their duty without fear or favour.

Risk Management Conference 2023

September 8, 2023

We are now living in a time of peak uncertainty and volatility as businesses contend with numerous risks that affect their business continuity. While uncertainty puts pressure on management to perform, it also presents vast opportunities for growth, innovation and the adoption of best practices for effective risk management.

To support members in navigating uncertainty through better risk controls, the Malaysian Institute of Accountants (MIA) is organising the annual **Risk Management Conference 2023** on ***11 October 2023 (Wednesday) at Connexion Conference & Event Centre @ Nexus, Bangsar South, Kuala Lumpur*** to discuss key issues affecting business continuity, including artificial intelligence, corruption risk and good tax governance.

Bringing together top tier risk experts, this important Conference will provide insights into the latest key issues and challenges related to the Conference theme of "**Staying Ahead of Emerging Risks**". Delegates can expect guidance and recommendations for implementing a robust regulatory framework that encompasses comprehensive risk management practices geared to enhance organisational practices, reputation, accountability, and responsibility toward their stakeholders.

By the end of the Conference, delegates will have a better grasp of how to:

- Manage and mitigate the risks and uncertainties of an organisation's business continuity plan (BCP).
- Analyse the adoption of the ISSB Standards and how organisations can better align their operations with the transition to a low-carbon and sustainable economy.
- Address greenwashing and the associated liability risks for organisations.

- Address challenges posed by AI and related risks to ensure that AI is used beneficially.
- Strengthen your organisation’s defences against corruption, foster a culture of integrity, and protect your reputation in an increasingly complex and challenging business environment.
- Adopt tax governance best practices that can help organisations manage tax compliance risks to business continuity.

The Conference will also feature discussions and Panel Discussions as follows:

Managing Business Continuity Risks in an Era of Uncertainty

This session discusses the measures that you can take to enhance the effectiveness of your organisation’s BCP in times of crisis.

Exploring Sustainability Related Risks and Opportunities in Light of IFRS S1 and S2

Learn more about the adoption of the ISSB Standards and how organisations can better align their operations with the transition to a low-carbon and sustainable economy.

Good Tax Governance – What Should We Do

Explore how organisations can strategically strengthen tax governance to heighten compliance and enhance business continuity practices.

Dialogue with MACC: A Risk-based Approach to Tackle Corruption

Gain firsthand knowledge on how to improve compliance, mitigate risks and strengthen your organisation’s defences against corruption in an increasingly complex and challenging business environment.

Greenwashing: A Threat to Credibility

Understand how your organisation can better manage emerging greenwashing and the associated liability risks by establishing clear governance structures and compliance requirements that take ESG/sustainability aspects into account.

The Rise of Artificial Intelligence – A Boon or Bane for Organisations

Presents a broad view of the challenges and opportunities posed by AI and suggests steps that organisations can take to be AI aware and AI ready.

In addition to the latest key issues related to risk management, delegates will also learn new skills and techniques, while building their professional networks. Ultimately, this will help in elevating organisational performance and alleviating business continuity risks, enabling organisations to build resilience and better navigate uncertainties in the global landscape.

For more information on the Risk Management Conference 2023, please visit here.

Sustainability Reporting in Malaysia

at-mia.my/2023/10/04/sustainability-reporting-in-malaysia

October 4, 2023

By *MIA Sustainability, Digital Economy and Reporting Team*

This article assesses the current state of play in the sustainability reporting space worldwide and in Malaysia, and identifies the roles that accountants can play in expediting adoption.

Global developments in sustainability reporting

In June 2023, the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards (ISSB Standards) which are designed to provide a global baseline of sustainability-related disclosures for the capital markets, creating a common language for disclosing the effect of climate-related risks and opportunities on a company's prospects.

IFRS S1 requires companies to communicate the sustainability-risks and opportunities they face over the short, medium, and long term, while IFRS S2 sets out specific climate-related disclosures and is designed to be used with IFRS S1. Both Standards are based on recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). To find out more about the two Standards, please visit Supporting materials for IFRS Sustainability Disclosure Standards.

The two Standards were finalised after receiving more than 1,000 comments from various organisations globally following its public exposure in March 2022. The development of the two Standards is in response to requests from G20 leaders, the International Organization of Securities Commissions (IOSCO) and others for enhanced information from companies on sustainability-related risks and opportunities.

The European Commission (the Commission) adopted the European Sustainability Reporting Standard for use by companies in Europe to report certain sustainability information in July 2023. By requiring the use of common standards, the Commission aims to ensure that companies across the European Union (EU) report comparable and reliable sustainability information.

There are 12 standards in total, covering a range of issues on environment, social and governance. The standards provide information on the sustainability impact of companies. The ISSB Standards and the Global Reporting Initiative (GRI) were considered in developing the standards to ensure a very high degree of alignment between ESRS and the global standards as well as to prevent unnecessary double reporting by companies. The reporting requirements will be phased in over time for different companies.

Local sustainability reporting landscape

Since 2015, listed issuers on Bursa Malaysia (Bursa) have been required to provide sustainability disclosures through the inclusion of a Sustainability Statement in their annual report. Bursa enhanced its sustainability reporting requirements in September 2022 to better align with global reporting expectations, including recommendations of the TCFD.

The enhanced requirements are built on the TCFD core pillars adopted by the ISSB in developing the ISSB Standards. These are governance, strategy, risk management, as well as key metrics and targets. This similarity between Bursa's sustainability reporting requirements and the ISSB Standards provides good grounds for listed issuers on Bursa to move towards more advanced reporting requirements[1].

The enhanced sustainability reporting requirements are being implemented in a phased manner for both the Main and ACE Market listed corporations. These include disclosures of common sustainability matters and indicators, at least three financial year's data for each reported indicator and corresponding performance targets and statement of assurance on the Sustainability Statement. For more information on the enhanced requirements, kindly refer to Circular 50/2022 which can be accessed from the MIA e-library.

In May 2023, the Securities Commission Malaysia (SC) set up a national level Advisory Committee on Sustainability Reporting (ACSR) to support the implementation of the ISSB Standards in Malaysia. The ACSR comprises representatives from SC (as Chair), Bank

Negara Malaysia, Bursa Malaysia, the Companies Commission of Malaysia, the Audit Oversight Board and the Financial Reporting Foundation[2].

Accountants and sustainability reporting

The knowledge and skills that accountants possess make them indispensable in playing a significant role in sustainability reporting, which are as follows:

Preparation and provision of information

Accountants are in the best position to prepare and/or provide information for sustainability reporting. For example, IFRS S1 requires that an entity disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Accountants are very familiar with the materiality concept which they have used in financial reporting, integrated reporting (IR) and assurance engagement.

Connectivity of information

The involvement of accountants in IR and their application of integrated thinking during such involvement enables them to understand and incorporate the connectivity of information. Accountants will be able to continue using such skills in sustainability reporting as IFRS S1 requires an entity to provide information that enables users of general-purpose financial reports to understand the connections between the items to which the information relates and the connections between disclosures provided by the entity.

Risk management

Two of the core contents of IFRS S1 centre around governance and risk management. Accountants play a crucial role in risk management as they carry out, among others, risk identification, risk assessment, risk mitigation, internal controls design and implementation as well as ensure compliance with rules and regulations. This leads to accountants being able to provide advice on risk management (and to a certain extent, also on governance) on the disclosures required by IFRS S1.

Linkage between financial and non-financial information

Accountants have played a significant role in IR where chief financial officers (CFOs) and finance functions in organisations are often involved actively in the task force or working group in preparing IR. Accordingly, they have developed knowledge and skills in linking financial and non-financial information including drawing insights from such information.

Assurance on sustainability information

Accountants who are auditors have been providing various types of assurance on the audit of financial statements, review of interim financial report as well as review of statement of risk management and internal control, among others. With such knowledge and skills, auditors are in the best position to provide assurance on sustainability information. In August 2023, the International Auditing and Assurance Standards Board (IAASB) issued an exposure draft (ED) on the proposed International Standard on Sustainability Assurance (ISSA) 5000 in relation to general requirements for sustainability assurance engagements. The ED can be accessed here.

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[1] *https://www.sc.com.my/resources/media/media-release/sc-sets-up-inter-agency-committee-to-support-implementation-of-the-issb-standards*
[2] *ibid*

The Future of Payroll Management

at-mia.my/2023/10/11/the-future-of-payroll-management

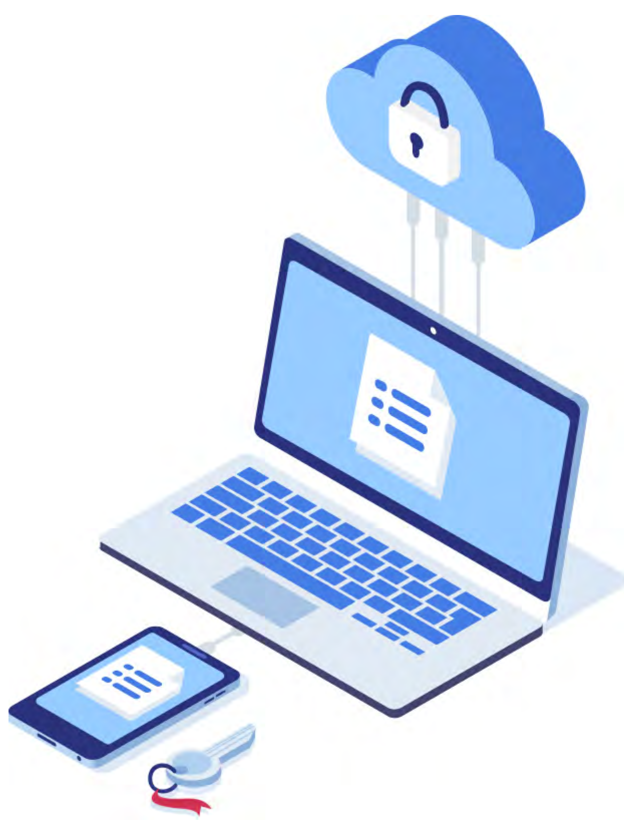
October 11, 2023

By Auto Count Team

Payroll management refers to the HR process of processing employee financial-related matters in a company, which often includes managing employee wages, taxes, deductions, and recording and reporting of all transactions related to employees' compensation. This process requires a high degree of accuracy and actions which are compliant to legislation, regulations, and items such as income tax, Employees Provident Fund (EPF/KWSP), or Social Security Organisation (Socso/Perkeso).

Nowadays, most organisations have utilised payroll software for better administration and to streamline the payroll process. However, a newer version of a cloud-based payroll system, along with mobile enabled solutions ought to be a game changer for HRs who are utilising or looking for a payroll system.

Cloud-Based Payroll Software



What is cloud-based payroll software and how does it differ from on-premises software? Cloud-based solutions are hosted in the cloud which allows users access with whichever device is on hand to work on. Meanwhile, on-premises software are often installed within the user's device in a physical location. Cloud payroll software is also able to promote a higher degree of collaboration, whereby the team members and accountants involved will be able to access payroll at the same time, without being limited to a single location.

Besides accessibility, one of the main advantages of a cloud-based solution such as the AutoCount Cloud Payroll is that it is self-updating. As all solution maintenance and updating are handled by the provider in the backend, each user login will be automatically directed to the latest version. In addition to promoting cost efficiency by minimising maintenance costs, this also ensures that the compliance requirement is always up to date.

Scalability

As the company grows, does it mean that the user needs a more complex payroll solution? This might not be the case with cloud payroll as the systems are scalable. Businesses can easily add or remove users, features and modules to get the perfect system that meets their needs without having to spend more or switch to a larger capacity solution when the company grows.

Higher Security

In terms of security, in an on-premise solution the onus will be on the user to utilise user defined measurements such as firewalls or even physical safety features in the system facility on perimeter. On the other hand, the cloud payroll enables security by hosting the data on cloud servers, which only requires the user to log in to access the data. This often comes with additional factor authentication for added safety as well as data backups to reduce the risk of data loss due to failures or disasters.

Enabling Mobile Solution

Often, a cloud-based solution such as the AutoCount Cloud Payroll is paired with a mobile solution with supplemental features, such as enabling Employee Self-Service (ESS) which allows actions such as salary slip printing or EA form generation. The AutoCount Cloud Payroll even includes e-Leave application, e-Claims, and e-Time Attendance which is not only paperless but allows employees to clock in and out of contributing hours with advanced verification technologies to maintain fair and integrated data, thereby improving efficiency and accuracy.

While the on-premise payroll enables users to own the whole system and maintain it to keep it at its peak, whereas a cloud solution promotes a higher degree of flexibility and convenience, there will always be a solution that meets the needs of each user. Click here learn more about the AutoCount Cloud Payroll, a payroll system that is compliant with LHDN, EPF, SOCSO and EIS.