MALAYSIAN INSTITUTE OF ACCOUNTANTS

2023
NOV-DEC

THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

accountants today

Corporate Reporting Excellence Recognised by NACRA 2023

at-mia.my/2023/12/06/corporate-reporting-excellence-recognised-by-nacra-2023

December 6, 2023

A total of 33 winners in different categories were celebrated from amongst 52 participating organisations at the 33rd National Annual Corporate Report Awards (NACRA) awards presentation dinner held in Kuala Lumpur on 30 November 2023. The prestigious NACRA awards were bestowed on organisations that demonstrated excellence in their corporate reporting encompassing both financial and non-financial information. CIMB Group Holdings Berhad, Carlsberg Brewery Malaysia Berhad, Sunway Construction Group Berhad and Petroliam Nasional Berhad (Petronas) emerged with top honours as the Platinum Excellence Award winners in their respective categories.

Launched in 1990, NACRA is jointly organised by Bursa Malaysia Berhad, Malaysian Institute of Accountants (MIA) and The Malaysian Institute of Certified Public Accountants (MICPA) with the aim to promote excellence in annual corporate reporting.

NACRA 2023 Organising Committee Chairman – Mr Tang Seng Choon gave a warm welcome to everyone after three years of organising the awards virtually. He stated that "NACRA's theme, 'Towards Accountability and Excellence' underscores the vital role annual reports play in propagating transparency and enhancing integrity within the capital markets. Even in today's world of instant information, an annual report remains a powerful tool to communicate a company's strengths and strategies to key stakeholders. It tells the story of an organisation's achievements, overall goals and objectives, financial position, growth, its people and commitment towards sustainability."

In his congratulatory message delivered at the awards ceremony, Guest of Honour – Tan Sri Abdul Wahid Omar, Chairman of Bursa Malaysia stated that "NACRA's awards serve as a beacon, encouraging corporations towards better reporting practices. The recognition by NACRA motivates companies to introspect and improve their approach to reporting. This influence is crucial in cultivating a business environment that values transparency, responsibility, and forward-thinking, thereby contributing significantly to the progression of corporate reporting standards in Malaysia."

He also shared, “With the global business landscape becoming ever more complex, the shift towards Integrated Reporting (IR) and Sustainability Reporting has become increasingly pronounced. This evolution is not merely a trend; it represents a fundamental change in how corporations communicate their value creation story. As companies are increasingly being held accountable for their environmental and social impact, frameworks such as the International IR Framework advocates for integrated thinking, and transparent reporting, highlighting business relationships with the wider society.”

Before the results were announced, Mr Ong Chee Wai, the NACRA 2023 Adjudication Committee Chairman in his address shared that “This year saw stiff competition among the participating organisations with more than RM10 billion in market capitalization, where a majority of the participants scored very high marks.” He commended the quality of corporate reporting under this category and continued, “High quality financial reporting forms the backbone of effective corporate governance and ensures transparency and accountability to stakeholders.”

He also shared that “The participating organisations under the other categories have also performed well. It is notable that a number of them scored a distinction. The quality of reporting puts them on par with the corporate reporting of the larger organisations.”

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

NACRA 2023 AWARD WINNERS

SPECIAL AWARDS

Best Annual Report in Bahasa Malaysia Awards

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

Best Designed Annual Report Awards

Platinum	Gold	Silver	Silver
MALAYAN BANKING BHD	KULIM (MALAYSIA) BERHAD	MALAYSIA BUILDING SOCIETY BERHAD	NESTLE (MALAYSIA) BHD

Best Sustainability Reporting Awards

Platinum	Gold	Gold	Silver	Silver
PETRONAS CHEMICALS GROUP BERHAD	SUNWAY BERHAD	CIMB GROUP HOLDINGS BERHAD	AXIATA GROUP BERHAD	NESTLE (MALAYSIA) BHD

EXCELLENCE AWARDS

Non-listed Organisation

Platinum	Gold	Silver
PETROLIAM NASIONAL BERHAD (PETRONAS)	KULIM (MALAYSIA) BERHAD	CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD

Companies with Less than RM2 Billion in Market Capitalisation

Platinum	Gold	Gold
SUNWAY CONSTRUCTION GROUP BERHAD	OSK HOLDINGS BERHAD	KPS BERHAD
Silver	**Silver**	**Silver**
UEM EDGENTA BERHAD	DUOPHARMA BIOTECH BERHAD	UEM SUNRISE BERHAD

Companies with Less than RM10 Billion in Market Capitalisation

Platinum	Gold	Silver
CARLSBERG BREWERY MALAYSIA BERHAD	SUNWAY BERHAD	SUNWAY REAL ESTATE INVESTMENT TRUST
Silver	**Silver**	

Capitalisation

	AXIS REAL ESTATE INVESTMENT TRUST	GAMUDA BERHAD	
Companies with More than RM10 Billion In Market Capitalisation	Platinum CIMB GROUP HOLDINGS BERHAD	Gold MALAYAN BANKING BERHAD	Gold AXIATA GROUP BERHAD
	Silver TELEKOM MALAYSIA BERHAD	Silver PETRONAS CHEMICALS GROUP BERHAD	Silver TENAGA NASIONAL BERHAD

Dato’ Seri Dr Mohamad Zabidi Ahmad Elected as MIA President, Puan Saniza Said as MIA Vice President

at at-mia.my/2023/12/02/dato-seri-dr-mohamad-zabidi-ahmad-elected-as-mia-president-puan-saniza-said-as-mia-vice-president

December 2, 2023

The Malaysian Institute of Accountants (MIA) is pleased to announce the election of Dato’ Seri Dr Mohamad Zabidi Ahmad as the new MIA President and Puan Saniza Said as the new MIA Vice President at its recent Council Meeting. Both their appointments take effect from 1 December 2023.

Dato’ Seri Dr Zabidi succeeds Datuk Bazlan Osman, whose tenure ended on 30 November 2023.

Dato’ Seri Dr Zabidi was appointed as MIA Council member on 15 December 2022. He brings a wealth of experience in banking and Islamic finance to this senior leadership role, which is expected to strengthen MIA’s advocacy on Islamic finance and its ESG & sustainability agenda among others. Presently, he is the Senior Strategic Advisor & Chief Regional Representative for Malaysia and SEA at DDCap Limited.

He was previously the Senior Managing Director and Regional Head, Islamic Treasury, Treasury and Markets, Group Wholesale Banking, CIMB Group. He was responsible for developing the Islamic Treasury franchise for the CIMB Group regionally including United Kingdom, Singapore, Indonesia, Brunei and Thailand since 2006. In total, he has over 38 years of experience in the banking industry including 19 years’ experience in Group Treasury (conventional & Islamic), corporate (deposits, investment, client solutions), interbank, marketing, fixed income and derivatives, product development and structuring.

Dato' Seri Dr Zabidi holds a Doctorate in Business Administration from the Othman Yeop Abdullah Graduate School of Business (OYAGSB), Universiti Utara Malaysia (UUM) and a Bachelor's in Accounting with Honours from Universiti Teknologi Malaysia (UTM). He recently completed the Oxford Executive Leadership Programme at the Sa'id Business School of Oxford University. He is also certified in Sustainable Finance Leaders by University of Cambridge Institute for Sustainable Leadership.

Dato' Seri Dr Zabidi is a member of the Malaysian Institute of Accountants (MIA) and a member of the Institute of Corporate Directors Malaysia (ICDM). He holds an Associate Qualification of Islamic Finance (AQIF) from the Islamic Banking & Finance Institute Malaysia (IBFIM). He is also a Chartered Professional of Islamic Finance (CPIF) and a member of the Chartered Institute of Islamic Finance (CIIF).

Puan Saniza Said is an experienced public practitioner. She was elected as an MIA Council member on 26 September 2022.

She is currently an audit partner of Saniza & Co, with more than 25 years of experience in audit, tax and business consultancy.

Puan Saniza is a member of the Malaysian Institute of Accountants and holds a Bachelor of Accounting degree from Universiti Teknologi Mara (UiTM) and a Master of Business Administration degree from Universiti Sains Malaysia.

Enhancing Trust, Enabling Compliance

at-mia.my/2023/11/01/enhancing-trust-enabling-compliance

November 1, 2023

By MIA Strategic Communications & Branding Team and Nazatul Izma

In any jurisdiction, trust and compliance are essential to the successful implementation of an efficient and resilient tax system.

Earlier in August 2023, the MIA Strategic Communication and Branding Team had the privilege of speaking with Dato' Sri Dr. Mohd Nizom Sairi, Chief Executive Officer/Director General of Lembaga Hasil Dalam Negeri (LHDN) or also known as HASiL on its vision for advancing the national tax system to support nation building.

According to Dato' Sri Dr Mohd Nizom, enhancing transparency and trust are at the core of changing taxpayer behaviours towards strengthening compliance. It is also critical to embrace digital transformation – including the upcoming e-invoicing initiative – to improve tax administration and ease compliance.

During the interview, Dato' Sri Dr Mohd Nizom stressed the importance of enabling real time taxation processes which will make tax compliance more automatic and less onerous. "It is actually compliance by design, which means that when you are in the system, you just comply as you go along. That is the sustainable way of maintaining compliance at the highest maximum level. We cannot continue to be doing compliance traditionally in a hide and seek kind of situation, chasing and going after the non-compliant ones, which is an approach that has no end to it."

Along with real-time taxation, HASiL is advocating for cooperative compliance to enhance tax administration and governance. This will require accountancy and taxation professionals to change their mindsets and adapt to higher-value tax advisory roles whereby they are able to better predict and mitigate tax and business risks.

Dato' Sri Dr Mohd Nizom's insights are derived from long experience and expertise in the national taxation ecosystem. A holder of a doctorate from the Swiss School of Management and a holder of a master's degree from the Lawrence Technological University in the United States, he first joined LHDN on 13 November 1985. While climbing up the ranks, he amassed extensive experience in direct taxation including tax operations, tax compliance and collection, international taxation and tax training.

Throughout his career, Dato' Sri Dr Mohd Nizom has held several important positions at LHDN including as director of the Investigation Department, Malaysian Taxation Academy, Tax Compliance Department, state director of Perak LHDN, and deputy CEO (Management).

Dato' Sri Dr. Mohd Nizom Sairi

In October 2021, he was promoted to Chief Executive Officer from the position of deputy chief executive officer (Taxation Operations), replacing his predecessor Datuk Seri Dr Sabin Samitah.

Below are excerpts of the interview with Dato' Sri Dr Mohd Nizom *(answers have been edited for clarity and conciseness)*:

What steps can be taken to encourage nations to be more tax compliant? And what are the factors that influence what HASiL can do to incentivise or motivate tax payers and potential tax payers to be compliant?

When we talk about compliance, we are talking about behavioral management. Therefore, compliance to law and how to increase compliance to all the different laws that we have in place will basically require the same kind of initiatives or strategies. So be it tax law or any other law, I think one of the main things that we need to focus on to increase compliance is actually how the public perceives the whole system and the law itself. It is important that they have full trust that the law is good for them, and that the law is administered fairly and justly in the best manner and benefits the community as a whole. If we can increase that perception and feeling among the public, that is the best way to actually bring them to comply with the law. So, that is generally how we will approach administering the tax system in this country.

In this context, how can you enhance public trust and what steps are you taking to narrow the public trust deficit and to encourage compliance?

We have to look into how we can increase the trust of the public in the system itself from various angles. In terms of the efficiency of the system itself, justice and equity, equitable perspective of the law and the administration of the law are essential in terms of increasing transparency. When the public can feel or see (this transparency), then they will believe (in the system) and the trust will increase from there.

It is also important that we give the necessary services and advisory so that they can perform their obligation to the best of their ability and with ease, with no confusion or complication. When the awareness is increased and the understanding is there, and they are provided with the necessary assistance or services made easily available to them, this will be the beginning of the journey of increasing the trust itself.

Of course, the other side of the trust equation is how the revenue is administered. This is on the Government as a whole. We (HASil) are at the revenue generating side, whereas that relates to the expenditure. We cannot just be increasing the trust at the collecting side; trust has to encompass the whole system.

How is HASiL using technology or digital revisions to improve not just your collections, but your services, your transparency, your efficiency, and of course, public trust?

We have actually undergone a process of transforming our IT background or services. This journey took us two years, where we integrated the various systems that have been developed over the past 15 years. We began digitalising from the mid-80s throughout the early 90s which accounts for probably almost 30 years of our digital transformation journey.

Since the whole IT infrastructure was developed phase by phase, at one point we ended up with various systems to deliver or accommodate all our services. To achieve a more seamless kind of communication and integrate these different systems, we have initiated the Hasil Integrated Tax System, which provides a more real-time experience.

For example, in the past, if you made a payment today, you would only see it in the ledger at the earliest by tomorrow. This has changed now. We provide a single gateway for taxpayers to log in and see all things related to their tax matters, whether it is communication, access to services or even viewing their tax positions. This is called MyTax which is available for individuals, as well as corporate taxpayers. So, nowadays when you do your e-filing, you do not need to wait until the next day to see it in your tax position. It is more real time. This is a major transformation that has received very good feedback from the taxpayers.

In addition, more and more of the physical over the counter services, be it lodgement of returns, making payments, and more recently, even the stamp duty process have been digitalised. Everything is now on an online system, from income tax to stamp duty. This means the services are available 24/7 and anywhere, anytime, providing taxpayers with more convenience and avenues to access the services. Of course, there is a lot more room for improvement, but the basic infrastructure is there.

What other tech innovations can we expect in terms of service improvements coming up?

One of the major initiatives that we are currently embarking on now is to establish an e-invoicing environment in Malaysia. This is something that has been done in many countries, where some have had it for more than 15 years in this region, with the Philippines being the latest adopter, I think.

According to our timeline (and as announced in Budget 2024 by the Prime Minister), we are going to start e-invoicing in place as of 1 August 2024 (deferred from the original date of 1June 2024) with a certain group of companies with a turnover of more than RM100 million. The timeline will be extended until 2027 for individual taxpayers.

This initiative is part of the grand scheme of making taxation more real time earlier because this provides certainty which is of huge importance to businesses. If you want certainty, you cannot work on a historical basis, because at any point of time you are not certain. You have to wait until the time is completed and then you look backward and try to see how much your tax obligations are.

By making it more real time, at any point of time you know that you have complied with your tax obligation basically to some extent. With the help of e-invoicing, this will be made possible. Enabling real time is part of our journey of making compliance automatic. It is actually compliance by design, which means when you are in the system, you just comply as you go along. That is the sustainable way of maintaining compliance at the highest maximum level. We cannot continue to be doing compliance traditionally in a hide and seek kind of situation, chasing and going after the non-compliant ones, which is an approach that has no end. Designing compliance into the system is a sustainable way of going forward.

If we are talking about designing compliance systems, what about those outside in the shadow economy?

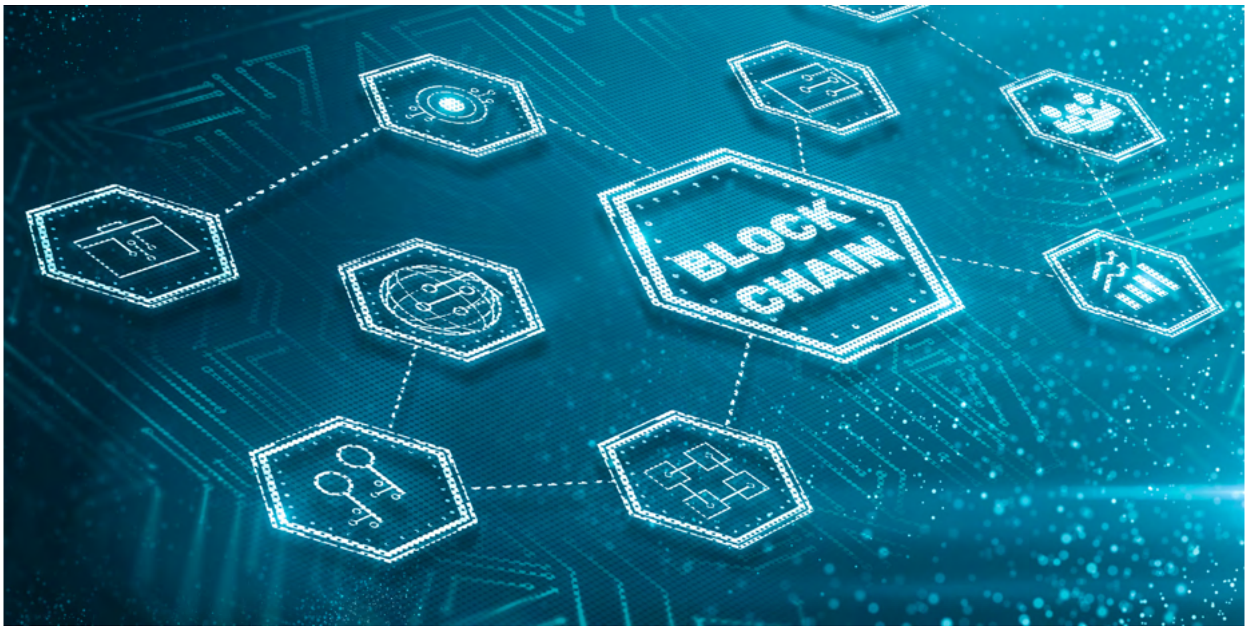
The digitalisation of the economy nowadays has made it a lot easier to bring those in the shadow economy into the net. For example, all sectors will be involved with e-invoicing. You can no longer be doing business in the country if you are not in the system, with the exception of illegal activities which are done under the radar. This is definitely going to reduce the shadow economy's size, and hopefully, it will be reduced to just the illegal activities. So, all legal activities will be captured within the net.

Handling the illegal activity is a different story altogether, but this is made possible by technology nowadays. In the old days, you do business manually and you make payment more on a cash basis, and this is a part of the shadow economy. If everything is electronic, and especially when there is an increase of e-payment mechanisms, everything will be captured within the system and we can reduce such activities.

Also, when we have designed compliance into the system, part of the resources are to maintain the system while the other part of our resources can be used to look for those who are outside of this net, to bring them in. We already know that they are in the net because they are somewhat compliant already, so we just have to manage the infrastructure.

Speaking of infrastructure, do you use technologies like blockchain and data analytics to capture more of these people?

I think this is something that is inevitable. Artificial intelligence, using robotics in the process, are tools that we cannot do without as more businesses are online based on a digital platform nowadays. Many businesses are not seen physically, especially in the services industry. Even in the retail business, you don't see shops. Sometimes there are businesses that actually do retail but don't hold any stocks. They just manage in terms of being a supplier or producer to the consumer. If we do not keep up with these developments, definitely we will be missing a lot in terms of ensuring that these businesses are inside the net.



How do you ensure that your people are on board with all these innovations? How are you changing your culture?

In terms of training talents in the necessary fields, we are no longer just looking at tax law and the accounting perspective, but more and more at technology. We are creating more people who are good in the business process, and also at the same time adept in the technology process, because they have to be merged to support each other. In fact, in the IT industry now, what used to be support services should be the driver of the organisation. Otherwise, you will be slacking behind.

How do you think MIA can collaborate with LHDN to further improve education and professional development for tax professionals?

With regards to the accountancy profession and tax, the journey is actually towards compliance by design, to increase more cooperative compliance.

Therefore, the accountancy profession's role as the intermediary between the taxpaying community and the tax authority has to shift. Initially, accountants began as preparers, tax preparers, tax mitigators when there are disputes, but that was when tax was historical in nature, and you compute your tax for last year.

As we shift to more real time situations, the profession has to increase cooperative compliance activities. In future, the role of the profession should be looking at how to mitigate and how to avoid risk. What are the potential risks in terms of tax? How do you provide the right advisory in terms of how best businesses should be handling their tax matters? You have to make the shift from historical to current and future. That takes a lot of upskilling because historically the skills are more on computation.

Going forward, there needs to be more planning. The profession has to understand business more than in the past. Accountancy professionals have to move from just looking at figures and trying to compute the tax obligation, to understanding the business and identifying potential risks. This should be the direction that will be in line with the tax authorities' intention of managing behavior to enhance compliance. We are not focused on just the revenue but looking at how can we steer them to the right direction.

Islamic Finance Showcases Opportunities to Achieve SDGs

at at-mia.my/2023/12/01/islamic-finance-showcases-opportunities-to-achieve-sdgs

December 1, 2023

Cecile Thioro Niang, Soraya Azhar, Aruhvi Krishnasammy , Dato’ Mohd Muazzam Mohamed, Zulfa Abdul Rahman, Ayşe Ariak Tunaboylu, Dana Jensen, Tanya Musumhi

Event Overview

With its deep-rooted commitment to the public good, Islamic Finance is ideally positioned to play a vital role in the global sustainability movement. As such, leading stakeholders are coming together to discuss the tremendous potential of Islamic Finance in advancing Sustainable Development Goals (SDGs).

On November 1st, 2023, the Malaysian Institute of Accountants (MIA), the World Bank, and the International Federation of Accountants (IFAC) organized a hybrid roundtable titled ‘Unleashing the Potential of Islamic Finance—Global Perspectives on Achieving the SDGs with Islamic Finance Tools & Concepts’ in Kuala Lumpur. It was co-chaired by (1) **Cecile Thioro Niang**, Practice Manager, Finance, Competitiveness and Innovation, East Asia & Pacific Region, World Bank; (2) **Dato’ Muazzam Mohamed**, Group CEO, Bank Islam Malaysia Berhad & Chairman of Islamic Finance Committee of the Malaysian Institute of Accountants (MIA); and (3) **Ayşe Arıak-Tunaboylu**, IFAC Board Member & Director of Operations, E-Lux Mobile. The event featured keynote remarks from Asmaa Resmouki, IFAC President, and a presentation from **Dr. Bello Lawal Danbatta**, Secretary General of IFSB.

The roundtable featured high-level discussions from experts about the global trends facing the Islamic finance industry and practical examples of how Islamic finance enables the SDGs.

Key Takeaways from the Discussion

Part 1 – Highlighting the Natural Alignment between Islamic Finance and the SDGs, Based on the Maqasid Al-Shariah (higher goals of Islam)

At the roundtable, all agreed that there is a natural alignment between Islamic finance and the SDGs. Still, the differences lie in how jurisdictions choose to integrate the SDGs into their development plans and that there must be mutual respect and learning around the different approaches.

Securities Commission Malaysia (SC) issued the first-in-the-world Maqasid Al-Shariah guidance for the Islamic capital market (ICM) on November 2nd, 2023 to guide all ICM decisions. The Guidance underscores the SC’s aspirations to enhance ICM’s competitive advantage and fortify ICM's impact and contribution to society and the real economy.

Part 2 – Examining and Discussing Some of the Challenges for Harnessing Islamic Finance to Support the SDGs

Challenges about harnessing Islamic Finance to support the SDGs were discussed. However, experts also presented potential solutions to address these challenges highlighted below:

1. More awareness-raising among various stakeholders is needed on Islamic finance's synergies with the SDGs.

More education on Islamic finance's synergies with the SDGs is needed among accountants and financiers. Professional Accountancy Organizations (PAOs) can play an important role here in introducing accounting standards for Islamic social finance—such as waqf (Islamic endowment) and zakat (almsgiving)—for its members' professional development, which simultaneously would increase awareness of the standards and build trust.

2. Lack of data to track and map progress against achieving SDGs.

Socially responsible investment (SRI) sukuk has seen exceptional growth. Still, the contribution of Islamic finance instruments to different parts of environmental, social, and governance issues— and hence other SDGs— is not evenly concentrated. Climate-focused projects have benefited from Islamic capital market growth, social and governance— such as agriculture and food security— projects less so. Adding waqf to the SRI sukuk framework partly addresses this, but seeing growth for social-oriented projects will take time.

3. Difficulty agreeing on a single set of standards, and adoption remains partial or a matter of guidance, as most countries' legal and regulatory infrastructures are rarely reformed to enforce the use of these standards strictly.

The use of a standard format and language makes it easier for those in the profession to understand and make judgments on financial activities. Presently, the Islamic financial legal bodies include the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Islamic Financial Services Board (IFSB), and the International Islamic Financial Market (IIFM). AAOIFI, established in 1990, focuses on financial accounting standards that complement or fill the gaps between IFRS and Islamic finance. Meanwhile, the Islamic Financial Services Board (IFSB), established in 2002 with the close support of the International Monetary Fund, promotes prudential guidelines to financial regulators by adopting international standards, developing new standards, and reviewing standards to ensure they serve Sharia objectives. Implementing IFSB and AAOIFI standards has the potential to enhance disclosure and governance to protect the public interest (Lukonga, 2015 Finally, the International Islamic Financial Market (IIFM) was established in 2002 under the combined efforts of the Central Bank of Bahrain, Islamic Development Bank, Bank Indonesia, Central Bank of Sudan, Bank Negara Malaysia, and Autoriti Monetari Brunei

Darussalam to provide standards on Islamic capital and money markets for market unification. The institutions' functional objectives vary despite working with similar motives. In some cases, AAOIFI and IFSB work on a similar issue or product (e.g., Sukuk); thus, the synergizing cooperation between the institutions is required.

The next hurdle is making data available so standards can be implemented. Islamic finance would benefit from simple metrics that balance monetization, impact, and religiosity to push priority agendas like refugee financing.

4. Difficulties mapping Islamic Finance with the SDGs and mobilizing Islamic Finance to achieve the SDGs.

Standard-setting bodies play a crucial role in driving the Islamic finance-SDG link by creating principles-based frameworks that countries can adopt and implement according to their needs. However, the critical next step is for actors to track their progress and build cascading benefits for the SDGs. One example is the iTEKAD social finance program introduced by Bank Negara Malaysia (BNM) to assist low-income microentrepreneurs in strengthening their financial management and business acumen towards generating sustainable income.

Islamic finance projects contribute to the SDGs, but often do not explicitly make their links to the SDGs.More work can be done to harmonize and standardize Islamic finance regulations to facilitate the ease of investment and mobility of funds.
Islamic social finance can be further mobilized for the SDGs by widening product options (e.g., only a handful of social impact sukuk have been issued). A big challenge is the lack of replication of good Islamic social finance models. The Organization of Islamic Cooperation (OIC) could consider doing more to transfer and diffuse excellent models across their member countries.

Practical Case Example

VALUE-BASED INTERMEDIATION FOR TAKAFUL (VBIT)

VBIT is aligned with the SDGs, as its seven areas map directly to several of the SDGs. Takaful targets wealth protection; in this sense, it complements the SDGs which is about wealth creation and accumulation for all. As more Islamic finance products are focused on climate change, takaful contributes to social-oriented SDGs. Microtakaful is a practical example of Islamic finance innovation in the social space, because it eradicates poverty, and protects the underserved so their livelihoods can continue even in rough economic times.

5. Funding gap towards Islamic finance products to achieve SDGs.

The funding gap is partly due to a trust deficit. There needs to be reassurance that money channeled into Islamic finance products for SDGs goes where intended. The trust deficit could be addressed by monitoring and evaluating Islamic finance-funded projects (see new World Bank report 'Tracking Progress: Impact Monitoring of Social Finance'). The funding gap can also be overcome with mindset changes—specifically, by educating high net worth individuals about social, environmental, and governance ROI such as using waqf and other Islamic social finance instruments. Islamic Finance can help alleviate the SDG gap by bringing private-public partnerships and philanthropy (PPPPs). One example is the Achmad Wardi Eye Hospital in Serang, Banten, Indonesia, which applies cash waqf-linked sukuk for the to construct a retina and glaucoma center.1

6. There is a need for regulators to establish a comprehensive regulatory framework that includes the various aspects of Islamic finance.

Practical Case Example

WORLD BANK ON PROJECT FINANCING

The World Bank ensures that projects funded by the World Bank, contribute to the SDGs by requiring borrowers to meet its Environmental and Social Framework criteria throughout the project lifecycle.

As every Islamic finance entity has strengths and limitations, collaboration among all organizations in the Islamic finance ecosystem is necessary. From the regulatory perspective, it's important to building a conducive ecosystem that identifies Islamic fintech and technology start-ups with lots of potentials, helps them grow, and ultimately facilitate their export to the broader global market with an eye to advance the SDGs.

Practical Case Example

INDONESIA

In Indonesia, the Ministry of Finance encouraged Islamic finance growth by putting in place comprehensive regulatory frameworks, streamlining regulation for products and services, raising awareness of Islamic finance among its population, and weaving Islamic finance into its national development plans. Indonesia's Ministry of Finance mainly works with the country's Financial Services Authority and central bank to ensure policy coherence and coordination in this space.

Practical Case Example

MOROCCO

Morocco's Islamic finance sector experienced significant growth after the creation of a central Sharia committee to regulate Sharia-compliant services and products, hence supporting financial inclusion. Growth notwithstanding, the use of Islamic finance for SDGs is constrained due to limited products, a nascent Islamic finance ecosystem, and the small capital base of Islamic financial institutions.

Part 3 – Next Steps

Concerted efforts are needed to increase financial literacy and awareness of the linkage between Islamic Finance, sustainability reporting, and achieving the SDGs. More data is required to understand better these linkages for Islamic Finance to reach its full potential. Lastly, IFAC proposed that the Islamic Finance sector could pursue a "Building Blocks" approach: on the one hand, reporting on investor-focused aspects of its work so that capital is directed toward companies that are best-positioned to pursue a sustainable future, while on the other hand pursuing the social goals of Shariah, all in service of the overarching goals of sustainable development and achieving the SDGs.

This article was first published on the IFAC Knowledge Gateway on 28 November 2023.

Stay tuned for a joint report published in Q1 2024 analyzing our findings from the focus group discussions and most recent roundtable. In the meantime, IFAC encourages professional accountancy organizations to submit case studies highlighting how Islamic financial instruments have been used to advance SDGs in their respective jurisdictions. It is important to highlight these stories among the resources on Islamic Finance that IFAC staff have assembled on the website. Please get in touch with Dana Jensen, Senior Manager, IFAC (DanaJensen@ifac.org).

MIA Enhances Its Professional Ethics Standards on Public Interest Entities, Effective 15 December 2024

at **at-mia.my**/2023/11/16/mia-enhances-its-professional-ethics-standards-on-public-interest-entities-effective-15-december-2024

November 16, 2023

The Malaysian Institute of Accountants (MIA) has expanded its definition of Public Interest Entities (PIEs) to hold audit firms to higher ethical and independence standards, thereby raising audit quality and ultimately strengthening good governance and trust. The revised definition of PIEs along with other relevant changes are set to come into effect on 15 December 2024.

The expanded definition of PIEs consists of entities such as publicly traded entities, entities which are primarily deposit-taking from the public, entities involved in providing insurance to the public or entities specifically designated as PIE by legal, regulatory or professional standards. “This broadening of scope ensures that audit firms are held to higher ethical and independence standards as the audits of PIEs are subject to additional independence requirements,” stated MIA President Datuk Bazlan Osman, commenting on the revision. “This is very much aligned with MIA’s increased emphasis on ethics to enable strong regulation and good governance.”

The revised definition of PIEs along with other relevant changes are part of updates issued by the MIA to its By-Laws (on Professional Ethics, Conduct and Practice). These changes are aligned with the latest standards issued by the International Ethics Standards Board for Accountants (IESBA).

“The revisions encourage audit firms to determine if other entities should also be treated as PIEs by assessing several factors such as an entity’s importance in the sector it operates in and the potential systemic impact on other sectors and the economy as a whole in the event of financial failure of an entity,” explained MIA Ethics Standards Board Chair Dr. Veerinderjeet Singh.

The revisions also clarify why additional independence requirements exist for the audit of PIEs. “Given that there is a significantly greater interest in the financial health of such entities, there is a corresponding expectation of the level of independence an audit firm should have when performing the audit of a PIE,” added Dr. Veerinderjeet.

“To strengthen compliance and value of PIE audits, it is important that professional accountants be cognisant of the more stringent independence requirements when auditing PIEs,” advised Dr. Veerinderjeet. Some of these requirements would involve partner rotations, restrictions on fee dependency and restrictions on the provision of certain non-assurance services.

The Institute encourages all accountancy professionals, organisations, and stakeholders to familiarise themselves with the expanded definition of a PIE. “The enhanced PIE definitions represent an important step in maintaining public trust and highlight the vital role that professional accountants play in maintaining independence, integrity and objectivity when working with public interest clients,” concluded Datuk Bazlan.

The updated By-Laws and the detailed PIE revisions are available on the MIA website whilst related resources can be found on the IESBA website.

MIA Sustainability, Digital Economy and Reporting Insights (July – September 2023)

at-mia.my/2023/11/08/mia-sustainability-digital-economy-and-reporting-insights-july-september-2023

November 8, 2023

By the MIA Sustainability, Digital Economy and Reporting Team

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

Sustainability Reporting in Malaysia

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 Task Force on Climate-related Financial Disclosures (TCFD). Click here to find out more about the current state of play in the sustainability reporting space worldwide and in Malaysia as well as the roles that accountants can play in expediting adoption of sustainability reporting.

Digital Advocacy

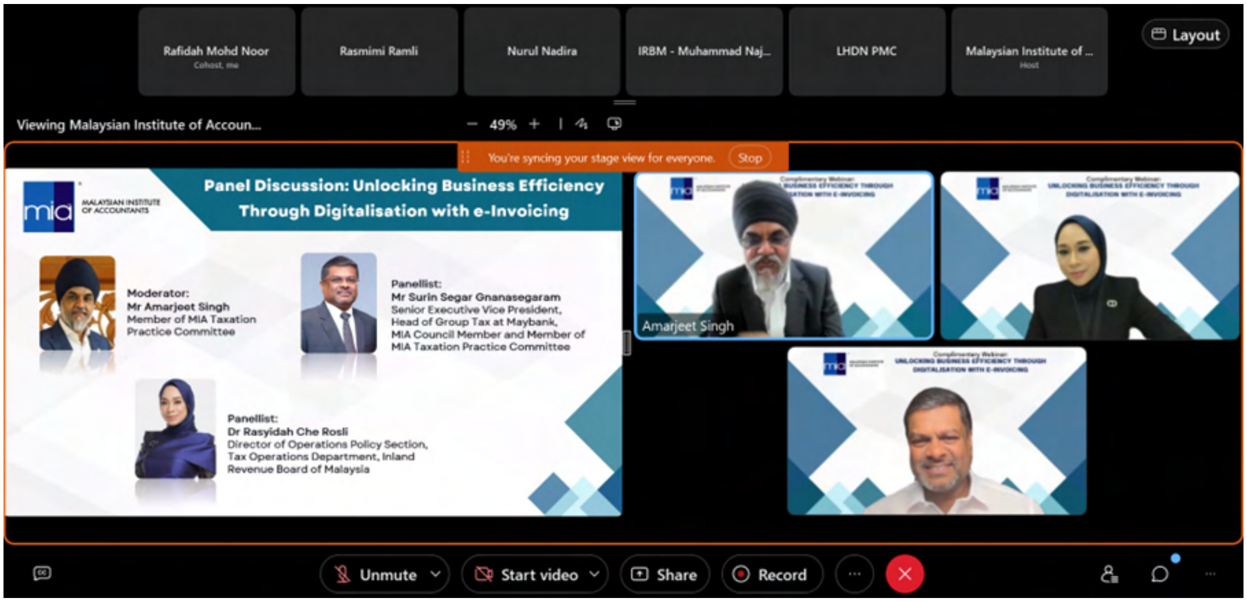
Digital Transformation Programme for SMPs

In its continuous effort to facilitate digital adoption by the accounting profession, MIA in collaboration with the Malaysia Digital Economy Corporation (MDEC) organised a workshop focusing on digital transformation for small and medium practitioners (SMPs) on 27 September 2023. As SMPs in Malaysia support thousands of small and medium enterprises (SMEs) and sole proprietors in Malaysia, it is vital for them to acquire digital competencies to realise the full potential of digital technologies in creating value.

The programme was attended by 56 practitioners and included sharing by expert speakers from the accounting industry. Mr Jeremy Chia, Managing Partner and Co-founder Chia, Ka & Partners PLT and Mr Steven Chong, Founder Global Analytics Alliance and member of the Digital Technology Implementation Committee, MIA spoke on various topics including recognising technology as an enabler of SMPs' value creation, determining the right digital tool to adopt and discovering grants available to finance digital transformation. Participants were equipped with valuable insights to progress and advance in their digital transformation journey by the end of the workshop. Stay tuned for the insights from the programme in our next issue!

Unlocking Business Efficiency Through Digitalisation with e-Invoicing

In today's fast-paced business climate, embracing digital technology is critical for competitiveness and growth. E-invoicing is a revolutionary tool for streamlining financial operations and increasing corporate efficiency. Embracing e-invoicing is a strategic step towards digital transformation and keeping ahead in today's competitive business world.



The Institute organised a complimentary webinar entitled 'Unlocking Business Efficiency Through Digitalisation with e-Invoicing' on 14 September 2023. Mr Amarjeet Singh, Member, MIA Taxation Practice Committee (TPC), moderated a panel session with expert panellists Dr Rasyidah Che Rosli of Lembaga Hasil Dalam Negeri Malaysia and Mr Surin Segar of Maybank and a TPC Member.

The webinar aimed to equip participants with knowledge and insights on starting the e-invoicing journey to maximise the potential of their organisations. 311 members participated in the webinar.

Advocacy on taxation

2024 Budget Consultation

The Institute submitted a Joint Memorandum for 2024 Budget Consultation to the Ministry of Finance (MOF) on 13 July 2023. The Memorandum comprises 76 proposals covering various measures to revitalise the economy, enhance equitabilityand broaden the revenue base towards economic development in addition to pursuingcontinuous tax improvement and efficiency.

Among others, the Memorandum applauded the government for reviewing the definition of plant in a timely manner by deleting "an intangible asset" from the definition of "plant" with effect from Year of Assessment 2023. It also includes policy changes regarding the tax treatment of income received from outside Malaysia such as review of underlying tax for the purpose of Income Tax Exemption.

In addition, the Memorandum reiterates the timely implementation of carbon tax in order for Malaysian producers and exporters to remain globally competitive. The tax revenue to be collected from the implementation of carbon tax requires transparency on its utilisation for the benefit of society and businesses.

Capital Gains Tax

Following the Institute's participation in a workshop on the proposed implementation of capital gains tax (CGT) organised by the Ministry of Finance (MOF) in August 2023, a joint comment letter on the Proposal Paper on Implementation of Capital Gains Tax was submitted to the MOF in September 2023. Among others, the joint comment letter proposed to limit the imposition of CGT to only gains arising from disposal of foreign assets in line with the requirements of the European Union to allow more time for Malaysia to evaluate the merits and mechanism for imposition of CGT on gains arising from disposal of domestic unlisted shares.

Other proposals include tax certainty, clarity on the foreign source income exemption regime, choice of rate and proposed implementation date.

Luxury Goods Tax

The Institute submitted joint feedback on the Proposal Paper on Implementation of Luxury Goods Tax (LGT) to the MOF. The feedback includes comments and suggestions on determination of type of tax (legislation and scope of charge), category of chargeable good, rate and threshold as well as other policy matters.

Common Accounting Issues on Investment Property and Property, Plant and Equipment

The Institute received various accounting queries on investment property (IP) and property, plant and equipment (PPE) through our technical queries facility. We have produced an article to share the common questions received on these areas and the suggested guidance for reference. Click here to view the article.

Advancing the Accountancy Profession through Research: The Role of MAREF

Enabling accountancy-related research and education is vital to ensuring the future relevance of the accountancy profession. Find out more about the role of MAREF in advancing the accountancy profession in Malaysia here.

Revision of Practice Review (PR) Framework Effective 1 July 2024

at-mia.my/2023/11/21/revision-of-practice-review-pr-framework-effective-1-july-2024

November 21, 2023

By the MIA Practice Review Department

Effective date of revised Practice Review Framework: 1 July 2024

Practice review plays an integral part in the MIA's quest to continue refining its approach to regulate the audit profession, especially the method by which it inspects audit, to determine the problems that auditors need to fix. As such, the revision of the Practice Review (PR) Framework will take effect from 1 July 2024.

MIA first revised the Practice Review (PR) framework on 1 July 2017 with the objective of expediting the process of instituting remedial actions while reinforcing the need for our practitioners to uphold a high level of audit quality. In 2017's revision, besides the introduction of Type 4 rating, practitioners of Type 3 firms are compelled to submit a well structured remedial action plan (RAP) for Practice Review Committee (PRC) approval prior to implementation of the RAP. Monitoring reviews shall be conducted on audit firms (AF) rated as Type 3 after three (3) months upon the approval of RAP by the PRC.

Since approximately six (6) years after the last revision of the PR Framework in 2017, we observed that while some of the firms took their responsibility very seriously and worked closely with the practice reviewers to get insights into various type of remedial efforts that would address the issues identified, there are still audit firms failing to effectively remedy their weaknesses in the 2nd monitoring review. Factors include insufficient timeline (i.e. the conduct of monitoring review three (3) months after RAP approval) to fully rectify all the weaknesses identified and minimal support available within the audit industry to seek internal advice particularly when complex matters arise.

The following are some of the key changes to the current PR framework:

KEY CHANGES TO THE FRAMEWORK	OBJECTIVES OF THE CHANGES	MAJOR AMENDMENTS TO RELEVANT MIA BY- LAWS (SECTION B250 AND ITS APPENDIX VI)
(a) Streamlined/shorter duration visit process for each firm, enabling significant increase in volume of visits – Introduce Single Review.	Both the firms and MIA to increase focus on the firms' quality control/management systems as an important driver in achieving sustainable and higher quality auditing. The Practice Review Department (PRD) to constantly be aware of striking the right balance, to ensure that no unreasonable burdens are imposed and that any burdens imposed are justified by the benefits to be gained.	Paragraph 36 will be removed due to removal of Monitoring Review.
(b) Request audit firms to submit remedial action plan (RAP) annually (no requirement of approval of RAP by PRC) for 24 months for firms with Type 3 rating prior to a fresh review being conducted. (c) Introduced 2 types of ratings for Type 3 firms – Type 3A and Type 3B based on the level of deficiencies identified in the review. To impose conditions on audit firms with Type 3 rating during the 24 months rectification period such as, inter alia: (a) **Type 3A** – to engage peer review; and (b) **Type 3B** – to engage in Quality Assessment Program (QAP) review. ***Note:*** *refer to elaboration of the changes of Type 3 rating below.*	Provide a better environment and sufficient time period for the audit firms with Type 3 rating from the current 3 months to 24 months to gain adequate understanding of their firm's underlying deficiencies and rectifying them with the guidance and support within the industry. Simultaneously, to provide support to members (via collaboration with other departments within MIA) to enhance their capacity building, expand their horizon on professional standards and safeguard client's interests. Continuous monitoring mechanism (24 months) is another important element of an effective Quality Management (QM) system. Efforts should be continued to reinforce the importance of firms monitoring the quality of their overall audit practices as well as of individual audit engagements.	The definition of Type 3 will be amended in Paragraph 35 (c).

Elaboration of the changes to the Type 3 rating

Two types of ratings for Type 3 firms – Type 3A and Type 3B have been introduced based on the level of deficiencies identified in the practice review.

1. The following is the definition of **Type 3 – Remedial Action Plan Required** as stated in Paragraph 35 (c) of Appendix VI of MIA By- Laws

"Where it considers that the audit firm has some significant weaknesses which were pervasive in complying with applicable professional standards, legal and regulatory requirements during the course of carrying out the work of the engagements reviewed in which the work performed and evidence obtained thereon were inadequate and/or inappropriate. Thus the basis needed to form the opinions expressed on those engagements was not adequately supported."

In such a case, the audit firm shall be required to:

1. submit their remedial action plan annually for a period of 24 months; and
2. the PRC shall also require the practitioner(s) concerned to attend relevant training and educational seminars and other relevant rectification order as determined by the PRC.

A complaint shall be lodged with the Registrar on the audit firm which fails the subsequent review conducted after the 24 months.

2. The two (2) types of ratings and examples of relevant actions required from the audit firm may include the following:

TYPE OF RATING (TYPE 3)	ACTIONS REQUIRED FROM AUDIT FIRM (AF)
Type 3A	If the PRC finds that the audit firm has some severe weaknesses which were pervasive in complying with the applicable professional standards and legal and regulatory requirements during the course of carrying out the engagement in which the work was performed, and evidence obtained thereon was inadequate and/or inappropriate, thus, the basis needed to form the opinions expressed on those engagements was not adequately supported. However, the PRC considers that the audit firm is able to adequately practice. In such case, the PRC may instruct as follows: • Request the audit firm to submit the firm's remedial action plan annually for a period of 2 years (24 months); • The audit firm must have at least 3 of its audit engagements reviewed by a suitably qualified person (Peer Reviewer) who can mentor and advise the audit firm accordingly. This review may occur either before or after the audit has been completed and signed (hot review or cold review). The review exercise by peer reviewer shall be completed within 24 months; and • To order a subsequent review to be conducted by PRD (after 24 months).
Type 3B	If the PRC finds that the audit firm has some severe weaknesses which were pervasive in complying with the applicable professional standards and legal and regulatory requirements during the course of carrying out the engagement in which the work was performed, and evidence obtained thereon was inadequate and/or inappropriate, thus, the basis needed to form the opinions expressed on those engagements was not adequately supported. However, the PRC determines that the audit firm need to improve under the supervision of a suitably qualified person, PRC may instruct as follows: • Request the audit firm to submit the firm's remedial action plan annually for a period of 2 years (24 months); • The audit firm must have at least 3 of its audit engagements reviewed by a suitably qualified person. (Peer Reviewer) who can mentor and advise the audit firm accordingly. This review may occur either before or after the audit has been completed and signed. The review exercise by peer reviewer shall be completed within 24 months; • The partners of the audit firm must complete its QAP Programme within 24 months; and • To order a subsequent review to be conducted by PRD (after 24 months).

In conclusion, audit firms are reminded to take heed of the effective date of the revised Practice Review Framework which is 1 July 2024.

Understanding the Distinction Between Bookkeepers and Accountants

at at-mia.my/2023/12/11/understanding-the-distinction-between-bookkeepers-and-accountants

December 11, 2023

By Auto Count Team

Individuals who are not in the finance or accounting industry and the public are usually unable to tell bookkeepers and accountants apart. Both roles might seem alike as they are financial professionals who manage financial reporting and recording as well as advisory on financial stability. However, in practice these are two entirely different roles with different responsibilities and levels of expertise.

Difference in responsibilities

Bookkeepers often manage initial-level tasks which are crucial to maintain an accurate report from the start. These include day-to-day primary financial transactions of a business and monitoring cash flow by identifying, verifying, recording, and categorising primary financial transactions such as sales and purchases, receipts and bills, as well as payments. They are also charged with managing combined reports which are often in ledgers – either single or double entry, maintaining bank statements and ensuring financial records are properly documented and categorised.

Accountants on the other hand, often manage more complex financial tasks based on the collected information, which include analysing data, preparing financial statements in a specific format such as income statements, balance sheets and cash flow statements, along with more complex operations such as taxation, audit, budgeting, and financial forecasting as well as providing consultation to clients. In other words, accountants focus more on analysing financial data, identifying trends, providing financial advice and interpreting information recorded by bookkeepers to formulate the big picture. This enables business operators to make informed decisions and helps organisations to stay updated on their financial status.

Areas of focus

While both roles are moving towards a common goal, albeit with different responsibilities, the field of focus of each varies. Bookkeepers focus on recording and organising financial records in the correct manner while ensuring compliance with relevant accounting requirements or regulations, as the bookkeeping record is essential for providing accurate data to accountants and tax professionals for further processing.

Accountants often adopt a more analytical approach, by using financial data to analyse a company's financial status, providing consulting or assistance to business owners on available resources for improving financial performance, and providing insights for more informed decision making. Most accountants also handle the tax matters of their clients.

Role in Taxation

Bookkeepers often do not handle tax planning, strategy, or compliance matters, other than collecting relevant documents if required. Accountants are able to provide comprehensive tax planning and compliance services and should stay updated on tax laws and regulations.

Data processing technology

As technology advances, bookkeepers nowadays generally rely on accounting software for data entry and record-keeping to accurately inputting financial transactions into systems. Accountants too use accounting software to process data but typically utilise more of the systems' functions and may customise them to generate advanced financial reports and conduct in-depth financial analysis. With the advancement of accounting technology, accounting software can process data in a faster, more organised and efficient manner, which enables accountants to save more time and focus more on supporting the client's business.

To find out more about how technology can help your finance function, explore AutoCount's various solutions like on-premise and cloud accounting solutions to suit the different needs of accountants and bookkeepers. Check us out now at: https://bit.ly/AutoCountMIA3