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In Pursuit of Future Fitness

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January 16, 2024

By the Accountants Today Team in collaboration with the MIA Competency Framework Development Team

Accountancy education is critical to nurturing talents who are future fit and relevant to the needs of business and finance. In line with its nation building purpose, the Malaysian Institute of Accountants (MIA) is committed to developing a pipeline of accountancy talents who are competent, ethical, resilient and adaptable for today's increasingly challenging and volatile economy.

Towards this end, the MIA's Education Board (the Board) is tasked with establishing requirements on professional accountancy education and ensuring consistency with global standards especially the IFAC International Education Standards (IES) as issued by the International Accounting Education Standards Board (IAESB).

Datuk Zaiton Mohd Hassan

In a recent interview with the MIA e-AT team, Datuk Zaiton Mohd Hassan, Chair of the Education Board spoke at length on the direction and plans of MIA to ascertain what employers really want and to close the gaps in producing market ready accountancy professionals. “The approach that the Education Board will take is very much of engaging to get a lot of feedback from the market, from employers or MIA Committees. We also intend to engage with the Malaysian Qualifications Agency (MQA) and the Ministry of Higher Education (MOHE) because we are all working for the same purpose, to build talents who can contribute positively to nation building. I think it can be a meeting of minds where we can achieve a lot more together.”

Datuk Zaiton brings a wealth of experience and passion to this role. As a founder and the long-time CEO of the Malaysia Professional Accountancy Centre (MyPAC), her mission focuses on helping students from underprivileged families to pursue professional accountancy qualifications and break out of the poverty trap. Today, MyPAC is one of the leading scholarship providers in Malaysia to select, support and nurture deserving Bumiputeras to become professional accountants. She clearly empathises with MyPAC beneficiaries as the profession has been a gateway and catalyst for her own professional and personal achievements.

Starting out as an auditor with a Big 4 firm, Datuk Zaiton moved into banking, holding various senior positions in Treasury, International Operations and Group Strategic Planning at the country’s largest banking institution, Maybank. She is an icon in the credit rating space, having set up the country’s second rating agency, Malaysian Rating Corporation Berhad, where she was President for eight years. Datuk Zaiton was also tapped for prominent leadership roles in the profession, as former Deputy Chair of the International Federation of Accountants’ Professional Accountants in Business Advisory Group and former Vice-President of the MIA for two terms. A lifelong advocate for good governance and staunch proponent of integrated reporting, she continues to advise boards of PLCs and PIEs, and currently serves as Chairman of Malaysia’s first digital bank, GX Bank Berhad and Chairman of the Board Risk Management Committee of Sunway Berhad.

Following are excerpts of the interview with Datuk Zaiton which have been edited for length and clarity:

Q: What role does the MIA Education Board play in developing the future relevance of the profession?

The Education Board is very important within the context of the Malaysian accountancy profession as our work relates to building the future pipeline of accountancy professionals who can contribute to nation building.

While there is a perception that accountants work in accounting firms, in audit and in the finance department, their role is much more impactful, and I think we need to correct this misnomer. Many top CEOs are accountants. Banks need to employ accountants in credit evaluation and risk management roles too.

Having been in banking for a long time, I have seen many businesses fail because they did not give attention to managing their cash flow. In fact, accountants can make good entrepreneurs. Having an accountancy background is a good prerequisite for being in business, because cash flow to business is like blood for a human, where if the blood stops flowing, you are dead. Therefore, in a wider context, accountants will always be relevant particularly in the financial and capital markets.

MIA has two roles to play in the profession – development of the profession and the disciplinary process, which is the governance part of the profession. If you are successful in developing accountancy professionals with the right qualities, the governance part takes care of itself. Developing accountancy professionals goes beyond just making sure they get a degree or professional qualification. You have to develop accountants with the right values, integrity, and ethics so that when they actually go out there and work, they work in the public interest, wherever they are.

Therefore, the Education Board should not just be looking at numbers, in terms of how many thousand accountants are being churned out. Rather, we need to look at the calibre of accountants we produce. Do they have the right values in order to be useful to the country and to serve the public interest? We also have to engage with the market and the customers, namely employers, to assess whether we are producing what they want. At the end of the day, we want them to be proud of being an accountant under the MIA framework, and that they feel appreciated and do their jobs as accountants who have internalised and demonstrated the values expected of accountants.

Q: What has the MIA Education Board done so far, and what is in the pipeline?

After I assumed the Chairmanship of the Education Board, the first thing we did was to review our terms of reference to ensure that they are in accordance with our purpose. We have also mapped out our work plan for the financial year from July to June of the following year (FY2024). Under our work plan, we are going to meet four times a year to accomplish what we want to do.

In terms of the work plan, there will be extensive engagements with employers in order to understand their perspectives and expectations. These engagements will help us identify the gaps and where we need to improve. We have also asked to have a roundtable with the chairpersons of MIA Committees who are themselves employers as well as with the Disciplinary and Appeals Boards and the Financial Statement Review Committee within MIA to get their feedback on correcting the wrongs and closing the gaps.

Q: What are the gaps that you expect to identify?

As the deputy chair of the IFAC Professional Accountants in Business advisory group, I attended a meeting to which IFAC invited one of the large talent search firms. They shared the attributes that large employers look for when multinationals engaged them to search for CFOs. The top attribute listed is not technical accounting knowledge because that is a given.

The top attributes are the ability to articulate and collaborate. Going forward, there is a notion that the accountancy profession might be irrelevant in future because it will be overtaken by digitalisation. What you have to understand is that the role of the accountant has changed. If you are still thinking of the role of accountants as preparing accounts, then you are definitely irrelevant. But the ability to articulate and the ability to actually communicate and collaborate with people is highly lacking in accountants today when they enter the accounting profession.

First, language. The challenge is not that our graduates do not know their stuff, but they are not proficient in English. English cannot be avoided because it is the language of business. Graduates who attend interviews and request to speak only in Bahasa Malaysia will be at a disadvantage because business is conducted in English.

Second is the ability to collaborate which is more than just teamwork. In order for others to want to collaborate with you, there must be something that you bring to the table, be it technical knowledge, or you are the custodian of valuable financial and other data within the organisation, strategic thinking, etc.

Take ESG (environmental, social, governance) as an example. Now in the accountancy profession, we talk about value creation. This means how we actually take the companies forward as measured by the triple bottomline of people, planet and profit. Therefore, as a

CFO (chief financial officer) and as a board member, you should be able to contribute to the discussion on ESG. A lot of the material on ESG is in English. Without being proficient in English, how do you even begin to access and understand the material out there?

To address this requires a two-pronged approach. One is to improve their language proficiency and thus their ability to engage, articulate and communicate. Two, and I am still trying to figure this out, is how to inculcate the lifelong learning mindset in accountancy professionals. You cannot just close your books after achieving your degree or professional qualification and hope to remain relevant.

You have to continue to learn, you have to learn to unlearn and learn new things. We have to imbue this habit of constantly learning and unlearning starting in the university. This is where MIA also plays a critical role in providing continuous professional development which is the key to upskilling and being future fit.

I also think humility is another quality that is very, very important. As you go up the ladder, you have to be humble, otherwise who is going to collaborate with you? Learning providers can take the initiative to nurture the ability to collaborate by encouraging a lot of discussion in class. Classroom collaboration can include developing the ability to get the smarter ones or those who are on the fast track to help their peers so that no one is left behind. When you get into the workforce, these qualities are also important.

Q: What is your view on the future relevance of the profession?

The profession itself needs to change in order to remain relevant. If you look at accountants only as preparers of financial statements, you are as good as gone. So how do we actually move forward?

First, we must appreciate that accountants are very rich in data. Within the company, you are in control of all the financial and non-financial data, therefore they need you. But how do you actually develop that role? That's why, we usually see accountants in the investor relations space. The CFO must be able to articulate the story behind the figures when facing analysts. In order to do that, you have to have a very good understanding about the business.

Sometimes I get invited to speak to directors of public listed companies. I say to them, look, you must understand the business. When you look at the outcomes as a member of the audit committee, those are just snapshots or a picture at a point in time. You need to understand what is actually behind the picture. For example, if you are a board member of a bank, you must know how banks make money. Equally important, you must know how banks can lose money. So, you must like the industry you are in enough to find out more. The quest for knowledge never stops and the business will not stop for you as things change every day especially post COVID, amidst heightened geopolitical tensions.

Q: Please share some updates on the MIA Competency Framework

First, the Competency Framework intends to broaden the profession. The profession is more than just chartered accountants, and the Framework will include the accounting technicians, among the three introduced levels. From a technician, then they can develop themselves into an accountant and then a chartered accountant. For each level, this Competency Framework is linked to the IFAC International Education Standards (IES) as issued by the International Accounting Education Standards Board (IAESB). So, we have the levels of accounting technician, accountant and then chartered accountant and this reflects the reality in life. When you start working, you go through those phases, from accounting technician you level up and there is a requirement in the market for every level. The competencies are different because they meet different objectives. This is where we follow the IES framework. So, if you are at the Chartered Accountant level, you need to fulfill certain requirements which are spelled out under IES.

It is really about helping people along the whole value chain. You can start by having a diploma and then through experience and continuing professional education, you gain those competencies and meet the requirements and expectations of the market at every level. So, if you want to call yourself a chartered accountant, then you had better be able to meet the market requirements and the competencies expected of a chartered accountant. At the end of the day, it is the market that determines the standards required.

2023 Updates on Global Public Sector Reporting Standards

at-mia.my/2024/01/18/2023-updates-on-global-public-sector-reporting-standards

January 18, 2024

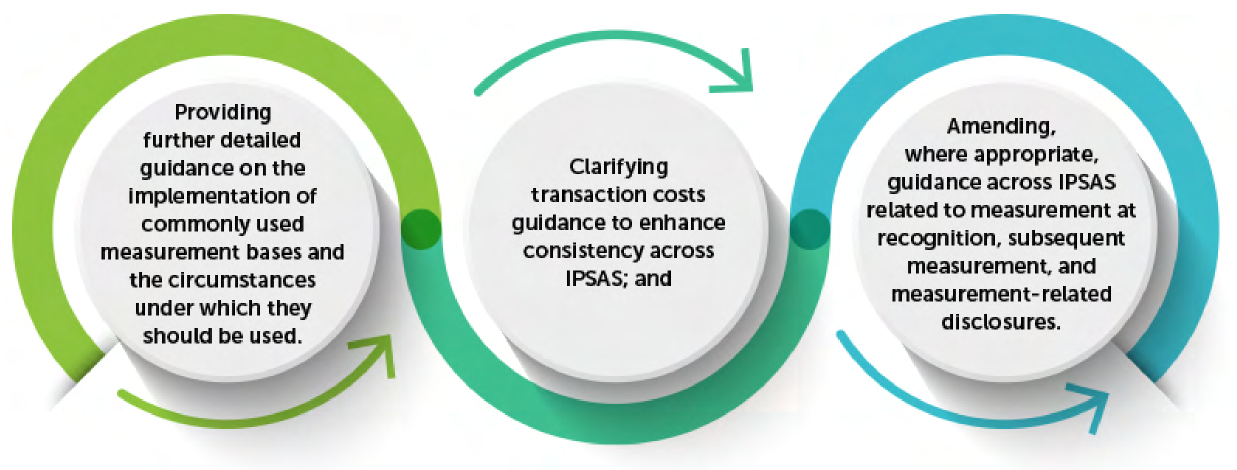
By Sustainability, Digital Economy, and Reporting (SDER)

This article provides updates on the developments in the global standard setting agenda by the International Public Sector Accounting Standards Board (IPSASB) in 2023. It focuses on the latest pronouncements on measurement, revenue and transfer expenses, retirement benefit plans and IPSASB *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.

Measurement

IPSASB has issued an integrated package of measurement-related pronouncement comprising updates in **Chapter 7**, ***Measurement of Assets and Liabilities in Financial Statements from IPSASB Conceptual Framework, issuance of*** IPSAS 45, ***Property, Plant and Equipment and*** IPSAS 46, ***Measurement*.**

The objectives of IPSASB's measurement project were to improve measurement guidance across IPSAS by:[1]



Updated Conceptual Framework: Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*

The chapter streamlines the measurement principles by eliminating unused measurement bases and enhancing focus on those that are commonly used. The new subsequent measurement framework will help constituents apply the principles in practice and aligns measurement concepts with the guidance provided in IPSAS 46, *Measurement.*[2]

IPSAS 45, *Property, Plant and Equipment*

Published in May 2023, IPSAS 45 replaces IPSAS 17, *Property, Plant and Equipment* and adds current operational value as a measurement basis in the updated current value model for assets within its scope, identifies the characteristics of heritage and infrastructure assets, and incorporates new guidance on how these important types of public sector assets could be recognised and measured.

Paragraph AG3 of IPSAS 45 outlines distinguishing characteristics of a heritage asset in the following manner:

- *They have restrictions on their use and/or disposal.*
- *They are irreplaceable; and*
- *They have long and sometimes indefinite useful lives.*

While paragraph AG5 of IPSAS 45 listed out the following characteristics of infrastructure assets:

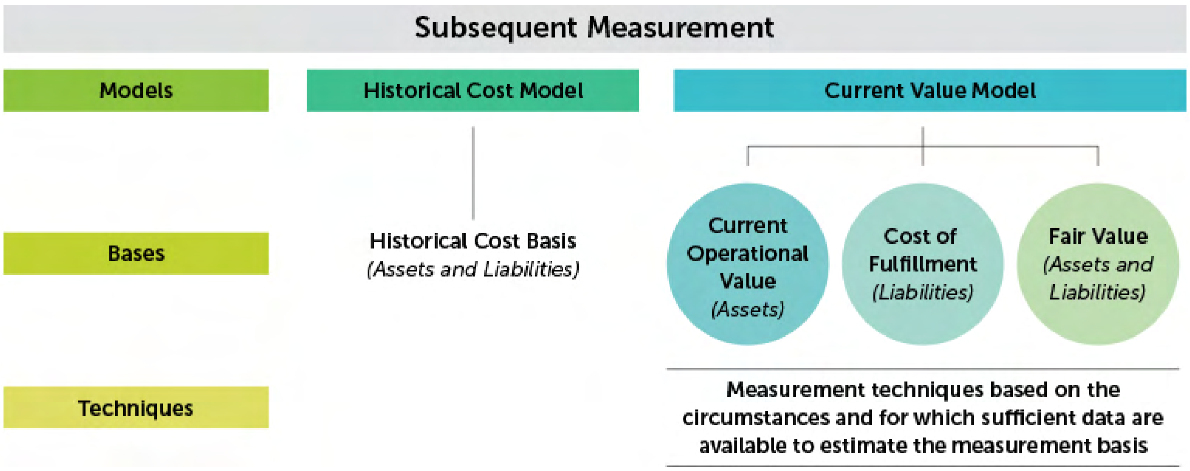
- *They are networks or systems; and*
- *They have long useful lives.*

IPSAS 46, *Measurement*

IPSAS 46 provides new guidance in a single standard addressing the measurement bases that assist in reflecting fairly the cost of services, operational capacity and financial capacity of assets and liabilities. It brings in generic guidance on fair value for the first time, and introduces current operational value, a public sector specific current value measurement basis addressing constituents' views that an alternative current value measurement basis to fair value is needed for certain public sector assets.[2]

Paragraph 7 of IPSAS 46 requires an item to be initially measured at its transaction price, plus or minus transaction costs for assets and liabilities respectively. In accordance with paragraph 6 of IPSAS 46, transaction price is defined as the consideration given to acquire, construct or develop an asset or received to assume a liability.

Subsequently, after initial measurement, paragraph 17 of IPSAS 46 requires an entity to make an accounting policy choice to measure an asset or liability whether on a historical cost basis or a current value basis. The accounting policy choice is reflected through the selection of the measurement bases.



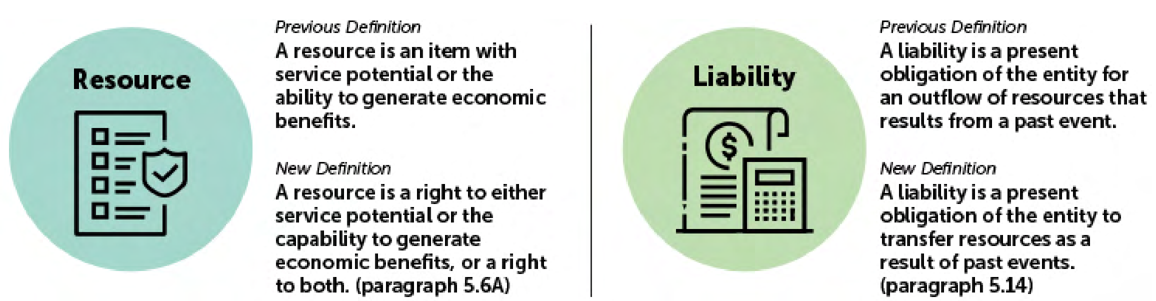
Revenue and Transfer Expenses

IPSASB has issued a comprehensive bundle of revenue and transfer expenses pronouncements comprising updates in **Chapter 5**, ***Elements in Financial Statements from IPSASB Conceptual Framework*** and the issuance of **IPSAS 47**, ***Revenue*** **and** **IPSAS 48**, ***Transfer Expenses***.

Updated Conceptual Framework: Chapter 5, *Elements in Financial Statements*

The chapter revises the definitions of an asset and a liability and adds a new guidance on the transfer of resources, unit of account and binding arrangements that are equally unperformed.[3] These changes provide a strong foundation for the guidance in IPSAS 47 and IPSAS 48 especially on the incorporation of rights and transfer resources elements in the definitions of an asset and a liability.

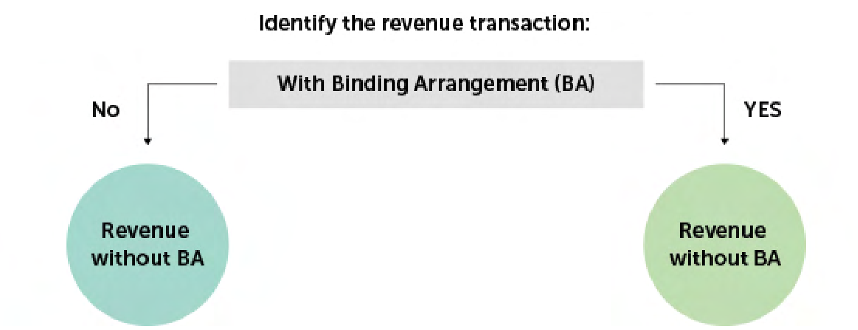
Paragraph 5.6 of the Conceptual Framework defined an asset as a resource presently controlled by the entity as a result of a past event. IPSASB has revised the definition of the term resource and liability as follows:



IPSAS 47, *Revenue*

IPSAS 47 replaces the three revenue standards – IPSAS 9, *Revenue from Exchange Transactions*, IPSAS 11, *Construction Contracts* and IPSAS 43, *Revenue from Non-Exchange Transactions (Taxes and Transfers).* The new IPSAS is aligned with IFRS 15, *Revenue from Contracts with Customers* while broadening its applicability across the public sector. Additional guidance is included to help entities apply the accounting principles to public sector-specific transactions, such as capital transfers[4] and compelled transactions[5].[3]

IPSAS 47 outlines two accounting models for the recognition and measurement of public sector revenue transactions based on the existence of a binding arrangement. Paragraph 4 of IPSAS 47 defines a binding arrangement as an arrangement that confers both rights and obligations, enforceable through legal or equivalent means on the parties to the arrangement.



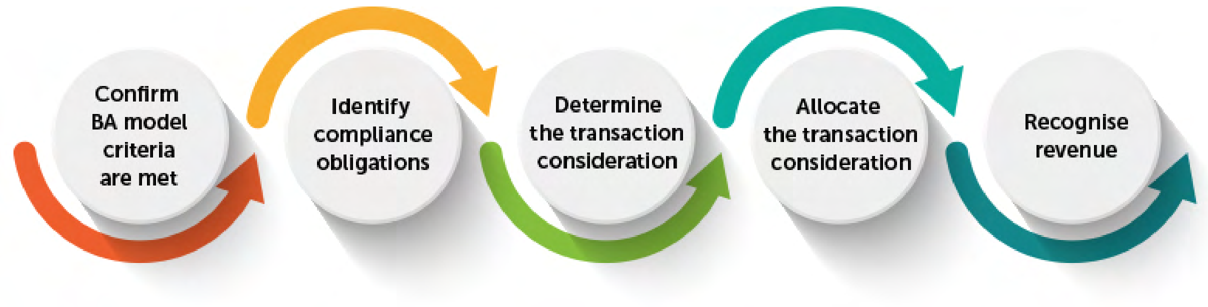
Recognition of Revenue Transactions without a Binding Arrangement

Paragraph 29 of IPSAS 47 requires an entity to recognise revenue from a transaction without a binding arrangement when the entity satisfies any obligations associated with the inflow of resources that meet the definition of a liability or immediately if the entity does not have an enforceable obligation associated with the inflow of resources.

Recognition of Revenue Transactions with a Binding Arrangement

While aligned in principles, the accounting model for revenue with binding arrangements in IPSAS 47 broadens the approach in IFRS 15 to address public sector transactions. Two key aspects adapted for the public sector are binding arrangements and compliance obligations. Paragraph 87 of IPSAS 47 states that "when an entity receives an inflow of resources in a revenue transaction with a binding arrangement that meets the definition of and recognition criteria for an asset in accordance with paragraphs 18-25, the entity shall recognise revenue for any satisfied compliance obligations in respect of the same inflow and a liability for any unsatisfied compliance obligations in respect of the same inflow".

An entity shall account for a binding arrangement using the binding arrangement accounting model if all the recognition criteria in paragraph 56 from IPSAS 47 are met.



When a compliance obligation is satisfied, paragraph 108 of IPSAS 47 requires an entity to recognise as revenue the amount of the transaction consideration that is allocated to that compliance obligation. Paragraph 109 of IPSAS 47 defines transaction consideration as the amount of resources to which an entity expects to be entitled in the binding arrangement for satisfying its compliance obligations, excluding amounts collected on behalf of third parties.

IPSAS 48, *Transfer Expenses*

IPSAS 48 introduces guidance for transfer expenses, where a transfer provider provides resources to another entity without receiving anything directly in return, which is common in the public sector. The accounting for transfer expenses is driven by whether the transaction results in an enforceable right to have the transfer recipients satisfy their obligations.[3] Paragraph 6 of IPSAS 48 defines a transfer expense as an expense arising from a transaction, other than taxes, in which an entity provides a good, service, or other asset to another entity (which may be an individual) without directly receiving any good, service, or other asset in return.

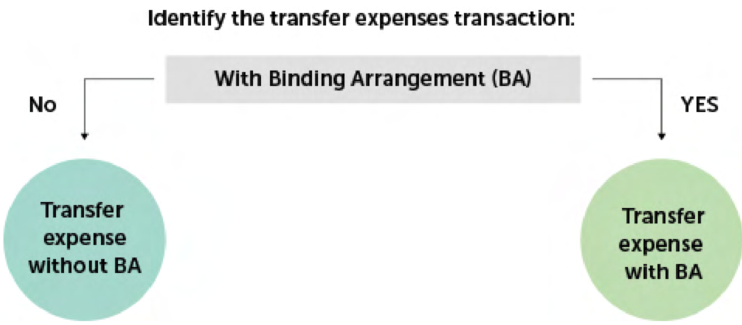
IPSAS 48 presents two accounting models based on the existence of a binding arrangement which are as follows:

Transfer Expenses from Transactions without Binding Arrangements

When a transfer expense arises from a transaction without a binding arrangement, paragraph 18 of IPSAS 48 requires an entity to first consider whether it has a constructive or legal obligation related to the transfer. If so, the entity recognises an expense and a provision under IPSAS 19, *Provisions, Contingent Liabilities, and Contingent Assets*. The subsequent transfer of resource to the transfer recipient settles the provision and if there is no related constructive or legal obligation, the entity derecognises the assets to be transferred and recognises a transfer expense when it ceases to control these resources.

Transfer Expenses from Transactions with Binding Arrangements

Meanwhile, for transfer expense transaction with binding arrangements, paragraph 24 of IPSAS 48 requires an entity to recognise expenses when a transfer right asset[6] is derecognised or when a transfer obligation liability is recognised.



Retirement Benefit Plans

IPSAS 49, *Retirement Benefit Plans*

IPSAS 49 establishes comprehensive accounting and reporting requirements for the financial statements of retirement benefit plans, with participants comprising current and former public sector employees and other eligible members. IPSAS 49 guides the accounting and reporting by a retirement benefit plan from the perspective of the plan itself.[7]

Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

Updated Conceptual Framework: Chapter 3, *Qualitative Characteristics*

The updated chapter includes guidance on prudence, which is not a separate qualitative characteristic in its own right and adds ‘obscuring’ information to ‘misstating’ and ‘omitting’ information as a factor relevant to materiality judgments.[8]

Role of Prudence

The updated chapter includes guidance on the role of prudence in supporting neutrality in the context of qualitative characteristic of faithful representation. Prudence is the exercise of caution when making judgments under conditions of uncertainty. The exercise of prudence means that assets and revenue are not overstated, and liabilities and expenses are not understated.

Obscuring Information

Paragraph 3.32 of the Conceptual Framework states that information is material if omitting, misstating, or *obscurin*g it could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's General Purpose Financial Reports (GPFRs) prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity.

Effective dates

The effective date of the issued pronouncements are as follows:

Pronouncements	Effective Dates[9]
IPSAS 45, *Property, Plant and Equipment* IPSAS 46, *Measurement*	1 January 2025 with earlier application permitted.
IPSAS 47, *Revenue* IPSAS 48, *Transfer Expense* IPSAS 49, *Retirement Benefit Plans*	1 January 2026, with earlier application permitted.
Conceptual Framework updates	Effective when published.

[1] *"At a Glance IPSAS 46, Measurement and Update of Chapter 7 of the Conceptual Framework"; May 2023; https://ifacweb.blob.core.windows.net/publicfiles/2023-05/IPSAS-46-Ch7-AAG.pdf*
[2] *"IPSASB Issues Package of Measurement-Related Pronouncements", 29 May 2023; https://www.ipsasb.org/news-events/2023-05/ipsasb-issues-package-measurement-related-pronouncements*
[3] *"IPSASB Issues Package of Revenue and Transfer Expense-Related Pronouncements", 31 May 2023; https://www.ipsasb.org/news-events/2023-05/ipsasb-issues-package-revenue-and-transfer-expense-related-pronouncements*
[4] *Paragraph 4 of IPSAS 47 defines a capital transfer as an inflow of cash or another asset that arises from a binding arrangement with a specification that the entity acquires or constructs a non-financial asset that will be controlled by the entity.*
[5] *Refer to paragraph 171 of IPSAS 47 for further guidance on compelled transactions.*
[6] *Paragraph 6 of IPSAS 48 defines a transfer right asset as the asset recognised for the existence of one or more transfer rights arising from a binding arrangement and transfer obligation liability as the liability recognised for the existence of one or more transfer obligations arising from a binding arrangement.*
[7] *"IPSASB Issues IPSAS 49, Retirement Benefit Plans", 7 November 2023; https://www.ipsasb.org/news-events/2023-11/ipsasb-issues-ipsas-49-retirement-benefit-plans*
[8] *"IPSASB Issues Updated Chapters of Conceptual Framework", 11 October 2023; https://www.ipsasb.org/news-events/2023-10/ipsasb-issues-updated-chapters-conceptual-*

framework

[9] *"IPSASB Completed Projects", https://www.ipsasb.org/ipsasb/consultations-projects/ipsasb-completed-projects*

Facilitating SDGs with Islamic Finance (Part 4) – Harnessing Islamic Social Finance for the Greater Good

at-mia.my/2024/01/09/facilitating-sdgs-with-islamic-finance-part-4-harnessing-islamic-social-finance-for-the-greater-good

January 9, 2024

In its "call to action" published in August 2022, IFAC asked professional accountancy organisations (PAOs) and stakeholders to identify how Islamic financial instruments have been used to advance Sustainable Development Goals (SDGs). Malaysia, one of the pioneers of Islamic Finance, is the first case study in this series reporting on government, regulatory and industry efforts to support the SDGs with Islamic Finance principles.

The first part of the Malaysian case study published on 7 September 2022 focused on sukuk, which provides the means to deliver more infrastructure investment to emerging economies.

The second part of the Malaysian case study looked at the concept and purpose of Value-Based Intermediation (VBI) and how VBI advances the attainment of the SDGs.

The third part of the Malaysian case study highlighted the Islamic Fintech landscape in Malaysia and the potential benefits and challenges faced in mobilising Islamic Fintech to achieve SDG goals.

This fourth and final part of the case study surveys how Islamic social finance innovations are being harnessed to help achieve the SDGs.

Synergising Islamic Social Finance and Sustainable Development

Islamic Finance and sustainable development are naturally synergistic as they share a common purpose and values. In particular, compassionate Islamic social finance instruments such as waqf (endowment), sadaqah (voluntary donations), and zakat (mandatory alms-giving) are by design geared to help ameliorate inequalities and uplift the most vulnerable populations.

Another key benefit of harnessing Islamic social finance: further diversification and strengthening of Islamic social finance tools can lessen the financial strain on governments, by fulfilling societal needs through private donors' self-sustaining contributions rather than tax revenue or government borrowing to fund development spending.

This article highlights how Malaysia's innovations in Islamic social finance can enable social well-being and fiscal health while also furthering the SDGs.

Waqf

Waqf is a form of continuous charity that specifically involves the voluntary and irrevocable giving of assets to a trust, with its returns in perpetuity used solely for societal good or the trustees' benefit.

Waqf asset pools are quite sizeable. A 2019 joint report by the World Bank, INCEIF and ISRA on Maximising Social Impact Through Waqf Solutions valued waqf assets globally at between USD700 billion to USD1 trillion. If effectively tapped, waqf could contribute significantly to minimising the annual USD2.5 trillion SDG funding gap.

When thinking about waqf, land endowments and immovable properties—for the purposes of building mosques, for instance—are usually what comes to mind. About a third of waqf assets globally are in the form of cultivable lands. Even in Malaysia, waqf lands were estimated to total 300 square kilometres or around the size of Langkawi Island as of 2018, according to then Assistant Governor of Bank Negara Malaysia, Marzunisham Omar.

As in other categories of Islamic finance, Malaysia continues to pioneer changes in the waqf space too. Many of Malaysia's Islamic financial institutions (IFIs) have experimented with different forms of waqf throughout the years that are geared to different SDGs, resulting in a diverse waqf landscape:

- **Cash waqf:** Malaysia issued a national fatwa permitting cash waqf in 2007, because cash allows for a wider pool of donors and is more affordable than property. The Malaysia Wakaf Foundation (Yayasan Wakaf Malaysia) uses cash endowments to develop waqf land into productive assets such as hotels and the Terengganu Culinary Academy (SDG 1: No Poverty, SDG 8: Decent Work and Economic Growth). More recently, at least eight banks collaboratively developed the 'mywakaf' digital platform, which enables the public to contribute cash waqf to various socioeconomic projects.
- **Corporate waqf:** Johor Corporation (JCorp) pioneered corporate waqf in Malaysia by donating 12.35 million shares of its public listed subsidiaries, valued at RM200 million, and appointing its subsidiary Waqaf An-Nur Corporation as the *mutawalli* or trust administrator. Waqaf An-Nur currently manages a number of waqf medical facilities, which are operated by another JCorp subsidiary named KPJ Healthcare Berhad (see SDG 3: Good Health and Well-Being).
- **Microfinance**: In 2021, the country's central bank, Bank Negara Malaysia (BNM), added cash waqf as a source of its iTEKAD programme funding. Under iTEKAD, BNM and its partner Islamic banks offer seed capital, microfinancing and training to microentrepreneurs (see SDG 1: No Poverty, SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequalities).
- **Waqf shares**: In 2015, Malaysia launched the first waqf initial public offering in the world. Waqaf An-Nur offered 85 million shares, with the proceeds used to upgrade the Larkin Sentral Terminal and help low-income, single mothers pay for rent at the transport hub's shop-lots (SDG 9: Industry, Innovation, and Infrastructure, SDG 10: Reduced Inequalities).

- **Waqf Boat Initiative**: Provision of boats and equipment to fishermen by the waqf authorities in the state of Perak, which boosts Malaysia's blue economy (SDG 1: No Poverty, SDG 8: Decent Work and Economic Growth).

Strengthening Waqf Governance and Impacts

Malaysia is recognised for its global leadership in Islamic finance, which is attributed in part to its strong governance and supportive regulatory ecosystem for Islamic finance. In addition to centralising waqf management and governance at the federal level, Malaysia's 14 State Islamic Religious Councils (SIRCs) act as the sole trustees on waqf matters, with agencies such as the Wakaf, Zakat and Haji Department (JAWHAR) and Yayasan Wakaf Malaysia assisting states in developing waqf assets.

Furthermore, Malaysia—through the Economic Planning Unit (EPU) in the Prime Minister's Department—has a track record for integrating Islamic social financeinto its national development planning. In addition to incorporating waqf development strategies in the Five-Year Malaysia Plans, Putrajaya earmarks funds for waqf development in the country's annual budget. Recently, it also released theNational Waqf Blueprint 2022 in collaboration with Yayasan Wakaf Malaysia.

Recognising the potentials of Islamic social finance as an enabler for wealth and well-being, the Securities Commission Malaysia (SC) launched the Islamic Fund and Wealth Management Action Plan (IFWMBP) in 2017 to promote waqf asset development through Islamic collective investment schemes. Thereafter, in 2020, it launched the Waqf-Featured Fund Framework, which enables investors to channel income generated from unit trusts and Islamic wholesale funds to welfare projects. In 2023, the Framework was expanded to include exchange traded funds and real estate investment trusts.

By the end of 2022, six waqf-based funds had been registered with the SC, totalling approximately RM47 million in assets under management. "However, no waqf sukuk has yet been issued," stated INCEIF Associate Professor Ziyaad Mohamed.

Unleashing Waqf's Full Potential

Despite the conducive environment, several key challenges must be overcome to unleash waqf's full potential for the SDGs.

1. Modernising Waqf

One of the biggest challenges, according to Yayasan Wakaf Malaysia former CEO, Professor Dr Amir Shaharuddin, is that "the majority of wakif (donors) still have a traditional understanding of waqf."

Perhaps the biggest misconception is that waqf can only be donated by and/or be of benefit to Muslims. According to a 2020 Organisation for Economic Cooperation and Development (OECD) policy paper on Islamic finance's contributions to the SDGs, waqf for religious purposes (such as for building mosques) globally far outnumbers waqf for social purposes (such as for building hospitals).

Mindset change is thus an imperative to fulfil waqf's higher purpose of redistributing wealth and reducing socioeconomic inequalities. Assoc Prof Ziyaad recommended awareness programs to help shift the focus of waqf establishment from mosques, schools and cemetery endowments to social entrepreneurship development, scientific and technological innovation, vaccination production and the financing of disaster recovery assets, among others.

2. Building Trust

Voluntary contributions drive waqf. Adoption of financial and legal technologies can be key to enhancing the convenience, transparency and trustworthiness of waqf solutions and management in the public interest.

Malaysia's Finterra, for instance, uses its blockchain-based WAQF Chain platform to track waqf flows effectively and efficiently from the inception of donation until project completion. "Automated collection, tracking, and processing," noted Dr Hazik Mohamed in his blog post Using *Cash Waqf to Combat Donor Fatigue and Blockchain to Improve Accountability*, "eliminates the need for laborious audits and monetary leakage monitoring between collection and disbursement."

Using legal technology, “it is possible to automate frequently used contracts into smart contracts”, which are computer programmes or algorithms that automatically execute themselves once a set of pre-defined conditions are met. In this manner, smart contracts can facilitate the transfer of ownership by codifying the preferences and conditions established by *waqf* founders for future administrative purposes, explained Dr Hazik. Since smart contracts only come into force when donors’ terms are met, this technology may help avoid instances of waqf endowments being used against the stipulations of the donor.

Nonetheless, the Malaysia Digital Economy Corporation’s 2020 Fintech Dialogue Report observed that religious authorities who oversee zakat and waqf are “being held back by legacy systems, bureaucracy and persisting reluctance and willingness to fully embrace and execute digital strategies.”

3. Professionalising Management

Waqf management and development fall under the purview of SIRCs and are thus often managed by religious officials and not professionals with the requisite expertise and experience in investment, Islamic finance and capital markets, real estate and asset management. Consequently, waqf assets may underperform in generating economic returns and underserve the SDGs in the long run.

To address this mismatch, SIRCs such as Perbadanan Wakaf Selangor and Pusat Wakaf – Majlis Agama Islam Wilayah Persekutuan (MAIWP) Sdn Bhd have corporatised their waqf management arms. In 2022, MAIWP appointed FELDA, PNB and TNB as corporate mutawalli to administer their waqf assets based on the regulations of MAIWP. This new approach that is similar to Islamic finance regulation will increase the value of waqf assets in Malaysia, as evidenced by the accumulation of RM50.0 million in assets within FELDA and PNB management within one year.

To further strengthen the management of waqf, the World Bank has recommended that waqf authorities partner with Islamic financial institutions to develop waqf assets productively. The SC meanwhile has advocated for waqf authorities to undergo regular training programs on developments in Islamic capital markets.

4. Optimising SDG Impact

Waqf can generate a greater impact if its coverage is expanded to better contribute to SDGs goals. For instance, waqf can be mobilised for strategic sectors such as health, transportation, green development, and climate change resilience in Malaysia and globally.

Prioritising Waqf

Under the current government, waqf is likely to be further harnessed to achieve the national goals in alignment with the SDGs. In the recent Budget 2023, Prime Minister Anwar Ibrahim announced that waqf will be prioritised through the 'Madani Waqf' initiative, along with civil endowments in the form of RM1 billion worth of assets and private ventures.

The private sector is also taking the lead to empower waqf. In March 2023, CIMB Islamic Bank Berhad allocated RM100,000 to Yayasan Wakaf Malaysia for the Waqf Cultivation and Socialization Program aimed at raising waqf awareness and supporting welfare projects.

As an excellent example of cross-collaboration, several local universities, including INCEIF, are jointly developing a database and crowdfunding platform with Yayasan Wakaf Malaysia. The initiative, which is based on the *benefidonor* approach that encourages beneficiaries of waqf to eventually become contributors, will act as a national repository for all waqf assets in Malaysia.

Finally, other developments on Shariah decision-making around the waqf asset substitution, sale and collateral are gaining ground but with limited implementation, shared Assoc. Prof Ziyaad.

These initiatives signal a promising upturn in the mobilisation of waqf for achievement of the SDGs in Malaysia. The crux of the matter is whether the current hurdles in waqf management and governance can be overcome to sustain this momentum.

Potential Gamechangers for SDGs: Sadaqah and Zakat

Along with waqf, both sadaqah (charity) and zakat (alms-giving) could be catalysts for attainment of the SDGs if mobilised effectively. While the total value of sadaqah globally is harder to track, a 2022 United Nations and Islamic Development Bank report on International Dialogue on The Role of Islamic Social Financing in Achieving the SDGs estimated the total amount of zakat collected globally by both official and unofficial zakat institutions at USD550-USD600 billion per year.

In Malaysia, both Islamic social finance tools have contributed to the SDGs in various ways:

- Through Sadaqa House, Bank Islam Malaysia Berhad's charity crowdfunding platform, voluntary donations have been used to provide financial assistance to malnourished children (with Mercy Malaysia) and heart disease patients (with the National Heart Institute), educate underserved and underprivileged children (with Buku Jalanan Chow Kit), and to protect orphan welfare (through the Sadaqa House Orphan Fund). Sadaqa House also runs BangKIT Microfinance, which assists eligible unbanked and underbanked microentrepreneurs in obtaining capital and building credit records (see SDG 1: No Poverty, SDG 3: Good Health and Well-Being, SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequalities).
- Using funds from zakat authorities, the Malaysia Professional Accountancy Centre (MyPAC) helps talented students from low-income families to qualify as professional accountants to break cycles of poverty (see SDG 1: No Poverty, SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequalities).

Zulfa Abdul Rahman is a Team Lead in the Professional Practices and Technical Division of the Malaysian Institute of Accountants (MIA), where she leads the Islamic Finance Unit. Previously, Zulfa was attached to a commercial bank where she worked in the Trade Finance Division for eight years. She is also the secretariat to the Islamic Finance Committee of MIA, *which aims to promote Islamic finance through various initiatives such as collaboration with relevant stakeholders and accountancy bodies. Some of her notable involvement include projects such as the World Congress of Accountants (WCOA) 2010 where Islamic finance topics were first introduced at its platform, organising the National Zakat Symposium, conducting the Islamic Finance Pupillage Programme, publication of the Accounting for Islamic Finance textbook, stakeholders' engagements through roundtable discussions and more recently working on a collaboration with a local university to publish shariah audit reference materials. Zulfa is a Chartered Accountant of MIA (C.A.) and a Chartered Global Management Accountant (CGMA).*

Dana Jensen is a Senior Manager with more than 10 years of experience working at IFAC to support the development, adoption, and implementation of high-quality international standards. She leads membership engagement in the Middle East North Africa (MENA) and Caribbean regions. She is also the lead staff responsible for managing the IFAC Professional Accountancy Organization (PAO) Development & Advisory Group which actively contributes to IFACs strategic objectives by raising awareness on PAO development, facilitating adoption and implementation of international standards and best practices, and empowering PAOs with guidance, leadership, and technical assistance. Dana also leads IFACs Islamic Finance thought leadership program to support the United Nations Sustainable Development Goals (SDGs) as it promotes socially responsible development and links to economic growth and social welfare. Prior to her time at IFAC, Dana was a Policy Coordinator at the United Nations (UN) in the Department for Peacekeeping Operations. She holds an MSc from Columbia University (2011); she is currently Prince Sultan University-Banque Saudi Fransis Fellow in Islamic Finance (2021-2023) and holds a Diploma in Islamic Finance from the Chartered Institute of Management Accountants (CIMA) (2023).

Frequently Asked Questions (FAQs) on the Peer Review Process under the Practice Review Committee (PRC)'s Order For Type 3 Firms

at-mia.my/2024/01/03/frequently-asked-questions-faqs-on-the-peer-review-process-under-the-practice-review-committee-prcs-order-for-type-3-firms

January 3, 2024

Effective 1 Jul 2024, the Institute's Practice Review (PR) Framework will be revised. One of the key changes will be the introduction of Peer Review for the audit firms (AF) with Type 3 rating.

Under the revised PR Framework, there are two (2) Types of orders that can be determined by the Practice Review Committee (PRC), which are order 3A and order 3B. The AF is required to engage either a Peer Reviewer or undergo a Quality Assessment Programme (QAP) based on the PRC's order on Type 3 firms.

Following are some of the Frequently Asked Questions (FAQs):

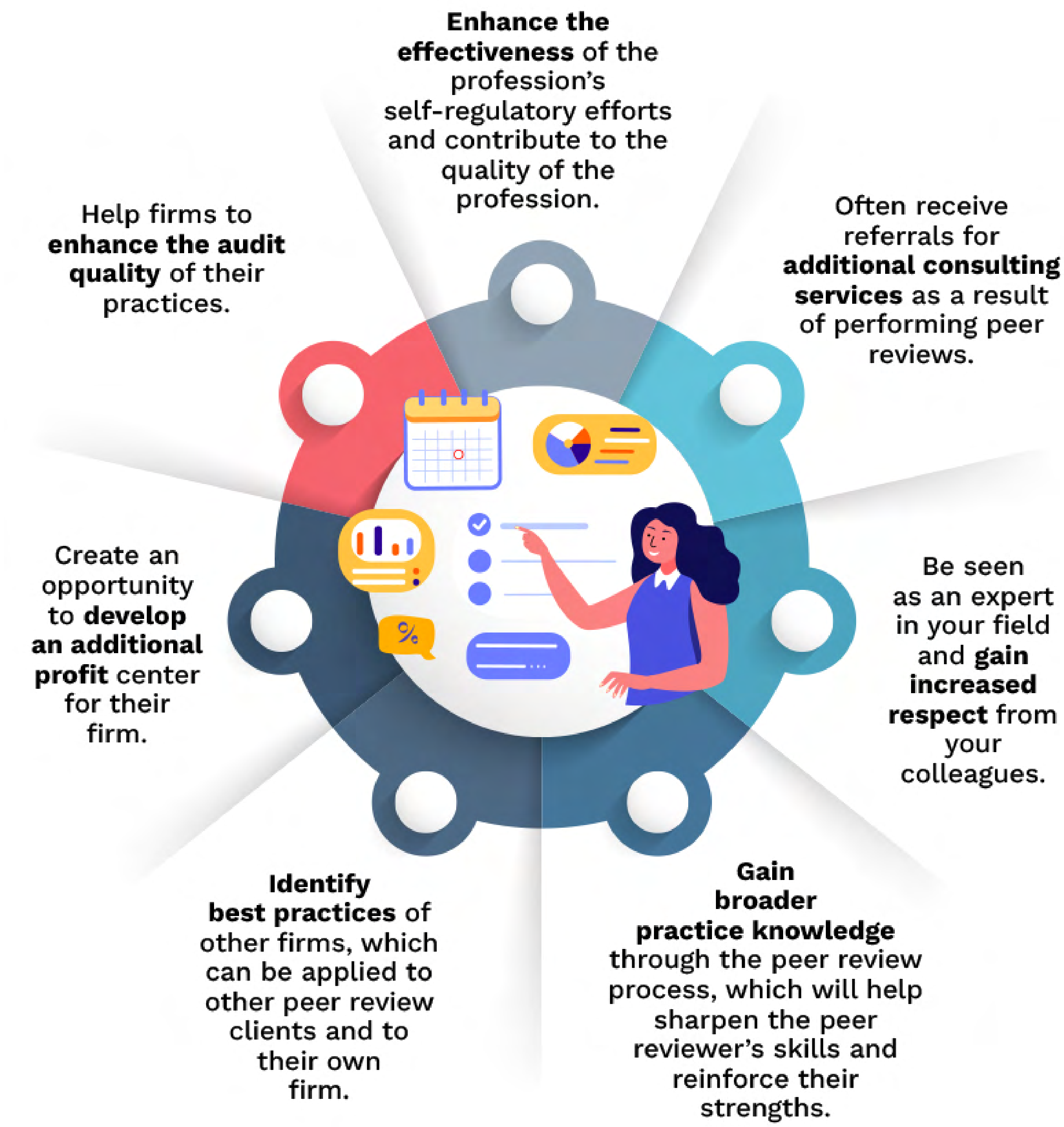
A. Objective of Peer Review under the PRC's order on Type 3 firms

1. What is the objective of the Peer Review and/ or QAP Review? Will the Peer Reviewer be liable in this process?

The goal of subjecting the work of the practitioners under the PRC's order to a review is to uphold audit quality by enabling the practitioners of Type 3 firm (the Practitioner) to improve his/her work under the supervision of suitably qualified practitioners. The reviewer serves as a mentor assisting the practitioner under review and the focus is to assess the quality of the audit process undertaken and provide recommendation on the improvements needed.

Notwithstanding the review, the responsibility of the practitioner who is under review in signing off the audit report with respect to the audit judgment and opinion issued remains unchanged. That is, the Practitioner remains solely responsible for the audit engagements that have been signed off notwithstanding that the engagement has been reviewed by the Peer Reviewer/ QAP Reviewer.

2. Benefits of being a Peer Reviewer under the Practice Review Program



B. Qualifications of Peer Reviewer:

1. Who can be engaged as a Peer Reviewer?

The practitioner under review can engage any suitably qualified practitioners as peer reviewer, subject to PRC's approval, as long as there are no conflicts of interest or independence issues. Peer reviewers should not be appointed among practitioners who are not in good standing or currently under litigation/suspended by any relevant regulatory authority.

Note: Approval of Peer Reviewer by the PRC will have no bearing on the outcome of the peer review process and/or subsequent reviews. The PRC will arrive at an independent conclusion for all subsequent reviews without making reference to the previous practice review or peer review process.

2. Who is considered a suitably qualified Peer Reviewer?

An individual serving as a reviewer on the Quality System of the firm or Engagement Review should at a minimum:

- Be a member of the MIA in good standing;
- Be practitioners (with valid PC certification and a valid audit license) who must not fail MIA's practice review / are not in a non-suspended status/are free of restrictions from regulatory or governmental bodies on the practitioner's ability to practice;
- Be currently active in public practice in the accounting or auditing function with current practice experience by performing or supervising accounting or auditing engagements in the audit firm or carrying out a quality control function in the firm, with reports dated within the last 18 months;
- Shall not be associated with a firm that has received a report with a practice review rating of Type 3 or Type 4 or a firm that is currently in the process of complaint;
- Not currently be in the process of practice review and/or have received the notification that practice review will be conducted in the next 12 months;
- Possess current knowledge of professional standards and experience related to the kind of practice and industries of the engagements to be reviewed;
- Have spent the last 5 years practicing in the accounting or auditing function;
- Complete at least 10 out of 20 structured CPE hours peach year which must be related to International Standards on Quality Management (ISQM 1), approved auditing standards, approved accounting standards and/or professional ethics;
- Meet specific additional qualifications if he/she plans to review engagements that must be selected during a peer review.

3. Does the Practitioner need to seek approval from MIA for the Peer Reviewer selected?

Yes, the Practitioner needs to seek prior approval from MIA for the peer reviewer selected. The approval process focuses on avoiding the practitioner under review engaging practitioners that are not in good standing or currently under litigation and/or suspended by any relevant regulatory authority.

Note: No approval is required from MIA ON THE SELECTED PEER REVIEWER where the practitioner under review is required to complete the QAP Program, under the PRC's order.

4. Can a Practitioner decline to be appointed as Peer Reviewer if he/she is not comfortable with the work of the Practitioner who has failed his/her practice review?

Peer reviewers should first assess whether he/she is in the position to act as the practitioner's mentor to improve audit quality. If the peer reviewer deems himself/herself to not have such capacity, specific industry knowledge and/or faces independence issues in performing this task, he/she should not accept the appointment.

5. Is the Peer Reviewer to be compensated?

Any compensation (if any) made to a peer reviewer will depend on the private arrangement between the Practitioner and the Peer Reviewer.

6. Are there any guidelines on the number of hours to be set for reviewing an engagement file or fees to bill a Practitioner?

No, the hours incurred and the fees billable should depend on the complexity of the review and rectification process.

7. Does the compensation arrangement need to be reported to the Practice Review Department (PRD)?

No, the compensation arrangement need not be reported to PRD. For clarity, the appointment of a peer reviewer should be confirmed in an engagement letter that should cover matters such as those pertaining to the scope of engagement, remuneration, confidentiality, responsibility and professional conduct.

8. Do I need to change the peer reviewer if, subsequent to PRC's approval and during the Practitioner's peer review period, the Peer reviewer failed his/her Practice Review?

The Practitioner has to assess the suitability of the peer reviewer upfront and upon obtaining new knowledge. As a matter of policy, PRC will allow the peer reviewer to continue as peer reviewer for the Practitioner. However, the peer reviewer who fails his/her Practice Review will not be allowed to be appointed as a peer reviewer subsequently.

Please refer to FAQs – B. Point (2) above for the qualifications of a practice reviewer.

9. What should be covered in the Peer Reviewer's appointment letter?

The appointment letter should cover matters pertaining to scope of engagements, remuneration, confidentiality, responsibilities and professional conduct etc. There should also be a signed declaration of independence between the Peer Reviewer and the Practitioner.

10. Are there any checklists or manuals that (a) the Peer Reviewer needs to refer to; or (b) will guide the peer reviewer during the peer review process?

There are no checklists and/or manuals that the peer reviewer needs to refer to or that will guide the peer reviewer during the peer review process. It is at the discretion of the peer reviewer to conduct the peer review as he/she deems fit so as to meet the objective of providing guidance to the Practitioner to improve the quality of his audit process.

The peer reviewer should also request for the complete set of findings report issued by PRC and a copy of the remediation plan drawn up by the Type 3 firm to address the audit deficiencies noted in the PRC's order letter. The peer reviewer should assist the practitioner in implementing the action plans as stated in his remedial action plan (RAP). The Practitioner and the peer reviewer should also bear in mind that the audit should be conducted in accordance with all applicable professional standards and legal and regulatory requirements.

11. What is the scope of review for a peer reviewer?

The peer review should be performed on the entire audit engagement and not just the review of selected working papers. The peer reviewer should request the Practitioner to submit the whole of the audit files, including the permanent audit file for peer review. Key audit issues should be discussed with the Practitioner to determine whether the Practitioner has taken appropriate steps to address the key audit issues and significant risk areas.

Further, the peer review is expected to ensure the firms being reviewed have a robust system of quality management and deficiencies identified during the practice review are rectified accordingly.

12. What if the Practitioner has not given the peer reviewer adequate time to review the file? Is a minimum time frame stipulated?

The completion of the peer review process should be within 24 months from the practice review (herein referred to as “issuance of final practice review report”).

The Practitioner should start planning once notified of the order and allow sufficient time for the peer reviewer to review the file, bearing in mind the intended sign-off date, end of peer review period and the peer reviewer’s workload. This is to ensure that the peer reviewer has adequate time to mentor the Practitioner. The date of commencement of the peer review process and the completion date shall be clearly documented in the appointment letter.

13. Does a report arising from the peer review need to be prepared?

Yes, a report should be prepared so that the Practitioner can provide documentary evidence that the peer review process had taken place and was completed within 24 months from the finalisation of practice review. The report also serves as documentary evidence to demonstrate compliance with the peer review order issued by the PRC. The format of the peer review report should at the minimum contain the following information:

- A cover letter and confirmation of completion of the peer review process by the peer reviewer;
- Timeline of the peer review process;
- Implementation date, together with the respective remedial action plan for findings as identified in the practice review;
- List of the audit engagements that have been selected for peer review and the results of the review; and
- The results of the review of the ISQMs.

14. Should the peer reviewer report to PRD in the peer review process?

No. The PR reviewers will review the peer review reports to assess the effectiveness of the peer review process and Practitioner’s compliance with the PRC’s order during the subsequent review. However, PRC reserves the right to request for the peer review report and all the relevant supporting documents.

15. Will any disciplinary action be taken against the practitioner for non-compliance with the peer review order?

PRC takes a stern view if a Practitioner does not comply with PRC's order of appointing a peer reviewer and/ or completing the peer review process prior to the subsequent review. Non-compliance with the peer review may result in disciplinary and/or enforcement action.

16. What if the Practitioner forgets to write in to PRD and submit the list of audit files that have been subjected to peer review?

It is the Practitioner's responsibility to ensure that he/she informs PRD on his/her compliance with his/her peer review order, and to provide the list of audit files that have been subjected to peer review and the names of the peer reviewers. Non-compliance with the peer review orders may result in disciplinary and/or enforcement action.

C. Selection of Audit Engagement files for Peer Review:

1. How many audit engagements should be selected for the peer review process?

There are different orders that can be issued by the PRC depending on the severity of findings during the practice review. The PRC may order that certain audit engagements signed off by the Practitioner within a specified review period be subject to peer review. In most cases, the number of audit engagements subject to peer review within a specified review period will be stated in the order issued by the PRC.

2. Are there any criteria for the selection of the audit engagements, if not expressly stated in the order issued by the PRC?

The Practitioner should bear in mind that the objective of the peer review is to provide an opportunity for him/her to improve on his/her audit process under the guidance of another suitably qualified practitioner. For this purpose, the audit engagements selected should at the minimum consist of the findings as identified in the practice review report. Other considerations for file selections should be the audit fees, the size and complexity of the engagements, and the nature and operations of the auditees.

3. What actions should be taken if the practitioner under review no longer has any audit clients or if the practitioner is unable to comply with the number of audit engagements to be subjected to peer review due to the firm's downsizing or ceasing

its operations? What should the practitioner do if he/she knows that he/she is not able to comply with the PRC order prior to the expiry of his/her 24-month rectification period?

The Practitioner is required to inform PRD immediately on the changes with the submission of relevant and sufficient evidence (e.g. confirmations from SSM on the cessation of firm) to apply for exemptions that can only be granted by PRC.

MIA International Accountants Conference 2024 – Navigating New Frontiers, Embracing Sustainability

at-mia.my/2024/01/30/mia-international-accountants-conference-2024-navigating-new-frontiers-embracing-sustainability

January 30, 2024

It is that time of the year again as the Malaysian Institute of Accountants (MIA) gets ready to roll out the flagship MIA International Accountants Conference 2024.

Also known as the MIA Conference 2024, this popular regional gathering of accountancy and finance professionals will take place on **11-12 June 2024** at the Kuala Lumpur Convention Centre.

> Themed *"Navigating New Frontiers, Embracing Sustainability",* the MIA Conference 2024 will be laser focused on transformation and upskilling to achieve the future fitness and relevance of accountancy professionals.

MIA's continuous research and extensive stakeholder engagement has revealed new emerging frontiers, risks and pressures around sustainability, technology, business model disruption, compliance and regulation, and geopolitics, to name some. Accountancy professionals attending the Conference will gain priceless insights into these new frontiers and the skillsets needed to navigate this volatile, complex and uncertain business landscape.

In particular, the MIA Conference will emphasise greatly on climate change and sustainability risks and opportunities that are projected to have a tremendous impact on business as usual. With their unique competencies, professionalism and global presence, accountancy professionals are ideally placed to lead and execute the environmental, social and governance (ESG) agenda that will drive the transition to a low carbon economy and facilitate the climate goals reaffirmed at 2023's COP28 (United Nations Climate Change Conference).

To expedite the future readiness of accountancy professionals, the Conference's strategic content will encompass emerging technologies relevant to the profession, carbon credits and taxation, climate and green technology financing, ethical leadership, risk management, governance sustainability frameworks, and sustainability reporting, among others.

As a premier regional event, the MIA Conference 2024 will feature 80 sought-after speakers and industry specialists across 16 Plenary and Concurrent sessions over two days. Insights into the profession's global direction and trends will be shared by Ms Asmâa Resmouki, President, International Federation of Accountants (IFAC) who will deliver a special address on Navigating the Profession's New Frontiers.

Altogether, the MIA Conference 2024 is expected to draw more than 3,500 in-person and virtual delegates comprising of accountancy professionals, corporate leaders and public sector officials, presenting a wealth of networking and collaboration opportunities.

To reserve your seats for the MIA Conference 2024 and/or to find out more, please <u>click here</u>.

MIA Sustainability, Digital Economy and Reporting Insights (October – December 2023)

at at-mia.my/2024/02/05/mia-sustainability-digital-economy-and-reporting-insights-october-december-2023

February 5, 2024

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

The Malaysian Institute of Accountants (MIA) is currently developing the MIA Sustainability Blueprint for the accountancy profession in Malaysia. The Institute carried out a survey on *Understanding Sustainability in the Accountancy Profession Survey 2023* from 16 November to 3 December 2023 with the main objective to ascertain the collective views of its members on the sustainability outlook for the accounting profession in Malaysia as part of the development of the Blueprint.

In addition, the Institute has also engaged individual members from various sectors which are commerce and industry, public practice, public sector and academia. The engagement is aimed to gather valuable insights from each sector, contributing to the enhancement of the Blueprint. Learn more about MIA's sustainability agenda here.

Digital Economy

The Malaysian Institute of Accountants continuously strives to foster ethical commitment and awareness among its members while advocating for digital transformation to future-proof the profession. A panel session centred around MIA Ethical Guidelines on Technology Usage for Public Practitioners was held during the Ethics Webinar and Quiz on 3 November 2023. The Guidelines were published on 30 June 2023. Moderated by Ms Lim Fen Nee, Chair of MIA Digital Technology Implementation Committee (DTIC), the insightful session featured Ms Josephine Phan (Member of MIA DTIC), Ms Kam Leung (Principal, International Ethics Standards Board for Accountants) and Mr Tan Khoon Yeow (Member of MIA Ethics Standard Board and Partner of BDO) as panellists.

Adoption of technology is inevitable and yet, there is an ethical dimension which is rarely discussed or even considered. The panel session highlights valuable insights from top-notch speakers and practical real-life cases illustrating how the Guidelines be used when utilising technology in their daily roles. The Guidelines, which are principles-based, focus on six potential risks of using technology and the ethical principles that should be applied when dealing with the associated risks. Public practitioners as well as non-practitioners would be able to benefit from the Guidelines to serve ethically in this digital era. Visit here to read the full Guidelines.

Taxation Advocacy

The Institute continues to play a pivotal role in advocating for its members and providing technical support in the ever-evolving landscape of taxation. This commitment is exemplified through its active involvement in discussions, submissions, and collaborative efforts with other professional bodies.

One of the significant initiatives undertaken by MIA is the annual joint submission of non-technical tax compliance and operational issues to the Inland Revenue Board (IRB). In partnership with The Malaysian Institute of Certified Public Accountants (MICPA), MIA has consistently addressed various challenges faced by taxpayers. The issues range from disclosure of controlled transactions, issues with e-Withholding Tax (e-WHT) payments and errors in downloading acknowledgment slips and e-Income tax return forms.

The DESIRE Dialogue No 1/2023, held on 15 November 2023, served as a platform for discussing these submitted issues. The minutes of this dialogue, available through Circular No 58/2023 dated 27 December 2023, provide insights into the deliberations and outcomes.

Beyond addressing current issues, MIA, in collaboration with the Chartered Tax Institute of Malaysia (CTIM), MICPA, and The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), submitted a Joint Memorandum on issues arising from the 2024 Budget and Finance (No. 2) Bill 2023 to the Ministry of Finance and the IRB. The memorandum highlights key concerns such as gains or profits from disposal of capital assets, Global Minimum Tax, and proposed amendments to crucial tax-related acts.

In addition to addressing contemporary concerns, the institutes have actively followed up on the status of outstanding gazette orders for the 2014 to 2023 Budgets, emphasizing the importance of transparency and clarity in tax regulations.

MIA, with CTIM and MICPA, have been providing substantial technical support to its members for many years through publishing Annual Budget Commentary and Tax Information (normally known as Budget Booklet). This is evident through the preparation, production, printing, and distribution of the Booklet. The booklet, a result of collective efforts, offers comprehensive insights, commentary, and technical inputs on budget proposals related to direct and indirect taxes.

The recent completion of the 2024 Budget Booklet underscores MIA's commitment to keeping its members informed. This publication not only delves into the intricacies of the 2024 budget proposals but also provides valuable tax-related information. The softcopy of the publication will be disseminated to members in early February 2024.

President’s 2024 New Year Message

at-mia.my/2024/01/03/presidents-2024-new-year-message

January 3, 2024

It is an honour to address you as the new President of the Malaysian Institute of Accountants (MIA), taking over from my predecessor Datuk Bazlan Osman.

Under the leadership of Datuk Bazlan and the MIA Council, and backed by your support and engagement, MIA has moved forward in forging a future-fit profession.

Taking stock of 2023, MIA emphasised its regulatory and development activities in accordance with the Accountants Act 1967. Among our 2023 highlights, we prioritised the environmental, social and governance (ESG) agenda to enhance the future relevance of the profession and support sustainable nation building. We delivered an extensive range of professional development programmes to enhance competency and meet market needs, and focused on member growth, retention and development of young talents to strengthen the accountancy talent pipeline. We sought to strengthen ethics by issuing updates to the MIA By-Laws (on Professional Ethics, Conduct and Practice) that are aligned with the latest standards issued by the International Ethics Standards Board for Accountants. To elevate Malaysia’s visibility in Islamic finance, we launched the Syariah Audit White Paper, published additional articles on Islamic finance and the UNSDGs in collaboration with the International Federation of Accountants (IFAC) and held a collaborative roundtable on Islamic finance and sustainable development with IFAC and the World Bank.

Dato' Seri Dr Mohamad Zabidi Ahmad

For the year ahead, the Institute will continue to focus on our members and strengthening the future relevance of the profession. This will be achieved as always by leveraging on our strategic collaboration and partnerships with diverse stakeholders in Government, the public sector and the private sector. Globally, we will strive for further acknowledgement as the voice of the profession through our involvement and thought leadership at IFAC and the ASEAN Federation of Accountants (AFA), media engagements and platforms such as the MIA International Accountants Conference 2023 which drew close to 3,500 accountants, 71 expert speakers and included a special address by IFAC President Asmaa Resmouki.

Advocacy on sustainability and the future relevance of the profession will headline MIA's agenda for 2024. The messages of the recently concluded COP28 included a call for a transition away from fossil fuels and greater emphasis on finance and policy to achieve climate goals. Therefore, we expect organisations to turn increasingly to accountancy professionals to help adapt and manage climate and ESG risks, in particular by utilising their expertise in finance and reporting. To prepare, the MIA is developing the MIA Sustainability Blueprint for the Accountancy Profession and the MIA Sustainability Framework and Targets for the Institute. Sustainability will also be at the heart of the MIA International Accountants Conference 2024 which will be held on 11-12 June with the theme of *"Navigating New Frontiers, Embracing Sustainability".* Do mark your calendars for the Conference.

Equally important in 2024 is our continuing collaboration with regulators and professional bodies to improve compliance, enforcement and good governance in the public interest. This includes working with MICPA on implementing the International Standard on Quality Management (ISQM) 1, MACC on anti-corruption and BNM on AMLA. Do take note that the revised definition of Public Interest Entities (PIEs) is set to come into effect on 15 December 2024, which will hold audit firms to higher ethical and independence standards.

Information is the lifeblood of accountants. As such, MIA continually updates members on our efforts to attain future relevance of the profession, and we welcome your feedback. While transformation is daunting, MIA is committed to developing future fit accountancy professionals. This is especially pertinent in 2024, which is forecast to be a challenging year as we navigate geopolitical conflicts, climate risks, and economic and social turbulence.

Nevertheless, on the positive side, economists are predicting that Malaysia's economic momentum is expected to steadily improve heading into 2024 given the resilient domestic demand, supported by benign inflation and interest rates would also propel the growth momentum.

On that note, we thank you once again for your contributions and support of the profession and wish you all the best for 2024.

Dato' Seri Dr Mohamad Zabidi Ahmad
President
Malaysian Institute of Accountants

Public Sector Internal Audit Conference 2024 – Shaping Tomorrow's Governance: Innovation in Public Sector Auditing

at **at-mia.my**/2024/02/08/public-sector-internal-audit-conference-2024-shaping-tomorrows-governance-innovation-in-public-sector-auditing

February 8, 2024

By Nurul Syafiqah Abd Rahman

In today's dynamic environment where the public sector faces unprecedented challenges, the need for a robust internal audit function is more pronounced than ever. As organisational risks grow in complexity, the internal audit function must rally to the forefront to ensure that public sector entities are well governed and sustainable.

As we progress through the evolving landscape of public sector auditing, our goal is to explore how internal auditors can take on a pivotal role by replicating best practices, embracing digital technology, and integrating a risk-based mindset to optimise the performance and deliverables of the public sector.

As such, the upcoming Public Sector Internal Audit Conference in 2024 will further explore the theme of "Shaping Tomorrow's Governance: Innovation in Public Sector Auditing". This Conference will gather experts, thought leaders and practitioners to delve into how internal auditors can step up and contribute to developing and implementing organisational strategy.

Co-organised by The Malaysian Institute of Accountants (MIA) and The Institute of Internal Auditors Malaysia, the conference is scheduled to take place on **22 February 2024** at **Wyndham Grand Bangsar Kuala Lumpur**.

Following are the key session highlights scheduled for the Conference:

Navigating Regulatory Changes and Compliance Challenges

In this session, learn how organisations can proactively adapt to ensure adherence to regulations and effectively address the complexities associated with governance and compliance hurdles.

Risk Journey: Charting Unseen Territories

Risk-based auditing is crucial to improving assurance and advisory services in the public sector. In this panel session, participants will be guided on developing more effective risk-based audit plans to improve organisational performance.

Coordinated Sustainability Initiatives: Cultivating Tomorrow's Resilience

Discover the transformative influence that sustainability has on internal controls and risk management. Gain insights into the crucial role of synchronised sustainability initiatives towards effective governance and accountability within an organisation.

Echoes of Innovation: Strengthening Auditing's Future

Advancements in technology and data analytics are revolutionising auditing practices. In this panel session, participants will explore how the adoption of data-driven methodologies can not only enhance transparency, accuracy, and efficiency but also play a significant role in shaping the future of auditing.

Unmasking Fraud: Arahan Perbendahaaan *(Pindaan 2023)*

Discover effective strategies and tactics employed by Arahan Perbendaharaan (Pindaan 2023) to combat fraud, along with practical insights for implementing measures to address leakages and corruption within the Malaysian public sector.

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Understanding Capital Gains Tax and Real Property Gains Tax

at-mia.my/2024/02/16/understanding-capital-gains-tax-and-real-property-gains-tax

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By Sustainability, Digital Economy and Reporting Team

Capital gains tax (CGT) and real property gains tax (RPGT) are forms of taxation that affect both individuals and business taxpayers who derive gain from the sale of capital assets.[1] Understanding the implications of CGT and RPGT is crucial as these taxes can impact business financial planning and investment decisions significantly.

Overview of CGT

Effective from 1 March 2024, CGT is implemented on the sale of unlisted shares by Malaysian companies, limited liability partnerships, trust bodies and co-operative societies (disposers). It is applicable regardless of whether the shares are of a real property company (RPC) or not. If the disposer is an individual or a Labuan entity (which satisfies the economic substance requirement) which are exempted from CGT, they remain subject to RPGT if the disposal is of shares in an RPC. This is a significant change in the Malaysian tax landscape under Budget 2024. The key features of this reform include:

- Disposers have a choice of either a 10% tax on net gains arising from the disposal of unlisted shares (the net gain) or a 2% tax on gross sales value for shares acquired before 1 January 2024.

- Other than the above, the fixed tax rate is 10% on the net gain.
- An exemption from CGT from 1 January 2024 to 29 February 2024 under the Income Tax (Exemption)(No 7) Order 2023 [P.U.(A) 410/2023].

Exemptions from CGT were announced in the 2024 Budget Speech on disposals of shares as part of an approved initial public offering and intragroup restructuring exercises. However, no guidance is available yet on these exemptions. In addition, the Finance Minister II, Datuk Seri Amir Hamzah Azizan announced recently that there will be no CGT and taxes on foreign sourced income (FSI) on unit trusts. The CGT exemption is effective from 1 January 2024 to 31 December 2028 and FSI exemption is applicable from 1 January 2024 to 31 December 2026.[2]

Key differences between CGT and RPGT

The interplay between CGT and RPGT could be seen through identification of key differences between CGT and RPGT as set out below.

Matter	CGT	RPGT
Chargeable assets	a. Capital assets situated in Malaysia: • shares in unlisted companies incorporated in Malaysia. • shares in a foreign incorporated company deriving value (directly or indirectly) from real property in Malaysia. b. all capital assets situated outside Malaysia (i.e. taxable upon remittance of gains into Malaysia)	Real property situated in Malaysia and shares in a real property company (RPC). *Note: After the implementation of CGT, RPGT no longer applies on disposals of RPC shares by Companies, Limited Liability Partnerships (LLP), Cooperatives and Trust Body.*
Chargeable person (disposers)	Companies, Limited Liability Partnerships (LLP), Cooperatives, Trust Body	Companies, partnerships, a body of persons, LLP, a corporation sole and Individuals *Examples:* • **Companies** – local and foreign • **Individuals** – citizens, non-citizens, permanent residents & non-permanent residents • **Trustee** – a trustee of a trust • **Society** – a society registered under the Societies Act 1966 and a body of persons registered under any written law in Malaysia
Tax rate	a. Domestic source • 10% of net gain (for assets to be acquired after 1 January 2024) • 2% of gross disposal price or 10% of net gains (for assets acquired before 1 January 2024) b. Foreign source • Prevailing tax rate for companies, LLP, Trust Bodies is 24% while for Co-operatives is from 0% to 24% (at scaled rates).	0% to 30% (depending on the category of disposers and the holding period of the chargeable asset) Please click here for more details.

Matter	CGT	RPGT
Tax returns	The disposer is required to submit CGT returns within 60 days from the date of disposal. Click here – CGT return form filing programme for more information.	The disposer and acquirer are required to submit RPGT returns within 60 days from the date of disposal.
Payment of tax	Payable within 60 days from the date of disposal. For foreign source CGT, payment is at the time of remittance into Malaysia.	Payable within 30 days from the date of the notice of assessment. *Note: The self-assessment method for RPGT will be introduced on 1 January 2025 and the returns submitted will be treated as assessments raised by the Director General of Inland Revenue.*
Key exemptions	CGT exemption be provided on gains from disposal of shares relating to: • Initial public offering approved by Bursa Malaysia Berhad • Restructuring of shares within the same group • Venture capital companies **(Details of the above exemption have yet to be announced)**	Amongst the exemptions available on gains from disposal of chargeable assets by individuals are as follows: • The amount of RM10,000 or 10% of the chargeable gain, whichever is greater. • A taxpayer who is a citizen or a permanent resident is exempted from RGPT in respect of the disposal of one private residence. Please click here for more details.

The Malaysian Institute of Accountants (MIA) with other tax professional bodies have submitted a list of issues arising from the implementation of CGT to the Ministry of Finance. The issues are policy and operational in nature such as matters affecting transactions in January and February 2024, exemption, filing requirements, definition of shares, definition of disposal, determination of date of disposal, disposal price market value, acquisition price, treaty relief for CGT purposes and other matters.

It is advisable that you consult with licensed tax experts to ensure adherence to latest regulations. Seeking advice from professionals can assist you in effective tax management and mitigate the risk of penalties for non-compliance.

[1] Capital asset means movable or immovable property including any rights or interest thereof. .

[2] https://www.thestar.com.my/business/business-news/2024/01/16/govt-exempts-cgt-fsi-taxes-on-unit-trusts

Unprofessional Conduct – Punishments the Disciplinary Committee can impose

at-mia.my/2024/01/05/unprofessional-conduct-punishments-the-disciplinary-committee-can-impose

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The definition of 'unprofessional conduct' is explained within the purview of the Malaysian Institute of Accountants (Disciplinary) (No.2) Rules 2002 [**'the Disciplinary Rules'**] (article published on 23 April 2023). Once a **member is found to be guilty of unprofessional conduct**, the Disciplinary Committee (**'DC'**) **shall have the powers** to impose any one or any combination of the disciplinary punishments specified under Rule 18(3) of the Disciplinary Rules. The punishments that the DC can impose are as follows:

Rule 18(3) – For the purpose of subrules (1) and (2), the Disciplinary Committee shall have the power to impose any one or any combination of the following disciplinary punishment:

1. *Subject to the provisions of subrule (4), order the name of the member to be **removed** from the register and he shall cease to be a member of the Institute;*
2. *Subject to the provisions of subrule (4), **suspend** the member for a period not exceeding three years;*
3. *Order the **practicing certificate** of the member to be **cancelled**;*
4. *Impose upon the member a **fine** not exceeding five thousand ringgit;*
5. *Order the member to be **admonished, censured or reprimanded**;*
6. *Order the member to pay the Institute such sum it deems fit and reasonable in respect of **costs and expenses** of and incidental to any disciplinary hearing before the DC and any investigation conducted by the Investigation Committee; or*
7. *Order the member to **attend a course** of instruction approved by the Disciplinary Committee for a period of time to be determined by the Disciplinary Committee.*

Briefly, the punishments are explained below:-

a. Removal

1. Member is removed from the Register and no longer a member of the Institute.
2. Member shall surrender his certificate of membership or practicing certificate, as the case may be, to the Registrar within 14 days from the date of the notification of such removal.[1]
3. Member may reapply for readmission after expiration of five (5) years after removal and in considering an application, Council shall exercise its discretion and the Council's decision shall be final[2].

b. Suspension

1. Member is suspended for a specific period not exceeding three (3) years.
2. Member shall continue to pay all fees that are due and payable during the suspension period. However, a member shall cease to enjoy any benefits conferred by the Institute during suspension period and it shall immediately be restored at the expiry of the suspension period[3].
3. Member shall surrender his certificate of membership or practicing certificate, as the case may be, to the Registrar within 14 days from the date of the notification of such **suspension**.[1]

c. Practicing Certificate to be Cancelled

1. Member's practicing certificate issued by the Institute will be cancelled for a period of time and is not allowed to provide any public practice services as defined in Rule 2 of the MIA (Membership and Council) Rules 2001.
2. Member shall surrender his certificate of membership or practicing certificate, as the case may be, to the Registrar within 14 days from the date of the notification of such **cancellation**.[1]

d. Fine

e. Admonish, Censure or Reprimand

1. A form of warning issued in writing.

f. Costs & Expenses

1. The DC is empowered to impose all costs and expenses of and incidental to any disciplinary hearing and the investigation conducted by the Investigation Committee (**'IC'**).

g. Attend Course of Instruction

Member is ordered to attend the relevant courses for learning and improvement purposes.

Generally, each case before the DC is distinct and when imposing punishment(s), the DC will decide based on its own facts and circumstances of the case. In considering the nature of punishment to impose, the DC will also consider the following (these lists are not exhaustive):

Public Interest	• Protection of members of the public. • Maintenance of public confidence in the accountancy profession and the Institute. • Upholding proper standards of conduct and performance and ensuring codes of conduct to be adhered by the members of the Institute.
Mitigation Factors the onus is on the member to submit to the DC	• Evidence of member's adherence to good practice. • Evidence of insight and understanding and efforts made to address a particular failure or breach. • Illness (with supporting medical report). • Financial hardship (with supporting documentation). • Admission of guilt in the first instance/remorseful. • First time offence. • Member's attitude and actions during investigation/disciplinary hearing. • Elderly/Old-aged. • Good testimonial.
Aggravating Factors the onus is on the IC to submit to the DC	• Severity of the Charge/Offence. • Lack of insight. • Evidence of dishonest/deliberate/reckless conduct. • Harm or adverse impact. • Habitual/pattern of misconduct over a period of time of the same misconduct. • Lack of co-operation during investigation/disciplinary hearing. • Concealment of wrongdoing. • Re-occurrence of conduct. • Unremorseful.

Once the DC imposes the appropriate punishments and if the decision against the member has taken effect, the DC shall proceed to publish the decision and in that, the name of the member will be published[4].

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[1] *Please see Rule 22 of the MIA (Disciplinary) Rules 2002*
[2] *Please see Rule 23 of the MIA (Disciplinary) Rules 2002*
[3] *Please see Rule 20 and Rule 21 of the MIA (Disciplinary) Rules 2022*
[4] *Please see Rule 30 of the MIA (Disciplinary) Rules 2002*