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Audit Committee Conference 2024: Embracing Strategic Oversight: The Future of Audit Committees

at-mia.my/2024/08/23/audit-committee-conference-2024-embracing-strategic-oversight-the-future-of-audit-committees

August 23, 2024

The business environment has undergone rapid disruption in recent years, posing a threat to organisations in terms of heightened sustainability requirements, economic turbulence, as well as cybersecurity threats among others. Regulation has evolved to try and mitigate these risks, and in turn the compliance and governance obligations of audit committees over time have become more complex. As such, audit committees need to amplify their oversight to ensure that their organisations comply with regulations, anticipate future risks and leverage on new norms and standards in technologies to remain competitive.

The **Audit Committee Conference 2024** jointly organised by MIA with the Institute of Internal Auditors Malaysia is focused on these emerging risks facing audit committees. Taking place on **5 September 2024, at Wyndham Grand Bangsar, Kuala Lumpur**, with the theme of *"Embracing Strategic Oversight: The Future of Audit Committees,* this Conference is specifically tailored to update and upskill audit committee members, C-suite executives, internal auditors, and aspiring directors who are eager to stay ahead of the curve.

The conference will feature a series of insightful sessions and panel discussions focused on providing participants with the knowledge and tools to enhance the capabilities of audit committees in elevating governance, countering risks and strengthening trust. Delegates to this Conference can look forward to the following highlights:

Global Internal Audit Standards – Focusing on the most recent advancements in Global Internal Audit Standards, this discussion will focus on key changes, best practices, and how audit committees can enhance risk assessments to align with robust governance frameworks.

Strengthening Tax Governance – In light of Malaysia's changing tax environment, this session will examine strategies for enhancing tax governance to ensure compliance and paying the right tax. Topics will include the Tax Corporate Governance Framework, managing tax risks, and optimising financial outcomes.

Risk Oversight in AI and Cybersecurity – Audit committees need to remain alert to emerging digital hazards as digital transformation picks up speed. With an emphasis on artificial intelligence (AI) and cybersecurity threats, this session will explore the vital role that IT audits play in safeguarding organisational assets and data.

The Future of Corporate Reporting – With economic landscapes and market conditions in constant flux, corporate reporting is becoming increasingly complex. This panel will discuss evolving standards in corporate reporting and sustainability reporting, particularly in the context of International Financial Reporting Standards (IFRS).

Integrating ESG into Audit Committee Agendas – As sustainability becomes integral to corporate strategy, this session will highlight the challenges and opportunities of embedding Environmental, Social, and Governance (ESG) principles into governance frameworks. Participants will learn how to enhance ESG reporting to meet stakeholder expectations and regulatory requirements.

In short, the Audit Committee Conference 2024 is an essential event for professionals looking to enhance their strategic oversight skills. Attendees will gain valuable insights into risk management, corporate governance, and the integration of ESG principles, positioning themselves to effectively guide their organisations in a complex and rapidly changing environment.

For more information, please click here.

Enhancing Audit Quality through the Implementation of Audit Quality Indicators (Part 1): A Global Perspective

at-mia.my/2024/08/12/enhancing-audit-quality-through-the-implementation-of-audit-quality-indicators-part-1-a-global-perspective

August 12, 2024

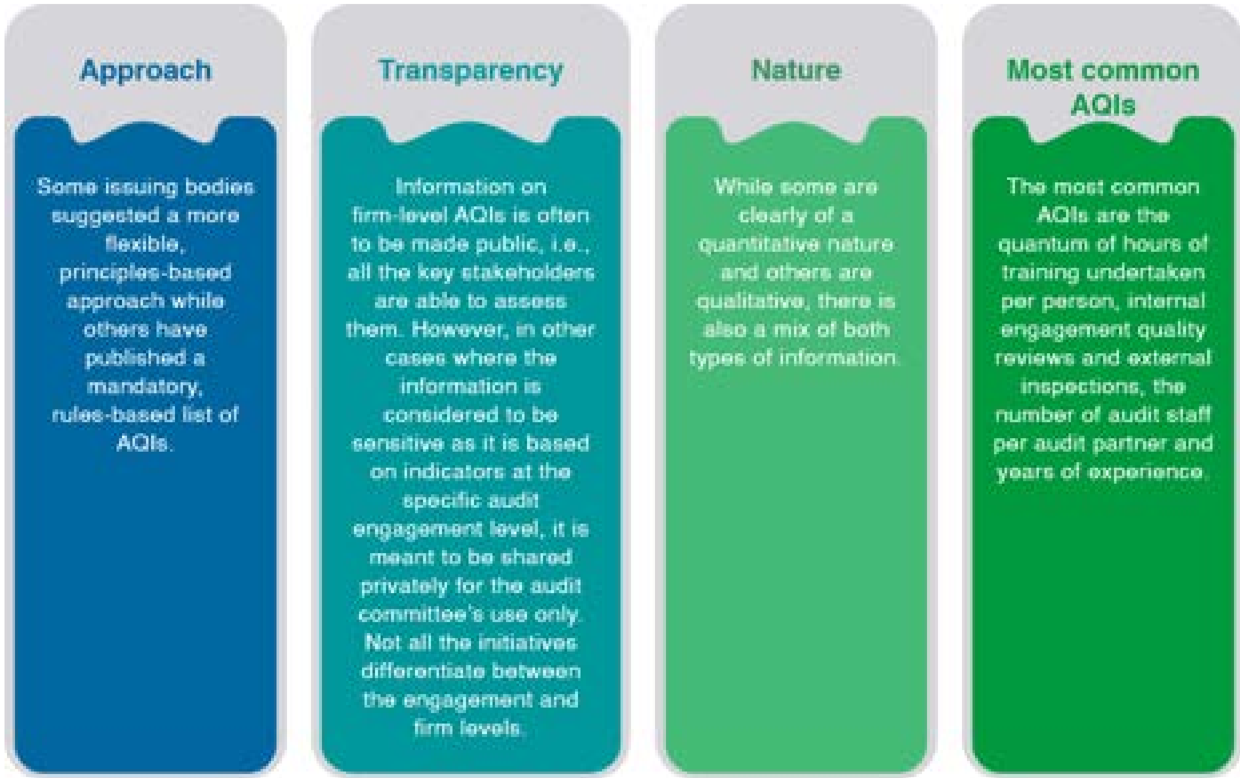
By SMP Department, Professional Practices & Technical

This article explores the development and implementation of Audit Quality Indicators (AQIs) as an important tool in assessing and improving audit quality in the public practice sector. It starts with an overview of the international landscape of AQIs, highlighting variations in approaches, transparency, and the nature of information. It also delves into Malaysia's specific initiatives for audit firms on AQIs.

The concept of enhancing audit quality by focusing on AQIs emerged from the Strategic Paper to Strengthen the Public Practice Sector and SMPs proposed by the Public Practice Committee (PPC) in 2022. The primary objective is to offer insights into factors influencing audit quality, enabling audit firms to identify and address past failings and ongoing challenges promptly.

International Development on AQIs

Internationally, audit regulators, audit firms and professional bodies have attempted to add transparency to audit quality by advocating the use of AQIs. AQI initiatives differ quite significantly throughout different countries worldwide *(see Table 1)*.



Source: Overview of Audit Quality Indicators Initiatives, July 2016, Federation of European Accountants.

Table 1: Overview of Audit Quality Indicators Initiatives

	UK	US	Singapore	South Africa	Malaysia
Owner	Financial Reporting Council (FRC) – Audit oversight body	Center for Audit Quality (CAQ) - Autonomous public policy organization	Accounting and Corporate Regulatory Authority (ACRA) – Audit oversight body	Independent Regulatory Board for Auditors (IRBA) – Audit oversight body	Audit Oversight Board (AOB)
Intended users	All stakeholders (including public)	Audit firms	Audit committees and audit firms	Audit committees, audit firms and oversight body	Audit committees, audit firms and oversight body
Nature	Mandatory for audit firms that audit 20 or more PIEs or one or more FTSE 350 companies.	Voluntary adoption - Firms are encouraged to consider public disclosure	• Voluntary adoption by ACs of all listed entities • AFs are encouraged to share the AQI data privately with ACs after audit is completed and when ACs are considering a change of auditor. • ACRA will also be disclosing info on industry average and range for AQIs on attrition rate, average years of audit experience and staff per partner/ manager ratio.	Mandatory reporting for audit firms of PIEs in their transparency reports. IRBA issued a survey report based on AQI-related information provided by the firms auditing listed companies	Since 2015, the AOB has embarked on an annual data gathering exercise involving the major audit firms in Malaysia. This data gathering exercise, which was subsequently expanded to include the other audit firms in 2020, has enabled the AOB to compile statistics relating to AQIs for both the major audit firms and the other audit firms. An audit firm that meets the following reporting criteria for two consecutive years is required to produce an Annual Transparency Report commencing from 2021: • More than 50 PIE audit clients; and • The total market capitalisation of the audit firm's PIE clients is above RM10 billion. Audit firms are required to disclose a set of common AQIs in their Annual Transparency Reports to facilitate comparisons between the audit firms. Audit Committees are encouraged to understand and discuss the common inspection findings and firm-level AQIs to enhance their oversight function.
Since	2023		1 Jan 2016	2019	2015
Number of AQIs	5 categories of 11 AQIs: • Performance monitoring and remediation (1 AQI) • Quality monitoring (3 AQIs) • Resource planning and people management (5 AQIs) • Information and communication (1 AQI) • Governance and leadership (1 AQI)	The Framework includes a non-exhaustive list of firm-level AQIs for the 6 elements of audit quality: • Leadership, culture, and firm governance • Ethics and independence • Acceptance and continuance of clients and engagements • Engagement team management • Audit engagement performance • Monitoring	7 AQIs: • Audit hours: time spent by audit team members during each audit phase • Experience: years of audit experience and industry specialisation • Training: average training hours and industry-specific training • Inspection: results of external and internal inspections • Quality control: headcount in quality control functions • Staff oversight: staff per partner/ manager ratios • Attrition rate: degree of personnel losses	14 AQIs: • Independence (2 AQIs) • Tenure (2 AQIs) • Internal firm quality review processes (4 AQIs) • Workload of partners and managers (2 AQIs) • Other (4 AQIs)	6 categories of 14 AQIs: • Audit partner workload (3 AQIs) • Auditors' Independence (2 AQIs) • Capacity and competence of the audit practice (3 AQIs) • Audit engagement supervision (2 AQIs) • Audit firm's investment to promote audit quality (2 AQIs) • Internal and external monitoring review (2 AQIs)

Characteristics	All firm-level AQIs	All firm-level AQIs	• 3 Firm-level • 2 Audit engagement level • 2 Firm-level + Audit engagement level	All firm-level AQIs	All firm-level AQIs

Note: Compiled by MIA's SMP Department from various sources

AQIs and ISQM

ISQM 1 requires a proactive and tailored approach to quality management. It focuses on achieving quality objectives through identifying risks to those objectives and responding to the risks. According to the ISQM 1, a system of quality management addresses the following eight components:

- The firm's risk assessment process
- Governance and leadership
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Engagement performance
- Resources
- Information and communication
- The monitoring and remediation process

A firm's risk assessment process and monitoring and remediation process set out specific procedures that the audit firm is required to follow. The remaining components comprise specific quality objectives the audit firm is required to establish. Audit firms' key performance indicators and AQIs determined by different organisations usually fall into one or more of these components.

Within the International Standard on Quality Management (ISQM) framework, AQIs provide critical insights necessary for managing and improving audit quality effectively. They help to enhance the robustness of the quality management system, ultimately leading to higher standards of audit practice. By leveraging AQIs, firms can continuously monitor and enhance their processes, enabling them to meet the evolving standards of auditing.

Continuous Improvement: Both ISQM and AQIs emphasise continuous improvement. ISQM requires firms to regularly review and improve their quality management system, and AQIs provide the data needed to inform these improvements. By analysing AQIs, firms can make data-driven decisions to enhance audit quality and address emerging risks.

Quality Management System Integration: ISQM 1 requires firms to establish a quality management system that includes identifying quality objectives, assessing quality risks, and implementing responses to address those risks. AQIs are integral to this system as they provide measurable data that firms can use to assess whether their quality objectives are being met and to identify areas where quality risks may exist.

Monitoring and Evaluation: AQIs serve as a key component in the monitoring and evaluation processes required by ISQM. Firms use AQIs to continuously monitor the effectiveness of their quality management system and to evaluate whether it is functioning as intended. This ongoing evaluation helps firms to identify deficiencies and take timely corrective actions.

Transparency and Accountability: ISQM promotes transparency and accountability in audit practices. AQIs support this by offering a clear, measurable way to report on the quality of audit engagements. This transparency helps build trust with stakeholders, including clients, regulators, and the public.

Risk Assessment and Response: ISQM 1 involves a detailed risk assessment process to identify factors that could affect audit quality. AQIs provide specific metrics that can highlight potential risk areas, enabling firms to respond effectively. For instance, high staff turnover rates (an AQI) might indicate a risk to audit quality that the firm needs to address.

Despite the diverse practices around the world regarding the nature of reporting, intended users and characteristics of AQIs, these practices afford useful reference points for structuring and appreciating Malaysia's specific initiatives and future efforts regarding AQIs. These initiatives target both audit firms registered with the Audit Oversight Board (AOB) and non-registrants, demonstrating Malaysia's commitment to enhancing audit quality through tailored AQI implementation, which will be further elaborated in Part 2 of this article.

Enhancing Audit Quality through the Implementation of Audit Quality Indicators (Part 2): A Malaysian Perspective

at-mia.my/2024/08/13/enhancing-audit-quality-through-the-implementation-of-audit-quality-indicators-part-2-a-malaysia-perspective

August 13, 2024

By SMP Department, Professional Practices & Technical

Building on the global perspective, this part of the article delves into Malaysia's specific initiatives on AQIs for Audit Oversight Board (AOB)-registered audit firms and proposed AQIs for non-registrants of AOB. By implementing these initiatives, Malaysia seeks to align with global best practices while addressing the need for the improvement of audit quality across firms of various sizes and clientele.

AQIs Initiative for audit firms of PIEs in Malaysia

Since 2015, the AOB has embarked on an annual data gathering exercise involving the major audit firms in Malaysia. This data gathering exercise, which was subsequently expanded to include the other audit firms in 2020, has enabled the AOB to compile statistics relating to Audit Quality Indicators (AQIs) for both the major audit firms and the other audit firms.

In Malaysia, an audit firm that meets the following reporting criteria for two consecutive years is required to produce an Annual Transparency Report commencing from 2021:

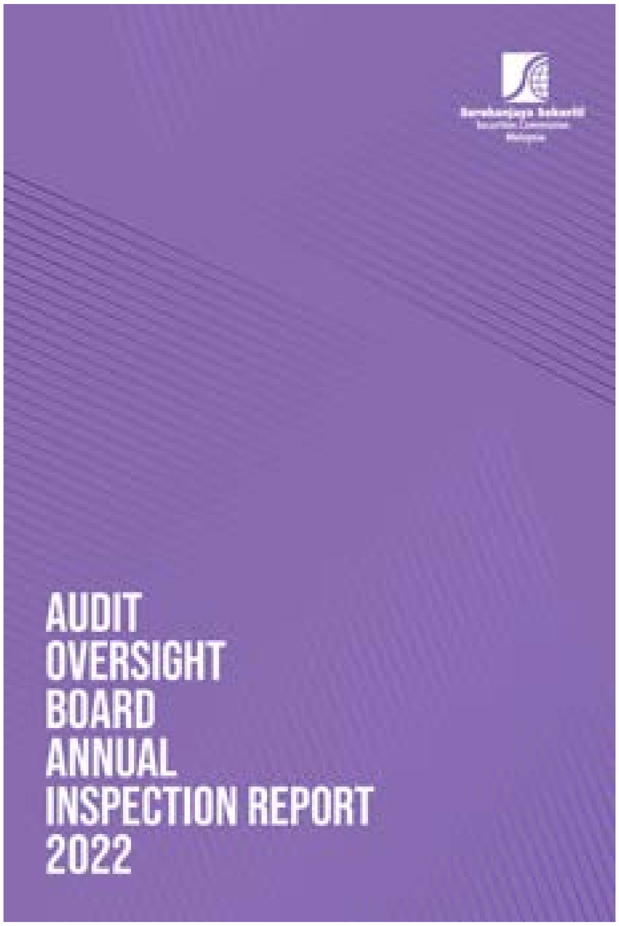
- Audit firms with more than 50 PIE audit clients; and
- The total market capitalisation of the audit firm's PIE clients is above RM10 billion.

Audit firms are required to mandatorily disclose a set of common AQIs in their Annual Transparency Reports to facilitate comparisons between the audit firms.

AQIs	Descriptions
Workload of the PIE audit partner a. Average number of PIEs per partner; b. Average number of entities related to PIEs per partner; and c. Average number of non-PIEs per partner	A partner's workload increases in tandem with the number of clients that the partner has to service. The heavier the workload, the lesser time a partner would have to supervise the audit engagements.
Auditor independence a. Average proportion of fee income derived from audit clients segregated into statutory audit, other assurance services and services provided by the non-audit practice; and b. Average proportion of fee income between audit practice and non-audit practice such as tax, corporate advisory and consulting	The multi-disciplinary model of firms has enabled these firms to provide both audit and assurance services as well as non-audit services to their audit clients. When the proportion of fees derived from the offering of non-audit services to audit clients is relatively higher than the audit fees, there is a risk that the provision of non-audit services by the firm to its audit clients could undermine auditors' independence. Further, when the proportion of fee income from the non-audit practice of the firm is relatively higher than the audit practice, this raises the concern that the firm's focus on audit quality may be overridden by their non-audit business considerations.
Capacity and competence of the audit practice a. Average percentage of audit personnel with professional qualifications and those pursuing professional qualifications; b. Average staff turnover rate for audit personnel; and c. Average years of experience of audit partners and audit staff.	These indicators would provide Audit Committees (ACs) with an indication of the firm's ability to manage its talent pool, particularly in ensuring that the firm has sufficient and competent personnel to carry out quality audits. Talent retention continues to be a challenge faced by the audit profession due to stiff competition for accounting and auditing talents within Malaysia as well as abroad. As certain factors that drive these indicators are beyond the firm's control, it is also important for ACs to gain an understanding of the various mitigating actions taken by firms to address capacity and competency issues.
Audit engagement supervision a. Average staff-to-partner ratio; and b. Average staff-to-manager ratio	These indicators provide an overview on whether the firm has sufficient partners and managerial staff to supervise less experienced audit team members. A lower ratio would imply that a partner or managerial staff could accord greater attention to supervise audit engagement teams.
Audit firm's investment to promote audit quality a. Average hours of training provided by the audit firms to audit personnel; and b. Average ratio of audit staff to one quality control staff.	Training provided by the firm to audit personnel is important to ensure that they remain technically competent and kept up-to-date with the latest developments in accounting and auditing standards. In addition, audit quality is also promoted within the firm through various quality control functions comprising training, technical consultations, risk management and quality assurance. A higher ratio of headcount in quality control functions relative to audit personnel headcount would indicate greater firm commitment to allocate resources to support audit quality.
Internal and external monitoring review a. Results of monitoring reviews that have been carried out by the audit firm or the audit firm's network; and b. Results of the AOB inspections and compliance reviews by the professional bodies.	Monitoring reviews are conducted to evaluate the audit firms' compliance with quality control standards as well as to assess the quality of audit engagements. These indicators highlight the outcome of audit quality inspections carried out: i) within the audit firm or the audit firms's network (internal inspections); and ii) by an external audit regulator (external inspections).

Source: AOB Annual Inspection Report 2021 and AOB Annual Inspection Report 2022, Securities Commission

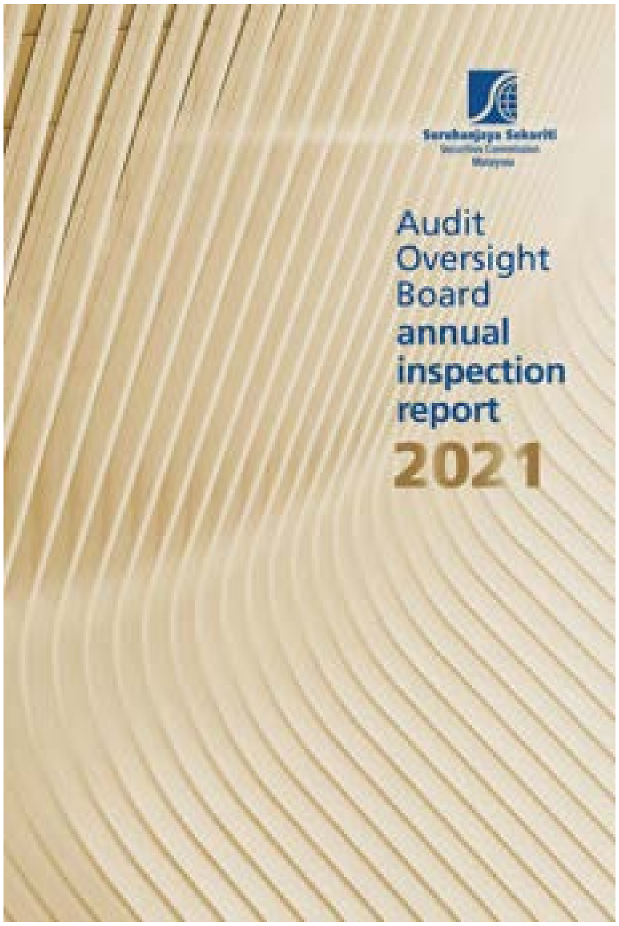
In 2021, a total of eight audit firms in Malaysia were required to produce the Annual Transparency Reports as they had met the reporting criteria stipulated above. The average data of the above AQIs was also published by the AOB in their yearly annual report.



Audit Committees (ACs) are encouraged to compare the AQI information disclosed in the audit firm's Annual Transparency Reports with those average data disclosed in the AOB Annual Inspection Report to drive continued focus and improvements on audit quality.

The AOB also continues to monitor the audit firms' key AQIs as part of the risk assessments' process. Some of the key AQI trends include but are not limited to the following:

- Audit partner workload;
- Capacity and competence of the audit practice; and
- Level of audit engagement supervision.



AQIs for non-PIE audit firms in Malaysia

Unlike the audit firms of PIEs, there is no requirement to report a common set of AQIs for audit firms of non-PIEs. Under the PPC's Strategic Paper to Strengthen the Public Practice Sector and SMPs, it is proposed that average data of AQIs be developed to provide insights into factors that may influence audit quality of non-PIEs auditors.

The proposed AQIs will serve as a benchmark, facilitating audit firms of non-PIEs to monitor their performance against industry standards. By analysing these indicators, firms can identify specific areas where audit quality measured data have previously fallen short and recognise ongoing factors that could compromise the quality of current or future audits. This proactive approach allows firms to pinpoint weaknesses in their audit processes and take timely, corrective actions to enhance their practices.

Moreover, the implementation of AQIs can foster a culture of continuous improvement within audit firms. Regular monitoring and evaluation of these indicators can help firms maintain high standards of audit quality, ultimately leading to increased client confidence and satisfaction. The data derived from AQIs can also provide firms with insights into industry trends and emerging risks, enabling them to adapt their audit strategies accordingly.

Consultation Process

The proposed AQIs will be developed in consultation with audit firms and other stakeholders in Malaysia:

- A focus group will be established to finalise the AQIs for non-AOB registered audit firms in Malaysia with the following composition: Representatives from MIA Public Practice Committee (PPC), Small and Medium Practices Committee (SMPC), Practice Review Committee (PRC), Investigation Committee (IC) and Disciplinary Committee (DC).
- A consultation session with representatives from AOB and professional accountancy bodies.
- MIA Council's approval.

The first Focus Group discussion was conducted in November 2023 and the concept paper was amended based on the discussion outcomes.

Guiding principles

The guiding principles for developing non-PIE AQIs are discussed, covering aspects such as scope, type of AQIs, nature of reporting, reporting period, comparators, averages, and trends, responsibility for publication, and data gathering methods:

- **Scope**: Non-PIEs audit firm that have 3 partners and above, excluding auditors registered with AOB, as these firms are already under rigorous inspection and required to submit the AQIs to the AOB.
- **Type of AQIs**: Adopted all AOB's current AQIs (firm-level).
- **Nature of reporting**: Mandatory reporting.
- **Reporting period**: To cover the same 12 months across all firms, and to publish the average data on the same date, e.g., cover the period from 1 April of one year to 31 March of the following year for each year.
- **Reporting comparators, averages and trends**: From the second year of implementation, the prior year comparative will be disclosed for each AQI. Subsequently can consider if a number of years' prior data should be averaged.
- **Responsibility for publication**: The average information needed to be made available on MIA's website.
- **Data gathering method**: Annual return to MIA.

As part of the consultation process, the Institute would like to invite perspectives from audit partners, specifically those from 3-partner audit firms, on the proposed AQIs and their implementation through an online survey.

To participate in this survey, please click here and submit your views by 13 September 2024.

Audit partners are also encouraged to email their views to smp@mia.org.my.

Efforts to enhance audit quality in Malaysia through the setting of Audit Quality Indicators (AQIs) reflect a strong commitment to aligning with global best practices. With the disclosure of AQIs and encouraging their continuous monitoring and evaluation, a culture of continuous improvement in audit quality can be fostered amongst firms.

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

at-mia.my/2024/08/06/mia-international-accountants-conference-2024-navigating-new-frontiers-embracing-sustainability-2

August 6, 2024

By the MIA Strategic Communications Team

The MIA International Accountants Conference 2024 (MIA Conference 2024) turned out to be one of the most successful in the event's storied history, welcoming close to 3,800 physical and virtual delegates to the KLCC Convention Centre on 11 and 12 June 2024. Notably, delegate registrations to the Conference were sold out as of end-May 2024, the earliest ever in its history. "This achievement attests to the Conference's continuing relevance and popularity as one of the region's largest congregations of accountancy professionals," said Dr Wan Ahmad Rudirman Wan Razak, Chief Executive Officer, MIA in his Conference welcoming remarks.

Strategic collaboration is at the heart of MIA's value creation, and it is an integral element behind the Conference's continuing success. Aptly, at the commencement of the Conference, Dr. Wan Ahmad Rudirman thanked all delegates, speakers, partners, supporters and stakeholders for their support and collaborative efforts.

Setting the tone for the Conference with its focus on sustainability and futureproofing of accountancy talents, Dato' Seri Dr Mohamad Zabidi Ahmad, President, MIA stated in his opening address that "MIA has identified climate change and sustainability as game changers for the global business ecosystem. As such, the profession and accountancy professionals should enhance their future relevance to investors and business by upskilling on ESG and sustainability."

Attesting to MIA's stature as the voice of the profession among policymakers and decisionmakers, the Conference was officiated by guest of honour YB Senator Datuk Seri Amir Hamzah Azizan, Minister of Finance II. In his keynote address at the Conference Opening Ceremony, Datuk Seri Amir Hamzah touched on the critical role of accountants in sustainable nation-building as envisaged by the Madani government. "As the government continues to pursue systemic reforms to curb corruption, wastages and leakages, accountants play a pivotal role as proponents of good governance and ethical business practices, digital playmakers and ESG enablers," he said.

In line with the theme of the Conference ***"Navigating New Frontiers, Embracing Sustainability"***, Datuk Seri Amir Hamzah also officiated the launch of the MIA Sustainability Blueprint for the Accountancy Profession during the Conference's grand opening ceremony. This Blueprint reflects MIA's commitment to sustainable practices and sets out principles and guidelines to support the aspirations and actions of accountants in embedding sustainability. While congratulating MIA, Datuk Seri Amir Hamzah said that the Blueprint could serve as a useful guide to accountancy professionals on their expanding roles as sustainability gains momentum and organisations come under greater scrutiny.

A major highlight of the Conference was a special session by Ms Asmâa Resmouki, President of the International Federation of Accountants (IFAC) which represents the perspectives of the global accountancy profession. Focusing on the new frontiers unfolding for the accountancy profession, Asmâa discussed the evolution of assurance to encompass emerging assurance opportunities in ESG, technology, cybersecurity, AI, and anti-money laundering (AML). As the profession stands at the nexus of business and governance, Asmâa also cautioned accountants on the opportunities and ethical challenges that come with AI and the need for accountants to always uphold ethical integrity in all that they do.

Session Highlights

Over the two-day Conference, nearly 80 expert speakers shared their insights across 16 sessions designed to future-proof the profession in a turbulent landscape that is increasingly shaped by sustainability.

Highlights included Plenary One which focused on navigating the profession's new frontiers, whereby speakers discussed the critical role of accountants in sustainability management and the need to upskill, build capacity and integrate sustainability into business. Plenary Two discussed smart finance, the pros and cons of adopting a cloud hybrid structure and the cost-benefit analysis and governance issues of migrating to cloud. Meanwhile, other sessions examined developments affecting the profession, such as the ethics of sustainability, environmental taxation and what accountants should know about the Taskforce on Nature-related Financial Disclosures (TNFD), among others.

What's Next for the MIA Conference 2025

The success of the MIA Conference 2024 will be a tough act to follow. However, G Shanmugam, Conference Director and Executive Director – Strategy & Development, said that MIA welcomes the challenge whilst acknowledging possible future opportunities. For the upcoming MIA Conference 2025, he shared that the team is looking into growing the virtual attendance numbers for the hybrid conference, and attracting more international participants.

G Shan expressed MIA's appreciation for the overwhelming response and accolades from stakeholders and partners. He also thanked everyone for sharing the Conference widely across social media, which is key to boosting the Conference's brand and recognition of MIA as the voice of the profession.

For 2025, the Conference will be looking into showcasing a more diverse content offering geared to the evolving needs of accountants and business. “The accountancy profession is highly diverse. To date, MIA’s membership has grown to nearly 40,000 across the membership categories of Professional Accountants in Business (PAIB), public practice, public sector and academia. Therefore, MIA will strive harder to deliver greater value in terms of content and speakers to match the divergent needs of our accountancy talents and ensure that they are future-proof and market relevant,” concluded G Shan.

MIA Sustainability, Digital Economy and Reporting Insights (April – June 2024)

at-mia.my/2024/07/31/mia-sustainability-digital-economy-and-reporting-insights-april-june-2024

July 31, 2024

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

Sustainability Blueprint for the Accountancy Profession

The MIA Sustainability Blueprint for the Accountancy Profession (the Blueprint) was successfully launched during the MIA International Accountants Conference 2024 on 11 June 2024 by YB Senator Datuk Seri Amir Hamzah Azizan, Minister of Finance II.

The Blueprint is intended to empower accountants to align their practices with sustainability imperatives to achieve the following objectives:

- Establishing aspirations for accountants in Malaysia with regards to sustainability.
- Analysing key challenges facing the accountancy profession in Malaysia based on the domestic and global sustainability landscape.
- Enabling accountants in the sustainability space.

The Blueprint outlines four overarching aspirations together with a set of guiding principles with three levels of maturity: Foundation, Intermediate and Advanced to facilitate accountants in navigating their sustainability journey.

To learn more about the Blueprint, please visit our Sustainability page.

MIA Digital Month 2024

In driving MIA's aspirations in supporting digital technology adoption by the accountancy profession in Malaysia, the MIA Digital Month 2024 (MDM 2024) made its return for the fourth consecutive year in April and May this year with the theme '**Digital Empowerment: Innovation for Sustainable Growth and Future Leadership'**.

MDM 2024 showcased a weekly complimentary webinar for four weeks from 18 April to 9 May 2024 and concluded with the grand finale of the reinvented MIA Accounting & Financial Technology Showcase 2024 (MIA AFT 2024), formerly known as the AccTech Conference, on 15 May 2024. Over 900 MIA members, academicians, and accounting students participated in the complimentary webinars during the digital month. These sessions covered a broad spectrum of topics, including IT audit, sustainable technology, business model innovation in the digital age, cybersecurity, digital transformation success stories, and GenAI in the profession where distinguished speakers from diverse backgrounds imparted invaluable insights, enriching each session with their expertise and unique perspectives.

Keep an eye out for upcoming articles featuring insights from the webinar sessions of MDM 2024!

Digital Technology Adoption Awards (DTAA) Presentation Dinner

MIA recently held its first-ever Digital Technology Adoption Awards (DTAA) to celebrate and encourage excellence in digital transformation within the accountancy profession. First launched in 2023, DTAA was introduced to promote digital technology adoption across the accountancy profession and recognise remarkable achievements of technology application by the accountancy profession in commerce and industry, public practice, and public sector.

Following the evaluation by the esteemed adjudication committees, the DTAA Presentation Dinner took place on 15 May 2024 at the Malaysia International Trade and Exhibition Centre (MITEC). Graced by the esteemed presence of Yang Berhormat Puan Lim Hui Ying, Deputy

Minister of Finance, the presentation dinner witnessed fourteen winners being recognised for their remarkable digital technology adoption.

The Institute extended its warmest congratulations to the winners and expressed hope that the success stories from the DTAA will inspire ongoing and future digital transformation, ensuring the future relevance of the accountancy profession.

Click here to read the official media release on the DTAA Presentation Dinner.

Empowering SMPs: Journey through Digital Transformation

In its unwavering effort to facilitate digital adoption among Small and Medium Practitioners (SMP), MIA hosted an event centered on digital transformation on 28 June 2024 at its office in Bangsar South.

Over 25 practitioners participated in the close session, which featured insights from the MIA Digital Technology Adoption Awards (DTAA) Top Excellence Winners in the SMPs Category regarding their journeys and insights in navigating the digital landscape. Challenges, best practices as well as practical strategies to propel firms towards success in the digital age were shared by Mr Ng Wing Siang (NC Accounting Services Sdn Bhd), Mr Yap Lau Loong (CCL & Partners PLT) and Mr Zen Chow (YYC GST Consultants Sdn Bhd) during the sharing and dialogue session moderated by Mr Steven Chong, Member of the MIA Digital Technology Implementation Committee.

Participants benefitted from the chance to network and gained valuable insights to advance in their digital transformation journey at the event.

Taxation Advocacy

Service tax on maintenance service

In May 2024, MIA submitted a comment letter to the Ministry of Finance (MoF) pertaining to proposals on issues arising from the imposition of service tax on maintenance services and other service tax related issues. Among issues covered are applicability of service tax on the provision of maintenance or repair services in connection with land, goods or matters outside Malaysia as well as service tax exemptions for maintenance or repair services.

Tax agent accreditation

MIA has also submitted feedback on the proposed tax agent accreditation course following the engagement session that it had with the MoF in April 2024 where it emphasised the advantages of conducting tax agent licensing through interviews. MIA has also proposed that the MIA Qualification Exam be recognised for the purpose of tax agent applications under Section 153(3) of the Income Tax Act 1967.

Budget proposals on capital market

In June 2024, MIA proposed enhancements to the annual national budget to support the growth of the capital market and economy to the Securities Commission Malaysia (SC). Corporate reporting is crucial for investors and stakeholders, providing high-quality information about company performance, risks, opportunities and long-term prospects including sustainability risks and opportunities. The chief financial officers (CFOs) and their finance functions as well as auditors play a pivotal role in such reporting.

MIA emphasised that capacity building is critical to ensure accountancy professionals are competent in relevant areas which include MFRSs, <IR>, sustainability (including reporting of ESG and sustainability), digitalisation, capital market requirements as well as other areas as identified by the MIA competency frameworks for CFOs and finance functions.

Public Sector Advocacy

In its support of accrual accounting adoption and implementation in Malaysia, MIA submitted comments on the following consultation documents of the International Public Sector Accounting Standards Board (IPSASB):

Exposure Draft (ED)	Descriptions	Comment letters
ED 86, Exploration for and Evaluation of Mineral Resources	ED 86 proposes a standard on accounting for the costs incurred in the exploration and evaluation of mineral resources, based on the selection of an accounting policy specifying which expenditure should be recognised as exploration and evaluation assets. ED 86 is aligned with the private sector requirements in IFRS 6, Exploration for and Evaluation of Mineral Resources with limited changes for the public sector context.	Comment letter submission on ED 86
ED 87, Stripping Costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12)	ED 87 proposes adding an authoritative appendix to IPSAS 12, Inventories. The proposed guidance clarifies when to capitalise or expense costs incurred to remove waste material in surface mining operations. ED 87 is aligned with the guidance in IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, with limited changes for the public sector context.	Comment letter submission on ED 87
ED 88, Arrangements Conveying Rights over Assets	The proposed amendments to IPSAS 47, Revenue are consistent with the strongly supported principles exposed in ED 84, Concessionary Leases and Right-of-Use Assets In-kind (Amendments to IPSAS 43 and IPSAS 23), published in January 2023. Additionally, ED 88 proposes illustrative examples to accompany IPSAS 47 and IPSAS 48, Transfer Expenses on other types of arrangements conveying rights over assets that are common in the public sector.	Comment letter submission on ED 88
ED 89, Amendments to Consider IFRIC Interpretations	The ED proposes guidance, based on IFRIC Interpretations issued by the IFRS Interpretations Committee, to clarify how public sector entities should apply existing IPSAS principles to specific matters.	Comment letter submission on ED 89

Global Advancements in Public Sector Sustainability Reporting

In the Sovereign Climate and Nature Reporting: Proposal for a Risks and Opportunities Disclosure Framework published by the World Bank in 2022, the World Bank invited IPSASB to lead a consultative process to gain support for developing global public sector specific sustainability reporting guidance. Since then, there have been various developments in the public sector sustainability reporting landscape which can be read about here.

Complimentary Webinar: *Navigating Public Financial Management for Sustainable Future*

On 26 April 2024, MIA delved into crucial insights on significant implications of the newly passed Public Finance and Fiscal Responsibility Act on the accountancy profession in a complimentary webinar titled *Navigating Public Financial Management for Sustainable Future*. The panel discussion was moderated by Encik Syarizal Rahim, Member of the MIA Public Sector Accounting Committee and featured Puan Nor Yati Ahmad from the Accountant General's Department of Malaysia, Mr Ting Choo Wai, Partner of PwC Malaysia and Professor Dr. Geoffrey Williams, Economist and Director of Williams Business Consultancy Sdn Bhd.

Navigating the Profession’s New Frontiers

at-mia.my/2024/08/08/navigating-the-professions-new-frontiers

August 8, 2024

By MIA Accountants Today Team

We live today in a world of unprecedented disruption. Like other sectors of the economy, the global accountancy profession is also expected to adapt and unleash the potentials in these disruptive risks and opportunities.

As a global voice for accountants, the International Federation of Accountants (IFAC) closely monitors the material developments that will shape the future direction and relevance of the profession.

Asmâa Resmouki, President, International Federation of Accountants (IFAC) highlighted two key frontiers for the profession in her special address at the recent MIA International Accountants Conference 2024, in line with the theme of “Navigating New Frontiers, Embracing Sustainability”. These two “frontiers” are sustainability and artificial intelligence (AI).

Sustainability – Assuring ESG Information

On the new frontier of **sustainability,** Asmâa discussed the evolution of assurance to *include* ESG — and how to go *beyond* it to encompass emerging assurance opportunities in technology, cybersecurity, AI, and anti-money laundering (AML).

Today, stakeholders are increasingly prioritising sustainability. Within the context of the profession, it is generally agreed that enhancing corporate reporting with high-quality sustainability disclosures is the future of corporate reporting.

At the same time, the importance of the *assurance* of these disclosures is growing, as evidenced by the quickly expanding market for ESG assurance services. IFAC’s “State of Play” research which is available on the IFAC website is a valuable resource for quantifying this trend, said Asmâa. “The data shows that there is a rapidly growing opportunity for accounting practices to step into sustainability assurance.” She also emphasised that “all jurisdictions need mandatory assurance; otherwise, ESG information will never be on par with financial information.”

To pave the way forward, the International Auditing and Assurance Standards Board (IAASB) has proposed the new International Standard on Sustainability Assurance or ISSA 5000, which would be a comprehensive, standalone standard suitable for any sustainability assurance engagement. “This new standard will be crucial for ensuring that sustainability assurance truly builds trust and confidence in sustainability information,” emphasised Asmâa.

Moreover, ESG assurance is emerging as a very important area for advocacy at the national level, and will definitely be pivotal to the national sustainability agenda. Professional accountancy organisations (PAOs) that are member bodies of IFAC will play a driving role in strengthening advocacy for assurance. As the regulator and developer of the profession, MIA is of course strongly advocating for sustainability assurance and upskilling members for this new role.

What’s Next – The Growing Scope for Assurance Services

Going forward, broader trends in assurance are on the horizon. IFAC predicts “the further evolution of assurance to cover much more than financial and ESG information”. Forthcoming will be assurance services in digital technology and technology services.

Regulators are poised to play a key role in driving assurance in technology. European Union and UK regulators are moving to designate as “Critical Third Parties” a wide range of companies that provide technology services — for example, the managed service providers for the information systems used by payment processors. Singapore requires that any company that performs cybersecurity monitoring be licensed and regulated. In certain jurisdictions, such as France, there are steep criminal penalties for violating data privacy laws.

“With this attention from regulators, technology service providers will want to be able to demonstrate that they have taken proper cybersecurity measures. I believe the market for assurance services is very clear here,” observed Asmâa.

Artificial intelligence is another key emerging area that is subject to intense scrutiny and hence will require assurance. Lawmakers in the UK have introduced a bill that would increase transparency in the disclosure of AI algorithms. “As with other digital technologies, firms that use AI will want to be able to show their regulators that they have done their homework about transparency and other regulatory issues,” continued Asmâa.

In addition to technology services and AI, there is growing interest in assurance in anti-money laundering as policymakers and regulators across jurisdictions redouble their efforts to fight corruption and financial crime. As AML inspections become common globally, assurance will be required to demonstrate that companies are in compliance with AML procedures. “This represents another huge potential market for assurance,” assured Asmâa.

“Fundamentally, these emerging opportunities in assurance stem from the same factors that have made ESG reporting a headline issue: regulators, investors, and other stakeholders want to understand the full picture of an organisation’s value, risks, and overall resilience. Cybersecurity, AI, and AML are just a few examples of additional areas that are expected to become integral to the corporate reporting environment, to join financial information and sustainability information,” summed up Asmâa.

Artificial Intelligence and Potential Ethics Challenges

AI poses tremendous opportunities and concomitant risks – particularly ethical issues – for the profession.

Drawing on research into emerging ethical issues related to technology published by the International Ethics Standards Board for Accountants (IESBA), Asmâa offered succinct insights into the opportunities and ethical challenges that come with AI.

While the full potential of AI is yet to be unleashed, AI is already directly applicable in the work of professional accountants. For example, accountancy professionals can utilise data analysis with AI tools to uncover new relationships in organisational data and mobilise this clarity to increase efficiencies. AI software can offer powerful predictive models for financial processes, such as sales forecasting, to improve strategic decision-making. Accountancy professionals who work with client data, including auditors, can gain significant efficiencies by using AI to more quickly discover missed disclosure requirements and identify non-compliance. “There are many, many more use cases. There is undoubtedly a relevant application of AI for the work of every professional accountant,” said Asmâa.

At the same time, there are potential pitfalls.

One considerable challenge is bias. “In a perfect world, we would be able to create AI systems that operate objectively and neutrally, and that do not inherit the flaws of the humans who create them. In reality, we almost inevitably impart bias into AI systems — even when we try hard not to,” she explained. Bias can appear even if sensitive demographic variables, such as the family background and gender of the users of a company’s products, have been removed from the data. Data sampling is also another source of bias. The over- or under-representation of one group in an AI’s training and testing data can lead the AI to treat that group differently, sometimes with harmful results in practice. Furthermore, a recent study published in *Nature* shows that people who interact with a biased AI are likely to reproduce its bias even after they stop interacting with it. “So, a biased AI can, in turn, bias the people who use it!”

As such, “it is extremely important for professional accountants to be aware of the extent to which bias is affecting the outputs of an AI system they are working with, and to ensure that they acquire the appropriate mindset, skills, competencies, and technological tools to be appropriately skeptical and discerning,” advised Asmâa.

> Another ethical challenge with AI is the significant possibility that humans overseeing an AI system lack transparency into how it works.

To mitigate this, accountancy professionals should at least become comfortable with the inputs to the system and the control structure for monitoring the system and its outputs. In the matter of systems-supporting decisions with significant consequences, it is absolutely crucial that the professional accountant has access to one or more experts who can answer both “how does the system work?” and “why did the system do what it just did?” This is because “ethical AI is absolutely a collaborative effort, not the domain of one profession or another,” said Asmâa.

Enhancing Ethical AI – Recommended Approaches

While this is a fledgling field, accountancy professionals can adopt the following tactics to strengthen their ethical use of AI.

One, always have an inquiring mind about the potential for AI, or any unfamiliar technology, to produce ethical issues. This approach aligns very well with the IESBA Code’s existing requirement for a professional accountant to have an inquiring mind when applying the

Code's conceptual framework. "The foundation of the Code will help the individual professional accountant challenge the AI system to make sure it is operating within ethical bounds," said Asmâa.

Two, build a strong ethical culture at the organisational level. Ensuring an ethical organisational culture is core to fostering a safe environment for data scientists and others to escalate concerns over any bias or discrimination identified in AI systems without the fear of retaliation. "Professional accountants are already expected, per the IESBA Code, to encourage and promote an ethics-based culture within their organisations, taking into account their position and seniority in the organisation. This role is becoming even more important with the rise of AI."

Three, uphold the distinctive and valued qualities of the profession while forging strong collaboration and partnerships with stakeholders. Asmâa emphasised that on questions around AI and other aspects of digitalisation, the profession should not change just for the sake of change. "We have a wealth of skills and expertise that will remain extremely valuable in the long-term. Organisations will continue to prioritise the critical thinking and analysis, problem solving, independence, professionalism, and — most of all — the ethical integrity that define our profession."

"The role of accountants in the digital economy is already clear on many issues — and will become even clearer with experience as well as collaboration and communication across our profession and with our stakeholders. On these issues and many others, accountants will be leaders and partners, but not the sole actors. So, I would emphasise the importance of partnership to ensure that strong ethical principles guide the use of potentially transformative technologies," she concluded.

Rising to the Challenges of Sustainability: New Opportunities for Supporting Small Businesses

at-mia.my/2024/08/26/rising-to-the-challenges-of-sustainability-new-opportunities-for-supporting-small-businesses

August 26, 2024

By Harpal Singh & Christopher Arnold

Small and medium-sized enterprises (SMEs) unquestionably play a critical role in global economies and are therefore an essential component of the sustainability transformation taking place in the global business community. The World Trade Organization reports that 95% of companies across the globe are micro, small or medium enterprises and that they provide 60% of the world's total employment. The UN has designated 27th June as MSME Day to raise awareness of their enormous contribution and the role they play in achievement of the UN Sustainable Development Goals – a contribution without which a sustainable future cannot become a reality.

As trusted advisers to SMEs, small- and medium-sized practices (SMPs) also have a huge role in shaping the transformation to a sustainable future. The International Federation of Accountants (IFAC) has identified four key challenges and opportunities for the accountancy profession that were shared with the United Nations toward the end of 2023:

- **Integrated Mindset** – Raising the profile of sustainability in businesses and its consideration in decision making and corporate governance.
- **Global Baseline for Reporting** – Using the ISSB's standards as a harmonized baseline, which can be built upon to include any local reporting considerations.
- **Ethics, Assurance, and Independence** – High quality assurance through IAASB's ISSA 5000 standard supported by ethics and independence requirements through sustainability-specific Code requirements.
- **Capacity Building** – Raising awareness, encouraging education, and producing research to advance sustainable thinking and practices.

These challenges and opportunities are important to all involved in the profession, from practitioners at firms of all sizes to professional accountants in business (PAIBs).

Interpreting IFAC's Four Challenges and Opportunities for SMEs and SMPs

The transformation to sustainable practices in the global business community needs input from multiple professions to be successful. The accountancy profession has an important role in leading many aspects of this transformation, and it is in this context that IFAC identified the four key challenges and opportunities. Their impact may most immediately be felt by the largest organizations, who will be subject to mandatory reporting and assurance requirements, but the substantive change needed can only become a reality if SMEs and their trusted advisers are active in this transformation. Interpreting and applying the four challenges and opportunities in the context of SMEs and SMPs is therefore an important stepping-stone toward both the profession and SMEs playing their part in sustainability.

Champion an Integrated Mindset

Sustainability starts inside companies that treat sustainability-related matters as equivalent to financial performance-related goals and objectives. Getting to this point requires organizations to incorporate sustainability into their strategy and business operations and to develop processes, systems, and controls for sustainability-related information, or in other words, adopting an 'integrated mindset'. Only when this happens can sustainability be embedded into decision making and, ultimately, factored into strategic planning. One natural consequence of this change is that the value of sustainability information becomes clearer to both decision makers and the users of reported information. An integrated mindset enhances an SME's business planning and development by providing a fully connected, holistic approach that entails the SME's use of, and effect on, all resources that are important to its business model and its current and anticipated operations.

There will be barriers to navigate for any business undertaking this mindset change. Information silos may exist even in the smallest of organizations, with separation between finance and other teams often especially pronounced. Siloed thinking can already impact financial reporting and performance measurement, and steps can be taken to address this, including introducing finance business partnering methods into organizations. In these methods, finance staff may sit within functional teams rather than a centralized department, with the aim of providing more direct and immediate insight into performance measurement and reporting. Similar methods for improving collaboration will be equally important for tracking and reporting sustainability-related data and metrics, including any information that may be required either for public disclosure or for the use of others in the value chain who may need to report on it.

An integrated mindset seeks to break down internal silos to ensure free and full flow of information within different parts of an organization. This can help SMEs build a better shared understanding of value creation.

Global Baseline for Reporting

Convergence on a global baseline for sustainability reporting is important for providing consistent, comparable, and decision useful sustainability disclosures and reducing cost and complexity for organizations. The International Sustainability Standards Board's (ISSB) IFRS S1 and IFRS S2 has brought a new era of sustainability-related disclosures in capital markets worldwide. IFRS S1 and S2 also include provisions to support application by companies with limited capabilities or experience, or those in developing and emerging economies. This includes transitional relief from some disclosure requirements when the standards are first applied.

Imposing mandatory sustainability reporting for all SMEs in a jurisdiction would create a considerable burden for SMEs in light of resource constraints and limited capacity. However, as IFRS S1 and IFRS S2 become a requirement in various jurisdictions, it is inevitable SMEs will feel their impact. Effective sustainability reporting in large entities will rely on the provision of high-quality information through their value chains, especially with respect to GHG emissions, where data from SMEs can play a critical role. Sustainability information requests by finance providers are also already happening in some jurisdictions.

As sustainability reporting develops, there may be a call for proportionate reporting for SMEs. For example, the European voluntary sustainability reporting standard for non-listed SMEs (VSME) proposes a simple reporting tool to assist SMEs in responding to sustainability information requests they receive in an efficient and proportionate manner.

It is important for SMEs to begin taking steps to have readily available, relevant, and reliable sustainability information, even at this early stage.

Ethics, Assurance, and Independence

The IAASB's International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, along with the IESBA's forthcoming international ethics and independence standards for sustainability assurance and reporting, are intended to provide a global baseline for high quality assurance, ethics, and independence for sustainability assurance practitioners. Without high-quality assurance, sustainability disclosures will not be on par with financial information.

> More specifically for SMEs, who may have to report information—with assurance, in some instances—to entities up and down the value chain, their SMP assurance providers will need a high-quality, internationally recognized standard for providing such assurance.

Differing assurance, ethical, and independence requirements could create added complexity and confusion among investors and other users of assured sustainability information. In its comment letter responses to both the IAASB and IESBA, IFAC has called on both boards to provide scalable requirements and application material suited to the SMP and SME environment, as well as larger entities. IFAC's Small and Medium Practices Advisory Group has been proactive in providing feedback on consultations for these standards.

Finally, regulators must provide appropriate oversight and enforcement over all assurance practitioners—be they firms in public practice or other service providers—to ensure high-quality outcomes for stakeholders. Such a level playing field for assurance provides SMPs with the best opportunity to support SME clients with assurance in this area and ensures their knowledge and relationships can be best utilized in the public interest. For users of sustainability information to rely with confidence on what companies report, the same quality and same standards should apply to all assurance providers, but this must be done in a proportionate way to unlock the value SMPs can deliver.

Capacity Building

As noted, sustainability starts with a mindset change—and any change like this needs to be built from the bottom. The start of the journey is helping SMEs understand the business case for sustainability. Only in this way will they be able to see the compelling case for transformation.

SMPs have a critical role to play because of their knowledge not only on delivery of services, but also in education. This journey starts early, and the support of Professional Accountancy Organizations is critical. The existing competencies of staff in SMPs leave them well placed to expand support for SMEs in this area, but they must look to build these skillsets with ESG knowledgeso they can themselves be thought leaders for SMEs. Collaboration will also be critical as SMP staff themselves will not necessarily be able to acquire all of the skills they need to deliver the sustainability services SME clients will demand. SMPs will therefore need to build external relationships and work effectively with experts from other professions.

Research and advocacy on sustainability reporting and the development of best practices for larger entities is already extensive, but it is imperative that the voice of SMEs in the debate is not lost. The SME reporting experience will likely begin with requests from the supply chain or finance providers, so research into what constitutes high-quality, proportionate disclosure in that context is important for ensuring greater effectiveness and added value.

SMPs Supporting SME Capacity Building with Tools: IFAC Small Business Sustainability Checklist

Noting the important role SMPs have in capacity building for SMEs and understanding it is difficult to know where to start for SMEs embarking upon a sustainability journey, IFAC developed a Small Business Sustainability Checklist. This is a diagnostic tool designed to be tailored by each business to its own unique circumstances, including its industry sector, lifecycle, and products and services provided. It lists a comprehensive range of initiatives and actions to be considered in terms of environmental, social, and governance (ESG) factors.

IFAC produced the Checklist in recognition of the importance of SMEs as drivers of economic and social development and the sustainability transformation taking place globally in business and the accountancy profession. SMPs are ideally placed to call on deep business knowledge and expertise to support SMEs on their sustainability journey using this tool. As trusted advisers, they can play a central role in capacity building.

SMPs are also strongly encouraged to use the Checklist to guide their own journey and consider their strategy, policies, and procedures on sustainability. Championing sustainability among their clients is only possible if they take the lead, and there are many benefits for SMPs themselves. Among these is the increasingly critical role sustainability plays in attracting and retainingthe next generation of talent.

Harpal's role at IFAC entails contributing to and promoting the development, adoption, and implementation of high-quality international standards. Harpal also has responsibility for IFAC's SME (small- and medium-sized entities), SMP (small- and medium-sized practices), and research initiatives, which include developing thought leadership, public policy, and advocacy materials.

Prior to joining IFAC, Harpal spent ten years working for Grant Thornton UK LLP, where he was first part of the Public Sector and Commercial Assurance practices, before joining the Financial Reporting technical team. Harpal helped develop the firm's Financial Reporting advisory offering outside of London and then joined the Business Consulting team specializing in finance consulting and talent solutions. Prior to joining GT, Harpal was a Public Sector auditor for the Audit Commission in the UK.

Christopher Arnold is a Director at the International Federation of Accountants (IFAC). He leads activities on contributing to and promoting the development, adoption and implementation of high-quality international standards, including the Member Compliance Program, Intellectual Property and Translations. Christopher is also responsible for IFAC's SME (small- and medium-sized entities), SMP (small- and medium-sized practices) and research initiatives, which include developing thought leadership, public policy and advocacy. He was previously an Audit Manager for Deloitte and qualified as a professional accountant in a mid-tier accountancy practice in London (now called PKF-Littlejohn LLP). Christopher started his career as a Small Business Policy Adviser at the Association of Chartered Certified Accountants (ACCA).

Unlocking Malaysia’s Digital Tax Future Insights from the E-Invoicing Webinar

at-mia.my/2024/08/16/unlocking-malaysias-digital-tax-future-insights-from-the-e-invoicing-webinar

August 16, 2024

MIA Sustainability, Digital Economy and Reporting Team

In a bid to streamline tax administration and boost efficiency in handling a growing volume of transactions, Malaysia has embarked on a transformative journey towards e-invoicing. This pivotal move was the focus of a recent webinar moderated by Amarjeet Singh, Managing Partner of ASEAN Tax Ernst & Young Tax Consultants Sdn Bhd and featuring distinguished panellists Dr. Rasyidah Che Rosli, Director of Operations Policy Section, Tax Operations Department of the Inland Revenue Board of Malaysia (IRBM) and Surin Segar, Senior Executive Vice President of Maybank.

Here are the key takeaways from this enlightening presentation and discussion.

Overview of E-Invoicing in Malaysia

Malaysia’s e-invoicing paradigm can be traced back to the pre-budget statement in June 2022, signalling the government’s commitment to enhancing tax administration through digitalisation. The Twelfth Malaysia Plan underscored the importance of digital infrastructure and digitalising tax administration, laying the groundwork for this progressive initiative.

Subsequently, e-invoicing guidelines were unveiled in 2023, offering clarity and guidance on implementation. Noteworthy mentions include the Budget 2023’s announcement of gradual e-invoicing implementation, commencing in 2023, and the emphasis on system development and pilot projects. E-invoicing promises manifold benefits for businesses, fostering streamlined processes as well as enhancing accuracy, efficiency, and financial management.

E-Invoice Model and Implementation

E-invoicing ushers in a digital representation of transactions between suppliers and buyers, superseding traditional documentation. Implementation will unfold in phases, cognizant of turnover or revenue thresholds to facilitate seamless adaptation by businesses. Engagement with pilot companies started in Q4 2023 in preparation for the testing environment scheduled for Q1 2024. Mandatory implementation kicked off in August 2024 for taxpayers with annual turnover exceeding RM100 million, and will be extended to all taxpayers by July 2025[1]. Taxpayers are able to opt for voluntary participation earlier, underpinning the government’s commitment to fostering a conducive environment for digital transformation.

E-Invoice Transmission Mechanisms

Two robust mechanisms for transmitting e-invoices to IRBM were explained: the MyInvois portal and Application Programming Interface (API). The MyInvois Portal, hosted by the IRBM, serves as a user-friendly platform enabling taxpayers to generate, submit, view, cancel, or reject e-invoices. Conversely, API facilitates direct submission of e-invoices to the IRBM, albeit necessitating technology investments and adjustments.

E-Invoice Workflow

The intricate e-invoice workflow compresses the journey from sales to e-invoice issuance by suppliers and subsequent storage in the IRBM's database[2]. Notably, two submission options are available to taxpayers: the MyInvois Portal or API[3]. Validated e-invoices trigger notifications to both suppliers and buyers, accompanied by provisions for cancellation or rejection within a 72-hour window.

Data Protection and Security

Since data protection and security are paramount, the IRBM underscores its commitment to fortifying network security and monitoring data security and privacy to safeguard e-invoice data. A suite of measures including continuous monitoring, auditing, and policy enhancements have been instituted to address data protection imperatives.

Transition Journey and Recommendations

Navigating the e-invoicing landscape calls for a strategic approach encompassing three pivotal stages: planning, implementation, and operations. Taxpayers are enjoined to conduct comprehensive assessments of turnover thresholds, integrate guidelines (e-Invoice guideline & e-Invoice specific guideline), engage stakeholders, and allocate resources judiciously. The onus rests on continuous monitoring, updating, and maintenance of e-invoice systems to ensure compliance and seamless operations.

Key Questions and Answers

The webinar provided a platform for addressing pertinent queries, spanning sales cutoff issues, implementation challenges, organisational leadership, support from tax authorities, and data security assurances. Here are the key questions and answers:

Q: What are the key considerations regarding sales cutoff issues related to e-invoicing?

A: The validation process for e-invoices is in real-time, and sales should be recognised based on the validation date by the IRBM, not necessarily the issuance date.

Q: Is it permissible to deliver goods to local customers before invoices are validated, and how should sales be recognised?

A: Delivery of goods follows the usual business process, regardless of e-invoice validation. Sales recognition should be aligned with the accounting standards or the validated date.

Q: Who should take the lead in e-invoicing implementation within an organisation?

A: The ownership of e-invoicing implementation may vary depending on the organisation, but finance, tax, or compliance departments are likely candidates. Tax functions in organisations play a significant role due to reconciliation requirements.

Q: What are the key considerations for organisations in evaluating e-invoicing options?

A: Some key considerations include security, cost, speed of transmission, and integration with existing systems. Organisations should prioritise security measures while also assessing the financial implications and transmission efficiency of each option.

Q: Will there be charges for using the MyInvois portal for e-invoicing?

A: No, there are no charges imposed by the IRB for using the MyInvois portal. Taxpayers have the options to choose between the MyInvois portal and API based on their business requirements.

Q: How will data security and privacy be ensured in e-invoicing transactions?

A: The MyInvois system ensures data security by complying with Information & Communication Technology security policies and implementing industry-standard cybersecurity measures such as encryption, authentication, access control, and firewalls to protect against unauthorised access or modification.

Q: Will e-invoicing simplify tax compliance reporting in the future?

A: Yes, e-invoicing implementation aims to simplify tax compliance reporting by enhancing the efficiency of tax administration, reducing lead times for tax audit processes, and facilitating seamless integration for tax return filing.

Conclusion and Further Resources

In conclusion, the webinar offered valuable insights on Malaysia's e-invoicing trajectory, enlightening stakeholders on the benefits, implementation roadmap, transmission mechanisms, data protection imperatives, transition necessities, and available resources. Taxpayers are encouraged to stay abreast with updates via the e-invoice microsite and to leverage available channels for clarification.

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[1] *https://www.hasil.gov.my/en/e-invoice/e-invoice-implementation-timeline/*

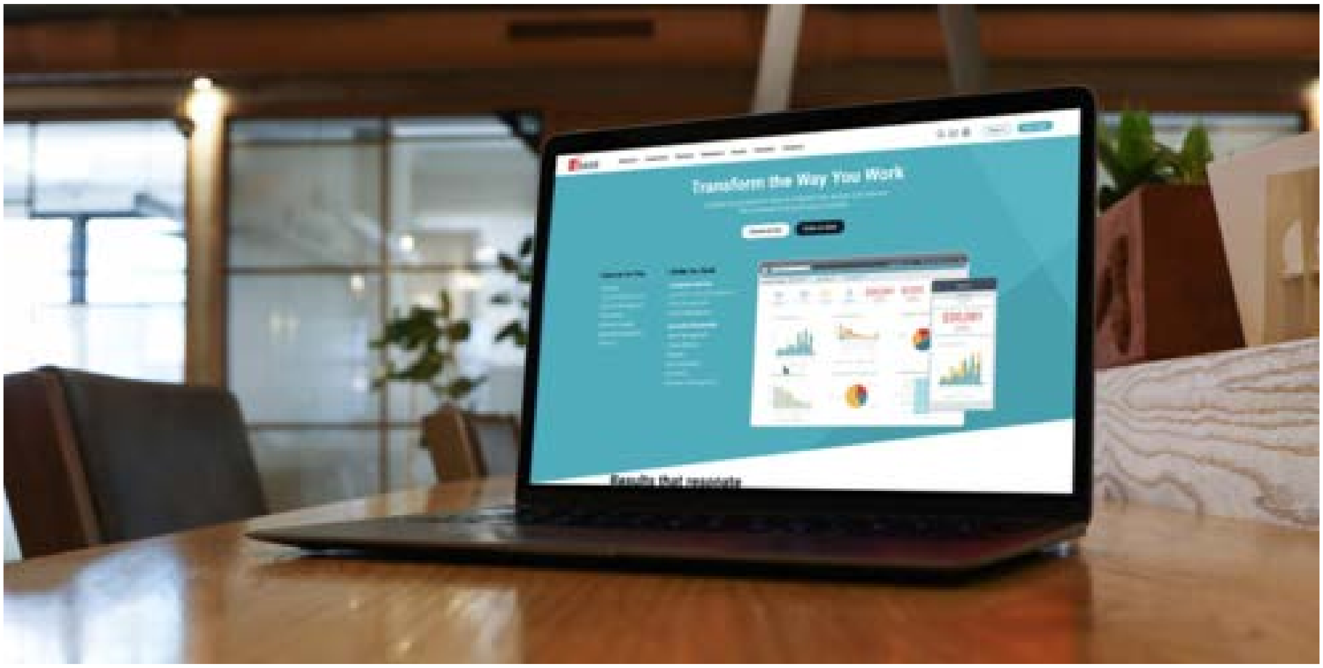
[2] *https://sdk.myinvois.hasil.gov.my/start/#system-overview*

[3] *https://sdk.myinvois.hasil.gov.my/start/#integration-approach*

What’s next after e-invoicing Mandate in Malaysia?

at-mia.my/2024/08/27/whats-next-after-e-invoicing-mandate-in-malaysia

August 27, 2024



As the Malaysian government’s e-invoicing mandate takes effect, finance leaders are faced with the challenge of not only adapting to the new digital invoicing landscape, but also optimising the entire invoice-to-cash cycle. Esker, a leader in end-to-end order-to-cash automation, is poised to guide businesses through this transformation, offering a comprehensive suite of solutions that extend beyond just e-invoicing.

Beyond e-invoicing: The Importance of the Invoice-to-Cash Cycle

While the e-invoicing mandate focuses on the invoicing process, finance leaders must recognise that the true value lies in optimising the entire invoice-to-cash cycle. This holistic approach ensures that businesses not only comply with the new regulations, but also improve cash flow, enhance customer relationships, and drive overall financial efficiency.

The invoice-to-cash cycle encompasses a range of critical activities, including:

- Invoice creation and delivery
- Payment processing and collections
- Cash application and reconciliation
- Reporting and analytics

Neglecting any of these steps can lead to delayed payments, increased Days Sales Outstanding (DSO), and a host of other challenges that can undermine a business's financial health.

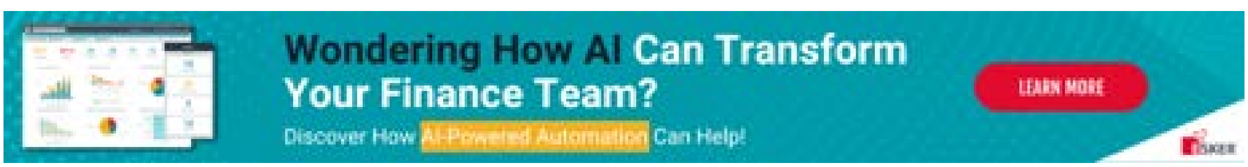
Esker's Comprehensive Invoice-to-Cash Solutions

Esker understands the multifaceted nature of the invoice-to-cash cycle and has developed a suite of solutions to address each crucial step. By partnering with Esker, finance leaders in Malaysia can unlock the full potential of the mandate and streamline their entire order-to-cash process.

Collection Management

Ineffective credit and collections strategies, siloed and manual collection processes, strained customer relationships, and lack of automation and predictive insights are the key challenges in collection management. Poorly defined credit policies, inconsistent follow-ups, and limited visibility over the collections workflow can lead to delayed payments and increased write-offs. Aggressive collection tactics can damage customer trust, while the absence of predictive analytics hinders the ability to proactively identify and address potential payment risks.

Esker's accounts receivable automation solutions can help by streamlining the collections process, providing centralised visibility, and leveraging machine learning to prioritise and optimise collection efforts. This helps improve cash flow, strengthen customer relationships, and reduce the risk of write-offs.



Cash Application and Reconciliation

Complex reconciliation processes, incomplete or inaccurate payment information, visibility and reporting gaps, and regulatory compliance concerns pose significant challenges in cash application. Manually matching payments to open invoices, resolving unmatched payments, and lacking comprehensive reporting on outstanding receivables can impact cash flow and decision-making. Evolving regulatory requirements also necessitate accurate and compliant cash application processes to avoid potential penalties.

Esker's cash application capabilities automate the matching of payments to invoices, improve visibility, and ensure compliance, enabling finance teams to accelerate cash flow, enhance customer experience, and gain valuable insights for better decision-making.

Reporting and Analytics

Esker’s comprehensive reporting and analytics capabilities give finance leaders the insights they need to make data-driven decisions, identify areas for improvement, and drive continuous optimisation of the invoice-to-cash cycle.

Unlock the Full Potential of the Invoice-to-Cash process with Esker

As Malaysian businesses navigate the e-invoicing mandate, finance leaders have a unique opportunity to transform their operations and unlock new levels of efficiency and profitability. By partnering with Esker, companies can seamlessly transition to the new digital invoicing landscape while also optimising the entire invoice-to-cash cycle, from invoice creation to cash application and beyond.

To learn more about how Esker’s comprehensive Invoice-to-Cash solutions can help your business thrive in the e-invoicing era, do visit our website.