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Accountants Pivotal to Sustainability: Key Takeaways from MIA International Accountants Conference 2025

at-mia.my/2025/06/05/accountants-pivotal-to-sustainability-key-takeaway-from-mia-international-accountants-conference-2025

June 5, 2025

By Nazatul Izma and MIA Strategic Communications & Branding Team

As sustainability becomes integral to business strategy, accountants are playing a vital role in embedding environmental, social, and governance (ESG) principles into corporate decision-making and reporting, helping steer the transition to a greener, more inclusive and equitable economy.

Watch Video At: https://youtu.be/Bwd3CiESKAE

This was a central message at the MIA International Accountants Conference 2025, recently held at MITEC, which drew more than 3,800 delegates and featured 80 speakers across 16 dynamic sessions.

In his keynote address, YB Senator Datuk Seri Amir Hamzah Azizan, Minister of Finance II, emphasised that the profession's advocacy for sustainability aligns with national priorities such as the National Energy Transition Roadmap (NETR) and the New Industrial Master Plan 2030 (NIMP 2030), both aimed at accelerating green growth and industrial transformation.

"In executing these plans, we are counting on accountants to play a critical role in guiding companies to improve their sustainability practices, particularly in governance by ensuring high-quality, reliable disclosures are aligned with international standards," he said. "Such reliable and credible reporting is crucial for attracting low-carbon investments and enhancing the international competitiveness and green credentials of Malaysian products."

"Their contributions enhance transparency, support climate action, and help guide Malaysia toward a low-carbon, resilient economy," he added.

The 2025 Conference was especially significant as it achieved a milestone of 40 years, marking MIA's leadership in talent development and professional upskilling. Over four decades, the Conference has evolved into one of the largest regional gatherings of accountants as well as a premier platform for thought leadership, capacity building, and regional cooperation – supporting MIA's mandate as the regulator and developer of the accountancy profession. On behalf of MIA, YBhg Dato' Seri Dr Mohamad Zabidi Ahmad, President of MIA, extended his appreciation to all stakeholders for their contributions to the Conference's enduring success during his remarks at the Opening Ceremony.

Themed **"Collaborative Leadership for a Sustainable Future",** the Conference aligned with the United Nations Sustainable Development Goal 17 – Partnerships for the Goals. Held in conjunction with the ASEAN Summit 2025, the Conference underscored the importance of regional collaboration to drive growth and innovation in an increasingly interconnected world.

YB Senator Datuk Seri Amir Hamzah Azizan, Minister of Finance II

"Accountants are uniquely positioned to foster trust, transparency, and accountability across ASEAN, driving sustainable development, economic integration, and regional resilience," said YBhg Dato' Seri Dr Mohamad Zabidi. In line with the theme, he called on accountants to take the lead in building collaborative relationships across industries and borders. He also encouraged delegates to "demonstrate ethical leadership and sound governance to create a more inclusive and sustainable future."

Key Takeaways on the Profession's Future Relevance

The Conference shared several key insights deemed essential to the future relevance of the profession.

- To remain future-ready, accountants must continually strengthen their capabilities in ESG, sustainability, and digital transformation.
- The future demands more than technical expertise – leadership, adaptability, systems thinking, and integrative skills will be essential.
- Accountants must be equipped to deliver both financial and non-financial insights to navigate complex, fast-changing environments.
- The profession is evolving from a functional to a strategic advisory role, guiding organisations not only in finance and compliance but also in environmental and risk management strategies.
- Accountants will be instrumental in bridging sustainability goals with financial strategy – using the language of numbers to convert environmental ambitions into measurable outcomes and actionable plans.

Highlighting the importance of global collaboration, the Conference also featured a keynote by Mr Jean Bouquot, President of the International Federation of Accountants (IFAC), who underscored the value of collaborative leadership in securing the future of the profession.

Looking ahead, MIA remains committed to delivering essential upskilling programmes to ensure accountants are prepared for emerging challenges. The Institute expressed its heartfelt gratitude to all delegates, speakers, and partners who contributed to the success of this year's Conference.

Mr Jean Bouquot, President of the International Federation of Accountants (IFAC)

AI, AR and the Metaverse: Revolutionising Business Valuation

at-mia.my/2025/06/23/ai-ar-and-the-metaverse-revolutionising-business-valuation

June 23, 2025

By Ng Boon Hui, Kerk Su Ngee and Olin Chin

Valuation has always been central to making informed business, financial and transaction decisions, requiring a careful analysis of financial data, market conditions and industry trends.

For many years, business valuers relied on manual methods, including extraction of financial statements, manual calculation of volume-weighted average price (VWAP) and price multiples, to name a few. However, as technology advanced, data and analytics platforms such as Bloomberg and Capital IQ, transformed these processes, enhancing efficiency and precision.

Today, business valuation stands at the brink of yet another evolution with the emergence of Artificial Intelligence (AI), Augmented Reality (AR) and the metaverse. These technologies are no longer just concepts as they are beginning to reshape the way we perform valuation, offering new ways to analyse, visualise and model complex information.

While their application in valuation practices is still unfolding, the early signs of their transformative impact are becoming increasingly clear – particularly with their ability to continuously learn and improve over time.

AI: Transforming data into insights

Among these technologies, AI stands out as one of the most advanced, offering valuable support in enhancing the speed, precision and depth of valuation analysis. However, it is important to recognise that AI tools remain in development, with new use cases emerging as the technology improves.

AI's ability to process large volumes of data offers significant benefits to valuers, especially given the growing complexity of modern business operations. From financial statements and customer behaviour metrics to macroeconomic indicators and industry trends, AI can help identify patterns and relationships that may not be easily visible through manual analysis. This can assist valuers in recognising risks that might affect future performance, refining cash flow forecasts and simulating how businesses might respond under various market conditions.

Beyond data analytics, AI's machine learning capabilities also allow it to interpret qualitative information and translate it into quantitative insights. For example, if management believes an interest rate cut will create a more favourable business environment, AI is capable of analysing this qualitative input, estimating its impact on financial metrics and adjusting cash flow models accordingly.

AI also offers potential for monitoring ongoing market changes and updating financial forecasts in real time. This is especially valuable during time sensitive situations, such as mergers and acquisitions, where up-to-date valuations are crucial for negotiation and decision-making. In addition, AI can enhance scenario analysis by allowing valuers to explore multiple potential outcomes including impact to cash flow and profitability based on changing market conditions, regulatory shifts or competitive dynamics[1].

Interestingly, studies suggest that AI has the potential to forecast financial performance more accurately than human analysts in certain contexts. For example, research from the University of Chicago found that AI models achieved higher accuracy in predicting earnings changes compared to humans[2].

One promising aspect of AI is its ability to learn and adapt over time. As machine learning models process more data, they gradually refine their predictions and improve trend identification. This evolution could help valuations become more responsive, offering timely insights as new information emerges.

Embracing AI's potential with caution

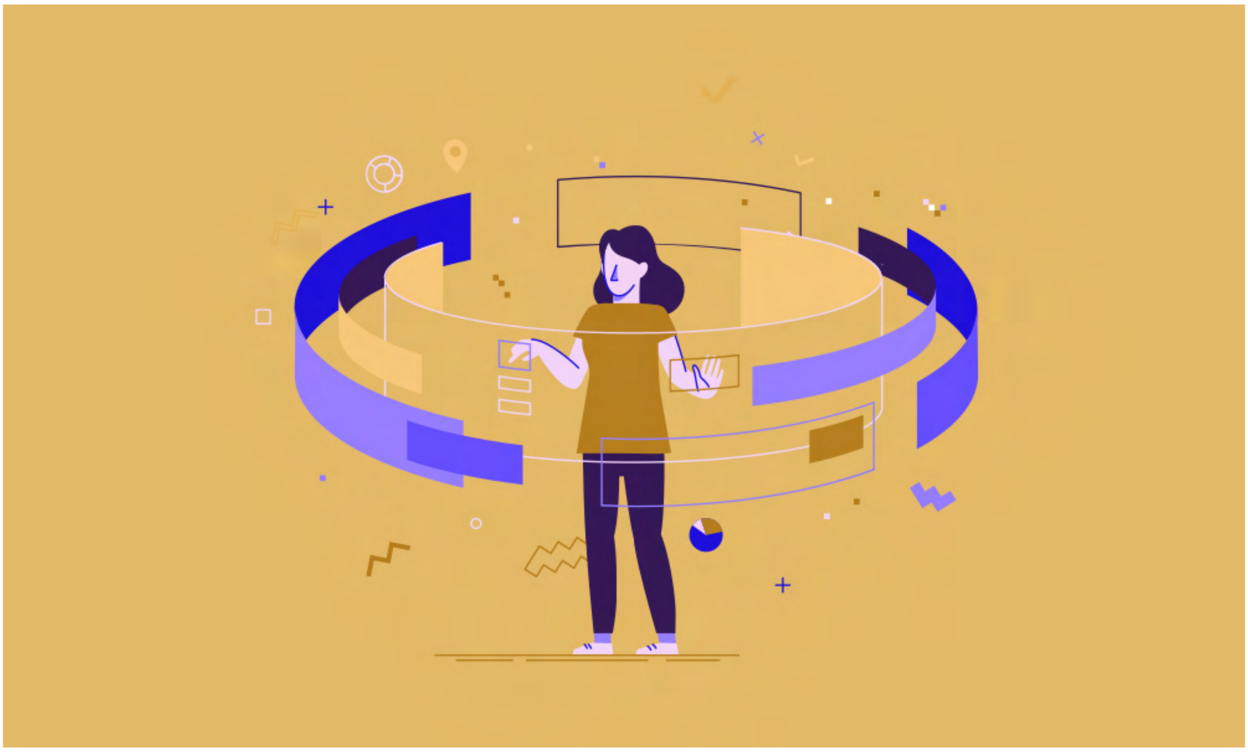
Although AI's potential in business valuation is still unfolding, early applications suggest it can enhance efficiency, precision and insight when used appropriately. Business valuers who integrate AI thoughtfully into their practices – while maintaining their professional judgment – will be well-positioned to navigate the evolving landscape.

Ultimately, AI should not be viewed as a standalone solution but as a tool that complements and enhances human expertise. With ongoing advancements in machine learning and automation, AI holds the promise of making valuations more adaptive and forward-looking. However, its effectiveness will depend on how well valuers strike the balance between technological innovation and human insight in the years to come.

AR: Enhancing real-time insights in business valuation

While AI can help to analyse vast datasets and generate projections, AR is emerging as a transformative tool for how valuers engage with real-time information. AR enhances the real world by overlaying valuable insights directly into the user's field of vision through devices like smart glasses, offering a seamless blend of real-time data access and in-the-moment validation[3]. This capability can create a practical and interactive edge in the valuation process.

Imagine a valuer wearing AR-equipped spectacles during a client meeting, where key financial metrics, industry benchmarks, or relevant data points appear unobtrusively in real time. For example, as management discusses the potential impact of a new product line, AR could display projected revenue growth scenarios or supply chain considerations, allowing the valuer to validate assumptions and ask more targeted questions. This ability to integrate and interact with live data enriches the valuation process by ensuring accuracy and fostering deeper engagement.



AR also holds potential for improving collaboration. In a live meeting with stakeholders, AR devices could project 3D models of financial scenarios onto a shared workspace, enabling all participants to interact with the data simultaneously. Adjusting assumptions, exploring alternative strategies, or highlighting key areas of focus becomes a dynamic and collaborative experience, bridging the gap between data analysis and decision-making.

As AR technology becomes more sophisticated and accessible, it has the potential to revolutionise business valuation. By adopting AR early, valuers can stay ahead of industry trends, leveraging its unique strengths to complement existing methodologies and provide clients with a more interactive, informed and impactful valuation experience.

Metaverse: Expanding the boundaries of valuation

The metaverse, often described as the next frontier of the internet, is a digital space where users can interact, transact and conduct business in immersive virtual environments. As companies begin to explore opportunities within the metaverse, valuers are starting to grapple with how to assess digital assets and virtual businesses that operate in this new space.

In the metaverse, businesses can sell digital goods, offer virtual services or even create virtual experiences, generating revenue in ways that don't fit traditional business models[4]. The challenge for valuers is determining how to assess the value of these virtual entities. For instance, how do you value a company that operates entirely within a virtual world? What metrics should be used to assess the worth of virtual goods or services? These are the kinds of questions that valuers are beginning to explore as the metaverse grows.

One exciting area of potential is the creation of virtual business models within the metaverse. Companies may establish virtual storefronts, provide digital services or offer unique experiences within these digital environments, and each of these ventures may require a new set of valuation methodologies. While the market for virtual assets is still maturing, early experiments show promise. Digital goods, virtual land and Non-Fungible Tokens (NFTs) are already being bought and sold, creating an entirely new economy that valuers will need to navigate.

Another potential is for metaverse transactions to serve as benchmarks for valuations in the real world, particularly for Intellectual Property (IP) assets such as brands. Since transactions in the metaverse often do not involve the physical transfer of assets, they can provide a higher volume of transactional data for valuers to analyze. For example, the licensing or sale of virtual brand extensions in the metaverse could offer insights into how a brand is perceived, its global reach, and its monetisation potential – all of which could influence real-world valuations of the same IP assets. This increased access to transaction benchmarks could enhance the precision and relevance of valuation methodologies.

While the metaverse is far from being fully realised, its emergence signals a shift in how businesses may operate and how value is created. Valuers will need to stay ahead of these developments, understanding both the opportunities and the challenges posed by this new digital landscape.

Challenges and ethical considerations: Preparing for a new era

With the exciting potential of AI, AR and the metaverse come challenges and ethical considerations. AI, for example, must be designed and implemented carefully to avoid bias and ensure that it accurately reflects the realities of the businesses it evaluates.

AR, while interactive and engaging, must ensure that the data it overlays remains reliable and unbiased, preventing any misinterpretation or over-reliance on visualisations. The metaverse, as a rapidly developing digital economy, brings with it questions of ownership, intellectual property and the valuation of intangible assets.

As these technologies become more prominent in business valuation, it is essential that we address these challenges head on. Ethical frameworks, new standards and industry regulations will need to evolve in parallel to ensure that these technologies are used responsibly and effectively.

We are just beginning to unlock the potential of these tools, and as they continue to evolve, they will undoubtedly shape the future of business valuation in profound ways. The journey is only beginning, but the road ahead is filled with opportunities for those willing to explore it.

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[1] *"AI Can Power Scenario Planning for Real-Time Strategic Insights," The Wall Street Journal, 8 June 2021*
[2] *Simon Moore, "Researchers Find AI Model Outperforms Human Stock Forecasters," Forbes, 28 May 2024*
[3] *Tom Metcalfe, "4 surprising ways augmented reality will revolutionize your life," NBC*

News, 19 December 2017
[4] Andrew Lowe, Magnus Jones, "What will the metaverse mean for business models?", EY Norway, 12 January 2024

Note: The views reflected in this article are the views of the authors and do not necessarily reflect the views of the global EY organisation or its member firms.

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Capital Market Conference 2025: Subsidised by CMDF for Great Value

at-mia.my/2025/06/14/capital-market-conference-2025-subsidised-by-cmdf-for-great-value

June 14, 2025

As global growth slows and costs rise, it makes sense to hunt for value.

Cognisant that members want to optimise their professional development budgets, the Malaysian Institute of Accountants (MIA) is organising the Capital Market Conference 2025 on **Thursday, 26 June 2025, held at EQ, Kuala Lumpur**, at a subsidised rate for eligible professionals, thanks to the support of the Capital Market Development Fund (CMDF).

The CMDF's funding enables MIA to offer selected capital market programmes at subsidised rates to eligible accountancy professionals. CDMF aims to promote an efficient, innovative, and globally competitive capital market.

Who's eligible for CMDF subsidised programmes?

- Employees of public-listed companies which are not among the Top 100 companies by market capitalisation
- Employees of Audit firms registered with the Audit Oversight Board (AOB) with not more than 12 audit partners

About the Conference

The Capital Market Conference 2025 will examine the perfect storm of factors reshaping the global capital market landscape, with local implications. Whether it's the trade war and sustainability considerations disrupting global supply chains or AI and crypto upending business models, capital market participants must remain agile and informed to stay on top of the turmoil.

Specially designed for accountancy and finance professionals, the Capital Market Conference 2025 with the theme of ***"Navigating Change, Building Resilience"*** will offer deep insights from diverse stakeholders and leading experts. Hear from regulators, captains of public-listed companies and SMEs, top institutional investors, financiers, economists, and technology leaders as they discuss:

- ESG and sustainability leadership in public-listed companies
- IPO readiness and growth strategies for SMEs
- Co-investment opportunities through the Capital Market Sustainability Investment Fund (CoSIF)
- AI and blockchain in capital market operations
- The implications of global trade shifts and the evolving regulatory landscape

- Strategies for managing global trade tensions, tariff adjustments, and economic disruptions

Panels will feature prominent thought leaders and industry experts, including:

- Dato' Fad'l Mohamed, Chief Executive Officer, Bursa Malaysia Berhad
- Dr Nurmazilah Dato' Mahzan, Member of the IFRS Foundation Integrated Reporting and Connectivity Council (IRCC)
- Dato' Amiruddin Abdul Satar, Board Member, Wahed Malaysia and Jentayu Sustainables Berhad
- Jenifer Thien, Council Member, Climate Governance Malaysia Berhad
- Andrew Chan Yik Hong, and
- Firdaos Rosli, Chief Economist, AmBank Group

Don't miss out. Take advantage of CMDF support to upskill yourself, strengthen your market expertise, and support Malaysia's aspiration to become a resilient, future-ready capital market hub. Prepare to chart your way forward in this turbulent world.

Click here to view and download the latest conference flyer. To maximise benefits and spread knowledge, do share this event with your team and business associates.

For more information on CMDF-subsidised programmes, download the brochure here: https://download.mia.org.my/pdd/CMDF/Subsidiseprogrammes.pdf

DTAA Winners in Action – Advisirs Plus Sdn Bhd

at **at-mia.my**/2025/06/24/dtaa-winners-in-action-advisirs-plus-sdn-bhd

June 24, 2025

By MIA Sustainability, Digital Economy and Reporting Team

The DTAA Winners in Action series is back to celebrate the remarkable achievement of organisations that have embraced digital transformation in the accounting field. Introduced in March 2023, the Digital Technology Adoption Awards (DTAA) are aligned with MIA's continued efforts to advance digitalisation within Malaysia's accountancy profession across three sectors: public practice, commerce and industry, and the public sector.

The DTAA is driven by three key objectives: a) promoting technology adoption through the sharing of success stories; b) highlighting the role of accountants in fostering business and economic growth via digital technologies; and c) acknowledging outstanding digital adoption efforts that inspire others to follow suit. These objectives aim to not only celebrate excellence but also to foster ongoing innovation, ensuring that the accountancy profession evolves in tandem with the rapid advancements in digital technology.

In this final edition, the spotlight is on **Advisirs Plus Sdn Bhd**, the recipient of the prestigious 'Top Excellence Award' in the Public Practice category for firms with 10 to 49 employees, recognised for their exceptional practice management processes. Join us as we take an in-depth look through an insightful interview with Hong Lim, Founder & CEO, uncovering the strategies that fueled their success and the crucial factors that earned them this well-deserved recognition.

Why did you adopt technology?

When we started Advisirs Plus, we faced the same challenges that many traditional accounting firms encounter. Everything was manual, and far too many hours were spent on basic data entry. It wasn’t just inefficient; it was holding us back from helping our clients grow their businesses.

The biggest challenges we faced were:

- **Our team was drowning in paperwork.** Traditional accounting and tax processes meant endless manual data entry, which was not only slow but also led to mistakes that took even more time to fix.
- **We couldn’t grow properly.** With everything being so labour-intensive, taking on more clients meant we had to hire more people. The math just didn’t add up for scaling up. Essentially, the business couldn’t grow effectively because the labour-intensive work required more staff, making expansion financially and operationally unfeasible.
- **Keeping up with tax rules and regulations was a nightmare.** Malaysia’s regulations were constantly evolving, especially with e-Invoicing coming in. Our clients relied on us for guidance, but staying on top of the changes manually was impossible.
- **Our clients wanted more than just basic accounting.** They needed real-time insights to run their businesses more effectively, not reports from three months ago.
- The hardest part? Getting everyone to embrace change. Many of our experienced professionals were comfortable with their tried-and-tested methods. Convincing them to adopt new technology wasn’t easy.

What technologies have you adopted?

We knew we needed a complete overhaul, not just a few digital band-aids. Here’s what we implemented:

- We went paperless by using digital signatures and e-Forms. This was a game-changer for corporate compliance, especially for Estimated Tax Payable Form (Form CP204) submissions and tax filings. No more chasing clients for signatures or losing important documents.
- We moved everything to cloud, using platforms such as Bukku, Xero, and AutoCount Cloud for real-time accounting and tax work. Additionally, iBiZZtax has been crucial for ensuring smooth tax compliance.

- We built our own digital platform (advisirsplus.com) where:
    - Business owners can handle their SSM and Sdn Bhd registrations online anytime
    - Everything from accounting to business advice is available in one place
    - Clients can access their documents, chat with our team, and even learn through our e-learning modules
- We will be launching eInvoisPlus.com.my with a simple mission: "Making e-Invoicing easy for everyone." This platform will serve as a complete resource centre featuring:
    - The latest e-Invoice updates and educational content
    - Practical guides and video tutorials
    - AI-powered e-Invoice chatbot for instant help
    - Comparison tools for different e-Invoice solutions
    - Recommendations for software providers based on business needs

We are also developing an AI chatbot to handle basic tax queries and calculations. However, we're taking our time to get it right, as it needs to be genuinely helpful, not just a flashy feature.

How was your digital technology implementation journey?

Our journey happened in stages – we couldn't change everything overnight. Here's how we did it:

First, we focused on the basics – moving from paper to digital. This meant:
- Getting everyone comfortable with cloud accounting software
- Training our team on digital signatures
- Setting up an online knowledge base for our clients

Then we started automating processes:
- Built our digital platform to handle registrations automatically
- Conducted intensive training sessions – we've trained over 3,000 business owners on digital transformation
- Secured funding of RM500,000 through equity crowdfunding to keep pushing forward

Now we're working on smarter solutions:
- Developing AI tools that make sense for tax and accounting work
- Building better ways to help businesses understand and implement e-Invoicing
- Working toward attaining Malaysia Digital Status to solidify our position in the industry

What is the impact of your technology adoption?

The numbers tell the story.

We’ve become the fastest-growing digital accounting firm in the northern region, and that’s not just marketing talk – we’ve brought in over 300 clients who specifically chose us for our digital approach.

The efficiency gains have been significant. We’re handling work about 15% faster than before, and that’s being conservative. But the real win is in client satisfaction – 90% of our clients actively recommend us to others. They appreciate receiving faster service and having full visibility into what’s happening with their accounts.

Our team is happier too. About 80% said that they enjoy their work more now that they’re not doing manual data entry all day. Plus, they can work more flexibly, which makes a big difference.

We’ve garnered notable recognition along the way – being featured in The Star, Bernama, and Nanyang newspaper, plus the Lang International Corporate Titans Award for being an excellent digital accounting firm. But what really matters is that we are helping to train the next generation of accountants who understand both numbers and technology.

What is your future digital technology plan?

We’re focusing on several areas:

- Making our tax chatbot smarter by handling more complex questions while ensuring the answers are practical and accurate
- Expanding our e-Invoice support to assist businesses of all sizes with this transition
- Pushing automation further in accounting and payroll
- Using data analytics to give our clients better business insights
- Looking into blockchain for secured financial records

Do you have any tips to share with the readers?

Based on our experience:

- Start with the right mindset. Digital transformation isn't about buying fancy software – it's about rethinking how you serve your clients.
- Choose tools that work together. We wasted time early on with systems that couldn't communicate / work with each other.
- Invest heavily in training. The best technology is useless if your team isn't comfortable using it.
- Take data security seriously from day one.
- Connect with others in the industry. We've built a community of over 22,000 followers on Facebook, where we share knowledge about digitalisation.

Why did you participate in the DTAA?

We participated in the DTAA to share our story and hopefully inspire others. Building a digital accounting firm hasn't been easy, but it's been worth it.

The biggest lesson? Digital transformation is more about people than technology. Getting everyone – team, clients, partners – on board is vital.

What is your advice to aspiring participants of the DTAA in future?

Be honest about your challenges. Share what worked AND what didn't. Use the DTAA to build relationships and learn from others. Most importantly, remember that this isn't just about winning an award – it's about pushing our whole industry forward.

For more information about the DTAA and the complete list of winners, click the links below:

- *Official media release*
- *Article on the DTAA*

Watch Video At: https://youtu.be/KT1rhVEZjEs

DTAA Winners in Action – Institut Jantung Negara Sdn Bhd

at-mia.my/2025/05/20/dtaa-winners-in-action-institut-jantung-negara-sdn-bhd

May 20, 2025

By MIA Sustainability, Digital Economy and Reporting Team

In recognising digital technology adoption efforts and promote digital technology adoption by the accountancy profession, the Malaysian Institute of Accountants (MIA) organised the inaugural Digital Technology Adoption Awards (DTAA). Fourteen outstanding winners were celebrated at the prestigious DTAA Presentation Dinner on 15 May 2024, following an intense and rigorous adjudication process that highlighted their exceptional achievements in digital technology adoption.

In this series of the **DTAA Winners in Action**, we take a closer look at **Institut Jantung Negara Sdn Bhd** and their journey to becoming the recipient of our 'Top Excellence Award' for the Accounts Payable process in the non-listed entities of the Commerce & Industry category. Join us as we uncover the technology adoption that has distinguished them from others, paving the way for their exceptional success in digital transformation and setting a new standard of excellence.

Why did you adopt technology?

The decision to adopt technology was primarily driven by a range of significant challenges that the organisation was facing at the time which include the following:

- Delayed payment to suppliers and recognition of expenses become daily and monthly issues for accounts payables processing and financial reporting.
- Delayed receipt of suppliers' invoices and loss of documents due to transfer and exchange of paper documents between functional departments and vendors became apparent with voluminous transactions.
- Staff morale and the work environment were stained with arguments due to mismatched understanding of role and responsibilities.

What technologies have you adopted?

Digital technologies used in addressing the pain points above combined Robotic Process Automation (RPA) with the current financial system and Microsoft applications. The key technologies adopted were Systems, Applications and Products Intelligent Robotic Process Automation (SAP iRPA), which seamlessly integrates with SAP Business Suite 4 for High-Performance ANAlytic Appliance (SAP S/4HANA) and Microsoft Office applications.

SAP iRPA leverages Artificial Intelligence (AI) and Machine Learning (ML) to automate data extraction from Portable Document Format (PDF) invoices. This process was enhanced with the following capabilities:

Optical Character Recognition (OCR)	AI-Based Data Extraction	Pre-trained Invoice Models
Extracts text from scanned invoices, receipts, and PDFs, converting them into machine-readable data.	Utilises ML models to intelligently recognise and extract key invoice fields, such as invoice numbers, amounts, and supplier details.	SAP provides pre-trained ML models that enhance extraction accuracy and efficiency, reducing the need for manual data entry.

How was your digital technology implementation journey?

Our focus was primarily on specific areas that significantly contributed to the pain points in the accounts payable process, as well as areas that could potentially yield high impact opportunities for improvement (OFI) across other business processes. Identifying key stakeholders, securing their buy-in, and streamlining both the "As-Is" and "To-Be" processes were integral to the successful adoption of digital technology.

Confidence in the solution's ability to improve efficiency was crucial for gaining support from all stakeholders and managing changes smoothly in the affected areas. Securing management support and approval for investment was essential, especially since the technology being adopted is largely invisible. Justifying the involvement of external parties, such as vendors, was also important. Clear agreements had to be reached with vendors, especially when it comes to process changes like digital invoicing, to ensure the project's requirements were met.

Assembling the right project team was also vital to the success of the digital transformation. Staff willingness and commitment to embracing new ways of working, with a clear focus on continuous process improvement, were key drivers of success. Selecting the right vendor and project team was equally important for both the implementation and the long-term sustainability of the digital technology adoption. Aligning the team and the vendor on the project’s objectives and long-term goals was essential to ensure the continued success and sustainability of digital transformation.

Lastly, project timelines and charters were agreed upon upfront to meet the required milestones. Any issues that arose during the project, depending on their impact and urgency, were addressed and resolved with the involvement of a Steering Committee. This approach ensured proper governance, especially when dealing with scope changes or additional investments.

What is the impact of your technology adoption?

- Efficient and effective consignment invoices and payment processing has resulted in timely recognition of consignment cost at any reporting period. There were no further internal control issues on accounts payables being highlighted by the external auditor since the adoption of the project in the year 2020.
- Cost savings in human capital were realised by maintaining the same number of Full-Time Equivalents (FTEs) despite an increase in transactions. In the fourth year of adoption, this resulted in a saving of six FTEs (i.e., an estimated RM154,000 per year).
- Cost savings in terms of paper usage and printing cost, estimated at RM30k per year.
- Increased staff morale following the completion of the project, fostering a culture of continuous process improvement and boosting confidence among staff initiating new technology adoption projects.
- Improved staff working environment in the department and cross departments resulting from the re-aligned and defined processes. With the process of automation, combined with laptops (previously, staff is only equipped with desktop), staff was enabled to work remotely whenever needed.

What is your future digital technology plan?

We have embarked on the following adoption of digital technology to enhance our processes:

The RPA project has been extended to cover other types of accounts payable processes, such as pharmaceutical purchases. It has also improved payment processes by integrating RPA into the payment system and connecting it with Maybank portal for Host-to-Host payment approval. Additionally, Internet of Things (IoT) technology has been incorporated into the payment system, allowing payment verification and approval to be completed directly from any device.

The costing and pricing management process has been digitalised by automating pricing proposals processes, using IoT for approvals and Application Programming Interface (API) with another hospital system.

With the implementation of e-invoicing, our source systems and financial system have been integrated with middleware, enabling submission to the MyInvois portal.

Do you have any tips to share with the readers?

Build the right team for digital transformation

To successfully lead a digital transformation, an organisation needs a team with the right skills and competencies.

Digital transformation: More than just technology

Digital transformation is not limited to the adoption of technology; it requires a cultural shift within the organisation. This shift should focus on delivering value to customers and stakeholders while fostering a mindset of continuous improvement.

Align technology adoption with strategic blueprint

The adoption of digital technologies should align with the organisation's Strategic Blueprint. This ensures that technological investments are in line with the company's overall goals and objectives.

Conduct an Information Technology (IT) inventory audit

Before starting any major IT adoption project, it is important to conduct an IT inventory audit. This audit will assess the current capabilities of the organisation's systems and help identify any gaps or areas that need improvement before moving forward with technological adoption.

Take a holistic view of business processes

A holistic approach should be taken when assessing the business processes that will be affected by the technological change. This ensures that all impacted areas are considered and that the transition is as smooth and efficient as possible.

Ensure success through management support and change management

Management support and effective change management are crucial to the success of any digital transformation project. Selecting the right team for implementation, ensuring clear communication, and engaging key stakeholders will ensure that the project progresses smoothly and delivers the intended results.

Learn from past experiences

Reflecting on past experiences can offer valuable lessons. For instance, in adopting RPA, a more integrated approach to processes such as accounts payable could have led to more significant improvements and cost savings. Leveraging existing knowledge from the Management Information System (MIS) and Finance teams can further enhance future projects.

Measure success beyond ROI

While Return on Investment (ROI) is a common metric for evaluating technology adoption, it’s not the sole indicator. The impact of digital technologies is often indirect and qualitative, with a focus on improving user experience, customer satisfaction, and ensuring roles and responsibilities are effectively fulfilled across the organisation.

Why did you participate in the DTAA?

We participated in this initiative to share our journey and experiences in adopting digital technology within the specific area of Accounts and Finance. Our aim was also to provide exposure to the IJN team, showing them that they are not alone in embracing digital technology in their work processes. Additionally, we hoped to learn from others by understanding their challenges, experiences, and the areas they have focused on in their technology adoption initiatives. The DTAA has taught us to consider every aspect of an IT investment, from the project's initiation to its long-term sustainability. Ultimately, it confirms that technology adoption has a meaningful impact, not only to the organisation but also to the country as a whole.

What is your advice to aspiring participants of the DTAA in the future?

We advise future participants to start small with the digital technology adoption and persevere in seeking out for more projects. Digital technology adoption is part and parcel of continuous process improvement, and its sustainability should be given significant consideration.

For more information about the DTAA and the complete list of winners, click the links below:

- *Official media release*
- *Article on the DTAA*

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DTAA Winners in Action – PricewaterhouseCoopers Taxation Services Sdn Bhd

at-mia.my/2025/06/03/dtaa-winners-in-action-pricewaterhousecoopers-taxation-services-sdn-bhd

June 3, 2025

By MIA Sustainability, Digital Economy and Reporting Team

The Malaysian Institute of Accountants (MIA) hosted the inaugural Digital Technology Adoption Awards (DTAA) Presentation Dinner to celebrate and encourage excellence in digital transformation within the accountancy profession. During the awards presentation dinner held at MITEC Kuala Lumpur in May 2024, fourteen outstanding winners were announced.

Launched in 2023, the DTAA is part of MIA's ongoing efforts to advance digitalisation, in alignment with the MIA Digital Technology Blueprint introduced in 2018. The DTAA is driven by three key objectives:

- Promote the adoption of technology by showcasing success stories from across the accountancy profession.
- Raise awareness of how accountants can drive business and economic growth through digital technology.
- Recognise achievements in digital adoption, inspiring others to follow suit.

In this series of the DTAA Winners in Action, hear from our Top Excellence Award recipient for tax processes: **PricewaterhouseCoopers Taxation Services Sdn Bhd (PwC)**. Read the exclusive interview with Richard Baker, PwC's Tax Director, and discover how the firm harnessed the power of digital transformation to enhance their tax practices and achieve outstanding success in the DTAA. Learn about their innovative strategies and get an inside look at how PwC is setting new benchmarks in the world of tax practices.

What was the inspiration behind adopting technology in your work?

Our work involved a large amount of data entry and subsequent analysis. This data entry could involve up to 1,000 pages of a document per project, which then had to be entered into Excel and analysed manually. Due to the magnitude of this task, each project took several weeks to complete. With data and analysis being performed by different members of the team, there were also slight inconsistencies in the data entry, analysis and inevitably some mistakes due to human error.

What technologies have you adopted?

The Capital Allowances Automation Solution (CAAS) is a solution developed in-house by PwC Malaysia, used internally for the analysis of fixed assets for the purpose of capital allowances. The solution was created to bring greater efficiency in data entry, categorisation, and analysis of expenditure. It addresses the key challenge of inconsistencies in the treatment of similar expenditure, which depends on individual reviewers due to the absence of specific definitions or a prescribed list of what is deemed qualifying expenditure. The solution can minimise these inconsistencies by applying logic and machine learning to decide whether an item is a qualifying expenditure or not.

The solution has three main components:

Optical Character Recognition (OCR) - digitising data from scanned documents (e.g., invoice, purchase order, etc.) into a data file.	**Robotic Process Automation (RPA)** - automating the process of uploading files from the previous step into the machine learning component.	**Machine learning categorisation** - using rule-based logic and machine learning to categorise similar descriptions of expenditure.

How was your digital technology implementation journey?

Planning

The team mapped out the current status and process flow, highlighting areas where significant time was spent, as well as areas of inconvenience and issues. From there, we were able to identify which parts of the process could be automated.

Assessment

Once we understood the problem statement and areas for improvement, we identified the various coding options available and which language or platform the solution should be developed in. An assessment was required to ensure that the chosen platform could support all three components of the solution.

User Acceptance Testing (UAT)

Once the solution had been programmed and created by the team, we undertook an extensive UAT process to clear any issues or problems prior to rollout and adoption.

Implementation

After all the relevant sign-offs from the UAT, we undertook the implementation phase which includes rolling out the solution, training the team on how to use it, as well as developing a manual to be used for reference.

What is the impact of your technology adoption?

The use of the solution has allowed us to take on more work with a similar headcount as it automates some parts of the work process such as data entry which requires human effort. Human errors in data entry or mistyping of numerical information have been prevented through the adoption of this solution. It has also enabled us to spend more time and focus on analysis, technical justification and case law interpretation. Additionally, it has freed up our clients' time by eliminating the need to 'prepare' the data or documents as our solution can accept documents in any format (including handwritten or scanned).

The adoption of the solution has resulted in reduced costs for delivering the work and in turn, significantly increased our margins for each project. As an estimate, for each project, we are able to save on average 50 – 75 hours, allowing this time to be spent on more value-adding work, such as detailed analysis of the scenario, case law and legislation by our technical subject matter experts.

In addition to the above, the solution has improved staff morale immensely. The team is no longer required to undertake the mundane and tedious task of data entry. They are now able to engage in more intellectually stimulating tasks by reviewing expenditures and applying logic, using their technical understanding of why items are qualifying, providing justification and reasoned arguments.

What are some of your efforts in implementing technology?

We have already implemented numerous other digital transformation and automation projects subsequent to this. As an example, we have automated the extraction of data from financial statements as well as several internal processes such as timesheet entry, expenses claims and verification.

Do you have any tips to share with the readers?

A key lesson learned during this adoption journey is the importance of identifying the issues and areas for improvement from the outset. As we progressed with the project and gained a deeper understanding of technological advancements, we discovered areas where technology could offer solutions—ones we initially thought were impossible and hadn't considered. This experience taught us the value of listing all the 'nice-to-have' features, rather than dismissing them outright due to a lack of understanding of their technical feasibility.

The UAT is also critical where a significant amount of time should be dedicated to it and not rushed. During the UAT, we were able to identify numerous errors and issues as it was carried out by staff with different levels of experience and knowledge. Some of the key errors and bugs were identified by the most junior members of staff, who had fresh perspectives, allowing them to spot issues that might have been overlooked by more experienced colleagues. Identifying them at the UAT stage has enabled us to rectify the issues, which was significantly easier than amending a fully released version.

Why did you participate in the DTAA?

At PwC, we are committed to driving digital transformation. Our journey has been about evolving the way we work, upskilling our workforce, embracing new technologies and fostering a culture of continuous innovation. The DTAA aligns perfectly with our mission to build trust and deliver sustained outcomes through digital excellence. Participating in the DTAA has provided us with invaluable insights and an opportunity for self-reflection. It has allowed us to benchmark our progress against industry peers and continuously improve our practices.

What is your advice to aspiring participants of the DTAA in the future?

To aspiring participants of the DTAA, my advice is to start preparing early. Familiarise yourself thoroughly with the award criteria, gather measurable outcomes of your digital initiatives, and highlight the tangible impacts of your technology adoption. There are benefits to gaining industry recognition and networking with peers. Use this experience as a platform to showcase your achievements and inspire others.

For more information about the DTAA and the complete list of winners, click the links below:

- *Official media release*
- *Article on the DTAA*

Watch Video At: https://youtu.be/KT1rhVEZjEs

Inbound Investments: Emerging Tax Considerations

at-mia.my/2025/05/27/inbound-investments-emerging-tax-considerations

May 27, 2025

By Thenesh Kannaa

Until a few years ago, the tax structuring works for investors making inbound investments into Malaysia were mostly focused on the tax considerations in their home country. Malaysian tax implications were almost taken for granted given the absence of dividend withholding tax and Capital Gains Tax (CGT). The focus for most investors has conventionally been centred on obtaining tax incentives to manage the corporate tax exposure and indirect tax exposure (sales tax and Customs duties).

But a lot has changed in recent years with the introduction of CGT in 2024 and Earnings Stripping Rules (ESR) in 2019. The introduction of 2% dividend tax does not have an impact except in cases where the investment is made directly by an individual.

This article details tax considerations of various forms of inbound investment by foreign investors.

Equity Investment

There is no stamp duty when a company issue shares in consideration for funds from its shareholders. Careful investors start with the end goal in mind. If there are plans to divest the Malaysian company at some point, share sale would be subject to both stamp duty and, from 1 March 2024, CGT.

CGT applies, among others, on any gains arising from disposal of shares of a Malaysian company (other than those listed on the stock exchange) by a corporate shareholder (or trust body, limited liability partnerships or co-operative societies).

For such transactions, the general rate of CGT is 10% of the gain. As a transitionary measure, for disposals of shares acquired prior to 1 January 2024, the disposer is given a choice to pay CGT at either 10% of the gain or 2% of disposal value.

Foreign companies that dispose shares of a Malaysian company are in-scope for Malaysian CGT, but in some cases, treaty protection applies to restrict Malaysia from imposing CGT on such a transaction.

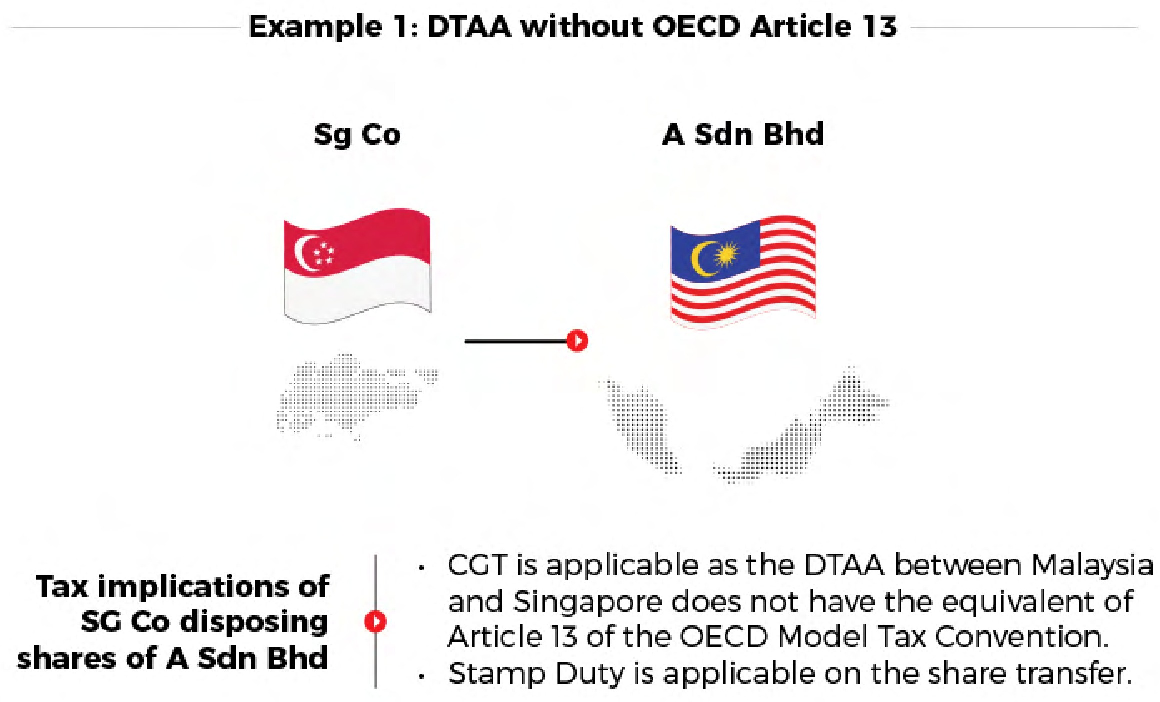
Tax treaty, more formally referred to as Double Tax Avoidance Agreement (DTAA), is an agreement entered into between two (2) jurisdictions to avoid or alleviate (minimise) territorial double taxation of the same income by both jurisdictions. Malaysia has entered into over 70 of such DTAAs. Each DTAA is unique, but the bilateral negotiation takes place based on certain ‘templates’ such as the OECD Model Tax Convention.

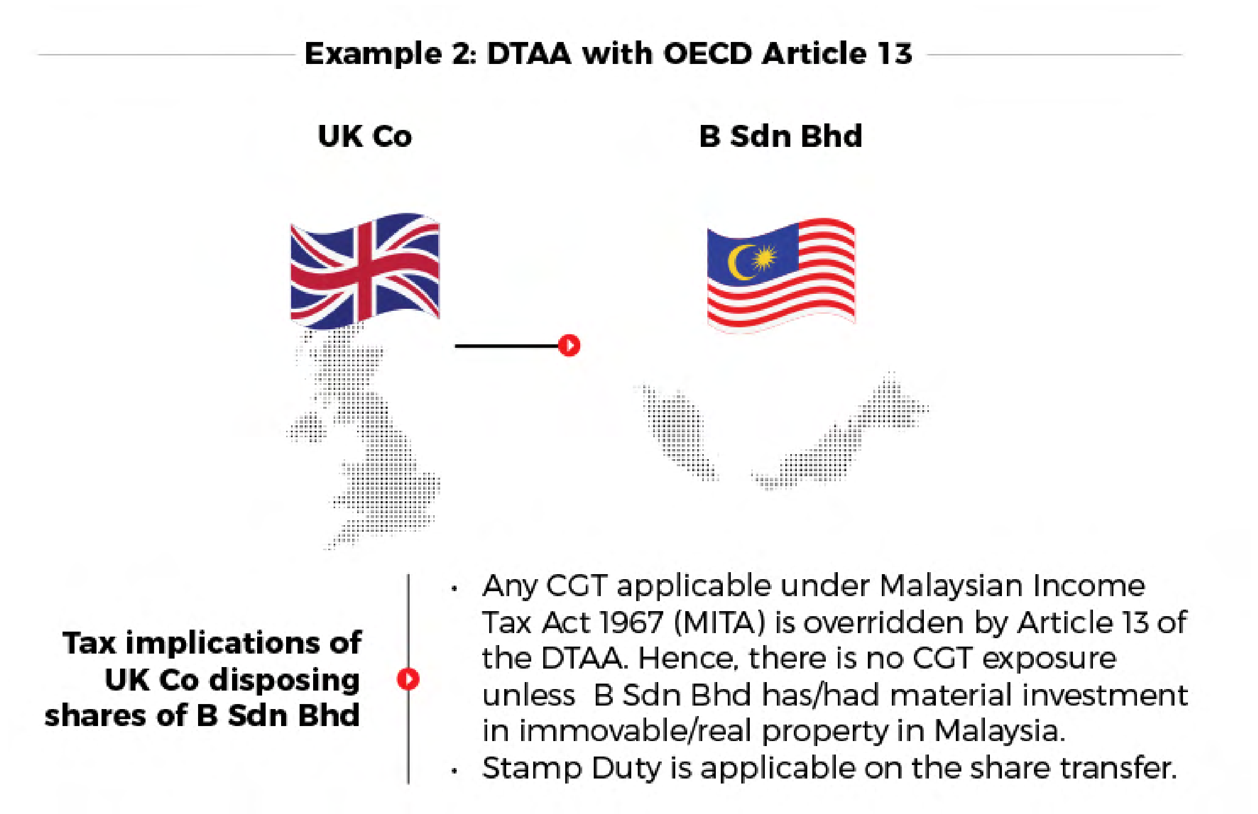
Para 5 of Article 13 of the OECD's model tax convention allows CGT to be imposed only by the jurisdiction in which the disposer is a tax resident. Hence, the source state's (in this case, Malaysia's) taxing right would be eliminated – and this applies regardless of whether the resident state actually imposes tax on the gains arising from the disposal.

A notable exception to para 5 is provided in para 4 of the same Article. The exception applies when more than 50% of the value of the company whose shares are being disposed is derived from immovable property (a.k.a. real property) in the source state (Malaysia). In such a case, the source state has unrestricted taxing right (as does the resident state, subject to the relief mechanism provided in Article 23 of the OECD Model Tax Convention).

A crucial practical point is that not all DTAAs entered by Malaysia adopt Article 13 of the OECD Model Tax Convention. In such a case, Malaysia is likely to have the unrestricted right to impose CGT regardless of whether the Malaysian company (whose shares are being disposed) owns real property.

Here are some examples to illustrate the application of the a forestated principles.

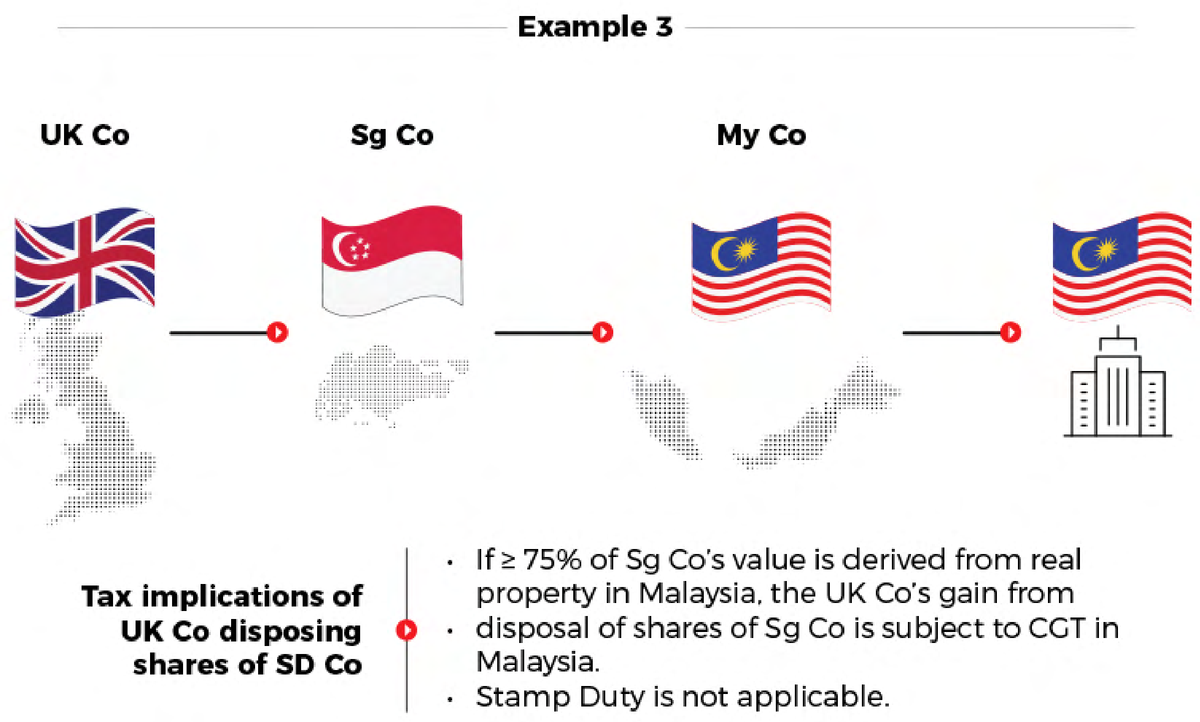




Indirect transfer rules

Let’s say a United Kingdom company (UK Co) sells shares of a Singapore company (Sg Co), therefore one might not ordinarily think of tax exposure in Malaysia. However, if Sg Co derives (directly/indirectly) at least 75% of its value from Malaysian real property, the UK Co is required to pay CGT in Malaysia on any gain arising from disposal of shares of Sg Co. This is provided for in Section 15C of the MITA and is usually not disturbed by DTAA provisions (due to para 4 of Article 13).

Application of Section 15C is a fairly sophisticated process as the determination of whether the 75% threshold is met is not necessarily based only on the value on the date of disposal of the foreign shares. Hence, taxpayers should seek professional support for a thorough assessment.



Capital Reduction/Liquidation

CGT exposure is not limited to sale of shares. Transactions such as capital reduction or even liquidation of a company also have potential CGT implications.

Concluding thoughts in relation to equity investment

CGT implications upon future exit are not dependent on the jurisdiction of the ultimate parent entity, but the immediate holding company which makes the investment into the

Malaysian company. In that regard, multinationals with multiple group entities which are in a position to make the investment must make a conscious decision weighing all relevant factors including CGT and stamp duty implications upon future exit.

Investment via Intragroup Debt Financing

Equity is not the only form of investment in Malaysia for multinationals. Investments may also be made by way of debt financing.

Unlike equity financing, debt financing allows repayment to be made without much hassle. However, in line with transfer pricing principles, the debt financing must be subject to arm's length interest.

Outbound interest payments are subject to 15% withholding tax, but many DTAAs allow lower withholding tax rates to be applied.

Interest cost is qualified for tax deduction, subject to the following limitations:

Topic	Description
Earnings Stripping Rules	• Applies if total interest expenses exceed RM500,000 per year and has intragroup borrowings from overseas entities. • Amount of interest deductions is restricted to a fixed ratio (20%) of Tax-EBITDA. • The disallowed interest is carried forward for utilisation against future year profits.
Section 33(2) of MITA	The interest restriction formula is applicable where the Malaysian company has investments other than the business (e.g. investment in subsidiary shares).
Section 33(4) of MITA	Interest cost is eligible for a deduction only when such interest is "due to be paid".

While in many cases intercompany debt could be commercially apt and tax-efficient due to corporate tax savings that outweigh withholding tax exposure, careful consideration is needed on the various limitations that apply for deduction (in particular ESR) and compliance to transfer pricing requirements.

Hybrid Instruments

There is a host of instruments that neither meet the 'classic features' of equity instruments nor debt instrument. This includes, but is not limited to, preference shares.

Preference share is a popular form of intragroup financing given the non-application of interest and ease of capital repayment.

IRBM issued Guidelines on Hybrid Instruments dated 19 June 2024, whereby the following factors have been outlined to determine whether a hybrid instrument is equity or debt for tax purposes:

- The source from which the principal will be repaid, and the distributions or profits will be paid, as well as the order in which they will be repaid in case of liquidation or dissolution.
- Right to enforce payment of distributions or profits and repayment of principal by the instrument holder.
- Right of recovery in the event of default.
- Maturity date of instrument.
- The ability of the issuer to obtain loans and make payment on an arms' length transaction.
- Involvement of the instrument holder in the management of the issuer's business/operations.
- Benefit to the instrument holder.

The redemption of equity instruments is potentially subject to CGT implications. For example, redemption of preference shares is likely subject to CGT. Even in cases where the redemption price is the same as the issue price, there are concerns arising from the requirement to use market value for transactions between connected persons. For investors who plan ahead, treaty protection may preclude application of CGT or redemption of preference shares.

Other Considerations

As always, a tax incentive is a key (not sole) consideration for choice of investment destination. Malaysia has a host of tax incentives which are offered in the form of preferential tax rate, income-based exemption or capital expenditure (CAPEX)-based exemption. Often, investors are in a position to choose between CAPEX-based exemption or income-based exemption (or preferential tax rate). Depending on the projected financials, each investor’s preference may vary.

Regardless, companies which are part of a group with more than EUR750 million in consolidated revenue must take into account the Pillar Two top-up tax implications.

Amid the United States of America’s recent decision to withdraw from this initiative, the GloBE rules are part of the Malaysian tax law and hence must be complied with.

The Government has announced that the New Investment Incentive Framework (NIIF) will be rolled out in the third quarter of the year. It should incorporate a scorecard approach to evaluate investments to ascertain if these qualify for incentives.

Investors should consider appealing for longer incentive periods with partial exemption in order to meet the global minimum tax rate of 15% while also realising the intended benefits of any existing or newly sought tax incentive.

Some investors may be in the position to pursue the Strategic Investment Tax Credit, which grants an amount which could be offset against tax payable – but the Malaysian Government is likely to be very cautious in granting such credits due to the liability on the government to pay investors the grant amount if not utilised against tax payable within four (4) years (a rule imposed by OECD).

Concluding Thoughts

The Malaysian tax system is now more comprehensive than it used to be. Hence, more careful thought is needed with regards to structuring an investment in Malaysia. What used to work well three to five years ago may not be the best strategy today. It is vital to not assume a 'business as usual' mindset and continue applying investment and intragroup financing/investment strategies from the past. It is now more important than ever for investors to make conscious choices in determining every aspect of an investment structure.

Thenesh Kannaa is Executive Director of TRATAX Sdn Bhd and Asia-Pacific International Tax Leader of WTS Global. The views expressed above are his own. This article has deliberately simplified matters in the interest of brevity.

Integrated Reporting: Transforming Corporate Transparency and Value Creation – The Sime Darby Experience

at-mia.my/2025/06/26/integrated-reporting-transforming-corporate-transparency-and-value-creation-the-sime-darby-experience

June 26, 2025

By Dato' Mustamir Mohamad

It has been a decade since the Integrated Reporting (IR) Framework was introduced in Malaysia, and it is remarkable to witness its growth and evolution. In 2014, when the Securities Commission invited Sime Darby Berhad to participate in the pilot programme to initiate IR in Malaysia, I eagerly embraced the opportunity to embark on this transformative journey, with the vision to enhance transparency, accountability, and create value for our stakeholders.

Over the years, the IR landscape in Malaysia has undergone significant transformation, with an increasing number of companies adopting IR practices. This shift reflects a broader commitment to ensuring that stakeholders receive a holistic view of organisational performance and long-term strategy, allowing them to make informed investment decisions.

Reflecting on our journey, the adoption of IR was a significant milestone for Sime Darby. The positive feedback received from shareholders was encouraging. They particularly appreciated the strategy blueprint and business model sections, which effectively summarised our strategy, operations and performance for each year – giving a clearer picture of how we create value for our stakeholders. However, convincing contributors of the Annual Report to embrace this new approach was challenging. Breaking the silo mentality and ensuring connectivity of information required a persistent effort and a shift in mindset.

When IR was first introduced at Sime Darby, there was a sense of apprehension among the team. Many were accustomed to traditional reporting methods and were hesitant to adopt a new framework that demanded a more integrated and holistic approach. For example, where previously a writer or content owner had to write and review their own section only, with IR, the data and information might flow across multiple sections. It became more crucial for multiple functions and departments to be aligned. However, this also meant that contributors could now see clearly how each business, operations and function contribute to the bigger picture – how they create value.

One of the significant challenges faced was managing costs. With the inclusion of more metrics to report on our strategic goals, additional verification and validation from external auditors with specialised expertise were required. Furthermore, producing integrated reports often demanded more resources in terms of time and personnel. The design and layout of these reports were more complex, necessitating higher-quality production to effectively communicate the information. Balancing these rising costs while ensuring that we continue to provide the highest quality of reporting to our stakeholders was a crucial aspect of IR.

Embedding Integrated Thinking across the Organisation

IR has not only provided a comprehensive framework for disclosing financial and non-financial information but also embedded integrated thinking into the core of our organisational strategy.

The adoption of IR has been instrumental in fostering a culture of integrated thinking within the company, allowing us to view our business from a more holistic perspective. For example, if we look at how we were reporting on sustainability 10 years ago, it always sat in a standalone section and discussions on ESG-related matters were confined to reporting our targets and performance. Today, sustainability is strongly embedded into the report as a key driver of our value creation strategy. It informs how we manage our resources and guides our decision-making processes, ensuring that we consider the long-term impacts of our actions on the environment, society, and governance. This integrated approach has enabled us to align our business objectives with sustainable practices, fostering innovation and resilience. By embedding sustainability into our core operations, we are better equipped to address emerging risks and opportunities, ultimately enhancing our ability to create sustainable value for our stakeholders.

IR has also significantly improved our performance reporting on operations. Previously, our reporting was very results-oriented, focusing primarily on operational and financial performance. Today, it is more holistic, emphasising strategy and risk, which better informs our stakeholders about the future prospects of the business.

Adopting IR also meant that we had to take a step back and better understand and assess what is material to our stakeholders and how we approach those material issues in our day-to-day operations. These could include issues outside of our financial considerations. By identifying the material issues affecting the company, our Annual Report has been more focused and concise.

Improving Communication with Stakeholders

One of the most significant benefits of IR has been the improvement in our communication with stakeholders. The integrated report provides a clear and concise narrative that explains how we create value. By presenting a comprehensive view of our performance, strategy, and future outlook, we have been able to build greater trust and confidence among our stakeholders.

The transparency and clarity offered by IR have also enhanced our engagement with investors, customers, employees, and other key stakeholders. By providing a more complete picture of our business, we have been able to address their concerns more effectively and demonstrate our commitment to sustainable growth. This improved communication has not only strengthened our relationships with stakeholders but also contributed to a more positive perception of Sime Darby in the market.

Impact of New Sustainability Standards on IR

The new IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board (ISSB), that are based on IR principles, are expected to significantly enhance the relevance of IR by providing a global baseline for sustainability-related disclosures, improving clarity and comparability across markets. These standards emphasise materiality, ensuring companies report both the financial impacts of sustainability risks and how their operations affect the environment and society.

With the implementation of the ISSB standards, IR will become more robust and important in linking financial and non-financial performance more effectively, reinforcing long-term value creation, and ensuring higher-quality reporting. This evolution will further reinforce IR's role as a comprehensive tool for communicating both performance and strategy in an era of heightened focus on sustainability.

The Continued Relevance of Integrated Reporting in Modern Business

Despite the emergence of various new standards and frameworks in the corporate reporting landscape, IR remains an essential tool for organisations. Its focus on integrated thinking and value creation provides a robust foundation for addressing the complexities of modern business environments. While new standards may offer additional insights and metrics, the holistic approach of IR ensures that organisations can maintain a balanced and comprehensive view of their performance.

As we look to the future, I firmly believe that IR will continue to play a crucial role in helping organisations navigate the evolving landscape of corporate reporting. By fostering integrated thinking and enhancing stakeholder communication, IR provides a powerful framework for driving sustainable value creation and long-term success.

Sime Darby’s journey with Integrated Reporting has been marked by transformation and growth. It has enabled us to embed integrated thinking into our strategy, improve our communication with stakeholders, and build a more resilient and sustainable organisation. Our IR journey has been both rewarding and challenging, and we are committed to continuing to improve our reporting quality and transparency. As we continue to evolve, we remain committed to leveraging the principles of IR and integrated thinking to drive our future success.

This article is the view of Dato’ Mustamir Mohamad, Member of the MIA Integrated Reporting Committee. Dato’ Mustamir is also the Managing Director of UMW Division, a wholly-owned subsidiary of Sime Darby Berhad. Prior to joining UMW, Dato’ Mustamir was the Group Chief Financial Officer of Sime Darby Berhad from 21 November 2017 to 13 December 2023.

Integrating Shariah Assurance into the Audit Framework for Public Trust Entities (PTEs)

at-mia.my/2025/06/26/integrating-shariah-assurance-into-the-audit-framework-for-public-trust-entities-ptes

June 26, 2025

By Prof Dr Zurina Shafii and Dr Nurazalia Zakaria

In recent years, as governance and compliance in public and private institutions evolve, the need for a multi-dimensional audit approach has never been more pressing. A significant amount of public money is invested in Government-linked investment companies (GLICs) and Government-linked companies (GLCs). Therefore, there is a need to monitor the management of these entities to assess whether they are effectively achieving their key performance indicators (KPIs) and intended outcomes, executing their strategic plan as well as properly carrying out corporate governance at the senior management level.

In light of this, the introduction of an enhancement of audit beyond traditional performance audits by the Jabatan Audit Negara (National Audit Department) in GLCs in February 2025 warrants an ample response. This newly proposed audit focuses on the accountability of public resources with the tagline "Follow the Public Money Audit" (The Star 2025). The call for a more inclusive audit framework, particularly one that integrates Shariah compliance assurance, stems from the increasing complexity of governance structures of organisations, and the rising importance of ethical, religious, and social responsibility.

The new performance audits are to be piloted in six GLICs, namely, Khazanah Nasional Berhad (Khazanah), the Employees Provident Fund (EPF), Kumpulan Wang Persaraan (Diperbadankan) [KWAP], Permodalan Nasional Berhad (PNB), Lembaga Tabung Haji (TH), and Lembaga Tabung Angkatan Tentera (LTAT). This exercise will be a game changer for public accountability with the pool of public money valued at over RM1.8 trillion as at August 2024 (Ministry of Finance, 2024).

The application of Shariah-compliant values in institutions in Malaysia has become more sophisticated. Thus, there is an increasing demand for an expanded scope of audits on Public Trust Entities (PTEs) that are involved in Shariah-compliant financial services, Islamic banking, or other Islamic-based industries. In addition to the new enhancements to the audits of PTEs, there is also a critical need for a new dimension of audit to cater for Shariah assurance scopes that could include the assurance of Shariah governance, risk and compliance —GRC-i.

This article looks at the rationale behind the proposal of this new dimension of audit and will examine the need for incorporating Shariah assurance in Shariah-compliant Institutions, including PTEs.

The Current Audit Landscape in PTEs

The PTE sector has emerged as a significant Shariah-compliant category. PTEs are institutions that manage public funds, which are collected from investors, depositors, and taxpayers, established for specific purposes. PTEs are government-established entities created under specific Acts of Parliament to achieve well-defined objectives. PTEs collect and manage funds from the public for the benefit of depositors and society at large. These Acts outline their roles and responsibilities, often focused on addressing societal needs such as poverty alleviation, affordable healthcare, education, and housing. PTEs are entrusted with the collection of public funds to provide such services, operating under regulatory requirements although not as stringent as those of regulated financial institutions. Notable examples of PTEs that are deeply engaged in Shariah-compliant transactions in Malaysia include TH, Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM), EPF and GLCs.

The scale of assets and income managed by PTEs is significant. For instance, TH reported managing RM82.54 billion in assets with a net income of RM3.42 billion (2020), while YaPEIM managed assets worth RM1.24 billion with revenue of RM53.77 million (2019). The EPF oversees RM1.01 trillion in assets with a net income of RM42.08 billion (2020). Additionally, the Ministry of Finance (MoF) reported in August 2024 that the combined Assets Under Management (AUM) of GLCs were valued at over RM1.8 trillion (Ministry of Finance, 2024).

PTEs generally adhere to the Malaysian Code on Corporate Governance (MCCG) 2017 to ensure sound governance. They are not regulated by a Shariah Governance requirement, for instance, the Shariah Governance Framework (SGF) 2010, as they are not classified as Islamic financial institutions (IFIs). Most PTEs operate as GLCs established under specific legislative frameworks. Hence, similar governance requirements may be considered to further enhance the Shariah compliance aspect of PTEs.

GLCs play a pivotal role in the economy and public welfare in Malaysia. As entities that often combine public and private interests, GLCs are subjected to various forms of audits. Traditionally, the Jabatan Audit Negara conducts performance audits in GLCs to evaluate the effectiveness, efficiency, and economy of their operations. Performance audits typically assess whether organisations are achieving their objectives, using resources effectively, and complying with regulations.

The Emergence of Shariah Assurance

The need to venture into Shariah audit research stemmed from a recognition of the gap and divergence in the practices of Shariah assurance in Shariah-compliant institutions. Over time, many of these organisations have faced increasing scrutiny not only for their financial performance but also for their adherence to Islamic principles in their operations.

Shariah-compliant entities, such as Islamic banks, takaful providers, PTEs and investment funds, are required to ensure that their business activities align with the tenets of Shariah law. This includes aspects such as the prohibition of interest (riba), avoiding investments in prohibited (haram) industries, and ensuring transparency in all dealings. Given the complexity of Shariah principles and the growing demand for accountability in the Islamic finance sector, there is an urgent need for a specialised audit dimension that focuses solely on ensuring Shariah compliance.

The Gap in Current Auditing Practices

While traditional performance audits are valuable for assessing operational efficiency, they fall short in addressing Shariah compliance. An organisation can be financially sound and efficient in its operations, but if it does not adhere to the principles of Islamic law, it may compromise the ethical and religious aspects of its business.

This gap is particularly important for PTEs involved in Islamic finance, where the core of their business model is rooted in Shariah principles. For instance, Shariah Boards that govern these organisations need to be assured that all activities and transactions are free from haram elements. Additionally, regulators and stakeholders need assurance that these companies are not only delivering financial returns but also upholding the moral and ethical standards expected of them.

Thus, a performance audit alone is not sufficient to address this need. What is required is the introduction of comprehensive Shariah assurance that goes beyond assessing financial performance and looks into compliance with Shariah guidelines, governance structures, and risk management procedures.

The Proposed Dimension: Shariah Assurance

Effective Shariah governance drives adherence to Shariah principles while promoting economic stability, ethical business conduct, and social responsibility. The primary objective is to achieve Shariah compliance, which is a prerequisite for success in an

Islamic governance framework. This approach integrates Shariah as a way of life (*Deen*) and fosters continuous improvement to achieve a state of *Ihsan* (excellence in faith and practice).

Risk management plays a critical role in Shariah governance by establishing a robust check-and-balance system that includes self-assessment, risk validation, mitigation, and monitoring. This process is essential in preventing deviations from Shariah principles and financial regulations. The concept of *Hisbah* (Islamic auditing) is applied to institutional governance, ensuring continuous improvement (*Islah*) through risk review and audit mechanisms.

An early concept of governance frameworks that incorporate financial and non-financial performance indicators to assess institutional effectiveness was proposed by Santos & Brito (2004). Their framework comprised a two-dimensional performance model that consists of i. financial performance and ii. strategic performance (non-financial aspects). According to Cumby & Conrod (2001), sustainable shareholder value is significantly influenced by non-financial factors, particularly in knowledge-based industries.

From an Islamic perspective, performance is not solely judged by financial success but also by the pursuit of *Al-Falah* (prosperity in this life and the Hereafter). Islam encourages achieving *Al-Falah* both in this world and in the afterlife.

Shariah governance is rooted in the role of humans as vicegerents (*Khalifatullah fil Ardh*), as stated in Surah Al-Baqarah (2:30-31). Scholars like Nasr (1987) and Mirakhor and Askari (2010) emphasise that humans, endowed with physical, mental, and spiritual faculties, must uphold governance as part of their divine responsibilities. Prophets, from Adam to Muhammad (peace be upon them), provided guidance on managing risks and ensuring ethical governance in both worldly affairs and the Hereafter.

Shariah assurance is an audit process aimed at evaluating and providing credence that an organisation's operations and activities are in full compliance with Shariah law. This includes a thorough review of business operations, investment portfolios, financing structures, and corporate governance practices to ensure that they align with Islamic ethical standards.

The key features of Shariah assurance should include:

SHARIAH COMPLIANCE CHECKS
Evaluating the processes, activities, and products offered by the organisation to ensure they meet the requirements of Shariah law, as defined by the Shariah Committee of the organisation.

GOVERNANCE AND RISK MANAGEMENT
Assessing how the organisation's leadership structures, and risk management policies incorporate Shariah principles, ensuring ethical decision-making is at the core of the organisation's strategy.

INTERNAL CONTROLS AND REPORTING
Examining internal controls to ensure that the financial and operational processes are in line with Islamic finance principles and that accurate Shariah reports are generated for stakeholders.

By integrating Shariah assurance into PTE audits, organisations can bolster their reputation, trustworthiness, and accountability. Moreover, stakeholders can have a higher level of confidence that these organisations are not only effective and efficient in their operations but also aligned with the ethical and religious standards that define their purpose. The need for such an audit dimension has grown due to the following key factors:

EXPANSION OF ISLAMIC FINANCE
As Islamic finance expands, with increased complexities and sophistication of its use, the potential for non-compliance to Shariah principles increases, leading to heightened risks. Regular Shariah audits will help mitigate these risks and ensure continuous compliance.

INCREASING MARKET DEMAND FOR ETHICAL INVESTING
Investors are becoming more conscious of the ethical implications of their investments. The rise of socially responsible investing (SRI) and impact investing has led to more scrutiny of the operations of Shariah-compliant institutions.

PUBLIC TRUST AND TRANSPARENCY
In today's landscape, public perception and trust are vital. The assurance of Shariah compliance can strengthen the legitimacy of PTEs involved in Islamic finance and improve their transparency.

Using Shariah Assurance to address Governance, Risk and Compliance (GRC-i)

Governance, Risk and Compliance (GRC) are critical for the sustainability and resilience of any financial system. In Islamic finance, these elements must align with Shariah principles, ensuring transparency, fairness, and ethical conduct. While conventional ratings such as those by Standard & Poor's or Moody's provide assessments for PTEs, they do not cater to the unique requirements for Shariah compliance.

Performance of PTEs from the perspective of GRC (Governance, Risk, and Compliance) indicates the degree of adoption of a strategic framework that helps organisations navigate complex challenges, manage risks, and ensure compliance with regulations. It provides a structured approach for making informed decisions, mitigating risks, and enhancing overall performance. A strong Governance, Risk and Compliance Framework is essential for modern organisations to thrive in today's dynamic and complex business environment. It provides a solid foundation for managing risks, ensuring compliance with regulations, and maintaining stakeholders' trust.

Hence, a proposed enhancement to the existing rating is to consider having a holistic index that includes the assessment of Shariah governance (G), Shariah specific risks (R), Shariah compliance (C) and *Maqasid* Shariah (i). The proposed index could enhance investment decision-making by providing a transparent and structured approach to assessing Shariah adherence by having access to information regarding the level of Shariah governance, risk management, compliance and the organisation's contribution towards *Maqasid* Shariah implementations. The proposed GRC-i rating consists of the following components:

Figure 1: Components of GRC-i Rating

The GRC-i Rating represents an innovative approach of addressing Shariah governance, risk and compliance by integrating them into a single framework to provide a comprehensive assessment that aligns with Shariah principles. This rating system offers actionable insights for PTEs to improve their practices. In the long run, it would alleviate information asymmetry, enhance market transparency, and promote ethical finance.

Conclusion

The proposed addition of a Shariah assurance dimension in the audit processes of PTEs is a timely and necessary move. It complements the traditional performance audit by providing a comprehensive framework for assessing the ethical, legal, and religious dimensions of an organisation's operations. This approach would not only safeguard the integrity of Shariah-compliant institutions but also strengthen public trust and align business operations with the Islamic values.

The governance, risk management, and compliance practices of Shariah-based PTEs in Malaysia play a crucial role in ensuring accountability, transparency, and adherence to Islamic principles. Despite the importance of PTEs to the socio-economic well-being of the Muslim community, gaps in governance, risk management, and Shariah compliance continue to present challenges that must be addressed to strengthen public trust and institutional sustainability.

This article highlights the necessity of enhancing Shariah governance mechanisms, ensuring the effective implementation of risk management strategies, and reinforcing compliance measures through independent auditing and regulatory oversight.

The adoption of a Governance, Risk, and Compliance (GRC-i) rating system provides a promising avenue for measuring the performance of these institutions in achieving their dual objectives—financial sustainability and ethical accountability. By implementing structured frameworks that align with *Maqasid* Shariah, these institutions can better fulfil their role as custodians of public trust while serving as models for Islamic finance and governance.

Moving forward, continued collaboration between regulators, policymakers, and stakeholders is essential to refining governance structures, developing robust Shariah assurance frameworks, and fostering innovation in Islamic finance. Strengthening PTEs will not only enhance Malaysia's position as a global leader in Islamic finance but also ensure that PTEs uphold the principles of justice, fairness, and accountability in their financial and social responsibilities.

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Key Insights from the MIA Member Survey 2024

at-mia.my/2025/06/11/key-insights-from-the-mia-member-survey-2024

June 11, 2025

The Malaysian Institute of Accountants (MIA) recently concluded its Member Survey 2024 to gather feedback on the needs of members, with a view to supporting their professional aspirations.

This biennial survey serves as an essential barometer for measuring how well the Institute supports its members through its strategic initiatives, advocacy, communications channels, professional development and comprehensive member services, and offers insights into avenues for improvement.

A total of 5,034 members across various sectors, age groups and qualification backgrounds participated in the Survey conducted from 29 June to 28 September 2024.

In summary, the findings from the 2024 survey show strong levels of satisfaction and trust, while highlighting critical opportunities for the Institute to deepen engagement, enhance service delivery, and strengthen its support cohesively, such as in the key priority areas of sustainability and mental well-being.

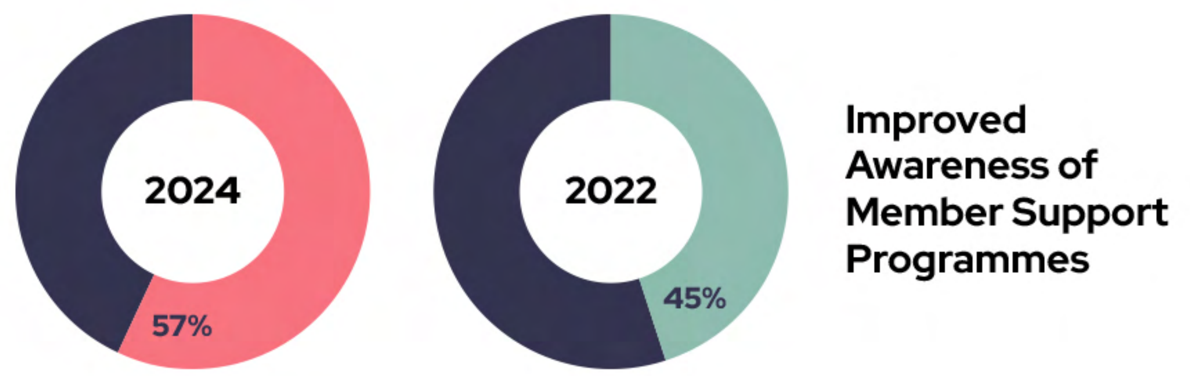
Strong Endorsement of MIA's Core Mandate

A resounding 89.49% of respondents agree that MIA remains steadfast in regulating, developing, and advancing the accountancy profession, up from 87.09% in 2022.

Members across all sectors and job levels expressed their consensus, attesting to the Institute's ability to uphold its mandate of regulation and development amidst a rapidly changing landscape.

Improved Awareness of Member Support Programmes

Since the COVID-19 pandemic, MIA has intensified its efforts to support members' mental health and work-life balance through initiatives such as the MIA Assistance Programme, which includes the MIA Careline, Remote Therapy, and Digital Coaching.



In 2024, 57% of respondents reported being aware of the MIA Assistance Programme — a significant jump from 45% in 2022. But there is room for improvement; nearly 43% of all respondents remain unaware of the available services, indicating a need for broader promotion.

Going forward, MIA will continue to invest in mental health support and well-being services. This reflects the growing recognition of well-being as a professional priority, especially given the intense pressures and responsibilities shouldered by accountants across all levels of the profession.

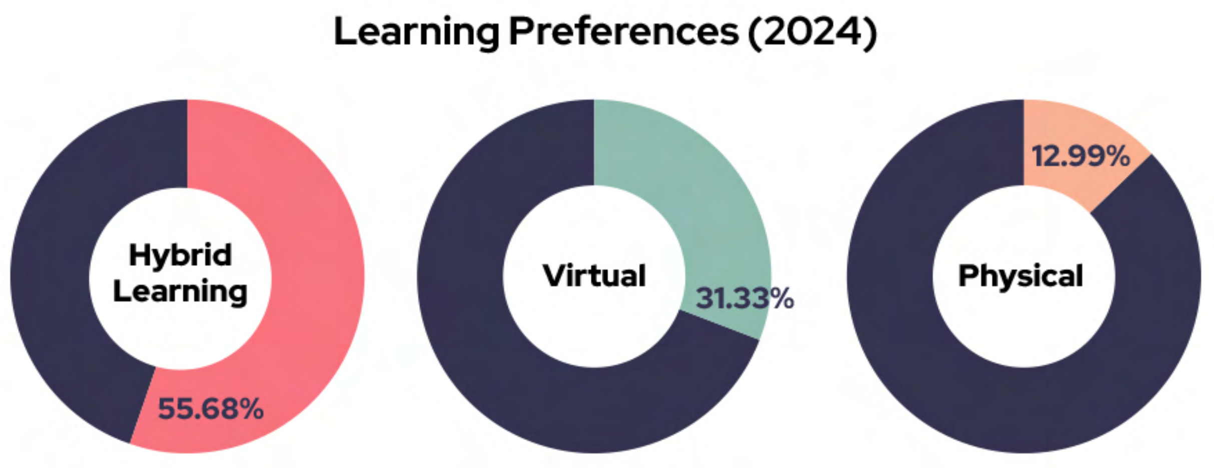
CPD Support and CMDF Awareness Need Boost

The survey also gauged member views on the Capital Market Development Fund (CMDF) subsidies and special discounts provided to support their continuing professional development (CPD). While 41.42% found these benefits helpful, a significant 48.47% were unaware of the subsidies.

These findings indicate that there is room to enhance promotion and communications to ensure members are fully informed about the CPD-related financial support available to them.

Learning Preferences: Hybrid Still Dominates

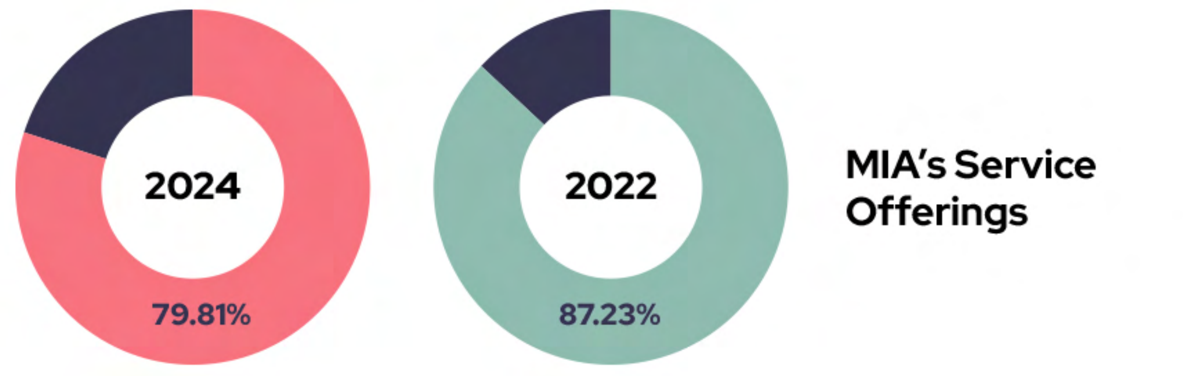
The preference for hybrid learning (a combination of virtual and physical formats that offers benefits such as digital accessibility as well as in-person networking opportunities) remains strong among survey respondents. This attests to members' continuing demand for flexible and adaptive learning formats that cater to different lifestyles and job environments.



Hybrid learning was the choice of 55.68% of respondents, consistent with 2022 figures (56.12%). Interestingly, 31.33% of respondents preferred virtual-only options, and 12.99% preferred purely physical formats.

Member Evaluation of MIA's Service Offerings

The survey results demonstrate that MIA services are generally well received. Overall ratings remain strong despite a slight decline from 87.23% in 2022. For 2024, an average of 79.81% of respondents rated the Institute's various offerings — including the MIA website, eCirculars, the eAccountants Today digital publication, seminars and webinars, the MIA mobile app, and member privileges — as Excellent, Very Good, or Good.



Based on these results, it is crucial to continuously enhance underutilised services and ensure that core platforms remain accessible, functional, and member-centric.

Technical Support: Consistent Satisfaction

Across ten technical domains including accounting, auditing, taxation, and corporate reporting, 78.33% of respondents rated MIA's technical support as Excellent, Very Good or Good. The highest ratings were recorded in accounting (84.7%) and regulations (81.2%).

However, emerging areas such as digital economy and sustainability showed slightly lower scores, with 12.04% and 9.18%, respectively, indicating they had never used these services. As the accounting profession pivots to embrace emerging developments such as ESG, data analytics, and regulatory tech, MIA has a clear opportunity to elevate awareness and facilitate member access to its resources in these high-priority fields.

Driving the Sustainability Agenda

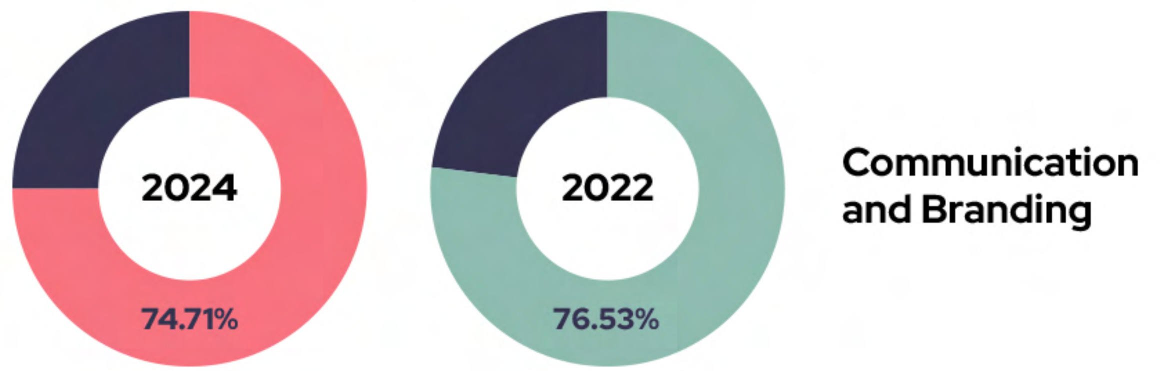
One of the key highlights of 2024 survey was the feedback on MIA's Sustainability Blueprint, launched in 2023. 42.09% of members were aware of the Blueprint, suggesting that broader dissemination and communication is needed.

Members expressed a strong demand for initiatives and programmes to support their implementation of sustainability in practice. Key suggestions included:

These results highlight the growing expectation for MIA to guide members through the sustainability landscape, providing frameworks, information, and resources as well as practical implementation tools and training.

Communication and Branding: Room for Improvement

MIA's communication with members received positive feedback from 78.19% of respondents, affirming the effectiveness of channels such as email blasts, social media, YouTube, eAT, and the MIA website. This positive response highlights the effectiveness of MIA's efforts to keep members informed and engaged.



On branding, 74.71% of members were satisfied with MIA's efforts to enhance its local and international reputation. While this reflects strong confidence in the Institute's standing as the voice of the profession, it is noteworthy that this marks a slight dip from 76.53% in 2022. This decline suggests an opportunity for MIA to reassess and strengthen its branding strategies to maintain and boost member confidence. The feedback indicates that while MIA's current communication and branding efforts are effective, there is room for improvement.

Member Loyalty and Pride in Membership

Perhaps one of the most affirming findings of the survey was the expression of loyalty and pride among MIA members. A substantial 87.64% reported feeling very proud or somewhat proud to be part of MIA, compared to 85.87% in 2022.

Moreover, 67.2% of respondents stated they would retain their membership even if it was not mandatory. While this is a slight decline from 69% in 2022, this still represents a powerful vote of confidence in MIA's value proposition.

Overall Satisfaction and Demographic Insights

The survey found that **84.23%** of members were totally or somewhat satisfied with the Institute — an increase from **83.41%** in 2022.

Satisfaction was highest among members in public sector **at 90.17%** and academia **at 89.71%.** Approval ratings were also high among those aged 31-40 **at 86%** and below 30 **at 85%,** indicating satisfaction with the Institute's approach to future relevance.

Notably, those with MIA QE or Professional qualifications had satisfaction levels of **82%** and **80%**, respectively.

Conclusion

The MIA Member Survey 2024 offers a valuable snapshot of member perspectives during a transformative period for the accounting profession. While overall satisfaction and confidence in MIA remain high, the findings point to several key areas for improvement: raising awareness of support services and subsidies, enhancing sustainability education and implementation, and strengthening communications for broader reach.

MIA is committed to continually engaging with members and to respond constructively to feedback, as we collaborate to build a more resilient and future relevant accountancy profession in Malaysia.

Mandatory Ethics Training for Professional Accountants: Understanding the New Continuing Professional Education Requirements

at at-mia.my/2025/05/02/mandatory-ethics-training-for-professional-accountants-understanding-the-new-continuing-professional-education-requirements

May 2, 2025

By MIA CPE Compliance Department

Ethics is the cornerstone of the accounting profession, ensuring transparency, underpinning regulatory compliance, and upholding public trust. With evolving business practices and regulations, Continuing Professional Education (CPE) is essential for professional accountants to stay updated, maintain credibility and uphold professional responsibility. This article outlines the changes in CPE requirements for ethics-related training and highlights the critical role of ethics in the accounting profession, emphasising its importance for maintaining professional integrity and compliance.

The Importance of Ethics in Accounting

Trust and Credibility

Ethical accounting practices are essential for fostering trust with stakeholders, including clients, investors, regulators, and the public. Accurate and honest financial reporting enhances credibility, enabling stakeholders to make informed decisions.

Compliance with Laws and Regulations

Ethical professional accountants are responsible for adhering to financial laws, regulations, and industry standards. Ethical conduct ensures compliance, protecting both the professional accountants and their organisation from legal consequences, financial penalties, and reputational damage.

Prevention of Fraud and Misconduct

Unethical practices, such as financial misstatements and fraud can lead to severe consequences, including financial scandals, bankruptcies, and loss of public trust. Professional accountants must act as gatekeepers against such malpractices by maintaining high ethical standards.

Accountability and Professional Integrity

Professional accountants are responsible for presenting financial information fairly and objectively. Upholding ethical standards ensures that professional accountants present a true and fair view of an organisation’s financial position, maintaining the integrity of the profession.

Protecting Stakeholder Interests

Ethical practices protect the interests of shareholders, employees, creditors, and the public. Transparent financial reporting enables stakeholders make sound decisions based on accurate information.

Professional Reputation

Ethical professional accountants earn the respect of their peers, employers, fostering career advancement and professional growth. In contrast, unethical behaviour can erode public trust, cause adverse impacts on stakeholder interests, and negatively impact the broader economy.

Considering this, the Institute has made professional ethics training mandatory for all members effective 1 January 2026.

New CPE Requirements (effective 1 January 2026)

Starting 1 January 2026, the CPE requirements for professional accountants will include mandatory ethics training. As part of the 20 structured and verifiable CPE credit hours obtained each calendar year, all professional accountants must complete a minimum of **2 structured and verifiable** CPE hours which are related to professional ethics.

This update underscores the growing importance of ethics in the accounting profession and ensures that professional accountants remain up-to-date on evolving ethical standards, legal requirements, and best practices.

Why Focus on Ethics in CPE

Adapting to Changing Regulations

Financial regulations, laws and ethical guidelines are continuously evolving. Ethics-focused CPE courses help professional accountants stay informed about new laws and regulations, such as the Anti-Money Laundering laws, corporate governance standards, ensuring they fulfil both legal and professional obligations.

Preventing Fraud and Misconduct

Professional accountants must be equipped to identify red flags for fraud, unethical behaviour, and misconduct. Ethics-focused CPE programmes help build skills to address ethical dilemmas and uphold internal controls, thereby protecting the integrity of financial reporting.

Enhancing Public Trust

The accounting profession thrives on public trust. Ethical lapses, such as fraudulent financial reporting or conflicts of interest, can severely damage the profession's credibility. By prioritising ethics in CPE, professional accountants demonstrate their commitment to accountability and transparency.

Global Standards and Compliance

The International Federation of Accountants (IFAC) emphasises the importance of ethics in maintaining profession competence. The updated CPE requirements align with global standards, ensuring that professional accountants meet both local and international ethical expectations.

According to the International Code of Ethics for Professional Accountants, professional accountants are required to adhere to fundamental principles such as integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

Additionally, the International Education Standard (IES) 7 which outlines the Continuing Professional Development (CPD) requirements for professional accountants, clarifies the principles and guidelines for how professional accountancy organisations should measure, monitor, and enforce their CPD systems. Measurement includes evaluating evidence of CPD in terms of achieving the learning outcomes or completing specified amounts of learning and development activities related to technical competence, professional skills, and professional values, ethics and attitudes. It highlights that all professional accountants must develop and maintain the professional competence required to perform their roles. Failure to develop and maintain this professional competence may be a violation of the code of ethics, leading to disciplinary actions and diminishing the professional accountant's ability to act in the public interest.

CPE Requirements of Other Professional Accounting Bodies

Other professional accountancy bodies have also emphasised the importance of ethics training by requiring CPE hours in ethics as a mandatory component of their continuing education programmes.

For example, starting in October 2023, members of CPA Australia must complete a minimum of 2 verifiable CPD hours annually on ethics-related topics, with a total of 10 hours over a three-year period (triennium).

Similarly, the Institute of Singapore Chartered Accountants (ISCA) requires members to complete a minimum of 20 verifiable CPE hours per year, including at least 2 verifiable hours in ethics annually. Alternatively, members may complete 6 verifiable ethics hours over a rolling three-year period.

Meanwhile, the Institute of Chartered Accountants in England and Wales (ICAEW) does not mandate specific CPD topics, given the diverse nature of its members' work. However, ethics is the exception, and members must complete at least 1 verifiable hour of ethics-related training each CPD year to comply with regulatory requirements.

How Accountants Can Stay Updated on Ethics

Conclusion

Ethics are fundamental to maintaining trust and integrity in the accounting profession. With the introduction of mandatory ethics training as part of CPE requirements, professional accountants will be better equipped to meet evolving ethical challenges, comply with regulations, and continue safeguarding public trust. By prioritising ethics in their professional development, professional accountants can enhance their credibility, protect stakeholders' interests, and contribute to a more transparent financial system.

MIA Sustainability, Digital Economy and Reporting Insights (January – March 2025)

at-mia.my/2025/05/15/mia-sustainability-digital-economy-and-reporting-insights-january-march-2025

May 15, 2025

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

MIA Sustainability Roadmap

In June 2024, the MIA Sustainability Blueprint for the Accountancy profession was launched at the MIA Conference 2024. The Blueprint sets out the sustainability aspirations of the profession as well as the guiding principles to facilitate accountancy professionals in navigating their sustainability journey.

In effort to operationalise the Blueprint, the MIA Sustainability Roadmap was developed and approved by the MIA Council in January 2025. It is an ambitious, long-term plan that encompasses 169 initiatives that will be carried out by sixteen MIA Committees in three phases, from 2025 to 2029. The Roadmap is designed to ensure that MIA remains at the forefront of sustainability efforts by focusing on three themes as follows:

The capacity-building initiatives will focus on equipping professionals with the necessary expertise and training to navigate sustainability. Meanwhile, the tools and guidance will support the profession by providing relevant resources for implementing sustainability.

Finally, advocacy efforts will aim to promote sustainability within the profession as well as stakeholders on the role of accountants in sustainability.

Digital Technology Adoption Awards (DTAA) Winners in Action Series

At the inaugural DTAA Presentation Dinner in May 2024, fourteen exceptional winners were celebrated for their remarkable accomplishments representing a diverse array of digital innovation within the profession. To inspire ongoing digital transformation across the accountancy profession, MIA has launched an exciting new interview series titled ‘DTAA Winners in Action’. This ongoing series highlights the journey of the winners in adopting technology. Each article in the series explores their unique stories, showcasing the challenges they overcame, strategies they deployed and best practices adopted in embracing digital technology. Through their narratives, the series seeks to motivate others to embark on their own digitalisation journey and harness the power of technology to drive their own success.

Read their digital transformation journey here.

Global Minimum Tax: Latest Developments and Implications for Businesses

In February 2025, the Institute organised a complimentary tax webinar – Global Minimum Tax: Latest Developments and Implications for Businesses. Key insights from this webinar are as follows:

- The Global Minimum Tax (GMT) ensures multinational enterprises (MNEs) with revenues over EUR750 million pay at least 15% tax worldwide. If a company's effective tax rate (ETR) is below 15%, a top-up tax applies.
- Many countries including UK (2024) and Malaysia (2025) are implementing GMT. Businesses must comply with new reporting obligations, including GloBE Information Returns, Top-Up Tax Returns, and local registration.
- Traditional tax incentives like tax holidays may be less effective. Companies should explore alternative tax strategies such as Qualified Refundable Tax Credits (QRTC) and selective use of deductions to optimise tax liabilities.
- Key challenges include complex tax calculations, country-specific deviations, and compliance costs. Businesses have to decide whether to upskill internally or outsource tax expertise to manage the new requirements. Coordination between global headquarters and local teams is essential.
- To prepare, companies should assess the impact of GMT, restructure tax incentives, monitor global tax changes, and ensure compliance. Staying proactive will help businesses navigate GMT efficiently and minimise risks.

Strengthening Tax Governance for Compliance & Risk Management

Tax governance has become a crucial corporate priority as global tax regulations tightened. Businesses must now manage tax risks proactively, ensuring compliance with evolving laws and avoiding reputational damage. The OECD's Base Erosion Profit Shifting (BEPS) framework and high-profile tax cases, such as Apple's ˆ13bn dispute with Ireland, highlight the increasing scrutiny on corporate tax practices. The Institute organised a complimentary webinar on tax governance in March 2025 to continue its advocacy on the matter.

In Malaysia, the Tax Corporate Governance Framework (TCGF) and the MIA-MICPA Tax Governance Guide encourage listed companies to adopt structured tax management and transparent reporting. Effective tax governance, aligned with ESG considerations, enhances investor trust and corporate accountability. Boards and audit committees must take an active role in tax strategy, ensuring robust risk management and clear disclosures. By integrating tax governance into corporate frameworks, businesses can strengthen compliance, reduce financial risks, and build long-term stakeholder confidence.

Public Sector Sustainability Reporting: Where do We Stand?

A webinar on *Public Sector Sustainability Reporting: Where do We Stand?* was successfully held on 26 February 2025. Moderated by Encik Mohamad Hamim, Executive Director, Project Management Kuala Lumpur City Hall and a member of MIA Public Sector Accounting Committee, the webinar featured valuable insights from Puan Nor Yati binti Ahmad, Accountant General of Malaysia, Datu Hajah Elean Masa'at, Sarawak Accountant General, and Puan Rasmimi Ramli, Executive Director, Sustainability, Digital Economy and Reporting, MIA.

Nearly 500 MIA members attended the session. The webinar kicked off with a presentation on the global updates of public sector sustainability reporting, followed by a panel discussion that highlighted the significance of transparency and accountability in public sector sustainability efforts. The panellists also discussed the impact of reporting on decision-making, policy development and public trust as well as the necessary steps to improve reporting practices in the future.

Advocacy in Global Public Sector Reporting

MIA has submitted comments to the International Public Sector Accounting Standards Board (IPSASB) for the following consultation documents on 28 February 2025:

ED 92, *Tangible Natural Resources*	ED 92 is the primary component of the IPSASB's broader Natural Resources project. The ED proposes a definition of tangible natural resources, as well as guidance on their recognition, measurement, display and disclosure in the general-purpose financial statements.	Comment Letter Submission on ED 92
IPSASB SRS ED 1, *Climate-related Disclosures*	The objective of this ED is to provide principles for public sector entities to disclose information in its general-purpose financial reports that is useful to primary users for accountability and decision-making purposes about: Climate-related risks and opportunities to its own operations; and Climate-related public policy programmes and their outcomes.	Comment Letter Submission on IPSASB SRS ED 1

Advocacy in Direct and Indirect Taxes

Meeting with the Secretary-General of Treasury of the MoF

In March 2025, the Institute participated in a consultation session with YBhg Datuk Johan Mahmood Merican, the Secretary-General of the Ministry of Finance (MoF) to deliberate on draft policies and guides pertaining to the expansion of scope of sales and service tax (SST).

The Institute applauds the MoF in drafting policies and guides as well as engaging with industry through various dialogues. This collaborative approach will lead to a well-calibrated policy framework. It is anticipated that the finalised tax provisions, which took effect on May 1, 2025, would be made public soon.

Joint (MIA-MICPA) Letter on Issues Arising from the Implementation of MIRTS

In March 2025, the Institute and The Malaysian Institute of Certified Public Accountants (MICPA) submitted a joint letter on the implementation issues of the filing programme for documents indicated in Section 82B of the Income Tax Act 1967 via the Malaysian Income Tax Reporting System (MITRS). **S**ummary of key issues and proposals in MITRS submitted are as follows:

Issues	CURRENT REQUIREMENT	PROPOSAL / CONFIRMATION SOUGHT
Extension of MITRS Submission Deadline	Documents must be submitted within 30 days after the tax return due date.	Alignment of the 30-day deadline with the extended e-filing deadline to ease compliance.
Exemption for Dormant Companies	From 2025, all companies must submit tax computations via MITRS.	Exemption of dormant companies to submit via MITRS to reduce administrative and financial burdens.
Submission by Director's Representatives	Only tax agents or company directors can submit documents.	Submission of documents can also be done by director's representatives to reduce compliance burden.
Deductibility of Professional Fees	-	Confirmation sought that professional fees for MITRS submission qualify for tax deduction under the existing rules.
SSM-IRB Data Sharing for Financial Statements	MITRS requires submission of financial statements.	Allow IRB to access companies' financial statements from the SSM portal to eliminate duplicate submissions and to improve efficiency.

Continuous Engagements with Stakeholders

Between January and March 2025, the Institute, represented by its Taxation Practice Committee and staff, has participated in four engagements with various stakeholders. These engagements are mainly for advocating and providing constructive inputs on direct and indirect tax policy making. The Institute will continue to support the tax authorities on these initiatives.

Navigating e-Commerce Valuations: For Startups, Growth and Mature Entities

at-mia.my/2025/06/12/navigating-e-commerce-valuations-for-startups-growth-and-mature-entities

June 12, 2025

By Ng Boon Hui, Kerk Su Ngee and Grace Ng

As industrialisation advances, e-commerce has become a pivotal force driving economic vibrancy. In the 21st century, the internet revolutionised business operations, giving rise to e-commerce as a prominent online marketplace. With high internet penetration and the support of free trade, e-commerce in Southeast Asia has achieved a market size of approximately US$137 billion in 2023 and is expected to increase to US$380 billion in 2030[1].

E-commerce has evolved significantly from its early days. Initially, it was a simple platform where merchants listed products for sale, with commission fees ranging from 0% to 10% of the transaction price. Over time, the industry diversified, introducing subscription models that offered benefits like discounts and expedited delivery. More recently, social commerce (a branch of e-commerce that utilises social media platforms to promote and sell products) and livestream shopping have emerged. With the help of user-generated content such as photos, videos and reviews, businesses take their relationship with consumers to a deeper level.

Studies show that 65% of Southeast Asian consumers are inclined to make purchases based on the recommendations of their favourite influencers. This evolution reflects the growing sophistication of e-commerce as it adapts to technological advancements and changing consumer preferences.

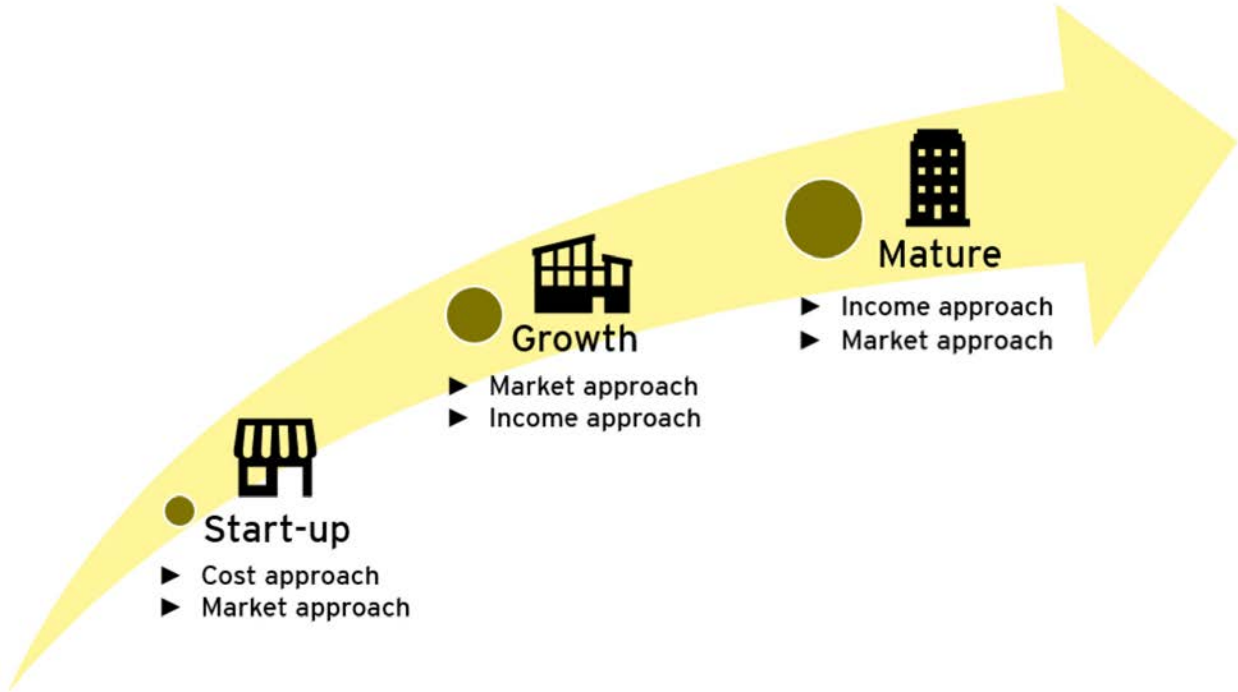
As we consider the valuation of e-commerce entities, it is essential to recognise the multifaceted nature of the industry. The rapid growth and innovation in e-commerce have not only transformed consumer shopping habits but also the investment landscape. Venture capital, private equity and public markets have shown a keen interest in the sector, with valuations often reflecting the promise of disruptive business models and the potential for scale.

However, as companies progress from their nascent stages to more mature phases, the valuation focus shifts. Investors begin to scrutinise the sustainability of growth, the efficiency of operations and the path to profitability. These factors play a critical role in shaping the methodologies used to value e-commerce businesses.

With this context in mind, we will now explore the various valuation methodologies that are applied to e-commerce companies. These methodologies must be flexible enough to account for the unique challenges and opportunities presented at different stages of a company's lifecycle, from the early days of rapid user acquisition to the later stages of operational optimisation and market leadership.

Valuation methodologies

Typically, the income approach, market approach or cost approach is being adopted as the valuation methodology of a business. The valuation methodology for e-commerce business will not be significantly different for other businesses, though e-commerce stands out as there are e-commerce businesses across the globe that are at different stages of development. Hence, the valuation methodology adopted will be performed on a case-by-case basis.



Startup stage:

- **Cost approach:** At the startup stage, the cost approach provides a baseline valuation based on the investment required to build the e-commerce business. This method focuses on the costs incurred in developing core assets, such as IT infrastructure and technology platforms and requires the capturing of all relevant development costs, including both capital expenditures and operating expenses incurred before revenue generation.

  The useful life of technology assets plays a crucial role in this approach, as it affects how quickly these assets depreciate or amortise. Shorter useful lives lead to higher annual amortisation expenses, reducing the assets' book values more rapidly. This necessitates using amortisation schedules that reflect the rapid pace of technological obsolescence. Furthermore, the valuation should also consider the value of intellectual property, such as patents, trademarks and proprietary algorithms, which can constitute critical assets for e-commerce startups.
- **Market approach:** At the startup stage, the market approach can still provide valuable insights, although it is less common at this very early phase. This approach involves comparing the startup to similar e-commerce businesses that have recently been valued or sold. The process begins with selecting comparable companies, emphasising the importance of industry relevance, business model similarity and stage of development.

  Key multiples used in this approach include Price/Sales or Price/GMV (Gross Merchandise Volume). Given that truly comparable transactions for early-stage startups are scarce, it may be necessary to broaden the set of guideline companies to include similar companies with recent funding rounds or valuations. Adjustments to these multiples are crucial to account for differences in growth rates, profit margins and market potential between the startup and the guideline companies, ensuring a more accurate valuation estimate.

Growth stage:

- **Market approach:** During the growth phase, the market approach gains prominence due to the availability of more data on revenue and user metrics. This stage sees e-commerce businesses using market-based valuation methods more effectively. Key multiples such as Price/Sales, Price/GMV and Price/User become central to the valuation process. The selection of appropriate multiples is critical and should reflect the company's specific business model – whether it is a marketplace, direct-to-consumer or subscription-based model.

  Understanding the lifecycle of e-commerce companies is also important, as multiples can vary significantly based on growth prospects and market saturation. Additionally, comparisons with recent transactions of similar companies may help gauge the company's market position and growth potential.

- **Income approach:** As e-commerce businesses enter the growth phase, the income approach starts to play a significant role. This method involves projecting future cash flows and discounting them to present value. Key factors in this approach include the company's revenue growth, profitability and operational efficiency to assess the company's potential to generate sustainable cash flows based on its growth trajectory.

  The selection of an appropriate discount rate is also essential and should reflect the specific risks associated with the e-commerce sector. Hence, for growth-stage companies, a venture capital rate of return might be used to reflect the higher risk and potential return. Scenario analysis and sensitivity testing can also be conducted to evaluate how variations in key assumptions impact the overall valuation outcome. This comprehensive approach provides a clearer picture of the company's financial prospects and risk profile.

Mature stage:

- **Income approach:** For mature e-commerce businesses, the income approach is the primary method used. This approach focuses on the company's ability to generate consistent cash flows and achieve profitability. It involves detailed financial projections and the application of a discount rate that reflects the company's risk profile.

  In mature stages, the Weighted Average Cost of Capital (WACC) is commonly used as it accounts for the company's capital structure and market risk. Additionally, estimating terminal value is crucial, considering the long-term sustainable growth rate and the competitive moat of the business. Integrating working capital management and capital expenditure planning into the cash flow projections is also important, as these factors significantly impact the company's financial health and future performance.

- **Market approach:** For mature e-commerce businesses, the market approach, while secondary to the income approach, plays a critical role as a cross-check in valuation. This method involves benchmarking the company against industry peers using valuation multiples such as Price/Earnings (P/E), Price/Sales or Price/EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation).

  The relevance of different multiples can vary based on the e-commerce business model – whether it is marketplace, direct-to-consumer or subscription-based – making it important to use a range of multiples to capture diverse aspects of the company's performance. Hence, careful consideration should be given on the selection and application of multiples to ensure that the valuation provides a well-rounded assessment of the company's worth and is reflective of current market dynamics.

Challenges and risks in valuing e-commerce businesses

Scalability

Scalability is a vital valuation driver, especially for startups. The ability to grow and handle increased GMV is essential in a landscape dominated by established players. The scalability of an e-commerce business is influenced by its geographical market as well. While e-commerce has the potential for global reach, trade tensions such as the US-China trade dispute can restrict access to certain regions.

On the other hand, companies positioned in regions with high consumer growth and internet penetration tend to achieve better valuations. Furthermore, the shift from a low-interest rate environment to higher rates may complicate access to capital for marketing and growth. In this context, businesses may leverage innovation to reduce cash burn rates and lower customer acquisition costs, enabling them to achieve the desired scalability and growth.

Consumer behaviour

Shifts in consumer preferences and purchasing habits are critical factors influencing e-commerce valuations. E-commerce businesses must continuously adapt to evolving consumer expectations, such as preferences for faster delivery, personalised shopping experiences and various payment options. Changes in consumer behaviour can significantly impact revenue and profitability. For example, if consumers shift their spending towards more sustainable or ethically sourced products, e-commerce companies that do not align with these trends may see a decline in their customer base and sales.

Additionally, trade wars can alter consumer sentiment and spending patterns by affecting product availability and pricing. Valuation must consider how well a company can adapt to these changing preferences and the potential impact on its financial performance.

Competition and market saturation

Intense competition and market saturation present significant challenges for e-commerce businesses, impacting their ability to maintain growth and profitability. As the e-commerce landscape becomes increasingly crowded, companies face pressure to differentiate themselves and capture market share. This competitive environment can lead to price wars, increased marketing expenditure and reduced profit margins. Additionally, market saturation can limit growth potential as the number of new customers and opportunities dwindles.

The introduction of new digital payment systems can also intensify competition, as consumers expect diverse payment options and seamless transactions. Valuers must account for these competitive pressures and market dynamics to provide a realistic assessment of future performance and sustainability.

Technological disruption

Technological disruption is a critical factor in e-commerce valuations, as the industry is highly dependent on continuous innovation and technological advancements. Companies must consistently update their platforms, integrate new technologies, and enhance user experiences to remain competitive. Rapid advancements in technology, such as AI, machine learning and automation, can create new opportunities while rendering existing technologies obsolete.[2] E-commerce businesses that fail to adapt to these technological changes risk falling behind, which can negatively affect their valuation. Therefore, valuers must consider a company’s ability to innovate and adapt when assessing its value.

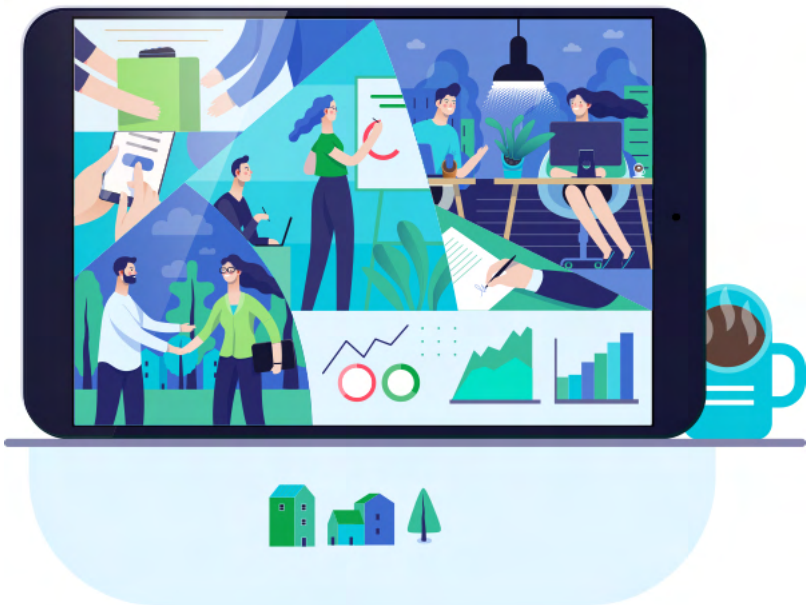
Customer retention and trust

As e-commerce businesses mature, maintaining profitability and cash flow becomes paramount. A significant focus shifts toward customer retention, as repeat purchases are critical to sustaining revenue. Challenges such as counterfeit products and fake reviews can undermine trust, necessitating investments in technology and processes to ensure a reliable shopping experience. Valuators must consider how well a business can retain customers and whether ongoing investments in technology and customer service are sufficient to uphold customer loyalty.

Founding members and key-man risks

In many early-stage e-commerce ventures, the founders or a small group of executives are often the driving force behind the company's vision, culture and operations. If these key individuals leave or their performance declines, it can result in a loss of momentum, diminished investor confidence or even operational instability. As such, understanding the succession plan and the broader management team's ability to step up and lead is crucial to mitigating this risk and ensuring the business can continue to thrive in their absence.

Complexity of capital structures



Capital structure is the combination of debt and equity used by a company to finance its overall operations and growth. For startups, the capital structure can be complex due to the variety of funding sources and instruments they may use, especially as they progress through different stages of growth, such as a mix of equity, convertible debt, preference shares and other hybrid instruments to raise capital, each with its own set of terms and potential dilution effects. Hence, it is important to carefully analyze these financial instruments to understand their potential conversions and dilution impacts, ensuring a clear picture of the company's value.

Business plan / future cash flow

Projecting future cash flow can be particularly challenging for e-commerce businesses due to the dynamic and rapidly evolving nature of the industry as well as the factors mentioned above. Given these uncertainties, e-commerce businesses must adopt flexible and adaptive forecasting techniques that account for a wide range of variables. This may include scenario planning, sensitivity analysis and regularly updating projections based on real-time data. By acknowledging and addressing these challenges, businesses can improve their financial planning and enhance their ability to navigate the complexities of the e-commerce environment.

Conclusion

Valuing e-commerce businesses involves a complex interplay of investor expectations, company performance and market conditions. From startups to mature entities, the valuation methodologies – cost approach, market approach and income approach – must be adapted to reflect each stage of development. The sector's rapid growth, technological innovations and competitive landscape present both opportunities and challenges for valuation.

Understanding these dynamics and addressing associated risks or challenges are crucial for investors, business owners and stakeholders. By staying informed about emerging trends and adapting valuation practices, stakeholders can make strategic decisions that capitalise on the evolving e-commerce landscape. As e-commerce continues to innovate and grow, ongoing assessment and flexibility in valuation approaches will be key to harnessing the sector's full potential in the digital economy.

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[1] *"Booming Social Commerce Opens New Opportunities for ASEAN Retailers," EMIS Insights Industry Report, September 2024*
[2] *EY Global: AI Trends in Internet and Social Commerce, July 2024*

Note: *The views reflected in this article are the views of the authors and do not necessarily reflect the views of the global EY organisation or its member firms.*

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Overview of IFRS 18 Presentation and Disclosure in Financial Statements

at-mia.my/2025/05/22/overview-of-ifrs-18-presentation-and-disclosure-in-financial-statements

May 22, 2025

By Sustainability, Digital Economy and Reporting Team

> **"IFRS 18 represents the most significant change to companies' presentation of financial performance since IFRS Accounting Standards were introduced more than 20 years ago. It will give investors better information about companies' financial performance and consistent anchor points for their analysis."**
>
> *Andreas Barckow, IASB Chair[1]*

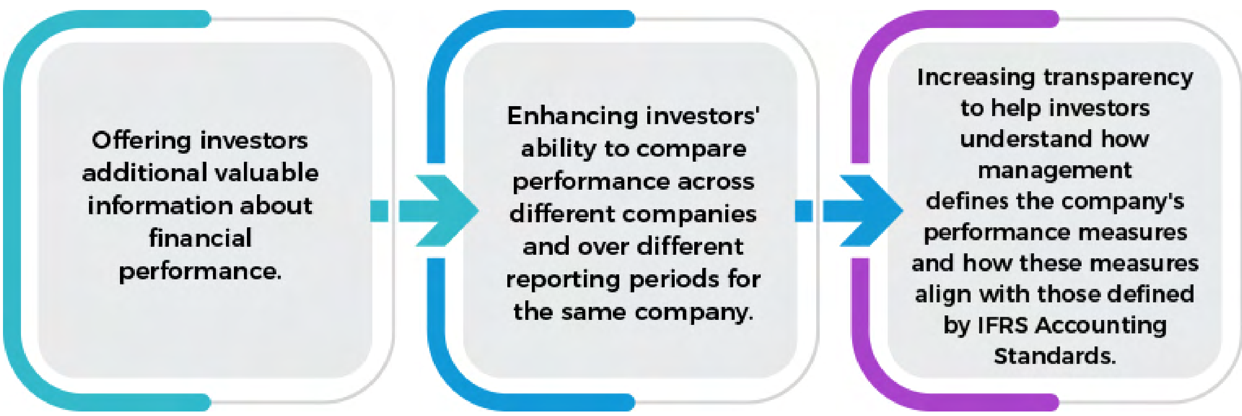
In April 2024, the International Accounting Standards Board (IASB) published a new IFRS Accounting Standard aimed at enhancing the reporting of companies' financial performance enabling better investment decisions by investors. IFRS 18 *Presentation and Disclosure in Financial Statements* will replace IAS 1 *Presentation of Financial Statements*.

The Malaysian Accounting Standards Board (MASB) issued MFRS 18 *Presentation and Disclosure in Financial Statements* in June 2024. MFRS 18 is word-for-word IFRS 18 and it will replace MFRS 101 *Presentation of Financial Statements*. MFRS 18 will become effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. MFRS 101 shall be withdrawn on the application of MFRS 18[2].

This article provides an overview of this new standard.

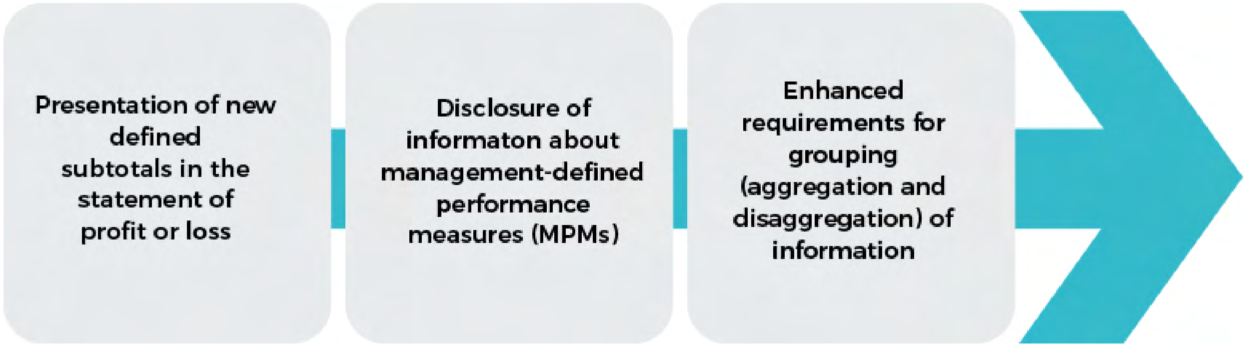
Benefits of IFRS 18

This standard aims to enhance the quality of financial reporting by[3]:



Key Changes of IFRS 18[2]

The main changes introduced by IFRS 18 relate to these areas:



Presentation of new defined subtotals in the statement of profit or loss

The following are the key changes regarding subtotals and categories:

Paragraph 69 of IFRS 18 requires an entity to present totals and subtotals in the statement of profit or loss for:

- Operating profit (or loss) – comprises all income and expenses classified in the operating category
- Profit (or loss) before financing and income taxes
  - comprises of operating profit or loss; and
  - all income and expenses classified in the investing category
- Profit (or loss)

Paragraph 47 of IFRS 18 requires an entity to classify income and expenses included in the statement of profit or loss in one of five categories:

- the operating category
- the investing category
- the financing category
- the income taxes category
- the discontinued operations category

OPERATING CATEGORY

Income and expenses that are not classified in the investing, financing, income taxes or discontinued operations categories.

INVESTING CATEGORY

Specified income and expenses from:

- investments in associates, joint ventures and unconsolidated subsidiaries;
- cash and cash equivalents; and
- other assets if they generate a return individually and largely independently of the entity's other resources.

FINANCING CATEGORY

- Income and expenses from liabilities arising from transactions that involve only the raising of finance; and
- Interest income and expenses and the effects of changes in interest rates from liabilities arising from transactions that do not involve only the raising of finance.

INCOME TAXES CATEGORY

Tax expense or tax income that is included in the statement of profit or loss applying IAS 12 *Income Taxes* and any related foreign exchange differences.

DISCONTINUED OPERATIONS CATEGORY

Income and expenses from discontinued operations as required by IFRS 5 *Non-Current Assets Held for Sale* and Discontinued Operations.

For the purposes of classifying its income and expenses into the operating, investing and financing categories as required by IFRS 18, an entity will need to assess whether it has a specified main business activity[4]. Determining whether an entity has such a specified main business activity is a matter of fact and circumstances which requires judgement[5].

Disclosure of Information about management-defined performance measures (MPMs)

IFRS 18 introduces the concept of a management-defined performance measure (MPM) which is a subtotal of income and expenses that[3]:

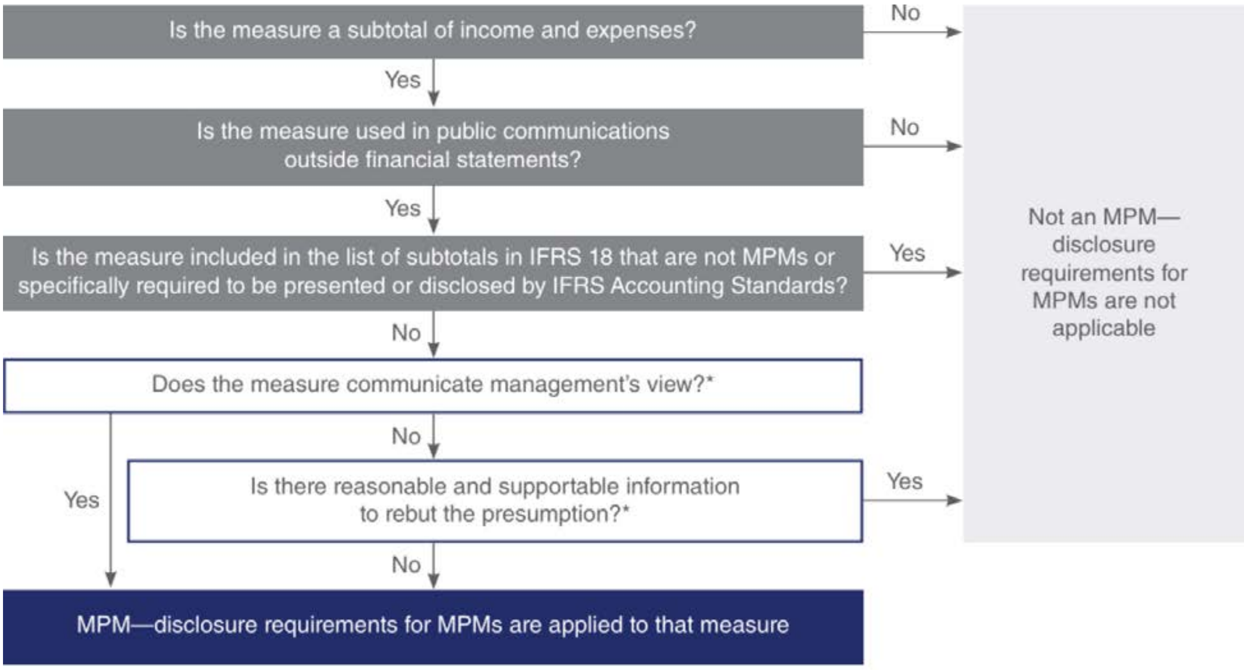
The objective of such disclosures is for an entity to provide information to help users of financial statements understand the following:

- The aspect of financial performance that, in management's view, is communicated by a management-defined performance measure; and

- How the management-defined performance measure compares with the measures defined by IFRS Accounting Standards[6].

Based on paragraph 119 of IFRS 18, an entity shall presume that a subtotal of income and expenses used in public communications outside financial statements represents management's view of financial performance. However, as stated in paragraph 120, a company is permitted to rebut this presumption if it has reasonable and supportable information demonstrating that such a subtotal does not communicate management's view.

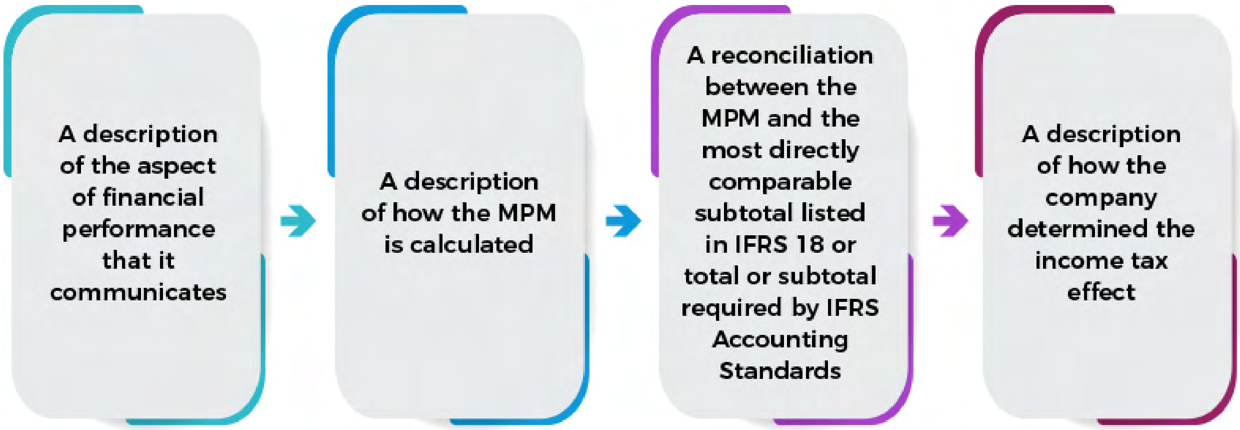
The figure below explains how to identify an MPM[7]:



* It is presumed that a subtotal of income and expenses used in public communications communicates management's view; a company is not required to consider whether to rebut the presumption.

Referring to paragraph 122 of IFRS 18, an entity shall disclose information about all measures that meet the definition of management-defined measures in paragraph 117 of IFRS 18 in a single note. This note shall include a statement that the management-defined performance measures provide management's view of an aspect of the financial performance of the entity as a whole and are not necessarily comparable with measures sharing similar labels or descriptions provided by other entities.

For each MPM, the note will include the following:

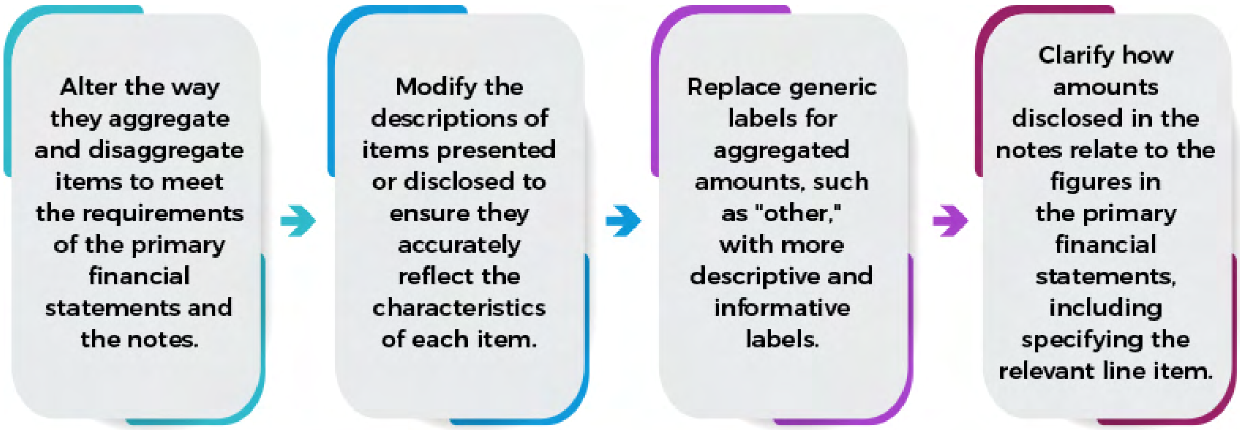


Below is the extract from the Illustrative Examples in IFRS 18 that shows an MPM reconciliation:

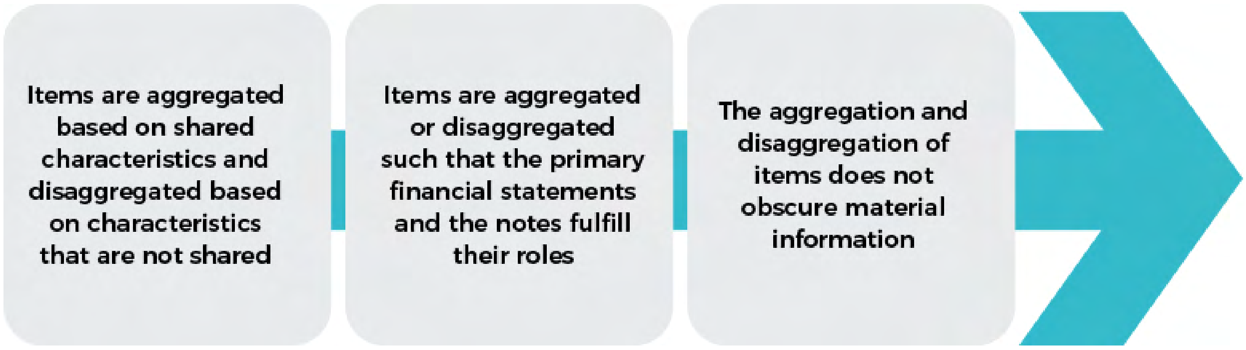
	IFRS	Adjusting items: Impairment losses	Adjusting items: Restructuring expenses	Adjusting items: Gains on disposal of property, plant and equipment	MPM
Other operating income		–	–	(1,800)	
Research and development expenses		1,600	–	–	
General and administrative expenses		–	3,800	–	
Goodwill impairment loss		4,500	–	–	
Operating profit / Adjusted operating profit	**57,000**	6,100	3,800	(1,800)	**65,100**
Income tax expense		–	(589)	297	
Profit from continuing operations / Adjusted profit from continuing operations	**32,100**	6,100	3,211	(1,503)	**39,908**
Profit attributable to non-controlling interests		305	161	–	

Enhanced requirements for grouping (aggregation and disaggregation) of information

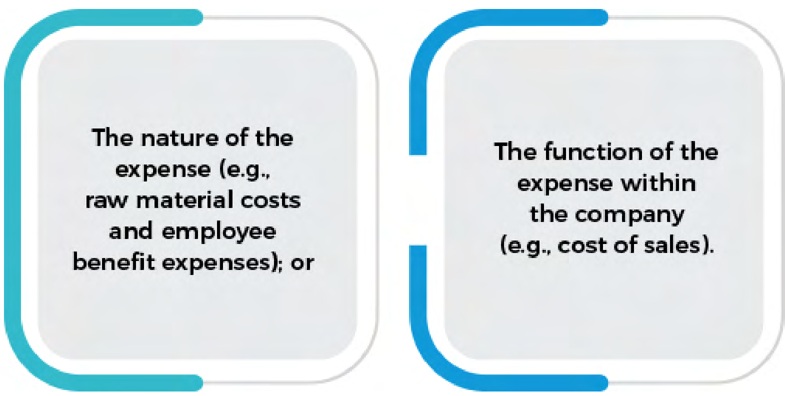
The role of the primary financial statements is to provide structured summaries of a reporting entity's recognised assets, liabilities, equity, income, expenses and cash flows, that are useful to users of financial statements[8]. The principles for grouping of information as extracted below will require companies to[9]:



Accordingly, IFRS 18 requires companies to ensure that:



IFRS 18 also requires companies to classify and present operating expenses in a manner that provides the most useful structured summary, based on the following characteristics:



A company may classify some operating expenses by function and others by nature if it results in the most informative summary of its expenses.

Below is the extract from the Illustrative Examples on IFRS 18 to illustrate the structure of the statement of profit or loss:

Statement of profit or loss	20X2	20X1	Categories[5]
Revenue	367,000	353,100	Operating
Cost of sales	(241,600)	(224,100)	
Gross profit	**125,400**	**129,000**	
Other operating income	12,200	4,100	
Selling expenses	(28,900)	(27,400)	
Research and development expenses	(25,100)	(25,900)	
General and administrative expenses	(20,900)	(22,400)	
Goodwill impairment loss	(4,500)	–	
Other operating expenses	(1,200)	(5,600)	
Operating profit	**57,000**	**51,800**	
Share of profit and gains on disposal of associates and joint ventures	5,300	7,300	Investing
Profit before financing and income taxes	**62,300**	**59,100**	
Interest expenses on borrowings and lease liabilities	(13,000)	(13,200)	Financing
Interest expenses on pension liabilities and provisions	(6,500)	(6,000)	
Profit before income taxes	**42,800**	**39,900**	
Income tax expense	(10,700)	(9,975)	Income taxes
Profit from continuing operations	**32,100**	**29,925**	
Loss from discontinued operations	–	(5,500)	Discontinued operations
Profit	**32,100**	**24,425**	

Other changes

IFRS 18 also introduced some other limited changes to presentation and disclosure in the financial statements. For example, IAS 7 *Statement of Cash Flows*, is amended to[10]:

- specify ‘operating profit or loss’ as the starting point for reconciling cash flows from operating activities; and
- specify interest and dividends paid and received should be disclosed in the operating, investing and financing categories as follows:

Cash flow item	Classification in statement of cash flows	
	Companies with no specified main business activities	**Companies with specified main business activities**
Interest received	Investing	A single category of each item – operating, investing or financing
Interest paid	Financing	
Dividends received	Investing	
Dividends paid	Financing	Financing

Entities should also comply with the requirements in IFRS 18 to determine the structure of a primary financial statement in order to provide a useful structured summary in the statement[11].

Effective date

All companies that prepare financial statements that comply with IFRS Accounting Standards are required to apply IFRS 18 retrospectively from 1 January 2027. Earlier application is permitted[12]. The application should be applied retrospectively, including to interim financial statements. In the first year of adoption, IFRS 18 mandates a reconciliation between the presentation of the statement of profit or loss for the comparative period under MFRS 101 and its presentation in the current year under IFRS 18. Interim financial statements in the first year of adoption must also include similar reconciliation requirements[13].

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[1] *"New IFRS Accounting Standard will aid investor analysis of companies' financial performance"; 9 April 2024; https://www.ifrs.org/news-and-events/news/2024/04/new-ifrs-accounting-standard-will-aid-investor-analysis-of-companies-financial-performance/*
[2] *"MASB issues new presentation and disclosure Standard to improve companies' reporting of financial performance", June 2024; https://www.masb.org.my/press_list.php?id=455*
[3] *"Effects Analysis", April 2024; https://www.ifrs.org/content/dam/ifrs/publications/amendments/english/2024/effect-analysis-ifrs18-april2024.pdf*
[4] *A main business activity of:*
a) investing in particular types of assets, referred to hereafter as investing in assets; or
b) providing financing to customers [paragraph 49 of IFRS 18]
[5] *"IASB Issues IFRS 18 Presentation and Disclosure in Financial Statements"; 10 April 2024; https://www.ey.com/en_gl/ifrs-technical-resources/iasb-issues-ifrs-18-presentation-and-disclosure-in-financial-statements*
[6] *Paragraph 121 of IFRS 18*
[7] *"Effects Analysis", April 2024; https://www.ifrs.org/content/dam/ifrs/publications/amendments/english/2024/effect-analysis-ifrs18-april2024.pdf*
[8] *Paragraph 16 of IFRS 18*
[9] *"Effects Analysis", April 2024; https://www.ifrs.org/content/dam/ifrs/publications/amendments/english/2024/effect-analysis-ifrs18-april2024.pdf*
[10] *"MFRS is Here: Redefining Financial Performance Reporting', June 2024; https://www.pwc.com/my/en/assets/publications/2024/pwc-my-mrfs-18-redefining-financial-performance-reporting.pdf*
[11] *Paragraph 22 of IFRS 18*

[12] *“Primary Financial Statements”, April 2024; https://www.ifrs.org/projects/completed-projects/2024/primary-financial-statements/*
[13] *“MFRS is Here: Redefining Financial Performance Reporting’, June 2024; https://www.pwc.com/my/en/assets/publications/2024/pwc-my-mrfs-18-redefining-financial-performance-reporting.pdf*

Part 1: Enhancing Audit Quality: Key ISQM Findings from QAP and MIA Practice Review

at-mia.my/2025/05/13/part-1-enhancing-audit-quality-key-isqm-findings-from-qap-and-mia-practice-review

May 13, 2025

The International Standard on Quality Management (ISQM) represents a paradigm shift in how audit firms approach quality management, moving from a passive, compliance-based model to a proactive, risk-based one. ISQM aims to reinforce a structured and systematic approach to managing audit quality, thereby enhancing the reliability of financial reporting and instilling greater trust in the profession.

A recent review of two firms participating in the Quality Assessment Programme (QAP) highlighted several common challenges and areas for improvement under ISQM 1 and ISQM 2. Additionally, the Malaysian Institute of Accountants (MIA) Practice Review Annual Report 2023/2024 identified key ISQM inspection findings across multiple firms, further reinforcing areas requiring improvement. These findings serve as valuable insights for audit firms looking to improve their system of quality management and ensure compliance with professional standards.

This first part of a two-part article examines these findings, emphasizing areas where firms are struggling and how they can work towards compliance.

Common Findings from ISQM Reviews

Firm's Risk Assessment Process

Under ISQM 1, firms must adopt a risk-based approach to managing audit quality. The following were among the key weaknesses observed:

- Audit firms attempted to perform the risk assessment process but fell short as certain responses to quality risks were not specifically tailored to the nature and circumstances of each firm and its engagements.
- There were cases where the audit firm's ISQM 1 manual was reproduced from other external sources/templates without being appropriately customised to align with the firm's specific profile and requirements, which hindered the firm from effectively achieving the quality objectives.

Governance and Leadership

A firm's leadership plays a crucial role in driving audit quality and fostering a culture of integrity, professional skepticism, and ethical behaviour. However, the reviews identified the following deficiencies:

- No assignment of Individual Assigned Ultimate Responsibility and Accountability for the firm's System of Quality Management.

- Some firms did not assign a specific individual responsible for overseeing ISQM implementation, which led to fragmented accountability. Concerns arise when audit firms assign an audit manager as the ethics leader, which may be inappropriate. This role requires consultation and responses on all ethics-related matters, including independence, conflict of interest, privacy and confidentiality. An audit manager may not have the necessary influence and authority within the firm to fulfil this role.
- Weak tone at the top: A culture of quality must be driven by leadership. In many cases, senior management did not actively promote quality-related initiatives.

Relevant Ethical Requirements

Firms are expected to have a policy that requires audit engagement team members to confirm their compliance with relevant independence requirements prior to the commencement of an audit engagement. Based on the inspected audit engagements, it was observed that some audit engagement team members failed to confirm their independence.

Acceptance and Continuance of Client Relationships and Specific Engagements

Some salient issues found are as follows:

- Acceptance of appointments as auditors without carrying out adequate procedures to obtain professional clearance from the previous auditors.
- Client acceptance and continuance procedures often being conducted during the audit planning stage rather than at the conclusion of the previous audit or before the start of the next audit.
- Lapses identified in the letter of engagement issued, as it did not include all pertinent terms and clauses required.

- Audit firms lacked documentation integrating the following considerations into their procedures for client acceptance and continuance assessment:
  - The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA)
  - Screening for the purpose of knowing their clients in relation to sanctioned persons, entities and Political Exposed Person (PEP) at Acceptance and Continuation/Retention stages.
  - Policies and procedures in addressing circumstances when the firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement, that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.
  - Policies for Whistleblowing, Personal Data Protection Act (PDPA) 2010 and Anti-Bribery and Anti-Corruption.

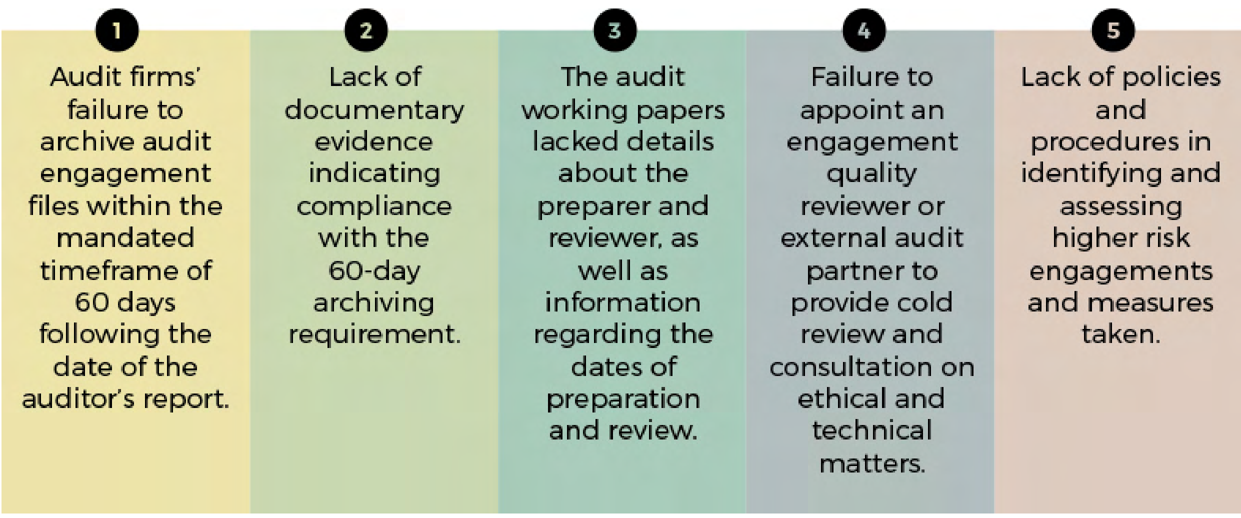
Resources

Among the key issues noted are:

- Audit firms only establishing minimum Continuing Professional Education (CPE) hours for staff who are MIA members, and neglecting to set such requirements for non-MIA member staff.
- Not keeping training records to track and monitor staff compliance with CPE hour requirements, as set out in the firm's policy.
- No policies and procedures were designed to address the quality objectives of technological resources, intellectual resources and service providers.

Engagement Performance

Some of the common findings are:



Information and Communication

There were instances where the design of the firm's policies and procedures on information and communication were not customised according to the nature and circumstances of the firm, as the performance of those policies and procedures cannot be verified.

Monitoring and Remediation Process

Effective monitoring mechanisms are critical for ensuring continuous improvement in audit quality. However, the ISQM reviews found:

- Insufficient internal monitoring activities, whereby audit firms failed to conduct monitoring reviews to assess the effectiveness of their quality management systems, including the quality of their audit engagements.
- Although certain audit firms had a policy requiring each audit engagement partner to undergo a quality monitoring review at least once every two to three years, there were cases where partners were not selected for review within the specified timeframe.
- Failure to implement monitoring and remediation processes such as Root Cause Analysis, cold review and annual inspections of ISQM 1.

The findings from the QAP and MIA Practice Review reinforce the need for firms to strengthen their governance structures, risk management processes, and monitoring mechanisms. Addressing these deficiencies is crucial to improving audit quality, maintaining regulatory compliance, and enhancing public trust in financial reporting.

A firm's ability to establish a strong ISQM framework depends not only on regulatory compliance but also on a mindset shift toward continuous quality improvement. Leadership must be actively engaged in the process, risk assessments must be tailored to firm-specific realities, and monitoring activities must be robust and proactive.

In Part 2 of this article, we will explore key recommendations from the MIA Practice Review and QAP reports, outlining actionable steps that firms can take to strengthen ISQM compliance and create a more robust quality management framework.

This is Part 1 of an article on QAP and ISQM Compliance. To read Part 2: Strengthening ISQM Compliance – Actionable Recommendations, click here.

Part 2: Strengthening ISQM Compliance – Actionable Recommendations

at-mia.my/2025/05/13/part-2-strengthening-isqm-compliance-actionable-recommendations

May 13, 2025

This is the second part of a two-part article on enhancing QAP and ISQM compliance. Previously, Part 1: Enhancing Audit Quality: Key ISQM Findings from QAP and MIA Practice Review outlined the findings from the QAP and MIA Practice Review Reports which highlight the pressing need for audit firms to reinforce their ISQM frameworks. The increasing complexity of regulatory requirements and changes in audit risks necessitate a structured and proactive approach to quality management.

Both of the aforementioned reports provide specific recommendations to help firms enhance audit quality and establish a robust compliance framework. The effectiveness of an audit firm's quality management system depends on its ability to implement structured policies, ensure accountability, and continuously refine processes in response to regulatory updates and emerging risks.

Below are the key recommendations derived from the MIA Practice Review Report 2024 and QAP reports that audit firms can take to fortify their quality management systems.

Recommendations for Enhancing ISQM Compliance Based on the Common Findings

COMPONENT	KEY CONCERNS AND RECOMMENDATIONS
Firm's Risk Assessment Process	It is imperative to recognise that each firm possesses its own distinct characteristics, rendering a one-size-fits-all approach ineffective in risk assessment. Consequently, audit firms must personalise their responses to quality risks accordingly. Audit firms should take cognisance that risk assessment is an ongoing process that necessitates periodic evaluation and adjustment to reflect changes in the firm's environment and the engagements undertaken. When changes occur, audit firms should evaluate whether additional or modified quality objectives, quality risks and/or responses are required.
Governance and Leadership	Audit firms must designate a senior partner with ultimate responsibility and accountability for overseeing the system of quality management (SoQM). In assigning roles, the firm shall determine that the individuals have the appropriate experience, knowledge, influence and authority within the firm and sufficient time to fulfil their assigned responsibility, understand their assigned roles and are accountable for fulfilling them. Accordingly, the firm must carefully consider whether the individual meets the requirements of ISQM 1 when assigning responsibilities.
Relevant Ethical Requirements	Failure to monitor the independence of audit team members poses the risk that any independence issues may go undetected and unresolved in a timely manner. Independence confirmation must be obtained from all staff involved in the audit process. However, this was commonly omitted for staff who only provide assistance to the engagement such as those involved in performing inventory sighting or interns. The responsibility for ensuring the independence of audit engagement team members lies with the audit engagement partner. Therefore, audit engagement partners should ensure that independence confirmations from team members are both timely and complete.
Acceptance and Continuance of Client Relationships and Specific Engagements	Audit firms shall communicate with the preceding auditors to determine whether there are circumstances that should be taken into account when reaching the acceptance decisions. Performing client acceptance and continuance procedures early allows auditors to make informed decisions about proceeding with the engagement. Additionally, it is crucial for audit firms to document the procedures undertaken to reach these conclusions. The auditor shall agree on the terms of the audit engagement with management. For detailed guidance, the auditor can refer to the MIA Audit and Assurance Illustrative Guides (AAIG) 1 for the standard engagement letter template. As part of the firm's policy and procedures, the firm is expected to consider the policy document issued by Bank Negara Malaysia and if applicable, ensure that any required AMLA procedures are conducted and documented accordingly.

Resources	Audit firms should prioritise continuing technical training for all levels of audit personnel and maintain thorough records to demonstrate staff compliance with the firm's policies on continuing professional development. It is essential for firms to emphasise the necessity of ongoing training in their policies and procedures, ensuring that adequate resources and assistance are provided to enable personnel to develop and maintain the required capability and competence. Setting minimum CPE hours can serve as a qualitative measure to facilitate the firm's monitoring process in compliance with the SoQM. Besides managing human resources, the firm is also required to address technological and intellectual resources, as well as service providers, in meeting the quality objectives as outlined in ISQM 1.
Engagement Performance	It is important for audit firms to ensure that all audit work to support the audit opinion is complete and documented before the audit report date and that the engagement files are assembled within the timeline required. Audit firms should implement measures to monitor the completion of the assembly of final engagement files within the time limit and any subsequent changes to the files. Pursuant to ISA 230 (9)(b)(c): *"In documenting the nature, timing and extent of audit procedures performed, the auditor shall record who performed the audit work and the date such work was completed and who reviewed the audit work performed and the date and extent of such review."*
Information and Communication	ISQM 1 (10) explains the concept of "scalability", where the firm is required to take into account the nature and circumstances of the firm and the nature and circumstances of the engagements performed by the firm in applying a risk-based approach. Accordingly, the design of the firm's system of quality management, in particular the complexity and formality of the system, will vary. The firm is required to review and revise its policies and procedures regarding information and communications to ensure they are appropriately tailored to the nature of the firm and the specific engagements undertaken.
Monitoring and Remediation Process	Audit firms are required to have designed and implemented their System of Quality Management (SoQM) by 15 December 2022 and must perform an evaluation of the SoQM by 15 December 2023. Failure to establish and execute monitoring and remediation processes could result in deficiencies in the quality of audit work performed by audit engagement teams, which may not be identified in a timely manner. Additionally, shortcomings in a firm's system of quality management may not be identified and rectified promptly. Audit firms are reminded to strictly adhere to their policies to safeguard audit quality, including ensuring that sufficient resources have been allocated to carry out quality monitoring reviews effectively.

By implementing these recommendations, audit firms can significantly strengthen their ISQM frameworks, ensuring better compliance with regulatory expectations while enhancing overall audit quality.

A proactive approach to ISQM compliance not only elevates firm-wide audit quality but also:

- Enhances the reputation and credibility of the firm.
- Reduces the risk of regulatory non-compliance and penalties.
- Improves engagement quality and client trust.
- Promotes a culture of continuous improvement in audit practices.

The insights from the MIA Practice Review and QAP reports facilitate the development of a structured roadmap for firms seeking to embed a culture of quality management. Firms that take these recommendations seriously will be better positioned to navigate the evolving regulatory landscape while upholding the highest standards of audit excellence.

To ensure ongoing success, audit firms must commit to:

- Regular training and education on ISQM principles.
- Continuous monitoring and improvement of quality management processes.
- Leveraging technology to streamline quality control and documentation.

By strengthening ISQM compliance, firms not only meet regulatory obligations but also build resilience and long-term success in an increasingly complex audit environment.

Voluntary ISQM review through the Quality Assessment Programme (QAP)

Audit firms can have their ISQM implementation reviewed by undergoing a voluntary assessment under the QAP initiative, a joint collaboration between MIA and MICPA towards promoting continuous improvement in audit quality in Malaysia. This assessment provides firms with valuable insights into their compliance with ISQM requirements and helps identify areas for improvement. Upon conclusion of the assessment, firms will receive feedback and be given a quality improvement period up to 24 months after the completion of QAP (provided the whole process starting from the audit firm's enrolment in the QAP Programme does not exceed 36 months), to implement their remediation plan. This process allows firms to address any identified gaps, enhance their quality management systems, and ultimately strengthen overall compliance with ISQM.

(**Note:** *Under normal circumstances, QAP participating firms will not be selected for practice review by MIA during the 24-month improvement period, except for firms referred by other regulators for inspection / investigation / disciplinary action or arising from a risk-based assessment.*)

Firms interested in participating are required to complete the Practice Profile Information Questionnaire by clicking here and forwarding the completed questionnaire to the SMP Department at smp@mia.org.my. This questionnaire helps QAP reviewers gain a better understanding of the firm's practice.

For more information about the QAP, please visit MIA website.

This is Part 2 of an article on QAP and ISQM Compliance. To read Part 1: Enhancing Audit Quality: Key ISQM Findings from QAP and MIA Practice Review, click here.

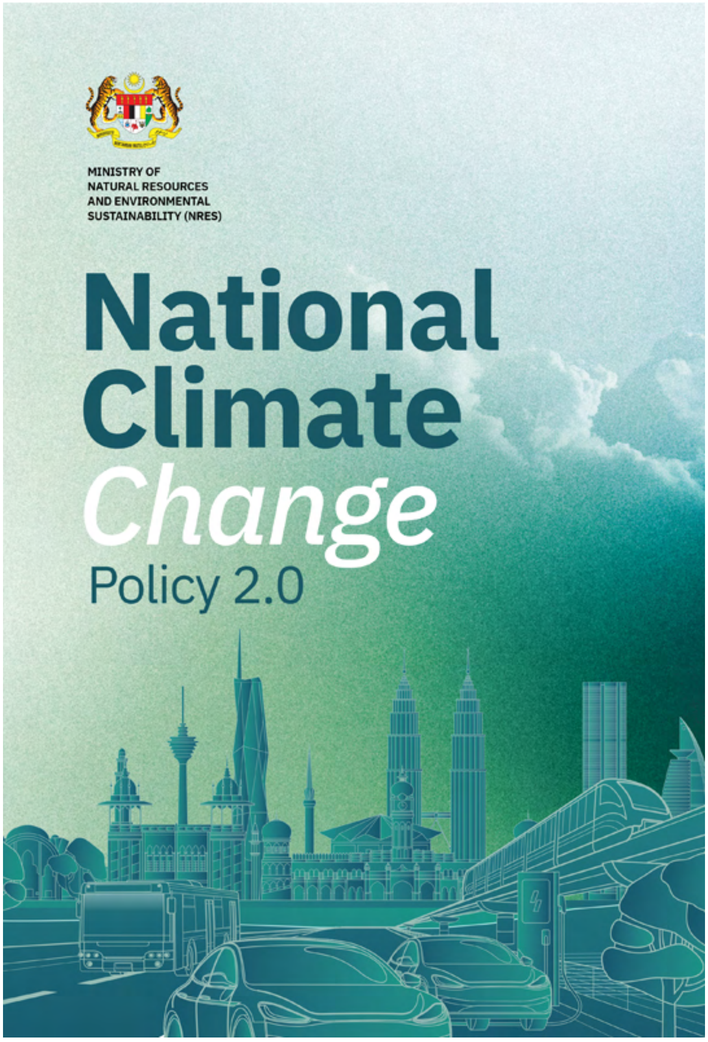
Public Sector Sustainability Reporting: Where Do We Stand?

at-mia.my/2025/06/25/public-sector-sustainability-reporting-where-do-we-stand

June 25, 2025

By Sustainability, Digital Economy and Reporting Team

Sustainability reporting plays a crucial role in helping the public sector meet its sustainability goals, aligning government efforts with broader environmental targets and enabling implementation of policies such as the National Climate Change Policy 2.0.



As a keen advocate for sustainability in business and the profession, MIA is committed to capacity and competency building in both the public and private sustainability reporting space. To advance its sustainability agenda, MIA launched the MIA Sustainability Blueprint for the Accountancy Profession in 2024, and has embarked on implementing the MIA Sustainability Roadmap (Roadmap).

A key initiative under the Roadmap was the recent webinar on *Public Sector Sustainability Reporting: Where do We Stand?* that was successfully held on 26 February 2025 and drew close to 500 MIA members. Moderated by Encik Mohamad Hamim, Executive Director, Project Management Kuala Lumpur City Hall and a member of the MIA Public Sector Accounting Committee (PSAC), the webinar featured valuable insights from Datuk Nor Yati binti Ahmad, Accountant General of Malaysia and Chair of PSAC, Datu Hajah Elean Masa'at, Sarawak Accountant General, and Puan Rasmimi Ramli, Executive Director, Sustainability, Digital Economy and Reporting of MIA.

The webinar kicked off with a presentation on the global updates of public sector sustainability reporting, followed by a panel discussion that highlighted the significance of transparency and accountability in public sector sustainability efforts. The panellists also discussed the impact of reporting on decision-making, policy development and public trust as well as the necessary steps to improve reporting practices in the future.

How Sustainability Reporting Benefits the Public Sector

According to Puan Rasmimi, sustainability reporting plays a crucial role in helping the public sector meet its sustainability goals, aligning government efforts with broader climate and environmental targets. Here are the key benefits:

- **Increased Transparency and Accountability**: Sustainability reporting enhances public sector transparency by providing clear disclosures on how sustainability risks and opportunities are managed which helps stakeholders, including citizens and investors, better understand how the government addresses its sustainability risks and opportunities.
- **Integration with Financial Reporting**: Unlike many standalone sustainability reporting frameworks, IPSASB Sustainability Reporting Standards (SRS) integrate seamlessly with existing financial frameworks, such as IPSAS (International Public Sector Accounting Standards). This integration offers a comprehensive view of both financial and sustainability performance, allowing for a holistic understanding by the primary users of general purpose financial reports.
- **Alignment with Private Sector Standards**: Public sector sustainability reporting standards align with private sector reporting standards such as IFRS S2 *Climate-related Disclosures*, enabling easier comparison of climate-related disclosures across both sectors. This alignment helps investors and policymakers make informed decisions.
- **Evidence-Based Decision Making**: Sustainability reporting generates essential data that governments can use to assess the effectiveness of their sustainability strategies. This data enables informed policy adjustments and more efficient resource allocation, driving impactful sustainability initiatives.

Supporting Malaysia's Climate Goals Through Sustainability Reporting

Datuk Nor Yati highlighted the importance of sustainability reporting in supporting government efforts to implement climate policies under the National Climate Change Policy 2.0. It enables better climate governance, supports transitions to net zero, and supports informed budget planning through financial and non-financial insights. The integration with outcome-based budgeting also enhances transparency in how public funds are allocated for green initiatives such as renewable energy and disaster risk management.

"Sustainability reporting helps ensure transparency on how government resources are allocated towards climate initiatives," said Datuk Nor Yati.

Sarawak's Post COVID-19 Development Strategy 2030 (PCDS 2030)

The Post Covid-19 Development Strategy 2030, launched in 2021, serves as a roadmap for Sarawak to achieve prosperity, inclusivity and environmental sustainability by 2030. Environmental Sustainability is one of the seven strategic thrusts under PCDS 2030, being embedded in state-wide policies, guided by the Sarawak Sustainability Blueprint. Launched in October 2024, this comprehensive blueprint outlined 10 strategic thrusts which aims to guide the state towards a sustainable future, comprising energy transition, sustainable agriculture and food security, green mobility, circular economy, sustainable manufacturing, sustainable and responsible mining, protection and enhancement of natural assets, sustainable cities, community development and eco-tourism.

Sustainability reporting plays a key role in supporting this strategy by enabling:


Post
COVID-19

Monitoring progress on goals related to economic prosperity, social inclusion, and environmental sustainability.

Tracking of carbon emissions and the impact of green initiatives such as hydrogen energy, solar power, and sustainable housing.

Aligning state policies with global standards including the SDGs (UN Sustainable Development Goals) and ESG (environmental, social and governance) frameworks.

Enhancing investment opportunities through green financing and climate-related funds.

Promoting stakeholder engagement, empowering communities, NGOs (non-governmental organisations), and SMEs (small and medium enterprises) in climate adaptation and sustainable practices.

Measuring progress toward net-zero targets and reinforcing Sarawak's role as a regional leader in sustainable development.

> "Sustainability reporting ensures our strategies are measurable, accountable and impactful," said Datu Hajah Elean.

Navigating Challenges in Implementing Sustainability Reporting Standards

Datuk Nor Yati highlighted several key considerations in implementing sustainability reporting standards such as IPSASB SRS ED S1 *Climate-related Disclosures*. One is the availability and consistency of data, as sustainability-related information is often fragmented across ministries and may not yet be verified through assurance processes. She also noted the importance of building technical capacity, particularly in linking environmental data with financial implications. As this is a new and evolving area, gradual enhancement of skills, especially among public sector accountants, will be crucial.

> *"The challenge is how to relate all those data with the financial impact—our accountants need to shift from debit and credit to data analysis,"* she explained.

Datu Hajah Elean likewise outlined key challenges in implementing sustainability reporting standards.

The main challenges include:

“With the right commitment and collaboration, these challenges can become opportunities to build stronger, more transparent reporting,” said Datu’ Hajah Elean, emphasising the potential for long-term improvement.

She further underscored the need for cross-sector coordination, legal and policy alignment, and stronger community engagement to support a successful transition toward sustainability reporting.

IPSASB SRS ED 1: Guiding Public Sector Entities Towards Climate Reporting

Puan Rasmimi highlighted how **IPSASB SRS ED 1** supports public sector entities in preparing for climate reporting, as outlined below:

- **Structured Guidance**: The ED is systematically organised beginning with scope and definitions, followed by a step-by-step guide, including a decision flowchart that helps entities determine if they should report on their operations, public policy programmes, or both. It then guides entities on the four pillars of climate-related disclosure—governance, strategy, risk management, and metrics & targets—with application guidance and illustrative examples.

- **Determining Material Information**: The ED outlines a three-step approach to identify material information:
    - **Understand the entity's context** – understand its own activities, relationships, and stakeholders, as well as the broader sustainability context, including national targets and commitments to which a subnational entity contributes.
    - **Identify actual and potential outcomes, risks, opportunities** – identify climate-related risks and opportunities to the entity's operations and assess the actual intended and unintended outcomes of its climate-related public policy programmes.
    - **Determine material information** – based on the broad identification of outcomes, risks and opportunities, determine what information is material for its primary users. Materiality requires judgments about information from a quantitative and qualitative perspective and will be unique to each entity.
- **Understand the Entity's Transitional Provisions**: To ease adoption, the ED includes transitional measures to help entities address implementation challenges.

> *"The ED provides a thoughtful, practical approach that supports public sector entities in making informed, context-specific climate disclosures,"* she remarked.

Private Sector – Navigating Sustainability Reporting Through Phased Implementation

In addressing the private sector's progress under the National Sustainability Reporting Framework (NSRF), Puan Rasmimi explained that many of the challenges faced by the private sector would mirror those in the public sector, such as data availability, capacity building, and integration across systems. Recognising these hurdles, the Securities Commission Malaysia has adopted a phased and developmental approach to support companies in implementing NSRF. The first phase of reporting is for annual reporting periods on or after 1 January 2025, with full ecosystem-wide implementation, including assurance requirements, targeted for 2027.

To overcome data challenges, private entities are increasingly relying on digital tools and automation to collect, manage, and report sustainability data. This approach enhances efficiency and ensures accuracy, particularly in the context of complex disclosures. Additionally, training and capacity building are actively being addressed through programmes offered by MIA and other institutions. Companies are also engaging external consultants to bridge expertise gaps.

Another major hurdle is Scope 3 emissions reporting, which requires close collaboration with suppliers. In addition, many companies are implementing sustainable procurement practices by prioritising vendors with strong sustainability credentials.

Role of Public Sector Accountants

Datuk Nor Yati emphasised the importance of accountants developing the required skills to prepare for public sector sustainability reporting. To ensure success, Datuk Nor Yati Ahmad highlighted the importance of capacity building and training, recommending that accountants pursue professional development in the area of sustainability.

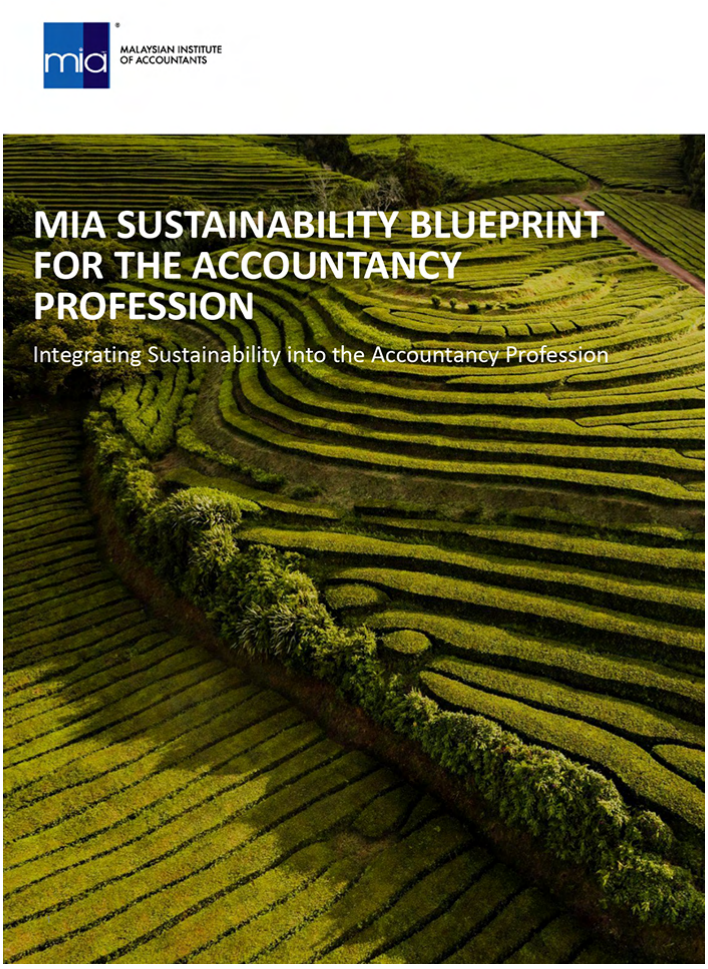
Datu Hajah Elean highlighted that accountants can help assess and prioritise sustainable investments, like renewable energy projects, by evaluating long-term costs and benefits. They also play a key role in incorporating sustainability goals into budgets, assisting in the creation of carbon budgets, and advising on securing green financing for renewable energy and sustainable forestry projects.

“Accountants can contribute by providing financial insights, risk management expertise, and promoting integrated decision-making that balances economic growth with environmental responsibility,” Datu Hajah Elean said.

In addition to financial management, accountants contribute to various sustainability initiatives, including analysing supply chain inefficiencies and supporting the transition to a circular economy. They ensure that sustainable projects are executed ethically and within financial frameworks, promoting transparency and trust. Datu Hajah Elean emphasised that accountants also play a central role in measuring the social impact of businesses, such as job creation and community development.

MIA Sustainability Blueprint and Roadmap

Puan Rasmimi explained that the MIA Sustainability Blueprint for the Accountancy Profession outlines sustainability aspirations and guiding principles, with a strong emphasis on the role accountants will play. She encouraged attendees to explore the Blueprint on the MIA's website for further details.



To enable the Blueprint's implementation, the MIA Council approved the MIA Sustainability Roadmap in January 2025, which encompasses 169 initiatives developed by sixteen MIA committees. These initiatives are structured around three main themes: capacity building, tools and guidance, and advocacy and collaboration. The MIA Public Sector Accounting Committee (PSAC), chaired by Datuk Nor Yati, is one of the key contributors to the roadmap, with several initiatives incorporated to support public sector accountants in their sustainability efforts. The Roadmap spans five years, aligning efforts across various sectors to drive the sustainability agenda forward.

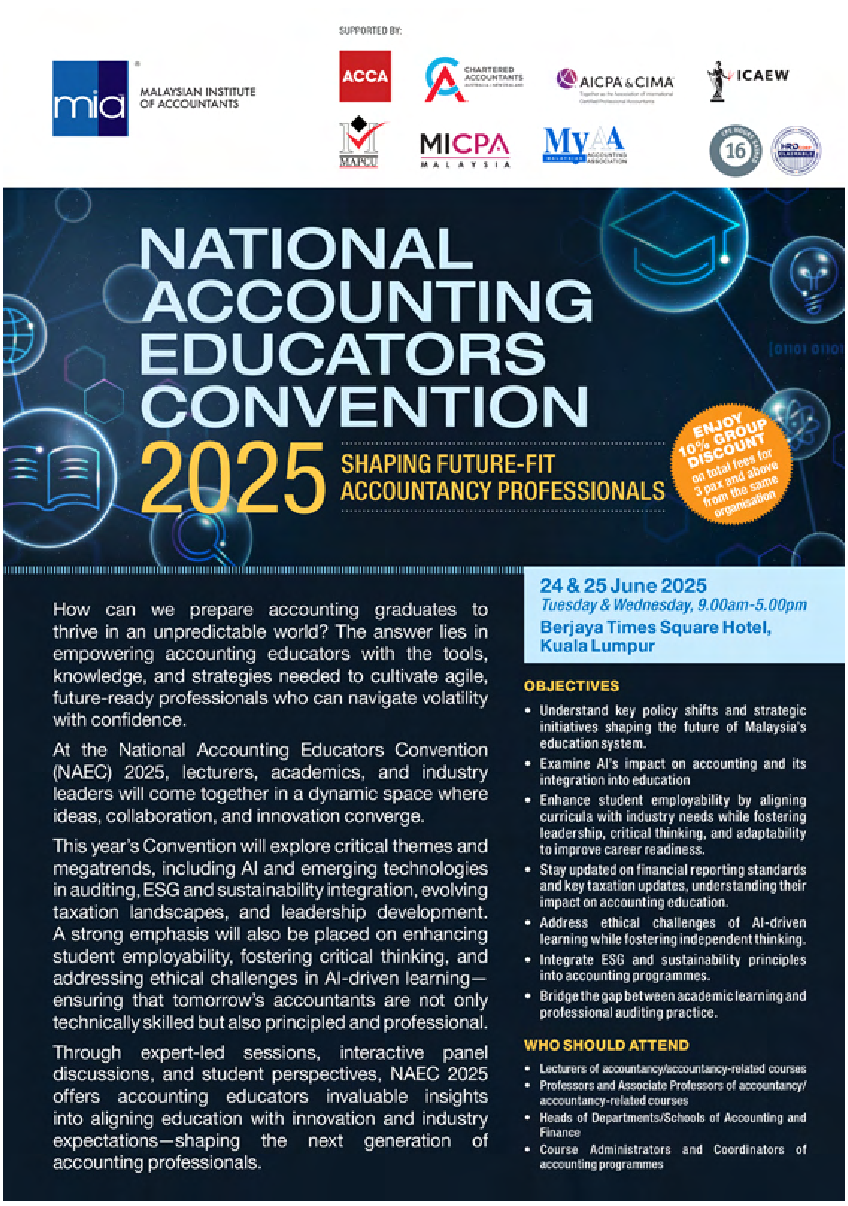
Shaping Future-fit Accountancy Professionals

May 23, 2025

Accounting educators and academicians are one of the most important segments within the profession, given their pivotal role in shaping future-fit accountancy professionals and supporting the national talent pipeline.

Bearing this in mind, MIA has carefully developed the National Accounting Educators Convention (NAEC) to empower accounting educators with the tools, knowledge, and strategies necessary to cultivate adaptable, future-ready professionals who can navigate a dynamic business environment with agility, resilience and confidence.

The NAEC 2025 will take place on **24 & 25 June 2025 at the Berjaya Times Square Hotel, Kuala Lumpur**, offering a dynamic platform for lecturers, academics, and industry leaders to engage in strategic collaboration.



What can delegates expect from the NAEC 2025? In line with the growing emphasis on digital transformation and sustainability, there will be a strong focus on the incorporation of AI and emerging technologies in auditing and accountancy practice, as well as the integration of ESG and sustainability integration in business. Equally important will be enhancing student employability, fostering critical thinking, developing leadership and nurturing ethical conduct, ensuring that the next generation of accountants are technically skilled, principled and professional.

Below is a preview of the sessions scheduled over the two-day NAEC:

Malaysia Future Education Blueprint 2026-2036: Shaping the Next Decade of Learning

This session focuses on the Malaysia Future Education Blueprint 2026-2036, offering educators vital insights into upcoming policy shifts and strategic initiatives meant to future-proof Malaysia's education system.

Malaysian Taxation: Preparing Future Accountants for an Evolving Tax Landscape

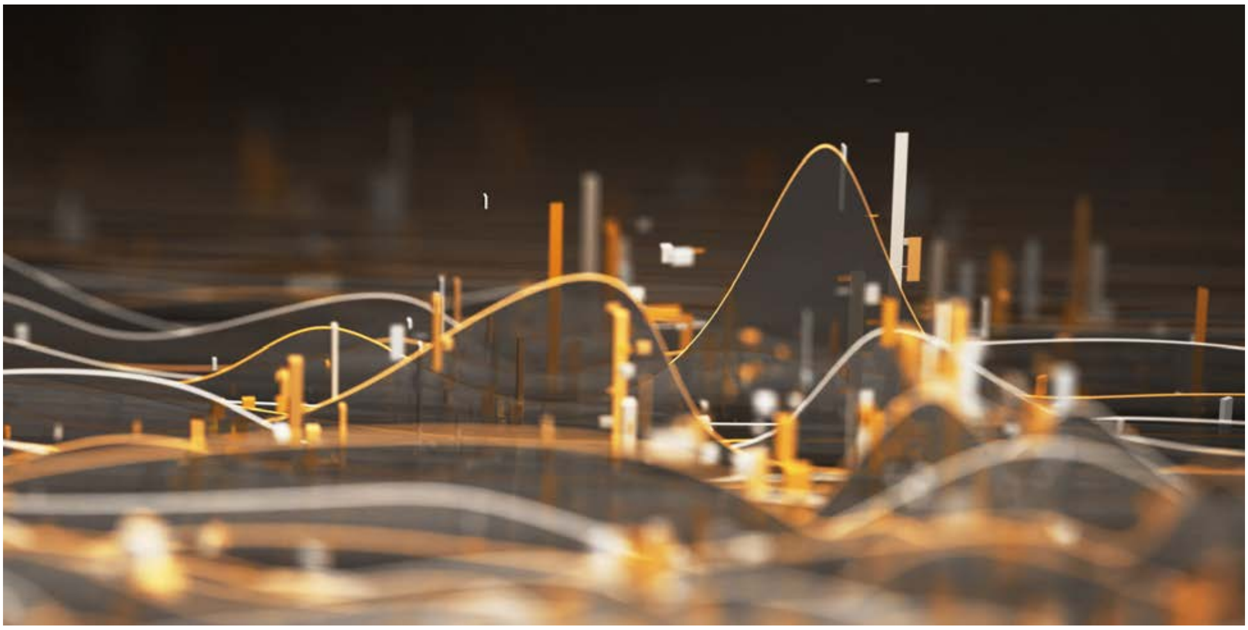
Offers insights into recent developments in Malaysian taxation, including key regulatory changes, compliance updates, and their implications for accounting education and explores practical approaches to integrating current tax developments into the curriculum.

ACCA's Global Talent Trends 2025: Insights Report

The ACCA's Global Talent Trends report explores development trends, key challenges and opportunities for future accountants and offers valuable perspectives on how these factors influence curriculum development, student employability, and the future of accounting education.

Bridging the Gap: Strengthening Audit Education Through Industry Collaboration

Explores strategies for enhancing audit education through stronger collaboration with industry, including internships, real world case studies, and mentorship opportunities. Learn how to bridge the gap between academic learning and professional practice to better prepare graduates for the demands of modern auditing.



Accounting Standards & Financial Reporting: What's Ahead?

Examine the implications of the latest developments in financial reporting standards on financial statement presentation, disclosure requirements, and reporting frameworks for different types of entities – focusing on MFRS 18, MFRS 19, and the Third Edition of IFRS for SMEs. Understand how these evolving standards affect curriculum development and how to prepare students for the changing regulatory landscape in accounting and financial reporting.

Accounting Education in the AI Era

Explore the transformative impact of AI on accounting education, the evolving role of accountants, and how educators can equip students with future-ready skills.

Balancing AI in Learning: Guiding Students to Think Beyond Chatgpt

This session discusses effective ways for educators to effectively integrate AI into coursework while encouraging originality, analytical thinking, and ethical usage of tools like ChatGPT to ensure academic integrity.

Integrating ESG and Sustainability Into Tertiary Accountancy Programmes

Gain practical guidance on embedding ESG principles, sustainability reporting, and ethical considerations and frameworks into accountancy programmes and curriculum development, in alignment with industry expectations.

The Evolving Landscape of Auditing & Sustainability Assurance: Preparing Future Ready Accounting Graduates

Explore the latest developments in sustainability assurance, including assurance frameworks, regulatory expectations, and best practices for verifying ESG disclosures, with a key focus on how educators can equip students for sustainability-focused audit roles and ethical challenges in sustainability assurance.

Hearing From Accounting Undergraduates: Our Expectations From the University

This interactive panel discussion invites accounting undergraduates to share their expectations, challenges, and perspectives on curriculum relevance, industry exposure, skill development, and career readiness, providing institutions and educators with valuable input on how to better align their programmes with student aspirations.

Masterclass – Developing Student's Critical Thinking and Leadership for Better Employability

Incorporating real world scenarios, this masterclass focuses on how educators can nurture the essential qualities of critical thinking, leadership, and adaptability to enhance problem-solving skills and boost students' employability.

For more information on the NAEC, click here.

Small Steps, Big Impact: Lessons from the TCG Pilot Programme – Building Tax Corporate Governance Before It's Mandatory

at-mia.my/2025/06/17/small-steps-big-impact-lessons-from-the-tcg-pilot-programme-building-tax-corporate-governance-before-its-mandatory

June 17, 2025

By MIA Sustainability, Digital Economy and Reporting

The TCG Pilot Programme (the Programme) carried out by Lembaga Hasil Dalam Negeri Malaysia (LHDNM) sought to align corporate tax management systems with modern regulatory frameworks while addressing challenges in compliance and reporting.

Key takeaways of the Programme are as follows:

The Programme underscores the necessity of fostering collaboration, upskilling stakeholders and integrating technology to build resilient tax governance frameworks. By adopting the following, businesses can navigate the complexities of evolving regulatory landscapes and establish robust compliance mechanisms in the future:

Enhanced Collaboration
Foster stronger public-private partnerships to create a unified and adaptive tax ecosystem.

Capacity Building
Launch targeted trainings and workshops to upskill stakeholders in regulatory compliance and digital technology adoption.

Digital Transformation
Expand the use of AI-driven tax compliance solutions to further automate processes and minimise inefficiencies with the ongoing e-Invoicing implementation.

Policy Advocacy
Encourage industry-wide discussions to influence the development of practical, innovation-friendly tax regulations.

The Programme provides vital insights into how tax authorities can better support compliance efforts while modernising processes to meet evolving economic and regulatory demands. It explores innovative strategies to simplify compliance, enhance tax governance, and reduce the administrative burden on taxpayers, paving the way for a more efficient and transparent tax environment.

The key insights of the Programme from the perspectives of tax authorities and taxpayers are set out below together with possible actions for consideration by taxpayers.

Key insights	Tax Authorities	Taxpayers	Actions for consideration by taxpayers
Enhanced risk management and improved compliance outcomes	The Programme demonstrates that structured governance models and proactive engagement could significantly enhance taxpayers' compliance rates and reduce errors.	Taxpayers participating in the Programme benefit from clearer frameworks to identify and address tax risks, reducing exposure to compliance errors and penalties.	Invest in tax systems that facilitate automation and integrate AI and analytics to improve efficiency and experience. Adopt automated compliance technologies on a timely basis to reduce errors and free up resources for strategic business activities.
Digital Transformation	Digital tools are instrumental in streamlining tax collection and reporting processes, offering tax authorities better oversight and real-time data access.	The integration of digital solutions makes compliance less labour-intensive, offering taxpayers more accurate and timely reporting while minimising costs.	
Capacity Building	The Programme reveals knowledge and capability gaps among taxpayers, emphasising the need for tax authorities to offer more tailored guidance and educational resources.	The Programme highlights areas where taxpayers could enhance their understanding of regulatory changes and leverage new technologies to their advantage.	Engage in training and workshops to stay informed about regulatory updates and emerging best practices.
Enhanced collaboration and policy advocacy	Collaboration with taxpayers and consultants highlighted the value of open dialogue in aligning regulatory expectations with practical compliance capabilities.	Partnering with tax authorities and advisors provided participants with tailored guidance and practical solutions, fostering mutual understanding and smoother processes.	Build stronger relationships with advisors and tax authorities to access timely insights and proactive support. Participate in industry discussions to voice concerns and influence tax policies that balance compliance requirements with operational practicalities

practicalities.

The Programme is in line with the enablers of the MIA Sustainability Blueprint for the Accountancy Profession, which emphasises the importance of improved governance, technological adoption, capacity building, and stakeholder collaboration within the accounting profession.

Technology in Motion: Key Insights from Survey on Technology Adoption by the Accountancy Profession in Malaysia 2025

at-mia.my/2025/06/19/technology-in-motion-key-insights-from-survey-on-technology-adoption-by-the-accountancy-profession-in-malaysia-2025

June 19, 2025

By MIA Sustainability, Digital Economy and Reporting Team

The Malaysian Institute of Accountants (MIA) has undertaken the fourth iteration of the Survey on Technology Adoption by the Accountancy Profession in Malaysia in 2025 (Survey).

Since its inception in 2017, the Survey has laid the groundwork for the launch of the MIA Digital Technology Blueprint in 2018 and shaped subsequent initiatives for the Blueprint's operational plans through the 2019 and 2022 editions. The 2022 Survey conducted in the wake of the COVID-19 pandemic offered valuable insights into how the profession responded to the accelerated pace of digitalisation brought about by unprecedented global disruption.

Now, in 2025, the fourth Survey is at a pivotal juncture—capturing the trajectory of digital progress since 2022. The findings will not only reflect how the profession is adapting to technological advancement but also support MIA in charting the next phase of strategic initiatives to strengthen digital capabilities of the profession.

The 2025 Survey conducted from 1 November 2024 to 31 January 2025 captured responses from 713 MIA members across a diverse cross-section of the Malaysian accountancy profession as shown below.

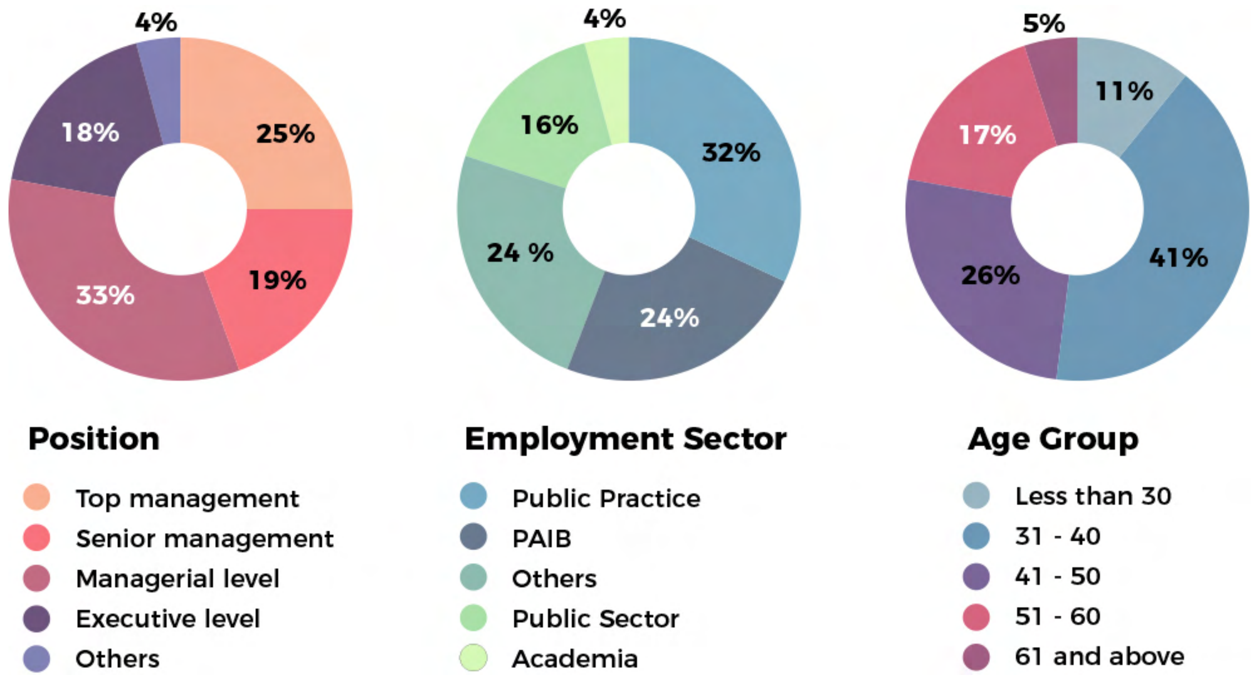


Figure 1: Demographic of survey respondents

From Adoption to Impact: How Technology Is Shaping the Profession

As the profession continues to evolve in response to rapid technological change, the 2025 Survey explored critical dimensions such as key technology trends affecting the accountancy profession, level of technology deployment and extent of impact that these technologies had on the profession.

In 2025, respondents ranked the following technologies as having a greater impact on the profession with results largely consistent with – if not slightly exceeding or falling below – those from 2022. Compared to earlier years (i.e., 2019 and 2017), the data reflects a clear upward trend, especially in mobile technologies and automation, underscoring the profession’s ongoing digital advancement. Notably in 2025, cloud computing and data standards (e.g. XBRL, the data standard for financial reporting) also ranked highly among impactful technology trends.

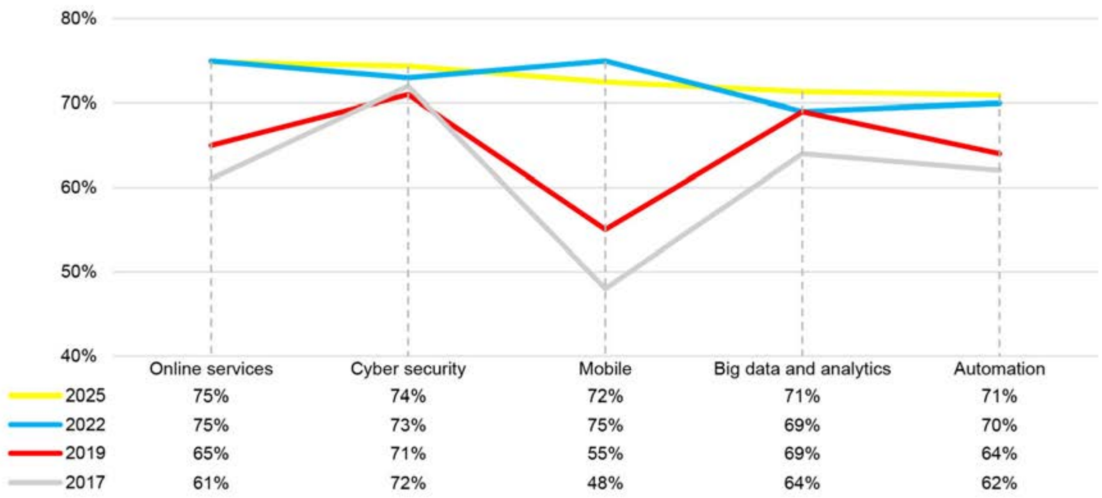


Figure 2: Technology trends impacting the profession

The Survey reveals varying stages of deployment for different technologies among the Survey respondents.

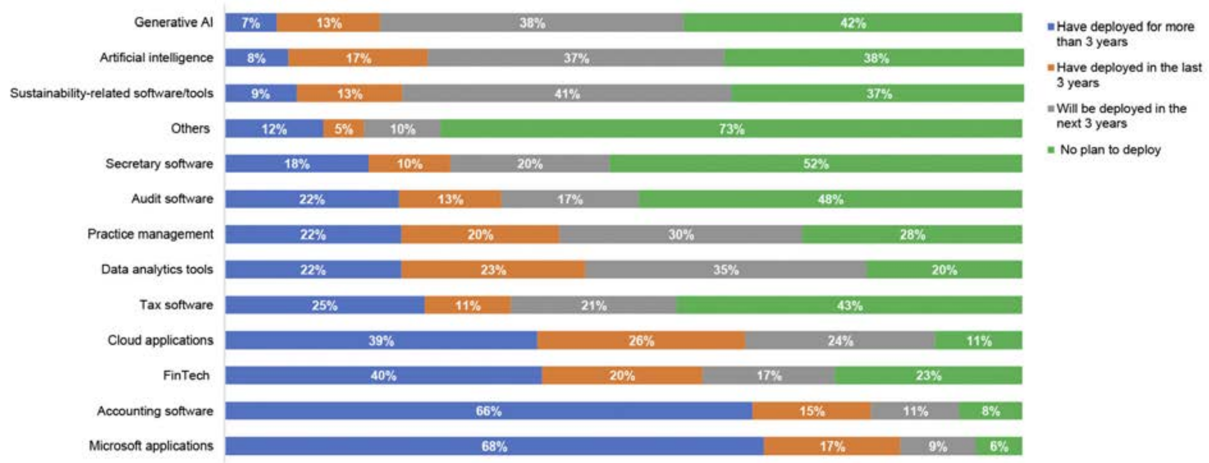


Figure 3: Levels of technology deployment

- Microsoft applications and accounting software are the most widely-deployed technologies, with 68% and 66% of respondents already using them for over 3 years.
- Cloud applications (26%) and data analytics tools (23%) show a higher percentage of deployment in the last 1-3 years compared to other technologies.
- Strong future interest exists in sustainability software/tools (41%), generative AI (38%), and artificial intelligence (37%), as many respondents plan implementation within the next three years, indicating a growing focus on these fields.

Expanding on the earlier insights into technology deployment, the following chart presents the extent of impact experienced across key sectors—Professional Accountants in Business (PAIB), Public Practice, Public Sector, and Others—following technology adoption.

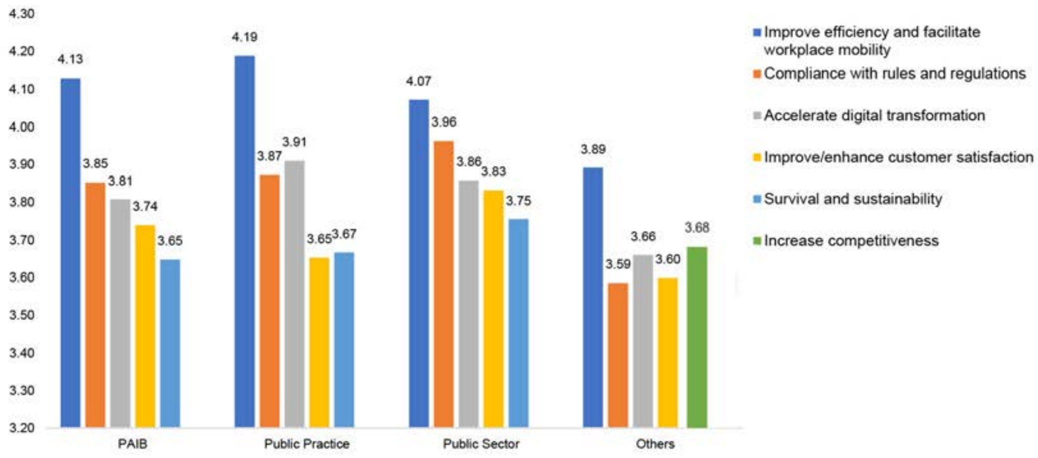


Figure 4: Level of impact experienced after adopting technology

Across sectors, 'Improve efficiency and facilitate workforce mobility' consistently ranks as having a high impact following technology adoption, notably peaking in PAIB and Public Practice. This is followed by 'Compliance with rules and regulations' and 'Accelerating digital transformation'. Conversely, in the category of Others, 'Increase competitiveness' appears for the first time as one of the top five impacts experienced by organisations after adopting technology.

State of Technology Adoption and Its Key Impediments

To provide insight into the extent of technology adoption, Figure 5 presents the stages reported by respondents in 2025, with 2022 data included for contextual reference.

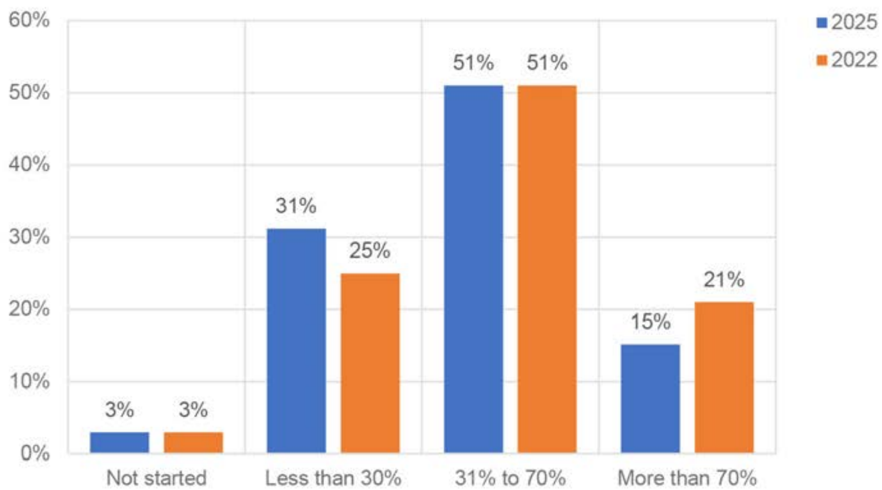


Figure 5: Stage of technology adoption

97% of respondents reported being in various stages of technology adoption, while only 3% had not commenced any adoption. This overall pattern mirrors the findings from 2022, signalling a sustained commitment to digital adoption across the profession. However, a closer look reveals a redistribution within the adoption spectrum. Notably, there is an increase in respondents at the earliest stage of adoption (less than 30%) while those in the high range (more than 70%) have declined.

Understanding the progress of technology adoption naturally leads us to consider the hurdles organisations encounter in adopting technology.

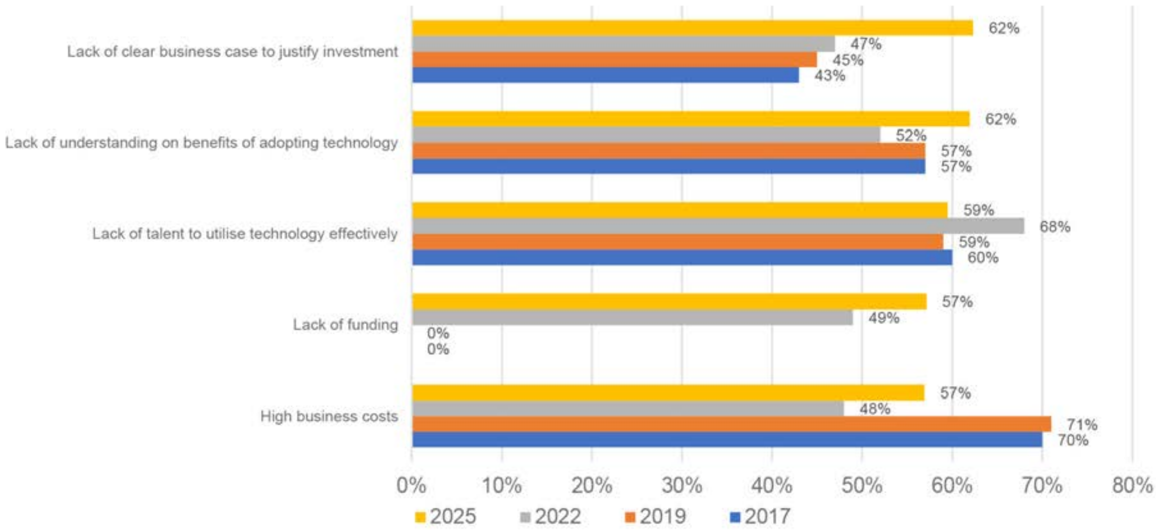


Figure 6: Barriers of adopting technology

A notable shift in the barriers to technology adoption emerged in 2025, with the absence of a clear business case to justify investment now ranked as the primary obstacle—surpassing its position in 2022. This shift underscores an increasing awareness on the importance of understanding and aligning technological investments with tangible business outcomes.

Meanwhile, ‘understanding the benefits of technology’ and ‘lack of talent to utilise it effectively’ remained as consistent barriers over the years. However, the overall results show that funding is now a lesser concern, ranking fourth among key barriers, compared to third in 2022. Interestingly, while the percentage citing high business costs increased in 2025, it has become less of a deterrent compared to 2019 and 2017 suggesting that organisations may be more willing to invest in technology. This trend is further supported by the findings of the Survey, where only 11% of respondents did not allocate any budget for technology adoption in their organisation.

The Way Forward: Strengthening the Profession’s Digital Future

The Survey findings reaffirm that digital transformation remains an essential catalyst for progress across the Malaysian accountancy profession. While the profession has made steady strides in adopting impactful technologies, the journey is far from complete.

MIA will continue to play a central role in guiding the profession through its digital evolution. Insights from the Survey will help shape upcoming strategic initiatives aimed at fostering a future-ready accountancy profession. MIA extends its deepest gratitude to the members for their valuable input and participation in this Survey. The Institute hopes that both ongoing and future digital initiatives will be instrumental in driving digital transformation for our members.

The Advent of Global Ethics Standards for Sustainability Assurance

at-mia.my/2025/06/26/the-advent-of-global-ethics-standards-for-sustainability-assurance

June 26, 2025

By the MIA Capital Market and Assurance Team

In response to the growing demand for sustainability information, the International Ethics Standards Board for Accountants (IESBA) officially launched the International Ethics Standards for Sustainability Assurance (IESSA) in January 2025. This landmark development addresses the increasing need for global ethics and independence standards that promote transparency and reliability in sustainability reporting and assurance.

The Institute, in its feedback during the exposure draft phase, expressed support for the development of ethics standards in relation to sustainability assurance as a global benchmark and viewed this development as pivotal to enhancing consistency in practices and building trust in sustainability information. Nevertheless, the response also noted that putting these standards into practice is not without its challenges.

Read the Institute's response to the exposure draft of the IESSA in full here**.**

Key features of the finalised IESSA

The IESSA introduces a new Part 5 to the Code of Ethics which is framework-neutral and profession-agnostic. This ensures its applicability to all sustainability assurance practitioners, regardless of whether they are professional accountants.

Figure 1: *Key features of the IESSA*

SUSTAINABILITY ASSURANCE **Ethics** and **Independence** provisions	
PROFESSION-AGNOSTIC STANDARDS (All Practitioners)	The IESSA is designed to be used by all providers of sustainability assurance, whether audit firms, conformity assessment bodies or other practitioners.
STAND ALONE STANDARDS (New Part 5 of the IESBA Code)	The IESSA is self-contained in Part 5 of the IESBA Code[1], and consists of customized standards recognizing and addressing the specificities of sustainability assurance engagements (SAEs).
EQUIVALENT to Provisions for Audits of Financial Statements	For SAEs within the scope of its International Independence Standards (IIS), the IESSA sets out the same high standards of ethics and independence that apply to audits of financial statements under the IESBA Code.
FRAMEWORK-NEUTRAL STANDARDS	The IESSA can be applied regardless of the framework, standards or suitable criteria used to prepare or assure the sustainability information.

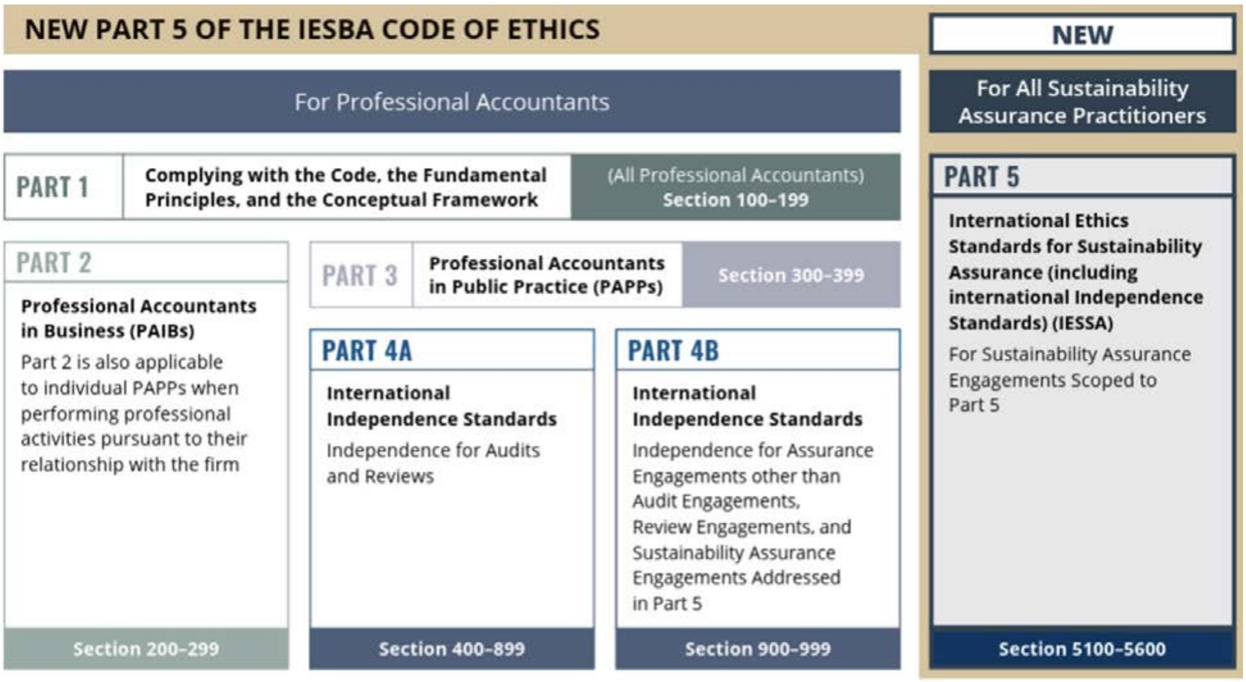
Source: Technical Overview: International Ethics Standards for Sustainability Assurance (IESSA)

The finalised standard builds on many of the core principles found in ethics and independence standards for financial statement audits but includes tailored revisions for sustainability assurance engagements. These include:

- Sustainability-specific examples of threats and safeguards.
- Independence considerations when assurance work is performed at value chain entities.
- Provisions addressing group sustainability assurance engagements.

Additionally, updates to Parts 1–3 of the Code of Ethics for professional accountants were introduced. These updates incorporate references to sustainability, which are particularly relevant for those involved in sustainability reporting. Key areas of focus include conduct to mislead or intent to mislead in sustainability reporting (greenwashing), value chain considerations, and the forward-looking nature of sustainability information.

Figure 2: *New Part 5 of the IESBA Code of Ethics*



Source: _Ethics & Independence for Sustainability Assurance_ *– Fact Sheet, January 2025, IESBA*

Revisions related to sustainability may seem limited for preparers at this point in time but the IESBA has since indicated in its 2024 – 2027 Strategy and Work Plan that it will explore the development of profession-agnostic standards for sustainability reporting beginning in 2025 as a key strategic area.

Alignment with ISSA 5000

The IESSA was developed in close collaboration with the International Auditing and Assurance Standards Board (IAASB) to ensure consistency with the International Standard on Sustainability Assurance (ISSA) 5000. Together, these standards establish a strong foundation for sustainability assurance practices globally and reinforce the importance of ethical behaviour and independence in sustainability reporting and assurance.

Implementation considerations

While the Institute supports the adoption of the IESSA, it acknowledges the challenges in achieving consistent application across diverse professional backgrounds. Practitioners already familiar with the existing Code of Ethics may find implementation more straightforward, while those who are not professional accountants may require additional training and guidance.

A key area of concern is the practical application of independence requirements to value chain entities. Since assurance clients do not have direct control over these entities, meeting independence requirements could be challenging.

To address these challenges, the IESBA will be providing support through webinars, implementation guidance and continued implementation monitoring and feedback channels to support implementation and consistent application.

What comes next

As jurisdictions around the world move to introduce mandatory sustainability reporting and assurance, the IESSA will play a key role in connecting these standards as the IESBA designed these standards to serve as a third pillar, complementing the existing reporting ecosystem along with the ISSA 5000. It reflects the understanding that ethical behaviour is imperative in ensuring the trustworthiness and integrity of sustainability information.

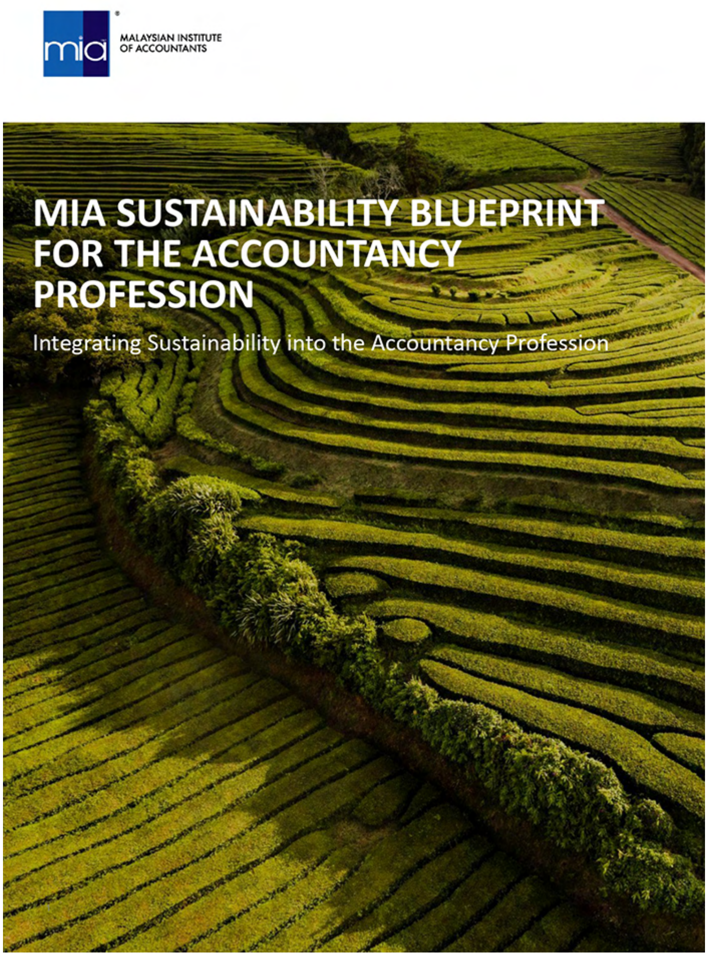
Figure 3: *The sustainability reporting, assurance and ethics ecosystem*

Source: *ISSA 5000 and IESSA: Global Baseline Standards for Sustainability Assurance, January 2025, IESBA*

At the national level, notable developments include Malaysia's launch of the National Sustainability Reporting Framework (NSRF), which will guide the country's strategy and approach in integrating sustainability into its regulatory and reporting landscape. The NSRF clarifies that the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB) will be the baseline sustainability reporting standards for listed and large non-listed companies in Malaysia.

In addition, the Institute has also launched its Sustainability Blueprint for the Accountancy Profession in June 2024. The Blueprint strives to empower accountants to align their practices with sustainability imperatives with the following objectives:

- Establish aspirations for accountants in Malaysia with regard to sustainability
- Analyse key challenges facing the accountancy profession in Malaysia based on the domestic and global sustainability landscape
- Enable accountants in the sustainability space.



The Blueprint also underscores the importance of ethics as a fundamental pillar of the profession when addressing sustainability-related matters.

The IESSA not only highlights the growing importance of ethical standards in sustainability assurance but will also guide accountants in navigating the ethical challenges of this evolving landscape. The IESSA will be effective for sustainability assurance engagements on sustainability information for periods beginning on or after 15 December 2026, with transitional provisions. At present, the Ethics Standards Board of the Institute is assessing the implementation of these standards in Malaysia.

Learn more about the IESBA's work on sustainability on their website here.

The Peer Reviewer Approval Process for Type 3 (Order 3A) Audit Firms: A Critical Step in Effective Remediation

June 10, 2025

By MIA Surveillance and Enforcement Team

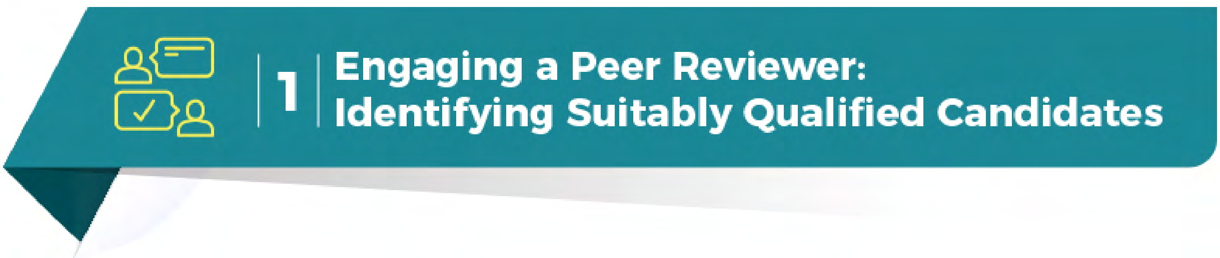
In a move to enhance audit quality and compliance, audit firms classified as Type 3 (Order 3A) are now mandated to engage a peer reviewer during a 24-month remediation process. While a Type 3 rating is considered a failure in the practice review due to audit opinions being inadequately supported by sufficient audit evidence, with severe weaknesses identified in their audit work, the audit firm is now afforded the opportunity, under Order 3A, to seek guidance and collaborate with their peers in enhancing their audit quality and addressing the identified deficiencies. This requirement is designed to guide audit firms in addressing deficiencies identified in their first practice review, ensuring that they meet the necessary standards before the next review is conducted.

The peer reviewer's role is to support the firm in its efforts to improve audit practices, align with ISQM and Practice Review Committee (PRC) requirements, and ultimately meet the necessary criteria for the firm's continued operation through a robust mechanism – that is, a comprehensive and resilient framework of policies, procedures, and internal controls that enables the firm to consistently deliver high-quality audits, adapt to regulatory changes, and effectively manage operational risk.

The Peer Review Approval Process for Type 3 (Order 3A) Audit Firms

The peer review approval process for Type 3 (Order 3A) audit firms starts when the firm receives a finalised Practice Review (PR) report from the Practice Review team, highlighting deficiencies in its audit practices. Following this, the firm is required to undergo a rectification and remedial process to address these deficiencies.

The peer reviewer acts as a mentor throughout the 24-month remediation period. Below is a breakdown of the key steps involved in the peer review approval submission process.



The first step in the process is for the audit firm to identify a suitably qualified peer reviewer. In accordance with the MIA Practice Review guidelines on Peer Reviewer's Requirements and Qualifications – the peer reviewer must be someone who has adequate knowledge and experience in audit quality management and is familiar with the MIA's standards and regulations. It is important to note that the peer reviewer must hold a valid audit license and maintain good standing.

The peer reviewer plays a vital role in assisting the firm not by taking liability for the firm's failures or deficiencies, but by providing professional and technical guidance to help the firm meet the required professional standards, legal and regulatory requirements to improve the firm's system of quality management. Furthermore, the peer reviewer must be independent and impartial, with an in-depth understanding of the audit processes and quality management systems, particularly the International Standard on Quality Management (ISQM) 1 and 2, which the firm must comply with during the remediation period following the identification of weaknesses in its audit work.

For detailed requirements of the peer reviewer, please refer to https://www.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/

2 Good Standing Declaration and Checklist

After identifying a suitably qualified potential candidate to serve as peer reviewer, the audit firm must submit a declaration of good standing as part of the application process for PRC approval. This declaration confirms that the peer reviewer meets the required qualifications and maintains good standing with MIA. It is the audit firm's responsibility to ensure that the potential candidate engaged meets these standards.

In addition to the declaration, the firm must submit a completed checklist that outlines the peer reviewer's qualifications, experience, and good standing with MIA. This checklist is an essential part of the process, as it confirms that the selected peer reviewer has the necessary credentials and expertise to guide the firm effectively through its remediation process (Note: A standard checklist will be provided to the audit firm for completion).

The firm must ensure the checklist is accurately completed, signed, and submitted to the PRC for approval. If the peer reviewer does not meet the necessary requirements or fails to provide the required documentation, the firm will need to find an alternative peer reviewer before proceeding.

While the firm is not required to wait for the final PR report to be issued before starting the remediation process, or before seeking assistance if needed to improve audit work, it is important to note that the firm has one month to submit an application for the engagement of a peer reviewer for PRC approval. It is crucial for the firm under practice review to recognise that the remediation process is continuous, and proactive steps can be taken at any time to enhance audit quality.

3 | PRC Approval of the Peer Reviewer

The submitted firm's declaration on good standing of the peer reviewer engaged via the checklist submission will then be tabled for PRC approval.

Upon approval of the proposed peer reviewer, the 24-month monitoring and remediation process shall commence and is deemed irrevocable. In the event that a change of the peer reviewer becomes necessary due to various circumstances, the remediation period shall proceed uninterrupted. The remediation period may only be extended upon the provision of valid justification, and at the sole discretion of the PRC. Accordingly, it is crucial that the initial selection process for the peer reviewer be executed with the utmost diligence and thoroughness.

It is important to note that the peer reviewer's role is advisory, and they are not held liable for any failures during the remediation process. The responsibility for ensuring the remediation process is completed successfully lies with the audit firm. Nevertheless, the peer reviewer plays a vital role in monitoring the progress of the firm, providing guidance, and offering recommendations for improving audit practices.

4 | The Role of the Peer Reviewer in the 24-Month Remediation Process

During the 24-month remediation period, the approved peer reviewer shall guide the firm's management in remedying the deficiencies and assist in formulating a root cause analysis to mitigate the risk of future recurrence. This process involves a structured series of reviews, feedback sessions, and improvements. The peer reviewer will review the robustness of the firm's quality system, ensuring that the necessary corrective actions have been implemented, in compliance with ISQM 1 and ISQM 2. In addition to reviewing ISQM 1 compliance, it is mandatory for the approved peer reviewer to review at least one of the recent audit engagement files and this review should take place after the audit has been completed and archived.

Throughout the remediation process, the peer reviewer will offer feedback to the firm, conduct regular reviews of its progress, and ensure that the firm is on track to meet the MIA Practice Review requirements. Regular updates can be provided to the firm on its progress, and adjustments will be made to the firm's processes where necessary.

While the peer reviewer has no reporting obligation to the PRC, the audit firm shall be obligated to submit its first annual progress update to the PRC, outlining the remedial actions taken and the progress achieved in rectifying any identified weaknesses, no later than 12 months from the PRC's approval of the peer reviewer.

5 | Completion of the Remediation Process and Final Review

Upon completion of the required remediation actions at the end of the 24-month period, the peer reviewer shall submit a report declaring the completion of the remediation process to the PRC. A fresh review shall subsequently be conducted by the PRD, not earlier than 24 months from the date of the peer reviewer's approval by the PRC.

A complaint shall be lodged with the Registrar against the audit license holder who subsequently fails his or her practice review.

Conclusion: The Importance of Selecting the Right Peer Reviewer

Finding the right peer reviewer is a crucial step in the remediation process for audit firms rated Type 3 (Order 3A). The peer reviewer plays a pivotal role in ensuring that the firm addresses the deficiencies identified in the initial Practice Review report, helps guide the firm towards compliance with ISQM 1 and ISQM 2, and ensures the robustness of its audit practices.

The MIA PRC introduced the peer reviewer process in response to feedback from firms that were rated Type 3. These firms had requested assistance in their remediation journey. By leveraging the expertise of a qualified and experienced peer reviewer, audit firms can improve their audit practices and strengthen their compliance with all the applicable professional standards, legal and regulatory requirements.

Ultimately, the success of the remediation process depends on the firm's commitment to the process and the selection of a qualified peer reviewer. It is essential that the firm takes the necessary steps to ensure that the peer reviewer is qualified, experienced, and in good standing with the MIA. By doing so, audit firms can work towards improving their quality management systems and ensuring that their audit practices meet the highest standards, benefitting both their clients and the auditing profession.

TNFD Emboldens Businesses to be Protectors of Biodiversity

June 26, 2025

By Phang Oy Cheng

On 19 September 2023, the final recommendations for the Taskforce for Nature-related Financial Disclosures (TNFD) were launched. The TNFD comprises 40 members representing financial institutions, corporations, and market service providers with over USD20 trillion in assets. With funding provided by several governments and organisations, the TNFD guidelines are meant to make biodiversity reporting consistent with other financial and sustainability reporting frameworks such as the International Sustainability Standards Board (ISSB) and the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. This is to ensure that a unified approach is taken in environmental, social and governance (ESG) and financial disclosures.

TNFD Disclosure Recommendations

Governance	Strategy	Risk & impact management	Metrics & targets
Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.	Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.	Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.	Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.
Recommended disclosures	**Recommended disclosures**	**Recommended disclosures**	**Recommended disclosures**
A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	**A**. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	**A(i)** Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	**A**. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.
B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	**B**. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	**A(ii)** Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	**B**. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.
C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	**C**. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	**B**. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.	**C**. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.
	D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	**C**. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	

Source: Recommendations of the TNFD

The principles of ensuring good governance include a comprehensive approach towards managing a company's impact on biodiversity and associated social issues, effecting strategic outcomes over short, medium and long term across the business model and value chain. This approach will also integrate substantively nature-related risks and impacts across the company and value chains, through the adoption of metrics and targets with clearly defined, measurable goals.

TNFD recommendations were crafted as a framework for identifying business risks and dependencies on nature, cross-utilising many other frameworks developed. For example, for companies seeking to develop goals for action, the Science Based Targets Network (SBTN) is referred to, where companies will find a specific process for setting measurable targets for areas like water and land use. However, while these guidance documents provide direction on how a company may identify goals, they do not offer specific initiatives that companies should undertake to protect biodiversity.

In essence, the TNFD recommendations, SBTN and other related guidelines recognise that context and individual circumstances matter, which reinforces the fact that one-size solutions do not exist. The intent of these guidelines is to enable companies to begin their journey of self-examination while developing appropriate strategic actions suited to their circumstances. However, the flexibility of the framework could also mean savvy reporters could pick and choose easy wins, while masking more difficult issues, as it is not mandatory for companies subscribing to the TNFD recommendations to report on all 14 recommendations. The risk of greenwashing increases when the disclosure of negative impacts is optional.

While the TNFD recommendations have achieved the initial goal of equipping businesses with a framework to assess their nature and biodiversity risks, in actual practice, the types of initiatives to be undertaken by companies to highlight their role in inhibiting biodiversity loss and stimulating ecosystem regeneration remain hazy. Nevertheless, it must be recognised that TNFD recommendations have accelerated a global dialogue among companies about the urgency of protecting the natural world. This, at least, is a step in the right direction.

While this situation remains, companies should not be discouraged from exploring various possibilities. Here are five clear actionable categories that can be leveraged to build robust biodiversity protection plans:

1. Land footprint

Leaving virgin land intact is at the heart of biodiversity conservation. Minimising the use of land for business operations entails a thorough review of existing land utilisation to identify ways to optimise. Consider the option to expand vertically instead of horizontally, which can already be seen in examples set by vertical farming. Companies whose industries are land-based can further consider reducing their land footprint by adopting innovative technologies that increase the productivity and biodiversity features of their working lands.

2. Toxicity

What happens within a value chain matters. Biodiversity conservation becomes real only when companies are able to reduce the volume of toxic chemicals throughout their entire value chains, as soil and water pollution are primary contributors to biodiversity decline. Preventive actions can include a shift towards the use of bio-based materials and investing in sustainable innovations so that biodiversity-friendly practices can be deeply embedded into the corporate blueprint.

3. Ecosystem restoration

This action encourages companies to have deeper situational awareness of how their business impacts the ecosystems within which they operate, both positively and negatively. Companies should note that their commitment towards biodiversity conservation can also be measured by the level of their community engagement. Through collaboration with local communities, including conservation groups and indigenous tribes, companies can develop specific restoration strategies designed to protect ecosystems for the long term.

4. Circular solutions

Incorporating circularity enables the integration of circular practices through the end-to-end stages of product creation, beginning from the product R&D and design process, thereby ensuring that products and systems are inherently sustainable, resource-efficient, and capable of being easily repaired, reused, refurbished, and recycled. These circularity principles can be applied across business units using ubiquitous procedures and processes.

5. Culture

Ultimately, behaviour determines the effectiveness and sustainability of the company's biodiversity conservation efforts. Instilling the right organisational culture that encourages proactive actions and rewards exploration allows employees to be positive enablers in achieving a shared ambition.

Beyond these five actionable areas, companies seeking to understand how to apply and report on the TNFD can consider the following suggestions:

Understand the requirements: While the recommended disclosures are very similar to those recommended by the TCFD, and consistent with the IFRS Sustainability Disclosure Standards, the TNFD recommendations have been developed to allow transparency and accountability in business behaviour by allowing companies to identify and incorporate nature-related risks and opportunities within their strategic planning.

Identify gaps: In understanding key areas for improvements, companies would be able to determine appropriate allocation of resources and effort. Essentially, take the initiative to learn what one knows and what one doesn't.

Value-add to nature: Understanding nature-related impacts and risks means companies would be able to put a financial value to these risks and impacts. Methodologies provided in the TNFD include Natural Capital Accounting, amongst others.

- **Data, data, data**: Data is crucial, and just as important are the metrics of measurement. Most companies will start by reviewing the depth of data being collected within the organisation; once it's understood what the risks and impacts are, then it will be easier and clearer to draw correlations between daily data collection and nature-based issues.

  Choosing the right metric depends on how a business impacts the ecosystems and is also impacted by them. Ergo, this emphasises the importance of good data quality. Thus far, there is no single metric that adequately covers ecosystem-related impacts.
- **Wholesome reporting**: Avoid the tendency to only report or overemphasise the positive aspects in an attempt to gloss over possible transgressions. Being forthright, transparent and accountable are the rules of the game in this instance. It is more important to report a company's improvement plans to meet niggly investor questions and concerns.

Preserving nature and its capacity to contribute to sustainable economic growth is a consequential challenge, bringing with it significant risks to corporate and financial stability, but also opportunities. Whether an organisation is exploring biodiversity conservation initiatives by choice or mandate, there should be a shared awareness that all companies are standing at a crossroads, and it is past time to make the important decisions that will protect our collective future.

This article is the view of Phang Oy Cheng, a member of the MIA Integrated Reporting Committee. Oy Cheng is also the Head of Sustainability Advisory in KPMG Malaysia.

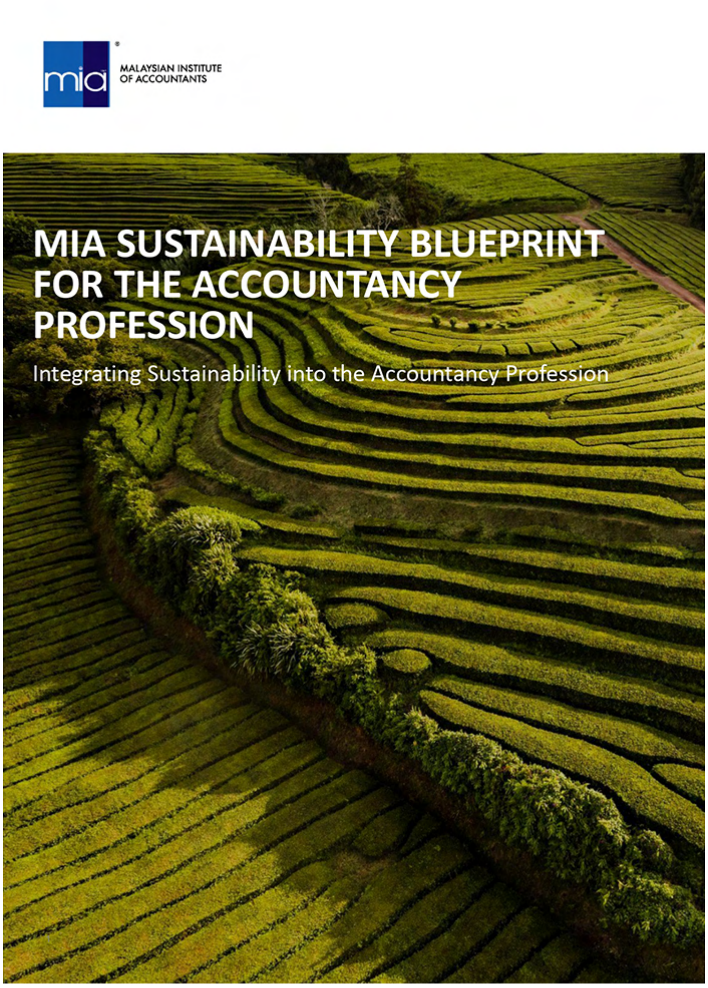
Top Five Sustainability News 2025 for Accountants

at-mia.my/2025/06/26/top-five-sustainability-news-2025-for-accountants

June 26, 2025

The Malaysian Institute of Accountants (MIA) is proactively advancing its sustainability agenda to enable future-proofing of the profession.

The MIA Sustainability Blueprint for the Accountancy Profession launched in June 2024 sets out four overarching aspirations of the accountancy profession on sustainability. For each sector of the accountancy profession, namely – commerce and industry, public practice, public sector and academia, a set of competencies (referred to as 'guiding principles' in the Blueprint) has been identified to help accountants build their skills in sustainability, with three maturity levels – foundation, intermediate and advanced. The competencies include having understanding and knowledge of sustainability concepts and advocating sustainability.

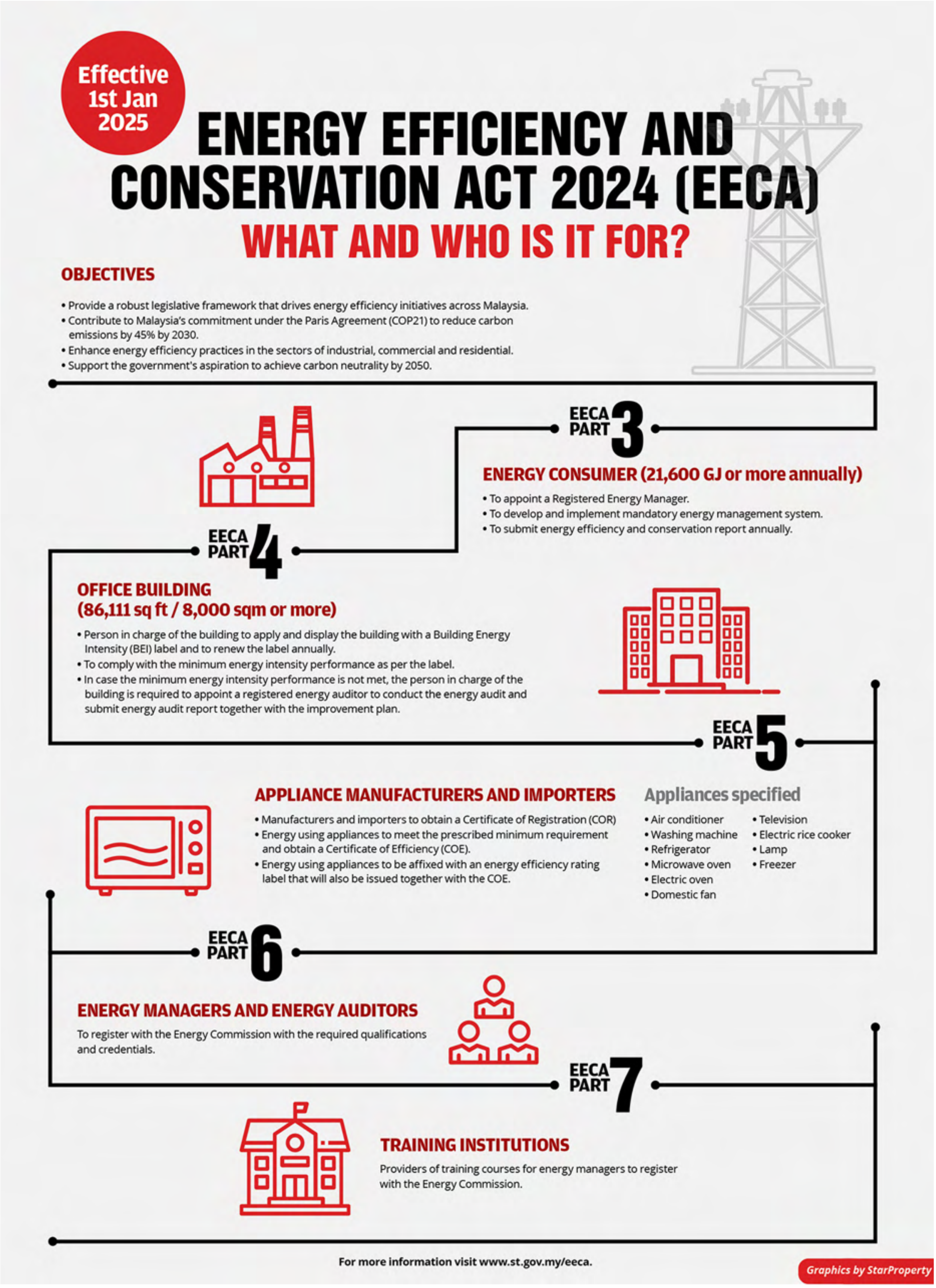


As MIA embarks on its role in advocating sustainability within the profession, it has developed the MIA Sustainability Roadmap to facilitate the implementation of the Blueprint. Based on the aspirations and guiding principles set out in the Blueprint, 169 initiatives were grouped into three themes – capacity building, tools and guidance, as well as advocacy – to be implemented across 3 phases from January 2025 to December 2029.

As part of capacity building efforts set out in the Roadmap, MIA has curated the top sustainability news since January 2025 to enable accountants to stay updated on the latest trends and regulations.

Energy Efficiency Act (EECA) 2024

The Energy Efficiency and Conservation Act (EECA) 2024 was enacted to regulate the efficient consumption and conservation of energy in Malaysia. The Act, effective January 2025, aims to improve energy efficiency across various sectors, reduce energy waste, and support the country’s environmental goals, including carbon neutrality by 2050. The Act applies to large energy consumers, specific buildings, and energy-using products, setting out the roles and responsibilities of stakeholders to ensure compliance with energy efficiency standards.



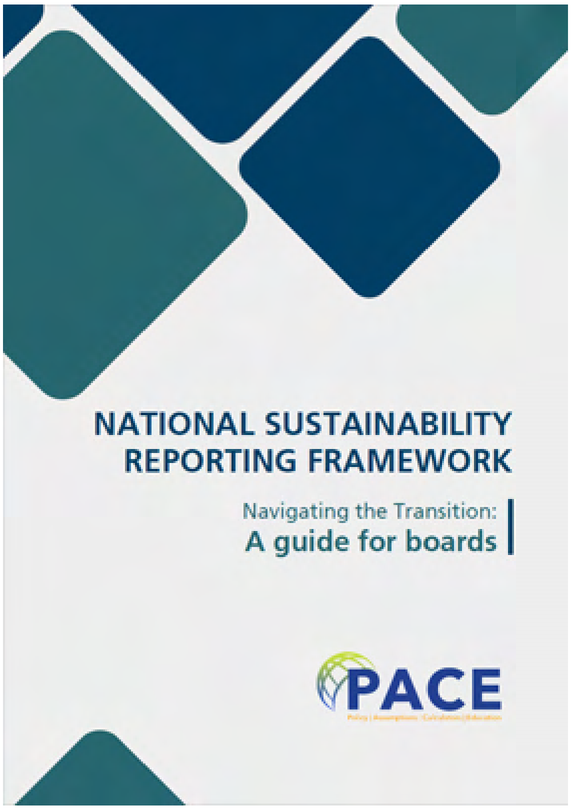
The Energy Commission is responsible for overseeing the implementation of the EECA 2024. Its functions include advising the Minister on energy efficiency policies, recommending laws and measures, promoting private sector investments, setting energy efficiency targets, and enforcing regulations. The Commission also has the power to conduct studies, audits, and research, as well as to publish information and statistics related to energy efficiency[1].

The Act promotes public awareness and education on energy conservation and calls for active participation from public and private sectors. The Act marks a significant step in Malaysia's journey toward energy security, emissions reduction, and a more sustainable economy.

The Act can be accessed here.

Guidance for boards in implementing NSRF

The Securities Commission Malaysia (SC) released a new guide under the National Sustainability Reporting Framework (NSRF) to help boards of directors enhance their strategic oversight and governance of sustainability reporting.



The guidance provides boards of directors with simplified and actionable steps on key areas such as governance, sustainability data boundaries, financial impact assessments, and integration with enterprise risk management systems[2]. It has been developed in alignment with the global standards – IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, and emphasises the importance of transparency, accurate disclosures, and board accountability.

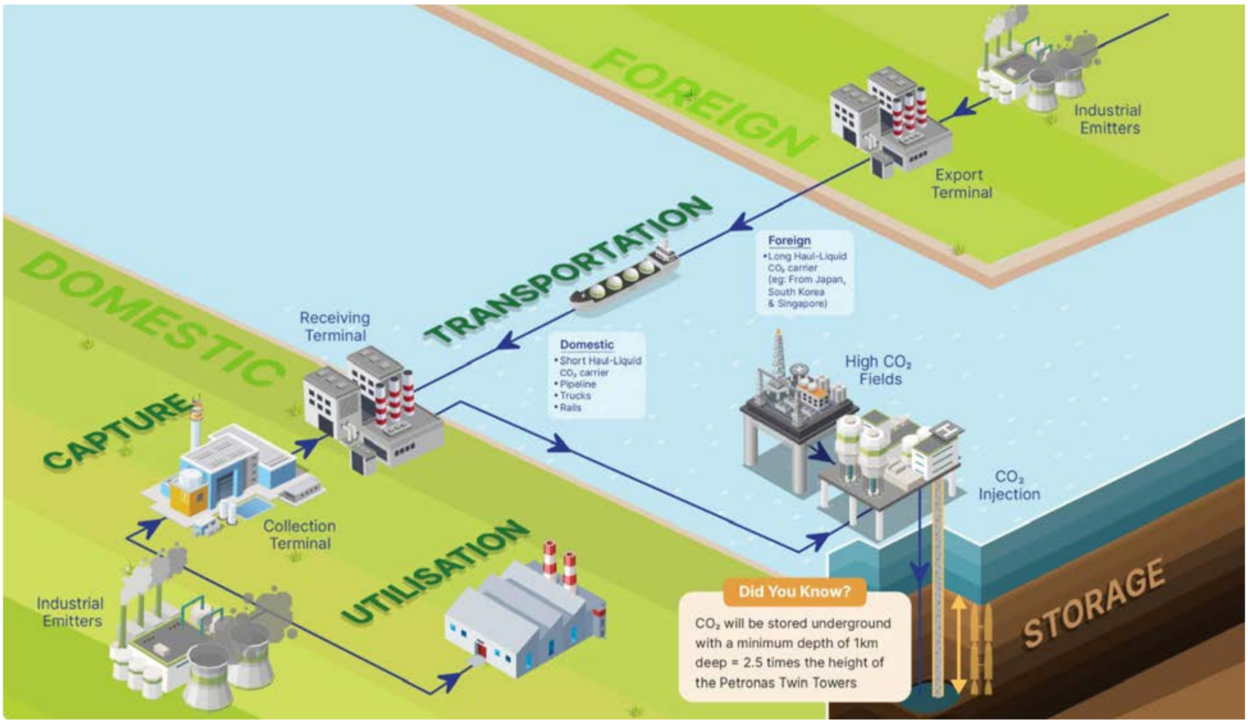
SC Chairman Dato' Mohammad Faiz Azmi said, "The NSRF is not a compliance tool, but a blueprint for embedding sustainability in corporate decision-making."

The guidance is available here.

Carbon Capture, Utilisation, and Storage (CCUS) Bill 2025

Dewan Rakyat has approved the Carbon Capture, Utilisation, and Storage (CCUS) Bill 2025 on 6 March 2025, paving the way for a regulated carbon capture industry and reinforcing the nation's commitment to a low-carbon future.

The Bill provides for the creation of a dedicated CCUS Agency to oversee licensing, regulation, and safety of carbon storage operations, both onshore and offshore in Peninsular Malaysia and Labuan[3]. It mandates strict environmental monitoring to mitigate risks and aligns national standards with global practices to enhance investor confidence.



Positioning Malaysia as a regional hub for CCUS, the legislation is expected to attract significant foreign and domestic investment in carbon mitigation technologies.

The Bill will proceed to the Dewan Negara for further deliberation before receiving royal assent.

Read more about CCUS here.

ASEAN Simplified ESG Reporting Guide

The ASEAN Simplified ESG Reporting Guide for small and medium enterprises (SMEs) in Supply Chains (ASEDG) was launched on 12 April 2025 by the ASEAN Capital Markets Forum (ACMF) on the sidelines of the ASEAN Finance Ministers and Central Bank Governors Meeting in Kuala Lumpur.

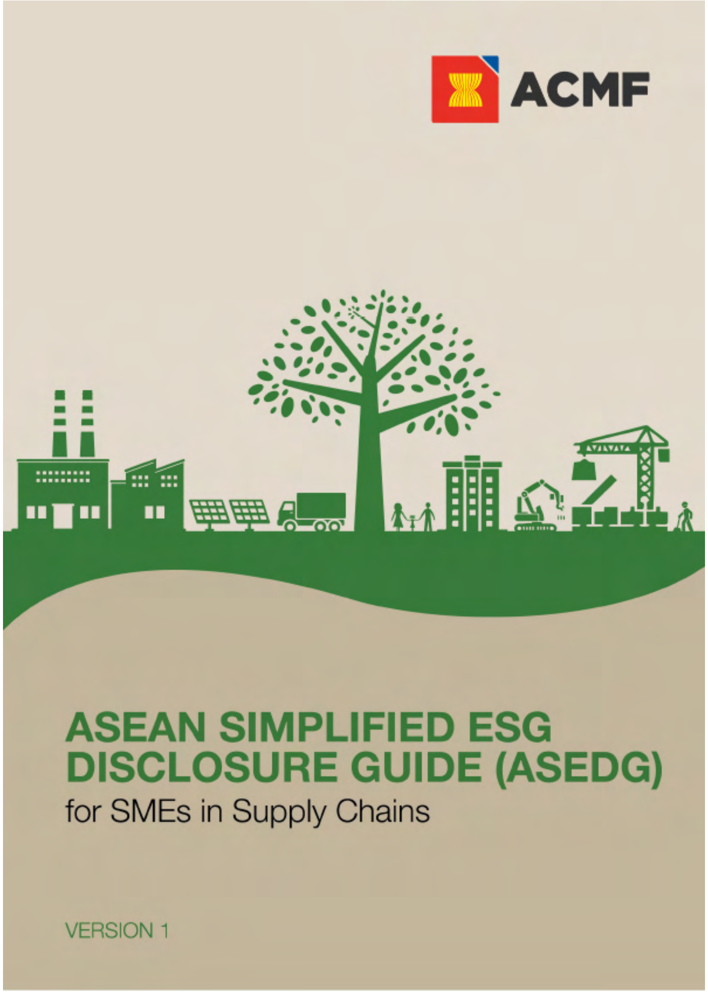
The Guide simplifies environmental, social and governance (ESG) disclosures by focusing on key material topics relevant to SMEs, and includes practical templates, sample key performance indicators, and illustrative examples. It promotes voluntary reporting to encourage early ESG adoption, even in the absence of regulatory mandates[4].

To further support implementation, the guide is complemented by training resources and toolkits aimed at building SME capacity for sustainable business practices.

It has 38 priority disclosures that SMEs can consider tracking and reporting against, categorised as basic, intermediate and advanced.

Dato' Mohammed Faiz Azmi, Chairman of the SC said that "they are pleased to initiate the development of this guide as a valuable contribution to ASEAN counterparts."

The Guide is available here.



ISSB proposes relief for financial institutions on Scope 3 emissions reporting

On 28 April 2025, the International Sustainability Standards Board (ISSB) proposed a relief measure via an Exposure Draft (ED) proposing targeted amendments to IFRS S2 that would provide reliefs to ease application of requirements related to the disclosure of greenhouse gas (GHG) emissions[5].

Aimed at easing the burden of Scope 3 emissions reporting for financial institutions, in response to widespread challenges in tracking financed emissions, these proposed amendments are to help companies apply the Standard while retaining the decision usefulness of information provided to investors.

The relief targets key financial sectors such as banking, asset management, and insurance, which face complex reporting requirements related to financed emissions. Public consultation is underway to solicit industry feedback and ensure the practicality of the measure.

"As a market-focused standard-setter, we have taken steps to respond in a timely manner by proposing targeted amendments helping preparers where possible, without causing too much disruption and ensuring that our Standards continue to enable the provision of decision-useful information to investors," said Sue Lloyd, ISSB Vice-Chair.

The ED can be accessed here and is open for public comments until 27 June 2025.

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[1] *https://www.st.gov.my/eng/microsites/index/19/106*
[2] *https://www.sc.com.my/resources/media/media-release/sc-release-nsrf-guidance-to-help-companies-board-of-directors-drive-sustainability-reporting*
[3] *https://theedgemalaysia.com/node/746993*
[4] *https://www.businesstoday.com.my/2025/04/12/launch-of-asean-simplified-esg-reporting-guide-for-smes/*
[5] *https://esgnews.com/issb-proposes-relief-for-scope-3-reporting-requirements-in-financial-sector/*
