

THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

# accountants today

Nov - Dec 2017  
Vol. 30 No. 6

## EXPANDING HORIZONS

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### MIA'S MISSION

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Section 6 of the Accountants Act 1967 (the Act) states that the functions of the Institute shall be:

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- To provide for the training and education; by the Institute or any other body, of persons practising or intending to practice the profession of accountancy;
- To approve the MIA Qualifying Examination (QE) and to regulate and supervise the conduct of that Examination;
- To regulate the practice of the profession of accountancy in Malaysia;
- To promote, in any manner it thinks fit, the interest of the profession of accountancy in Malaysia;
- To render pecuniary or other assistance to members or their dependents as it thinks fit with a view to protecting or promoting the welfare of members; and
- Generally to do such acts as it thinks fit for the purpose of achieving any of the aforesaid objectives.

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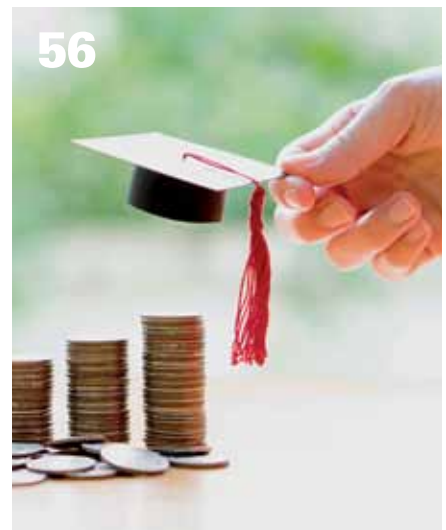
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## Contact us

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## CARPE DIEM

2018 is on the horizon, and this is an opportune time to share MIA's key 2018 resolutions with all our members.

First and foremost, I would like to reassure members that through thick and thin, good and bad, MIA will be backing you. If 2017 was a rollercoaster ride, we anticipate that 2018 will be even more challenging as more digital, social, economic, and environmental disruptions, etc. come thick and fast. Although we cannot forecast the future, what we can do is prepare ourselves to seize potential opportunities and manage the risks. As the regulator of the profession in Malaysia, MIA will do our best to guide our members through the maze of changes, and to equip our members with the skills to weather the disruptions.

This is exactly the message shared in our cover story on Expanding Horizons. Our narrative explains the impacts of digital – automation, robots, Industry 4.0, etc. – on accountants and the profession as the partners and advisors to business. Importantly, it distills the advice of thought leaders in the global and local profession and business. The top nuggets of wisdom? Accountants must keep learning, unlearning and relearning to remain relevant and create value for our clients, partners and stakeholders. Do not fear the rise of the robots, because automation will free up accountants to become more productive. As robots replace the more mundane and routine accounting tasks, and data analytics become more mainstream, accountants will be able to leverage such tools to provide higher-quality services that utilise critical thinking, professional scepticism and ethical value judgements. Given that the core of MIA's business model is learning and development, we will continue to design and deliver the most relevant and up-to-date programmes to ensure that our members

are globally competent and relevant in the unfolding digital economy.

Second, among accountants' core responsibilities is to manage risks and ensure governance and confidence and trust, even as new developments and regulations emerge. Appropriately, this issue highlights innovation risks and cybersecurity risks, which are two of the top risks for businesses and organisations everywhere. Best-selling author and business coach Andrew Grant spoke on innovation in a special session at the recent 2017 MIA Capital Market Conference,

while Standard Chartered CIO Dato' Arif Siddiqui discussed cyber risks at the MIA Corporate Board Symposium 2017. While it is not the same as being there in person, we are pleased to share the essence of their talks; while both innovation risks and cyber risks are different, the key success factors to managing these risks are your culture and your people.

No matter how clever your systems, your tech and your robots, ultimately people are the ones who make or break a business or an organisation.

Thus, the message that I am stressing here is that: at MIA, public interest matters; our members matter. Even as we shift the spotlight onto digital and tech in 2018, we are doing so to strengthen our members' capacity and capabilities. Tech and digital are means to an end. Everything that MIA does is strategically orchestrated to achieve the development and enhancement of the members and the profession, and thus contribute to our purpose of nation-building. So, I urge all our members to take advantage of all of MIA's learning and development initiatives in 2018 and beyond, in order to become more productive, relevant, sustainable and successful. Carpe diem! ■

**DO NOT FEAR  
THE RISE OF THE  
ROBOTS, BECAUSE  
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*Happy Reading!*

## ARTICLES OF MERIT AWARD 2018

Calling all PAIBs who want to air their views! MIA is always committed to unearthing deserving talent, and this time around we are organising the Articles of Merit Award 2018.

The Award offers two categories to cater for all Professional Accountants in Business (PAIB) in Malaysia. This year the PAIB Committee is introducing two categories of articles: one, for short articles of not more than 1,500 words and two, for long articles of not more than 5,000 words.

We are looking for articles that are of high quality, current and applicable to today's vibrant environment in which you operate. The submissions should fulfil the requirements of the terms and conditions of the Award.

Please visit the following MIA website link for further information: [http://www.mia.org.my/v1/psp/paib/activities/terms\\_and\\_conditions.aspx](http://www.mia.org.my/v1/psp/paib/activities/terms_and_conditions.aspx)

# TO A BETTER 2018

**PRESIDENT SAYS** | SALIHIN ABANG

Dear members, 2017 has been a truly momentous and memorable year for the Institute. We charted several significant milestones as we sought to transform the profession to be more vibrant and relevant in the new digital era.

One of our high points in 2017 was certainly our Golden Jubilee. MIA's 50th Anniversary fell on 30 September 2017. The Institute celebrated the occasion with not just one, but an entire series of initiatives spanning the entire year, culminating in a grand Gala Dinner graced by His Royal Highness the Sultan of Perak.

I believe that our Golden Jubilee celebrations really underscored MIA's refreshed direction as the change agent and thought leader for the profession in Malaysia. A key highlight was our Golden Jubilee commemorative lectures, which brought together three notable thought leaders from corporate and regulatory to share how they thought the profession could do more to uphold our perennial values of Integrity, Accountability and Trust. The Golden Jubilee also featured exciting competitions to unearth fresh young talent and to position the profession as the career and calling of choice for aspiring accountants. Last but not least, our excursions to Mount Kinabalu and Penang Hill cemented the camaraderie and connections between members. We want to be an inclusive profession where all accountants can feel a sense of belonging and support.

Right on the heels of our Golden Jubilee, we held our most successful flagship conference yet. The MIA International Accountants Conference 2017 drew a record 3,000 delegates, and enlisted 60 top-notch international and local speakers to share prospective insights into the future of business and the profession. With the theme of Expanding Horizons, the Conference aimed to show our delegates and members

that we need to ride the wave of disruption to seize the new opportunities and markets opening up in the new digital economy.

As we go forward into 2018, we will continue to build up momentum in developing members, with a special focus on small and medium practitioners (SMPs) who make up the backbone of the profession. Apart from helping SMPs to build and diversify their services and

markets, MIA aims to position SMPs to play a strategic and nation-building role in achieving the country's vision of high income nation.

Prospectively, 2018 is shaping up to be yet another year of growth and transformation for the profession and MIA, albeit we do not know what challenges and opportunities the new year will bring. Nevertheless, MIA will continue to do its best to collaborate with our stakeholders, to grow the profession and enhance members' wellbeing in everybody's best interests. Personally, I will also work to the best of my abilities to raise the profession and MIA's profile and nurture relationships regionally and internationally; for instance, I was greatly honoured recently to attend my first IFAC meeting as MIA President.

As the national accountancy developer and regulator, the MIA is highly committed to supporting the government's efforts to spur the country towards Industry 4.0 and TN50, both of which are major developments reshaping the nation and our economy. At the same time, we are continuing to support the implementation of the Committee to Strengthen the Accountancy Profession (CSAP) recommendations, and we will keep members informed of CSAP progress and impacts on the profession.

May 2018 be an even better year for the profession and Malaysia. ■

**A KEY HIGHLIGHT WAS OUR GOLDEN JUBILEE COMMEMORATIVE LECTURES, WHICH BROUGHT TOGETHER THREE NOTABLE THOUGHT LEADERS FROM CORPORATE AND REGULATORY TO SHARE HOW THEY THOUGHT THE PROFESSION COULD DO MORE TO UPHOLD OUR PERENNIAL VALUES OF INTEGRITY, ACCOUNTABILITY AND TRUST. THE GOLDEN JUBILEE ALSO FEATURED EXCITING COMPETITIONS TO UNEARTH FRESH YOUNG TALENT AND TO POSITION THE PROFESSION AS THE CAREER AND CALLING OF CHOICE FOR ASPIRING ACCOUNTANTS.**

■ BY NAZATUL IZMA AND MAJELLA GOMES

It's a brave new digital world for accountants, whose roles and markets are expanding exponentially. The winners and the last ones standing will be those who have the guts and tenacity to level up and cross the digital divide.

# EXPANDING HORIZONS



**ACCOUNTANTS'** roles are seemingly shifting like quicksilver, at the mercy of technology and other disruptions. The changes are becoming increasingly difficult to ignore, particularly when accountants are being shunted swiftly from back-office functions to increasingly front-line and strategic roles. Today, accountants are expected to number-crunch, reconcile statements, and balance books while problem-

solving and spearheading change in their respective organisations. Before, they were experts at analysing value; today, they are expected to create it. Worse, it also seems that research by the likes of McKinsey appears to be pessimistically predicting the obsolescence of accountants as tech gains ground.

To help accountants future-proof themselves and prepare for digital disruption, MIA devoted



(L-R) Helen Brand, David Christopherson, Nazrin Hassan, Dr. Nurmazilah Dato' Mahzan and Siva Ramanathan



much of the content and learning at its flagship MIA International Conference 2017 to the impacts of digitalisation and tech on the profession and accountants. Unsurprisingly, sessions on digitalisation and automation were packed to the brim, with rapt audiences eager to find out just how they would be affected as tools such as analytics and robotics process automation become more mainstream. Just how should members be equipping themselves for digital disruption?

## **LEARN, UNLEARN, RELEARN**

Perhaps the most critical secret to survival will be to adopt the right attitude – of openness, versatility, flexibility and agility. Speaking at the first plenary session of the Conference, Helen Brand, Chief Executive, ACCA, told delegates bluntly to, “Adapt or die.”

The bad news is that much of what accountants learnt at school and the onset of their career is already obsolete. The good news is that there is plenty more to learn and opportunities to fill if you have the tenacity and diligence to do so. “We need business skills, analytical skills, and to be able to lead,

## **learn**

**The bad news is that much of what accountants learnt at school is already obsolete. The good news is that there is plenty more to learn if you have the tenacity and diligence to do so.**

while cultivating a mindset that will allow us to learn, unlearn and relearn,” Andrew Harding, Chief Executive, Management Accounting of the Association of International Certified Professional Accountants said, adding “those who thought they could get on by with what they learned 20 years ago will be bitterly disappointed. Today, accountants can access an unprecedented range of training and professional development that is needed to keep them fit for now and ready for tomorrow.”

This applies to accountants across the board, whether you are senior or junior, or work in public practice, the finance function or academia. No matter where you sit, you are no longer confined to number crunching and balancing books in the backroom but require skills to drive strategy and help create value across the business.

What should modern accountants be prioritising when they learn, unlearn and relearn? “Importantly, beyond technical

**THIS APPLIES TO ACCOUNTANTS ACROSS THE BOARD, WHETHER YOU ARE SENIOR OR JUNIOR, OR WORK IN PUBLIC PRACTICE, THE FINANCE FUNCTION OR ACADEMIA. NO MATTER WHERE YOU SIT, YOU ARE NO LONGER CONFINED TO NUMBER CRUNCHING AND BALANCING BOOKS IN THE BACKROOM BUT REQUIRE SKILLS TO DRIVE STRATEGY AND HELP CREATE VALUE ACROSS THE BUSINESS.**



## EXPANDING HORIZONS



mastery, you need to know about how to communicate, build relationships and understand the opportunities technology can deliver to business,” said Harding. He continued: “Knowing more about the different types of analytics, including descriptive, predictive, diagnostic and prescriptive data analytics, and tracking technological advances like robotics process automation, cloud, blockchain and artificial intelligence (AI) systems will put accountants on the front foot. These are all changing the way accountants work and deliver their services. A learning mindset is key.”

Despite the ubiquity of tech, bear in mind that humans are the ones operating and benefiting from machines to drive productivity. Tech can free up time to enable accountants to explore new areas and ideas that benefit people and society. As such, it is still critical to develop uniquely human skills such as ethics, professional and ethical judgement, critical thinking, acumen, intuition, and people skills in order to connect with customers and stakeholders. At the end of the day, life and business is about peaceful co-existence and collaboration with other people, so polish up those people skills and build robust relationships.

### REWIRING THE FINANCE FUNCTION

CFOs aren’t immune to disruption either. Today’s CFO is a member of the management team first and foremost, and a CFO second. Syed Ahmad Taufik Albar, Group Chief Financial Officer, RHB Banking Group emphasised that CFOs must go outside their respective areas or functions, and learn to operate beyond their expertise.

As silos crumble and divisions of labour and roles blur, CFOs will have to move away from traditional finance roles into leadership positions where they must multitask and spearhead the charge to utilise tech in business strategising by rationalising costs and investments. As the finance go-to guy, CFOs should be familiarising themselves with the business case for tech. CFOs need to ask the questions: How does this better support the business? How quickly can we use and adopt these technologies to enhance competency and capabilities? Digitalisation can reduce the cost of business by identifying problem areas through its ability to conduct repetitive tasks, said Syed Ahmad. Patterns developed through repetition can identify points where things go wrong,

and these can be rectified before they do too much damage.

The blurring of traditional lines could also lead to more integrated and unified organisations if people are more willing to bridge generational divides and learn from one another. Because young people seem to have more of an affinity for tech, organisations could leverage on reverse mentor-mentoree arrangements where older, more experienced yet not-so-technically-savvy staff learn digital skills from their younger counterparts, ideally while imparting the benefits of wisdom, patience and experience. Upending the status quo could see companies creating a more integrated, collaborative workforce that is diverse and inclusive, one that truly fits in with the more open and liberal business environment.

### EMPHASIS ON ETHICS

Even as the environment becomes more digitalised and high tech, there will still be a need for values and ethics to safeguard trust and integrity. People must still know how to do the right thing and make value judgements. Accountants as the ethical conscience of an organisation and the steward of accountability and integrity will not be redundant in the digital era, as we grapple with an inundation of new data and information. “Having a strong grasp of the potential ethical pitfalls in a digital environment is a value-added contribution that supports the organisation’s risk management,” wrote Narayanan Vaidyanathan, Head of Technology Insight, ACCA in his 18 October 2017 commentary on Navigating Ethics in a Digital Age in the IFAC Global Knowledge Gateway. The Code of Ethics for Professional Accountants, issued by the International



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## EXPANDING HORIZONS

Ethics Standards Board for Accountants, specifically mentions the principles of objectivity, confidentiality, integrity, professional competence, due care, and professional behaviour, he clarified.

As such, while machines can take away the tedium and mundanity of routine tasks, accountants still have to imbue these with integrity and ensure compliance with the Code to engender trust. "Trust will be more relevant in the future," said Dr. Nurmazilah. Accountants should be aware of how apps work and need to understand the new language of the digital economy even if they do not write the programmes that drive it.

In other words, tech and machines notwithstanding, businesses will still be built on integrity, markets will pay a premium for good reputations, and accountants can be the designated watchdogs who police and uphold trust. "Even in an era of automation, MIA will continue to emphasise ethics – the core values of Integrity, Accountability and Trust. We want to infuse these values in all accountants practising in Malaysia, to support good governance, build confidence in the market and uphold public trust," concluded Dr. Nurmazilah.

Accountants should also figure out how to leverage on AI and robotics to complement their roles, to improve productivity and the accuracy and precision of their work. For example, IBM Watson enables analytics to detect areas of risk in routine processes review i.e. paperless expense claims, red flag errors and potential fraud, explained Toh Beng Siew, Chief Financial Officer, IBM Malaysia.

Since the profession is synonymous with assurance, MIA intends to further explore blockchain, an immutable distributed ledger that record

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AND TRUST.**

Dr. Nurmazilah Dato' Mahzan  
CEO, MIA



transactions, to help build trust. To scale the learning curve, MIA will be looking to benchmark leading best practices from organisations such as IBM. According to Toh, IBM's global financing unit has embarked on blockchain and this has significantly improved the business dispute resolution time along with providing the business an overview of all transactions from invoice to the delivery. "In the process, visibility along the chain is enhanced with lesser risks of information tampering and improved trust among peers. Going forward, we will continue to leverage blockchain for inter-company transactions and documentation, with the aim of building a transparent hyperledger," said Toh.

Understandably, change will not occur overnight. Inertia and fear are very real barriers to tech and transformation. The results of the new MIA Technology Survey 2017 identified key barriers to technology adoption and the top five technology trends affecting members: cybersecurity, big data and analytics, automation, online services, and payment systems and mobile.

If you are still feeling lost, Dr. Nurmazilah reminded members that MIA will be there for hand-holding and to help them navigate the digital maze. There will be no spoon-feeding or one-size-fits-all solution because tech must be bespoke to fit individual enterprise cultures and conditions. "While MIA may not able to bring you the solution, we will bring you to the world of digital ecosystems through training," she reassured delegates and members at the MIA International Accountants Conference. Dr. Nurmazilah also referred members to the upcoming MIA Digital Economy Blueprint, which is a guide to help the Malaysian profession and members figure out the best solutions for their circumstances.

At the end of the day, accountants should be heartened by the reality that the careers and vocations that will survive digitalisation are those that require the human touch. Compassion, rapport and understanding cannot be substituted by a machine – no matter how intelligent. Hence, the profession should focus on making themselves indispensable to clients and stakeholders and the public by delivering value-added services, building robust and warm relationships, and using emotional intelligence and smarts to figure out and serve their market's needs. As ACCA's Brand said, "Smart people matter. Companies have to attract, develop and retain the best."

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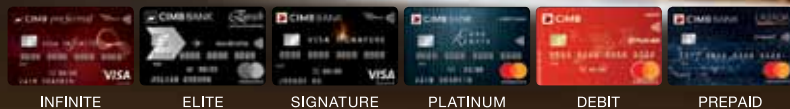




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■ BY NAZATUL IZMA

# Winning the Innovation Race

*The right innovation culture can get you ahead of the competition and make your organisation more sustainable and long-lived, according to author and innovation coach Andrew Grant.*



**HOW** can we win at innovation and ensure our organisations stick around for the long haul?

In a special session at the recent MIA Capital Market Conference 2017, Andrew Grant, CEO of Tirian International Consultancy and co-author of *The Innovation Race: How to change a culture to change the game as well as Who Killed Creativity?... And How Can We Get It Back?* shared a few tips on how organisations and people can win in what he calls the Innovation Race.

## PARTICIPATION IS MANDATORY

In the innovation race, you cannot be an armchair viewer. "You cannot afford to sit back and watch, because if you do it guarantees your elimination," said Grant. Organisations that choose to sit out the game become obsolete.

## BE PREPARED FOR DISRUPTIVE INNOVATION

"Disruptive innovation is like a tsunami. If you don't prepare for it, by



**Andrew Grant**  
CEO, Tirian International Consultancy

the time it happens it's too late," said Grant, noting that Facebook disrupted MySpace, which disrupted Friendster, and all these supplanted actual real friends. "Do you remember the times you had actual friends that you could poke? And conversations that were longer than 140 characters? Innovation is coming your way and it has really disrupted us. We need to be careful," warned Grant.

## ASK YOURSELF IF YOU ARE RELEVANT AND NECESSARY

Grant quoted Bill Gates, who once said that with the advent of mobile banking disruption, "banking is necessary, banks are not." Extrapolating, you could say that transport is necessary, cars are not (Uber



and Grab); communication is necessary, phones are not; and so on and so forth. “Ask yourself: “What can we do to future-proof our business?” Tongue-in-cheek, Grant also advised accountants and the profession in Malaysia to be cautious about obsolescence and relevance, since MIA was commemorating its 50th anniversary in 2017. Accounting is necessary, accountants are not!

**STRIKE A BALANCE BETWEEN EXPLORATION AND PRESERVATION**

Grant presented his Paradox Theory, which centres on the paradoxes of exploration and preservation. The danger of exploration is that an organisation might go too far and break too many boundaries, while a preserver might play it too safe. Citing Uber as the classic

navigating a river to drive his paradox theory home. “In navigating the river, a good river guide will always use both sides of the river, sometimes the left side and sometimes the right side. A good leader of the company also needs to use the entire spectrum and bandwidth that they have.”

Like the river guide, in the innovation paradox theory, good leaders need to use both sides – exploration and preservation, he said.

**CHANGE YOUR CULTURE – USE THE ENTIRE TRACK**

To use the entire width of the track, organisations need to change their culture to make it more inclusive and empower people, declared Grant.

Research has shown that certain factors drive innovative organisations: freedom, openness, group engagement

to oppression. Too much focus leads to insulation. Too much individualism leads to apathy. Too much stability leads to pessimism.

Successful and innovative organisations need a balance of all these factors, said Grant. “In navigating the innovation path, think about where you are on that path and your leadership style and your company’s organisational culture. Where are you? Where have you been? And where do you need to go?”

**CHANGE THE CULTURE FOR EFFECTIVE INNOVATION**

Without culture change, innovation will flounder.

Simply pouring money into innovation infrastructure and hardware won’t work, without developing a healthy underpinning culture that supports and nurtures innovation. “Google and Apple have done well, but you can’t just copy them. You can’t just create an innovation lab or an innovation hub. Some companies spend millions on a beautiful innovation lab but it doesn’t work, because the culture is still the same. The boss still takes the corner office and no one collaborates.”

“If you don’t get the culture right, the innovation will not happen. Don’t just build an innovation lab without working on your culture, and without working out who you are.”

Self-knowledge is paramount. Organisations must know themselves, and chart their own unique innovation path. “Think about where you need to be as an organisation. Once you have set that direction, if you want to win the innovation race for your company, and last successfully beyond 10 years as a company, you must make a conscious decision to navigate the innovation road. You must embrace the exploration, and the preservation,” concluded Grant. ■

**PICK UP SPEED**

Grant warned organisations that they had to innovate faster and faster to keep up with cycles of growth and overcome disruptive innovation. “Almost 50% of companies go out of existence after 10 years because of disruptive innovation. They don’t last because they lose in the innovation race. Arrogance and size aren’t defences. Growth and productivity come from innovation.”



example of a highly exploratory company and the poster child of innovation, Grant said that the ride-hailing start-up was a very innovative company, but it was also a chaotic organisation because it lacked preservers.

“The explorer focuses on exploring new ideas and on the other side, the preserver focuses on maintaining current systems. You’ve got to work out where you sit as a leader and that is the paradox.”

Grant also used the example of

and flexibility. But on the downside, too much freedom leads to chaos, so you need some controls for balance. Too much openness leads to lack of direction, therefore organisations need focus. Too much group engagement leads to blind conformity, therefore organisations need individualism. Too much flexibility, and too much optimism leads to delusions and lack of reality; to balance this out organisations need stability.

Conversely, too much control leads

■ BY ANIS RAMLI

# ONBOARDING MORE WOMEN

**MALAYSIA TARGETS MORE WOMEN ON CORPORATE BOARDS, BECAUSE RESEARCH AND DATA SHOW THAT WOMEN CAN BOOST BOARD AND CORPORATE PERFORMANCE. BUT BEYOND TOKENISM AND PLURALISM, COMPANIES NEED TO COMPOSE COMPETENT, ETHICAL AND HIGH-QUALITY BOARDS, SAID PANELLISTS AT MIA'S CORPORATE BOARD SYMPOSIUM 2017.**

**ACKNOWLEDGING** that the hand that rocks the cradle can also rock the corporate world, Malaysia is insisting that corporate boards appoint more competent women to their ranks.

As of April 2017, the Securities Commission's Malaysian Code of Corporate Governance (MCCG) has set a target for PLCs to ensure that at least 30% of their boards comprise women directors. The MCCG encourages the disclosure of diversity policies as best practice, and recommends that directors be sourced from a diverse pool of people and not just a certain selected group.

In order to reach this 30% target by 2020, Malaysia would need another 1,100 women on boards as far as Malaysia's





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ONBOARDING MORE WOMEN



*Read your board papers, prepare to ask questions, ask yourself when you walk into a board meeting: what is the value I bring to the table? For women – speak up, show your mettle, and if you need help, say so. If you sit on the board, you need to come up to speed. Otherwise, people will see women as trophies.*

**Datuk Zaiton Mohd Hassan,**  
CEO, Malaysia Professional Accountancy Centre (MyPAC)

PLCs are concerned, related Sridharan Nair, Managing Partner, PwC Malaysia, moderating the session on women and boards at MIA's recent Corporate Board Symposium 2017. Presently, women comprise only about 13% of boards in Malaysia, while 14 of the top 100 companies in Malaysia have none on board. While Malaysia has been progressing from where it was from 2014 to 2017, improvement is slow and could deter Malaysia from hitting that 30% target by 2020. Heightening urgency, the government has vowed to name-and-shame companies that fail to name women to their boards by 2018.

Why the foot-dragging if the pressure is piling on? Datuk Zaiton Mohd Hassan, CEO, Malaysia Professional Accountancy Centre (MyPAC) attributes inertia to comfort. "With the addition of every new board member, board dynamics change, and some of them do not want to take that risk."

A highly experienced board member who has served the likes of Sime Darby and Bank Islam Malaysia Berhad, Datuk Zaiton advised that building connections well in advance of the first board meeting is crucial. "When newly elected board members



**Datin Sunita Rajakumar**  
Chairperson of Caring Pharmacy



**Anne Abraham**  
CEO & Founder  
Lead Women Sdn Bhd.

unfamiliar with each other are thrown together to tackle serious issues without first establishing any social rapport, it may prove to be a challenge. The Chairman as the board leader should take the initiative to unify the group."

Preparedness is key if you want your fellow board members to judge you on merit and to dispel bias and suspicions of tokenism. "You must go in there prepared," warned Datuk Zaiton. "Read your board papers, prepare to ask questions, ask yourself when you walk into a board meeting: what is the value I bring to the table? For women – speak up, show your mettle, and if you need help, say so. If you sit on the board, you need to come up to speed. Otherwise, people will see women as trophies."

While female board members would prefer that there not be quotas, the prevailing view was that affirmative actions and targets have been helpful in changing the conversation and focusing on the necessity of diversity. "Before the quota came into place and if you backtrack from 2012 to five years before that, the numbers of women on boards stagnated at about 7%," explained Anne Abraham, CEO

& Founder, Lead Women Sdn Bhd. “When there was a target set and people were starting to train women and the conversations were constantly in the news, the numbers moved to 13% and in the top 100, it has risen to 19%. Otherwise, I don’t think there’ll be that number of women, and many of us women who’ve gotten on boards the last five years may not be there because everything is status quo and working well. I’d rather there not be quotas. But having a target to work towards and seeing a value in achieving that target is critical.”

With the boardroom being where strategic decisions are made, the challenge also lies in the search for competent directors. Finding good directors is not a conundrum

exclusive to women, said Datin Sunita Rajakumar, Chairperson of Caring Pharmacy. “One of the challenges that we find in looking for good directors is how many are genuinely interested in the business itself; the dynamics, the fundamentals, the drivers of business. If one is to be director – male or female – that is supporting a business driven by an entrepreneur, then I think you need to have a certain level of enthusiasm and fascination by what drives business.”

Mindsets also need to shift. Many capable and well-qualified women are available, but there is a lack of conscious effort on the part of corporate organisations to nurture and groom women for senior management roles. When women

rise to senior positions, companies should start appointing them to subsidiary company boards to expose them to board membership, said Datuk Zaiton. This early exposure is important to imbue them with leadership capabilities and give them greater insights into the business.

To boost competitiveness and reputation, companies should also pull the plug on cronyism, putting an end to the days when board nominees emerged from the “good old boys network” or the ranks of directors’ golf buddies. “The markets are not getting any kinder. They are becoming more discerning. Investors are demanding a lot more. If boards are not putting more thought into choosing board members who can

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**KAPLAN**

## ONBOARDING MORE WOMEN



really bring the company forward in terms of performance, they are doing an injustice to the stakeholders,” said Datuk Zaiton.

To infuse new blood on boards, Datuk Zaiton personally always insists on being provided with three names for board selection. “Out of those three choices, let one be a woman, if possible. Then let them compete on merit. At the end of the day, if the woman turns out to be the best person for the job, the woman gets the seat. Women are prepared to be considered on their own merit for boards.”

Part of that drive to ascertain merit could be accomplished by enlisting external evaluators to identify and evaluate suitable candidates fairly and independently, a move endorsed by Datuk Zaiton. “If a board member doesn’t contribute anything, that’s depriving a company of someone in that board seat who could have contributed to the company.” Plus, external evaluations can take board accountability to a higher level, while showcasing to stakeholders the board’s commitment to excellence in

*It’s not just about having women on board. Diversity goes beyond gender and is critical in moving a business forward. Boards must look like their customers out there. That means it should have women, diversity of race and age etc. because that is what today’s customers look like.*

**Datin Sunita Rajakumar**

Chairperson of Caring Pharmacy

corporate governance.

In a more transparent global market, Malaysia is being measured against other markets in other countries – and boards are pivotal in driving enterprise and market competitiveness. “What is worrying now is the lack of focus being given to looking at the country’s

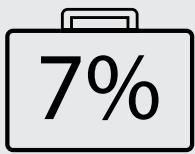
competitiveness – not just in terms of the corporate governance index, but overall competitiveness. If boards are not careful to get the right people on board, companies are going to fall behind which will be quite unfortunate because Malaysia as an economy has a lot to offer,” said Datuk Zaiton.

Importantly, pressures to reform boards are also about transforming businesses to make them more aligned with their customers and stakeholders – and mirror their composition and needs. “It’s not just about having women on board. Diversity goes beyond gender and is critical in moving a business forward. Boards must look like their customers out there. That means it should have women, diversity of race and age etc. because that is what today’s customers look like. So, if a board only constitutes one type of member, whether by race or other measures, then it is going to be difficult for senior management to present a proposal or business initiative that the board understands because of its limited background,” concluded Datin Sunita. ■



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■ BY ANIS RAMLI

- THERE IS NO PERFECT DEFENCE AGAINST INCREASINGLY SOPHISTICATED CYBER ATTACKS, BUT BOARDS NEED TO EDUCATE THEMSELVES, BECOME MORE VIGILANT AND PUT A SOLID CONTINGENCY PLAN IN PLACE, ADVISED STANDARD CHARTERED CIO **DATO' ARIF SIDDIQUI** AT THE RECENT MIA CORPORATE BOARD SYMPOSIUM 2017.

## *How can Boards* **COMBAT CYBER RISK?**

**CYBER** attacks are now an everyday reality, and nobody is immune. "Whether you are a financial institution, a government body or a service industry, being digital, connected and mobile makes organisations vulnerable to cyber risks," said Dato' Arif Siddiqui, CIO & Group CIO Islamic Banking, Standard Chartered Malaysia in the session on boards and cyber risk at the recent MIA Corporate Board Symposium 2017.

According to a report from Symantec, in 2014 alone about one million new malware (virus, worms, and Trojan horse programmes) threats were released on a daily basis. When it comes to controls, simply putting up traditional defences such as firewalls and anti-malware programmes

is not a viable strategy because business faces a whole new generation of cyber attacks. For instance, experts predict ransomware – a type of malware that prevents users from accessing certain files or using their computer unless a ransom is paid – will become more sophisticated every year. Unlike today's ransomware that encrypts the hardware, cyber criminals are going to use such things as SQL Injections, a code injection technique, that can result in more damage, and no amount of backup can render data safe. Ransomware can also be a cover to destroy, not extort, such as in the case of the NotPetya outbreak. The malware was intended to cripple infrastructure and businesses and not

### **defence**

When it comes to controls, simply putting up traditional defences such as firewalls and anti-malware programmes is not a viable strategy because business faces a whole new generation of cyber attacks.





designed to make money.

Worse, cyber attacks affect more than just an organisation's bank balance, but also erodes public trust. "It is not just costly for a company once it falls prey to a cyber attack, but in the long-term, it also affects the reputation, credibility and brand perception of that institution," said Dato' Arif.

## GETTING STARTED

As the stewards of governance, boards must be on board with cybersecurity risks and management. Cybersecurity must become part of the boardroom agenda if boards aren't to be caught napping by unscrupulous hackers. Indeed, cybersecurity is becoming increasingly visible; a recent Deloitte report found that 80% of US corporates surveyed identified the need for cyber risk "air time" in board

**IT IS NOT JUST COSTLY FOR A COMPANY ONCE IT FALLS PREY TO A CYBER ATTACK, BUT IN THE LONG-TERM, IT ALSO AFFECTS THE REPUTATION, CREDIBILITY AND BRAND PERCEPTION OF THAT INSTITUTION.**

meetings, particularly to formulate cyber risk strategies.

As cybersecurity morphs from a simple IT issue into a glaring enterprise risk, boards need to have the right discussions and conversations, said Dato' Arif. At present, there is a gap between threat and an organisation's preparedness. While there is no fool-proof plan to winning the cybersecurity battle, knowing about the risks in advance and being aware of lurking

## HOW CAN BOARDS COMBAT CYBER RISK?

**ONE OF THE PRINCIPAL STEPS COMPANIES CAN TAKE IS TO HAVE BOARDS AND MANAGEMENT TAKE OWNERSHIP OF CYBERSECURITY ISSUES, SUCH AS PRIORITISING CYBERSECURITY ALONGSIDE OTHER SECURITY AND THREATS ISSUES IN BOARD MEETING AGENDAS.**



hackers can help steer companies in the right direction.

One of the principal steps companies can take is to have boards and management take ownership of cybersecurity issues, such as prioritising cybersecurity alongside other security and threats issues in board meeting agendas, exhorted Dato' Arif. The issue has to be prioritised from a governance perspective.

Presently, boards are looking at cybersecurity because they have to, but they are delegating their authority. "Boards cannot just be asking the chief information officer (CIO) or chief information security officer (CISO): are we secure? If a cyber attack can be launched on the Pentagon and the White House, there is no way to guarantee a company will be spared," he continued.

To minimise the fear and uncertainty and present intelligent cyber risk proposals, the CIO or CISO should begin by briefing the board on current day cybersecurity policies and procedures. If none are in place, then this is the time to get the ball rolling and prepare a cybersecurity code, roadmap or handbook. As cyber threats evolve

and new risks emerge, companies should focus on gathering intelligence about rising threats to stay current on the latest risks and be prepared.

While cybersecurity should be integrated across the enterprise, it is the job of the CIO or the CISO to quantify cyber risk probability and provide the board with an acceptable standard of cybersecurity risk metrics and measurements. A vendor like BitSight, for example, helps companies measure the performance and effectiveness of its security programmes as well as peer performance. While there is no right or wrong percentage of investment in cybersecurity, what the CIO or CISO can do is ask the board to determine the company's risk tolerance and design a programme corresponding to that.

Perhaps another reason why boards are reluctant to discuss and invest optimally in cyber risk security is cyber illiteracy. To overcome this, it is recommended that boards designate a board member as an interface, who will work with the CIO or CISO when a breach occurs. Because cyber risks and threats can change quickly, it is important for the CIO or CISO to brief and educate the board member on a regular basis.

## **HAVE A CYBER CONTINGENCY PLAN**

What happens when a cyber breach occurs? Apart from a cybersecurity "roadmap", boards must have a contingency or crisis management plan in place. Engage competent and experienced lawyers and PR consultants specialising in cyber and corporate breaches. "There needs to be a whole corporation approach – business needs to be ready for that breach because it is going to happen, and your CIO or CISO is not the only one accountable," said Dato' Arif.

He cautioned against paying off cyber criminals. "There have been a number of companies that have given more than USD6 million to get the key to decrypt stolen data. I don't think we should do that as it only emboldens cyber criminals even more."

Wrapping up, Dato' Arif concluded that boards need to understand that no amount of money can buy the perfect cyber risk management programme. What they CAN do is acknowledge the threats, mitigate their effects and proactively tighten their security weaknesses before their vulnerabilities are exploited. ■



## The **LEADING** home-grown international accounting firms

Cheng & Co, a home-grown Chartered Accounts Firm, was founded in 1993 by Professor Dato' Dr Chua Hock Hoo and Professor Dr Paul Cheng. The firm has since progressively expanded its presence throughout Malaysia, and transformed into a One Stop Professional Centre providing innovative, cost effective professional business services and solutions locally and internationally.

With just three employees at the time of its inception, today Cheng & Co has over 300 employees throughout 15 branches in Malaysia and four international offices in Australia, China, Hong Kong and Singapore. The firm has also expanded its services beyond accountancy and audit by venturing into new successful business models such as business process outsourcing, property investment consultancy and IPO advisory.

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■ BY THE ACCOUNTANTS TODAY EDITORIAL TEAM



# UNLEASH YOUR FULL POTENTIAL

- MIA'S MoU WITH CPA AUSTRALIA OFFERS TWO PATHWAYS FOR QUALIFIED MEMBERS TO ACHIEVE THEIR DREAMS OF BECOMING INTERNATIONALLY RECOGNISED ACCOUNTING PROFESSIONALS.

**DOREEN YEE** is one of the earliest success stories emerging from the MIA-CPA Australia special admission pathways for MIA members to earn professional qualifications.

Now a member of CPA Australia and a long-term member of the MIA, Doreen is currently working as a financial adviser in several SME companies providing advice on profit maximisation and risk management in business strategies, stock and property investment.

“Attention to detail, comprehensive research and continuous learning are requisites in my advisory role. For



example, in stock investment, 95% of my time is spent on analysing a counter’s future and current value based on clean surplus concepts,” said Doreen.

Asked why she chose to pursue an additional professional qualification despite being a qualified accountant and member of MIA since 2003, Doreen said that being internationally recognised and having a high sense of integrity is important to her.

Doreen undertook the CPA Program via the special admission pathway between CPA Australia and MIA, as the designation is internationally recognised and apart from being one of the world’s largest professional accounting bodies, CPA Australia continues to support members through its continuous professional development workshops and online learning programmes.

“The CPA Program has also further enlightened me to go beyond the numbers, to the next level in leadership and business strategy. Being internationally recognised with the highest integrity, prestige and

continuous learning, the CPA designation strengthens and garners trust from employers, especially in this increasingly complex tax and regulatory environment,” she said.

Doreen completed the CPA Program via Pathway 1, and completed the following CPA Program subjects: Ethics & Governance, Financial Reporting and Global Strategy and Leadership.

**THE CPA PROGRAM IS NOT EASY. IT IS INDEED A GOOD CHALLENGE FOR OURSELVES TO ACHIEVE THE NEXT LEVEL IN OUR CAREER.**

Doreen further added, “The CPA Program is not easy. It is indeed a good challenge for ourselves to achieve the next level in our career.” She proffered the following advice for those who are looking to undertake the CPA Program:

Be tough, persistent and do not give up.

Be disciplined. Carefully plan for office work, personal and study time. Follow the recommended study schedule for each module.

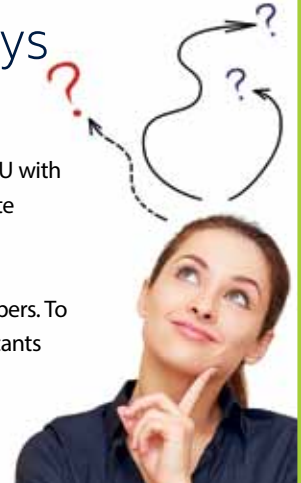
Enroll for online learning with PDL Academy ([www.pdlacademy.com.au](http://www.pdlacademy.com.au)), especially for a challenging subject such as Financial Reporting.

“Last but not least, keep up the practice of continuous learning even after being successfully awarded with the CPA Australia designation,” concluded Doreen. ■

## ▶ CPA Australia Pathways for MIA Members

In a bid to build capacity, MIA embarked on an MoU with CPA Australia, enabling MIA members to gain Associate membership with CPA Australia via special admission pathways.

There are two current pathways for qualified members. To undertake the CPA Program via either pathway, applicants must have at least a valid degree (in any discipline), and are required to submit additional supporting documents:



**UNDER PATHWAY 1**, candidates undertake three subjects from the CPA Program. Candidates may be eligible for Associate membership of CPA Australia if they:

- are a full member in good standing with MIA with at least 10 years membership
- have at least 10 years of relevant work experience (at the time of application) as demonstrated in their detailed curriculum vitae
- hold a university degree recognised by the Australian Government Department of Education and Training as being at least equivalent to Australian bachelor degree level. This will be determined during the verification of the candidate's application

**UNDER PATHWAY 2**, candidates take four subjects from the CPA Program. Candidates may be eligible for membership of CPA Australia if they:

- are a full member in good standing with MIA with at least five years membership
- have at least five years of relevant work experience (at the time of application) as demonstrated in their detailed curriculum vitae
- hold a university degree recognised by the Australian Government Department of Education and Training as being at least equivalent to Australian bachelor degree level. This will be determined during the verification of the candidate's application.

Take advantage of the MIA-CPA AUSTRALIA MoU special admission pathway which ends on 31 July 2018 (subject to renewal).

**For further information on the pathway, please refer to**  
<https://www.cpaaustralia.com.au/become-a-cpa/professional-bodies/mia>.

**Interested to find out more on the CPA Program? Come talk to us at one of our complimentary Information Sessions:**  
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■ BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

*The CIMA-MIA Strategic Leaders Programme is a fast-track programme to develop and recognise the new capable leaders and professional management accountants needed to help steer and manage the Malaysian economy. We share **Nizam Limun**'s success story.*

# *Fast-tracking* **Competitiveness**

**EAGER** to improve himself and his global marketability, Nizam Limun, Head of Finance at the Institute of Medical Research pulled the trigger and enrolled in the high-level CIMA-MIA Strategic Leaders Programme in January 2017. His commitment, discipline and determination enabled him to successfully complete the CIMA-MIA Strategic Leaders Programme within four months.

The stress of returning to school

after 18 years did not deter him as his motivating factors to pursue the programme were the global certification, a career development boost and the encouragement from the Accountant General's Department of Malaysia to

become professionally qualified, in line with the government's aspirations to heighten public sector financial management. With his busy schedule, the CIMA-MIA Strategic Leaders Programme suited Nizam well as there is only one exam to take – the Strategic Case Study exam.

The programme has benefited him tremendously, he said. "Being a CIMA member and a Chartered Global Management Accountant (CGMA) has



## CIMA-MIA Strategic Leaders Programme

### The CIMA-MIA Strategic Leaders Programme

offers a fast track route for members of MIA to obtain the CIMA (Chartered Institute of Management Accountants) professional qualification.

Upon completion of the final CIMA exam and successful membership application, candidates will become members of CIMA and be awarded two global designations - Associate Chartered Management Accountant (ACMA) and Chartered Global Management Accountant (CGMA).

This programme is open to members of MIA admitted

under Part I and Part II of the First Schedule (Section 14 & 15) to the Accountants Act 1967 who have at least 10 years of relevant work experience in finance and business functions. MIA members who came through the Qualifying Exam route are also eligible to apply for this programme.

Qualified candidates will only need to complete the final exam of the CIMA professional qualification (Strategic Case Study exam) and submit an application for CIMA membership.

After successful completion of this exam and successful membership application, candidates will qualify for CIMA membership and earn the professional global designation of Chartered Global Management Accountant (CGMA).

Candidates with less than 10 years of relevant work experience can apply for the CIMA-MIA Strategic Professional Programme which requires them to sit for four exams. Visit [www.cimaglobal.com](http://www.cimaglobal.com) or email [myelitepath@aicpa-cima.com](mailto:myelitepath@aicpa-cima.com) for more information.



given me world recognition for my skills and competencies. I am now more confident when dealing with different levels of people, especially senior management. Most of all, I have fulfilled my dream of being a professional accountant.”

Although short in duration, the compact programme was stressful because Nizam had to cleverly balance

work and studies. “I had to study three different subjects as these were the foundation for the case study exam. My tuition classes were held every Saturday and there were workshops and group discussions with the lecturers. We also practised with mock exams and learnt about exam time management. The three-hour exam is computer-based so do make sure you practise your typing skills.”

Sharing his study tips, Nizam advised potential candidates to start studying immediately and pay full attention in class. “CIMA releases the pre-seen case study about six weeks before the exam and you must familiarise yourself with this pre-seen material. Read up extensively on articles related to the industry in the case study. This will give you fresh ideas on how to approach the exam questions. The case study is related to the work environment so as

a working adult, this is an advantage. Focus also on past-year exam questions and suggested answers as this will give you an understanding on the technique of answering the questions.”

Nizam attributed his passing the Strategic Case Study exam at the first sitting to ample support. “I could not have done it without the support of my family, the Accountant General’s Department of Malaysia and the high-calibre UiTM lecturers who are familiar with teaching the CIMA qualification. The weekly tuition classes and intensive revision helped me tremendously.”

Wrapping up, Nizam shared that he was “extremely proud to join the global community of 150,000 CGMAs and be part of the Association of International Certified Professional Accountants, now the world’s largest and most influential body of professional accountants. I can’t believe that I made it!” ■

BY MAJELLA GOMES



# THE DIGITAL CFO

HOW DO CFOs DEAL WITH DIGITAL DISRUPTION?

**HANDLING** Disruption was the overarching theme of the recent MIA CFO Dialogue 2017, which saw leading CFOs contributing their perspectives on what is probably the most significant challenge confronting businesses at every level: digital disruption.

Because digital disruption is technology-based, it will have to be managed with technology, requiring increased tech-savviness in the profession. But facing a world of digital disruption means navigating in unknown terrain. Venkkat Ramanan, Regional Vice- President, Management

Accounting Asia-Pacific, Association of International Certified Professional Accountants (AICPA), said: “The challenge is how to support the current situation in digital disruption while positioning the organisation for the future. We need to leverage on new capabilities to be agile, efficient and stable at the same time.”

## OPPORTUNITIES OUTWEIGH RISKS

How can technology be framed as an opportunity instead of a threat?

Lazada has reaped success by leveraging disruption as a business strategy. According to Sandy Permadi, CFO, Lazada Group, Indonesia, among the key significant triggers for an e-commerce company to take off is high Internet penetration and the high growth of smartphone users. These make it easier for customers to access products through online channels and enables the e-commerce company to expand its customer base exponentially.

Permadi explained that e-commerce companies brought





not a leader. Hence, it built a culture that cultivated the right mindset; and started new partnerships in order to tap into the ongoing “big disruption” in the world today. Culture change is critical at Microsoft - capitalising on opportunities meant that cultures have to be changed and contribute to collective learning. “Businesses need to constantly change culture to get results. It’s also about embracing the changes that the organisation wants; above all, businesses have to think like their customers,” said Stalberg.

Christopher Tiffin, Head of Regional Digital Financial Services, Axiata said the telecommunications industry’s continuing disruption experience has shown that legacy systems need to be upgraded and the back end has to match the front end, if customer expectations are to be met.

Collectively, they registered cybersecurity as a growing threat. Tiffin acknowledged the importance of securing data, stressing that data integrity was imperative, especially since it was used across platforms, and at many levels. One strategy is to employ white hat hackers to break into their systems to identify weaknesses and improve the chinks in system security.

Foresight, vigilance, agility, accountability and prudence are imperatives for CFOs in the digital age. “We need to understand what can happen,” said Tiffin. “Be agile; see disruption in a positive way.” Permadi cautioned constant vigilance. Underscoring the CFO’s

disruption in various ways. One, by building the platform that puts more power in the hands of the customer, enabling them to easily access the various assortments of products and democratising the way people do business. Two, by providing the platform that enables them to reach more customer bases outside their traditional territory, and three, providing the support of the payment system and logistics.

In Microsoft’s case, Patrik Stalberg, CFO, Microsoft Malaysia said that the firm realised it was a follower,



*(L-R) Christopher Tiffin, Sandy Permadi, Datuk Johan Idris and Patrik Stalberg*

THE DIGITAL CFO



(L-R) Ann Furlong, Sam Cheo, Thomas Zipperle, Chari TVT and Shafiq Abdul Jabbar

function, Stalberg exhorted that companies need to think hard where to allocate money and to invest in future as well as in current business. “Make it count!” he stressed, as companies must think ahead of the curve, especially in an environment of scarcity and austerity.

**MAN VS MACHINE**

Instead of worrying over obsolescence and being replaced by robots, accounting professionals should identify ways in which they can make tech and machines work better for them.

Importantly, tech can be used for routine and tedious tasks, allowing accountants to be redeployed more effectively, especially as the volume of transactions and data grows with stunning velocity. The application of robotic process automation (RPA) will mean that human and other resources will be better allocated, said Ann Furlong, Director, APAC Customer Team and Global

Enablement, BlackLine, noting that finance automation can reduce risk and drive continuous improvement in the quality, accuracy, and efficiency of accounting operations. Post-tech, the CFO’s role would see a paradigm shift, with upskilling required in the areas of strategy and analysis, as there is greater reliance on RPA systems for repetitive, routine jobs, she added.

The consensus was that man and machine are better together. CFOs today should approach their roles with the intention to disrupt and manage disruption. Those aspiring to the role should concentrate on developing skills which create value for their respective organisations, for example, qualified accountants can consider training in programming or analytics.

Above all, CFOs need to be a business partner in the true sense of the word: with an eye always on sustainability and the careful stewardship of resources. With the evolution of the CFO’s role, from being concerned exclusively with the organisation’s finances to playing a

major part in its strategy and long-term sustainability, the CFO may find herself/himself encroaching upon CEO territory, and moving further into the front office from the back office. According to Thomas Zipperle, Chief Financial Officer, SAP Southeast Asia, this would be inevitable because of the changing nature of businesses and the increasing agility required by all markets. Citing himself as an example, as SAP has outsourced all core finance functions to an internal Shared Service Organisation, he can now mainly focus on business partnering functions such as commercial finance controlling and financial planning and analysis.

As befits their increasingly integrated and diverse roles, the new CFO has to be strategic thinking, IT-savvy and involved in risk management. Especially critical is high EQ, because CFOs should always bear in mind that despite disruption, business is always about keeping the human customer and stakeholder engaged – something best done by another human, with the support of machines. ■

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REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

SPOTLIGHTING

# Digital Disruption

- ▶ MIA's flagship conference – the MIA International Accountants Conference 2017 – broke records this year, drawing 3,000 delegates and attracting standing-room-only audiences to its sessions on automation and digitalisation, and how these are changing the profession.



Emphasising the theme of digital disruption and how this is transforming the accountancy profession, the MIA International Accountants Conference 2017 (MIA Conference 2017) successfully attracted 3,000 delegates from commerce and industry, public sector, public practice and academia, reinforcing its position as one of the largest gatherings of accountants in the world.

The MIA Conference was officiated by the Deputy Minister (Trade), Ministry of International Trade and Industry, YB Datuk Chua Tee Yong. In his remarks, Datuk Chua lauded MIA's role in developing quality talent to enable Malaysia and ASEAN to reach its broad objectives of inclusive development, greater accountability, and enhanced sustainability. "We need not just financially skilled but agile and savvy talent to achieve further sustainable economic and financial development in ASEAN. This is where the profession plays a vital role. The government is cognisant and highly appreciative of



MIA's efforts to build up the capacity and competency of talent in order to support development – at the national and regional levels especially."

In tune with the latest wave of business disruption, the theme of this year's Conference was "Expanding Horizons, Be Future Relevant", focusing especially on digital and technological disruption and transformation, and how the profession should harness these and seize the opportunities towards nation-building.

"Our 16 sessions delve into the critical trends and developments affecting



SPOTLIGHTING DIGITAL DISRUPTION



our members and delegates from all segments of the profession, ranging from digital disruption to technology integration, to macro geopolitical issues," said MIA Chief Executive Officer Dr. Nurmazilah Dato' Mahzan in her remarks.

More than 60 top-notch speakers, both from Malaysia and around the world, discussed the accountancy profession and key concerns affecting the business environment today. Among others, these issues encompassed mapping talent development to ensure digital competency and the profession's relevance in Industry 4.0, addressing

tax opportunities and challenges to optimise taxation in the digital economy and support national interests, impact of MFRS 15 on specific industries, enhancing cybersecurity, and the post-Brexit landscape. In sync with the profession's values, ethical issues were interwoven into the sessions, specifically the question of how to deliver trust and assurance in a digital environment.

The speakers were from diverse fields and shared many different and insightful perspectives. Among them were the Minister in the Prime Minister's Department, YB Senator Datuk Paul Low Seng Kuan, CIMA's Chief Executive





Andrew Harding, ACCA's Chief Executive Helen Brand, CPA Australia Audit Assurance Policy Advisor Claire Grayston, MDEC Chief Strategy Officer Siva Ramanathan, Khazanah Research Institute Managing Director Dato' Charon Wardini, IASB's Islamic Finance

Consultative Group Chairman Dato' Mohd Faiz Azmi, IFAC's PAIB Committee Chairman Charles Tilley, The World Bank Lead Economist Dr. Richard Record, and the Royal Malaysian Customs Department Director General Dato' Sri Subromaniam Tholasy.

Providing a motivational thrust, professional squash player Datuk Nicol David ended the Conference on a high note as she shared her inspirational story of overcoming challenges to reign as eight-time World Champion, bringing glory to the nation.

While the 2017 Conference edition has just ended, the Conference organising team is already brainstorming on how to make it even bigger and better in 2018. "You can count on MIA to deliver even more in terms of learning and development in 2018, to enrich our members and delegates to become more competent and competitive, so that they can better serve in the interests of their nations and markets," pledged G. Shanmugam, Executive Director, Strategy & Development, MIA. ■



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■ BY THE ACCOUNTANTS TODAY EDITORIAL TEAM



# SHOUT-OUT TO SPONSORS

*MIA's lavish 50th Anniversary Gala Dinner owed much of its success to its strategic collaboration with sponsors and partners from the profession and industry.*

TO commemorate its Golden Jubilee on 30 September 2017, the MIA organised a lavish Gala Dinner graced by guests of honour HRH Sultan Nazrin Muizzudin Shah, Sultan of Perak Darul Ridzuan and HRH Tuanku Zara Salim, Raja Permaisuri Perak Darul Ridzuan. Also in attendance was YBhg. Datuk Seri Johari Abdul Ghani, Minister of Finance II, Malaysia.

The Gala Dinner was the culmination of MIA's celebratory initiatives – with the theme of Integrity, Accountability and Trust - undertaken in 2017, and could not have been

facilitated without the support of MIA's key sponsors and partners. Apart from enjoying the fun and entertainment on offer during the Gala Dinner, our sponsors were delighted with the benefits accruing from sponsorship - such as the networking opportunities, brand recognition, and the opportunity to show their support for the Malaysian accountancy profession.

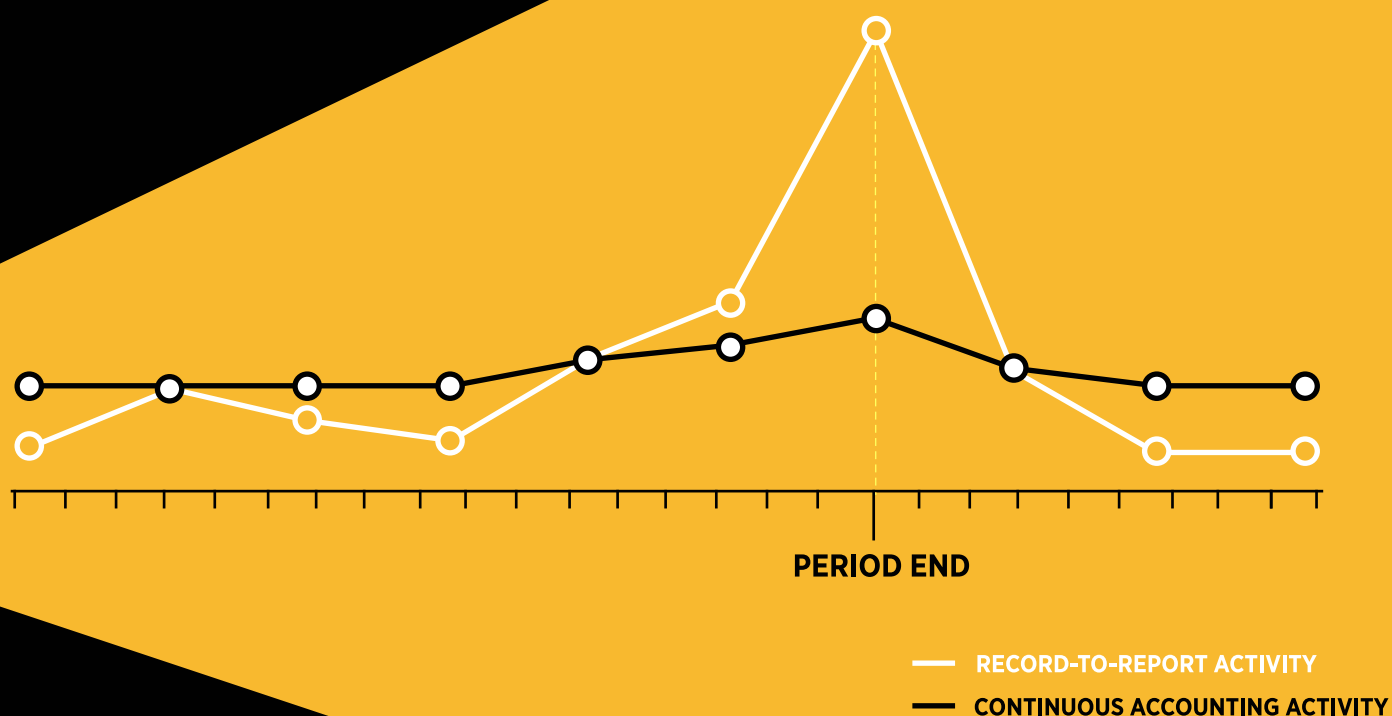
PAO CPA Australia said via e-mail that it “shares MIA's vision to uplift the accountancy profession in Malaysia... The 50th anniversary marks MIA's development and progress since its

**WE THANK YOU FOR YOUR SUPPORT AND HOPE THAT WE WILL HAVE MANY OPPORTUNITIES TO WORK TOGETHER IN FUTURE FOR THE BETTERMENT OF THE PROFESSION AND BUSINESS.**

Dr. Nurmazilah Dato' Mahzan  
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inception in 1967. It has grown to become an important stakeholder and partner to numerous organisations including professional accounting bodies, employers, academia, regulators and government agencies.”

SMP YYC & Co said that having charted over forty years’ experience in the profession, it appreciates the hardships, obstacles and perseverance necessary in an organisation’s long journey. In particular, as a firm that helps SMEs grow, YYC understands that growing an organisation successfully with sustainability whilst maintaining its organisational goals is not an easy task.

Below, MIA is delighted to



recognise Diamond Sponsor ACCA, Corporate Partner UEM Group Berhad, Gold Sponsors CPA Australia, TAHPS Group Berhad and YYC & Co. “We thank you for your support

and hope that we will have many opportunities to work together in future for the betterment of the profession and business,” said MIA CEO Dr. Nurmazilah Dato’ Mahzan.



**ACCA** (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

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198,000 members and 486,000 students in 180 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 101 offices and centres and more than 7,291 Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.



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Together with our members, we influence major issues, policies and regulations that impact the markets in which our members work and undertake a range of activities which position CPA Australia as the premier global brand for strategy, leadership and international business. We achieve this through engaging with institutions of higher learning, facilitating a varied and highly relevant suite of professional development paths and solutions, and forging employer partnerships.



**TAHPS Group Berhad** is a public-listed company on Bursa Malaysia and a contender in land-based businesses and activities. Its flagship project, the 1,290-acre Bukit Puchong Township developed by Bukit Hitam Development Sdn Bhd (BHD) - a wholly owned subsidiary of TAHPS Group Berhad comprises a well-balanced mix of private residences, commercial and industrial properties.

Its successful transformation

from an oil palm and rubber plantation into a fully integrated and self-sustainable township has propelled TAHPS Group into a frontrunner in the development of mid- to high- end properties. In 2017, its freehold Epic Residence, was awarded 'Best Boutique Lifestyle Development' in the Property Insight Prestigious Developer Awards (PIPDA). For 2016, its luxury development Foreston, was awarded 'Best Hilltop Development' in the PIPDA and the Asia-Pacific Property Award for Residential Property Interior (Show Home).



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■ BY ABDUL RAZAK RAHMAN

# MUSCLING UP SMPs

■ PUBLIC PRACTITIONERS, ESPECIALLY THE MAJORITY SMALL AND MEDIUM PRACTICES (SMPs), ARE ADVISED TO EMBRACE TECHNOLOGY AND ENHANCE AUDITOR REPORTING IN ORDER TO REMAIN RELEVANT AND CLIMB UP THE VALUE CHAIN.

PUBLIC practitioners, especially SMPs, are highly vulnerable to disruption as the business landscape shifts. To ensure their continuing sustainability, public practitioners must be cognisant of the latest

developments and issues in order to serve their clients well. The recent MIA Public Practitioners Forum 2017 shed light on two major developments affecting public practice and SMPs – enhanced auditor reporting and

technology, and offered guidance on how members can map their way forward.

## ENHANCED AUDITOR REPORTING

Currently, public practitioners represent just 22% of the total MIA members. Nevertheless, given that practice is the heart of the profession, many of the initiatives undertaken by MIA are geared towards benefiting public practitioners, especially SMPs, remarked Simon Tay Pit Eu, Executive Director, Professional Practices & Technical, MIA.

One such key initiative is the ongoing implementation of the Enhanced Auditors Report (EAR) in Malaysia, targeted to enhance audit quality and the relevance



of practitioners including SMPs, for whom providing auditing and assurance services is their bread-and-butter.

Stakeholders – such as regulators, practitioners, boards of directors, and preparers – are keen to measure the impact of EAR, and to use these results to map the way forward. The recent MIA-AOB-ACCA study entitled Enhanced Auditors' Report – A review of first year implementation experience in Malaysia, which covered 190 EARs and annual reports with a December 2016 year-end, revealed the following findings:

**Audit Committees' discussion with auditors and management are more focused and robust, putting Audit Committees in a stronger position to ensure accountability on behalf of investors.**

**Investors are gaining more insight into the financial reporting risks as well as the audit process.**

**Audit partners are spending more time in discussion with Audit Committees, as a result of the need to discuss Key Audit Matters (KAMs) in particular.**

**Management is making efforts to improve disclosure elsewhere in the annual report, following discussion about KAMs.**

**The EAR has improved the relevance and value of the auditors' report.**

Simon noted that Malaysia reported an average of 2.09 KAMs per company based on the 190 reports; the "usual suspects" were areas such as impairment of goodwill, impairment of receivables, valuation of inventories, and revenue recognition (not fraud). The highest KAMs were reported in finance, construction, properties and technologies.

Noticeably, the study found that a total of 78% of the Audit Committees and 73% of the investors surveyed agreed that EAR is an improvement over the old auditor's report. Based on the responses from the same groups, the study also showed that EAR provides deeper insights into the financial reporting risks and the conduct of audits which translated to higher confidence in quality of audits in Malaysia. More importantly, 82% of the Audit Committees and 64% of the investors believed that in future, investors will make better use of EAR to engage directors and management of the company.

Going forward, public practitioners are advised to further improve EAR by:

**Closely assessing risks and areas of risks to the audit, and funnelling these to the KAMs.**

**Improve audit documentation to show their thought processes and how they arrive at the KAMs.**

**Avoiding boilerplate audit reports**

**Getting audit partners more involved in the EAR process because it is critical to really understand the client's business**

**Playing key roles in advisory to help improve the preparer's finance and accounting functions.**

**Following up on the resolutions and outcomes to the KAMs and issues raised in the following year.**

"All parties involved in EAR must play their part to heighten audit quality and ultimately, confidence and trust in the market," concluded Simon.

## **IMPROVING COMPLIANCE AND GOVERNANCE**

SMPs must also pay close attention to regulatory compliance as stakeholders expect improved governance. Chiam Pei Pei, Head of Capital Market & PAIB, MIA briefed public practitioners on MIA By-Laws on Professional Ethics, Conduct and Practice during the Public Practice Forum 2017, with specific focus on Sections 225 and 360 - Responding to Non-Compliance with Laws & Regulations. "The two sections address the responsibility of auditors and professional accountants in business when encountering or being made aware of non-compliance or suspected non-compliance with laws and regulations in the course of carrying out professional activities," she said.

Documentation is vital. "With regards to an identified or suspected act of non-compliance, the auditors must document the actions taken by the management on the matter and courses of action considered by professional accountants, in addition to complying with the documentation



**AT PRESENT, MORE THAN 70% OF AUDIT PRACTICES ARE IN SOLE-PROPRIETORSHIP AND THOSE FIRMS ARE GENERALLY HIGH IN AUDIT CONCENTRATION AND LOW IN TECHNOLOGY ADOPTION.**

requirements under the applicable auditing standards,” said Pei Pei.

**STRENGTHENING SMPs**

The Small & Medium Practices (SMP) Department of MIA is dedicated to enhancing SMP quality and sustainability. Currently, SMP is undertaking two major initiatives to enhance the audit quality of SMPs in collaboration with MICPA: the two-day workshop on Practical Auditing Methodology for SMPs, and the Quality Assessment Programme (QAP), related Jenny Chua, MIA’s Deputy Head of SMP.

These training workshops, which are conducted nationwide, started in August 2017. To help practitioners adopt the practical auditing

methodology, MICPA has issued the Audit Guide for Practitioners (AGP) together with the Illustrative Audit Working Papers (IAWP). These publications aim to enhance SMPs’ understanding on the practical aspect of SME audits, which meets the requirements of Clarified ISAs, she explained.

Launched in October 2016, QAP is a voluntary review programme which seeks to promote continuous improvement of audit quality in Malaysia, and compliance with the applicable approved auditing standards and MIA By-Laws in relation to audit engagements of SMPs on financial statements. QAP evaluates the evidence of the effectiveness of the system of quality control and the gaps in complying with the International Standard on

Quality Control (ISQC) 1, as well as the gaps in complying with ISAs, regulatory and legal requirements in respect of an audit engagement. “The Quality Assessment Programme is a useful continuation programme to assess the quality of a practice after completing the workshop on Practical Auditing Methodology for SMPs and implementing what you have learned from the workshop for at least one audit cycle,” said Jenny.

In relation to the two current initiatives, MIA is envisaged to apply for government grants to computerise the AGP and IAWP into an audit software to ease technology adoption, especially for SMPs, as well as to subsidise the costs of QAP for SMPs that participate in the QAP programme.

At present, more than 70% of audit practices are in sole-proprietorship and those firms are generally high in audit concentration and low in technology adoption. Hence, MIA’s focus will be on enhancing audit quality and at the same time encouraging technology adoption to heighten quality and productivity, while reducing costs and enabling investments for innovation. “MIA aspires to transform public practices, especially SMPs, into Technology-savvy Trusted Business Advisors,” explained Jenny. Therefore, one of MIA’s upcoming initiatives is to prepare the Training Need Analysis and Roadmap to bring public practices – particularly the majority SMPs - up to the recommended level.



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## Transforming SMPs Through Tech

The accountancy profession landscape is rapidly transforming, largely due to technology and digital disruption. Moving forward, MIA envisions that public practitioners, especially SMPs will evolve into full-fledged business advisors by leveraging automation and technology.

The findings of the MIA Technology Survey 2017 reinforce our belief that SMPs must embrace technology or risk becoming obsolete. The survey found that the top five technology trends affecting

get involved in MIA digital economy initiatives.

MIA is working hard to innovate and facilitate digital transformation for its members, especially to upskill SMPs and enhance competitiveness, remarked Steven Chong, Chairman of the Digital Technology Taskforce, MIA. A recent key digital initiative is MIA's Memorandum of Understanding (MoU) with MyFinB, the developer of financial Artificial Intelligence (AI), inked at the flagship MIA International Accountants Conference 2017.

The MoU between MIA and MyFinB

for the practitioners, which enhances the quality and standard of the audit reports," said Steven.

Nazri Muhd, Founder & CEO of MyFinB explained how AI could benefit the profession and make work easier for public practitioners, especially constrained SMPs. For example, financial statements, bank statements and information from social media and internet, through AI engine, can be collated and converted into actionable insights.

There is a chain of evolution in analytics, from descriptive to diagnostic, and culminating in prescriptive. Prescriptive analytics, using foresight, enables businesses to take the necessary actions based on correct diagnosis.

"Due to the high volume of data,



members are: cybersecurity, big data and analytics, automation, online services and payment systems and mobile money. The top three drivers for adoption of technology are business benefits, business demands and demands of regulators. On the other hand, the top three barriers to technology adoption are high business costs, lack of talent to utilise technology effectively, and lack of understanding on benefits of adopting technology. Hearteningly, almost 70% of the respondents – who are MIA members - are interested to

encompasses several thrusts. One, to develop capacity building programmes in AI and analytics by organising workshops, programmes and education awareness on the implementation of AI and analytics. Two, to develop technological solutions for pain points faced by the industry. Three, to establish an AI lab in MIA to explore the development of intellectual property assets in AI. "From MIA's perspective, the MoU with MyFinB provides an immediate access to analytics capability

Malaysian banks are thinking of various ways to automate the process involving loan applications using bank statements and financial reports.

By using AI-driven analytics, bank statements can now be converted into pro forma Profit or Loss accounts and thus becomes a proxy of a firm's overall financial condition. This is one of many examples of disruptions in the banking sector that can translate into opportunities for practitioners who adopt technology, or as barriers to entry



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**More Cash In Hand**

for those who do not. Practitioners can align with bank approaches and help their clients with cash flow management services and business growth strategies," explained Nazri.

But it's not smooth sailing. Nazri noted that in a series of roundtable discussions with selected accounting firms, they have highlighted a few pain points. First, public practitioners are experiencing structural changes, in terms of manpower, systems, operations as well as clients. Second, practitioners also face strategic issues, whereby their traditional business models are fee-based and labour-intensive; amidst erosion of margins. Third, they face operational issues, such as productivity and cost-containment challenges. Like it or not, practitioners can address these issues by innovating through technology, and constantly being on the lookout for ways to ride the newer technology waves.

### CROSSING OVER TO CLOUD

A key trend that has been successfully adopted abroad is to shift to the cloud. Here in Malaysia, junior and senior practitioners are distinctly divided when it comes to adopting cloud technology, said Steven. Although junior practitioners are more receptive to the idea, it is important to recognise that success is not immediate. One possible option to promote cloud technology is to create a 'sandbox' so that tests can be performed in a controlled environment.

Cloud technology also presents opportunities for practitioners to expand their businesses and evolve into a regional player, since it levels the playing field. The emergence of cloud platforms and technology which are offering cheaper alternatives have forced the big players to revisit their business models. As technology becomes faster, smarter and wiser, its cost has also become cheaper.

As part of its collaboration with MIA, MyFinB is planning to make available to all members a software combining cloud technology with AI that can produce comprehensive reports, including analysis and industry benchmarks. This is part of MIA's initiatives to improve the workflow process and make technology available, accessible and impactful to the practices. ■



**ALLIANCE BANK**  
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■ BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

# Building MARKET CONFIDENCE

WITH ITS SALIENT THEME “TOWARDS ACCOUNTABILITY AND EXCELLENCE”, NACRA 2017 CONTINUED TO UPHOLD AND EMBED THE VALUES OF TRANSPARENCY AND INTEGRITY, TOWARDS ENSURING MORE STABILITY, CERTAINTY AND TRUST IN THE MALAYSIAN CAPITAL MARKET.



SINCE 1990, the prestigious National Annual Corporate Report Awards (NACRA) has sought to recognise organisations that have demonstrated excellence in their financial and corporate reporting. NACRA is organised by Bursa Malaysia Berhad, MIA and The Malaysian Institute of Certified Public Accountants (MICPA), who are all committed to raising the standard of corporate reporting and good governance.

*CIMB Group Holdings Berhad (CIMB) won the coveted Overall Excellence Platinum Award at the National Annual Corporate Report Awards (NACRA) 2017 Awards Presentation Ceremony in Kuala Lumpur*



Championing the theme “Towards Accountability and Excellence”, NACRA 2017 awarded CIMB Group Holdings Berhad the Platinum Award for Most Outstanding Annual Report of the Year, while Maybank Berhad won the Gold and Telekom Malaysia Berhad the Silver in the same category. This year saw an increase in participants with eight new contenders along with NACRA veterans vying for the prestigious awards.

All awards were presented by Yang Berhormat Datuk Seri Johari Abdul Ghani, Minister of Finance II, who stressed in his remarks that high quality financial information and corporate reporting are crucial for investors in making informed investment decisions. “It builds investors’ confidence, which in turn facilitates business development, contributes to job growth and leads to economic prosperity of the nation.”

Datuk Johari noted that current era investors do not solely look at the financial aspects of an organisation when making investment decisions, but also review the non-financial aspects, such as



► **LIST OF WINNERS FOR NACRA 2017**  
Overall Excellence Awards

**MOST OUTSTANDING ANNUAL REPORT OF THE YEAR**

Platinum	CIMB GROUP HOLDINGS BERHAD
Gold	MALAYAN BANKING BERHAD
Silver	TELEKOM MALAYSIA BERHAD

**INDUSTRY EXCELLENCE AWARDS – MAIN MARKET**

Consumer Products	NESTLE (MALAYSIA) BERHAD
Industrial Products & Technology	PETRONAS GAS BERHAD
Trading & Services	TELEKOM MALAYSIA BERHAD
Finance	CIMB GROUP HOLDINGS BERHAD
Construction & Infrastructure Project Companies	IJM CORPORATION BERHAD
Properties & Hotels	SUNWAY BERHAD
Plantations & Mining	FELDA GLOBAL VENTURES HOLDINGS BERHAD
Real Estate Investment Trusts (Reits) & Investment Funds	SUNWAY REAL ESTATE INVESTMENT TRUST

**PRESENTATION AWARDS**

**BEST ANNUAL REPORT IN BAHASA MALAYSIA**

Platinum	MALAYAN BANKING BERHAD
Gold	BANK KERJASAMA RAKYAT MALAYSIA BERHAD
Silver	TELEKOM MALAYSIA BERHAD

**BEST DESIGNED ANNUAL REPORT**

Platinum	PETRONAS DAGANGAN BERHAD
Gold	EKUITI NASIONAL BERHAD
Silver	PETRONAS GAS BERHAD
Silver	CIMB GROUP HOLDINGS BERHAD

**SUSTAINABILITY REPORTING AWARDS**

Platinum	NESTLE (MALAYSIA) BERHAD
Gold	TELEKOM MALAYSIA BERHAD
Silver	MALAYAN BANKING BERHAD

BUILDING MARKET CONFIDENCE

sustainability, inclusivity and diversity, and strategy. As such, he commended NACRA for replacing the Corporate Social Responsibility Reporting Award with the new Sustainability Reporting Award this year. “Despite the fact that the requirement to include a Sustainability Statement will only be fully implemented for all listed issuers’ annual reports on 31 December 2018 onwards, it is best to have a head start in complying with the requirements prior

to the implementation date.”

He also praised NACRA for introducing a new award category this year for Integrated Reporting (IR). “Truly, Integrated Reporting is the next wave of corporate reporting and I encourage all organisations to embrace it. I believe the heightened expectation and standard in the reporting of annual report will be a new cornerstone that will enhance our continuous efforts in corporate governance.”

In her remarks, NACRA Adjudication Committee Chairperson Loh Lay Choon highlighted some key points about the new NACRA (IR) Award, which seeks to recognise organisations that produce exemplary integrated reports and encourage more organisations to follow suit. “The Committee believes that (IR) could well take away or reduce duplication in corporate reporting and hence meets the objective of providing a clear accessible story of an organisation’s performance and prospects.”

NACRA 2017 Organising Committee Chairman Ahmad Zahirudin Abdul Rahim said that NACRA’s theme, Towards Accountability and Excellence, underscores the vital role of annual reports in propagating transparency and enhancing integrity within the capital markets. “Even in today’s world of instant information, an annual report remains a powerful tool to communicate a company’s strengths and strategies to key stakeholders. It tells the story of an organisation’s achievements, overall goals and objectives, financial position, growth, its people and commitment towards sustainability.”

Loh similarly stressed the continuing salience of an annual report, which has become and remains a key document for businesses and their stakeholders, as it summarises the financial position of the organisation, its key activities and, in some cases, sets out the strategic direction for the future. “A good annual report is able to take the financial and non-financial information of an organisation and tell a clear, accessible story in a coherent way. By doing so, it has the potential to create greater public trust and confidence in the performance and prospects of the respective organisation,” she concluded. ■

**INCLUSIVENESS AND DIVERSITY REPORTING AWARDS**

Platinum	CIMB GROUP HOLDINGS BERHAD
Gold	MALAYAN BANKING BERHAD
Silver	GAMUDA BERHAD

**INTEGRATED REPORTING AWARDS**

Platinum	SIME DARBY BERHAD
Gold	TELEKOM MALAYSIA BERHAD
Silver	PETRONAS GAS BERHAD
Silver	TENAGA NASIONAL BERHAD

**SPECIAL AWARD FOR NON-LISTED ORGANISATIONS  
BEST ANNUAL REPORT OF NON-LISTED ORGANISATIONS**

PETROLIAM NASIONAL BERHAD
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**▶ LIST OF CERTIFICATES OF MERIT RECIPIENTS**

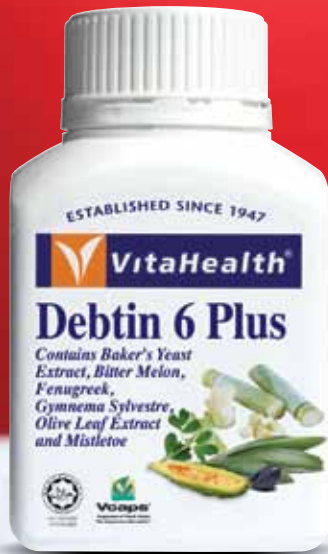
- |  |                                      |
|--|--------------------------------------|
| 1. AMMB HOLDINGS BERHAD  | 9. OSK HOLDINGS BERHAD               |
| 2. AXIS REAL ESTATE INVESTMENT TRUST                                 | 10. PETRONAS CHEMICALS GROUP BERHAD  |
| 3. BANK ISLAM MALAYSIA BERHAD  | 11. PETRONAS DAGANGAN BERHAD         |
| 4. BIMB HOLDINGS BERHAD  | 12. PUBLIC BANK BERHAD               |
| 5. GAMUDA BERHAD   | 13. RHB BANK BERHAD                  |
| 6. KLCC PROPERTY HOLDINGS BERHAD & KLCC REAL ESTATE INVESTMENT TRUST | 14. SIME DARBY BERHAD                |
| 7. MALAYSIA RESOURCES CORPORATION BERHAD                             | 15. S P SETIA BERHAD                 |
| 8. MEDIA PRIMA BERHAD  | 16. SUNWAY CONSTRUCTION GROUP BERHAD |
|  | 17. TENAGA NASIONAL BERHAD           |



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■ BY ABDUL RAZAK RAHMAN

# *Best* Financial Practices *for Educators*

*The recent MIA Higher Education Strategic Financial Management Conference 2017 proposed some solutions and best practices through which higher learning institutions can become more self-sufficient and financially sustainable. As the developer and regulator of the accountancy profession, MIA is a natural fit to provide financial management advisory to this critical sector.*

*Crafting an effective financing strategy is on the cards as funding must not only focus on government grants and student fees but other alternatives for HLIs to be able to deliver the required demands, remain competitive and be financially sustainable.*

**Dr. Rohayati Mohd Isa**  
Bursar of Universiti Sains Malaysia

FINANCING challenges for the higher education sector are here to stay, and like it or not, they are a driver for change. Public higher learning institutions (HLIs) are expected to move away from heavy reliance on government resources, towards a shared model where all stakeholders contribute to ensure a sustainable education system.

“Crafting an effective financing strategy is on the cards as funding must not only focus on government grants and student fees but other alternatives for HLIs to be able to deliver the required demands, remain competitive and be financially sustainable,” said Dr Rohayati Mohd Isa, Bursar of Universiti Sains Malaysia, speaking on the future direction of university funding.

Under the Malaysia Education Blueprint 2015-2025 (Higher Education) that is applicable to both public and

private HLIs, one of the remaining six shifts or the enablers for the higher education ecosystem, is Shift 5 on Financial Sustainability.

HLIs should also be paying attention to shift 10 concerning Transformed Higher Education Delivery. Under shift 10, the Ministry has issued various playbooks, which is a collaboration between the Ministry and the HLIs, as guidelines on critical improvement areas. One of the playbooks under the University Transformation Programme (UniTP) is guidelines on income generation such as research grants, commercial activities, endowments and *waqfs*.

Another area covered under UniTP relates to increased productivity and improved cost efficiency in public universities by measuring cost per student in producing graduates.



**BEING HIGHLY REGULATED AND FACED WITH STRINGENT RULES, PUBLIC UNIVERSITIES HAVE NO OPTION BUT TO CHANGE THEIR MINDSET TO BECOME MORE ENTREPRENEURIAL AND PROFIT ORIENTED.**

**Dalila Md Idris**

Senior Principal Assistant Bursar, University Malaysia

involved in ensuring their HLI's sustainability.

"One of the public HLIs' objectives is to provide the best quality education to the public at an affordable price," said Dalila Md Idris, Senior Principal Assistant Bursar, University Malaysia. "Being highly regulated and faced with stringent rules, public universities have no option but to change their mindset to become more entrepreneurial and profit oriented." As generating additional income takes a longer time, University Malaysia has embarked on cost-saving initiatives to create surpluses, explained Dalila. One of the initiatives in the pipeline compliant with UniTP is to measure the cost per student, and streamline costs that are not generating sufficient returns. To raise more income, University Malaysia is reviewing the courses on offer and leveraging on its private university to generate additional income from courses that cannot be offered at University Malaysia. She also highlighted that although efforts are being made to generate additional

Moving forward, the Ministry will also be implementing 'input based funding' and 'performance based funding' to public universities which is effectively based on cost per student. This is believed to be a more equitable system of providing government grants and encourages HLIs to improve cost and operational efficiency.

As HLIs become autonomous and head toward financial sustainability, mindset change is required at all levels in the organisation. In particular, the roles of bursars or the finance function have significantly changed that they are no longer just holding a stewardship role and report on historical data, but also involved in the strategic decision-making. While working closely with the Ministry to improve income generation and costs efficiency, bursars are also heavily



*(L-R) Professor Geoffrey Williams, Dalila Md Idris, Prof. Madya Dr. Norhayati Mohamed and Dr. Rohayati Mohd Isa*

## BEST FINANCIAL PRACTICES FOR EDUCATORS

# Shared Services for Higher Education

CAN HIGHER LEARNING INSTITUTIONS (HLIs) ADAPT THE SHARED SERVICES MODEL TO FREE UP RESOURCES AND CUT COSTS?

From a HLI's perspective, functions such as travel management, facilities management, student services, and even the administrative portion of research works can be undertaken by the shared services unit, freeing up researchers and professors for their core activities. Universities can even leverage on successful implementation of shared services by becoming consultants and service providers.

In Singapore, the National University of Singapore (NUS) and the Nanyang Technology University (NTU) have implemented shared services. NTU implemented shared services in a record six months, streamlining and centralising the activities of approximately 30 schools. Upon completion, NTU identified 30% of excess resources that it redeployed to other functions. The University of London not only implemented shared services within their organisation, but became a provider of shared services to medium-sized universities not only in the United Kingdom but other parts of Europe as well.

In the Malaysian context, INTI has



**Tan Li Nah**  
Chief Financial Officer  
INTI International University & Colleges

implemented shared services for its back-end accounting such as accounts payable, accounts receivable and general ledger, and formed a special projects team that serves as a rapid response team and back-up to the shared services team. "Although most of the campus operation and the front-end interfaces with students are conducted as much as possible through online systems, INTI also adopted a 'hub and spoke' approach

at our lead and sub-campuses to cater to students who need face-to-face interaction," explained Tan Li Nah, Chief Financial Officer of INTI International University & Colleges.

Post-implementation follow-up is another critical phase in ensuring the continuing success and relevance of shared services. For INTI, this involved the integration of their back-end and front-end systems and eventually, embarking on ERP implementation. The ERP platform allows INTI to integrate with other systems such as CRM and Tableau and capitalises on each software's capabilities, especially for data analytics. The analytics help identify and improve key 'touch-points' of INTI's end-to-end business processes, such as the process for student refunds, said Li Nah.

As part of its talent retention programme, INTI also engages their internal people for ideas rather than employing external consultants as they have better insight of the processes. To develop talent, INTI practices job rotation and where possible gives preference to internal staff to fill up vacant positions.



income through research products, the end results are still subject to the regulators' approval as some efforts or initiatives are still considered to be against the university's constitution.

## CHANGING THE BUSINESS MODEL FOR HLIs

Professor Geoffrey Williams of ELM Graduate School, HELP University offered additional suggestions for financial sustainability in his presentation on embedding a business mindset among HLIs, some of which have already been adopted by HLIs such as University Malaya.

**DIVERSIFY CORE FINANCING ACTIVITIES** instead of being dependent on a single revenue source. Wealthy independent institutions such as Harvard, Yale, Cambridge and Oxford have highly diversified and well-balanced financial models, unlike Malaysian HLIs which generate virtually all their financing from tuition and tuition-related fees. For example, Cambridge University earns about 40% of its annual income from commercial activities such as book publication and its role as a governing body for examination syndicates, said Professor Williams.

**DON'T RESTRICT OFFERINGS TO BASIC PROGRAMMES** such as foundation, diploma and undergraduate courses but expand into more lucrative avenues, such as Massive Open Online Courses (MOOC), continuing education, and graduate and professional programmes. Consider generating more from non-tuition income sources, such as application fees, registration fees and other related fees. In 2015, Harvard generated almost 65% of its



income from graduate and professional degrees, and continuing education and executive programmes. Income from undergraduate programmes represented only 22% of its total income and was disbursed as scholarships to students, added Professor Williams.

**EARN INCOME FROM RESEARCH AND GRANTS**, which can also strengthen linkages between commerce and industry and academia. Income from research and grants does not only improve HLIs' financial profiles, but positions the institution as a 'knowledge producer' which offers added value and interest for students, Professor Williams said.

**FIGURE OUT WAYS TO LEVERAGE ON HLI INFRASTRUCTURE** and the HLI community as a source of real income generation, by focusing on rental, retail and recreation. Hostel accommodation is an obvious income source for rental, and this can be extended to rental of rooms, theatres, laboratories for commercial use, and sports facilities. In terms of retail and recreation, HLIs should provide value-added products and services to the student within its campus and community, in order to capture and retain

that income within the HLI community.

**BUILD UP YOUR BRANDS TO GENERATE MORE NON-CORE FINANCING** from sources such as endowments and donations, which are dependent on the 'appetite for giving'. These include alumni endowments, big donor endowments and earned income endowments, which vary greatly in size. Globally, Harvard University continued to lead in 2015 with endowment funds of slightly above USD36 billion, outstripping the US median of USD115 million. Endowment returns also vary, with the larger endowments performing slightly better due to size and professional outsourced management.

**CHANGE MINDSETS.** Framing the academic business model as a social enterprise, whereby revenue generated from the community is reinvested for social and national growth, could make commercialisation and privatisation more palatable to public HLIs and facilitate a more profit-oriented mindset. "The value of commercialisation is not in the money generated, but in the value created by brand recognition and the relationship with potential students," concluded Professor Williams. ■

■ BY ABDUL RAZAK RAHMAN

TAX

- ▶ HOW WILL THE OECD'S BEPS ACTION PLANS IMPACT MALAYSIAN TAXPAYERS? AND HOW IS THE MALAYSIAN GOVERNMENT COMPLYING WITH THE GLOBAL BATTLE AGAINST BEPS?

## BEPS – LOCAL IMPACTS



**MALAYSIA** is committed to the BEPS initiative and has been an associate member of the BEPS Inclusive Framework since January 2017. As a BEPS associate, Malaysia has committed to the implementation of four minimum standards under the BEPS project and to work alongside the OECD and the G20 countries on an equal footing to ensure widespread adoption of the minimum standards.

During the MIA's BEPS Symposium 2017, Dato' Khodijah

Abdullah, the Under-Secretary of the Tax Division, Ministry of Finance (MoF) remarked that in addition to the commitment on the implementation of the minimum standards, Malaysia is also a member of an ad-hoc group on BEPS Action 15 in developing multilateral instruments to modify tax treaties. Malaysia is also committed to the international standards on Exchange of Information (EOI) and will commence the implementation of automatic EOI in 2018. "We want to

ensure that we remain competitive in this globalised economic environment and maintain an effective ecosystem that will attract investments. The MoF is working with the IRBM to ensure that our tax incentives are robust but at the same time can be defended at the international level," added Dato' Khodijah.

**WE WANT TO ENSURE THAT WE REMAIN COMPETITIVE IN THIS GLOBALISED ECONOMIC ENVIRONMENT AND MAINTAIN AN EFFECTIVE ECOSYSTEM THAT WILL ATTRACT INVESTMENTS.**

Dato' Khodijah Abdullah, the Under-Secretary of the Tax Division, Ministry of Finance

### KEY FOCUS AREAS

Under the BEPS initiatives, the government is focusing on four key areas. They are the minimum standards, the reinforced international standards, common approach and best practices, and analytical reports.



Under Action 6 of the minimum standards on prevention of treaty abuse for example, the preambles have been revised to be in line with the recommendation by the OECD and will be part of negotiations for new and revised treaties.

From the IRBM and compliance perspective, Action 13 on the re-examination of transfer pricing documentation is seen as a significant

**UNDER THE BEPS INITIATIVES, THE GOVERNMENT IS FOCUSING ON FOUR KEY AREAS. THEY ARE THE MINIMUM STANDARDS, THE REINFORCED INTERNATIONAL STANDARDS, COMMON APPROACH AND BEST PRACTICES, AND ANALYTICAL REPORTS.**

BEPS action item, especially for taxpayers who are part of a multinational group that meets the threshold prescribed by the OECD. This is the view shared by Dato' Nor Azian Abdul Hamid, Deputy Chief Executive Officer (Policy) of IRB Malaysia at the BEPS Symposium. One of the requirements under Action 13 is the Country-by-Country Reporting (CbCR) which came into effect in Malaysia on 1 January 2017. The CbCR is applicable to multinational groups where the ultimate holding company is incorporated and resident in Malaysia, with consolidated group revenue of RM3 billion. The IRBM has embarked on a few engagement sessions with the affected taxpayers and is in the process of issuing guidelines to facilitate the compliance to CbCR.

Another area of interest according to

## MIA NOTICE

### DECISIONS OF THE DISCIPLINARY COMMITTEE OF THE MALAYSIAN INSTITUTE OF ACCOUNTANTS (INSTITUTE) AGAINST MEMBERS PURSUANT TO RULE 18(1) OF THE MALAYSIAN INSTITUTE OF ACCOUNTANTS (DISCIPLINARY) RULES 2002

**Abdul Halim Ihsan (4714)** as the sole proprietor of Halim & Co. (the Firm) had been punished and imposed a fine of RM3,000-00, costs of RM3,000-00 and ordered to attend a course conducted by the Institute on Audit Quality Enhancement Programme by the Disciplinary Committee of the Institute on 12 July 2017 after the Firm had been rated as 'unsatisfactory' as indicated in the Follow-up Review Report dated 12 April 2012 which detailed the weaknesses in the audit work performed.

**Ang Teck Pheng (15700)** had been suspended for three months effective 1 September 2017, imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Institute on 9 August 2017 for failure to reply all the correspondences and enquiries from the Complainant and the Registrar as per the Notice of Complaint dated 22 February 2016 and to the Investigation Committee's enquiries.

**Edgar Ralph Fernandez (12070)** as the auditor of the Royal Selangor Club (the Club) had been punished and imposed a fine of RM4,000-00 and costs of RM3,000-00 by the Disciplinary Committee of the Institute on 9 August 2017 for failure to carry out his professional duties with due care and diligence during that audit of the Club for the financial year ended 31 December 2012 in which he had:

in the "Other Matters" paragraph of his Audit Report included a sentence to advise that it was to be read together with his Management Letter (the ML) dated 9 May 2013 which was not in accordance with ISA 706: "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report"; and

rendered an unqualified Auditor's Report dated 10 May 2013 despite various material audit issues that were not solved as highlighted by him in the ML dated 9 May 2013.



Dato' Nor Azian is Action 1 with regard to the digital economy, which is the fastest-growing economy and poses challenges not only to Malaysia but at the OECD level. A key challenge arose because most tax laws are premised on the existence of a permanent establishment; with the digital economy, businesses can avoid the creation of a permanent establishment.

"It is important to note that BEPS developments are not only happening in Malaysia but also in other countries worldwide. Therefore, Malaysian multinationals with investments overseas must be aware of the developments and the domestic requirements in that country, which may not necessarily mirror the requirements in Malaysia," advised Aurobindo Ponniah, Executive Director of PwC Taxation Services Sdn Bhd. The Netherlands for example has a threshold of EUR50 million for Master File reporting; therefore, a Malaysian multinational with a group turnover of RM2 billion is required under the domestic rules of the Netherlands to file a Master File Report even though it does not meet Malaysia's threshold for CbCR.

## TP CHALLENGES

For companies in Malaysia, likely challenges will emerge under Actions 8, 9 and 10 on transfer pricing documentation. Bob Kee, Executive

**A KEY CHALLENGE AROSE BECAUSE MOST TAX LAWS ARE PREMISED ON THE EXISTENCE OF A PERMANENT ESTABLISHMENT; WITH THE DIGITAL ECONOMY, BUSINESSES CAN AVOID THE CREATION OF A PERMANENT ESTABLISHMENT.**

Director, KPMG noted that the biggest challenge is whether the transfer pricing documentation can meet the required standards. For instance, the six-step process that has been prescribed to test the allocation of risk requires analysis of data collected. The question is: does the party involved have access to the relevant data required to perform such analysis? In addition, there are also limitations in obtaining comparable data for benchmarking purposes. Dato' Nor Azian added that the IRBM is currently reviewing the transfer pricing guidelines and with the introduction of CbCR under Action 13, it hopes that this will facilitate transparency of information. Even though the information may not be comprehensive, CbCR to a certain extent will provide a complete picture of the group which is beneficial for both the tax authorities and group companies.

When the OECD and the G20 first came up with the BEPS project, the initial reaction was that the recommendations in the report will be implemented by country members on a uniform basis. In reality, however, the situation is quite the opposite since taxes are the purview of a sovereign country; therefore, there will be changes to suit the domestic requirements as in the Master File reporting in the Netherlands, for example. This is already happening and over time the deviation from the OECD requirements is expected to grow. This will pose a challenge to multinational companies in complying with the local as well as the OECD requirements. In addition, the developments in the digital economy pose numerous tax challenges and inevitably will also impact the implementation of BEPS initiatives. ■

## Mandatory Sustainability Reporting

The standards have been raised to make the sustainability reporting mandatory for all companies listed on main market and ace market to report their environmental, social and governance (“ESG”) practices from the financial years ending 31 December 2017 and 31 December 2018, respectively.



### WHO WE ARE

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