



MALAYSIAN INSTITUTE OF ACCOUNTANTS

Competency Framework

for Finance Function
in Public Interest Entities

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Acknowledgements

Definitions

1 > Chief Financial Officer (CFO)

The most senior person involved in the finance function of an organisation whose primary role normally includes being overall responsible for managing all financial aspects of the organisation including assessing financial risks and controls, managing budgets, preparing financial statements and providing financial information. CFOs are normally authorised by the Board of Directors to sign the statutory declaration on the correctness of the financial statements of an entity in accordance with the Companies Act 2016 in Malaysia.

2 > Finance Function

Finance function includes planning, organising, accounting for and managing an entity's finances and financial risks and controls, the preparation of financial statements and external reporting in compliance with accounting standards and relevant laws and regulations, and involvement in strategy development and execution, performance monitoring and communication with stakeholders.

3 > Public interest entities

Public interest entities refer to those entities that are currently specified under Part 1 of Schedule 1 of the Securities Commission Malaysia Act 1993 (SCMA). They include–

(a)	A public listed company or corporation listed on the stock exchange;
(b)	A bank licensed under the <i>Financial Services Act 2013</i> ;
(c)	An insurer licensed under the <i>Financial Services Act 2013</i> ;
(d)	A takaful operator licensed under the <i>Islamic Financial Services Act 2013</i> ;
(e)	An Islamic bank licensed under the <i>Islamic Financial Services Act 2013</i> ;
(f)	A financial institution prescribed under section 212 of the <i>Financial Services Act 2013</i> or section 223 of the <i>Islamic Financial Services Act 2013</i> ;
(g)	A development financial institution prescribed under the <i>Development Financial Institutions Act 2002</i> ;
(h)	A holder of a Capital Markets and Services Licence for the carrying on of the regulated activities of dealing in securities, dealing in derivatives or fund management;
(i)	An exchange holding company approved under the securities laws;
(j)	An exchange approved under the securities laws;
(k)	A central depository approved under the securities laws;
(l)	A clearing house approved under the securities laws;
(m)	A self-regulatory organisation recognised under the securities laws;
(n)	A private retirement scheme administrator approved under the securities laws;
(o)	A trade repository approved under the securities laws; and
(p)	The Capital Market Compensation Fund Corporation.



> 1.0

Introduction

1.0 Introduction

The role of finance functions is rapidly evolving and being redefined to meet the increasing expectations of stakeholders and as such, CFOs are simultaneously challenged to drastically change their traditional finance processes and operational support models in an effort to deliver faster, more accurate and more insightful analysis and reporting whilst managing risk and reducing cost.

These new challenges demand a readiness from CFOs and their teams to take a leading, as opposed to an advisory role within strategic decision making. It sees the CFO playing a much more dynamic and facilitative role, moving from static and rigid processes and controls to adaptive, agile and resilient models which require orchestration rather than mere execution and control. This entails a need for greater support to the CFO to enable the execution of the CFO's responsibilities efficiently.

This Competency Framework focuses on the role of the finance function in public interest entities (PIEs). The principles put forth and matters deliberated may also be applicable in varying degrees to other entities including small and medium enterprises. Application for such other entities should be done with the understanding that the discussion in this Competency Framework is focused on the finance function of PIEs.

In past discussions between MIA and fellow regulators, one of the areas identified as a concern is the weakness of the finance function among some listed entities which resulted in substandard quality of financial reporting. For these entities, greater investment is needed in the finance function and less reliance on auditors to address presentation and disclosures in the financial statements. For a high performing finance function of a PIE, it is imperative to look at the quality of the finance staff and their accounting systems, regardless of size and operations.

With these perspectives in mind, MIA posits that one of the key factors in facilitating the growth of the economy is by strengthening the quality of financial reporting that remains as one of the central basis of decision making in formulating and driving strategy, shaping the financial profile as well as creating value for a company. To achieve this, a company needs to strengthen its finance function by equipping its human capital with professionals that have the requisite skills and expertise not only at the technical and operational level but also at the strategic and management level. A competency framework will serve as a source of reference and impetus in sharpening competencies of staff and enhancing organisational capabilities in meeting future challenges.



➤ 2.0

Objective

2.0 **Objective**

The objective of this Competency Framework is to assist CFOs and stakeholders in assessing and developing the effectiveness, efficiency and competencies of finance functions befitting organisations for the achievement of their desired goals.



➤ 3.0

Supporting the Leader of the Finance Function

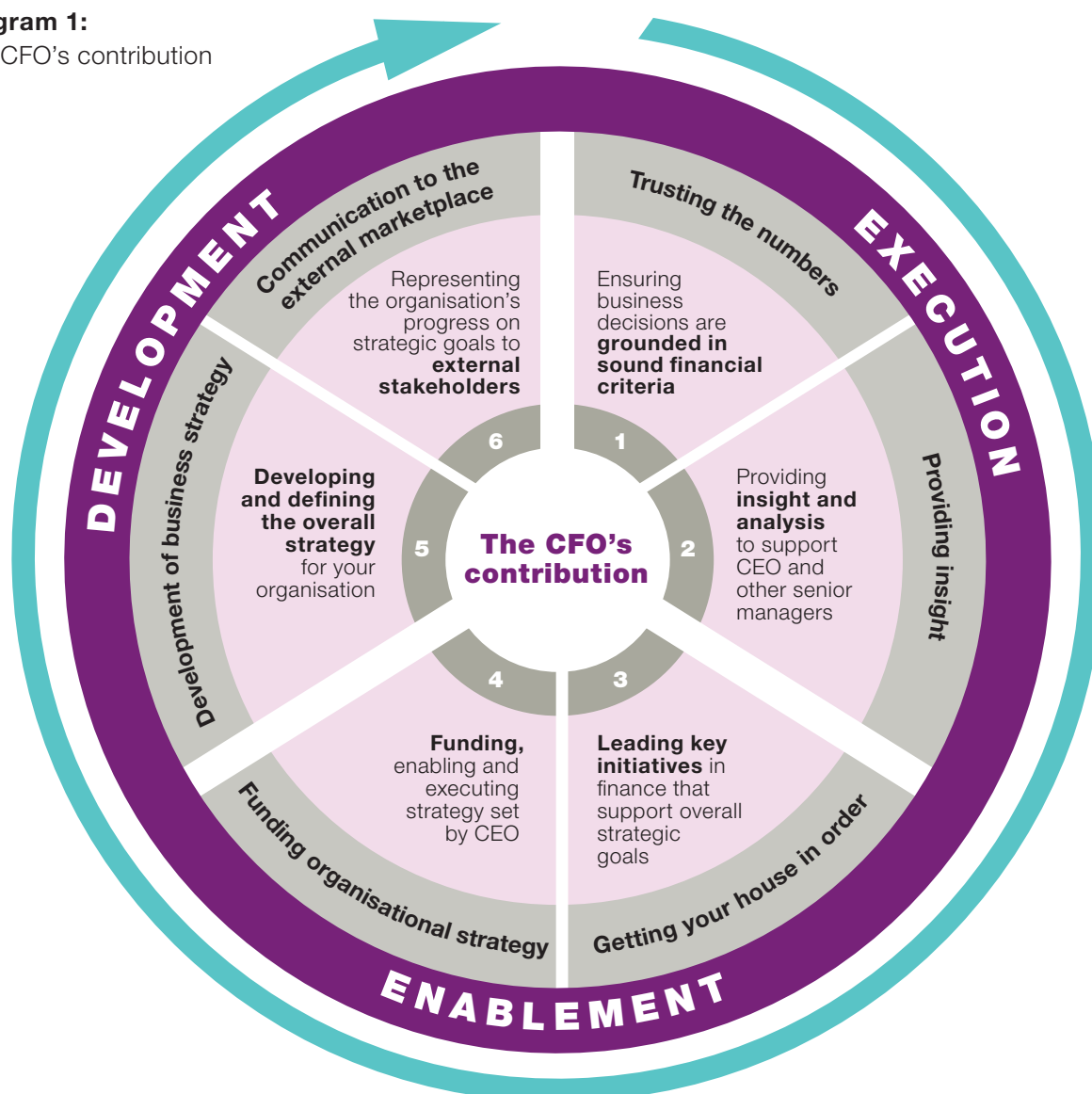


3.0 Supporting the Leader of the Finance Function

As the leader of the finance function, the CFO, apart from having a duty under contract with the organisation that employs the CFO, is also subject to the requirements under the Companies Act 2016. In addition, a CFO of a public entity is required to comply with the Bursa listing requirements and Capital Market Services Act 2007.

In July 2018, the MIA issued the Competency Framework for Chief Financial Officers (CFOs) in Public Interest Entities to serve as a reference guide for companies, Audit Committees and CFOs in clarifying and defining the scope of work that CFOs in PIEs could be doing and the competency that is expected to go with it. To describe the roles of a CFO, that document referred to a diagram by EY which outlines six roles that represent the breadth of a CFO's remit as depicted in the Diagram 1¹ below.

Diagram 1:
The CFO's contribution



¹ The DNA of the CFO – The Disruption of the CFO's DNA, Ernst & Young, 2016.

The weightage of a CFO's involvement in each of the six areas will depend on the maturity and motivation of that individual, the sector and scale of the finance function and economic stability which are all critical to effective leadership. **An effective finance function should be able to support the CFO in discharging the 6 roles.**

One of IFAC's 5 key principles relating to the role of CFOs is that the CFO should bring professional qualities to their role and encourage ethical behaviour and decision making throughout an organisation to ensure sustainable value creation. Strong ethical leadership and good governance are prerequisites for sustainable value creation. The finance function should support the CFO in displaying and inculcating professionalism and ethical behaviour in the organisation.

As stated in the Competency Framework for CFOs in PIEs, whilst the 6 roles of CFOs remain relevant, an updated research by EY in 2016 regarding the roles of CFOs revealed four forces that are changing the expectation placed on CFOs: digital; data; risk and uncertainty; and stakeholder scrutiny and regulation. The impact of these disruptions and the implications for CFOs are included in Appendix 3. The finance function needs to be equipped with the necessary knowledge and skill sets in order to support the organisation in addressing these disruptions. In particular, digital skills are increasingly becoming important for personnel in the finance function in order to harness technology for greater efficiency and to be better business partners by generating valuable and timely insights for decision making.

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➤ 4.0

A High Performing Finance Function

4.0 A High Performing Finance Function

The finance function is responsible for a wide range of activities from bookkeeping and applying technical accounting knowledge for external reporting to management reporting and data analysis, providing insights for stakeholders' decision-making. Each of these tasks requires a certain depth of knowledge and typically the tasks are assigned to responsible persons in the core finance function.

As organisations expect their finance functions to develop to do more than just report the numbers, meeting these needs is a key priority on the CFO's agenda. Finance functions in many entities are evolving to become more efficient, effective and a better partner to the business. At the same time, stakeholders' expectations of a modern finance organisation are increasing.

As with CFOs, the skill sets of those in the finance function can enable them to expand their roles beyond financial management. However, the finance function should maintain the stewardship role, particularly on financial management and compliance with regulatory requirements. A high performing finance function should also be able to demonstrate that controls are in place to prevent window dressing and other forms of creative accounting.

A high performing finance function should be poised to focus more on driving innovation and able to demonstrate the following capabilities:

- Strengthening strategy alignment, business planning, performance reporting and analytical capabilities.
- Empowering the organisation to help the business make better and more informed decisions based on the right information delivered at the right time.
- Working at transforming data into intelligence that enables actionable decisions based on insightful reports that highlight key performance measures collected by multiple functions (such as finance, risk, operations, human resource and marketing).

- Leveraging the latest information technology developments to take advantage of evolving market opportunities.
- Ability to function as an effective check and balance on operations and as a gatekeeper to uphold good governance.

In the ensuing sections, we explore 3 ways to measure the effectiveness and efficiency of a finance function and to identify areas for enhancement and development:

- a) Finance Assessment Framework
- b) Finance Target Operating Model
- c) Indicators / Red Flags Diagnostics



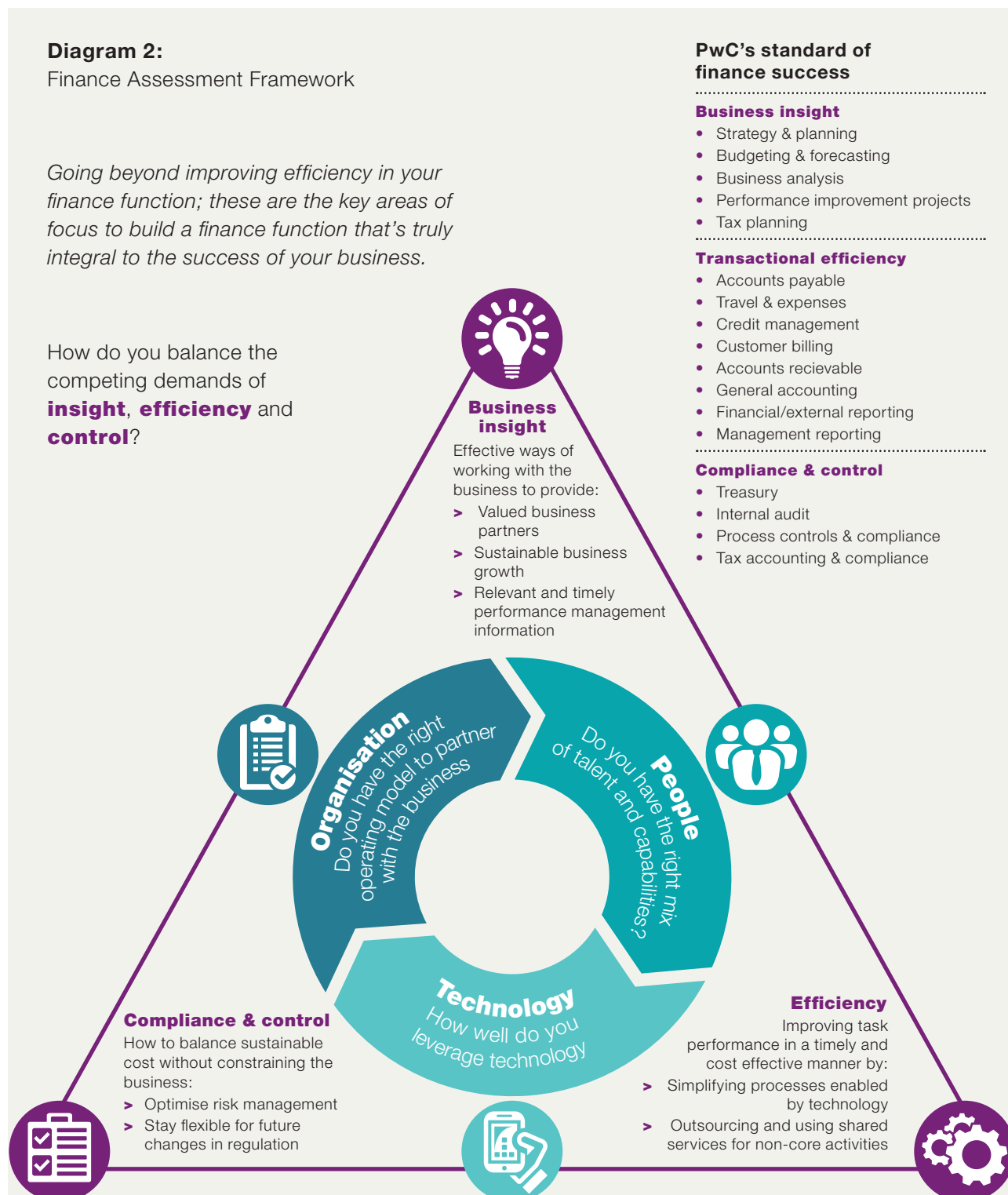
➤ 5.0

Assessment of Finance Function

5.0 Assessment of Finance Function

i) Finance Assessment Framework

In looking at the key roles of a finance function this Competency Framework refers to PwC's finance assessment framework that highlights 3 major dimensions which include business insight, efficiency and compliance and control as depicted in Diagram 2² below.



² Breaking Away: How Leading Finance Functions are Redefining Excellence, ©2015 PwC Private Limited.

Productivity improvements in the finance function need to be demonstrated across all of these 3 key dimensions as explained below:

A. Business Insight

This key role focuses on the finance function's ability to guide the business. It is demonstrated by assessing factors including the proportion of finance effort spent on business partnering, time spent on analysis vs. data gathering, and an assessment of the quality and impact of processes such as budgeting and forecasting.

Business Insight enables the organisation to answer the following questions:

Role of the finance function - what is the role of finance and how do we contribute to value creation within the business?

Business partner - are we providing the right business information to support decision making and control?

Management information - does finance provide the appropriate management information to the business to support their strategic objectives?

Stakeholder management - do we have a consistent and reliable model for managing our internal and external relationships?

Tax and capital strategy - what is the most effective tax structure for the group and how do we optimise capital allocation?

B. Efficiency

This key dimension analyses transactional processes using a range of key determinants including cost, speed, quality and process complexity.

Efficiency enables the organisation to answer the following questions:

Value for money - Are our processes efficient and are we applying an appropriate and cost effective resourcing model?

Benchmarking - How do the standards of efficiency we apply to our finance function compare to best in class?

Transformation – What are the processes and technology best suited for the desired finance function and how can the best practices of other organisations be implemented?

Automation - Are we making effective use of the technology available and automating those processes and tactical spreadsheet solutions that do not require human intervention?

C. Compliance and Control

This key role examines the effectiveness of the controls framework, and the cost and efficiency of controls. It is normally attributed to the people and technology. Internal audit has a role to play to supplement management's effort in assessing independently the effectiveness of the finance function.

Compliance and control enables the organisation to answer the following questions:

End to end control - Do we have clear understanding of end to end processes, ownership, accountability and definition of roles/responsibilities?

Transparency - Do we know what is going on in the business and to what extent we can rely on the numbers?

Governance - Are our internal policies, controls and code of ethics effective and are they fully embedded within business processes?

Consistency - Is there a single version of the truth? Are data sets common?

D. Organisation, People and Technology

A high performing finance function has these three enabling dimensions that are integral in supporting the whole finance assessment framework shown in Diagram 2:

Organisation alludes to having the right operating model in partnering with the business. An illustration of an excellent organisation is where the organisational structure is aligned with enterprise strategy and redundant structures are eliminated. There is adoption of shared services and centres of excellence as well as appropriate use of outsourcing. Finance staff are organised to provide the most effective service delivery to the business.

People focuses on having the right mix of talent and capabilities. This can be facilitated by having clear, well-defined roles and responsibilities that properly align skill-sets to the roles. Performance measures are directly tied to company strategies where incentive compensation structures are aligned with performance and the management of risk. It is also essential to create a knowledge-sharing and continuous-learning environment.

It is also important that the finance staff have a high level of integrity in executing their tasks. Finance staff should possess the core values of integrity and accountability to foster trust in an organisation and be champions of a value-based ethical culture that goes beyond mere compliance with rules and regulations.

Technology looks at how well it is being leveraged to help the business. Efficient leveraging of technology is where there is electronic workflow which enables process integration and strategic linkages such as web-enabled linkages and embedded linkages controls. Technology can also be deployed to provide better quality information for decision making and to address risks of fraud (including IT fraud) through the use of artificial intelligence, big data analytics and other digital technologies.

E. Relationship between Finance Function and CFO's Contribution

In order to demonstrate how the role of CFOs contributes to the finance function, this Competency Framework attempts to link between Figure 1: The CFOs Contribution and Figure 2: Finance Assessment Framework. This is summarised in a table below which combines the 6 roles of a CFO and that of the 3 key dimensions of a finance function:

High performance of finance function (Diagram 2)	The CFO's Contribution (Diagram 1)
Business Insight	<ul style="list-style-type: none"> • Trusting the numbers: Ensuring business decisions are grounded in sound financial criteria. • Providing insight: Providing insight and analysis to support CEO and other senior managers. • Development of business strategy: Developing and defining the overall strategy for your organization. • Communication to the external marketplace: Representing the organization's process on strategic goals to external stakeholders.
Efficiency	<ul style="list-style-type: none"> • Getting your house in order: Leading key initiatives in finance that support overall strategic goals. • Funding organizational strategy: Funding, enabling and executing strategy set by CEO.
Compliance and Control	<ul style="list-style-type: none"> • Getting your house in order: Leading key initiatives in finance that support overall strategic goals. • Communication to the external marketplace: Representing the organization's process on strategic goals to external stakeholders.

By having good business insight in the organisation, business decisions are made with strong financial criteria which can be used by a CFO to support the CEO and other senior managers. This ultimately contributes in developing and defining the overall strategy of an organisation.

Effective compliance and control by a finance function enables a CFO to lead key initiatives in finance that support overall strategic goals. It helps to facilitate funding, enabling and executing strategy set by CEO while representing the organization's process on strategic goals to external stakeholders.

The efficiency of the finance function contributes positively towards the CFO's role in leading key initiatives in finance that support overall strategic goals.

The finance function is expected to increase its support for strategic and operational decision making in addition to fulfilling traditional stewardship responsibilities relating to governance, compliance and control, and business ethics.

Appendix 1 highlights some of the common indicators that signal inadequacy in the finance function.

ii) Finance Target Operating Model

Secondly, the Diagram 3³ below, acts as another useful tool that enables a finance department to plot where they are today and where they want to be in their transformation journey in two to three years. The Finance TOM looks at 6 specific areas ranging from alignment of finance services with the business strategy, through organisational and cultural needs, to specific process and system requirements.

Organisation	Finance function in silos	Autonomous finance functions, e.g. objective setting at BU level	BU finance reporting directly into local mgmt/dotted line to centre
Services	Entirely internally focused	Multiple agendas, cost centre mentality	Finance vision agreed and aligned with the business
Location	Decentralised processing	All processes are internal and decentralised	Some centralisation for low value, high volume transactions
People	Scorekeeper	Diligent caretaking	Reactive ad hoc analysis
Technology	Incompatible systems and data models	Multiple data models, tools/applications and G/Ls	Standard consolidation layer
Processes	Business unit (BU) specific	Disaggregated processes and responsibilities, multiple G/Ls	Low degree of standardisation and automation (divisions/geographies)

Diagram 3: KPMG's Finance Target Operating Model (TOM)

In applying the model, the first essential step to transforming the finance function is by defining a clear finance vision and strategy to design a fit-for-purpose TOM that will deliver this vision. This step is essential to allow the finance management team to be able to determine the scale and scope of its finance ambitions clearly at the very beginning. A finance leader/CFO can decide how far and fast

they want to move the finance function based on an assessment of prioritised requirements and expected benefits. In that respect, a full-fledged finance transformation program may not always be necessary.

³ Being the Best: Inside the Intelligent Finance Function, © 2013 KPMG International

Strong alignment with central finance (hard dotted line)	Central guidance for BU implementation	Integrated finance community	Integrated finance function
Focus on value management	Finance is a business partner of management and the board	Key influencer of stakeholders	Value driver
Sourcing (central or external) of finance support tasks (i.e. finance systems)	Majority of finance processing are sourced (central or external)	All financial processes in optimum locations	Strategic sourcing/ SSCs optimised
Business acumen and financial knowledge	Insightful analysis and comment	Constructive challenge	Business partner
Standard systems, interface layer and recommended data models	Standard data model, tools/applications, on multiple currencies	Standard tools and applications, on single occurrence	Central data model/ systems
Recommendation for common methods, processes and reference data	Standardised processes for low value, high volume transactions	Standardised processes for financial management	Standardised and optimised

In essence, a well-defined Finance TOM is able to identify where the finance function needs to acquire or develop new capabilities, knowledge and/or resources in each of the 6 operational areas to become a high performing finance function.

The table below is an example on what a “world-class” finance function could look like.

Services	Organisation	People
Single finance vision and strategy aligned to business Finance as a business partner Focus on value drivers Single version of the truth Strategic and operational decision support Leads communication of performance to stakeholders	Global finance function Clear roles, responsibilities and accountabilities Transparency and objectivity Global objectives setting Global training and mobility Global governance framework	Global finance teams Global finance teams competencies Commercial challenge Highly motivated and enthusiastic staff Global talent management Global succession planning
Process	Technology	Location
Standardised policies, procedures and controls Integrated processes and common data models and reference data Standardised and automated processes Integrated performance management (including CP&M) Complex scenarios [PB&F] Scaleable and flexible	Single consolidation/ GL/ COA Common reports, data models and reference data Single ERP (one instance) Global systems governance framework Single sourcing strategy [M&D] Scaleable and flexible	Sourcing aligned globally Processes in optimum locations Global sourcing governance framework Processes/ controls enable sourcing People skills enable sourcing System(s) enable sourcing

iii) Indicators / Red Flags Diagnostics

Thirdly, the effectiveness and efficiency of a finance function can be assessed by comparing its performance to a checklist of indicators or red flags that can be used to diagnose any weakness or potential problems affecting the finance function.

Refer to Appendix 1 for a list of indicators or red flags that characterise a finance function that needs improvement.



> 6.0

Key Considerations for Board Members and CFOs

6.0 Key Considerations for Board Members and CFOs

By utilising the 3 tools, the Board, CFO or relevant personnel of any organisation can assess whether its finance function is fit for purpose. These key considerations may include the following:

- What are the strengths, weaknesses and critical capabilities across the core finance process areas and activities?
- How is the finance function's role evolving in the development and execution of new business strategies?
- What changes to finance operating models, controls and systems are expected in the next two years? What are the drivers for these changes, which of these changes will present the biggest challenges, and how can the finance function overcome them?
- To what extent is the organisation willing to invest in further improving the efficiency and effectiveness of its finance operations, and in the broader finance function transformation?
- To what extent has the finance function been successful in addressing business needs beyond basic transaction processing and financial reporting and control activities in areas such as strategic and forward-looking business performance, decision support and risk management activities?



➤ 7.0

Recommendations

7.0 Recommendations

In utilising the 3 ways to analyse a finance function, a clear assessment can be made of the strengths, weaknesses and areas for improvement, while providing a baseline or benchmark from which to measure progress. This allows the finance function to assess whether they are operating optimally and are meeting the overall objectives of the business.

In summary, a CFO can assess the Competency and effectiveness of its finance function by using the following tools:

i) **Tool 1 – Finance Assessment Framework.**

By applying this framework, the finance function can act as a proactive partner in the strategic planning and management of the enterprise to redefine itself as service-oriented, business-focused and a provider of value-adding services.

Accordingly, the finance function will also be able to understand the requirements of their stakeholder groups and align their operating model or attributes (processes, organisation, people and technology) to meet those requirements.

ii) **Tool 2 – Finance Target Operating Model (TOM).**

Applying the Finance Target Operating Model enables finance leaders to plot where they are today and where they want to be in their transformation journey in the next few years. This exercise provides an indication of the requirements needed to achieve those targets which are usually driven by what the finance function ultimately produces such as financial reports and related financial management services.

iii) **Tool 3 - Indicators / Red Flags Diagnostics**

Lastly, an organisation should look at a set of indicators or potential red flags such as the one shown in Appendix 1 to detect potential problems that may not be readily apparent from the reports and outputs generated by the finance function unless further probing is done to identify issues and find the root cause of these issues. This can act as a useful monitoring mechanism for the finance function.

The aforementioned tools can be operationalised as illustrated in Appendix 2.

One of the most important enabling factors for a high performing finance function is the supply of talent. Therefore, it is critical to have a benchmark that outlines each competency required by individuals working in the finance function of a PIE that would result in a competent finance function.

As a regulatory body, MIA is also responsible for developing and enhancing the value of its members by promoting and facilitating continuous learning to equip them with relevant knowledge and skills that meets the need of the industry. For example, to keep the finance function apprised of the latest developments in technical pronouncements and laws and regulations, there is a need for continuing education. Continuous learning and development are also needed as the detailed knowledge and skills required by personnel in a finance function will change over time due to the evolution of the markets and industries in which they operate. In this respect, MIA plays an important role in providing relevant trainings that will enhance the talent within a finance function and capture all levels of roles that include the technicians, accountants, finance managers, controllers and CFOs.

The trainings can be matched against the expected duties and responsibilities assumed by each role within the finance function. However, these individuals would first have to acquire a certain level of technical qualification.

References:

- i. The DNA of the CFO – The Disruption of the CFO's DNA, EY, 2016.
- ii. Breaking Away: How Leading Finance Functions are Redefining Excellence, ©2015 PwC Private Limited.
- iii. Being the Best: Inside the Intelligent Finance Function, © 2013 KPMG International



[➤](#) **Appendices**

Indicators and Red Flags Diagnostic Analysis

A Financial Reporting:

1. Deviation greater than 10% between announced net profit in unaudited financial statements and the net profit in the audited financial statements.
2. Timeliness of closing of financial statements.
Best practices recommended by the following organisations:
- KPMG: 3-5 days
- PwC: within 5 business days
- CIMA: within 5 working days of period end
- Crowe Horwath: 3-5 days
3. Insufficient time and resources dedicated to financial reporting.
4. Numerous significant amendments between the first draft financial statements and the audited set of financial statements.
(a) Significant late adjustments/reclassifications by the reporting entity
(b) Significant audit adjustments/reclassifications
(c) Significant unadjusted misstatements as a percentage of profit after tax/financial statement line item.
5. First draft of the financial statements not being reviewed by the CFO before giving to the auditors.
6. Incomplete disclosures in draft financial statements before audit.
7. Non-compliances with Bursa listing requirements and other regulations.
8. Adjustments are mostly done in Quarter 4. Significant write downs or losses being recognised in Quarter 4 as compared to other quarters.
9. Policies and disclosures come under scrutiny by regulators.
10. Lack of insight shared with management arising from analysing operational results.
11. Tax investigation audit by the Inland Revenue Board of Malaysia.
12. Payment of tax penalty levied by the Inland Revenue Board.
13. Evidence of window dressing and other forms of creative accounting.

B. Compliance and control:

14. Reconciliations are not conducted frequently.
15. Numerous significant internal control weaknesses identified.
16. Recurring internal control weaknesses remain outstanding.
17. Late audit confirmation replies.
18. Existence of significant fraud.
19. Not developing staff competencies.
20. Not embracing technology for operational efficiencies.

C. Behavioural:**Additional (beyond compliance)**

- 21. High staff turnover in the finance function.
- 22. No succession planning

D. Managing stakeholders:

- 23. No profit warning before an incident happens.
- 24. Analytics are not used for effective assessment purposes.
- 25. Inability to assist Board and CEO to manage the numbers.

Finance Function Assessment

Tool 1 • Finance Assessment Framework

Direction: 1. To describe your present situation on the respective areas being asked and identify areas of improvement.

2. To state the action points to be taken in addressing the areas of improvement

Questions	Present situation and areas for improvement	Action points for improvement
A. Business Insight: Indicates the finance function's ability to guide the business		
1. Role of the finance function - what is the role of finance and how do you contribute to value creation within the business?		
2. Business partner - are you providing the right business information to support decision making and control?		
3. Management information - does finance provide the appropriate MI to the business to support their strategic objectives?		
4. Stakeholder management - do you have a consistent and reliable model for managing your internal and external relationships?		
5. Tax and capital strategy - what is the most effective tax structure for the group and how do you optimise capital allocation?		
B. Efficiency: Analyses transactional processes		
6. Value for money - Are your processes efficient and are you applying an appropriate and cost effective resourcing model?		
7. Benchmarking - How do the standards of efficiency you apply to your finance function compare to best in class?		
8. Transformation - What can you learn from other organisations?		
9. Automation - Are you making effective use of the technology available and automating those processes and tactical spreadsheet solutions that do not require human intervention?		

Questions	Present situation and areas for improvement	Action points for improvement
C. Control and Compliance: Examine the effectiveness of control framework		
10. End to end control - Do you have clear understanding of end to end processes, ownership, accountability and definition of roles / responsibilities?		
11. Transparency - Do you know what's going on in the business and to what extent we can rely on the numbers?		
12. Governance - Are your internal policies and controls effective and are they fully embedded within business processes?		
13. Consistency - Is there a single version of the truth? Are data sets common?		

Finance Function Assessment

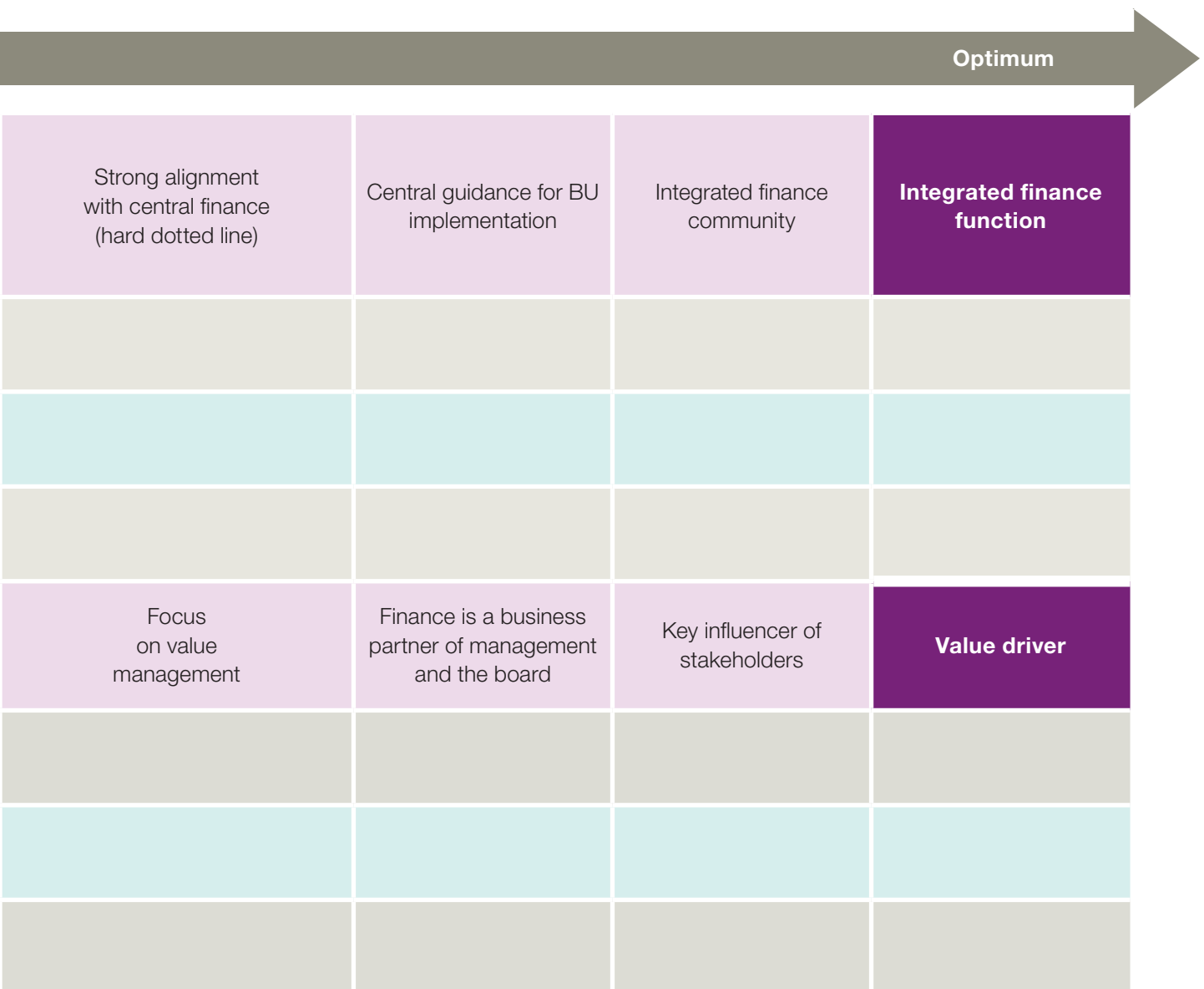
Tool 2 • Finance Target Operating Model

Direction: 1. To plot your organisation's current position between the continuums for each of the focus areas listed.

2. To plot the future position desired by your organisation between the continuums for each of the focus areas listed.

3. To plan future actions to achieve the future position desired.

Focus Area		Minimum		
1	Organisation	Finance function in silos	Autonomous finance functions, e.g. objective setting at BU level	BU finance reporting directly into local mgmt/dotted line to center
	Current/[date]			
	Future/[date]			
	Action Plan			
2	Services	Entirely internally focused	Multiple agendas, cost centre mentality	Finance vision agreed and aligned with the business
	Current/[date]			
	Future/[date]			
	Action Plan			



Focus Area		Minimum		
3	Location	Decentralised processing	All processes are internal and decentralized	Some centralization for low value, high volume transactions
	Current/[date]			
	Future/[date]			
	Action Plan			
4	People	Scorekeeper	Diligent caretaking	Reactive ad hoc analysis
	Current/[date]			
	Future/[date]			
	Action Plan			
5	Technology	Incompatible systems and data models	Multiple data models, tools/ applications and G/Ls	Standard consolidation layer
	Current/[date]			
	Future/[date]			
	Action Plan			
6	Processes	Business unit (BU) specific	Disaggregated processes and responsibilities, multiple G/Ls	Low degree of standardization and automation (divisions/ geographies)
	Current/[date]			
	Future/[date]			
	Action Plan			

Optimum

Sourcing (central or external) of finance support tasks (i.e. finance systems)	Majority of finance processing are sourced (central or external)	All financial processes in optimum locations	Strategic sourcing/ SSCs optimized
Business acumen and financial knowledge	Insightful analysis and comment	Constructive challenge	Business partner
Standard systems, interface layer and recommended data models	Standard data models, tools/ applications, on multiple occurrences	Standard tools and applications, on single occurrence	Central data model/systems
Recommendation for common methods, processes and reference data	Standardized processes for low value, high volume transactions	Standardized processes for financial management	Standardized and optimized

Finance Function Assessment

Tool 3 • Gaps/Red Flags Diagnostics

Direction: 1. To assess and indicate current performance for each question.

2. To identify and list root cause and action plan.

A. FINANCIAL REPORTING:

1. Deviation between announced net profit in unaudited financial statements and the net profit in the audited financial statements.

2. Timeliness of closing of financial statements.

3. In respect of financial reporting, is there adequate allocation of:
a) Time?
b) Resources?

4. Adjustments or proposed adjustments between the first draft financial statements and the audited set of financial statements

a. Late adjustment/ reclassifications

Adjustment(s) impacting consolidated profit after tax
Corresponding impact to assets
Corresponding impact to liabilities
Corresponding impact to equity
Total adjustment(s)
% of total adjustment(s) to consolidated profit after tax: [%]

Reclassification(s) to consolidated statement of profit or loss
Reclassification(s) to consolidated statement of financial position
Reclassification(s) to consolidated statement of cash flows
Reclassification(s) to consolidated statement of changes to equity
Total reclassification(s)
% of total reclassification(s) to consolidated profit after tax: [%]

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4. Adjustments or proposed adjustments between the first draft financial statements and the audited set of financial statements (cont'd)

b. Audit adjustments/reclassifications

Adjustment(s) impacting consolidated profit after tax
Corresponding impact to assets
Corresponding impact to liabilities
Corresponding impact to equity
Total adjustment(s)
% of total adjustment(s) to consolidated profit after tax: [%]
% of total adjustment(s) to consolidated revenue: [%]

Reclassification(s) to consolidated statement of profit or loss
Reclassification(s) to consolidated statement of financial position
Reclassification(s) to consolidated statement of cash flows
Reclassification(s) to consolidated statement of changes to equity
Total reclassification(s)
% of total reclassification(s) to consolidated profit after tax: [%]
% of total reclassification(s) to consolidated revenue: [%]

c. Uncorrected/unadjusted misstatements

Adjustment(s) impacting consolidated profit after tax
Corresponding impact to assets
Corresponding impact to liabilities
Corresponding impact to equity
Total adjustment(s)
% of total adjustment(s) to consolidated profit after tax: [%]
% of total adjustment(s) to consolidated revenue: [%]

Reclassification(s) to consolidated statement of profit or loss
Reclassification(s) to consolidated statement of financial position
Reclassification(s) to consolidated statement of cash flows
Reclassification(s) to consolidated statement of changes to equity
Total reclassification(s)
% of total reclassification(s) to consolidated profit after tax: [%]
% of total reclassification(s) to consolidated revenue: [%]

Results	Root cause and action plan

5. The timing when the CFO reviews the financial statements.

6. Disclosures in the draft financial statements completed before submission to the auditors.

7. Were there any instances of non-compliance with Bursa listing requirements?

8. Significant write downs or losses being recognised in Quarter 4 as compared to other quarters.

9. Policies and disclosures come under scrutiny by regulators.

10. Were there sharing of insights with management arising from analysing operational results?

11. Was there any recent tax investigation audit by the Inland Revenue Board of Malaysia.

12. Has there been any payment of tax penalty levied by the Inland Revenue Board?

13. Were there instances of window dressing and other forms of creative accounting?

B. COMPLIANCE AND CONTROL:

14. Reconciliations were not conducted on a timely basis.

15. Numerous significant internal controls weaknesses identified.

16. Recurring weaknesses in internal controls remain outstanding.

17. Timeliness of audit confirmation replies.

18. Existence of significant fraud.

19. Not developing staff competencies.

20. Not embracing technology for operational efficiencies.

Results	Root cause and action plan
a. Before passing the first draft to the auditors. b. After audit adjustments have been finalised. c. After obtaining clearance by auditors on the financial statements.	
Yes/No	
Yes/No	
No. of write downs or losses: _____	
[Description of findings by regulators]	
Yes/No	
Yes/No	
Yes/No	
Yes/No	
Yes/No	
No:	
No. of carried forward internal control points that are not cleared: _____	
No. of days from year end within (select one): <ul style="list-style-type: none"> • 30 days • 45 days • 2 months • >2 months 	
No. of occurrences: _____	
No/Types of staff training for finance personnel development	
Describe the use of technology for operational efficiencies?	

C. BEHAVIOURAL: ADDITIONAL (BEYOND COMPLIANCE)

21. High staff turnover in the finance function.

22. Is there succession planning in the organization?

D. MANAGING STAKEHOLDERS

23. Was there any profit warning before a significant incident?

24. Is analytics used for effective assessment purposes?

25. Is there any indication that the finance function is unable to assist Board and CEO to manage the numbers at the end?

Results	Root cause and action plan
Annual staff turnover in finance function: _____	
Yes/No	
Yes/No	
Yes/No	
Yes/No	

The Four Forces Disrupting the Roles of CFOs³

Disruptions	Impact	Considerations for CFOs
Digital	Finance leaders need to understand digital and smart technologies to deliver against their critical strategic priorities.	<ul style="list-style-type: none"> • Re-evaluate underlying assumptions regarding business models, pricing, revenue streams and the related financial models. • Build the organisation's confidence and capability to navigate the digital economy.
Data	Delivering the data and advanced analytics for business intelligence and management information will be a critical capability for tomorrow's finance function.	<ul style="list-style-type: none"> • Make data integral to the business strategy. • Align analytics delivery and business requirements. • Instil the right leadership and culture.
Risk and uncertainty	Strategic, reputational, regulatory and cyber risks are growing parts of the finance remit particularly in larger organisations.	<ul style="list-style-type: none"> • Think beyond preventable risks. • Address risk directly. • Make investments in key risk talent.
Stakeholder scrutiny and regulation	Demands of stakeholders are often in conflict and CFOs increasingly have to juggle the requirements of regulators with the demands of investors and other stakeholders.	<ul style="list-style-type: none"> • Improve the skills in managing relationship including with investors, boards, the CEO and other members of the C-suite. • Prioritise the stakeholder relationships that are most important. • Communicate proactively. • Tell a consistent value story.

³ Being the Best: Inside the Intelligent Finance Function, © 2013 KPMG International

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