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Anti-Money Laundering Act 2001

Widening the Regulatory Net

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Member Audit
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(Malaysia)



(Established under the
Accountants Act, 1967)

A Monthly Publication of the Malaysian Institute of Accountants

- Why Target Accountants?
- Mergers and Acquisitions



Malaysian Institute of Accountants
(Established under the Accountants Act, 1967)

The **Malaysian Institute of Accountants** is a statutory body set up under the Accountants Act, 1967 to regulate and develop the accountancy profession in Malaysia.

The functions of the Institute are, *inter alia*:

- To regulate the practice of the accountancy profession in Malaysia;
- To promote in any manner it thinks fit, the interests of the accountancy profession in Malaysia;
- To provide for the training and education by the Institute or any other body, of persons practising or intending to practise the profession;
- To determine the qualifications of persons for admission as members; and
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EDITOR'S NOTE

Join the Fight!

If this month's cover made you pick up the magazine to find out the story behind the picture, we can rest easy because we have successfully managed to draw your attention. Heed our cover story you must, for this month we explore the extension of the Anti-Money Laundering Act (to include professionals such as accountants, lawyers and company secretaries which will be effective come September 2004). Undoubtedly, it is an issue that directly concerns the accountancy profession in Malaysia.

The Anti-Money Laundering Act (the AMLA) was enacted in 2001 to fight money laundering and more recently, was extended to include the fight against terrorist financing. To date, the Government has involved the commercial and merchant banks, other financial institutions, insurance companies and brokers, *takaful* operators and money-changers, to assist in its efforts to fight money laundering/terrorist financing. The Government is now turning to accountants and other professionals to join in this fight.

This month's *Accountants Today* contains articles which bring you the latest developments on these new regulatory obligations, and are designed to provide you with the necessary information to assist your compliance with these obligations. There are also several informative articles on how some accountants perceive these new regulatory obligations, the anti-money laundering and counter-terrorist financing measures undertaken in Malaysia and the rationale why accountants, lawyers and company secretaries have now been roped into the fight against money laundering. To further assist affected members, the Institute is organising a nationwide series of half-day CPE programmes on the new anti-money laundering obligations in July and August 2004.

The much awaited (at least from a regulatory perspective) new By-Law on Professional Independence has been issued by the Council. *Accountants Today* carries a summary of the salient provisions of this new By-Law on Professional Independence, which will affect members in public practice who provide assurance services. This By-Law is benchmarked against international standards on the issue of professional independence and once implemented, will further strengthen the credibility of the profession in Malaysia. Information on the Practitioners' Briefings on the new By-Law on Professional Independence that will be held nationwide in July and August 2004 is included.

Apart from that, we have introduced a new column in *Accountants Today* this month titled "Know Your Council" with the intention of giving readers the opportunity to learn more about the MIA Council members. As there are 30 Council members, we have arranged to feature them in groups of three for each issue.

Also, do not miss out on the personality article this month which features the new Accountant-General, Othman Abdullah. He shares with us his vision and plans to enhance the operations of the accounting function within the public sector.

With such an interesting and informative line-up of articles in this month's *Accountants Today*, we trust that you will have an enjoyable time thumbing through the pages in this issue. Happy reading! **AT**

Editor
ACCOUNTANTS TODAY

LETTERS TO THE EDITOR

A key element in the world of publishing is what readers have to say.

We want to hear from you on just about anything that appears in each issue of *ACCOUNTANTS TODAY*. Why not drop us a line now?

CONTRIBUTION OF ARTICLES

Accountants Today welcomes original and previously unpublished contributions which are of interest to accountants, business leaders, executives and scholars. Manuscripts should cover domestic or international accounting developments. Lifestyle articles of interest to accountants are also welcomed.

Manuscripts should be submitted in English or Bahasa Malaysia and range from 2,500 to 5,000 words (double-spaced, typed pages). They should be submitted in hardcopy and diskette (3.5 inch) form in Microsoft Word or Lotus Wordpro. Manuscripts are subject to a review procedure without prejudice and the Editor reserves the right to make amendments which may be deemed appropriate prior to publication.

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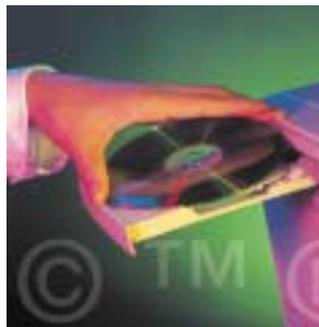
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Accountants Today is the official publication of the Malaysian Institute of Accountants (MIA) and is distributed to all members of the Institute. The views expressed in this magazine are not necessarily those of the MIA or its Council. Contributions including letters to the Editor and comments on articles appearing in the magazine are welcomed and should be sent to the Editor as addressed below. All materials without prejudice appearing in the *Accountants Today* are copyright and cannot be reproduced in whole or in part without written permission from the Editor.

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Malaysian Institute of Accountants
(Established under the Accountants Act, 1967)

VISION AND MISSION

MIA's Vision

- To be a globally recognised and respected business partner committed to nation-building

MIA's Mission

- To develop, support and monitor quality and expertise consistent with global best practice in the accountancy profession for the interest of stakeholders

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Getting Our Priorities Right

The article written by Raymond Liew in the March 2004 issue of *Accountants Today* entitled “Audit Practitioner Interview — Revisited” was an interesting read. I say interesting because it sets out the protocol to follow in making the audit interview a successful visit by license aspirants.

I however have a different view about the whole interview process, starting from whether we should be subjected to the interview process in the first place. Lawyers and doctors don't go through an interview process before they get to practice in public, so why should we? Is it due solely to restrict and control the numbers? Whatever for?

Applicants who have gone through the necessary practical field tests are very capable of undertaking the task at hand. Their knowledge cannot be tested in the little moments by textbook regulators. Does it mean if someone fails to address a query properly he or she fails the interview? Why? Not all auditors know all the standards and laws inside out? That is why when in doubt we refer and consult.

To me in a profession where substance over form is paramount, the interview itself and the process is nothing but an exercise in *form over substance*.

Why do I say that? Why on earth should we wear a suit for the interview? Does it show us to be better auditors? All it says is that we have a suit. Period. One piece of advice given is to please avoid shaking hands with the panel. Why? Are they GODS that cannot be touched? Are we not courteous and professional people who greet others with a warm handshake?

In conclusion I think the powers that be, must ensure that this ridiculous practice of interviewing for the audit license be dispensed with and the reliance placed on practical training and a record of experience achieved instead. The audit interview is an act of hilarity.

Radha K. Vengadasalam

Dear Mr. Vengadasalam

First and foremost, the article on “*Audit Practitioner Interview — Revisited*” (March

2004 issue) was written for the benefit of the many practising members who may gain some insight from the suggestions given before going for the interview proper.

Many of the suggestions were merely suggestions *per se*.

Now let me address your grouses. Since the interview is a formal process and not a social event, it is not customary for “shaking hands with the panel.” All a candidate wants surely is to go through the interview, pass it and forget it. So why bother with the formality of shaking hands? Reserve this gesture for social meetings.



I also agree with you that the panel of interviewers are definitely not ‘gods’. They are however individuals who have to wake up early in the morning and travel to Putrajaya on a regular basis in order to give genuine practitioners their licences.

In addressing the issue of the interview process, I agree you are right to say interviews are not required for both doctors and lawyers. However, I am sure you are well aware that doctors and lawyers have to undergo internship and pupillage instead. What's more, lawyers are required to undergo an ethics programme before they are called to the Bar. In addition to this, lawyers without credits in their Bahasa Malaysia paper have to actually sit for an oral Bahasa Malaysia examination to test their proficiency in the language.

As for accountants, the ability to practice in Malaysia is subject to certain requirements just like in other professions, lawyers and doctors included. Each profession requires a basic educational or professional qualification or relevant work experience that must be obtained before admission as a member of a relevant professional organisation and before the issuance

(provided certain criteria is fulfilled) of a practising certificate which entitles the individual to provide services to the public.

Auditors are a separate category of professionals who are required to be specially licensed under the Companies Act 1965. Tax agents and liquidators are similarly required to be specially licensed. The audit licence interview process is a process initiated by the Ministry of Finance (MOF) to assist the Minister charged with the responsibility to make a decision pursuant to Section 8 of the Companies Act 1965 on whether or not to exercise his discretion to issue an audit licence. This process is entirely within the power and control of the Minister of Finance.

In most other jurisdictions, a special licence is required for auditors prior to being able to provide audit services. The licensing process differs from jurisdiction to jurisdiction. In fact, in some jurisdictions there are plans to introduce a more formalised licensing framework for auditors — in the UK discussions are underway for special examinations to be undertaken prior to being eligible to apply for an audit licence.

In Malaysia, the requirement to attend an audit licence interview is one of the possible mechanisms that the Minister may use (since he has the power to decide whether or not to issue an audit licence) to assess the suitability of an applicant. The Minister is of course free to do away with the interview process, or even introduce any other mechanism.

I trust this explanation helps clear your doubts as many aspiring and genuine practising members would be happy to understand the protocol before the interview proper.

Raymond Liew

What the Accountants Say Reflections After Reading *Accountants Today*

■ After ACCOUNTANTS TODAY came into the picture last year, I realised that it was well accepted by various parties, with the feedback from the “What the Accountants say” column. Most of the comments which were published in the past few issues, continue praising the change that the magazine has brought so far.

However what surprises me is that most of the feedback is related to how good non-technical papers are, some feedback even go to the extent of praising the non-technical issues e.g. “good to have pretty ladies faces on the cover”.

My concern is in Malaysia, we only have a handful of technical magazines, and with ACCOUNTANTS TODAY turning into a magazine that highlights too much on non-technical articles, it may contribute to a negative impact on the development of Malaysia’s Accounting industry. In most well-known technical magazines, what attracts people is how good the technical papers are, and not how interesting the non-technical information is. So there is a need to ensure that the Editorial Board does not over emphasise the non-technical articles, as non-technical articles can be easily found in other magazines. Thank you —
Gooi Bor Chun

Dear Gooi

First of all, we would like to thank you for taking the time from your busy schedule to provide us with your valuable feedback that will certainly assist us in our efforts to provide a quality publication to our valued members.

It is our commitment to continually improve the quality of articles in our magazine that you and the rest of the MIA members can enjoy. The Editorial Board is continuously identifying key areas or issues that can be shared with the rest of our members in order to give a wider choice of topics as well as informa-

tion to members.

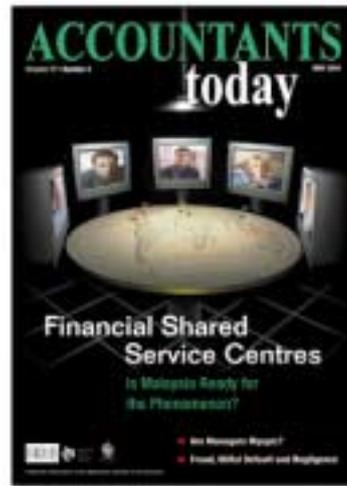
Unlike other journals published by other professional bodies, such as *Tax Nasional* (the official Journal of the Malaysian Institute of Taxation) and *The Malaysian Accountant* (the journal of the Malaysian Institute of Certified Public Accountants), ACCOUNTANTS TODAY, since the past year has changed its concept from a refereed journal into a ‘contemporary’ business and economic magazine that addresses current and relevant issues which are of interest to our members.

We assure you that this transformation was done based on members recommendations and suggestions whereby they proposed more non-technical articles to be carried in the magazine. Although we embarked on this transformation based on their recommendations, we still allocate opportunities for researchers and academia to address significant issues in the field of accounting which are relevant to the accounting community at large.

For your information members can also access technical news from MIA’s website.

However, rest assured, your comments and feedback are indeed valuable and adds a new dimension to the AT Readership survey which is currently being conducted to help us put together the magazine for our members.

Should you need further assistance, kindly contact MIA’s Corporate Communications Department at 03-22799200 or e-mail us at editor@mia.org.my. Thank You — Editor



Counting on humour

■ What a pleasant surprise to read the Accountants’ Corner on humour, and I thoroughly enjoyed all the three jokes. I hope it will be a permanent feature in your much improved monthly publication. Keep up the good work! —

E.T. Koh

EDITOR — Thank you for your feedback. This column will be featured on a monthly basis.

Definitely more mass appeal now.

■ *I am an avid reader of ACCOUNTANTS TODAY and I must commend the Editorial Board for featuring articles relevant to my job responsibilities i.e. AMLA and financial services.*

Since the magazine was revamped, I find the articles have more mass appeal. No matter in what capacity an accountant serves in — industry, commerce, education or government, he or she will derive some benefit from the articles featured.

Due to my specialisation in financial services, I would much appreciate it if there was coverage on bonds and financial products once in a while so others like me can keep abreast of the industry goings-on. —
Diong King Kuang, Kuala Lumpur

EDITOR — *The Editorial Board is currently researching stories on financial products and you can look forward to reading a few articles on these in the near future.*

Classic Case of Substance and Sizzle!

■ *Too many magazines focus on sizzle while sadly lacking in substance and I am glad to say ACCOUNTANTS TODAY is not one of them!*

I find the presentation of articles both pleasing and professional in look and content and this serves well in making the magazine more credible.

The quality of the articles is also commendable and I see much research goes into each piece. No stone is left unturned and this gives the articles a certain degree of maturity.

If I may, I would like to suggest that more articles on human resource and marketing be featured because these would not only appeal to a certain few but the public at large and accountants in commerce and industry specifically.

I am certain this balance of articles will go a long way in reinforcing the magazine's inclination for both substance and sizzle! —
Mohamad Salleh Mahmud, Deputy Accountant-General

EDITOR — *Thank you for your comments and suggestions. We value how our readers feel and so will definitely explore the possibility of covering more issues on human resource and marketing. AT*

ACCOUNTANTS *at the* HELM

The Government's latest efforts to further enhance the performance of government-linked companies (GLCs) is laudable, as there seems to have sprung a need to further improve their enterprise governance to generate better returns on assets under their control. Who would better understand this statement if not individuals with accounting backgrounds themselves?

In the past few weeks, members of the accounting profession have been thrust in the limelight with a group of chartered accountants being appointed by the Government to helm GLCs. These chartered accountants are Khazanah Nasional Bhd's new Chief Executive Officer Azman Mokhtar, Tenaga Nasional's Chief Executive Officer Che Khalib Mohd Noh, and Telekom Malaysia's new Chief Executive Officer Datuk Abdul Wahid Omar and Director Datuk Nur Jazlan Tan Sri Mohamed.

Azman is a Fellow of the Association of Chartered Certified Accountants, UK and a Chartered Financial Analyst charter holder while Che Khalib, Abdul Wahid and Nur Jazlan are members of MIA.

The Malaysian Institute of Accountants (MIA) applauds these developments as it further demonstrates that the profession at present is thriving. It also gives credibility to the fact that accountants are no longer perceived as mere bean-counters and number-crunchers but worthy of holding positions as key decision makers and top-level management in the private and public sectors. It is apparent that accountants are now becoming business leaders and managers of value.

The Institute would like to thank the Government for placing much confidence and trust in members of the accounting fraternity and giving them the chance to further excel in their capacity as business leaders of these GLCs.

The Institute would also like to extend its assurance to the Government that it has chosen well as these newly elected corporate leaders hail from a profession that is steeped in traditional values such as honesty, integrity, independence and objectivity which indubitably will be core requirements in performing their tasks.

The fact that members of the profession are bound to uphold the core values of the profession as well as strictly adhere to the standards and ethical guidelines will bode well for the organisations that they will be leading and allow them to achieve the mandates that have been given to them in a professional manner.

The Enron, WorldCom, Parmalat and other corporate debacles have cast aspersions on the accounting profession. However, it cannot be denied that the contribution of the accounting fraternity to the progress

and development of the country is significant. Accountants are a unique and distinguished breed because they do not shout about their contributions. However, continued commitment to the changing and challenging times are praiseworthy and a source of inspiration.

The Institute would also like to congratulate these accountants who have been charged with these important nation-building activities and wish them the best of luck in carrying out their filial duties as sons of Malaysia. AT



Azman Mokhtar



Che Khalib Mohd Noh



Datuk Abdul Wahid Omar

Rising up to the Challenge

By Anuja Ravendran

Everyday brings a new challenge and it is up to us whether we want to rise to it or turn the other way. Our new Accountant-General, Othman Abdullah says that this has been his personal motto throughout his working life.



Othman Abdullah admits to enjoying the thrill of the chase, to be able to successfully face up to the various challenges he comes across in the line of duty, further adding that the sense of achievement is what drives him to give every attempt his best.

What he did not mention is the passion he has for the job which however is evident from the way he speaks about it. He says that as the present Accountant-General (AG), his biggest responsibility is to ensure the smooth implementation of the Electronic Payment System (EPS) which he says he would like to see rolled out in all government departments and to replace the old accounting system which is more than 17 years old.

The EPS is an electronic method of handling payment and the new system will enhance turnaround time as well as reduce the risk of duplication and fraud. Once completed, the system will be installed in 32 AG offices throughout the country.

Othman, who is all for the usage of information technology (IT) to enhance the operations of the AG's department says that technology should be harnessed to the maximum to increase efficiency. Apart from the EPS, he says that there are plans to incorporate electronic receipts as well.

While the implementation of the system in itself seems like a task to be reckoned with, Othman also needs to convince people to embrace technology. He says that the acceptance levels of electronic transactions are still quite low and there is still a lot to be done to increase this. He is confident however that this is achievable in the next few years.

Apart from that, he adds that as the accounting services is also expanding in terms of headcount, it also falls within the jurisdiction of the AG's Department to look into the training requirements of newly recruited staff. "Many new positions are being created within the department and because of this we have to hire more people who more often than not are not experienced enough." Thus, in order to ensure that all these staff are being trained and guided appropriately in order for them to be competent, we have deployed the *Mentor-Mentee Programme*. The aim of the programme is to make sure that the newer staff are guided by those who are well experienced and knowledgeable. He adds that the AG's department's branches throughout the nation are used as the key centres to train these new staff.

In addition, Othman stated that his department will also be spearheading the establishment of the National Accounting Institute (Institut Perakaunan Negara) in Sabak Bernam, Selangor, a training institution for accounting personnel in the public sector, which is scheduled for completion at the end of this year. The courses offered at the Institute will be used to train accountants and clerical staff doing accounting work. The

courses offered, he informs will range from bookkeeping to management.

He adds that the main objective for the RM65 million training institute would be to give public sector accounting personnel exposure in all aspects of their job in order to produce staff who are all-rounders as opposed to being competent in one or two areas only.

Also, says Othman, the Government has been wanting to establish this Institute for a very long time. "Finally, it is a reality and we hope that it will be able to serve all our training needs and the increased capacity with the growth in headcount at our department as the present training place in Jalan Ipoh is only a small division."

Overseeing the developments of these projects are not the only thing Othman does. He takes an active role in promoting integ-

operations side of things.

For someone who has risen to the height of his career in the public sector, Othman claims that he never ever dreamt of becoming the AG someday. In fact, he adds that upon completing his secondary education, he attended a teacher's training college in Penang and joined the teaching profession for two years.

However, he felt that there was a need to pursue a career that would give him and his family a better future and as such, he enrolled to do the Higher School Certificate (HSC) privately. Upon completion of the examination, he entered Universiti Malaya to do a degree in Economics majoring in Accounting.

On 1 April 1977, he reported for work at the AG's office to join the accountants' team and then commenced his steady climb up the ca-

he remained loyal to the Government, up to this very day, he says with a smile. Besides he adds jokingly, that once a person has been working with an organisation for more than 10 years, it is highly unlikely that they would want to move. "Although I have been in the AG's office for so long, I've been doing different things and everyday brings me a new set of challenges so it never gets boring," offers the father of three.

Hailing from Muar, Johor, Othman is the only accountant in his family. His ambition actually was to become an architect but fate offered him a different path and being a person who would not look a gift horse in the mouth, he accepted it willingly.

With laughter he adds that it looks as though he will always be the only accountant in the house as none of his children seem

"Whenever I have to give talks to students or members of the accounting profession, I always stress on the need for us to maintain our integrity as that is the core requirement of accountants."

Othman Abdullah, Accountant-General

ity within the profession. "Whenever I have to give talks to students or members of the accounting profession, I always stress on the need for us to maintain our integrity as that is the core requirement of accountants. Being the holders of the public's trust, his stance on promoting the core values of the accounting profession is highly apt and who better to do it than the person who helms the accounting authority in the country."

In terms of his style of management, Othman alludes that he is very hands-on. "When I took over the department, the first thing I wanted to know from all the senior managers was whether they do a follow through of all the tasks that they have given to their staff."

I always ask them questions such as "What is going on?" and "Where are we now?" he says. I usually follow through with them until the tasks are completed. He also does not mind getting down to the job by himself if there has been an oversight on the part of his team. "I would do it myself if they are not doing it," says the soft-spoken yet stern Othman further adding that his inclination towards following through with every project is because he has always been in the

reer ladder. In 1981, he was sent to do a course in systems analysis at the National Institute of Public Administration (INTAN) and after completing this he was involved in systems analysis and design of the computerisation project within the department.

In 1987, he was seconded to the Sabah Electricity Board as the Deputy General Manager of Finance where he served for 6 years. After that he returned to the AG's department and once again resumed his steady climb until 24 October 2003 when he was appointed as the Accountant-General of Malaysia.

Perseverance and patience are his key attributes and he believes that it is these values that pushed him forward to excel in his career. Although he is soft-spoken and tends to be jovial one can also sense that beneath that lies a mild resoluteness. And he has years and years of experience to back him up in his present position.

When asked if he had ever been tempted by the call of the private sector, he reveals that in the early 80s there was in fact such an offer but it was during the height of the economic slowdown back then and he felt that the risk was not worth taking especially since he had a family to support. As such,



to be following in his footsteps. His eldest son is pursuing a degree in software engineering while the second is doing a degree in architecture. His daughter meanwhile who is in Form 4 this year has signed up to do accounting as an extra subject in school, but he does not know if she will be interested to pursue a career in it.

In his free time, Othman, the eldest of his siblings who confesses to not having a special hobby or interest due to a demanding work schedule, likes to spend his time at home, helping his wife and doing anything from gardening to cleaning up. "I am an easygoing person, if people suggest something I don't mind doing it," he says. "When people ask me to go along to play golf with them, I'll go along, even though I'm not very good at it," he says breaking into a grin. **AT**

KNOW YOUR COUNCIL MEMBERS



Dato' Nordin Baharuddin

wears many hats, whether at work or at leisure. As the Executive Chairman of

Ernst & Young, he provides a guiding hand for the Big Four practice and is partner-advisor for a large number of clients based in Malaysia and internationally. Since E&Y Malaysia manages the E&Y practice in Mongolia, Dato' Nordin is a frequent visitor to the emerging nation of Mongolia; in fact, he is a member of the Mongolian Association of Certified Public Accountants. He is also a Fellow of the ICAEW, having qualified as one of Malaysia's pioneering Bumiputera chartered accountants in his early twenties. In over 30 years of public practice, he has witnessed sweeping changes to the accounting industry, especially in terms of oversight and regulation, and the risk-revenue equation. He jokes that he is looking forward to retirement on 31 December 2004, because partners' compensation has plunged while the risk they shoulder has escalated dramatically.

He is a firm believer in giving back to society, and is highly active in volunteer work. Dato' Nordin donates substantial time to developing the local accountancy profession. He has served as an MIA Council Member since 2001, and currently chairs MIA's Insolvency Practice Committee (IPC) and the Practice Review Committee (PRWC). As an old boy of the Royal Military College (RMC), he works diligently with the college's alumni association to restore the school to its former glory as a premier academic and disciplinary institution.

Although Dato' Nordin is equally at home behind a karaoke mike or undulating golf greens, mountaineering and trekking are more his cup of tea. Having conquered Africa's snow-capped summit of Kilimanjaro in 2002, he has set his sights on the world's highest peak, Everest. He is assembling a team to tackle Everest in 2006, and this expedition aims to set records for putting the first Malaysian woman climber and the first Malaysian corporate figure on the Nepalese summit. **AT**



Datuk Nur Jazlan Tan Sri Mohamed

Having been in the industry for slightly more than 15

years, Datuk Nur Jazlan Mohamed, in his capacity as a council member has made many positive contributions to the Institute via his involvement in the various committees.

He sits as a member on the Executive Committee, the Editorial Board, membership affairs committee, company law practice and the globalisation and liberalisation committee. He chairs the Public Relations Committee. Datuk Nur Jazlan is also a representative of the Institute on the council of the ASEAN Federation of Accountants.

On the national front, he is politically active as he has been an Executive Committee member of UMNO Youth since 1996. He is presently also the Deputy Chairman of UMNO, Pulau division, Johor.

He is also actively involved in Gerakan Belia 4B, a national youth organisation of which he is a committee member of Gerakan Belia 4B, Johor. Youth-related issues are an area of interest to this Johorian. In the last general election, he won the Pulau Parliamentary seat and was elected as a Member of Parliament.

In the corporate arena, Datuk Nur Jazlan serves on the Board of UM Land as an independent non-executive director (since end-October 1994) and also as a member of the company's Audit Committee. He was recently appointed to sit on Telekom Malaysia Bhd's board as a non-executive director. Apart from these, he also sits on the Boards of several private limited companies.

A graduate of Maktab Rendah Sains Mara Kulim, Kedah, Datuk Nur Jazlan furthered his education in the UK, completing his ACCA qualification in 1989. He started his career with IGB Bhd and went on to become the financial controller with Usahasama Proton DRB Sdn Bhd.

Datuk Nur Jazlan tells *Accountants Today* that he hopes to continue contributing his services to the MIA as well as its members. **AT**



Gloria Goh Ewe Gim

Since she was elected to the Council during last year's Annual General Meeting, Gloria has been actively contributing towards the continuous development of the Institute and the accounting profession with her involvement in various activities at MIA. She sits as a member on committees, such as investigation, public practice, ethics as well as, globalisation and liberalisation. She chairs the current MIA Special Taskforce on Anti-Money Laundering.

Gloria has over 20 years of experience in providing assurance and advisory business services to public-listed companies, multinational and local corporations across a wide range of industries, with particular focus on the financial services sector. As a Partner of Ernst & Young, she heads the Global Financial Services Practice in Malaysia and the Assurance and Advisory Business Services (AABS) Financial Services Industry Group in Kuala Lumpur. She has had experience working in Australia and Singapore before returning to Malaysia.

Apart from being an MIA Member, Gloria is a Member of the Malaysian Institute of Certified Public Accountants (MICPA), a Fellow of CPA Australia and a Member of the Information and Systems Audit & Control Association (ISACA). She participates in working groups of the Malaysian Accounting Standards Board (MASB) and was also a Member of the (then) Kuala Lumpur Stock Exchange (KLSE)'s Industry Taskforce on Internal Controls. Gloria is also a frequent speaker/instructor at various public and private seminars and training courses.

Gloria received her Bachelor of Commerce (Honours in Accounting) Degree from the University of Melbourne in Australia. **AT**

The New Anti-Money Laundering Obligations

New regulatory demands are about to be imposed under the Anti-Money Laundering Act 2001 (the 'AMLA') on accountants, lawyers and company secretaries who provide the relevant services to their clients (see inset Box). These professionals and service providers will now be required to assist in the nation's fight against money laundering and terrorist financing, by reporting suspicious transactions.

With effect from 30 September 2004, if you are a member in public practice or you are a company secretary, and you provide the relevant services (see inset Box), you will have to promptly report to the Financial Intelligence Unit in Bank Negara Malaysia, any transaction:

- 1 where the identity of the persons involved;
- 2 the transaction itself; or
- 3 any other circumstances concerning that transaction;

gives you or any of your officers or employees, reason to suspect that the transaction itself involves proceeds of an unlawful activity — that is, any property that is directly or indirectly obtained as a result of any serious offence or foreign serious offence.

The new requirement to report suspicious transactions raises a number of questions — Who needs to report? When do I need to report? What do I report? When



should I be suspicious of a client? How do I make a Suspicious Transaction Report? What exactly do I have to do to comply with the AMLA obligations? Will my identity be protected if I report? What are the consequences if I fail to report?

These questions need to be answered. In addition, other obligations under the AMLA will be extended to you as a member in public practice or as a company secretary who provides the relevant services, including client due diligence requirements, record keeping, and the implementation of internal controls, policies, procedures and compliance programmes, with effect from **30 September 2005**.

These new obligations effectively require you to implement the key elements of the anti-money laundering framework, which will assist you to recognise, detect and report, and thereby reduce the incidence of money laundering and terrorist financing; and to minimise the risk of non-compliance with your obligations under the AMLA. The key elements of the anti-

“... require you to implement the key elements ... to recognise, detect and report, and thereby reduce the incidence of money laundering and terrorist financing.”

money laundering framework as required by the AMLA are:

- 1 Internal Controls, Policies and Accountabilities;
- 2 Know Your Client;
- 3 Education and Training;
- 4 Monitoring and Detection;
- 5 Reporting Obligations and Procedures;
- 6 Record Keeping; and
- 7 Compliance Programme.

A snapshot overview of the new AMLA obligations is provided in the Flowchart on Compliance with the AMLA obligations in Figure 1 and 2.

The Institute, in an effort to assist you to comply with these new obligations and

Extension of the ANTI-MONEY LAUNDERING ACT 2001 to Accountants & Company Secretaries

Come **30 September 2004**, Bank Negara Malaysia intends to extend the application of various provisions in the Anti-Money Laundering Act 2001 (the ‘AMLA’) to specific categories of professionals and service providers including lawyers, company secretaries and accountants who are the Institute’s members in public practice.

As reporting institutions under the AMLA with effect from 30 September 2004, accountants who are members of the Institute will have to report any suspicious transactions (Section 14(b) of the AMLA) when they:

- (a) as **members in public practice**, prepare for or carry out the following activities for their client:
 - i) buying or selling of immovable property;
 - ii) managing of clients’ monies, securities or other property;
 - iii) managing of accounts including savings and securities accounts;
 - iv) organising of contributions for the creation, operation or management of companies; or
 - v) creating, operating or managing of legal entities or arrangements, and buying and selling of business entities;
- (b) as **company secretaries prescribed to so act pursuant to Section 139A of the Companies Act 1965**, whether in person or through a firm or company, prepare for or carry out the following activities for their client:
 - i) acting as a formation agent of legal entities;
 - ii) acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership or a similar position in relation to other legal entities;
 - iii) providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other person or arrangement;
 - iv) acting as (or arranging for another person to act as) a trustee of an express trust; or
 - v) acting as (or arranging for another person to act as) a nominee shareholder for another person.

In making a Suspicious Transaction Report, the professional or service provider is protected from breaching the duty of confidentiality (Section 20 which overrides secrecy obligations) and is protected from civil, criminal and disciplinary proceedings (Section 24 which confers protection for any report made in good faith).

Bank Negara Malaysia intends to extend the other obligations in Part IV of the AMLA relating to client due diligence, record keeping, and the implementation of internal controls, policies, procedures and compliance programmes to the above categories of professionals and service providers with effect from **30 September 2005**.

A failure to comply with these requirements is an offence under the AMLA and can subject the professional or service provider upon conviction, to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 6 months or both.

Alert: The exact wording of the relevant services that will be included in the new obligations is subject to the Order of the Minister of Finance as will be published in the Gazette on or around 30 September 2004, but is unlikely to be materially different from that set out above.

answer the questions raised above, has put together several initiatives:

- Circular No. 21/2003 dated 23 December 2003 and Circular No. 14/2004 dated 1 June 2004 have been issued to alert you about these new regulatory obligations and developments.

Figure 1

FLOWCHART ON COMPLIANCE WITH AMLA OBLIGATIONS

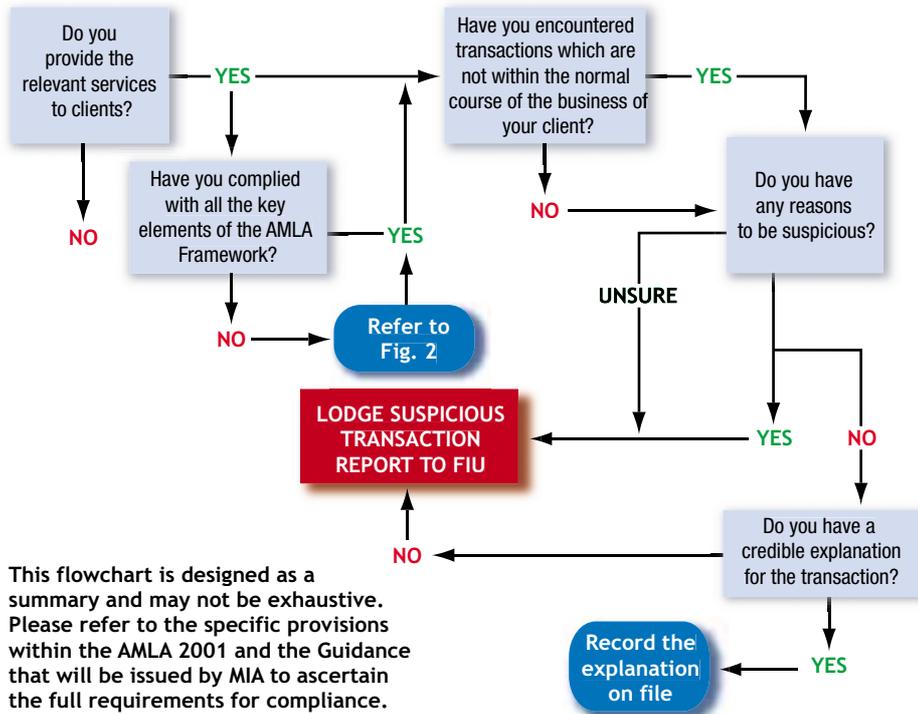
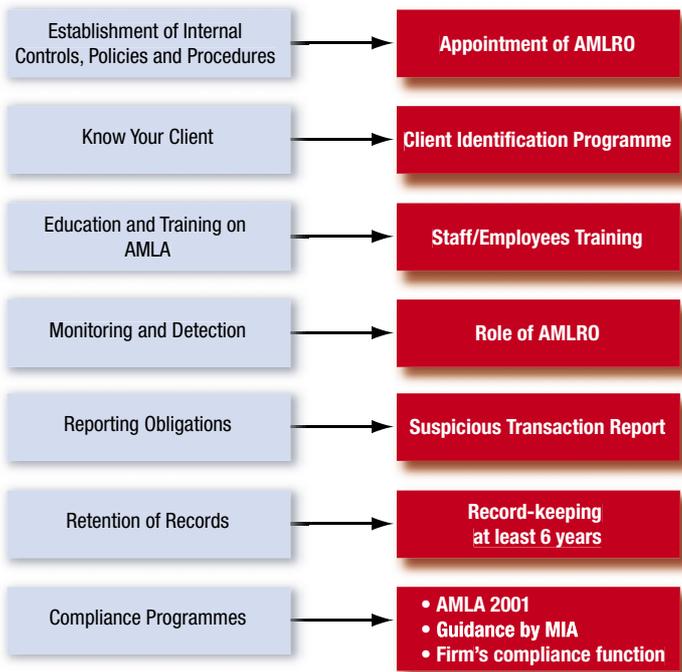


Figure 2

KEY ELEMENTS OF THE AMLA FRAMEWORK



- A series of articles have already been published in the January/February 2004 and April 2004 issues of *Accountants Today*, to highlight the issue of anti-money laundering and terrorist financing and the initiatives required to combat these threats.

- This issue of *Accountants Today* devotes several articles on the new regulatory obligations that will be extended to accountants and company secretaries, the rationale behind these new obligations and the anti-money laundering and counter financing of terrorism measures undertaken in Malaysia.

- A series of half-day CPE programmes entitled *Widening the Regulatory Net: Extension of the Anti-Money Laundering Act 2001 to Accountants and Company Secretaries*, will be held in 15 locations nationwide in July and August 2004. These programmes are intended to equip and prepare you with the necessary knowledge on the new requirements under the AMLA and to assist you to comply with the same. For more details, see the advertorial on page 13.

- The Institute has designated a special web-page for anti-money laundering and new developments on this issue will be posted on this web-page from time to time. Please visit www.mia.org.my to view this web-page.

- The Institute is in the process of finalising a detailed Guidance on Anti-Money Laundering, to assist you to comply with the new AMLA requirements. This Guidance will be made

available at the nationwide half-day CPE programmes, and will also be made available on the Institute's website at a later date. This Guidance will contain a set of Frequently Asked Questions and the Institute's considered answers for your easy reference.

There are still a number of issues that need to be resolved. The Institute, through its special Taskforce on Anti-Money Laundering is working on these issues. It is anticipated, especially in view of the constantly evolving ways in which money laundering is carried out by criminals, that there will be corresponding regulatory changes from time to time. The state of law and practice on the issue of anti-money laundering is in a state of flux and new developments are likely to arise at a fast rate.

You are urged to keep abreast with the new developments on this matter and to arm yourself with the necessary knowledge to comply with the new AMLA requirements. Failure to do so may expose you to the risk of prosecution under the AMLA which carries a fine of RM100,000 or a jail term of 6 months or both. **AT**

Widening the AMLA Net

An Overview

By Eddie Lee

On April 22 this year Malaysians woke up to the shocking revelation that Dr. Hamimah Idruss was arrested and charged in the Kuala Lumpur Sessions Court under the Anti-Money Laundering Act 2001 (the 'AMLA'), for her alleged involvement in the laundering of a sum of RM37 million or US\$9 million. A day of infamy for money launderers, Dr. Hamimah's case represents the first such case in Malaysia under the AMLA. This case also marks Malaysia's earnest efforts to stem the flow of illegal funds that has been allegedly linked to finance global crime.

In another case on 26 May, an alleged top underworld kingpin, Datuk Tee Yam, who presided over a formidable business empire worth more than RM1 billion was arrested and banished to the Simpang Renggam detention centre. He may eventually be charged under the AMLA, which will be used to confiscate his ill-gotten gains. Investigators tracing a maze of documents and business dealings believe that he has interests here and abroad; owns a large swathe of the real estate in Jalan Bukit Bintang and Jalan Imbi; has stakes in several public-listed companies; and operates exclusive health spas and a chain of restaurants.

In Washington, the US banking regulators fined Washington's Riggs Bank US\$25 million for lacking an effective programme to halt money laundering and for failing to report suspicious transactions. The Office of the Comptroller of Currency (OCC) announced the civil penalty for 'numerous violations of the Bank Secrecy Act.' The OCC found a number of problems with the bank's account relationships with foreign governments, in-



Source : *Malay Mail*, 26 May 2004

“... current estimates of the size of the global annual gross money laundering product range from US\$500 billion to US\$1.5 trillion. Illegal arms sales, smuggling ... drug trafficking, prostitution rings, embezzlement, insider trading, bribery and computer fraud schemes can produce huge sums that require creative ways to legitimise these ill-gotten gains through laundering.”

cluding Saudi Arabia and Equatorial Guinea. According to the OCC, Riggs failed to properly monitor, and report as suspicious transactions involving tens of millions of dollars in cash withdrawals, international drafts that were returned to the

bank and numerous sequentially numbered cashier's checks.

These are some of the money laundering cases that have been or are being brought to justice and in the coming months/years many more such cases are expected to surface as governments around the world pursue money laundering more relentlessly to squeeze funds that keep flowing into criminals' coffers.

Money laundering is basically the funnelling of cash or other funds from illegal activities through legitimate financial institutions and businesses to conceal the source of funds. The processing of these illegal proceeds is of critical importance as it allows the criminal to enjoy these profits without jeopardising their source.

A growing global activity, money laundering transcends borders. Because of its underground nature, money laundering is outside the normal range of economic statistics. Though the scale of the problem is difficult to fathom, current estimates of the size of the global annual gross money laundering product range from US\$500 billion to US\$1.5 trillion. Illegal arms sales, smuggling, activities of organised crime — drug trafficking, prostitution rings, embezzlement, insider trading, bribery and computer fraud schemes can produce huge sums that require creative ways to legitimise these ill-gotten gains through laundering. When a criminal activity generates plenty of money, the criminal must find a way to control the funds without attracting too much attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the form or moving the funds to a place where they are less likely to attract attention.

Since money laundering is a cross-border activity, international co-operation to stem its flow is a critical necessity. International organisations such as the United Nations and the Bank for International Settlements took some initial steps in the late 1980s to address this problem. The Caribbean, Asia, Europe and southern Africa have created regional anti-money laundering task force organisations and similar set-ups are being planned for western Africa and Latin America in the coming years.

In 1989, the Group of Seven Industrial Democracies (G-7) created the Financial Action Task Force (FATF), a global money-

money laundering is posing a serious threat to the open and orderly development of the international financial system and world trade. Money laundering has always been the focus of governments, since apart from anything else, it has been used by international drug cartels and crime syndicates. Governments are also anxious to clamp down on money laundering to stop tax eva-

ior frontline staff are not spared. They must be trained to recognise suspicious transactions and for those assessing risks in their organisations, it will pose a major headache.

On the domestic front, the fight against money laundering was further intensified when Malaysia joined as a member in the Asia Pacific Group of Money Laundering (APG) in May 2000. The APG adheres

“The world’s current ongoing fight against terrorism has given money laundering a new impetus. And this fight against this scourge is being fought not in the battlefields but in offices, desks and accounts of businesses, their lawyers, their consultants and their accountants.”



Source : www1.oecd.org/fatf and www.state.gov/g/inl/rls/nrcrpt/2003

laundering watchdog organisation. The FATF is a multi-disciplinary body that brings together the policy-making power of legal, financial and law enforcement experts for its members. In 1990, the FATF issued a set of Forty Recommendations to guide the fight against money laundering. It has since issued a set of Eight Special Recommendations on terrorist financing and revised its Forty Recommendations in June 2003.

In the last decade or so the growth of

sion, cut off the source of supply for criminal activity, limit the use by criminals of the proceeds of their activities and make more difficult for anyone to use the funds that could put international security at risk.

The world’s current ongoing fight against terrorism has given the fight against money laundering a new impetus. And this fight against this scourge is being fought not in the battlefields but in offices, desks and accounts of businesses, their lawyers, their consultants and their accountants. Even jun-

closely to the FATF Forty Recommendations.

To combat money laundering in Malaysia, the National Coordination Committee was established in 2000. An independent body comprising 13 ministries and government agencies, it provides a platform for the coordination of national anti-money laundering strategies and policies in Malaysia.

In July 2001, the Anti-Money Laundering Act (the ‘AMLA’) was enacted. Set

along the lines of the FATF Forty Recommendations, the AMLA was designed to be universal, covering the criminal justice system and law enforcement together with the financial system and its regulation while catering also for international cooperation and extradition possibilities. The AMLA identifies 150 serious offences of money laundering that include drug trafficking, corruption, kidnapping, robbery, trafficking in people, gambling, fraud and copyright infringement. Wide-ranging and comprehensive, the AMLA provides for the prevention, detection, investigation and prosecution of money launderers.

To keep money launderers at bay, Bank Negara will intensify the fight against money laundering activities as well as terrorism financing. The central bank also leads various law enforcement agencies in combating money laundering and terrorism financing. For instance, it is the secretariat to the National Co-ordination Committee to Counter Money Laundering (NCC), which was established in 2000 to formulate Malaysia's Anti-Money Laundering/Counter Financing of Terrorism measures (see Fact File on page 17). It co-ordinates the implementation of these measures and seeks to ensure that national efforts are aligned with regional and international initiatives. Malaysia is committed to criminalise the financing of terrorism as called for under the United Nations International Convention for the Suppression of the Financing of Terrorism.

According to Bank Negara, Malaysia has proposed to accede to the UN Convention by making appropriate amendments to and providing new legislative provisions in, five pieces of legislation, namely the Penal Code, Criminal Procedure Code, Subordinate Courts Act 1948, Courts of Judicature Act 1964 and the AMLA.

The amending legislations extend Bank Negara's money laundering reporting mechanism to include the reporting of sus-

pected terrorism financing, provides for measures to be taken for the detection and prevention of terrorism financing as well as provides for the freezing, seizure and forfeiture of terrorist property. The money laundering reporting mechanism under AMLA covers financial institutions and certain categories of non-financial institutions, which are considered to be of higher risk to money laundering or terrorist financing activities. "Our implementation approach of extending the reach of the law

several other categories of businesses have been included as reporting institutions. (see Box — source from *Bank Negara's Annual Report 2003*).

Soon it will be the turn of accountants, lawyers and company secretaries. The extension of reporting obligations under AMLA 2001 covering accountants and company secretaries will come into effect on 30 September 2004. Accountants and company secretaries who provide the relevant services to their clients are mandated under

the AMLA to report suspicious transactions to the Financial Intelligence Unit (FIU) in Bank Negara.

All firms should be on their guard for potential scams and have a duty to report them to the FIU. It is no longer a case of 'I don't regard it as suspicious' but 'should I regard it as suspicious'. Good training systems and an informed Anti-Money Laundering Reporting Officer is important for firms to comply with the new regulatory requirements. It is important that all staff are made aware of the issues involved and can spot potential risks when they see one. The prevention of money laundering is not only a legal issue but a moral obligation too.

To help accountants and company secretaries comprehend the implications of the new requirements under the AMLA, the Malaysian Institute of Accountants (MIA) will be conducting a series of half-day programmes nationwide in July and August on 'Widening The

Regulatory Net: Extension Of The Anti-Money Laundering Act 2001 To Accountants and Company Secretaries.'

To be officiated by the Deputy Governor of Bank Negara Malaysia, Datuk Zamani Abdul Ghani, these programmes should not be missed by those accountants or company secretaries or their organisations who act on or behalf of their clients to provide the relevant services, in order not to fall foul of the law. **AT**

REPORTING INSTITUTIONS UNDER THE AMLA

Invocation date	Type of Reporting Institution	Number of Institutions (as at 31 Dec 2003)
15-Jan-02	Commercial banks	23
	Finance companies	11
	Merchant banks	10
	Islamic banks	2
15-Apr-02	Discount houses	7
	Offshore banks	54
	Offshore insurance companies	101
	Offshore trust companies	18
	Insurance companies	44
	Reinsurance companies	10
	Insurance brokers <i>Takaful</i> operators	35 4
1-Jun-02	Money-changers	649
15-Jan-03	Bank Kerjasama Rakyat Malaysia	1
	Bank Simpanan Nasional	1
	Lembaga Tabung Haji	1
	Pos Malaysia Berhad	1
	Genting Casino	1
Total reporting institutions		973

Source: *Bank Negara's Annual Report 2003*

incrementally ensures that the reporting institutions are well prepared and able to effectively comply with their obligations under the AMLA," reported the Central Bank in its Annual Report 2003.

Since the AMLA came into force, the requirement to report suspicious transactions has been invoked on banking and Islamic banking institutions, insurance companies and *Takaful* operators, money changers and offshore entities. In 2003,

Malaysia's Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Measures

Introduction

- In recognising the need for a consolidated and concerted effort to counter money laundering and terrorist financing, Malaysia has taken various anti-money laundering measures, through the passage of appropriate money laundering laws, and the development of correct counter-measures such as the sharing of information and law enforcement co-operation.
- International bodies such as the Asia/Pacific Group on Money Laundering (APG) and the International Monetary Fund evaluated Malaysia's AML/CFT system. The evaluators concluded that Malaysia has made significant progress in establishing an appropriate anti-money laundering regime in the last few years. The evaluators commended Malaysia's well-developed and integrated AML/CFT system that is supported by capable and professional staff across a number of agencies.

Measures Taken at the National Level

1 The National Coordination Committee to Counter Money Laundering (NCC), which

comprises representatives from various Ministries and law enforcement agencies, was established in April 2000 with Bank Negara Malaysia (the Central Bank of Malaysia) as the lead agency. The objective of the committee is to develop and ensure proper implementation of measures to counter money laundering based on internationally accepted standards as contained in the FATF's Recommendations.

2 The Legal Framework

- The *Anti-Money Laundering Act 2001 (AMLA)* was gazetted on 5 July 2001 and was brought into force on 15 January 2002.
- The AMLA covers the offence of money laundering in general, investigation, freeze, seizure and forfeiture of the

proceeds of serious crimes, suspicious transaction reporting, record-keeping and the establishment of a financial intelligence unit, which could co-operate with domestic and foreign agencies on its own initiatives.

3 Financial Intelligence Unit

- The Financial Intelligence Unit (FIU) was established within Bank Negara Malaysia on 8 August 2001.
- The FIU facilitates and coordinates the implementation and enforcement of the AMLA nationwide and cooperates with other countries in the global fight against money laundering and serious crimes.



- The AMLA also made it possible for the FIU to share financial intelligence with its foreign counterparts. This would pave the way for effective information exchange.

4 Reporting institutions

The AMLA has been invoked on financial institutions on shore and offshore. The AMLA reporting obligations will also be extended to certain categories of non-financial institutions that are of higher risk to money laundering.

5 Freeze, seizure and forfeiture

Sections 44 and 45 of the AMLA respectively provide for the freeze and seizure of property where there are reasonable grounds to suspect any property to be the subject matter of a money laundering offence or evidence relating to such offence.

International Cooperation

International co-operation is the key to addressing the threats of money laundering and terrorist financing. Technological development has made it simple for money to be moved across borders. In addition, the existence of alternative remittance systems, such as the *Hawala* system, enable money to be transferred from one country to another anonymously. Hence, the need for jurisdictions to enhance and strengthen inter-state information sharing mechanisms. To this end, Malaysia has enacted appropriate legislation that provides for information exchange and is a party to a number of arrangements to enhance co-operation in combating money laundering and terrorist financing.

Terrorist Financing

- The Malaysian banking system operates under a stringent regulatory and supervisory framework to ensure that it is not open to abuse by terrorists and not used as a conduit for terrorist financing. With regard to the United Nations Security Council Resolution, the Controller of Foreign Exchange (Controller)

has issued circulars under Section 44(1) of the Exchange Control Act 1953, directing all licensed financial institutions to freeze the funds and financial resources of Osama bin Laden, the Al-Qaeda and the Taliban and the individuals and entities associated with Osama bin Laden, the Al-Qaeda and the Taliban, and to report any freeze to the Controller. The Labuan Offshore Financial Services Authority has issued similar circulars to the offshore industry.

- Enact anti-terrorist laws:
 - To enable Malaysia to accede to the UN Convention for the Suppression of the Financing of Terrorism, new legislative provisions were incorporated into

the following legislations:

- ◆ Penal Code
- ◆ Anti-Money Laundering Act 2001 (AMLA)
- ◆ Subordinate Courts Act 1948
- ◆ Courts of Judicature Act 1964
- ◆ Criminal Procedure Code
- The amendments to the AMLA essentially incorporate new definitions of “terrorist property” and “terrorist financing offence”. It provides for the mechanism to report suspicious activities, including suspected terrorism financing activities, measures for the detection and prevention of terrorism financing and freezing, seizing and forfeiting terrorist property. A new Part (Part IVA) will enable a specified entity to be deemed as a terrorist whose property could be frozen, seized and forfeited under the AMLA. The Minister of Home Affairs is empowered to issue orders published in the Gazette to declare an entity as a “specified entity” and to implement measures required under the United Nations Security Council.
- The amendments to the Penal Code and AMLA were passed by the Parliament on 20 November 2003 and will come into force on a date that would be appointed by the Minister after royal assent. Amendments to the Subordinate Courts Act 1948, Courts of Judicature Act 1964 and Criminal Procedure Code are scheduled to be tabled at the next Parliamentary session.

Suspicious Transaction Reporting

■ Section 14(b) of the AMLA sets the statutory obligations for officers and employees of financial and non-financial institutions to report *any* suspicious transaction. Should there be *reason to suspect* any transaction as being related directly or indirectly to any of the serious offences, or foreign serious offences, a reporting institution has to file a Suspicious Transaction Report (STR) to the FIU in the Central Bank. There are currently 150 predicate offences listed under the Second Schedule to the AMLA. The information to be included in the STR would comprise information on the person conducting the transaction, information on the account holder or beneficiary of the transaction, details of the transaction, and description of the suspicious transaction.

■ What constitutes a suspicious transaction is a matter of judgment by the reporting institution. In order to detect transactions that may involve proceeds of illegal activities, the reporting institution must know his/her client or customer well. Knowing the customer or client involves verification of identity, keeping records and ongoing monitoring of the transactions. Usually, suspicion arises when the transaction conducted does not match with the customer profile, is of unusually large value or does not make economic sense.

■ To protect the reporting institution from being used by criminals as a vehicle to integrate or layer their illegal proceeds, the AMLA requires all reporting institutions to put in place an effective compliance programme. The relevant supervisory authorities further issue appropriate guidelines as best practices or benchmarks against which the reporting institution is expected to adopt.

■ Failure to report any suspicious transaction to the FIU in the Bank is an offence under the AMLA and shall on conviction be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding six months, or both.

Know Your Customer (KYC) Policy

The AMLA requires all reporting institutions to conduct customer due diligence to ensure that there should not be any fictitious nor anonymous accounts/transactions being conducted with any persons. Each reporting institution must establish an appropriate KYC policy and set out procedures to implement effective customer verification. Guidance on the KYC policy may be issued by the relevant regulatory or supervisory authority as well as self-regulatory organisations (SROs). SROs would include associations or prescribed bodies that are established by the various professions. Hence, SROs play a significant role to assist their members in complying with the reporting obligations under the AMLA.

Essentially, a comprehensive KYC policy would include the following:

- Obtain proper identification of customer and beneficial owner:
 - Identification cards
 - Passports

- Incorporation documents
- Ascertain some basic background of the customer:
 - Occupation
 - Employment history
 - Intended business of the company
 - Ownership & control structure of the company
- If the customer is a Politically Exposed Person:
 - obtain senior management approval to establish relationship
 - establish source of wealth
- Obtain any other information available that will assist in knowing and understanding the customer better.
- Keep copies of customer identification and related documents.
- Pay special attention to complex and unusually large or patterns of transactions.
- Pay special attention to transactions that have no apparent economic or visible lawful purposes.
- Conduct regular reviews on the business relationship and transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the knowledge of the customer, their business and, where necessary, the source of funds.
- Document each review that is conducted, e.g. record the date and findings of each review conducted.
- Keep records for a minimum six years.
- If unable to complete satisfactory verification of customer:
 - Should not proceed with transaction or relationship
 - Should consider lodging a suspicious transaction report

Training Initiatives

Malaysia recognises the importance of ensuring that the personnel involved in the task of implementing the national AML/CFT measures are adequately trained and possess the necessary skills and expertise. The training programmes include AML/CFT awareness, policy formulation, investigative skills, forensic accounting, analysis of suspicious transactions, mutual legal assistance for criminal matters and asset forfeiture. **AT**

The New Anti-Money Laundering Obligations

New regulatory demands are about to be imposed under the Anti-Money Laundering Act 2001 (the 'AMLA') on accountants, lawyers and company secretaries who provide the relevant services to their clients (see inset Box). These professionals and service providers will now be required to assist in the nation's fight against money laundering and terrorist financing, by reporting suspicious transactions.

With effect from 30 September 2004, if you are a member in public practice or you are a company secretary, and you provide the relevant services (see inset Box), you will have to promptly report to the Financial Intelligence Unit in Bank Negara Malaysia, any transaction:

- 1 where the identity of the persons involved;
- 2 the transaction itself; or
- 3 any other circumstances concerning that transaction;

gives you or any of your officers or employees, reason to suspect that the transaction itself involves proceeds of an unlawful activity — that is, any property that is directly or indirectly obtained as a result of any serious offence or foreign serious offence.

The new requirement to report suspicious transactions raises a number of questions — Who needs to report? When do I need to report? What do I report? When



should I be suspicious of a client? How do I make a Suspicious Transaction Report? What exactly do I have to do to comply with the AMLA obligations? Will my identity be protected if I report? What are the consequences if I fail to report?

These questions need to be answered. In addition, other obligations under the AMLA will be extended to you as a member in public practice or as a company secretary who provides the relevant services, including client due diligence requirements, record keeping, and the implementation of internal controls, policies, procedures and compliance programmes, with effect from **30 September 2005**.

These new obligations effectively require you to implement the key elements of the anti-money laundering framework, which will assist you to recognise, detect and report, and thereby reduce the incidence of money laundering and terrorist financing; and to minimise the risk of non-compliance with your obligations under the AMLA. The key elements of the anti-

“... require you to implement the key elements ... to recognise, detect and report, and thereby reduce the incidence of money laundering and terrorist financing.”

money laundering framework as required by the AMLA are:

- 1 Internal Controls, Policies and Accountabilities;
- 2 Know Your Client;
- 3 Education and Training;
- 4 Monitoring and Detection;
- 5 Reporting Obligations and Procedures;
- 6 Record Keeping; and
- 7 Compliance Programme.

A snapshot overview of the new AMLA obligations is provided in the Flowchart on Compliance with the AMLA obligations in Figure 1 and 2.

The Institute, in an effort to assist you to comply with these new obligations and

Extension of the ANTI-MONEY LAUNDERING ACT 2001 to Accountants & Company Secretaries

Come **30 September 2004**, Bank Negara Malaysia intends to extend the application of various provisions in the Anti-Money Laundering Act 2001 (the ‘AMLA’) to specific categories of professionals and service providers including lawyers, company secretaries and accountants who are the Institute’s members in public practice.

As reporting institutions under the AMLA with effect from 30 September 2004, accountants who are members of the Institute will have to report any suspicious transactions (Section 14(b) of the AMLA) when they:

- (a) as **members in public practice**, prepare for or carry out the following activities for their client:
 - i) buying or selling of immovable property;
 - ii) managing of clients’ monies, securities or other property;
 - iii) managing of accounts including savings and securities accounts;
 - iv) organising of contributions for the creation, operation or management of companies; or
 - v) creating, operating or managing of legal entities or arrangements, and buying and selling of business entities;
- (b) as **company secretaries prescribed to so act pursuant to Section 139A of the Companies Act 1965**, whether in person or through a firm or company, prepare for or carry out the following activities for their client:
 - i) acting as a formation agent of legal entities;
 - ii) acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership or a similar position in relation to other legal entities;
 - iii) providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other person or arrangement;
 - iv) acting as (or arranging for another person to act as) a trustee of an express trust; or
 - v) acting as (or arranging for another person to act as) a nominee shareholder for another person.

In making a Suspicious Transaction Report, the professional or service provider is protected from breaching the duty of confidentiality (Section 20 which overrides secrecy obligations) and is protected from civil, criminal and disciplinary proceedings (Section 24 which confers protection for any report made in good faith).

Bank Negara Malaysia intends to extend the other obligations in Part IV of the AMLA relating to client due diligence, record keeping, and the implementation of internal controls, policies, procedures and compliance programmes to the above categories of professionals and service providers with effect from **30 September 2005**.

A failure to comply with these requirements is an offence under the AMLA and can subject the professional or service provider upon conviction, to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 6 months or both.

Alert: The exact wording of the relevant services that will be included in the new obligations is subject to the Order of the Minister of Finance as will be published in the Gazette on or around 30 September 2004, but is unlikely to be materially different from that set out above.

answer the questions raised above, has put together several initiatives:

- Circular No. 21/2003 dated 23 December 2003 and Circular No. 14/2004 dated 1 June 2004 have been issued to alert you about these new regulatory obligations and developments.

Figure 1

FLOWCHART ON COMPLIANCE WITH AMLA OBLIGATIONS

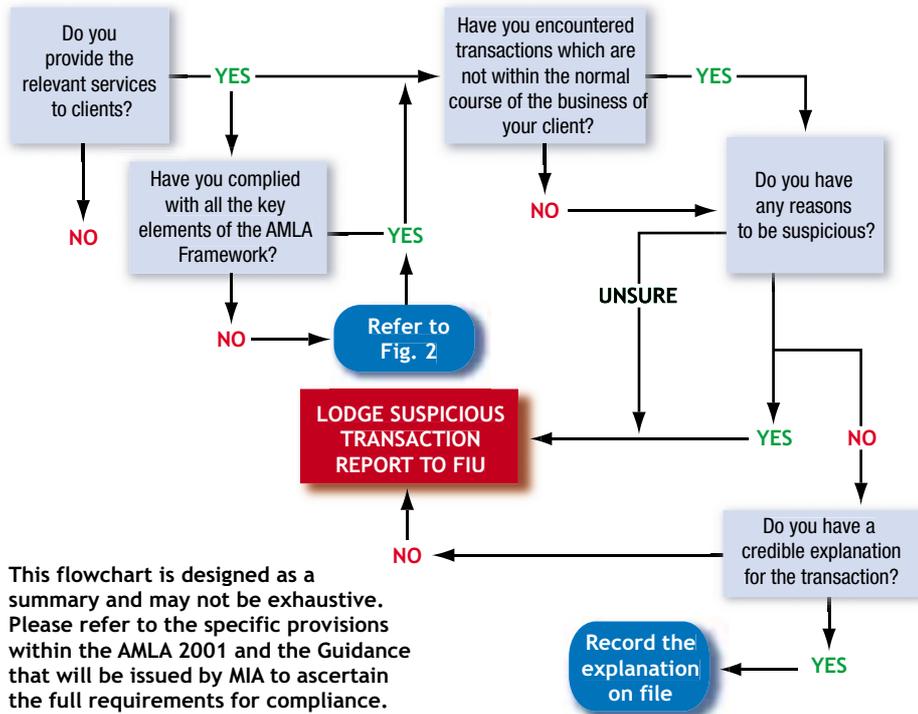
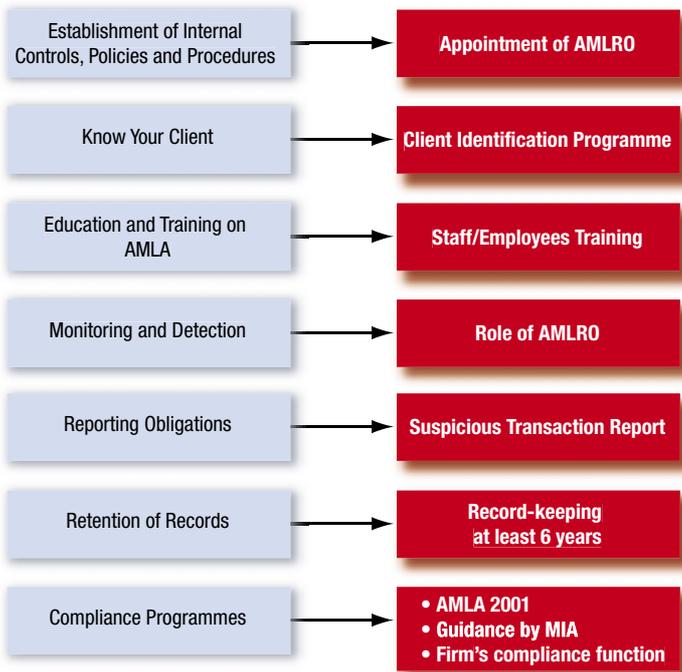


Figure 2

KEY ELEMENTS OF THE AMLA FRAMEWORK



- A series of articles have already been published in the January/February 2004 and April 2004 issues of *Accountants Today*, to highlight the issue of anti-money laundering and terrorist financing and the initiatives required to combat these threats.

- This issue of *Accountants Today* devotes several articles on the new regulatory obligations that will be extended to accountants and company secretaries, the rationale behind these new obligations and the anti-money laundering and counter financing of terrorism measures undertaken in Malaysia.

- A series of half-day CPE programmes entitled *Widening the Regulatory Net: Extension of the Anti-Money Laundering Act 2001 to Accountants and Company Secretaries*, will be held in 15 locations nationwide in July and August 2004. These programmes are intended to equip and prepare you with the necessary knowledge on the new requirements under the AMLA and to assist you to comply with the same. For more details, see the advertorial on page 13.

- The Institute has designated a special web-page for anti-money laundering and new developments on this issue will be posted on this web-page from time to time. Please visit www.mia.org.my to view this web-page.

- The Institute is in the process of finalising a detailed Guidance on Anti-Money Laundering, to assist you to comply with the new AMLA requirements. This Guidance will be made

available at the nationwide half-day CPE programmes, and will also be made available on the Institute's website at a later date. This Guidance will contain a set of Frequently Asked Questions and the Institute's considered answers for your easy reference.

There are still a number of issues that need to be resolved. The Institute, through its special Taskforce on Anti-Money Laundering is working on these issues. It is anticipated, especially in view of the constantly evolving ways in which money laundering is carried out by criminals, that there will be corresponding regulatory changes from time to time. The state of law and practice on the issue of anti-money laundering is in a state of flux and new developments are likely to arise at a fast rate.

You are urged to keep abreast with the new developments on this matter and to arm yourself with the necessary knowledge to comply with the new AMLA requirements. Failure to do so may expose you to the risk of prosecution under the AMLA which carries a fine of RM100,000 or a jail term of 6 months or both. **AT**

Widening the AMLA Net

An Overview

By Eddie Lee

On April 22 this year Malaysians woke up to the shocking revelation that Dr. Hamimah Idruss was arrested and charged in the Kuala Lumpur Sessions Court under the Anti-Money Laundering Act 2001 (the 'AMLA'), for her alleged involvement in the laundering of a sum of RM37 million or US\$9 million. A day of infamy for money launderers, Dr. Hamimah's case represents the first such case in Malaysia under the AMLA. This case also marks Malaysia's earnest efforts to stem the flow of illegal funds that has been allegedly linked to finance global crime.

In another case on 26 May, an alleged top underworld kingpin, Datuk Tee Yam, who presided over a formidable business empire worth more than RM1 billion was arrested and banished to the Simpang Renggam detention centre. He may eventually be charged under the AMLA, which will be used to confiscate his ill-gotten gains. Investigators tracing a maze of documents and business dealings believe that he has interests here and abroad; owns a large swathe of the real estate in Jalan Bukit Bintang and Jalan Imbi; has stakes in several public-listed companies; and operates exclusive health spas and a chain of restaurants.

In Washington, the US banking regulators fined Washington's Riggs Bank US\$25 million for lacking an effective programme to halt money laundering and for failing to report suspicious transactions. The Office of the Comptroller of Currency (OCC) announced the civil penalty for 'numerous violations of the Bank Secrecy Act.' The OCC found a number of problems with the bank's account relationships with foreign governments, in-



Source : *Malay Mail*, 26 May 2004

“... current estimates of the size of the global annual gross money laundering product range from US\$500 billion to US\$1.5 trillion. Illegal arms sales, smuggling ... drug trafficking, prostitution rings, embezzlement, insider trading, bribery and computer fraud schemes can produce huge sums that require creative ways to legitimise these ill-gotten gains through laundering.”

cluding Saudi Arabia and Equatorial Guinea. According to the OCC, Riggs failed to properly monitor, and report as suspicious transactions involving tens of millions of dollars in cash withdrawals, international drafts that were returned to the

bank and numerous sequentially numbered cashier's checks.

These are some of the money laundering cases that have been or are being brought to justice and in the coming months/years many more such cases are expected to surface as governments around the world pursue money laundering more relentlessly to squeeze funds that keep flowing into criminals' coffers.

Money laundering is basically the funnelling of cash or other funds from illegal activities through legitimate financial institutions and businesses to conceal the source of funds. The processing of these illegal proceeds is of critical importance as it allows the criminal to enjoy these profits without jeopardising their source.

A growing global activity, money laundering transcends borders. Because of its underground nature, money laundering is outside the normal range of economic statistics. Though the scale of the problem is difficult to fathom, current estimates of the size of the global annual gross money laundering product range from US\$500 billion to US\$1.5 trillion. Illegal arms sales, smuggling, activities of organised crime — drug trafficking, prostitution rings, embezzlement, insider trading, bribery and computer fraud schemes can produce huge sums that require creative ways to legitimise these ill-gotten gains through laundering. When a criminal activity generates plenty of money, the criminal must find a way to control the funds without attracting too much attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the form or moving the funds to a place where they are less likely to attract attention.

Since money laundering is a cross-border activity, international co-operation to stem its flow is a critical necessity. International organisations such as the United Nations and the Bank for International Settlements took some initial steps in the late 1980s to address this problem. The Caribbean, Asia, Europe and southern Africa have created regional anti-money laundering task force organisations and similar set-ups are being planned for western Africa and Latin America in the coming years.

In 1989, the Group of Seven Industrial Democracies (G-7) created the Financial Action Task Force (FATF), a global money-

money laundering is posing a serious threat to the open and orderly development of the international financial system and world trade. Money laundering has always been the focus of governments, since apart from anything else, it has been used by international drug cartels and crime syndicates. Governments are also anxious to clamp down on money laundering to stop tax eva-

ior frontline staff are not spared. They must be trained to recognise suspicious transactions and for those assessing risks in their organisations, it will pose a major headache.

On the domestic front, the fight against money laundering was further intensified when Malaysia joined as a member in the Asia Pacific Group of Money Laundering (APG) in May 2000. The APG adheres

“The world’s current ongoing fight against terrorism has given money laundering a new impetus. And this fight against this scourge is being fought not in the battlefields but in offices, desks and accounts of businesses, their lawyers, their consultants and their accountants.”



Source : www1.oecd.org/fatf and www.state.gov/g/inl/rls/nrcrpt/2003

laundering watchdog organisation. The FATF is a multi-disciplinary body that brings together the policy-making power of legal, financial and law enforcement experts for its members. In 1990, the FATF issued a set of Forty Recommendations to guide the fight against money laundering. It has since issued a set of Eight Special Recommendations on terrorist financing and revised its Forty Recommendations in June 2003.

In the last decade or so the growth of

sion, cut off the source of supply for criminal activity, limit the use by criminals of the proceeds of their activities and make more difficult for anyone to use the funds that could put international security at risk.

The world’s current ongoing fight against terrorism has given the fight against money laundering a new impetus. And this fight against this scourge is being fought not in the battlefields but in offices, desks and accounts of businesses, their lawyers, their consultants and their accountants. Even jun-

closely to the FATF Forty Recommendations.

To combat money laundering in Malaysia, the National Coordination Committee was established in 2000. An independent body comprising 13 ministries and government agencies, it provides a platform for the coordination of national anti-money laundering strategies and policies in Malaysia.

In July 2001, the Anti-Money Laundering Act (the ‘AMLA’) was enacted. Set

along the lines of the FATF Forty Recommendations, the AMLA was designed to be universal, covering the criminal justice system and law enforcement together with the financial system and its regulation while catering also for international cooperation and extradition possibilities. The AMLA identifies 150 serious offences of money laundering that include drug trafficking, corruption, kidnapping, robbery, trafficking in people, gambling, fraud and copyright infringement. Wide-ranging and comprehensive, the AMLA provides for the prevention, detection, investigation and prosecution of money launderers.

To keep money launderers at bay, Bank Negara will intensify the fight against money laundering activities as well as terrorism financing. The central bank also leads various law enforcement agencies in combating money laundering and terrorism financing. For instance, it is the secretariat to the National Co-ordination Committee to Counter Money Laundering (NCC), which was established in 2000 to formulate Malaysia's Anti-Money Laundering/Counter Financing of Terrorism measures (see Fact File on page 17). It co-ordinates the implementation of these measures and seeks to ensure that national efforts are aligned with regional and international initiatives. Malaysia is committed to criminalise the financing of terrorism as called for under the United Nations International Convention for the Suppression of the Financing of Terrorism.

According to Bank Negara, Malaysia has proposed to accede to the UN Convention by making appropriate amendments to and providing new legislative provisions in, five pieces of legislation, namely the Penal Code, Criminal Procedure Code, Subordinate Courts Act 1948, Courts of Judicature Act 1964 and the AMLA.

The amending legislations extend Bank Negara's money laundering reporting mechanism to include the reporting of sus-

pected terrorism financing, provides for measures to be taken for the detection and prevention of terrorism financing as well as provides for the freezing, seizure and forfeiture of terrorist property. The money laundering reporting mechanism under AMLA covers financial institutions and certain categories of non-financial institutions, which are considered to be of higher risk to money laundering or terrorist financing activities. "Our implementation approach of extending the reach of the law

several other categories of businesses have been included as reporting institutions. (see Box — source from *Bank Negara's Annual Report 2003*).

Soon it will be the turn of accountants, lawyers and company secretaries. The extension of reporting obligations under AMLA 2001 covering accountants and company secretaries will come into effect on 30 September 2004. Accountants and company secretaries who provide the relevant services to their clients are mandated under

the AMLA to report suspicious transactions to the Financial Intelligence Unit (FIU) in Bank Negara.

All firms should be on their guard for potential scams and have a duty to report them to the FIU. It is no longer a case of 'I don't regard it as suspicious' but 'should I regard it as suspicious'. Good training systems and an informed Anti-Money Laundering Reporting Officer is important for firms to comply with the new regulatory requirements. It is important that all staff are made aware of the issues involved and can spot potential risks when they see one. The prevention of money laundering is not only a legal issue but a moral obligation too.

To help accountants and company secretaries comprehend the implications of the new requirements under the AMLA, the Malaysian Institute of Accountants (MIA) will be conducting a series of half-day programmes nationwide in July and August on 'Widening The

Regulatory Net: Extension Of The Anti-Money Laundering Act 2001 To Accountants and Company Secretaries.'

To be officiated by the Deputy Governor of Bank Negara Malaysia, Datuk Zamani Abdul Ghani, these programmes should not be missed by those accountants or company secretaries or their organisations who act on or behalf of their clients to provide the relevant services, in order not to fall foul of the law. **AT**

REPORTING INSTITUTIONS UNDER THE AMLA

Invocation date	Type of Reporting Institution	Number of Institutions (as at 31 Dec 2003)
15-Jan-02	Commercial banks	23
	Finance companies	11
	Merchant banks	10
	Islamic banks	2
15-Apr-02	Discount houses	7
	Offshore banks	54
	Offshore insurance companies	101
	Offshore trust companies	18
	Insurance companies	44
	Reinsurance companies	10
	Insurance brokers <i>Takaful</i> operators	35 4
1-Jun-02	Money-changers	649
15-Jan-03	Bank Kerjasama Rakyat Malaysia	1
	Bank Simpanan Nasional	1
	Lembaga Tabung Haji	1
	Pos Malaysia Berhad	1
	Genting Casino	1
Total reporting institutions		973

Source: *Bank Negara's Annual Report 2003*

incrementally ensures that the reporting institutions are well prepared and able to effectively comply with their obligations under the AMLA," reported the Central Bank in its Annual Report 2003.

Since the AMLA came into force, the requirement to report suspicious transactions has been invoked on banking and Islamic banking institutions, insurance companies and *Takaful* operators, money changers and offshore entities. In 2003,

Malaysia's Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Measures

Introduction

- In recognising the need for a consolidated and concerted effort to counter money laundering and terrorist financing, Malaysia has taken various anti-money laundering measures, through the passage of appropriate money laundering laws, and the development of correct counter-measures such as the sharing of information and law enforcement co-operation.
- International bodies such as the Asia/Pacific Group on Money Laundering (APG) and the International Monetary Fund evaluated Malaysia's AML/CFT system. The evaluators concluded that Malaysia has made significant progress in establishing an appropriate anti-money laundering regime in the last few years. The evaluators commended Malaysia's well-developed and integrated AML/CFT system that is supported by capable and professional staff across a number of agencies.

Measures Taken at the National Level

1 The National Coordination Committee to Counter Money Laundering (NCC), which

comprises representatives from various Ministries and law enforcement agencies, was established in April 2000 with Bank Negara Malaysia (the Central Bank of Malaysia) as the lead agency. The objective of the committee is to develop and ensure proper implementation of measures to counter money laundering based on internationally accepted standards as contained in the FATF's Recommendations.

2 The Legal Framework

- The *Anti-Money Laundering Act 2001 (AMLA)* was gazetted on 5 July 2001 and was brought into force on 15 January 2002.
- The AMLA covers the offence of money laundering in general, investigation, freeze, seizure and forfeiture of the

proceeds of serious crimes, suspicious transaction reporting, record-keeping and the establishment of a financial intelligence unit, which could co-operate with domestic and foreign agencies on its own initiatives.

3 Financial Intelligence Unit

- The Financial Intelligence Unit (FIU) was established within Bank Negara Malaysia on 8 August 2001.
- The FIU facilitates and coordinates the implementation and enforcement of the AMLA nationwide and cooperates with other countries in the global fight against money laundering and serious crimes.



- The AMLA also made it possible for the FIU to share financial intelligence with its foreign counterparts. This would pave the way for effective information exchange.

4 Reporting institutions

The AMLA has been invoked on financial institutions on shore and offshore. The AMLA reporting obligations will also be extended to certain categories of non-financial institutions that are of higher risk to money laundering.

5 Freeze, seizure and forfeiture

Sections 44 and 45 of the AMLA respectively provide for the freeze and seizure of property where there are reasonable grounds to suspect any property to be the subject matter of a money laundering offence or evidence relating to such offence.

International Cooperation

International co-operation is the key to addressing the threats of money laundering and terrorist financing. Technological development has made it simple for money to be moved across borders. In addition, the existence of alternative remittance systems, such as the *Hawala* system, enable money to be transferred from one country to another anonymously. Hence, the need for jurisdictions to enhance and strengthen inter-state information sharing mechanisms. To this end, Malaysia has enacted appropriate legislation that provides for information exchange and is a party to a number of arrangements to enhance co-operation in combating money laundering and terrorist financing.

Terrorist Financing

- The Malaysian banking system operates under a stringent regulatory and supervisory framework to ensure that it is not open to abuse by terrorists and not used as a conduit for terrorist financing. With regard to the United Nations Security Council Resolution, the Controller of Foreign Exchange (Controller)

has issued circulars under Section 44(1) of the Exchange Control Act 1953, directing all licensed financial institutions to freeze the funds and financial resources of Osama bin Laden, the Al-Qaeda and the Taliban and the individuals and entities associated with Osama bin Laden, the Al-Qaeda and the Taliban, and to report any freeze to the Controller. The Labuan Offshore Financial Services Authority has issued similar circulars to the offshore industry.

- Enact anti-terrorist laws:
 - To enable Malaysia to accede to the UN Convention for the Suppression of the Financing of Terrorism, new legislative provisions were incorporated into

the following legislations:

- ◆ Penal Code
- ◆ Anti-Money Laundering Act 2001 (AMLA)
- ◆ Subordinate Courts Act 1948
- ◆ Courts of Judicature Act 1964
- ◆ Criminal Procedure Code
- The amendments to the AMLA essentially incorporate new definitions of “terrorist property” and “terrorist financing offence”. It provides for the mechanism to report suspicious activities, including suspected terrorism financing activities, measures for the detection and prevention of terrorism financing and freezing, seizing and forfeiting terrorist property. A new Part (Part IVA) will enable a specified entity to be deemed as a terrorist whose property could be frozen, seized and forfeited under the AMLA. The Minister of Home Affairs is empowered to issue orders published in the Gazette to declare an entity as a “specified entity” and to implement measures required under the United Nations Security Council.
- The amendments to the Penal Code and AMLA were passed by the Parliament on 20 November 2003 and will come into force on a date that would be appointed by the Minister after royal assent. Amendments to the Subordinate Courts Act 1948, Courts of Judicature Act 1964 and Criminal Procedure Code are scheduled to be tabled at the next Parliamentary session.

Suspicious Transaction Reporting

■ Section 14(b) of the AMLA sets the statutory obligations for officers and employees of financial and non-financial institutions to report *any* suspicious transaction. Should there be *reason to suspect* any transaction as being related directly or indirectly to any of the serious offences, or foreign serious offences, a reporting institution has to file a Suspicious Transaction Report (STR) to the FIU in the Central Bank. There are currently 150 predicate offences listed under the Second Schedule to the AMLA. The information to be included in the STR would comprise information on the person conducting the transaction, information on the account holder or beneficiary of the transaction, details of the transaction, and description of the suspicious transaction.

■ What constitutes a suspicious transaction is a matter of judgment by the reporting institution. In order to detect transactions that may involve proceeds of illegal activities, the reporting institution must know his/her client or customer well. Knowing the customer or client involves verification of identity, keeping records and ongoing monitoring of the transactions. Usually, suspicion arises when the transaction conducted does not match with the customer profile, is of unusually large value or does not make economic sense.

■ To protect the reporting institution from being used by criminals as a vehicle to integrate or layer their illegal proceeds, the AMLA requires all reporting institutions to put in place an effective compliance programme. The relevant supervisory authorities further issue appropriate guidelines as best practices or benchmarks against which the reporting institution is expected to adopt.

■ Failure to report any suspicious transaction to the FIU in the Bank is an offence under the AMLA and shall on conviction be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding six months, or both.

Know Your Customer (KYC) Policy

The AMLA requires all reporting institutions to conduct customer due diligence to ensure that there should not be any fictitious nor anonymous accounts/transactions being conducted with any persons. Each reporting institution must establish an appropriate KYC policy and set out procedures to implement effective customer verification. Guidance on the KYC policy may be issued by the relevant regulatory or supervisory authority as well as self-regulatory organisations (SROs). SROs would include associations or prescribed bodies that are established by the various professions. Hence, SROs play a significant role to assist their members in complying with the reporting obligations under the AMLA.

Essentially, a comprehensive KYC policy would include the following:

- Obtain proper identification of customer and beneficial owner:
 - Identification cards
 - Passports

- Incorporation documents
- Ascertain some basic background of the customer:
 - Occupation
 - Employment history
 - Intended business of the company
 - Ownership & control structure of the company
- If the customer is a Politically Exposed Person:
 - obtain senior management approval to establish relationship
 - establish source of wealth
- Obtain any other information available that will assist in knowing and understanding the customer better.
- Keep copies of customer identification and related documents.
- Pay special attention to complex and unusually large or patterns of transactions.
- Pay special attention to transactions that have no apparent economic or visible lawful purposes.
- Conduct regular reviews on the business relationship and transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the knowledge of the customer, their business and, where necessary, the source of funds.
- Document each review that is conducted, e.g. record the date and findings of each review conducted.
- Keep records for a minimum six years.
- If unable to complete satisfactory verification of customer:
 - Should not proceed with transaction or relationship
 - Should consider lodging a suspicious transaction report

Training Initiatives

Malaysia recognises the importance of ensuring that the personnel involved in the task of implementing the national AML/CFT measures are adequately trained and possess the necessary skills and expertise. The training programmes include AML/CFT awareness, policy formulation, investigative skills, forensic accounting, analysis of suspicious transactions, mutual legal assistance for criminal matters and asset forfeiture. **AT**

A Bird in Hand?

By Jackie Blondell

Jobs in Asia are on the rise but don't count your chickens before they hatch. Recruiters are expecting accounting vacancies to pick up so long as the bird flu doesn't reach SARS proportions.

On 22 January the Chinese New Year heralded the Year of the Monkey, said to be a mischievous, challenging, but vibrant year for business. However, another animal might pose a serious threat

to the simian. To date, outbreaks of H5N1 avian flu virus — otherwise known as 'bird flu' — have been recorded in 10 Asian nations and attributed to 10 deaths in January. The World Health Organisation (WHO) warned in February that it could

combine with a human influenza virus to create a virus that could kill millions of people. This is potentially tragic news for the region's economy, recovering from the 2002/03 SARS epidemic that laid waste to business expectations. Particularly, now there's renewed optimism and after two years of downsizing companies have taken control of costs and are ready to think about growth again and consequently start hiring staff. But will this year turn out to be the year of the bird, instead of the tricky, creative and stimulating monkey?

Guy Day, Managing Director of recruiter Ambition's Hong Kong division feels the situation could be overblown: "The bird flu outbreak (I prefer to call it outbreak rather than an epidemic) is not destabilising the employment market. With the WHO monitoring the situation and seeking to contain the spreading of the disease, its economic impact should be minimal, estimated at no more than 0.1-0.3 per cent of the GDP in the afflicted countries. The impact should certainly be less than that of SARS. It is not really of the scale of SARS and is not deterring tourism in the region to the degree that SARS did."

However, Tracey Batty, Drake International's Regional General Manager in Hong Kong believes that a health scare could affect otherwise healthy economies. "Unless there is an unexpected outbreak in SARS and bird flu, we should see a continuous and healthy growth in this sector," she cautions.

Now for the good news. Improved economic sentiment from the US is the real driver impacting the market for good, particularly in Hong Kong, which is so closely linked with the US.

China is also stimulating the job market, despite concerns that the PRC economy may be overheating. Dan Chavasse, Managing Director for Michael Page International, Greater China, says: "Many positions we are filling in countries such as Singapore, Malaysia, Hong Kong and Thailand have been created as a direct result of improved trade with China. In mainland China itself we have a massive oversupply of jobs at middle-management level and a chronic shortage of candidates who are qualified to fill these roles."

Qualified accountants, who are of Chi-



nese origin and have gained between two and ten years work experience in a western environment are highly sought-after, as the middle-management segment within China is under developed.

Singapore continues to be a hub for re-

efiting from the upturn include hospitality, logistics, manufacturing, electronic components and IT/telecom sectors. Technology, media and telecommunications bore the brunt of the downturn, but these sectors are now recovering with sales and market-

planning and analysis — namely, management accounting skills — are most in demand.

The other active sector is the professional firms. Chavasse reports that all of the Big Four have started advertising, across the region, for audit, tax and risk consulting professionals.

Middle management employees have been experiencing the largest boredom bubble due to the recent lack of appropriate positions. But because the economy has improved there's no urgent need to jump in or retrain just because certain skills are in demand, warns Chavasse. "We can all remember the business principles and processes which have come in and out of vogue in years gone by," he says. "However, if you are seeking a new position during 2004, honing your commercial skills and gaining practical experience of projects which have an impact on the bottom line will always stand you in good stead and help you to differentiate yourself from the competition. And whatever your nationality, learning Mandarin has got to be a good idea!"

"Our advice is always to *look after your*

"Many positions we are filling in countries such as Singapore, Malaysia, Hong Kong and Thailand have been created as a direct result of improved trade with China. In mainland China itself we have a massive oversupply of jobs at middle-management level and a chronic shortage of candidates who are qualified to fill these roles."

Dan Chavasse, Managing Director, Michael Page International, Greater China

gional activities as it is where several large multinationals still house their regional offices, supply chain hubs, finance teams, as well as transactional-based accounting shared service centres.

While most of 2004's newly created jobs will be concentrated in China, South Korea and Japan, the fall of the US dollar may be a bonus for Hong Kong. In 2003 cost-cutting companies moved support functions from Hong Kong and Japan to Singapore. "It will be interesting to see whether any organisations reverse this trend of moving staff away," says Chavasse. Most other south-eastern nations will fair better in 2004 as compared to the previous year, with Indonesia struggling a little more, due to its political climate.

So which sectors will benefit from the upswing? Well, the financial markets are once again ticking along and a greater number of deals filtering down through the organisation is prompting the need for accounting professionals.

Drake's Batty says the most active areas for finance people are financial planning, investment products, trading and dealing, corporate finance, and mergers and acquisitions. In banking, clients have been asking Michael Page to find candidates in equity research, corporate finance and private equity. And the upswing in front-office activity has led to an increased need for back-office staff.

Apart from finance, other sectors ben-

efiting positions leading the way. Ambition's Day says: "We have seen a significant demand for sales and marketing professionals, including all forms of media sales; circulation; brand marketing; and public relations and corporate communications. "We have also, interestingly, seen a return to favour of online/interactive marketing and sales, although it is important to note

"We have seen a significant demand for sales and marketing professionals, including all forms of media sales; circulation; brand marketing; and public relations and corporate communications. We have also, interestingly, seen a return to favour of online/interactive marketing and sales, although it is important to note this is nothing like the scale we have seen in the past. Companies are using interactive marketing tools tactically and with a good deal of care."

Guy Day, Managing Director, Ambition, Hong Kong Division

this is nothing like the scale we have seen in the past. Companies are using interactive marketing tools tactically and with a good deal of care.

"While to nowhere near the levels we experienced in 2000, selective hiring is taking place for both accountants and marketing professionals ... another indicator that the corner has been turned."

Day says in the accounting area, strong

career, the money looks after itself," adds Day. "Take your time, companies are still not rushing into the recruitment market so it does mean you can evaluate opportunities on merit and do a good amount of due diligence." **AT**

This article was first published in the March 2004 issue of the *Australian CPA*. Jackie Blondell is the editor of the aforesaid publication.

A well kept Secret

Care for some gourmet coffee and cheesecake? Or for some award-winning fusion food? Head for the nearest Secret Recipe and you won't be disappointed.



What is your recipe for success?

Ask Steven Sim that question and you'll find yourself among the majority. For, that is one question that Sim has been asked over and over again. You would think that the man would cringe everytime that question pops up. Fortunately, he did not! Sim is one generous fortysomething who is more than willing to share his 'secret' with you.

And so the interview went on smoothly over a liberal dose of mineral water (brand name: *Secret Recipe*, of course!)

Without a doubt, in Malaysia, the name *Secret Recipe* is synonymous with cheesecakes as *Gardenia* is to bread. The difference is that instead of supplying its cakes to retailers and taking them back when they expire, it has established its own cafe chain. Thus, more than 60 such cafes are occupying space in almost every major town in the country with some in Singapore, Thailand and Indonesia. Next in the pipeline are Kuwait and the United Arab Emir-

ates, making inroads into the lucrative Middle Eastern market.

More remarkable than just succeeding in opening one cafe after another, is the way that Sim, via *Secret Recipe*, has been able to change the way Malaysians drink and eat since 1997. Although not a new concept elsewhere, especially in the West, *alfresco* dining was almost non-existent in the country then.

"We would either hang out at *Mamak* stalls or coffee houses in hotels. There was nothing in between," said Sim.

The challenge for Sim was how to get Malaysians to drink gourmet coffee and pay five to six times more than at the neighbourhood's *kopitiam*. At the same time, Sim also had to overcome another stumbling block in the business. That is, the tradition among Malaysians that cakes are for special occasions like birthdays or family gatherings only.

"We want to do something different. Although specialising in quality cakes, we don't want to be called a cake shop. Ultimately, we even have to change the lifestyle," he said.

The turning point for *Secret Recipe* came in 1998 when it won an award for its cheesecake, beating others who were mostly from 5-star hotels' F&B outlets.

"That award was the eye opener. Only then did people start to

"We want to do something different. Although specialising in quality cakes, we don't want to be called a cake shop. Ultimately, we even have to change the lifestyle."

Steven Sim

realise that we were serious in what we were doing," said Sim.

However, fame came with a price. *Secret Recipe's* success was seen by some foreign players as the sign that Malaysians were ready to embrace the cafe concept whole-heartedly. By the late 1990s, many foreign-owned cafe brands started to open shop in Malaysia, especially in trendy neighbourhoods in the Klang Valley.

Faced with foreign competition and the mentality that local products are inferior, Sim further upgraded *Secret Recipe's* menu as well as service. "We are flattered that the foreign players consider us a worthy competitor. We take that as a compliment as the industry has benchmarked us against international standards. It is actually good for our image and branding efforts," he explained.

A look at *Secret Recipe's* menu nowadays shows the café chain has moved beyond cheesecakes. There is now a range of fusion food that include Lamb Stew, Vietnamese noodles and *tom yam* as well as a wide variety of beverages. In terms of size, from just



“Most of the products we develop through trial and error ... we usually take two to three months perfecting them before introducing it in our menu.”

Steven Sim

“At that time, I had this gut feeling that sooner or later the cafe scene would definitely be coming to Malaysia but the concept had to be appropriate. Our weather is also unpredictable as well as hot and humid. So having this *alfresco* concept would be challenging indeed. What I learned from the international hair care industry such as quality and branding I applied in running the cafe business,” said Sim.

Indeed, quality and branding are *Secret Recipe’s* assets. Quality wise, Sim said he has five nephews who are bakers and they are the backbone of the café chain’s products. It was them who experimented with recipes and did the research. You won’t find any of the products in recipe books.

“Most of the products we develop through trial and error. My nephews had no formal training in the bakery business but they are very experienced. It all came from our background. My family members are very particular when it comes to food quality. So, when it comes to our own products, we usually take two to three months perfecting them before introducing it in our menu,” he explained.

Perhaps Sim was just following Kitchen Goddess Julia Childs’ words: “You don’t have to cook fancy or complicated masterpieces — just good food from fresh ingredients.”

In terms of service, all of *Secret Recipe’s* frontliners have to undergo training at the company’s centre in SS2 Petaling Jaya. This is to ensure they stay true to *Secret Recipe’s* quality of service that befits its hard-earned reputation. At the moment, Sim is considering the idea of opening an outlet in his hometown of Kota Baru.

“It’s ironic isn’t it, that this man who hails from Kelantan hasn’t opened shop in his hometown?” he said with a twinkle in his eyes. **AT**

one outlet in SS2/75, Petaling Jaya that employed six people (including Sim) in 1997, *Secret Recipe* now has over 60 in the region with more than 600 employees.

It has also added more trophies for the cupboard. From that one cheesecake award in 1998, *Secret Recipe* has won one accolade after another. Its most recent is its entry as the largest cafe chain in the Malaysian Book of Records. Previously, it won local as well as foreign recognition such as: Most Original Chocolate Cake Award, Best Lamb Stew Award, Enterprise 50 Award, Global Golden Rim Award, Most Competitive Company Award, Superbrands Award 2003, Emerging SMI Award 2003, and Second Asia Pacific International Honesty — Keris Award 2003.

All these achievements, said Sim, encourage and fuel him to grow further. The

most satisfying achievement for Sim, however, is when foreigners want to become *Secret Recipe* franchisees in their countries. Thus, the foray into foreign markets starting with Dubai and Kuwait next year. Who knows, we will even see *Secret Recipe* outlets in Europe or Australia in the near future.

Sim confessed that he got the idea to start the café business when he was travelling abroad. His previous job looking after the Asia Pacific rim market of a hair care brand took him places and gave him the chance to meet with fashion designers and trendy people. These were the people that introduced him to a lifestyle that included visits to cafes and trendy spots. At the same time, Sim could also apply what he learned from the hair care business in the cafe.

Getting Six Sigma Right

The popularity of Six Sigma is waning, but it could still deliver its promises.

By Danka Starovic

Interest in the management process, Six Sigma, reached a high point in the year 2000 but then declined as critics questioned its effectiveness. Experience shows, however, that it can still be a valuable tool if used in the right way.

The Greek letter sigma is used by statisticians to measure the variability of a process. Six Sigma is a performance management tool designed to reduce the number of variations in a process and improve its quality.

In the late 1990s it was the hot topic in quality management. Initially pioneered by Motorola in the 1980s, it was subsequently adopted by companies as diverse as GE, Honda and Citigroup. Yet it lost much of its popularity and was accused of being little more than a consultant-driven fad. Indeed so-called bibliometric studies — surveys of how often concepts are mentioned in the press — show that it had already passed the peak of its popularity in 2001.

There are several reasons for this. First, there was the almost fanatical zeal of the early adopters — usually a sign of people looking for a quick win solution. Then there was the exotic jargon of ‘black belts’ and ‘deployment champions’ and the statistics that accompanied the measurement process. There was a lot of vague literature written by consultants which, according to Yasser Jarrar and Andy Neely from Cranfield School of Management, provided little systematic and rigorous evidence of the promised successes. Finally,

Railtrack’s successor, is to implement a Six Sigma programme to improve five key areas of its operations — points, signals, track circuits, operations and autumn readiness. Sun Microsystems and Lloyds TSB have also begun using it.

Is this, as the *Financial Times* speculated in July last year, a case of belated bandwagon-jumping, or a new wave of interest related to the post-Enron “back to basics” sentiment pervading the business community? Or is it because there are tangible benefits to be had despite the high costs and commitment involved?



being ridiculed in Dilbert cartoons seemed to confirm its faddish status.

On a basic level, Six Sigma operates by selecting a process within a company, working out what it should ideally be like and then measuring the actual performance against this standard. *The Economist* called it “a way of creating a closed loop system to make continuous improvements to your business processes”.

Companies using it measure their performance against a standard of 3.4 variations per million opportunities — which equates to getting things right 99.999 per cent of time. Most good companies have three or four sigma — 66,800 or 6,210 defects respectively — per million opportunities.

Despite the adverse publicity, there have been some recent converts. Network Rail,

There are claims that the number of defects can be reduced by a staggering amount. Lloyds TSB, for example, is reported to have reduced its defects ratio from 10,000 in a million to 1,500. But the financial success of Six Sigma’s early pioneers is hardly inspiring — neither Motorola nor Xerox have done spectacularly well.

The examples of these companies show us that Six Sigma as a standalone quality improvement initiative is unlikely to lead to better overall business performance. Instead, it has to form a part of the wider performance management system which is tied to strategy.

The key is to relate the process to your main value drivers of performance. If Six Sigma is applied to processes that truly create value for customers, it is easy to see

how reducing defects can lead to superior performance. But identifying those value drivers is the hardest part of the exercise.

Value-creating processes differ according to the industry sector and the company's chosen strategy so generic solutions are inappropriate. Instead, companies should aim to personalise Six Sigma and adapt it to their own environment. This is especially true for service companies, given Six Sigma's roots in manufacturing. Some companies have gone as far as highlighting synergies between Six Sigma and value-based management (VBM). They

“The diagnostics are being performed in our business units by the VBM-Six Sigma teams. They are putting the output from those diagnostics in terms of the identified projects through a VBM screen so that we're not pursuing things where the implementation benefit is low.”

David Anderson

Chief Financial Officer, ITT Industries

claim it helps them select and prioritise processes that need to be improved so they can “zero in on their most profitable areas”. David Anderson, chief financial officer of ITT Industries, says: “The diagnostics are being performed in our business units by the VBM-Six Sigma teams. They are putting the output from those diagnostics in terms of the identified projects through a VBM screen so that we're not pursuing things where the implementation benefit is low.”

Because of its focus on eliminating non-value added waste, many have accused Six Sigma of being little more than a cost-cutting exercise. In addition, its focus on improving the current processes and its reliance on statistical data risk stifling innovation and creativity in organisations.

Six Sigma can only begin to fend off its

critics if it is tied to the company's overall strategy. This should ensure that it is not just about doing things better, but doing them differently. After all, quality can never be defined as simply the lack of defects, nor will that alone translate into superior performance.

As with all initiatives involving major change, companies need to ensure that employees are behind the scheme. This is especially true for companies suffering from

an attractive one. Many find the basic idea of process improvement beneficial. GE claimed an annual saving of US\$2 billion and many companies have reported similar results. Efficient and defect-free processes could also serve as a platform for other improvements, for example, the introduction of real time technology to speed up the flow of information (*The Economist*, 2 February 2002).

The key is to avoid seeing Six Sigma as a quick win solution to poor performance.

THE PRINCIPLES OF DMAIC

Six Sigma is a part of the larger performance management model known as DMAIC — define, measure, analyse, improve, control. It is implemented through extensive training programmes by the so-called black and green belts who are responsible for individual quality improvement projects.

Thomas Pyzdek, author of *The Six Sigma Revolution* from bettermanagement.com describes the principles of and actions associated with DMAIC as follows.

Define the goal of management activity. At the top level, the goals are the strategic objectives of the organisation, such as higher return on investment or market share. At the operations level, a goal might be to increase the throughput of a production department. At the project level, goals might be to reduce the defect level and increase throughput. Apply data-mining techniques to identify potential improvement opportunities.

Measure the existing system. Establish valid and reliable metrics to help monitor progress towards the goals defined at the previous step. Begin by determining the current baseline. Use exploratory and descriptive data analysis to help you understand the data.

Analyse the system to identify ways to eliminate the gap between the current performance of the system or process and the goal. Apply statistical tools to guide the analysis.

Improve the system. Be creative about finding new ways to do things better, cheaper or faster. Use project management and other planning methods to validate the improvement.

Control the new system. Institutionalise the improved system by modifying compensation and incentive systems, policies, procedures, budgets, operating instructions and other management systems. You may wish to use systems such as ISO9000 to ensure documentation is correct.

“initiative fatigue” where Six Sigma might be just one of the many projects underway. Without ownership and commitment, it is bound to fail — especially as it relies on employees themselves coming up with ideas for improvement. Training and education is essential.

So is it worth it? For companies that can afford it — 3M sent every one of its 28,000 employees on a week's training course — the goal of almost perfect quality will always be

There needs to be a more holistic view — one that balances the technical side with cultural change and that sees performance measurement in the context of the strategy from which it is derived. **AT**

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Mergers and Acquisitions

Is it a Matter of Shareholders' Value?

By Saravanan Ramasamy

High profile global Mergers and Acquisitions (M&A) activity seems to be on the uptake now. The year of corporate M&A is already vivaciously shaping up although we have barely gone beyond the first quarter of 2004. So far this year, JP Morgan Chase has formally announced a US\$58 billion merger with Bank One, Cingular Wireless LLC has acquired AT&T Wireless Services Inc for US\$41 billion while Comcast has made a US\$48 billion hostile takeover bid for Walt Disney.

Some industry experts are beginning to wonder whether CEOs have rediscovered the “*animal spirit*” after a long period of hibernation. Though the animal spirit may lead to the increased number of Mergers & Acquisitions (M&A) deals, it may or may not be successful in creating shareholders' value. After all, it is not the number of M&A deals that determines the success in the arena of M&A. Rather, the number of M&A deals that are able to create shareholders' value represents a good proxy of success.

Based on research by the *Wall Street Journal*, more than 70 per cent of big-bang mergers performed since 1995 failed to create significant shareholders' value. In general, it is a widely quoted statistic that as many as three out of every four deals fail to create value for the acquiring company's shareholders. If this is the case, why are we witnessing the recent spate of mergers? First and foremost, merging

companies should not worry too much about the aforementioned statistics. This kind of statistics is heavily influenced by the time period in which the survey was conducted and thus can never be compared with what would have happened had the deal not taken place. Indeed, it is the ability of the merging management teams to make right decisions and the speed at which they can execute them that will determine whether the said merger creates shareholders' value or whether, as the majority of M&A deals do, ultimately destroy them. Having said that, the following section briefly examines some of the critical success factors of a successful merger.

Stay close to the core business

Comcast's hostile move to buy Walt Disney has caused a few eyebrows to rise. “What? Comcast buying Disney?” remarked an industry expert. Comcast's bid for Disney has caught many industry players by surprise because it departs sharply from the process that made the company an industry leader. Comcast which has



been principally involved in the development, management, and operation of broadband cable networks became a dominant player through a series of acquisitions of small and progressively larger cable operators. Indeed, it would not be far-fetched to say that Comcast has been successful in using acquisition for growth in profitability. Whereas, Disney consists of a whole bunch of things, but for sure is not a cable company. Can Comcast's takeover of Disney (if successful) create shareholders' value? This is perhaps the most intriguing and yet challenging question that the market in general is eagerly awaiting an answer for. Indeed, since making the unsolicited offer for Disney, Comcast has lost roughly US\$9.3 billion in market value. In this regard, recent research by the *Wall Street Journal* revealed that deals motivated by increasing the scale of an existing business outperformed those undertaken to expand scope by a considerable margin. In addition, numerous studies have repeatedly pointed to the value of reinforcing a company's core business as opposed to moving into far-flung adjacencies. On the local front, the glory of Renong Berhad (now UEM World), which once adopted the conglomerate style of expansion through a series of M&As, did not last long when it was hit by the perils of not sticking to the core business.

Fail to plan, plan to fail

The saying "those who fail to plan, plan to fail" is apt in the context of M&A. A successful M&A would require detailed, comprehensive and meticulous planning. The amount of planning required to successfully merge two companies is best illustrated by a military manoeuvre which would definitely require upfront detailed war planning, attack and counter attack strategies, training of the field troops and sufficient ammo. To put this into perspective, the merging companies have to be very clear on the strategic goal behind the deal. Sufficient time has got to be devoted in converging two "as-is" business-operating models to a "to-be" business-operating

"those who fail to plan, plan to fail"

model. Should we keep both brands, or give up one brand, or even create a new brand? Whose IT application(s) and architecture should we adopt? These are the common questions that need to be addressed. Though these questions need to be answered quickly, they should not be rushed into. Many companies rush into making decisions only to discover later that the speed has unravelled into chaos. In other words, the integration process has got to be tailored into delivering the strategic goals of the deal. Many companies tend to take the opportunity to re-engineer their business processes during the merger. The approach of "we might as well do it now" may not fit in well as far as merger integration and business process re-engineering are concerned. Integration of business processes should be given priority over any effort to improve their efficiency and effectiveness. Companies that undertake both the merger and business process re-engineering simultaneously tend to get bogged down as staff from both merging companies wrestle with the new processes.

Focus, focus, focus

In the quest of completing the merger in a shortest possible time frame, a lot of companies tend to devote a lot of resources to the merger program in a haphazard manner. As a result, the business performances of the companies tend to deteriorate even before the merger is completed. Companies should not only identify key personnel from specific departments to participate in the merger program but also appoint and train replacements for the said personnel. This will ensure that the merging companies remain customer-focused and that customer service is not disrupted at all times. The identified personnel should be relieved from their daily operational work in order for them to devote 100% in the merger program while the rest should be focused in meet-

ing the existing revenue and profit targets. A dedicated merger integration team comprising of the previously identified personnel should be set up to undertake all merger related work.

Communicate quickly and effectively

Mergers are never devoid of uncertainties. Who should we select from the merging companies as the department head? How many branches are we going to close down/rationalise? How many people are going to be made redundant? These are the common mind-boggling questions amongst staff of the merging companies. As individual staff will be mainly pre-occupied with their own future, these questions need to be answered quickly and effectively. According to a survey, it has been estimated that the productivity of a staff is approximately 5.7 hours in an eight hours working day but the productivity can drop as low as one hour during a merger. All communication should be handled by the abovementioned merger integration team. Besides ensuring that the news is effectively communicated, centrally controlled communication will also prevent unnecessary rumours from spreading around.

"We've observed many toads being kissed, but very few miracles."

Warren Buffett

Looking Ahead

When it comes to assessing the likelihood of a successful merger and realising the anticipated synergies, Warren Buffett said it best: "We've observed many toads being kissed, but very few miracles." Business combinations that are successfully executed will create substantial shareholder value. In this regard, it remains to be seen whether Comcast will be successful in its hostile takeover bid of Walt Disney. Even if it does, it is the general perception that the merger will not be successful in creating shareholders' value. "We are committed to creating shareholder value now and in the future and will carefully consider any legitimate proposal that would accomplish that objective," the Disney board said in a statement released recently. **AT**

Payment for Software

Is it a Royalty Payment or not?

By Joseph Anthony T.

Today, the way business is conducted differs significantly from the older days. We are in the era of a borderless economy. A customer can easily purchase goods or services from a vendor who is located a thousand miles away, thanks to rapid advances in telecommunication technology. E-commerce and e-business are the norm nowadays. Whilst the revolution is imminent, presently, there is no real global consensus *per se* on the taxing rules of e-commerce although mammoth efforts have been initiated by the Organisation for Economic Co-operation and Development (OECD) to harmonise the tax treatments of various aspects of e-commerce and e-business. To-date, an issue that arises in the Malaysian context pertains to the characterisation of payment for software, that is, whether the payment for the software represents royalty payment for tax purposes or is it merely the purchase of a product. The former will attract Malaysian Withholding Tax (WHT) under Section 109B of the Malaysian Income Tax Act, 1967 (MITA) if the payee is a non-resident whilst the gains arising from the sales of a software product will only be subject to Malaysian tax if the trading activities are undertaken via a permanent establishment (PE) or business presence in Malaysia.

An Overview of the Malaysian WHT on Royalty Payments

Before discussing further, it is worthwhile to have an overview of the WHT on royalty. Pursuant to Section 109 of the MITA, royalty payments made to any non-residents are subject to WHT at the rate of 10 per cent of the gross payment to the non-resident. The WHT must be deducted and remitted to the Malaysian Inland Revenue Board (MIRB) within one month of paying or crediting the royalty payment to the non-resident. The WHT is a final tax in Malaysia borne by the non-resident. Failure by a payer to deduct the WHT and remit the tax so deducted to the MIRB would result in the following:

- ① A late payment penalty of 10 per cent on the gross amount payable to the non-resident; and
- ② A disallowance of the gross payment as a tax deduction.

Furthermore, the MIRB may seek to recover the WHT from the payer. If the payer subsequently pays the WHT and the 10 per cent penalty to the MIRB, the gross payment (excluding the penalty) would be allowed as a deduction to the payer.

“Royalty” is defined as follows under the MITA:

- a. any sums paid as consideration for the **use of**, or the **right to use**:
 - (i) copyrights, artistic or scientific works, patents, designs or models, plans, secret processes or formulae, trademarks or tapes for radio or television broadcasting, motion picture films, films or video tapes or other means of reproduction where such films or tapes have



- been or are to be used or reproduced in Malaysia or other like property or rights;
- (ii) know-how or information concerning technical industrial, commercial or scientific knowledge, experience, experience or skill;
 - b. income derived from the alienation of any property, know-how or information mentioned in paragraph (a) of this definition;

Royalties are deemed to be derived from Malaysia under the following circumstances:

- 1 Where the responsibility for payment of the royalty lies with the Government or a State Government; or
- 2 Where the responsibility for payment of the royalty lies with a person who is a resident in the basis year for a year of assessment; or
- 3 Where the royalty is charged as an outgoing or expense against any income accruing in or derived from Malaysia.

Based on the above definition of “royalty”, any payments for the **use of** or the **right to use** the copyrights pertaining to computer software, *prima facie*, would constitute a royalty and accordingly, the WHT of 10 per cent under Section 109(1) of the ITA would be applicable.

CASE STUDY

To have a better appreciation of the above issue, let us examine the following simplified case study.

A non-resident foreign software company (Co A), entered into an End-User Licensing Agreement (EULA) with a Malaysian company (Co B) for the sales of POWER software from the former to the latter. In this regard, Co B is the end-user of POWER. The EULA merely grants Co B the right to use the software for business usage with no right to modify or duplicate the software for resale or use the copyrights pertaining to the products, i.e. the EULA does not grant the customer any rights to modify the software, use the copyrights pertaining to the software or duplicate the software for resale.

Against the above background, the question here is whether the payments made by the Co A to Co B for the POWER software would be construed as payments for “the use of or right to use, a copyright”. To this end, there are no provisions in the MITA or guidelines issued by the MIRB regarding the taxation of software payments. Given this, discussions on the copyright laws of Malaysia, the US and Canada as well as the OECD Commentary would shed some light on this issue.

Concept of copyrights under the Malaysian Copyright Act, 1987

The Malaysian Copyright Act, 1987 (MCA) defines “copyright” in relation to a literary work (which is defined to include computer programs) to include the exclusive right to control in Malaysia:

- a) *the reproduction in any material form; ie. the communication to the public;*
- b) *the performance, showing or playing to the public;*
- c) *(deleted);*
- d) *(deleted);*
- e) *the distribution of copies to the public by sale or other transfer of ownership; and*
- f) *the commercial rental to the public,*

of the whole work or a substantial part thereof, either in its original or derivative form, provided that, without prejudice to (e), the exclusive right to control the distribution of copies refers only to the act of putting into circulation copies not previously put into circulation in Malaysia and not to any subsequent distribution of those copies or any subsequent importation of those copies into Malaysia.

Canadian and US copyright law

The Canadian and US copyright laws adopt a similar concept of copyrights in their respective legislation. In both countries, computer programs are protected under the respective countries’ copyright law as a literary work.

The Canadian Copyright Act, 1988 defines literary work to include computer programs¹ and accordingly, copyright in relation to literary works is defined to include the sole right:

- a) *to produce, reproduce, perform or pub-*

lish any translation of the work...

- b) *... to make any ... other contrivance by means of which the work may be mechanically reproduced or performed ...*
- f) *to communicate the work to the public by telecommunication ... [and]*
- h) *in the case of a computer program that can be reproduced in the ordinary course of its use, other than by a reproduction during its execution in conjunction with a machine, device or computer, to rent out the computer program.*

Under the Canadian Copyright Act, a copyright exists once a literary work is created. The author of a literary work is considered to be the first owner of the copyright and may:

- 1 *assign the right*
 - a. *either wholly or partially;*
 - b. *either generally nor subject to limitations relating to territory, medium or sector of the market or other limitations relating to the scope of the assignment; or*
 - c. *either for the whole term of the copyright or for any other part thereof; or*
- 2 *grant any interest in the right by licence*

The grant of an exclusive licence in a copyright constitutes the grant of an interest in the copyright by licence.

In relation to the US, the Computer Software Copyright Act, 1980 established copyright protection for computer programs² under existing US copyright law. Similar to the Canadian copyright law, computer software is subject to US copyright protection from the moment the work is created. In this regard, under the US copyright law, the five fundamental and exclusive rights of a copyright owner are the rights:

- 1 *to reproduce the copyrighted work in copies;*
- 2 *to prepare derivative works based upon the copyrighted work;*
- 3 *to distribute copies of the copyrighted work to the public by sale or other trans-*

1 Under the Canadian Copyright Act, 1988, a “computer program” means “a set of instructions or statements, expressed, fixed, embodied or stored in any manner, that is to be used directly or indirectly in a computer in order to bring about a specific result.”

2 Under the US Copyright Act, 1980, a computer program is considered to be “a literary work, represented as a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.”

fer of ownership, or by rental, lease, or lending;

4 to perform the copyrighted work publicly; and

5 to display the copyrighted work publicly.

Ownership of a copyright, or of any part of it, may be transferred by any means of conveyance or by operation of law. A transfer of copyright ownership would cover any type of conveyance or alienation of the copyright, including assignments and exclusive licences, but excluding non-exclusive licences.

On a further analysis, the copyright law of Malaysia, Canada and the US only prevents copying, i.e. a user is free to use a

OECD Commentary on Article 12 (Royalties)

Malaysia's double tax agreement (DTA) as well as the recently released Malaysian transfer pricing guidelines are based on the OECD model. Therefore, most of the OECD's views adopted on tax matters do have an impact on the Malaysian perspective. In light of this, it is relevant to analyse the OECD Commentary on Article 12 (Royalties) of the Model Tax Convention for guidance in ascertaining whether consideration for computer software may be classified as royalties. Some of the relevant paragraphs from the commentary are reproduced below:

in transactions involving the transfer of computer software depends on the nature of the rights that the transferee acquires under the particular arrangement regarding the use and exploitation of the program. The rights in computer programs are a form of intellectual property. Research into the practices of OECD member countries has established that all but one protect rights in computer programs either explicitly or implicitly under copyright law. Although the term "computer software" is commonly used to describe both the program in which the intellectual property rights (copyright) subsist and the medium on which it is embodied, the copyright law of most OECD member countries



copyrighted work without consent as long as no copy is made. Given this, licensing agreements to use software are arguably more in the nature of restrictive covenants imposed on the licensee. Such agreements do not transfer any rights to the licensee but are meant to only protect the licensor's know-how and to prevent the free use of the computer software by others.

It should be noted that the approaches adopted by Canada, the US and the OECD in relation to the characterisation of computer software transfers/licensing makes a distinction between the transfer of copyright rights and covenants restricting the use or distribution of copyrighted computer software.

12 *Whether payments received as consideration for computer software may be classified as royalties poses difficult problems but is a matter of considerable importance in view of the rapid development of computer technology in recent years and the extent of transfers of such technology across national borders. In 1992, the Commentary was amended to describe the principles by which such classification should be made. Paragraphs 12 to 17 were further amended in 2000 to refine the analysis by which business profits are distinguished from royalties in computer software transactions. In most cases, the revised analysis will not result in a different outcome.*

12.2. The character of payments received

recognises a distinction between the copyright in the program and software which incorporates a copy of the copyrighted program. Transfers of rights in relation to software occur in many different ways ranging from the alienation of the entire rights in the copyright in a program to the sale of a product, which is subject to restrictions on the use to which it is put. The consideration paid can also take numerous forms. These factors may make it difficult to determine where the boundary lies between software payments that are properly to be regarded as royalties and other types of payment. The difficulty of determination is compounded by the ease of reproduction of computer software, and by the fact that acquisition of software fre-

quently entails the making of a copy by the acquirer in order to make possible the operation of the software.

13 The transferee's rights will in most cases consist of partial rights or complete rights in the underlying copyright, or they may be (or be equivalent to) partial or complete rights in a copy of the program (the "program copy"), whether or not such copy is embodied in a material medium or provided electronically. In unusual cases, the transaction may represent a transfer of "know-how" or secret formula.

13.1 Payments made for the acquisition of partial rights in the copyright (without the transferor fully alienating the copyright rights) will represent a royalty where the consideration is for granting of rights to use the program in a manner that would, without such license, constitute an infringement of copyright. Examples of such arrangements include licenses to reproduce and distribute to the public software incorporating the copyrighted program, or to modify and publicly display the program. In these circumstances, the payments are for the right to use the copyright in the program (i.e. to exploit the rights that would otherwise be the sole prerogative of the copyright holder). It should be noted that where a software payment is properly to be regarded as a royalty there may be difficulties in applying the copyright provisions of the Article to software payments since paragraph 2 requires that software be classified as a literary, artistic or scientific work. None of these categories seems entirely apt. The copyright laws of many countries deal with this problem by specifically classifying software as a literary or scientific work. For other countries treatment as a scientific work might be the most realistic approach. Countries for which it is not possible to attach software to any of those categories might be justified in adopting in their bilateral treaties an amended version of paragraph 2 which either omits all references to the nature of the copyrights or refers specifically to software.

14 In other types of transactions, the rights acquired in relation to the copyright are limited to those necessary to enable the user to operate the program, for example, where the transferee is granted limited rights to reproduce the program. This would be the com-

mon situation in transactions for the acquisition of a program copy. The rights transferred in these cases are specific to the nature of computer programs. They allow the user to copy the program, for example onto the user's computer hard drive or for archival purposes. In this context, it is important to note that the protection afforded in relation to computer programs under copyright law may differ from country to country. In some countries the act of copying the program onto the hard drive or random access memory of a computer would, without a license, constitute a breach of copyright. However, the copyright laws of many countries automatically grant this right to the owner of software, which incorporates a computer program. Regardless of whether this right is granted under law or under a license agreement with the copyright holder, copying the program onto the computer's hard drive or random access memory or making an archival copy is an essential step in utilising the program. Therefore, rights in relation to these acts of copying, where they do no more than enable the effective operation of the program by the user, should be disregarded in analysing the character of the transaction for tax purposes. Payments in these types of transactions would be dealt with as commercial income in accordance with Article 7.

14.2 The ease of reproducing computer programs has resulted in distribution arrangements in which the transferee obtains rights to make multiple copies of the program for operation only within its own business. Such arrangements are commonly referred to as "site licences", "enterprise licences", or "network licences". Although these arrangements permit the making of multiple copies of the program, such rights are generally limited to those necessary for the purpose of enabling the operation of the program on the licensee's computers or network, and reproduction for any other purpose is not permitted under the license. Payments under such arrangements will in most cases be dealt with as business profits in accordance with Article 7.

Based on the above analysis, no doubt, the payment for the use of or the right to use a copyright is a royalty. Nevertheless, the OECD has also commented that royalty characterisation would not arise under

the following circumstances:

■ In the absence of a transfer of rights to allow commercial exploitation of the copyright, e.g. license to reproduce and distribute to the public the software incorporating the copyrighted program, or to modify and publicly display the program by the transferee or purchaser.

As such, payments received as consideration for computer software acquired for personal or business use of the purchaser which does not involve the commercial exploitation of the copyright pertaining to the computer software acquired would constitute business profits rather than royalties. In this case, the rights acquired in relation to the copyright are limited to those necessary to enable the user to operate the program.

■ Where the purchase of the software is a purchase of a copyrighted article rather than a copyright.

■ Where the sale of software relates only to the sales of products, which is subject to restrictions on the use to which it is put as opposed to alienation of the entire rights in the copyright in the program.

Key clauses in agreement that support non-royalty position for tax purposes

In determining whether the payment for software ranks for royalty characterisation, it is crucial to review carefully the agreement concluded. These are the typical terms and conditions in most of the software distribution as well as the end-user agreements concluded these days that will support the contention for non-royalty payment:

- i. The distribution of software in the original and complete form without modification (if a distributor is involved – not applicable in the above case study)
- ii. The prohibition on the distributor in copying, reverse compiling, modifying, translating or disassembling any portion of the software (likewise, if a distributor is involved)
- iii. The granting to an end-user a perpetual, non-transferable, non-sublicensable and non-exclusive right to install and use software in machine-readable format only, and on no more than the maximum number of computers for which license

fees have been paid

- iv. The prohibition on the end-user to rent, lease, sub-license, loan, auction, deal in, modify, create derivative works of, adapt, merge, translate, reverse compile, de-compile, or disassemble the software, in whole or in part, use the software to provide services to third parties, or authorise others to do any of the foregoing.

The EULA agreement entered between Co A and Co B incorporates the above (iii) and (iv) and relying on the analysis of the copyright laws of Malaysia, Canada as well as US and more significantly, the OECD's commentary above, it could be strongly argued that all titles and copyrights pertaining to the POWER software purchased by an end-user, i.e. Co B shall remain with Co A and there shall be no transfer of any ownership rights or copyrights pertaining to those software to the Malaysian end-user.

Based on the above facts in the case study, it would appear that the Malaysian end-user, that is Co B, is not granted any rights to use the copyright pertaining to the software acquired. In addition, the end-user is not allowed to commercially exploit the copyrights pertaining to the POWER software acquired.

In this regard, Co B is only allowed to use the POWER software purchased for business purposes. Co B, being the end-user is only allowed to duplicate the purchased POWER software up to the copies specified in the EULA.

As a result, the payments for the purchase of the POWER computer software could be strongly contended as a purchase of software for business use rather than for the purchase of rights to exploit the software and to develop and distribute the same. Given this, the payments made by Co B to Co A should not be characterised as royalties and accordingly, the WHT of 10 per cent under Section 109 of the MITA should not be applicable.

Case Law Development

To-date, no tax cases have been heard in Malaysia pertaining to the above matter. Nevertheless, the recent Indian case of *Lucent Technologies Hindustan Ltd v Income*

Tax Officer, the Indian tax tribunal held that payment for the purchase of software is a purchase of a copyrighted article rather than a copyright and hence Indian WHT on royalty is not applicable. This decision is in line with the OECD commentary on Article 12 as discussed earlier and the present international thinking on this subject. Of note, foreign case law, especially that of British Commonwealth countries, are of persuasive effect although not conclusive.

Regional Development

As mentioned above, there is no provision in the MITA or guidelines issued by the MIRB governing software payments and related tax issues. Given this, at times,

“... as Malaysia joins the rest of the developed nations in the quest to be a leader in information and telecommunications technology, the relevant authorities should issue some guidelines ... In so doing, apart from preserving the nation's revenue base through collection of taxes, especially WHT, factors such as technology transfer must be duly considered, failing which, Malaysia's growth will be impeded.”

the MIRB may refer to rulings and guidelines from other tax jurisdictions as a general guide to resolve relevant tax issues that may arise.

In this respect, the Inland Revenue Authority of Singapore's (IRAS) has issued guidelines entitled “Exemption of Shrink-wrap Software Payments from Withholding Tax”. Under the said guidelines, Shrink-Wrap software refers to software that is distributed in wrapped boxes (usually in the form of compact disc or diskettes) and accompanied by a shrink-wrap license. Under the shrink-wrap license, the purchaser receives the right to use the program on a single computer or a specified number of computers at any one time but is not permitted to modify the software in any way. Such payments within a Singaporean context are exempt from Singapore WHT effective from 1 January 2001.

Additionally, under the IRAS' guidelines, payments for site licenses are exempt from Singapore WHT effective from 23 February 2001. A site license refers to a software license that allows the licensee to install

the software on multiple computers or servers for operation within its own business, location or facility. The site license generally grants the rights to operate the program but prohibits the selling-on of the software and the reverse engineering of the program. It is noteworthy that the Australian Tax Office adopts the same stance as with the IRAS on the above matter.

On the premise that the POWER software represents a shrink-wrap or site-license type, then the treatments adopted in Singapore and Australia do strengthen the contention that payment for POWER software from Co B to Co A is indeed not a royalty payment and as such Malaysian WHT under Section 109 of the MITA is not applicable.

Conclusion

Whilst the above article discusses the present international and regional thinking on the characterisation of software payment, the author is aware that there is no concrete rules or guidelines on this matter from the Malaysian perspective. Nevertheless, as Malaysia joins the rest of the developed nations in the quest to be a leader in information and telecommunications technology, the relevant authorities should issue some guidelines to shed some light on this soonest possible. In so doing, apart from preserving the nation's revenue base through collection of taxes, especially WHT, factors such as technology transfer must be duly considered, failing which, Malaysia's growth will be impeded. To taxpayers, at best, they may wish to obtain advance ruling from the MIRB on a case-to-case basis in light of the onerous self-assessment taxation regime. AT

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NEW By-Law B-1 ON Professional Independence

In response to the numerous developments worldwide in respect of auditors' independence and the revision to Section 8 of the *International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants relating to Professional Independence*, the Malaysian Institute of Accountants has undertaken an extensive review of its existing By-Laws (On Professional Conduct and Ethics) so as to ensure that the By-Laws are consistent with the IFAC Code of Ethics and meet global standards.

In this respect, the Council of the Institute, pursuant to the power conferred by Section 10(a) of the Accountants Act 1967, is pleased to announce the issuance of a new By-Law B-1 relating to Professional Independence which is applicable to all members in public practice. The new By-Law B-1 is a hybrid of principles and prescriptive based provisions and is in all material respects, consistent with Section 8 of the IFAC Code of Ethics. The new By-Law shall apply to all assurance engagements for which the financial period commences on or after 1 July 2004. For non-assurance engagements, the new By-Law shall apply immediately.

The By-Law B-1 has been divided into sections which deal with the conceptual approach to independence, threats to independence, safeguards which can be applied to eliminate or reduce those threats to an acceptable level and provisions which deal with specific circumstances which give rise to threats to independence.

Some of the more significant revisions introduced by the new By-Law B-1 are highlighted in this commentary for the quick reference and information of members.

Interpretation Section

The section on interpretation sets out the definition of the various terms used in the new By-Law. The significant changes to the Interpretation section are in respect of new terminology arising from the new By-Law on Professional Independence. There are

some other new definitions in respect of the terms 'related party', 'firm' and 'public interest entities'. Minor changes have been made to the rest of the definitions to ensure consistency with the Institute's new By-Law.

The New By-Law B-1 on Professional Independence

The new By-Law sets out the principles that are required to be followed by members in public practice particularly when involved in assurance engagements, so as to ensure their independence both in fact and appearance.

Conceptual Approach to Independence

This section of the By-Law provides a framework of principles that members of assurance teams, firms and network firms should use to identify threats to independence, evaluate the significance of those threats and if the threats are other than clearly insignificant, identify and apply safeguards to eliminate or reduce such threats to an acceptable level.

Threats To Independence

This part of the By-Law addresses the threats which members of the assurance team need to be mindful of when evaluating independence towards audit clients. The threats to independence, which are highlighted in the By-Law, are the self-interest threat, self-review threat, advocacy threat, familiarity threat and intimidation threat.

A self-interest threat occurs when a firm or a member of the assurance team is likely to benefit from a financial interest in, or has any other self-interest conflict with an assurance client.

A self-review threat occurs when any product or judgment of a previous assurance engagement or non-assurance engagement needs to be re-evaluated in reaching conclusions on the assurance engagement or when a member of the assurance team was previously a director or officer of the assurance

client, or was an employee in a position to exert direct and significant influence over the subject matter of the assurance engagement.

An advocacy threat occurs when a firm, or a member of the assurance team, promotes, or may be perceived to promote, an assurance client's position or opinion to the point that objectivity may, or may be perceived to be, compromised.

In terms of a familiarity threat, this occurs when, by virtue of a close relationship with an assurance client, its director, officers or employees, a firm or a member of the assurance team becomes too sympathetic to the client's interests.

An intimidation threat occurs when a member of the assurance team is possibly deterred from acting objectively and exercising professional scepticism by threats, actual or perceived, from the directors, officers or employees of an assurance client.

Safeguards

When evaluating the significance of the threats to independence and if it is highlighted that the threats are clearly significant, appropriate safeguards must be identified and applied to eliminate the threats or reduce them to an acceptable level. The safeguards which could be applied are divided into three broad categories, namely, safeguards created by the profession, legislation or regulation, safeguards within the assurance client and safeguards within the firm's own systems and procedures. The By-Law sets out examples of safeguards that fall under each category, which could be applied by the firm to eliminate or reduce threats to an acceptable level. The examples set out in this By-Law are not intended to be exhaustive.

To determine what is the appropriate safeguard in any particular circumstance, members are encouraged to use their professional judgment and also to consider factors such as the significance of the threat, the nature of the assurance engagement, the intended users of the assurance report and the structure of the firm.

Provisions which deal with Specific Circumstances

The new By-Law B-1 also addresses specific circumstances, which might give rise to the various threats to independence. Examples of such circumstances which are

addressed by the By-Law are as follows:

■ **By-Law B-1.22 on Financial Interests** provides that a financial interest in the assurance client may create a self-interest threat.

■ **By-Law B-1.42 on Loans and Guarantees** provides that subject to the provisions of any written law, a loan from or a guarantee thereof by an assurance client that is a bank or a similar institution, to the firm would not create a threat to independence provided that the loan is made under normal lending procedures, terms and requirements and the loan is immaterial to both the firm and the assurance client.

■ **By-Law B-1.48 on Close Business Relationship with Assurance Clients** provides that a close business relationship between a firm or a member of the assurance team and the assurance client or its management, or between the firm, a network and an audit client, will involve a commercial or common financial interest and may create self-interest and intimidation threats.

■ **By-Law B-1.51 on Family and Personal Relationship** provides that family and personal relationships between a member of the assurance team and a director, an officer or certain employees, depending on their role of the assurance client, may create self-interest, familiarity or intimidation threats.

■ **By-Law B-1.58 on Employment with Assurance Clients** provides that a firm's or a member of the assurance team's independence may be threatened if a director, an officer or an employee of the assurance client in a position to exert direct and significant influence over the subject matter of the assurance engagement, has been a member of the assurance team or partner of the firm. Such circumstances may create self-interest, familiarity and intimidation threats.

■ **By-Law B-1.61 on Recent Service with Assurance Clients** provides that to have a former officer, director or employee of the assurance client serve as a member of the assurance team may create self-interest, self-review and familiarity threats. This would be particularly true when a member of the assurance team has to report on, for example, a subject matter he/she had prepared or elements of the financial statements he/she had valued while with the assurance client.

■ **By-Law B-1.65 on Long Association of Senior Personnel with Assurance Client**

provides that using the same lead engagement partner on an audit engagement over a prolonged period may create a familiarity threat and this threat is particularly relevant in the context of the audit of listed entities and public interest entities. By-Law B-1.66 provides that where an audit client is a listed entity or a public interest entity, a safeguard to eliminate or reduce the familiarity threat is to rotate the lead engagement partner over a period of not more than five years and the partner rotating after such period should not resume the role of lead engagement partner for that audit client until a further period of two years has elapsed.

■ **By-Law B-1.85 on Provision of Internal Audit Services to Audit Clients**

provides that a self-review threat may be created when a firm, or network firm provides internal audit services to audit clients. The by-law further provides that where an audit client is a listed entity or a public interest entity, the firm or network firm should not accept an engagement to provide internal audit services where it is reasonably foreseeable that for the purposes of the audit engagement, the firm would need to place a significant degree of reliance on the internal audit work performed by the firm or network firm, or for the purposes of the internal audit services, the firm or network firm would need to undertake part of the role of management.

■ **By-Law B-1.86 on Provision of Information Technology Systems Services to Audit Clients**

provides that the provision of services by a firm or network firm to an audit client that involves the design and implementation of financial information technology systems that are used to generate information forming part of a client's financial statements may create a self-review threat. The by-law further provides that where an audit client is a listed entity or a public interest entity, the firm or network firm should not accept an engagement to design, provide or implement financial information technology services for an audit client where the systems concerned would be important to any significant part of the accounting system or to the production of the financial statements, or the engagement would lead to the firm's

or network firm's personnel taking decisions or making judgments which are properly the responsibility of management in the normal course of their employment.

■ **By-Law 1-96 on Fees — Relative Size**

provides that when the total fees generated by an assurance client represents a large proportion of a firm's total fees, the financial dependence on that client or its related entities and concern about the possibility of losing that client may create a self-interest threat. This is more significant in the case where the assurance client is a listed entity or public interest entity. In this respect, By-Law B-1.98 provides that where the assurance client is a listed entity or a public interest entity, if the total fees (arising from the assurance and non-assurance services) generated by that one client or its related entities exceed 15 per cent of the firm's total fees in each year over two consecutive financial periods, financial dependency shall be considered to exist, in which event, the only course of action is to refuse to perform or withdraw from the assurance engagement.

Conclusion

Members are advised to familiarise themselves with the full provisions of the new By-Law B-1 which can be downloaded from the Institute's website at www.mia.org.my. Members are also reminded that failure to observe the By-laws may *prima facie* give rise to a complaint against a member.

Transitional Provisions

To ease any untoward hardship on members, the Council of the Institute has approved transitional periods in respect of By-Law B-1.66, By-Laws B-1.70 to B-1.95 and By-Law B-1.98. Please refer to the Transitional Provisions document which can be downloaded from the Institute's website at www.mia.org.my.

Practitioners' Briefings

To equip and prepare members in public practice with the necessary information to understand and comply with the new By-Law on Professional Independence, the Institute is organising a series of Practitioners' Briefings nationwide in July and August 2004 on the new By-Law on Professional Independence. Members in public practice and their employees are encouraged to attend these briefings. **AT**

Breach of Paragraph 9.27 of the Listing Requirements of Bursa Malaysia

Pursuant to paragraph 9.27 of the Listing Requirements (the 'Listing Requirements') of Bursa Malaysia (the 'Exchange'), a listed issuer must ensure that the director or person primarily responsible for the financial management of the listed issuer, as the case may be, who signs the statutory declaration under Section 169(16) of the Companies Act 1965 satisfies the following requirements:

- (a) the signatory is a member of the Malaysian Institute of Accountants; or
- (b) if the signatory is not a member of the Malaysian Institute of Accountants, the signatory must have at least three years' working experience and:
 - (i) must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (ii) must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (c) the signatory fulfils such other require-

ments as prescribed by the Exchange.

For the purpose of paragraph 9.27(c) of the Listing Requirements, paragraph 7.1 of Practice Note 13/2002 issued by the Exchange, prescribes that the following qualifications are also acceptable:

- 1 a degree/masters/doctorate in accounting or finance and at least three years' post qualification experience in accounting or finance; or
- 2 at least seven years' experience as a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

The Exchange has informed the Institute that there are listed issuers that have not complied with the above requirements. The Exchange is currently taking enforcement action against these listed issuers and their respective directors. **AT**

Members are advised to be guided accordingly.

Principle-Centred Stewardship — Key to Better Business

Theme of National
Accountants Conference 2004
PWTC October 12-13 2004

Business as a social organ and management as a science and discipline have important roles to play in the fulfilment of improved business destiny. Vast business empires like Enron, WorldCom and Parmalat crumbled under the weight of bad strategies and phony accounting. In uncertain times, stewards must have the skills and will to lead through ambiguity and complexity with transparency.

Stewardship in any organisation involves leadership and trust. It is the fiduciary duty between those who are entrusted with other people's money. It is one of the paradoxes of stewardship that the more you share power (or trust) the more you gain power. Ethics and values are at the core of stewardship. A professional body such as MIA plays a large role in creating the ethos of self-restraint and social responsibility for corporate stewards, its members.

The nature of stewardship is exactly the same as it was when the revolutionary concept of companies was first conceived. Stewards of companies must abide by their fiduciary duties to their stakeholders and therefore the society they operate in.

Public trust should be at the heart of stewardship. In the knowledge and information age, knowledge with ethics is wisdom and knowledge with action is power. With power comes responsibility and trust. Public trust is an asset and is essential to progress in the global world. Managing this intangible is the most important resource in every aspect of business.

Principle-centred stewardship is not a technique or strategy rather it is a mindset grounded in natural laws. It provides a synthesis for the conflict between market efficiency and the cumbersome and costly task of maintaining the stability essential to the public interest system of governance. **AT**

To all Practising Certificate Holders

1 Renewal of Practising Certificate

■ The annual practising certificate fee of RM250.00 is **due for renewal on 1 July 2004**. Please note that there will be **no** re-issuance of practising certificates during renewal.

■ Please be reminded that a member in public practice shall cease to be entitled to a practising certificate if he fails to pay the annual practising certificate fee **by 31 December 2004**.

■ Please ensure that a copy of the **latest cover note** of the policy of Professional Indemnity Insurance (PII) that you have obtained is enclosed together with the practising certificate renewal fee as proof of coverage.

2 Cancellation of Practising Certificate

■ Please note that a member, who has been issued a practising certificate and has yet to practise, shall commence public practice **within six months** from the date of issuance of the practising certifi-

cate. Otherwise, that member shall return the practising certificate to the Institute for cancellation of the certificate.

Those who have been issued with a practising certificate for more than six months and have yet to commence practice, please contact Cik Rashidah Abdul Aziz from Membership — Registration & Supervision Department **immediately** for further advice.

3 Collection of Practising Certificate

■ Members whose practising certificates have been approved at the Council meeting on 23 March 2004 are advised that their certificate is ready for collection. Those who have yet to collect their practising certificate, which was approved at the previous meetings of the Council, are also requested to do so. Should you have applied for a practising certificate and do not know the status of the application, kindly contact Cik Rashidah Abdul Aziz from the Membership — Registration & Supervision Department of the Institute. **AT**

Discernment

Effective Quality in Leaders

By Shiv Prasad

Discernment is judgemental and can be best described as the ability to find the root of a matter. To do this requires intuition and rational thought. Discernment is an indispensable quality for any leader who desires to maximise effectiveness, even though some good leaders do not display it often enough.

How to Maximise Effectiveness

Leaders in large organisations routinely cope with tremendous pressures, chaos, and complex issues at the workplace. More often than not, they are never quite capable of gathering enough information to get a complete picture of just about anything that occurs. As a result, they have to rely on discernment — i.e. judgement, sensitivity and acumen. In today's management and organisational dilemma, effectiveness cannot rely on rationality alone — it relies heavily on a blend of clear-headed logic and (powerful) intuition. Discernment allows a leader to see a partial picture, fill in the missing pieces based on intuition, and trace the real heart of a problem.

How to Enhance Problem Solving

Naturally if you can see the root of a problem clearly, you can solve it. The closer a leader is to his or her area of professional talent, the stronger

their position, their intuition and ability to see root causes. The best way to tap into your discernment potential then would be to work in your areas of particular strengths.

How to Multiply Opportunities

People who lack discernment, lag behind and are seldom in the right place at the right time. Most of these leaders, whom you may have labelled lucky, are not mere observers — they created their own "luck" through discernment ... through their willingness and desire to use their ex-

perience and follow their instincts!

How to Strike a Balance and Evaluate Options

Never ignore a gut feeling that you have, neither should you believe that it's enough ... always evaluate your options for maximum impact. Intellect by itself or reliance on intuition alone is insufficient in mooting discernment — you need to combine and use both to find the best option for your people and your organisation.

How to Improve & Develop Discernment

■ **Review Past Successes.** Look at some problems you solved successfully in the past. Analyse what the root cause was in

each situation and what enabled you to overcome it and succeed. If you can summarise those achievements in a few words, you can probably learn to utilise it to solve future issues else-

where.

■ **Learn How Others Think.** Visualise leaders you admire, especially those who have a similar vocation to yours, and read their biographies or other reports of their rise to success. By learning how these discerning leaders think you too will be inspired to become more discerning.

■ **Listen To Your Gut Feeling.** Can you recall occasions when your *intuition spoke to you* and was correct, even when you did not particularly pay heed to it at the time. Do you

observe anything common in those experiences? If you find a pattern, as you rightly should, then it will give you good insight into your intuitive ability. Now you will know how to put that *gut feeling* to valuable use as a discerning quality.

What if ...

History is full of tales of success and failure, wealth and missed opportunities. There have been numerous incidences of leaders not being discerning in their decision that has led to loss of initiative, changes to the destiny of the forces or organisations they led.

Take the case of the monopoly Swiss watches enjoyed in the world. Before the 1960s the Swiss built the best watches money could buy and in effect they controlled more than eighty per cent of the world market in the period between 1940-1964. However in the late 60's, when an inventor presented a new idea for a new type of watch, it was rejected by the leading Swiss watch manufacturers.

The "dejected" inventor had belief in his design, and felt that Swiss industry leaders were missing the picture, so he took his design to a watch company in Japan. The name of the company was Seiko; the design of the watch was digital, and today, more than eighty per cent of all watches use digital design. Japanese watches too have since then captured a healthy slice of the watch manufacturing industry with their modern, precision custom-made watches. *One discernment-drive decision can change the entire course of destiny, as the Swiss and Japanese watchmakers discovered.*

Madame Marie Curie, one of the giants in science in the 19th and 20th centuries was an exemplary leader of our times and she conducted many groundbreaking works in nuclear physics and modern medical radiology. Her research brought her great international recognition: fifteen gold medals, nineteen degrees, and two Nobel prizes — physics and chemistry. Her intelligence and discernment allowed her to see, understand and discover many things that have made a positive impact in all our lives and the world we live in. Curie, who displayed such tenacity in her application of science, observed:

"Life is not easy for any one of us. We must have perseverance and above all confidence in ourselves. We must believe that we are gifted for something, and that this thing must be attained. Nothing in life is to be feared. It is only to be understood." **AT**

Responsibility...

Philosophy is not best expressed in words but in the choices one makes. To be responsible in more ways than one.

Your Choice

By Davis Sharp

Imagine what would result, if you made a commitment to be totally responsible and accountable to yourself for every aspect of your life? What if you accept you are the source and cause of everything you do? What would result if you could be trusted and depended upon? Would you be totally reliable? Would this then make a difference in your business, in your relationships, in your life?

Pause and reflect carefully on this topic — give this commitment serious consideration!

Do you merely agree on the surface that you are honest, trustworthy, accountable and yes reliable! Do you know it when deep down your truth and integrity say you are not totally committed? Be honest and let your actions demonstrate your commitment! Only then can you be honest with others.

What is your level of integrity? Integrity is said to be the quality of being complete; it is the state of entirety, unbroken wholeness; it is about keeping your word to yourself only because you said you would, and it allows you to live life to its fullest! Commitment has no room for short turns, withholding efforts or making excuses! “Excuses do not produce results. They merely rob us of accomplishment!”

It's when you assume complete responsibility for yourself, and stop making excuses, that the day on your journey to the top starts.

■ Responsibility stripped down really stems from two powerful words — *response & ability*. Ask of yourself the obvious question, “What is my response ability?” Remember to choose the response that will empower you; responses that come through anger and resentment only do the

opposite — they disempower!

■ Accept responsibility to harness a bright future. If events are not unfolding the way you want them to, you must accept responsibility that it may be that you're spending too much time thinking about what you don't want! You can't win if you are always thinking about losing. To change your life you need to change your thinking.

■ Instead of dwelling on your situation, do something about it and be responsible for creating your own circumstances! Worry and fear denote indecision, uncertainty. By

“a man may fail many times, but he won't be a failure until he says someone pushed him”

accepting responsibility, you make things happen. Make something happen such that you can be proud and passionate about it. And let the ensuing action serve others and make you and others feel good. Do not just talk about it — do it!

■ Accept and assume responsibility for your own personal development — do not merely rely on others. When you get the desire to learn, you will begin to earn self-respect, money and much more. Read good books, listen to cassettes/CDs, attend seminars or workshops — consistently work to improve yourself. If you are consistently placing the blame on others and several other events, then you are not demonstrating responsibility. Remember, “a man may fail many times, but he won't be a failure until he says someone pushed him”. Accept the responsibility for your own success and visualise achievement as mandatory not optional!

■ You must accept responsibility that your life is the way it is, because of the choices

you make and as a consequence of your actions. If you do not like the way things are running, then change them. Be accountable to yourself. “When things work, take the credit; when things do not work, take the blame.”

■ Not accepting responsibility over problems, and not paying attention or learning from these difficulties, only leads to life's predicaments recurring in your life — over and over again. Upsets are prolonged by rehearsing them in your mind — quit wallowing in self-pity or in your difficulties.

■ Never stay hooked and only dwell on the past as it's energy draining. Only look back to learn from the mistakes and gauge how far you have moved forward in experience. As humans we all make errors. The miracle of error is the access it presents to fresh opportunity; learn from your mistakes.

Mistakes cause problems. Accept responsibility over your problems — they do not just happen! Never go into denial when a problem occurs. Problems will not go away, unless and until you invent solutions and then take specific actions to overcome those problems.

Four key steps to resolve problems

- 1 Acknowledge you have a problem.
- 2 Ask yourself, “What am I committed to that has made this a problem?” If you decide there is a commitment that the problem is getting in the way of your success, you do have a problem.
- 3 Study the options you have. Look at various possibilities; consider many solutions not just one. Do this quickly!
- 4 Do something that is consistent with your commitment. Focus on the solution right away!

We all need to *accept responsibility* for our problems. If we don't we become the problem! We have to act quickly on solutions to the problems.

“You can't build a reputation on what you are going to do!” **AT**

Walking on the Wild Side

Minding the laws, you can still escape the crowd and get a new take on the Great Wall. Just hike it!

By Anis Ramli

ture calls, you do it right there in the outdoors. But the experience is totally surreal.

Those in the know have long preferred walking — or hiking — the wilder, un-restored sections of the Great Wall. Away from the maddening crowd, these sections let you glimpse at the Wall's majestic past and marvel at humankind's greatest accomplishment. Plus, having the Wall all to yourself — with just the surrounding nature and solitude as companion — is the best experience you could ever have.

Now here's the second piece of bad news. You can't simply hike the Great Wall. Some sections are prohibited, and by walking it, you're actually flouting the law. Yes, it's a double edge sword and one that the Chinese government is only too aware of.

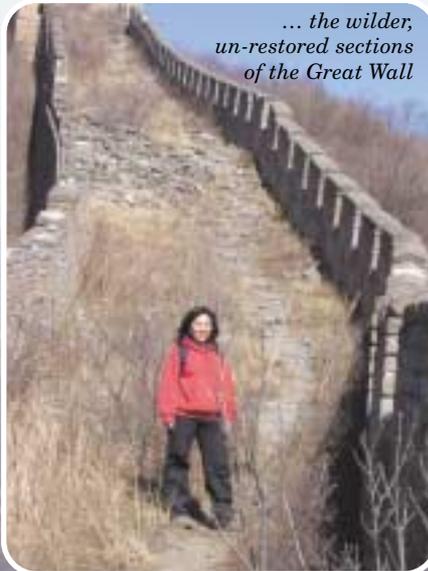
Hiking or walking the wall has become a popular travel option for intrepid travelers who want to see the 'original' wall in its 'wilder' state. Already a World Heritage, the Great Wall however is also an endangered icon. With thousands visiting it every year, the Wall continues to crumble under the weight of tourism, including threats from the environment.

Each year, an average of five to six million people from all over the world visit sections of the Great Wall around Beijing, bringing in millions in revenue. Finding a balance between preserving the Wall while keeping tourism benefits intact is not easy. Conservationists are adamant at keeping tourists at bay except for the *Badaling*, *Mutianyu* and *Simatai* areas — sections of the Wall rebuilt for tourism — which today

First the great news. It's possible to avoid the hordes of tourists and souvenir sellers at one of China's biggest attractions — the Great Wall. The bad news is these places are remote and there's a lot of *hiking* to be done. There are no comfy cable cars to chauffeur you when your legs give way. And when na-



Walls are beautifully dotted with cherry blossom trees



... the wilder, un-restored sections of the Great Wall



Spectacular views of the Great Wall of China

is so crowded it looks like a circus bazaar.

With many of the Great Wall's fragile sections giving way, including its original structures and military installations, the Chinese government decided to act tough. In August 2003, they passed a law designed to see the Great Wall survive for another 2,000 years. Under the new regulations, travellers will no longer be allowed to walk or camp in certain sections of the Great Wall.

Fortunately that still leaves a few sections where the curious visitor can explore — legally.

The section in *Huang Hua Cheng* at the village of *Wang Quan Yu* just north of Beijing is one example. It takes about three hours to complete the trail (more if you're feeling adventurous!), with an 8km walk along the wild walls. This stretch of the Wall rises 600 metres above sea level and still has some towers in fine condition. But along the way, you will find some crumbling and overgrown sections, and discover hikes at 70-degree inclines! Sometimes you'll be able to spot a lizard or a rabbit whizzing past the overgrown bushes. Most of the time, though, you'll be too busy drinking in the sights to notice them.

In the Spring, the hills that lead up to the walls are beautifully dotted with cherry blossom trees. As you ascent, the spectacular views of the village below as well as farmed chestnut trees greet you. Once at the Wall, you will be able to see the rest of the Wall network snaking through the valley. It's a spectacular sight.

The *Huang Hua Cheng* area is easily ac-

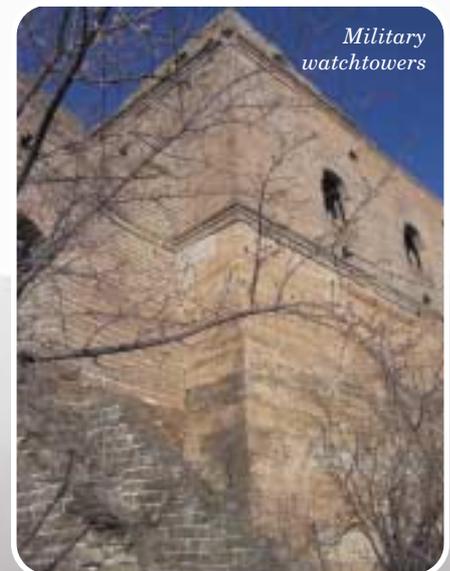
cessible by taxi from downtown Beijing (the ride takes just under two hours). The hike can easily be done on your own, but for an educational take on the trail, consider going with a personal guide. The Beijing Palace Peninsula, for instance, runs The 'Wild' Great Wall Academy Programme that offers an excellent opportunity to see the wilder sections of the Great Wall as well as discover its lesser known facts, history and myths. With-

Basic Info

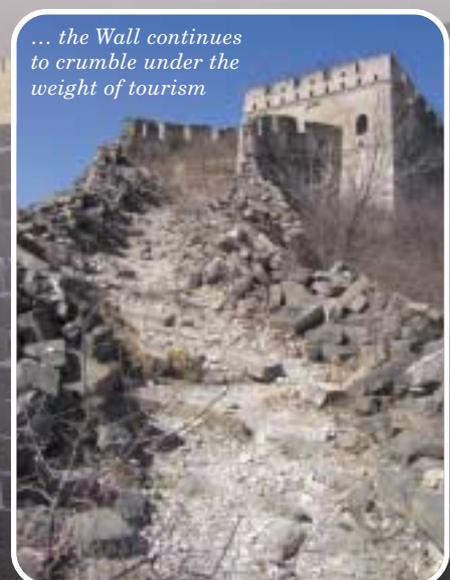
- The Great Wall allows for every type of tourist, from the tame walker to the adventurous climber. Be sure to ask around for legitimate guides and check on the legal sections. Or enquire at The Palace Peninsula on its 'Wild' Great Wall Academy Programme at clui@peninsula.com
- Summer is the hottest time to climb the Wall. Autumn is the most popular, when tours and hotels charge higher fares. Best times to go are Spring and Winter.
- Depending on the season, wear appropriate clothing. During Spring, the weather can get slightly chillier, especially at higher ascents.
- Bring enough bottles of water. You can pack food to have a quick "picnic" when you're resting, but always remember never to litter. Respect the environment and do your bit to preserve the relic.

out the guide, I wouldn't have discovered the stone tablet with records of a military gathering. Or learnt the mechanisms of the watchtowers, and traced my fingers along the hollows that once held the doors to the garrison. And I'd probably have missed the bricks that were stamped with the date on which they were made and the code numbers of the armies that made them.

Walking on the de-spoilt sections of the Great Wall is exhilarating, but it does have its risks. Rocks crumble from ancient steps. Some sections, especially at the towers, have gaps that require you to jump from one ledge to another. So be prepared. Keep your hands free for holding at all times. Carry your supplies in a backpack. Travel light and wear appropriate footwear. And remember, take nothing but pictures and leave nothing but footprints. **AT**



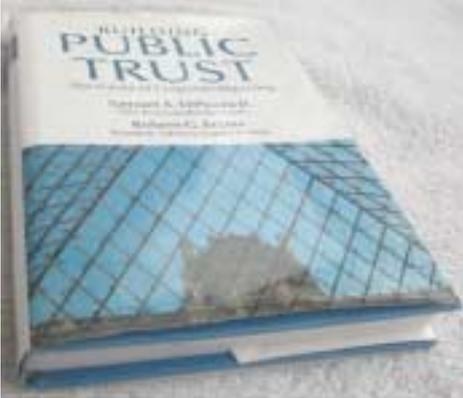
Military watchtowers



... the Wall continues to crumble under the weight of tourism

BUILDING PUBLIC TRUST The Future of Corporate Reporting

By Samuel A. DiPiazza Jr. & Robert G. Eccles



Publisher: John Wiley
Pages: 188

What do you get when you put two top-notch people from an industry together? Major disagreements or a good book. We present to you a sampling of a book which is the result of a meeting of two minds: *Building Public Trust — The Future of Corporate Reporting*.

Following the crisis in corporate reporting, this book is intended to be a “theory of the case” for capital market reform, along with some specific suggestions for making it happen.

The authors seem to be appropriate enough candidates to carry the burden. Samuel A. DiPiazza is the CEO of PricewaterhouseCoopers, the world’s largest professional services organisation. He joined PwC in 1973 and most recently served as Senior Partner and Chairman of the US firm with executive responsibility for US operations.

The co-author is Robert G. Eccles, a Founder and President of Advisory Capital Partners, Inc. and a Senior Fellow of PricewaterhouseCoopers.

Prior to founding the advisory outfit, Dr. Eccles was a full professor at Harvard Business School, where he was a faculty member for 14 years.

The two industry experts have got together to create a business-

reporting model that is appropriate for the markets of the 21st Century in which executives, accountants, analysts, investors, regulators, and other stakeholders truly embrace the spirit of transparency.

They argue that the model supplements, rather than replaces, the existing financial reporting model, which remains the bedrock for markets all over the world.

Some of the chapters in the book are: three tiers, accounting standards, industry standards, good management corporate reporting, the Internet and future audits.

Some of the main points raised in the book concern information as the lifeblood of capital markets. To restore public trust, they argue that every participant in the chain must embrace and practice the spirit of transparency, a culture of accountability and individual integrity.

This is where they introduce the three-tier model of corporate transparency. They label it as a “new vision of corporate reporting, encompasses Global GAAP, industry-based standards and company-specific in-

formation”.

The authors then deliberate on the importance of good external reporting which requires sound internal management, clear articulation of a value proposition and reporting on the measures most relevant to value creation.

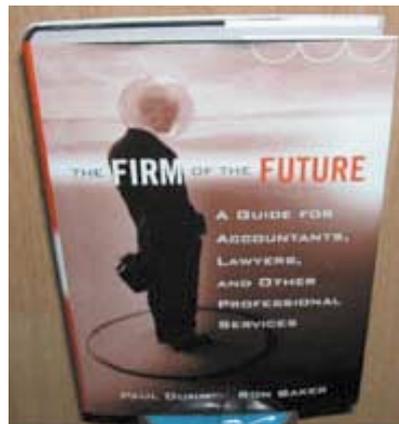
In short, they are taking a stab at addressing the fundamental shortfalls in the process

through which companies report their performance. By proposing a new vision of corporate transparency, the authors take an important first step in reforming the corporate reporting system and restoring investor confidence.

Who’s the target audience? It will definitely interest people involved in the entire chain of corporate reporting. **AT**

THE FIRM OF THE FUTURE: A Guide for Accountants, Lawyers, and Other Professional Services

By Paul Dunn & Ronald J. Baker



Publisher: John Wiley
Pages: 330

In this fast changing world, keeping abreast with the latest developments can be a torturous task. People peddling professional services are no exception. Accountants, lawyers, engineers and other professionals are also moving at a dizzying pace.

How do you keep your cool and keep your head above water? *The Firm of the Future*, a newly-released book, attempts to offer some useful clues.

The book is the result of professional service accounting firms being threatened by a variety of factors. Some are perpetually playing catch-up with

new technologies. Others are having a hard time coping with intense competition or consolidation.

The authors present strategies for restoring vitality and dynamism to the professional service firm.

They articulate a new theory of the professional service firm that

focuses on the future, and which tosses the antiquated theory of leveraging people and hours onto the ash heap of history.

Among the topics covered are:

- Intellectual, human, structural and social capital;
- Converting tacit know-how to explicit knowledge; and
- Total quality service and value pricing.

Be warned. This is no easy read. It demands your attention. But if you are in the process of bringing about changes in your organisation, *The Firm of the Future* may just be of some help. **AT**

Accountancy Profession Salutes the Outgoing and Incoming Accountant-Generals

On 27 April 2004, the Institute and the Malaysian Institute of Certified Public Accountants (MICPA) jointly organised a special dinner to thank the former Accountant-General Datuk Siti Maslamah Osman and to welcome the new Accountant-General Othman Abdullah. Both MIA's and MICPA's presidents Datuk Dr. Abdul Samad Haji Alias and Beh Tok Koay attended the dinner, which was held at the Pan Pacific Hotel in Kuala Lumpur. Also present at the dinner were the council members from both institutes as well as presidents and representatives of other professional accountancy bodies in Malaysia. **AT**



Thank-you ... YBhg Datuk Siti Maslamah Osman graciously accepts a memento from Datuk Dr. Abdul Samad. Looking on is Beh Tok Koay



Good friends ... Dato' Nordin Baharuddin (left) and YM Raja Dato' Seri Abdul Aziz Raja Salim



Cheerful mood ... Dr. Nafsiah Mohamed (left) and Beh Tok Koay



Closing ranks ... (L-R) Peter Lim, Datuk Lee Ow Kim, Datuk Nur Jazlan Tan Sri Mohamed and Gloria Goh



Light moment ... (L-R) Datuk Dr. Abdul Samad Hj. Alias, Othman Abdullah and Datuk Siti Maslamah Osman



United ... (L-R) Mohammad Abdullah, Nik Mohd Hasyudeen Yusoff and Tan Shook Kheng

Public Bank in Collaboration with Accounting Bodies to Promote Management Accounting Best Practice Among Malaysian Companies

Lending its support towards enhancing excellence in the Malaysian corporate sector, Public Bank presented a cheque worth RM50,000 to the organising committee of the National Award for Management Accounting Best Practice 2004 (NAfMA) at its head office in Kuala Lumpur recently. Public Bank's General Manager of Public Affairs Division, Razak Dali presented the cheque to the NAfMA Organising Chairman, Yeo Tek Ling.

Razak stated that the bank is proud to be the main sponsor of the highly distinguished and prestigious award which is to be held for the first time in Malaysia and possibly in the Asian region. He added that Public Bank is honoured to play its role to encour-

age Malaysian companies to embrace management accounting best practices in order to formulate winning business strategies and subsequently to achieve success.

The main aim of the NAfMA awards is to give recognition to organisations that adopt best practices in management accounting and to further encourage the application of the said accounting techniques within the Malaysian corporate sector.

The Malaysian Institute of Accountants (MIA) and The Chartered Institute of Management Accountants (CIMA), Malaysia Division will be organising the



Encouraging management accounting ... Razak (right) presenting the mock cheque to Yeo.

event. Partnering with these two bodies are the National Productivity Corporation (NPC) and the CIMA-UiTM Asian Management Accounting Research Centre (AMARC).

The NAFMA consists of three categories of awards namely the excellence award,

the best practice award and the practice solution award and is open to companies listed under the Bursa Malaysia Securities Berhad as well as non-listed multinational companies in Malaysia. Applications will be on a voluntary basis as disclosures of management accounting practices within the com-

pany will be required for evaluation by the assessment committee.

The deadline for submission of application documents is 25 June 2004. The assessment process will take place from July to August while the awards presentation will subsequently be held in September this year.

For more information on NAFMA, please contact:
The NAFMA Best Practice Organising Committee
 c/o CIMA Malaysia Division
 No 123, Jln SS6/12 Kelana Jaya Urban Centre, 47301 Petaling Jaya, Selangor **AT**

Penang Enhancing Ties Among Members in Academia, Industry and Practice

In an effort to promote interaction between the academia and accounting professionals/practitioners, an evening talk entitled *“Leverage on the research findings pertaining to (I) clients’ perceptions of services given by audit firms and (II) factors influencing tax attitudes of small business entrepreneurs”* was held at the Penang branch. The talk registered more than 20 participants, an encouraging response considering the general perception that research findings tend to be academic/theoretical in nature.

Penang Branch Hon. Treas-

urer and USM’s Accounting Program Chairperson, Dr. Hasnah Haron presented and diligently highlighted the salient points of the research findings. Hasnah also briefed on the research methodology and discussed the questionnaires used to conduct the two research studies. Some participants were forthright with their comments and suggestions, many of which were constructive.

Overall, it was a fruitful session in terms of narrowing the expectation gap between the academia and the profession. Participants had a better appre-



ciation of the research methodology while their comments would assist the academicians in conducting future research projects that are more credible and useful. **AT**

Penang Branch Hon. Treasurer, Dr. Hasnah Haron



Participants at the branch office

Melaka Dialogue Between MIA Melaka and IRB Melaka to Resolve Tax Issues

On 12 May this year, the annual dialogue between the MIA Melaka branch and the IRB Melaka Branch was held at the state IRB office.

In his opening address, the Melaka Branch Director, Mat Hassan Haji Ishak emphasised the need for the IRB and MIA

members (who act as tax agents) to increase their level of cooperation for the benefit of themselves as well as the taxpayers. He also mentioned that the tax agents are required to educate taxpayers on the new self-assessment system and instil within taxpayers the impor-



The dialogue session in progress

tance of paying their taxes.

MIA Melaka Chairman, Abd Halim Husin meanwhile expressed his gratitude towards the IRB in offering customer friendly services and introducing free courses on tax matters.

Several issues raised during the dialogue included administrative procedures and matters relating to tax practices in Melaka. This included the deadline for the submission of Form B (April 30 this year) which saw tax agents experiencing a rather tight schedule. This was mainly due to hindering aspects such as late receipt of statements of loans from government for government servants, late receipt of EA and EC forms, insurance statement slips that normally are received in the months of March and April and the requirement of

making payment for amount of tax due (shortfall of instalments) by 30 April.

Compared to this year's submission MIA Melaka foresees that next year's will be increasingly pressing for tax agents as the new Form B has to be filled up separately by husbands and wives and this makes the task of filling forms more difficult. The IRB agreed to bring the matter up at HQ level at a later date.

Some of the policy matters raised during the meeting however went unanswered as these are under the purview of the IRB headquarters in Kuala Lumpur.

All in all, it was a fruitful session and there was a healthy exchange of thoughts and ideas to further strengthen the working relationship between both organisations. **AT**

Sabah Othman Captures the Bowling Trophy!

After a recent tax deadline, MIA members unwound as they took to the alleys for the Annual Bowling Tournament. The crowd was very supportive and cheered the participants. All in all, the members enjoyed the temporary release from office stress. The cham-

pion bowler, Othman Mohd Salleh will receive the Challenge Trophy during the Branch's Annual Dinner on 3 October 2004, while the top eight will continue to represent MIA at the year's Inter-Professional Games Competition. **AT**



The MIA Bowling Team

An Evening Talk on Financial Planning

In recognition of the growth potential of the Financial Planning industry in Malaysia, the Financial Planning Working Group (FPWG) of the Malaysian Institute of Accountants (MIA) organised an evening talk entitled “Integrated Financial Planning Service Into Accounting Practices — The Australian Experience” for its members on 7 May 2004 at Cititel Mid Valley.

John De Mallory from Australia was the guest speaker. The two CPE hours talk was attended by approximately 40 members of the Institute including committee members of the FPWG.

The objectives of this talk was to give insights and updates on the specialised field of Financial Planning, what it entailed and the great potential in store for accountants today should they tackle this industry.

During the talk, De Mallory shared his vast Australian experience in relation to the country's current tax regime and climate, what has worked and what has not as well as how to re-engineer a practice from compliance, tax-based advice to comprehensive financial services advice.

Participants also benefited from the Question & Answer session at the end of the talk that was moderated by the Chairman of the FPWG, Raymond Liew. Among the questions during this session were on the guidelines by the Securities Commission in the Securities Industry Act i.e. the criteria for application of a Financial Planning advisor's licence, recognised qualifications and the role of a Financial Plan-

ner.

Later Liew mentioned that the FPWG would be planning a series of talks cum workshops on Financial Planning in the near future, details of which would be available from the Secretariat of MIA.

Liew presented De Mallory with a token of appreciation on behalf of MIA saying he hoped there would be greater ties between the two countries in regards to Accounting and Financial Planning Services.

De Mallory has 22 years experience in corporate pension funding, risk management, business succession and estate planning with a leading financial group in Sydney, Australia. He is the co-principal member of the Financial Planning Association of Australia (FPA), a Fellow of the Australian Institute of Company Directors (FAICD) as well as a director of both Johnita Investments Pty Ltd and Lombard Securities Pty Ltd. **AT**



De Mallory during the presentation with FPWG Chairman Raymond Liew (right)



De Mallory provided insights and updates on the financial planning industry



Participants during the talk



Eliminating Paper Cheque Writing Costs

The question is: How can a company eliminate paper cheque writing costs? Every year companies have direct deposit campaigns. They try to get the last few employees on direct deposits so paper paycheques will be a process of the past.

How does a company obtain the goal of a paperless payroll if some of its employees are un-banked? An un-banked employee could be a seasonal worker or someone who moves from job to job. Surprisingly, 25 per cent of the un-banked are professional and managerial people who, because of past history, cannot open a bank account. A recent survey performed by PricewaterhouseCoopers found that 40 per cent of the US workforce does not have bank accounts. This number has recently risen due to increased bank fees. Of those who do have a bank account, 12 per cent are denied a debit card.

PayrollConnect, in a report, explores the question as to how a company can eliminate cheque writing costs if part of the workforce is un-banked. It came out with this answer: Payroll Cards.

A payroll card works like a store gift card. Wages are loaded to the card each payday, and once the balance is spent the card cannot be used until the next payday.

Payroll cards have benefits for both the employer and employee. For the employee they provide instant access to wages. Every employee has banking privileges because all are approved regardless of credit history; there is no credit check, no more waiting in lines or paying fees to cash a paycheque, and the card holder cannot go "over limit"

The employer benefits because payroll cards eliminate the cost of cheque printing, distribution and storage space. They help eliminate fraud and increase security. Payroll cards reduce costs and fees associated with reconciliation, cheque cashing, stop payment transactions and express delivery charges for replacement cheques. No more trying to track down an outstanding cheque payable to an employee who no longer works for the company and has moved three times. In this time of company cutbacks on employee benefits, payroll cards are a highly desirable employee benefit with minimal employer costs. **AT**

www.accountantsworld.com

liability and financial responsibility in the event of fraud.

"In the long term, I believe that it will only hurt the reputation of Thai accounting firms if no change is made," he said.

The SEC is working with the Institute of Certified Accountants and Auditors of Thailand (ICAAT) to improve oversight and quality assurance standards among local accounting firms.

ICAAT President, Kesree Narongdej said the association would soon require firms to detail their internal quality assurance systems, as well as training and oversight measures, workflows and management practices to help improve standards.

She said the ICAAT was also considering establishing a new, independent body to evaluate quality assurance systems used at local accounting firms. **AT**

Accountants move from the backroom to the boardroom

Accountancy, long thought by many outside the profession to be immune to change, is about to be transformed. The changes are so great that some even believe the word 'accountant' might disappear from job titles.

These are the findings of a report entitled *Next Generation Accountant*, released by Robert Half International (RHI), reports UK-based accounting website accountingweb.co.uk.

The report determines how today's trends will shape the future of accounting and finance professions, and identifies the skills which future accountants will need to be successful. It asked questions along the lines of: "What will the accountant of the future be like?", "What will he be doing?" and "What skills and competencies will she need most to be successful?"

To find the answers, researchers interviewed 1,400 chief financial officers (CFOs) in the US, as well as a wide range of accountancy experts and academics.

RHI's report came out with a number of interesting possible roadmaps for accountants. Historically, accounting has focused on the traditional audit and reporting roles,

Thai Securities Commission seeks to hold Auditors accountable

Thailand's Securities and Exchange Commission (SEC) wants local accounting firms to take greater responsibility in cases of auditor fraud or malpractice, says *Bangkok Post*.

Thirachai Phuvanat-naranubala, the SEC secretary-general, noted that under Thai law, opinions in financial statements are expressed by individual auditors, rather than

by an accounting company as under international practice.

In addition, most accounting firms in Thailand are registered as limited companies with small capital bases, limiting potential claims even if culpability is found on behalf of the auditors.

According to a newspaper report dated 27 April, Thirachai said a proper supervisory structure should allow authorities to pursue claims for malfeasance and fraud not only against auditors, but also against their affiliated companies as well.

One possibility would be to require accounting firms to register as partnerships, which would expose the entities to greater

but in the future respondents believe its role will increasingly be to transform information into knowledge and share forecasts with senior management.

Rather than being statisticians, accountants will become strategic partners and help position organisations for future success.

This move towards being providers of knowledge rather than relayers of information will see CPAs move from the backroom to the boardroom. They will assume more consultative roles, combining traditional services with more modern ones such as technology consulting, assurance services and e-commerce consulting. **AT**

www.accountingweb.co.uk

Nortel's accounting problems

Canada-based Nortel Networks Corp. fired its three top executives, including its Chief Executive, in late-April and reported that accounting problems already under investigation by regulators ran deeper than expected.

One wire service report quoted the company as saying the restatements were likely to lead to a 50 per cent reduction in net profits reported for 2003, but they could narrow the losses reported in previous years.

Reuters reported that Nortel was under investigation by the US Securities and Exchange Commission and by the Ontario Securities Commission. It warned last October it would restate financial data going back to 2000, a year when its stock hit a record high of C\$124.50, only to plunge 99 per cent as the tech bubble burst.

The initial restatement had little impact. But in March the company said a second restatement was needed, news that shocked investors. **AT**

Dell Unveils Migration Strategy For SAP Customers

Dell Inc. launched a service for migrating SAP AG business applications from Unix

computers to less-expensive machines running Windows or Linux, reports *TechWeb News*.

Michael Dell, the computer maker's chairman and CEO, said the company has more than 5,000 enterprise customers worldwide running SAP software on Dell machines.

Dell is offering migration assessment and planning in migrating operating systems or databases in SAP application environments.

Dell servers running Windows or Linux are less expensive than Unix servers from companies like Sun Microsystems, but the money saved on hardware could end up being spent on additional management costs, an analyst for a market researcher tells *TechWeb News*. **AT**

Restoring the Faith

A new survey from CAMICO Mutual Insurance Company paints a picture of today's accountant as a professional who meets high client expectations, and who is worthy of a high level of trust, reports *insight.mag.com*.

Unfortunately, the 2003 survey from the Redwood City, California-based firm also unveiled an American public that tends to believe accounting firms "would look the other way" to maintain a client relationship, even if that client had violated the law.

According to the online report, 62 per cent of the survey respondents don't believe accounting firms are monitoring their clients' ethical standards. When asked if accountants have become less ethical, more ethical, or have stayed the same in the past five years, 38 per cent said less ethical, 13 per cent more, and the remaining 49 per cent said there had been no change. In previous surveys, Ron Klein, CAMICO's VP of claims, said there was a "fair balance" between those who answered "less" and those who answered "more."

At the same time, expectations of accountants remain high. Three-out-of-four respondents believe accountants should police the financial reporting that a publicly held company makes to investors. Additionally, 71 per cent of respondents

expect an accountant to uncover fraud if he or she is hired by a company to review financial statements, but is not retained to perform an audit. **AT**

Big-Four firm faces court action over confidential information

Ernst and Young and the Royal Bank of Scotland are facing a High Court claim for damages for allegedly misusing confidential information, reports UK-based *accountancymag.com*.

The report said they are being sued by Petrol Express. However, a writ issued at London's High Court on behalf of Petrol Express by London-based solicitors Shook Hardy and Bacon International, and made publicly available in mid-May, gives no other details of the claim. **AT**

Luxembourg blocks EU banking secrecy deal with Swiss

The European Union's savings tax directive has been hindered by Luxembourg's refusal to agree to a banking secrecy deal with Switzerland. The savings tax directive is aimed at preventing tax evasion, and will introduce an automatic exchange of information in the EU on bank accounts outside the holder's home country, according to a *accountancymag.com* report.

Switzerland is not an EU member state but is nevertheless critical to the success of the directive. It will only cooperate with the savings directive if it can retain its banking secrecy regime.

However, according to a mid-May report in the *Financial Times*, Luxembourg's prime minister Jean-Claude Juncker said his government would not accept any deal that treated EU member states and third countries, such as Switzerland, differently.

The European Commission, as well as the UK and Germany, are keen to agree to a deal with Switzerland. But Luxembourg, like all EU member states, has the power to veto any potential deal. **AT**

New IFAC Standard Requires Accountants To Maintain Competence Through Ongoing Education

The International Federation of Accountants (IFAC) has issued a new International Education Standard (IES) calling on every professional accountant to develop and maintain competence relevant and appropriate for their work and professional responsibilities. Developed by IFAC's Education Committee, the new standard, **IES 7, *Continuing Professional Development (CPD): A Programme of Lifelong Learning and Continuing Development of Professional Competence***, emphasises the profession's commitment to serving worldwide public interest and presents CPD as a key means of meeting this commitment.

The standard prescribes mandatory CPD for all members of the profession, including those working in public practice, in commercial, governmental, academic and not-for-profit entities as well as those who may no longer work in traditional accounting roles. It also calls on IFAC member bodies to facilitate access to CPD opportunities and resources to assist professional accountants in meeting their responsibility for lifelong learning.

"The public rightfully expects all professional accountants involved in any area of the economy to be competent. The environment across all sectors continues to change at a rapid rate, and it is the profession's responsibility to make sure its members continue to have the knowledge and skills expected of them," states Warren Allen, chair of the IFAC Education Committee. "To meet the needs of those who rely on the profession's services and expertise, it is critical that all professional accountants make a commitment to lifelong learning and maintain competence throughout their careers."

The standard does not specify subject areas in which professional accountants

must maintain competence, as these will vary depending on the accountant's role and area of employment and focus. Instead, it focuses on the principle that appropriate development opportunities should be relevant to the individual's current and future professional responsibilities and should be able to be objectively verified.

All IFAC member bodies are expected to comply with the standard, with effect from 1 January 2006. While some IFAC member bodies and national regulators already require continuing professional education development of professional accountants in their jurisdictions, the standard clearly establishes that all IFAC member bodies are expected to implement such policies. **AT**

The standard has been developed as a result of two exposure periods in July 2002 and October 2003. The standard may be downloaded from the IFAC website, www.ifac.org/Store.

IFAC Supports OECD Principles of Corporate Governance

IFAC welcomes and supports the Organisation for Economic Cooperation and Development's (OECD's) revised Principles of Corporate Governance. The new principles, approved by the OECD's 30 member countries, are designed to strengthen corporate governance practices in companies around the world. The revised principles urge strengthened transparency and disclosure to protect investors and to strengthen capital markets.

"The OECD Principles of Corporate Governance is an extremely important element of the international financial system. IFAC agrees with the OECD's assertion that corporate governance is a key element of improving economic efficiency and growth, and strongly supports the position that corporate governance practices internationally should be based on these principles. Convergence to a common set of principles benefits investors and other stakeholders," comments IFAC President

René Ricol.

The principles also emphasise that auditors should be accountable to shareholders, not management, and that boards of directors should effectively oversee the financial reporting function, ensuring that appropriate systems of control are in place. The OECD document also identified the need to ensure audit competence in all countries.

IFAC supports this and in recent months has issued new and strengthened quality control standards addressing both audit firms and individual audit engagements and has published a report on enterprise governance containing recommendations to strengthen corporate performance.

The revised principles are the result of a consultation process involving representatives of OECD and non-OECD governments, international standard-setting bodies, including IFAC, as well as businesses, professional bodies, trade unions and civil society organisations.

IFAC Deputy President Graham Ward, who represented IFAC during the consultation process, adds: "Consistent with the independent task force report *Rebuilding Public Confidence in Financial Reporting*, IFAC believes that all parties in the supply chain for financial reporting, which encompasses management and their advisers — including lawyers, bankers and analysts — should have a legal duty to act in the public's interest with respect to the provision of financial statements. The OECD principles recognise the responsibilities of boards of directors and management and endorses two concepts strongly espoused by IFAC: transparency and accountability in all disclosures." **AT**

To download the OECD principles, go to www.oecd.org/document.

IFAC is dedicated to serving the public interest, strengthening the worldwide accountancy profession, and contributing to the development of strong international economies. Its current membership consists of 158 professional accountancy bodies in 118 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce. The organisation sets ethics, auditing and assurance, education and public sector accounting standards.



Announcing the Winners of ACCA MERA 2003

The Association of Chartered Certified Accountants (ACCA) recently announced the winners of the ACCA Malaysia Environmental Reporting Awards (ACCA MERA) 2003 at an award presentation ceremony held at Mandarin Oriental Kuala Lumpur. The Awards were presented by YBhg Puan Hajah Rosnani Ibarahim, Director-General, Department of Environment, Ministry of Science, Technology and the Environment.

Hartman Malaysia Sdn Bhd, Shell Malaysia and Sony Technology Malaysia Sdn Bhd were the joint winners for Best Environmental Report.

Golden Hope Plantations Berhad won Best Environmental Report in an Annual Report, while 1st Silicon (Malaysia) Sdn Bhd and Huntsman Tioxide (M) Sdn Bhd received commendations for Environmental Reporting.

“Getting business to buy into eco-friendliness is difficult. Green issues always take a back seat in most corporations because companies are for-profit organisations and their bottom-line is their priority. A loss-making company — no matter how green its practices — is *persona non grata* with investors.

“Practically any business and operations can benefit from an honest analysis of its environmental impact. The fact is every organisation leaves an environmental footprint, whether they operate in manufacturing or services. Thus it is important that organisations report on the impact of their operations to the environment

through environmental reporting,” said Puan Hajah Rosnani during her speech.

“I commend ACCA’s initiative to raise the profile of environmental reporting among companies in Malaysia by introducing ACCA Malaysia Environmental Reporting Awards (ACCA MERA),” Hajah Rosnani elaborated.

Hajah Rosnani also announced that the DOE together with ACCA is planning to introduce sustainability reporting in Malaysia. Sustainability reporting offers companies a means to communicate to the public across the triple bottom-line of environmental, social and economic performance. According to Hajah Rosnani, by better understanding sustainability reporting and the Global Reporting Initiative or GRI, companies will be better able to respond to questions from investors, advocacy and community groups and regulators on how they manage across the triple bottom-line.

Since 1991, ACCA has been involved in reporting awards in more than 20 countries, in Europe, Africa and the Asia Pacific region. ACCA Awards around the world recognise companies for excellence in environmental, social and sustainability reporting. The aim of the Awards is to identify and reward innovative attempts to communicate corporate performance, although ACCA does not comment on performance itself.

The ACCA Malaysia Environ-



Back row L to R ... Anders Christiansen, Business Development Manager, Hartman Malaysia Sdn Bhd; Wahiruddin Abdul Wahid, General Manager Corporate Affairs, Shell Malaysia; Devanesan Evansan, Chief Judge; Hajah Rosnani Ibarahim, DG Department of Environment; Lam Lang Su, Environment Engineer, 1st Silicon Malaysia Sdn Bhd; Haji Aziz Zabidi Abdul Kadir, Process Services Manager, Huntsman Tioxide Malaysia Sdn Bhd. Front row L to R ... Haji Kasmuri Sukardi Group Director Agribusiness, Golden Hope Plantations Bhd and Toshikazu Monikawa, Deputy Managing Director, Sony Technology Malaysia Sdn Bhd

mental Reporting Awards was first launched in July 2002. When entries closed on 31 November 2003, there were 17 entries from 1st Silicon Malaysia Sdn Bhd, Aluminium Company of Malaysia Berhad (ALCOM), Edaran Otomobil Nasional Bhd, Golden Hope Plantations Bhd, Guthrie Ropel Bhd, Hartmann Malaysia Sdn Bhd, Highlands & Lowlands Bhd, Huntsman Tioxide Malaysia Sdn Bhd, Kumpulan Guthrie Bhd, Motorola Malaysia Sdn Bhd, Puncak Niaga Holdings Bhd, Shell Malaysia, Electronics (M) Sdn Bhd, Sony Technology Malaysia Sdn Bhd, Telekom Malaysia, Tenaga Nasional Bhd and Tradewinds (M) Bhd.

The objectives of ACCA MERA are:

- To reward organisations which report and disclose environmental information;
- To raise awareness in corporate transparency issues; and
- Encourage the uptake of environmental reporting.

The core judging criteria are completeness (40 per cent), credibility (35 per cent) and communication (25 per cent). Devanesan Evanson, the Chief Judge of MERA 2003 presented ‘Report of the Judges’ on ACCA MERA 2003 entrants.

The award presentation ceremony was witnessed by 80 guests from various organisations.

Please find further details on the winners in the ‘Report of the Judges’. **AT**

The winners of ACCA MERA 2003

Best Environmental Report

Hartman Malaysia Sdn Bhd, Shell Malaysia, Sony Technology Malaysia Sdn Bhd (Joint winners)

Best Environmental Reporting in an Annual Report

Golden Hope Plantations Bhd

Commendation for Environmental Reporting

1st Silicon (Malaysia) Sdn Bhd and Huntsman Tioxide (M) Sdn Bhd

Model Annual Report 2003 Promotes Broader Accountability and Greater Transparency

With emerging trends and rapidly changing business conditions, generating sound and transparent financial reports has become an essential requirement.

In a move to cater to these developments and to promote greater transparency, CPA Australia in collaboration with BDO Binder, recently launched the updated *Model Annual Report 2003*.

The new report incorporates the latest accounting standards issued by the Malaysian Accounting Standards Board (MASB), namely MASB 25-32, listing requirements of the Malaysia Securities Exchange Berhad (MSEB) and other applicable approved accounting standards.

Speaking at the launching ceremony, the Managing Partner of BDO Binder, David Siew Kah Toong, said that the report serves as a comprehensive guide that provides updated information on the latest reporting requirements in the areas of corporate governance and financial reporting.

"The updated version acts as a reference on best practices in reporting and the latest in professional development. Any model set of accounts is always outdated due to developments in the industry. So we need to keep up with the various accounting standards," said David Siew.

Meanwhile, the Director of CPA Australia, Malaysia Divi-

sion, Tam Kam Peng said that the updated report seeks to expose its users to a wider scope of accountability, transparency and ethics in the profession.

"It promotes greater transparency in financial reporting and helps to generate standardised procedures in line with the new reporting guidelines," said Tam.

CPA Australia is the only accountancy body in Malaysia to produce a Model Annual Report to assist its members made up of mainly users and preparers of financial statements, as a source of reference and application of MASB standards as well as other regulations issued by other regulatory bodies.

The report also strives to form a new and common language in financial reporting enabling local and international companies to make more reliable comparisons as MASB standards are in compliance with the international accounting standards.

The Executive Director of MASB, Dr. Nordin Haji Mohd Zain, who was also one of the guest speakers for the event said that the model report was an easy reference and would contribute immensely as an intellectual resource to the accounting profession.

Apart from this, Dr. Nordin also commended CPA Australia for the organisation's support for works undertaken by MASB through the utilisation



From left ... David Siew, Dr. Nordin and Nik Hasyudeen with the Model Annual Report after the launch.



Senior members of CPA Australia joined Kam Peng and Jim Dickson at the launching ceremony.

of standards issued and the feedback provided.

"In future, both organisations can collaborate not only in imposing standards but also in enhancing the understanding of members. We hope that such initiatives will continue," said Dr. Nordin.

Meanwhile, the Executive Chairman of Khairuddin Hasyudeen and Razi, Nik Mohd Hasyudeen, said that CPA Australia plays a vital role in ensuring that new directives and standards issued are understood and applied by members.

"The standard setters are there to issue the standards. CPA Australia on the other

hand helps in researching the market focusing on the adaptability and viability of the standards through the feedback obtained from its members," said Nik.

On another note, David Siew said that the Model Annual Report would assist organisations in producing quality information that would attract the interest of potential investors.

Also present at the launch were the International Director, Jim Dickson, senior CPA Australia members and representatives from BDO Binder. The launch attracted a select group of media representatives including Bernama news agency. **AT**



CIMA President Visits Malaysia

CIMA President, Claire Ighodaro FCMA, visited Malaysia from 11-16 April 2004. She was accompanied by Robert Jelly, the CIMA Director of Education.

The highlight of the visit was her Presidential Address on “Corporate Credibility — The Role of the Management Accountant” at the CIMA Management Accounting Conference (CMAC 2004) on 13 April. After the Opening Ceremony of the conference, Ighodaro launched the National Award for Management Accounting (NAfMA) Best Practice, together with Datuk Dr. Abdul Samad Haji Alias, President of the Malay-

sian Institute of Accountants (MIA). NAfMA is a new award initiated by CIMA’s Malaysia Division and MIA. The award recognises public-listed and multinational companies in Malaysia with best practices in management accounting.

On 16 April, Ighodaro launched the new generation CIMA professional Chartered Management Accounting qualification at the Mandarin Oriental Hotel in Kuala Lumpur. The event was attended by over 100 representatives from various universities and colleges.

Part of the President’s hectic schedule included the presenta-



Claire Ighodaro FCMA (left) presenting the CIMA Training Certificate to Mariah Md Said, General Manager of Group Finance, Petronas, on 12 April 2004

stitute of Chartered Accountants Australia, Malaysian Institute of Taxation and the Malaysian Accounting Standards Board. Also present were the Chairman of the Management Accountants Department of the Indonesian Institute of Accountants, the Vice-

President of CIMA Singapore and the Executive Director of CIMA Sri Lanka. Internal meetings included a briefing with the staff of CIMA’s Malaysia Division on 12 April and a meeting with Divisional Council members on 14 April. **AT**

President of CIMA Singapore and the Executive Director of CIMA Sri Lanka.

Internal meetings included a briefing with the staff of CIMA’s Malaysia Division on 12 April and a meeting with Divisional Council members on 14 April. **AT**

A Resounding Success

The CIMA Malaysia Division’s second Management Accounting Conference (CMAC 2004) was a resounding success with 435 senior management and professionals from various industries attending the conference from 13-14 April 2004 at Hotel Nikko Kuala Lumpur, Malaysia.

CMAC 2004 received high recognition from Bursa Malaysia (formerly known as the Kuala Lumpur Stock Exchange) and the event was accredited with 32 CEP points*. This recognition lifted the profile of the conference where 40 per cent of the participants were Directors of public-listed companies in Malaysia. The Malaysian Institute of Accountants also conferred due recognition of 16 CPE points for its members.

The conference was officiated by Dato’ Dr. Ng Yen Yen, the First Deputy Finance Minister of Malaysia. She presented the Keynote Address and urged Malaysian companies to take corporate governance seriously.

She said, “No amount of regulation can make an economy efficient and clean if its participants are unwilling to change as well. The business community, and its conduits of information such as accountants, must also be serious in their efforts in raising corporate governance. We must instil a business culture of truth telling, whistle blowing and openness. This way, capital can be attracted and allocated in its most efficient manner.” She added, “The Malaysian Prime Minister has proposed the establishment of a Malaysian Institute for Public Ethics and a National Integrity Plan to promote good governance, accountability, transparency and efficiency.”

The aims of the conference were to introduce Strategic Enterprise Management (SEM) as an approach to create and sustain shareholder value and to help business and finance professionals improve the quality and effectiveness of strategic management processes. SEM was well received by the partici-



YB Dato’ Dr. Ng Yen Yen gracing the opening ceremony of CMAC 2004, with Claire Ighodaro FCMA (right) and YBhg Dato’ O.K. Lee (left)



Claire Ighodaro FCMA hosting a lunch for the Presidents of the professional bodies

pants and there were many enquiries for information on SEM and updates of further developments in this area. The paper on “Delivering Stakeholder Value Through Strategic Enterprise

Management” was delivered by Dr. Martin Fahy, convenor of the CIMA Roundtable on SEM. Another area that received much attention during the conference was “Enterprise Gover-

nance”, a new concept that covers both corporate governance and business performance. The paper on “Enterprise Governance” was delivered by Bill Connell FCMA, Chairman of the Professional Accountants in Business Committee of IFAC.

CIMA President, Claire Ighodaro FCMA, presented her Presidential Address on “Corporate Credibility — The Role of the Management Accountant” at the conference.

She said that CIMA is heavily involved in a number of leading edge projects in rebuilding corporate credibility. She urged management accountants who have a key role as preparers of, or contributors to, externally reported information, to do so in a neutral and objective manner. She added, “Unless companies improve the quality and timeliness of business information delivered to the boardroom, corporate failures will continue. Today’s managers in large organisations lead a hyperactive existence and have to grapple with growing, even overwhelming complexity. They need help with better decision making — that is a key paradigm shift for the accounting profession — as risk advisers, not process policemen.”

The CMAC 2004 Organising Committee is grateful to the many sponsors who have supported the event. This includes the main sponsor — Malaysia Airlines, the Official Hotel - Hotel Nikko Kuala Lumpur, the Official Printer — Galaxy Automation, the Official Business Publication — The Edge, and a host of other exhibitors and advertisers.

To those of you who have missed CMAC 2004, look out for CMAC 2006! **AT**

* Bursa Malaysia has made it a mandatory requirement for Directors of public listed companies to accumulate 48 CEP (Continuing Education Programme) points yearly.



Universiti Tenaga Nasional International Business Management Conference 2004 (UIBMC 2004)

Hyatt Regency, Kuantan, Pahang, Malaysia

6 & 7 December 2004

Theme: “Managing Globalised Businesses: Trends, Issues and Challenges”

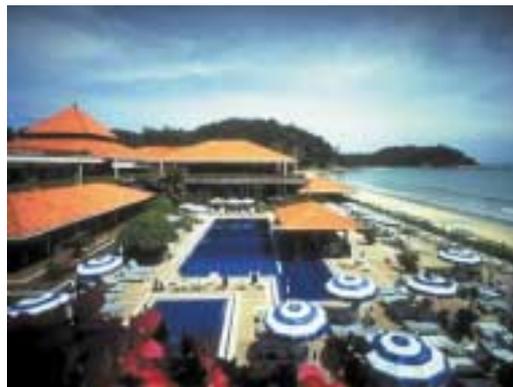
Managing globalised business nowadays has entered a new era. The pace of change has intensified; industries keep converging and consolidating, new technologies are constantly being invented. All these changes put pressure on managers to be more competent in managing their organisations.

To address these universal issues confronting organisations worldwide, Universiti Tenaga Nasional will be organising its second international conference with the theme “Managing Globalised Businesses: Trends, Issues and Challenges”. Thus, this Conference is the right venue to invite academicians and practitioners worldwide to prepare manuscripts addressing the key thrust of the Conference theme.

Therefore, we would like to invite you and your colleagues to participate in the **Universiti Tenaga Nasional International Business Management Conference 2004 (UIBMC 2004)** to be held on 6 & 7 December 2004 at Hyatt Regency, Kuantan, Pahang, Malaysia. This conference is held to unfold the significant trends, issues and challenges in managing globalised businesses of the present economy.



We believe you and your institution/organisation can contribute to the success of the conference by sharing with us your knowledge, experience



and expertise. Contributing and interacting with other presenters and participants at the conference will in turn benefit

you all.

The conference will provide opportunities for professionals, corporate leaders, managers, administrators, academics, and educators to share and exchange ideas on the most effective ways of managing business. Numerous seminars/conferences have been organised to discuss the current issues and challenges in business. UIBMC 2004, however, differs from most, if not all, because it not only combines the experience and ideas from academics, researchers, professionals and practitioners but it is also designed to link academic research more closely with

these issues.

We look forward to seeing you and your colleagues at the UIBMC 2004. **AT**

Conference fees:	International Participant	US\$200
	Local Participant	RM500
Contact address:	Mohamad Ishak Mohamad Ibrahim Chairman, Technical Committee UIBMC 2004 Universiti Tenaga Nasional College of Business Management Kampus Sultan Haji Ahmad Shah 26700 Bandar Muadzam Shah, Pahang, Malaysia Tel: 609-455 2021 Fax: 609-455 2000 e-mail: uibmc@kms.uniten.edu.my	

The following persons are now entitled to use the word 'Accountant' upon their admission to the Malaysian Institute of Accountants, in accordance with Section 22 & 23 of the Accountants Act 1967.

CA — Chartered Accountant
LA — Licensed Accountant
AM — Associate Member

Registration of Accountants

AS AT 23 MARCH 2004

JOHOR DARUL TAKZIM

Johor Bahru

Quek Ngee Chuan	22673/CA
Mat Sahwira Bin Tamat	22762/CA
Chin Min Wan	22768/CA
Chua Shir Ley	22801/CA
Tai Fook Hwa	22863/CA

Kulai

Lau Wei Wei	22705/CA
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Tangkak

Mohammad Bin Mohd Tahir	22722/CA
Sivasubramaniam A/L Pothras	22806/CA

Skudai

Eng Cher Peng	22738/CA
Teoh Toh Soon	22877/CA

KEDAH DARUL AMAN

Alor Setar

Khor Hun Nee	22771/CA
Azmeem Bin Osman	22773/CA

Sungai Petani

Mohamad Khalabah Bin Abdullah	22716/CA
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Padang Serai

Kang Siew Hwa	22835/CA
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MELAKA

Ayer Keroh

Lim Chin Yi	22750/CA
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Bukit Baru

Ahmad Azamiruddin Bin Zainal Abidin	22733/CA
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Lim Chin Yi	22750/CA
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Melaka

Mah Chen Wah	22710/CA
Syarifah Hanem Binti Syed Idrus	22839/CA
Ho Lam Hock	22761/CA

NEGERI SEMBILAN DARUL KHUSUS

Sg. Gadut

Cheok Choon Tuck	22766/CA
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Seremban

Lim Hing Yoong	22685/CA
Nur Azwa Binti Mohd Kamis	22748/CA
Khairun Nizam Bin Mohd Hashim	22803/CA
Shuhaimyazam Bin Nizamdin	22823/CA

PAHANG DARUL MAKMUR

Kuantan

Soon See Tuo	22741/CA
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Wan Ali Bin Wan Sembok	22846/LA
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PERAK DARUL RIDZUAN

Ipo

Florence A/P Arokiasamy	22694/CA
Suryani Binti Mat Isa @ Abd Manap	22709/CA
Yap Sin Kheong	22814/CA
Ban Chong Keat	22855/CA

Teluk Intan

Parameswary A/P Bhuvaneshwaran	22822/CA
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Tanjong Malim

Mohd Hamdan Bin Hj. Yasin	22793/CA
Pandit Vijayalakshmi A/P Narayanan	22827/CA

PULAU PINANG

Bayan Lepas

Teoh Boon Swee	22848/LA
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Penang

Marina Anak Cheling	22792/CA
Teoh Eng Hooi	22796/CA
Ho See Lin	22824/CA
Goh Chim Pock	22847/LA
Ooi Hooi Yin	22875/CA
Daing Mohd Nasir Bin Daing Ibrahim	22884/CA

SABAH

Kota Kinabalu

Sarinah Bt Kamarudin	22818/CA
Roy James	22856/CA

Tanjung Aru

Chia Phui Mei	22795/CA
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SARAWAK

Bintulu

Zuraida Abu Bakar	22713/CA
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Kuching

Michelline Ong May Sze	22715/CA
Low Lee Chin	22717/CA
Suhaimi Bin Abdul Kadir	22720/CA
Png Tiang Hua	22740/CA
Kho Ching Yee	22831/CA
Tay Weeyian	22832/CA
Roland Teng Cheng Fong	22841/CA
Zora Wong Nga Hung	22844/CA
Hadysyam Bin Junaidi	22857/CA
Dayang Bahiyah Hani Binti Awang Bolhi	22868/CA

Doreen Wong Yee Ming	22876/CA
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Miri

Shi Thu Siaw Whai	22728/CA
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Sibu

Teo Tai Wang	22774/CA
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SELANGOR DARUL EHSAN

Ampang

Kuhalinee A/P Kuhanatharajah	22678/CA
Hazim Najmi Kosai Bin Mohd Zihin	22770/CA
Lim Wei Thim	22789/CA
Haslinda Binti Abdul Rahim	22789/CA
Nurazlina Binti Ahmad	22809/CA
Mohd Amir Shah Bin Basir	22828/CA
Chiam Tow Hui	22851/LA

Batu 9, Cheras

Teoh Yee Ling	22683/CA
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Batu Caves

Hazni Salwa Binti Yusof	22743/CA
Rus Amelia Binti Saat @ Saad	22799/CA
Lee Siew Tee	22869/CA
Sabariah Binti Husin	22874/CA

Bandar Baru Bangi

Khairil Iqbal Bin Mohd Noor	22691/CA
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Batang Berjuntai

Maimunah Binti Mamat	22714/CA
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Cheras

Monis Suryani Binti Abu Bakar	22816/CA
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Kajang

Hisham Bin Bakar	22698/CA
Yong Shao Chee	22819/CA

Kapar

Ramli Bin Majid	22731/CA
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Kelana Jaya

Sharizal Nizam Bin Hamzah	22759/CA
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Kepong

Tam Hong Hong	22815/CA
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Klang

Aina Suriati Binti Zahrudin	22676/CA
Azizul Azman Bin Mokhadir	22692/CA
Tang Pik Hou @ Chin Pik Hou	22707/CA
Zalina Binti Bakar	22719/CA
Tan Lay Chin	22729/CA
Lee Song Yih	22756/CA
Gok Hui Ming	22760/CA
Lim Wee Tziang	22779/CA
Seet Pei Ling	22834/CA
Chia Lan Fong	22854/CA
Leow Ruen Yih	22874/CA

Kuala Kubu Bharu

Nur Mohd Razali Bin Abdullah	22870/CA
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Petaling Jaya

Lim Lye Peng	22684/CA
Goh Kian Sin	22721/CA
Hooi You Von	22723/CA
Lee Ban Loong	22725/CA
Sellachy A/P Kathirgamatamby	22747/CA
Cassandra Anne-Marie Tan Yin Ling	22754/CA
Vanita Sharon Mariadoss	22767/CA
Zinnirah Binti Abbas	22778/CA
Sharina Bahrin	22784/CA
Wong Kum Mun	22786/CA
Foo Hui Chin	22787/CA
Roslan Bin Ibrahim	22794/CA
Wong Yun Kit	22805/CA
Lai Chin Wah	22807/CA
Lena Chang Chew Yen	22826/CA
Tan Sern Siong	22845/CA
Muhammad Azman Bin Che Ani	22858/CA
Yew Sin Tah	22859/CA
Wong See Wei	22861/CA
Perng Chong Hann	22862/CA
Ng Yeow Siang	22867/CA
Andy Chin Meow Hong	22871/CA
Ong Chin Chuan	22872/CA
Joshua Lariston Knightley Chetwode	22883/CA
Edwin John Gomez	22887/CA

Port Klang

Chua Oou Chuan	22780/CA
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Puchong

Soh Chaw Chin	22688/CA
Lee Ping Soon	22689/CA
Wong Wing Fatt	22724/CA
Tan Pei Kie	22739/CA
Lai See Mee	22763/CA
Azhari Bin Mohd Yusop	22764/CA
Chew Sen Yee	22781/CA

Serdang		Kamal Aryf Bin Baharuddin	22838/CA	Karen Yeap Ai Ling	22697/CA	
Norzurita Binti Abu Hassan	22677/CA	Raja Norizah Binti Raja Harun	22866/CA	Eslin Binti Halimi	22699/CA	
Zaiton Binti Abdullah	22744/CA	Wang Thee Kit	22881/CA	Tan Chooi Lin	22702/CA	
Seri Kembangan		Sungai Buloh		Tan Gaik Lin	22703/CA	
Mohd Suhaimi Bin Radzi	22836/CA	Tan Chee Piau	22718/CA	Shahana Binti Sharafaddin	22704/CA	
Sepang		Nor Hasyimah Binti Ab Rahman	22800/CA	Dzulkarnain Bin Baharudin	22711/CA	
Normazidah Binti Amir Hussin	22712/CA	Lisa Marie Arokiasamy	22853/CA	Mah Yeep Lih	22726/CA	
Serendah		Tg Karang		Haslind Binti Ramli	22727/CA	
Norliza Binti Samsuri	22777/CA	Mona Binti Othman	22695/CA	Hasnisa Binti Abdul Hamid	22735/CA	
Shah Alam		UEP Subang Jaya		Fezraal Bin Md Yusoff	22736/CA	
Nor Syahidah Binti Ahmad Sudari	22674/CA	Charmei Tan Soo Mei	22842/CA	Muhamad Azmi Bin Othman	22745/CA	
Jaya Kumaar A/L Subramaniam	22681/CA	TERENGGANU DARUL IMAN			Senthilathiban A/L Thirunilakantan	22746/CA
Kwan Kim Ming	22696/CA	Dungan		Mohd Harris Bin Harun	22749/CA	
Yasmin Bt. Mohd Ramzi	22700/CA	Faridah Binti Mohd Yusop	22708/CA	Yogananthan A/L Kanapathipillay	22751/CA	
Zupli Bin Sulong	22701/CA	Kuala Terengganu		Yip Chee Yeong	22753/CA	
Mohamad Arman Bin Razali	22706/CA	Hanim Binti Abdul Rahim	22730/CA	Yap Voon Keon	22755/CA	
Loke Chee Kien	22737/CA	Nor Asmadi Bin Mohd Shafai	22742/CA	Leong Lai Foong	22758/CA	
Tun Fartini Binti Abdul Malik	22752/CA	Zaliaty Bt Mohamad	22812/CA	Aswani Binti Ahmad	22765/CA	
Lukman Bin Ibrahim	22798/CA	WILAYAH PERSEKUTUAN			Afthal Rizal Bin Abdul Wahab	22769/CA
Hisham Bin Zakaria	22813/CA	Kuala Lumpur		Lian Mei Yoong	22772/CA	
Hamer Hakim Bin Zahari	22817/CA	Andi Nurulzehan Binti Andi Yusoff	22671/CA	Loh Sau Mun	22775/CA	
Rosliza Binti Ismail	22830/CA	Haizal Bin Abdul Razak	22672/CA	Yap Yong Seng	22776/CA	
Yusli Bin Mohamed Yusoff	22833/CA	Anis Shuhaila Binti Muhammad Salleh	22675/CA	Cheok Huei Shian	22782/CA	
Allen Tham Hou Ming	22843/CA	Razali Bin Mat Sarif	22679/CA	Muhammad Aminuddin Bin Musa	22783/CA	
Muhammad Al Suhaimi Bin A. Razak	22860/CA	Noraini Binti Abu Sahid	22680/CA	Allias Bin Alwi	22785/CA	
Feridah Binti Bujang Ismail	22864/CA	Nor Hayati Binti Aziz	22682/CA	Lee King Fui	22788/CA	
Subang Jaya		Mohd Yunos Bin Salih	22686/CA	Sharifah Norjumiza Binti Syed Agil	22791/CA	
Grace Wan Li Lian	22734/CA	Chin Siew Khim	22687/CA	Chin Chun Hau	22797/CA	
Liew Shiu Yin	22757/CA	Choo Theng Woon	22690/CA	Suzanna Binti Ibrahim	22802/CA	
Gooi Soo Tian	22821/CA	Mohd Farid Bin Mohamed	22693/CA	Shima Malini A/P Mahalingam	22804/CA	

Tham Poi Yee	22808/CA
Beak Lai Chi	22810/CA
Mohamad Bin Jaffar	22811/CA
Mohamad Safwan Bin Abdul Malek	22820/CA
Chua Guok Guok	22825/CA
Kam Wai Kain	22829/CA
Mohd Afzan Bin Alwi	22837/CA
Lin Pui Fang	22840/CA
Thanapalasingam A/L Kanagasabai	22850/LA
Burhanudin Bin Mohd Noor	22852/CA
Kamarudin Bin Osman	22865/CA
Kooi Hwan Yeu	22878/CA
Chean Kim Wei	22879/CA
Lew Choon Mee	22880/CA
Gary Underwood	22882/CA
Lim Teow Chuan	22885/LA
Cheeh Wai Wing	22886/LA
Chung Lee Hung	22888/CA
Ananda Rao A/L Samudhram	22889/AM
Pang Jee Wei	22849/LA
Harikrishnan	22732/CA

Readmission of Accountants

AS AT 23 MARCH 2004

Shamsul Khalid Ismail	3265
Mohd Zaini Bin Muhamad	4633
Lau Thien Cheong	5415
Tan Men Siong	8381
Ngu Ung Ha, Philip	9773
Tang Poh Choo	9944
Syed Azarin Syed Zainal Abidin Jamallulai	10109
Idris Bin Mohd Tahir	11295
Ng Boon Chan	12771
Zaini Bin Jasami @ Jasmi	14557
Teoh Joon Leng	15663
Safulazman Bin Ahmad	17372
Ariff Zaidi Ahmad Anua	17510

Non-Audit Firms Registered with MIA

FROM 1 TO 30 APRIL 2004

NON-AUDIT FIRM'S NAME	NF NO
KEDAH DARUL AMAN	
P. Teoh Tax Services 1633, 1st Floor, Jalan Junjung Air Merah, 09000 Kulim Tel: 04-490 8018 Fax: 04-490 8028 e-mail: pteoh_co@tm.net.my	0521
MELAKA	
L.H. Ho & Co. 11C, 1st Floor, Jalan Tun Perak 75300 Melaka e-mail: holamhock@yahoo.com	0527

NEGERI SEMBILAN DARUL KHUSUS

LTLK & Associates **0525**
39, Jalan Yam Tuan, 70000 Seremban
Tel: 06-762 2976

PERAK DARUL RIDZUAN

Khaw & Associates **0526**
No. 90, Taman Sri Krishnan
Kampong Cina, 32000 Sitiawan

NS Lim & Co **0523**
No. 8, Taman Sien Hong
Kampung Koh, 32000 Sitiawan
Tel: 05-691 1373 Fax: 05-692 8597

SABAH

J. Wong & Associates **0530**
Lot 58, Jalan Kilang
Sedco Industrial Estate, Kolombung
88450 Kota Kinabalu
Tel: 088-780 198 Fax: 088-420 768
e-mail: jwongkl@tm.net.my

SELANGOR DARUL EHSAN

C. M. Lim & Co. **0529**
No. 2A-5, Jalan PJU 8/5G
Perdana Business Centre
Bdr Damansara Perdana
47820 Petaling Jaya
e-mail: clementlcm@yahoo.com

LB Ling & Co **0524**
44-1A, Jalan Bandar 2
Pusat Bandar Puchong, 47100 Puchong

WILAYAH PERSEKUTUAN

Faridah Ahmad & Co. **0522**
1-5-3, Prima Peninsular
Jalan Setiawangsa, 11 Taman Setiawangsa
54200 Kuala Lumpur
Tel: 03-6187 9788 Fax: 03-6187 9788

J Chan & Co. **0520**
3-2, Jalan 2/76C, Desa Pandan
55100 Kuala Lumpur
Tel: 03-9283 4104 Fax: 03-9283 4046

Wee & Associates **0528**
41, Jalan 122 (Jln Lang Perut Putih 2)
Kepong Baru, 52100 Kuala Lumpur
Tel: 03-6274 5211 Fax: 03-6273 4351
e-mail: hswolf4@yahoo.com

Audit Firms Registered with MIA

FROM 1 TO 30 APRIL 2004

AUDIT FIRM'S NAME	AF NO
PAHANG DARUL MAKMUR	
K.F. Yap & Company 53, Tingkat 1 Bandar Raub Perdana, 27600 Raub Tel: 09-3553868 Fax: 09-3553868 e-mail: kimfay@tm.net.my	1526

WILAYAH PERSEKUTUAN

CCS & Co. **1538**
30-1, Room 2
Jalan 2/109E
Desa Business Park
58100 Kuala Lumpur
Tel: 03-79842782 Fax: 03-79842785
e-mail: Chincheeseng@Pd.Jaring.My

WKC & Co. **1518**
18-1 (1st Floor), Jln 2/131A
Projek Jaya Industrial Estate
6th Mile Jln Kelang Lama
58200 Kuala Lumpur
Tel: 03-77818812 Fax: 03-77818818

List of New Books Available in the MIA Resource Centre

100 Ways to Save Tax in Malaysia, 2nd ed., by Richard Thornton, Kuala Lumpur : Sweet & Maxwell Asia, 2004.

Call No.: 343.595052 THO

How to Fill in Your Income Tax Form B with Tax Planning Tips, by Choong Kwai Fatt, Kuala Lumpur: InfoWorld, 2004.

Call No.: 336.24 CHO

Tax Audit and Investigation, by Choong Kwai Fatt, Kuala Lumpur: InfoWorld, 2004.

Call No.: 336.2 CHO

Malaysian Taxation System 2004 — Self Assessment, by Dr. Arjunan Subramaniam, Kuala Lumpur: Sweet & Maxwell, 2004.

Call No.: 343.595052 ARJ

Thornton's Malaysian Tax Commentaries, by Richard Thornton, Kuala Lumpur: Sweet & Maxwell, 2004.

Call No.: 343.595052 THO

Study in Malaysia Handbook, 4th ed., Kuala Lumpur: Challenger Concept (M) Sdn Bhd., 2004.

Call No.: 378.0409595 STU

International Financial Reporting Standards (IFRSs) 2003: Abbreviated Versions of IAS 1 to IAS 41, London: IASB, 2003.

Call No.: 657.0218 INT

A Manual for the Preparers and Users of Eco-Efficiency Indicators, New York: United Nations, 2004.

Call No.: 658.408 MAN

Cambodian Accounting Standard (CAS), Cambodia: Ministry of Economy & Finance, 2004.

Call No.: 657.09596 CAM

Cambodian Standards on Auditing (CSA), Cambodia: Ministry of Economy & Finance, 2004.

Call No.: 657.4509596 CAM

... Counting on Humour

The Natural History Museum

An accountant visited the Natural History museum. While standing near a dinosaur he said to his neighbour: "This dinosaur is two billion years and ten months old".

"Where did you get this exact information from?" asked his neighbour.

"I was here ten months ago, and the guide told me that the dinosaur was two billion years old."

Retirement

A young accountant spends a week at his new office with the retiring accountant he is replacing. Each and every morning as the more experienced accountant begins the day, he opens his desk drawer, takes out a worn envelope, removes a yellowing sheet of paper, reads it, nods his head, looks around the room with renewed vigour, returns the envelope to the drawer, and then begins his day's work.

After he retires, the new accountant can hardly wait to read for himself the message contained in the envelope in the drawer, particularly since he feels so inadequate in replacing the far wiser and more highly esteemed accountant. Surely, he thinks to himself, it must contain the great secret to his success, a wondrous treasure of inspiration and motivation. His fingers tremble anxiously as he removes the mysterious envelope from the drawer and reads the following message: "Debits in the column toward the file cabinet. Credits in the column toward the window."

Old accountants never die. They just lose their balance.



They pass a large mob of sheep and the farmer says, "You're pretty good with numbers, Keith. How many sheep do you reckon are in that paddock?"

The accountant looks at the sheep for a moment and says, "One thousand, eight hundred and thirty two."

The farmer is amazed. "Exactly right", he says. "How did you work that out so fast?"

"Easy," says the accountant "I counted the number of feet and divided by 4."

Dying Wish

The company owner is dying and calls in his lawyer and his accountant.

The owner says: "I am dying and I want to take my money with me. At my funeral put these envelopes in my coffin."

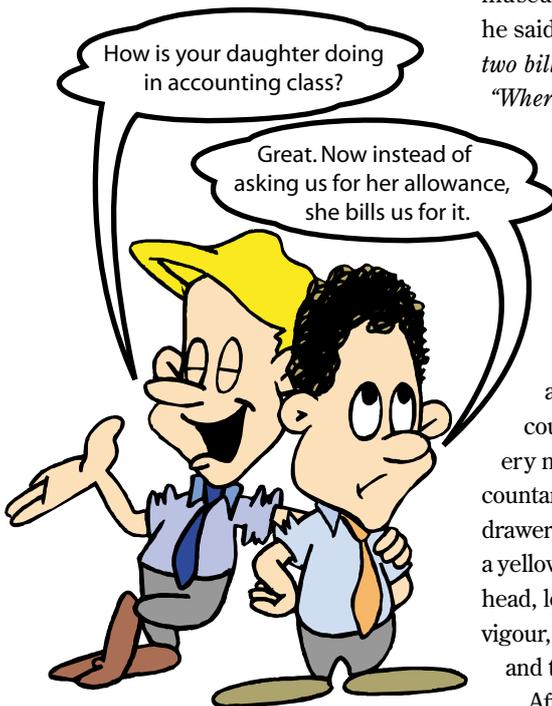
So at the funeral, the lawyer and the accountant put the envelopes in the coffin. But, on the way home the lawyer felt bad and told the accountant that he had opened the envelope, found one hundred thousand in cash and had taken fifty thousand out. The lawyer had justified that as his fee, but

now he felt bad. The accountant responded: "How could you have disregarded a dying man's last request? How could you charge a fee of fifty per cent? You should be ashamed of yourself." Then, the lawyer reacted: "What did you do? You gave him all his money?"

The accountant replied: "Yes, I gave him all his money, but I left a personal cheque for the full amount"

The Accountant

To the optimist, the glass is half full. To the pessimist, the glass is half-empty. To the accountant, the glass is twice as big as it needs to be. **AT**



Kinder, Gentler IRS!

We've just been informed that the Internal Revenue Service has simplified its 'B' forms for next year in the spirit of becoming a "kinder, gentler" IRS. It goes like this:

- (A) How much did you make last year? _____
- (B) How much do you have left? _____
- (C) Send in amount on line B.

Counting Sheep

An accountant is in a car travelling with a farmer client around his farm.