THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

accountants today

May / June 2015
Vol. 28 No. 3

CHAMPIONING THE BEAUTIFUL TAX

GST: IMPACT ON BUSINESS

Consumers are tightening their belts as they perceive that prices are unreasonably inflated post-GST implementation.

ARE YOU THE MASTER OF THE GAME?

TOP OF THE CLASS

ISSN 1394 - 1763
9 771394 176008

Member Audit Bureau of Circulations (Malaysia)
MALAYSIAN INSTITUTE OF ACCOUNTANTS
PROUD HOST: MIAconference 2015 MIA INTERNATIONAL ACCOUNTANTS CONFERENCE

A Bimonthly Publication of the Malaysian Institute of Accountants
For latest news and updates visit *www.mia.org.my* and join MIA's community *www.facebook.com/miamainpage*

NATIONAL ANNUAL
CORPORATE REPORT AWARDS

YOU COULD BE OUR NEXT NACRA 2015 WINNER!

We are pleased to announce that the submission of entries for the **National Annual Corporate Reporting Awards (NACRA) 2015** is officially open. It is time once again to honour and recognise your organisation for excellence in presentation of financial and business information, and for high standard in corporate governance.

This year, an all-new category of award has been included into the line-up for a total of six categories. The 'Inclusiveness and Diversity Reporting' category chooses to recognise, respect and value the various talents regardless of their background, in hope that it would generate more innovative ideas and drive organisations to greater heights.

Kindly submit 40 copies of your organisation's Annual Report in English, 40 copies of the Corporate Social Responsibility Report (if printed separately) and 10 copies of the fully translated Bahasa Malaysia Annual Report (applicable for "Best Annual Report in Bahasa Malaysia" category only) together with the entry form by **30 June 2015**.

Dinner table upgrades as well as additional standard and premium dinner tables are now available for sale.

Do you have what it takes to be a NACRA 2015 award recipient? Make sure you submit your entries to find out!

For more information, please log on to http://www.mia.org.my/nacra/2015 or contact Pn Nurul Nadira or Ms Thane Meyyappan of the Malaysian Institute of Accountants at 03-2279 9200.

TOWARDS ACCOUNTABILITY & EXCELLENCE

JOINTLY ORGANISED BY

BURSA MALAYSIA

mia MALAYSIAN INSTITUTE OF ACCOUNTANTS

CPA MALAYSIA

MALAYSIAN INSTITUTE OF ACCOUNTANTS

Vision and Mission

MIA'S VISION

- To be a globally recognised and renowned Institute of Accountants 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.

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

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

Editor, *Accountants Today*, Dewan Akauntan,
2 Jalan Tun Sambanthan 3, Brickfields,
50470 Kuala Lumpur, Malaysia

Tel: +603-2279 9200, Fax: +603-2274 1783
e-mail: communications@mia.org.my
web: www.mia.org.my
www.facebook.com/miamainpage

accountants today

MIA Council

publisher

Malaysian Institute of Accountants
Dewan Akauntan
2 Jalan Tun Sambanthan 3,
Brickfields, 50470 Kuala Lumpur
Tel: +603-2279 9200
Fax: +603-2274 1783, 2273 1016
e-mail: mia@mia.org.my
web: www.mia.org.my

publishing consultant

Executive Mode Sdn Bhd (317453-P)
Tel: +603-7118 3200, 3205, 3230
Fax: +603-7118 3220
e-mail: executivemode@executivemode.com.my
web: www.executivemode.com.my

printer

BHS Book Printing Sdn Bhd (95134-K)
Lot 17-22 & 17-23, Jalan Satu, Bersatu Industrial Park
Cheras Jaya, 43200 Cheras, Selangor DE
Tel: +603-9076 0816, 9076 0825, 9074 7558
Fax: +603-9076 0785, 9074 7573
e-mail: bhsprint@tm.net.my

MIA Regional Offices

REGION	CHAIRMAN
Northern Region	
Penang Tel: 04-261 3320	Thong Seng Lee Fax: 04-261 3321
Johor	
Johor Bahru Tel: 07-227 0369	Huang Shze Jiun Fax: 07-222 0391
Sarawak	
Kuching Tel: 082-418 427	Tn Hj. Wan Idris bin Wan Ibrahim Fax: 082-417 427
Sabah	
Kota Kinabalu Tel: 088-261 291	Lim Kiat Kong Fax: 088-261 290

Contents

MAY/JUNE 2015

accountants today | mia MALAYSIAN INSTITUTE OF ACCOUNTANTS

06 EDITOR'S NOTE

07 PRESIDENT SAYS

08 TRENDS TO NOTE

STEWARDSHIP

10 GST: IMPACT ON BUSINESS

16 CHAMPIONING THE BEAUTIFUL TAX

19 BOOK REVIEW

20 THE PASSING OF AN ICON

22 THE COMPLEXITY AND URGENCY OF WATER: TIME FOR THE ACCOUNTANCY PROFESSION TO STEP UP

GAMECHANGERS

28 INDIA "MODI-FIED"?: IS MODINOMICS PAYING OFF FOR INDIA?

32 ACCOUNTANTS: CREATIVE BUSINESS LEADERS?

ENGAGEMENT

36 ARE YOU THE MASTER OF THE GAME?

38 STRENGTHENING ACCOUNTANCY EDUCATION

42 SPECIAL PATHWAY TO ACCA

44 TOP OF THE CLASS

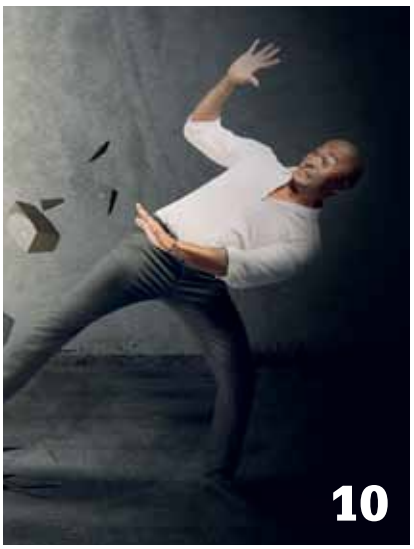
ACCOUNTABILITY

48 SLEEP DEPRIVATION CAN KILL YOU!

50 TODAY'S SYNERGY, TOMORROW'S REALITY

52 AUDIT COMMITTEES: THE AGE OF ACCOUNTABILITY

60 MIA NOTICE



Contact us

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? e-mail: **communications@mia.org.my**

WANT TO ADVERTISE?
Please contact Nadira or Thane at 03-2279 9200 ext 354 / 306.

PURSUING CONTINUOUS IMPROVEMENT

Improvement is always a journey, never a destination. Whenever you feel that you have achieved something, you probably feel a sense of accomplishment, but that is also a signal to reassess progress and take stock. Chances are, we have reached an apex, albeit it is simply a plateau before we resume our upward ascent.

Where the accountancy profession is concerned, we have recorded many milestones and weathered tremendous challenges and developments. Perhaps one of the key milestones lately was the implementation of the Goods and Services Tax (GST) on 1 April 2015. While there was – and still is – much dissension, it is clear that GST is here to stay. What is necessary now is to take steps to iron out the technical and practical confusion which is still pervasive, by emphasising training, education, hand-holding and clear and sensible communications. This issue's cover story canvasses some of the reactions from stakeholders towards GST in the early days and features an interview with Dato' Subromaniam Tholasy, Royal Malaysian Customs' GST Director, who equates GST to a beautiful tax and explains the Customs' follow-up measures to smoothen the GST journey.

Another area that needs marked improvement is corporate governance and accountability to different stakeholders at all levels, as is evident from the many financial controversies now playing out in Malaysia. Ethical leadership or tone from the top has been identified as the essence of good governance and good performance. This issue focuses on the need to improve good governance at the Board level, and the critical role played by the Board Audit Committee, internal auditors and external auditors in managing diverse risks, such as reputation, talent, compliance, regulatory and cyber risk.

At the individual level, it is equally vital for accountants to improve themselves as well, to become indispensable service providers and managers of value, and carve out a niche for ourselves. International innovation and creativity expert Dr. Yew Kam Keong exhorts accountants to become creative leaders. According to him, without creative leadership, all other investments in marketing, R&D, facilities, incentives are futile and even revamping organisational structures and processes is not the solution. Organisations wax and wane with leadership. A creative leader does not need to originate ideas; what is important is being receptive to ideas, and open to selecting those with business potential. An accountant with a knack for figures, an open mind, and the ability to integrate ideas into strategy is well suited for this role.

IT IS EQUALLY VITAL FOR ACCOUNTANTS TO IMPROVE THEMSELVES AS WELL, TO BECOME INDISPENSABLE SERVICE PROVIDERS AND MANAGERS OF VALUE, AND CARVE OUT A NICHE FOR OURSELVES.

On a larger scale, the need to be better AND different applies to Malaysia as well. With so many other nations and markets aggressively moving ahead, we cannot backslide or risk falling behind. We either have to innovate to compete, or innovate to be unique in our own blue ocean. Malaysia is fortunate to be centrally positioned in ASEAN, home to the upcoming ASEAN Economic Community which has the potential to be a high-growth economic and social bloc. Accountants as business partners and providers of accountancy and financial services will be instrumental in bringing this growth to fruition. So let's all of us – accountants and all Malaysians - journey onwards in search of continuous improvement, quality and competency underpinned by an unswerving code of morals and integrity.

That is the way forward if we as accountants and as a nation intend to pursue genuine and meaningful transformation. ■

Happy Reading!

Please be informed that effective May 2015, **MIA Resource Centre will be open** on the 2nd and 4th Saturdays of the month.

BREAKING THE SILOS, ADVOCATING INTEGRATION

PRESIDENT SAYS | DATUK JOHAN IDRIS

As the world globalises and becomes borderless, so are silos and barriers between once-distinct professions and sectors as well as sovereign nations diminishing and disintegrating.

To innovate and improve competitiveness and competency, it will become necessary to port skills and technologies across customary barriers and to promote greater integration across sectors.

As the business landscape becomes more complex and to effectively manage the colossal challenges ahead, it is important for organisations to embed integrated thinking into their business model, strategy and operations. Integrated thinking leads to integrated decision-making and actions that create long-term as well as short and medium-term value.

A good example of integrated thinking and strategy will be the incorporation of data analytics into the finance function for quality information to enable improved decision-making process. At this early stage, accountants could conquer data analytic skills by up-skilling in quantitative skills and analysis.

AT THIS EARLY STAGE, ACCOUNTANTS COULD CONQUER DATA ANALYTIC SKILLS BY UP-SKILLING IN QUANTITATIVE SKILLS AND ANALYSIS.

Particularly relevant to the profession is the adoption of integrated reporting to enhance the quality of corporate reporting and information. At the end of the day, the question is whether these integrative tools and mindsets enable better performance across a range of dimensions: social, environmental and financial?

Equally important is to combine integrated thinking and mindsets with the right calibre of people. To enhance talent, MIA is actively promoting professional certification to ensure that professional accountants possess both technical skills and integrity through adherence to a code of ethics. Employers are being encouraged to improve diversity by recruiting from beyond candidates trained in business, accounting and finance to include graduates trained in other fields, such as engineering and science, and incentivised to support professional accountancy training. Another key measure will be to ensure that educators are similarly experienced in practical aspects of accountancy, so that they can integrate theory and practice and prepare their students adequately for the workforce.

Perhaps a particularly salient example of cross-border integration is the implementation of the ASEAN Economic Community (AEC) at end-2015, which will knit together ten disparate nations and promote the mobility of talent and capitals. The accountancy profession as an important service provider will be impacted by the AEC, and in turn, can impact the AEC's development. With the AEC as a catalyst, ASEAN's collective GDP is expected to reach a compound annual growth rate of over 10% in the years to come, expanding from USD2.4 trillion in 2013 to over USD6.2 trillion in 2023, presenting exciting opportunities for accountants.

To be able to capitalise on these developments, the accountant and finance professional of the future must be outward-looking and receptive to change, not narrow-minded and trapped in equally narrow silos of technical specialisation. Integrated thinking will be a sea change that the accountancy profession must embrace in order to improve its capabilities, competencies and relevance in a landscape and markets that are becoming more complex, diverse, broader, and demanding of efficient new solutions which cut across sectors and borders. Ultimately, I believe that the key to the successful transformation of the accountancy profession lies with people and it's believes. As the fulcrum of business and finance, accountants need to be the stewards and leaders who must lead the movement for integrative intelligence and sustainable business performance. ■

trends to note

Economic and political outlook in and around the world

INTEGRATING RISK MANAGEMENT

THE International Federation of Accountants (IFAC) recently published a thought paper, 'From Bolt-on to Built-in', on managing risk as an integral part of managing an organisation.

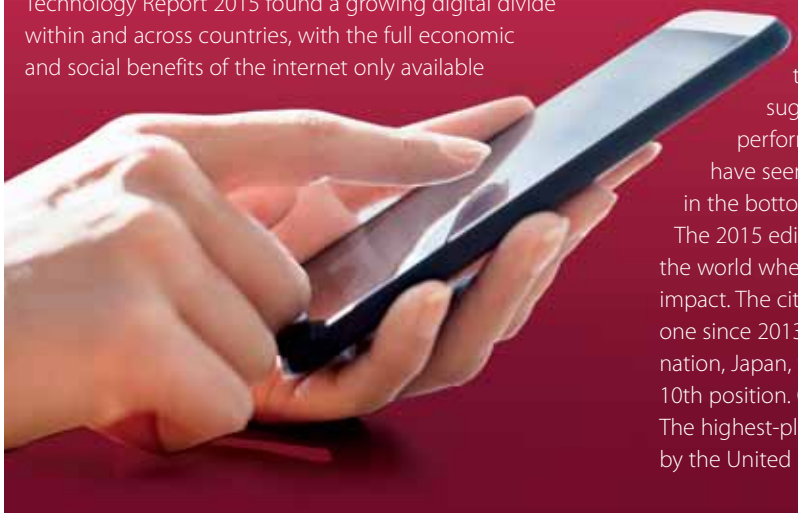
The paper positions the management of risk as an indispensable and integral part of decision-making and subsequent execution in order for Boards and management to ensure their organisation makes the best decisions and achieves its objectives. The paper also: a) demonstrates the benefits of properly integrating the management of risk, including internal control, into the governance, management, and operations of an organisation; b) provides ideas and suggestions on how such integration can be achieved; and c) furnishes practical examples of how professional accountants in business can support their organisations with this integration.

"This paper recognises what risk management was originally intended to do for an organisation - help support effective decision-making and improve performance," said IFAC CFO Fayez Choudhury. "Too many organisations don't realise how useful risk management can be if integrated properly. Without this step - building risk management into your organisation - too many management teams are missing the point, and missing the benefits."

The thought paper is applicable to all organisations - regardless of size or structure, public or private - seeking to improve how they manage risk.

DIGITAL POVERTY

THE World Economic Forum's Global Information Technology Report 2015 found a growing digital divide within and across countries, with the full economic and social benefits of the internet only available to a minority of the world's population. Many countries are failing to implement basic reforms linked to ICTs (information and communication technologies) that could increase productivity, boost economic growth and raise living standards.



Data from the report's Networked Readiness Index (NRI), which measures 143 economies in terms of their capacity to prepare for, use and leverage ICTs, suggest that the gap between the best and worst-performing economies is widening. Those in the top 10% have seen twice the level of improvement since 2012 as those in the bottom 10%.

The 2015 edition of the NRI ranks Singapore as the top country in the world when it comes to leveraging ICTs for social and economic impact. The city state replaces Finland, which had been number one since 2013, and is joined in the top 10 by one other Asian nation, Japan, which climbs an impressive six places year-on-year to 10th position. Occupying the third slot behind Finland is Sweden. The highest-placed G7 economy is the United States (7th), followed by the United Kingdom (8th).

WATERCRISIS

WITH business sharing water with communities, industry, farmers and other users, securing the right quality and quantity of water at the right time is set to become a serious production and reputational issue, according to PwC's 'Collaboration: Preserving water through partnering that works' report.

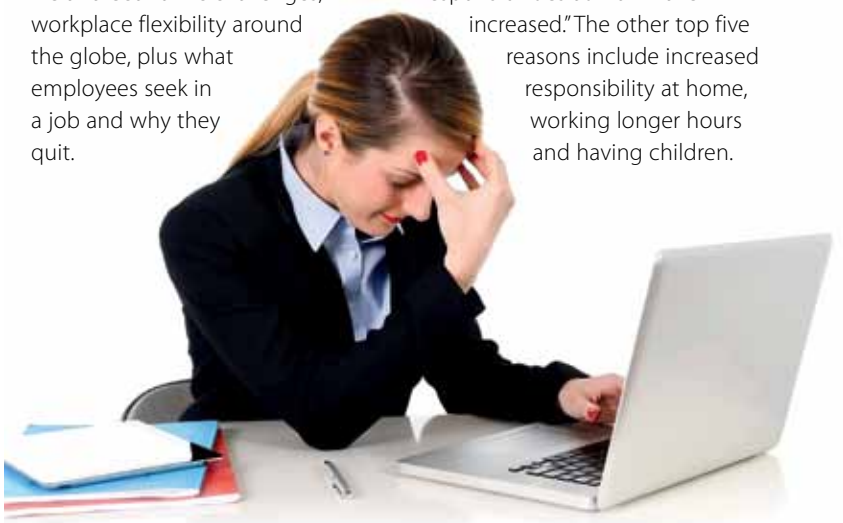
At the current pace, demand for water will increase by 55% globally by 2050, according to the Organisation for Economic Cooperation and Development (OECD). The increase will mainly come from manufacturing (+400%), electricity (+140%) and domestic use (+130%). In fact, the World Bank has cited a 40% global shortfall between forecast demand and available supply of water by 2030. Add in competition from agriculture to feed growing populations, and the gap between supply and demand results in very challenging consequences, noted PwC.

WORK-LIFE CHALLENGE

EY's new Global Generations research showed that one-third of full-time workers say that managing work-life has become more difficult in the last five years. Younger generations and parents are harder hit than others, plus workers in certain countries.

The online survey of close to 9,700 full-time workers at companies of varying sizes in eight countries – the US, Germany, Japan, China, Mexico, Brazil, India and the UK - explored a wide variety of areas including: younger generations moving into management, work-life and economic challenges, workplace flexibility around the globe, plus what employees seek in a job and why they quit.

Among the key findings were: the top reason one-third of full-time employees globally say it has gotten more difficult to manage work/family in the last five years is that "my salary has not increased much, but my expenses have," which was about tied with "my responsibilities at work have increased." The other top five reasons include increased responsibility at home, working longer hours and having children.



Other notable findings

Full-time employees in Germany and Japan are the most likely to indicate that it has gotten tougher to manage work-life, but about one in four US workers report this, too.

Countries where parents found it most difficult to manage work-life versus non-parents were Germany, the UK, India and the US.

Approximately half (46%) of managers, globally, are working more than 40-hour weeks and four in 10 say their hours have increased over the past five years.

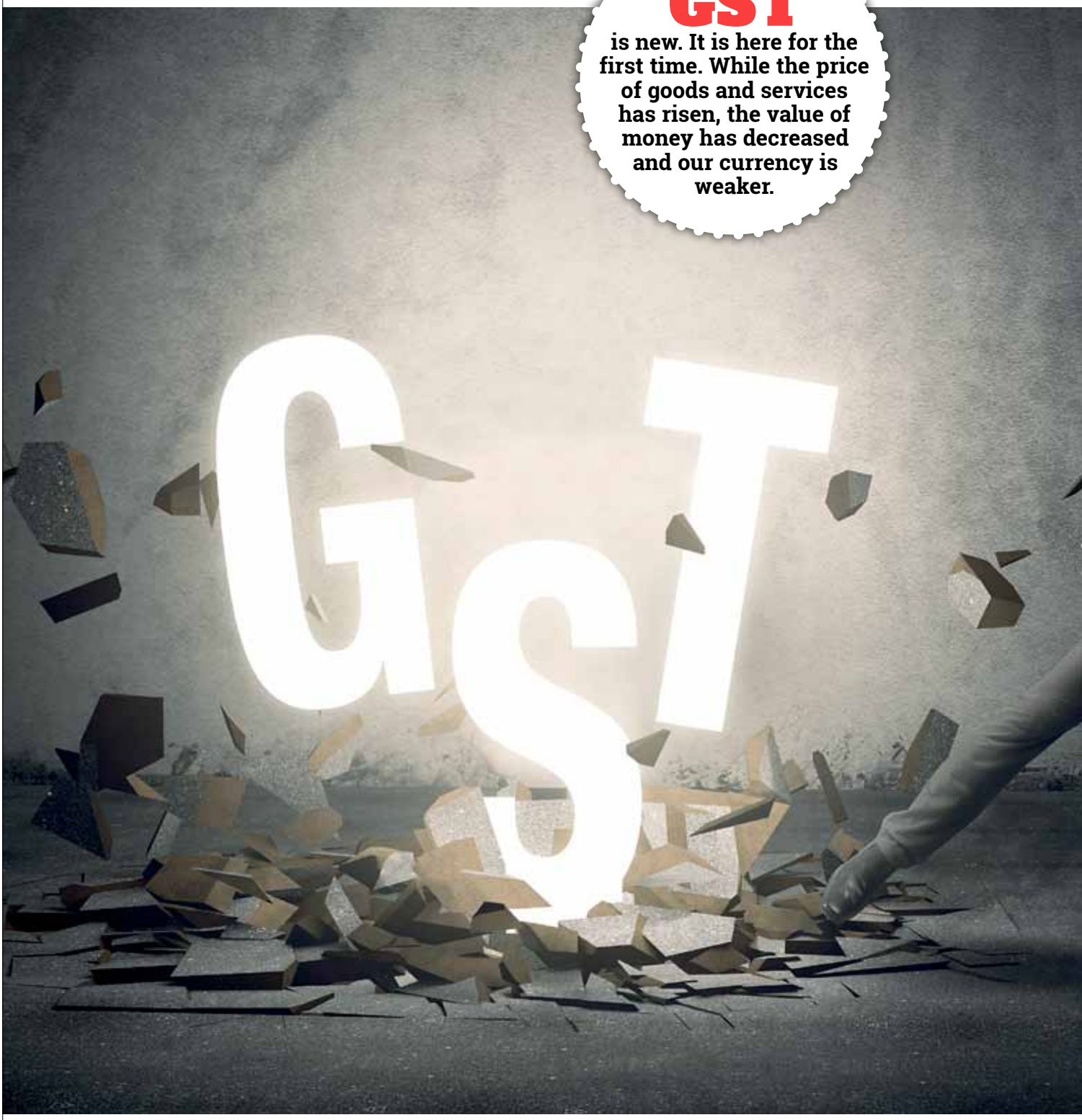
Globally, younger generations are seeing their hours increase more in the last five years at a time when many are moving into management and starting families. (47% of millennial managers reported an increase in hours versus 38% for Gen X and 28% for Boomers.)

Of managers, full-time working parents (41%) have seen their hours increase more in the last five years than non-parents (37%).

Illustrating the tension of dual-priorities for younger generations, about half of millennials and Gen X cited increased responsibilities at work as a leading cause, coupled with more than two in five citing increased responsibilities at home.

BY THARIQ ISMAUN FARUQI

GST is new. It is here for the first time. While the price of goods and services has risen, the value of money has decreased and our currency is weaker.



CONSUMERS ARE TIGHTENING their belts as they perceive that prices are unreasonably inflated post-GST implementation. It is hoped that their reluctance to spend will peter out soon in order to sustain the critical SME sector, and to support domestic demand which is crucial to local economic growth.

GST: IMPACT ON BUSINESS

PRIOR to implementation of the Goods and Services Tax on 1 April 2015, it was anticipated that the retail and service-oriented sectors might suffer a short-lived downturn as consumer sentiment turned bearish. However, few could have predicted the extent of consumer caution and its bleak impact on business.

Small and medium-sized businesses surveyed informally on a mostly anonymous basis by *Accountants Today* estimated that their sales are down by up to 50% post-GST, perhaps due to customers' lack of familiarity and opposition to the value-added tax.

"GST is new. It is here for the first time. While the price of goods and services

A F&B OPERATOR ATTRIBUTED A 30% DROP IN CUSTOMERS TO GST AND RELATED INFLATION. HOWEVER, THE DROP WAS OFFSET BY STRATEGICALLY INCREASING PRICES TO MAINTAIN SALES REVENUE.

has risen, the value of money has decreased and our currency is weaker. People complain and they tend to save," remarked a textiles producer who estimated that his sales have declined by 40% since 1 April. Currency depreciation and other factors on top of GST have impacted his business since he imports 70% of his raw materials requirements, such as textile, inks and spare parts.

Alex Lee, CEO, Ping Anchorage Travel & Tours Sdn Bhd, said his business is down by 50%. GST has affected his segment's spending patterns, especially in the East Coast markets which are economically smaller and less affluent than the urban centres in the West Coast: "It is something we have never seen before even during non-recession times. People think twice about travelling, even domestically. If they usually travel five times a year, they may cut it down to just once a year."

"It is something we have never seen before even during non-recession times. People think twice about travelling, even domestically. If they usually travel five times a year, they may cut it down to just once a year."

Elsewhere, a F&B operator attributed a 30% drop in customers to GST and related inflation. However, the drop was offset by strategically increasing prices to maintain sales revenue.

The property sector is also affected by GST. A medium-sized Pahang-based property developer noted, "We are experiencing a wait-and-see approach by potential investors or purchasers." Apparently, rumours that certain state governments – such as Pahang - might choose to absorb GST and the likely impact on final pricing is causing confusion among potential purchasers. Since buyers definitely would like to see what happens next, this most likely means delayed purchases.

In response, his company has actually slowed down or deferred new developments, choosing to complete current projects until things are more clearer and stable. However, he commented that bigger firms with better resources and holding power might still push their projects forward.

TIMING AND READINESS

Dr. Fakhrul Anwar Zainol, business advisor and an Economics and Management Science faculty member at Universiti Sultan Zainal Abidin (UniSZA), noted that GST reduces household income as purchasing power and spending are curtailed.

Consequently, businesses experience a decline in sales.

GST was also perceived to have been implemented in inauspicious conditions which further dampened consumer and business sentiment. Businesses and consumers are edgy because apart from GST, other negatives are in play, including the uncertain world economy, the weakening of the ringgit versus the greenback and key regional currencies, political and financial controversies, and declining oil and commodity prices.

Lack of preparedness and the inability to change mindsets are also to blame for opposition to GST. "The major issues mostly revolve around the readiness of stakeholders. The *rakyat* are not ready. Indeed, various issues on the higher cost of living when they cropped up during implementation also indicated that the government too was not quite ready, creating confusion," added the academic.

THE MAJOR ISSUES MOSTLY REVOLVE AROUND THE READINESS OF STAKEHOLDERS. THE RAKYAT ARE NOT READY.

Further clouding the landscape and cushioning the full impact of GST were measures such as the absorption of GST by agencies such as the Terengganu and Johor Local Authorities and businesses such as Mydin Holdings.

On the bright side, businessmen such as Lee reckon that a clearer picture of GST will emerge in three to four months, although it will take a few years to stabilise the situation, due to these common teething pains for GST implementation which every jurisdiction has experienced.

For businesses, getting back quickly to the "business as usual" mode is imperative. "It is vital that the government helps to hasten it (normality) as soon as possible. Doing business is very tough now. The government has to come in to boost business confidence and the operating environment," Lee stresses.

In an exclusive interview with *Accountants Today*, Dato' Subromaniam Tholasy, GST Director, Royal

RISING BUSINESS COSTS

The cost of doing business has also gone up with pressure on cash flow, especially for SMEs.

Billy Kang, whose accounting firm services the SME market in Kelantan, noted the extra cost comes from installing hardware and software as well as training when trained staff are not available. Costs will then be passed on to consumers.

According to Kang, small businesses have to fork out between RM3,000 to more than RM8,000 initially to install machines, while the software costs between RM5,000 and RM20,000 depending on the module. "For the small business owner, it is definitely a burden on their cash flow."

There are other hiccups too.

Apparently, even the supply of cash registers is insufficient despite orders being made well in advance. "Manufacturers were not prepared for the volume of orders." He also claimed that some approved softwares were riddled with bugs and are not 100% GST-ready. Administration of GST compliance is too burdensome to SMEs which are deficient in the proper systems, knowledge and staff.

In terms of pricing, Ping Anchorage's Lee said that it is not just the 6% which can be passed to customers. Approximately another extra 4% is required to manage the accounting system, tax invoices, and an additional one or two (accounting) staff headcount, depending on the company size. He notes, "Effectively you're the tax collector for the government. It really involves extra time and money."

Malaysian Customs Department, says he expects things will normalise sooner than most countries. As of 2014, 169 countries have implemented GST. "Usually, it (stabilisation) takes about two years. However we believe it will take a much shorter period, largely due to the hand-holding programme which we initiated about a year in advance."

According to him, Malaysia has faced no major issues with regards to the GST systems, records, documentation, people, cost and enforcement. However, there has been criticism that the large number of exempt and zero-rated items has made the GST system unwieldy and complicated. Asked if there is further scope to enlarge excluded / zero-rated items to include such things as needles or strips for diabetics and fees for skills upgrading and training, Dato' Subromaniam responded non-committally that the ministry will continue to engage with the relevant parties.

THE WAY FORWARD

Meanwhile, several measures can be put into place to smoothen the bumps going forward. The GST's negative impacts can be mitigated by emphasising economic growth – by putting in place initiatives to boost local business, increase marketing budgets, and improve entrepreneurial development, for example. Given their status as an engine of growth, SMEs should be a key target group. Dr. Fakhrul recommended educating SMEs further on accounting and GST since they contribute very significantly to the economy.

There also has to be perceived accountability and transparency with specific details on the allocation and spending of the tax revenue collected from GST to satisfy stakeholders. Dato' Subromaniam revealed that the government expects to collect RM23 billion for the first nine months of this year. It was also reported that GST will add RM31.4 billion annually to the government coffers in the next few years.

"How wisely the government spends the money is crucial," remarked Lee. If government reinvests the funds in infrastucture and value-added development and initiatives to escalate businesses to the next level, there will be opportunities for businesses to recover, sustain and expand their operations across the board.

Echoing Lee, Dr. Fakhrul stressed, "A general statement saying that the money will be spent on development and welfare is insufficient. The *rakyat* needs explanation – what is the direct benefit to you and me? They don't want short-term goodies. They need long-term and sustainable action plans. The government must walk the talk."

A detailed impact analysis is also recommended. The Pahang-based property developer suggested a post-GST analysis which tabulates and addresses major issues and solutions, including a strong focus on increasing income for the people to mitigate the impact of GST. "We need to know if it's a knowledge or attitude issue. Do we need reclarification on matters to address the public now that they already have first-hand experience of GST?"

Despite the shortcomings, Dr. Fakhrul believes that GST is an efficient tax. "Before this, some businesses could skip out on paying taxes under a different system of reporting. Now they can't do that since all the sales can be traced." Of course, it goes without saying that GST can and should be better managed. Enforcement of GST-related legislation such as the Price Control Anti-Profiteering Act 2011 will be especially critical to weed out and penalise culprits who will take advantage of the new system.

Notwithstanding the unique features of Malaysia's GST, businesses, consumers and the general public certainly need a reasonable learning curve and various forms of assistance to ensure the sustainability and acceptance of this forward-looking value-added tax. ■

Malaysia GST Compliance Conference

Unraveling Post-Implementation Complexities

Wolters Kluwer

8 & 9 July 2015

Prince Hotel & Residence, Kuala Lumpur

Now that we have crossed the 1 April 2015 implementation date and your systems are in place, you would think that it is safe to finally close a chapter on this matter. However, there are still many grey areas that need careful consideration if you are to minimise unintended errors.

Earn up to 16 CPE hours*

This conference will uncover the GST risks that lurk in the post 1 April 2015 environment. Discover the direction your business needs to take to stay compliant, minimise disruption and risks.

Conference Highlights

- Post April 2015: Practical GST Lessons Learnt
- Uncovering Grey Areas
- Malaysia GST Going Forward
- Price Control and Anti-Profiteering Act
- GST Processes and Procedures – Your Strategy for 2015 and Beyond
- The Future of GST: What You Need to Think About Now
- Critical Conversations: Addressing Key Areas of Concerns
- GST Case Studies

Who Should Attend

CEOs, General Managers, Entrepreneurs, Financial Controllers, Finance Directors/ Managers, Accountants and Accounting Staff, Staff from Operations, IT, Sales, Logistics and Human Resources Departments

Register Now! Take advantage of the early bird savings and enjoy up to 40% OFF* for group registration.

**Terms and conditions apply.*

For registration and enquiries, please contact
Sarah at 03-2024 8608; 016-255 7013 or email sarah@cch.com.my

www.cch.com.my

Industry Experts

Dato' Subromaniam Tholasy
Director of GST,
Royal Malaysian Customs Department

Dr. Veerinderjeet Singh
WK Technical Advisor, Taxation
Chairman, TAXAND Malaysia Sdn Bhd

Bhupinder Singh
Vice President, Group Tax
Petronas

Raja Kumaran
Executive Director,
PricewaterhouseCoopers Taxation Services Sdn Bhd

Robert Tsang
Leader – Southeast Asia & Asia Pacific Indirect Tax, Deloitte & Touche LLP, Singapore

Lorraine Parkin
Senior Executive Director
SJ Grant Thornton

Bernard Yap
Indirect Tax Partner
Ernst & Young Tax Consultants Sdn Bhd

S. Saravana Kumar
Partner, Tax, GST & Private Clients
Lee Hishammuddin Allen & Gledhill

Thenesh Kannaa
Partner
Thenesh, Renga & Associates

Michael Hendroff
Director, Indirect Tax Department
KPMG Tax Services Sdn Bhd

and many more …

BY NAZATUL IZMA

Championing the Beautiful Tax

"GST/VAT is a beautiful tax and 169 countries have implemented it. It is an efficient and effective tax which brings a lot of benefits to people, businesses and the country. We expect to collect RM23 billion in the first nine months of the implementation of GST," remarked Dato' Subromaniam Tholasy, GST Director of the Royal Malaysian Customs Department (RMCD) via e-mail.

Certainly the man of the hour when it comes to Malaysia's controversial value added tax, Dato' Subromaniam has been eating, drinking and sleeping GST as he spearheads Malaysia's game-changing GST implementation exercise.

Oddly enough though, Dato' Subromaniam is not a tax accountant. He's come a long way from his B.Sc. Hons degree in Nuclear Science. Also the holder of an MBA from the United States and a certificate in Strategic Leadership from Oxford University in the United Kingdom, Dato' Subromaniam has been with the Royal Malaysian Customs for about 30 years. Throughout his career, he has worked in various divisions such as Sales Tax, Service Tax, Account Inspection, Import, Valuation, Post Clearance Audit, Enforcement and now GST.

Despite his understandable preoccupation with GST, Dato' Subromaniam made time to respond to questions posed by Thariq Ismaun Faruqi. Excerpts...

Q WHAT IS RMCD's MISSION AND ITS KPIs ON GST IMPLEMENTATION?

We believe in promoting voluntary compliance. This can be achieved through hand-holding which is an extensive training for taxpayers, and compliance audit.

Our KPI is to have 400,000 registrants by end of the year and to collect the right revenue. The government expects RM23 billion for the first nine months.

Q WHAT DO YOU SEE AS THE ISSUES IN GST IMPLEMENTATION THUS FAR?

So far, the progress has been good. There are no major issues in the GST implementation thus far but only some minor issues mainly on the classification and description of goods and lack of preparation on the part of some SMEs.

In providing the safety net, especially for the low-income group, the Malaysian GST model has a long list of zero-rated and exempted items. The noble intention of the government is good, but it comes with a lot of challenges, unlike in other countries which have fewer zero-rated and exempted items.

Regarding SMEs' lack of preparation, they have to invest a little in ICT by upgrading their system or getting a new system which is GST-compliant. The government is also giving incentives in the form of Accelerated Capital Allowance for the purchase of ICT equipment, RM1,000 subsidy for the purchase of accounting software and further deduction on GST training.

So far we have not encountered any significant flaws in the GST mechanism which requires rectification.

Q BASED ON FEEDBACK FROM BUSINESS OWNERS, HOW ARE THEY COPING WITH GST's IMPACT ON THEIR BUSINESSES?

We have been conducting the hand-holding programme since October 2014 to assist businesses in their specific industries and this is helping them to cope well.

Sometimes we do get some unique business issues which do not have ready answers but we try to resolve the issues in the technical meetings which we hold at least once a week. Complex transactions involving arrangements are usually decided by advanced ruling as it may take some time to understand the nature of these transactions. The department will also continue to meet businesses and traders to address and resolve the issues they face.

Q FROM THE REGULATOR's PERSPECTIVE, HOW HAS CUSTOMS PERFORMED SO FAR?

Customs has done reasonably well in the registration and hand-holding programme. However, we have not done so well in terms of communication to the public. Customs cannot possibly focus too much on this as our priority is on the businesses.

(To overcome these challenges in the near and intermediate future), hand-holding is being intensified and we are working with SMEs, associations, FMM (Federation of Malaysian Manufacturers) and chambers (of commerce and business).

Q WAS THE TIMING OF GST IMPLEMENTATION POOR, SINCE MALAYSIA FACED SOME OTHER ISSUES SUCH AS A WEAK RINGGIT AND LOW OIL PRICES AT THE SAME TIME?

No, the timing was right. GST is a stable source of revenue and all this while we had been too dependent on revenue from income tax and oil.

Q WHAT ARE YOUR COMMENTS ON THE SEEMINGLY CONTRADICTORY (OR FLIP-FLOP) ANSWERS AND EXPLANATIONS PROVIDED TO GST QUERIES BY VARIOUS MINISTERS AND DIFFERENT OFFICIALS AT DIFFERENT LEVELS?

I believe you are referring to the telco issue. Since GST was a replacement tax (replacing the SST or sales and service tax), we did not expect this to be an issue until the telcos decided to go for a tax-exclusive basis from a tax-inclusive basis under the service tax regime. Even though they increased the airtime for the tax-exclusive basis, it did not go down well with the masses. The issue will be resolved in the near future.

Q WHAT ARE YOUR COMMENTS ON THE LOCAL AUTHORITIES' ABSORPTION OF GST FOR RENTAL OF GOVERNMENT PREMISES, PARKING, ETC. AS IN JOHOR AND TERENGGANU?

Regulatory & Enforcement supplies made by local authorities and statutory bodies are not subject to GST. However, business activities such as parking or rental of premises done by local authorities and statutory bodies are subject to GST. According to Section 9 of the GST Act 2014, they have to charge GST and it has to be shown on the invoices.

Q WHEN DO YOU EXPECT TEETHING/ MINOR ISSUES TO BE COMPLETELY RESOLVED AND THINGS TO BE STABILISED?

From the experience of other countries, usually it takes about two years. However we believe it will take a much shorter period. This is largely due to the hand-holding programme which we initiated about a year in advance. ICT developments have also facilitated implementation.

We are doing much better than other countries. The rate is one of the lowest in the world, thus not adversely affecting the rakyat. ■

COMMUNICATION FLIP-FLOP

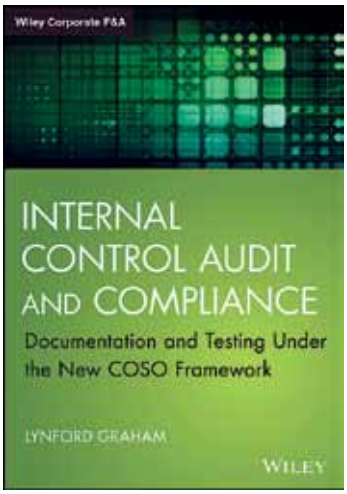
About three months into GST implementation, it is believed that many accountants servicing the SME market are still troubleshooting for their clients, especially on technical and compliance issues.

Billy Kang, whose accounting firm services the SME market in Kelantan, remarked that most customers do not understand GST. He adds, "Issues on the ground are practical issues. It is confusing when there are flip-flops in Customs' rulings. Officers are not well-trained to handle practical issues. They don't know the nitty-gritty of business." Examples in the telecommunications industry include GST on telco's starter pack, post-paid and prepaid. Another example pertains to record-keeping. Can the remaining stock of printed old invoices still be used by augmenting them with rubber stamps with GST numbers?

Where public practitioners and accountants are concerned, as business consultants they need to provide the appropriate advice but flip-flops and contradictions in public statements are a challenge which could lead to them dispensing the wrong advice to clients. Hence, everything must be made clear with proper guidelines.

Could Customs officers on the ground also require sensitivity and communications training? According to Kang, the tone of communications by officers could be improved to promote business GST compliance. Apparently, small businesses feel threatened by regulatory officers, and feel that they have no choice but to live with it due to threats of action against them. Interestingly, the Customs GST chief, Dato' Subromaniam Tholasy concedes that communication is a problem area in GST implementation (see Q & A).

Book Review



FEATURED BOOK

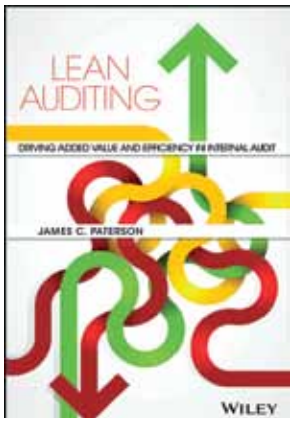
Internal Control Audit and Compliance: Documentation and Testing Under the New COSO Framework

by Lynford Graham

ISBN: 978-1-118-99621-8

USD94.95

Ease the transition to the new COSO framework with practical strategy. For all public companies, under the Sarbanes-Oxley Act, every corporation has to publicly assert that their internal controls are adequate, and for larger public companies, public accounting firms are also certifying to the effectiveness of those internal controls. The COSO internal controls framework defines internal controls and conceptually how they should be assessed and tested. This book will provide a description of the new, revised COSO internal controls framework and provide transition guidance for those currently using the older guidance. It provides a step-by-step guide for auditors and controllers on how to document and test internal controls, and also how to strengthen processes in the business. This book will cover: the differing requirements for public and non-public companies and their auditors, the new COSO framework for effective enterprise internal controls with detailed sections covering each of its elements and the 17 new principles identified in the Framework; what has changed in the new guidance including new points of emphasis; incorporating improved risk management processes as part of the new COSO framework; internal auditing concerns when following the new COSO framework, detailed step-by-step guidance on testing and emerging best practices for efficiency and effectiveness.



Lean Auditing: Driving Added Value and Efficiency in Internal Audit

by James C. Paterson

ISBN: 978-1-118-89688-4

USD50.00

Use lean techniques to enhance value add and reduce waste in internal auditing. In this groundbreaking book, James C. Paterson demonstrates the counterintuitive concept that if the internal audit process continues to carry out a large portion of traditional controls and compliance work, it can often weaken and perpetuate a range of organisational and cultural problems with governance, risk and assurance. Paterson shows the ways in which taking a lean approach to the audit plan can ensure that internal audit examines the right areas, overcoming the common failing of having a disconnect between the audit plan and the most important risks and value drivers. *Lean Auditing* offers numerous insights into the reasons audit functions can struggle to deliver value and optimal productivity. It explores how lean, progressive audit practices can guide the way audit resources are allocated across different risk areas in order to maximise the value derived from the plan.

Measurement Madness: Recognizing and Avoiding the Pitfalls of Performance Measurement

by Dina Gray, Pietro Michel and Andrey Pavlov

ISBN: 978-1-119-97070-5

USD50.00

A clearer, more accurate performance management strategy. Reading *Measurement Madness* will enable you to design a simple, effective performance measurement system, which will have the intended result of creating value in your organisation. It is an engaging read, full of anecdotes so peculiar you'll hardly believe them. Each one highlights a performance measurement initiative that went wrong, explains why and – most importantly – shows you how to avoid making the same mistake yourself. Management theories are used to underline types of behaviour and, most importantly, how they can be anticipated. This book will show what performance management success looks like.

BY ANIS RAMLI

The Passing of an Icon

The passing of former Accountant General YM Raja Dato' Seri Abdul Aziz Raja Salim, fondly known as Pak Engku, is a sad loss to the profession.

YM RAJA DATO' SERI ABDUL AZIZ RAJA SALIM, the former Accountant General of Malaysia who championed competency and quality in the profession and was instrumental in establishing the first Chartered Institute of Management Accountants (CIMA) Centre in Kuala Lumpur, passed away on 3 March 2015. He was 76.

Low-key and humble, Raja Abdul Aziz, affectionately known as Pak Engku to many, nonetheless was very approachable. He loved sharing his experiences with those who cared to listen. Nik Mohd. Hasyudeen Yusof, Executive Chairman of the Audit Oversight Board, reminisced on his blog that Pak Engku's generous attitude and mentorship helped him understand the context of certain events in the past and "provided me with the right perspectives and insights which were relevant in my work at MIA (Malaysian Institute of Accountants) and in dealing with the society at large."

A PIONEER IN THE PROFESSION

Slender and medium in build, a legacy of his athleticism in school, Pak Engku's foresight and vast experience in the accountancy profession was greatly admired. As the nation's first CIMA-qualified (Chartered Institute of Management Accountants) accountancy professional, he understood the need for high-quality financial management at a time when Malaysia was at the cusp of industrialisation. His workhorse attitude was evident when, as the then-Deputy Accountant General, he would chair lunch meetings at his Kompleks Duta office with three other stalwarts – the late Encik Zainal Abidin Yahya, Major Ho Ching Toh and Major Chow Cho Han – to discuss the setting up of CIMA Malaysia. By the mid-70s, CIMA Malaysia was successfully established and Pak Engku was appointed the first President. His was to be the longest tenure, from 1977 to 1993, a duration that reflected his influence in positioning management accountants as key strategic partners in business organisations.

Pak Engku was similarly influential at MIA, where he served as a Council Member of the Malaysian

Institute of Accountants (MIA) for almost two decades.

He was on the Council when MIA was reactivated in 1987 and helped to steer the Institute into becoming an active regulatory and professional body in the early years of its activation. "He was always respected as a Senior Council Member to whom the Council would turn to for advice from time to time," said Ho Foong Moi, Chief Executive Officer, MIA.

Even after he left the MIA Council, he was always supportive of the Institute and its activities. He never failed to attend the Institute's flagship event, the MIA International Accountants Conference (previously known as the National Accountants Conference) despite his busy schedule, unless he was overseas or unwell. "The MIA staff always looked forward to seeing Pak Engku at the Conference," said Ho.

In his later life, there would be various chapters and defining moments that shaped his continuous contribution to the accountancy profession, locally and regionally. He would serve as the Director-General at the Inland Revenue Board of Malaysia from 1980 to 1990 and Accountant General (AG) Malaysia from 1990 to 1995. He was made a Council Member of CIMA, United Kingdom, from 1990 to 1996. In recognition of his outstanding service to the accountancy profession, Pak Engku was awarded the CIMA Gold Medal.

He was also an Honorary Fellow of the Chartered Tax Institute of Malaysia (formerly known as the Malaysian Institute of Taxation), Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and Fellow of the Chartered Institute of Management Accountants, United Kingdom. Nik Hasyudeen said, "As Council Members, we would travel together to the ASEAN Federation of Accountants (AFA) Council meetings. Certainly he was well-respected by his peers in the region, and when the Council was having difficulties to address certain delicate issues, views from Pak Engku would carry weight in the final decisions."

AN ICON OF INTEGRITY AND COMPETENCY

Over the years, Pak Engku became an "institution" in Malaysia's accounting world through his dedication, and more importantly, his work on behalf of the accounting field. He left important systemic and professional legacies.

PAK ENGKU'S FORESIGHT AND VAST EXPERIENCE IN THE ACCOUNTANCY PROFESSION WAS GREATLY ADMIRED.

Recalling these milestones, YBhg Datuk Siti Maslamah Osman (former Accountant General of Malaysia: 2000-2003) remarked, "Pak Engku's era was considered the beginning of the modernisation of the AG's accounting system. It evolved from manual, then went into IBM, cartridge and then a central system. He also initiated the opening of branches. Once branches were opened, he upgraded the computerised system. I recall a consultancy group known as CIDA Canada being hired to review the code of accounts and online system and this would continue to be used for more than 15 years."

Throughout his distinguished career, Pak Engku was highly egalitarian and was accessible to many. He was dedicated to improving competency and public service. MIA Registrar Sudirman Masduki said, "His legacy and advice was portrayed in his actions and deed. His genuine care, humble manner, always smiling yet at the same time insisting that everyone deliver the highest quality of accounting service is often remembered. I never saw him being upset or ever scolding any one or losing his temper. He was always smiling, but firm. Those were his attributes."

It was also during his tenure as Accountant General Malaysia that the Federal Government accounts recorded the fastest closing, completion and submission to the Auditor General, added Sudirman.

EARLY YEARS

Pak Engku was born in Taiping, Perak, the son of a legal professional. He attended the King Edward VII School where he showed an aptitude for mathematics. He would then receive a government scholarship to pursue his studies in management accounting. Once, Pak Engku was asked to give a quote for a CIMA newsletter. His words summed up the essence of his ethical code, and still stand as highly relevant advice to all accountants today: "Although having integrity may not make you a popular person in your organisation, you will definitely be a winner in the race of life. Looking back, I have no regrets. I have a clear conscience and sleep soundly at night."

So sleep well, Pak Engku, and may *Allah* grant you the best rewards through His mercy for all your good deeds and contributions to the profession and the nation. ■

BY BY DR. MARTIN KEULERTZ, DR. TONY COLMAN & PROF. TONY ALLAN

THE COMPLEXITY AND URGENCY OF WATER

TIME FOR THE ACCOUNTANCY PROFESSION TO STEP UP

water use in agriculture, withdraws 70% of freshwater worldwide while industry and households are withdrawing 20% and 10% respectively.

IN the run-up to its 2015 annual meeting in Davos, Switzerland, the World Economic Forum published a report on key economic risks that captured and highlighted the opinion of experts and global decision-makers. Water is the number one risk threatening global stability in the coming years. Californians can already tell how this risk plays out in practice. The accountancy profession can play a major role in helping to mitigate this risk by advancing global standards and reporting requirements for water use in agriculture, which withdraws 70% of freshwater worldwide while industry and households are withdrawing 20% and 10% respectively. However, due to return flows by industry and households thanks to water recycling technology, the actual water consumption rate of agriculture is at 92% compared to 3% by households and 5% by industry.

At no stage in the food supply chain do stakeholders have to account for how much water they use. Vast quantities of water flow through

increasingly global supply chains without their value being passed through and captured in commodity prices. This market system mismatch between environmental costs versus profits has very serious consequences for global water resources.

Groundwater aquifers around the world are being depleted at an accelerating pace in both developing and industrialised countries. At the same time, surface water reservoirs are increasingly under pressure as a consequence of population growth, urbanisation, and increasing competition between the energy and the agricultural sectors. Examples of hotspots include the Nile River, where countries such as Egypt and Ethiopia argue over water use for energy and food security. Or the Mekong River, where there is a continual struggle to meet the demands of the local population for the energy and agricultural uses of water.

Meanwhile, climate change further exacerbates existing trends. For example, California's water resources face a "crunch time" thanks to a decreasing snowpack in the Sierra Nevada mountains and, thus, less run-off. Recently, the Governor ordered unprecedented and mandatory water restriction regulations statewide because of the decreased snowpack.

The water systems in California can no longer provide the population and farmers with sufficient water. Although California is a naturally arid state, it is a "net-exporter" of water - its water "exports" are embedded in the food the state sells to the rest of the US and internationally. But, unfortunately, the cost of the water and the impacts of mismanaging them are not captured in the prices charged for the vast volumes of exported citrus and fresh vegetables. Californians are dangerously unaware that they are "exporting" their environment. They do not value water and Californian farmers are not yet adequately encouraged to steward the state's scarce water.

If the water is assumed to be free and the environmental costs of using it - such as soil salinisation - are ignored, then irrigation can work financially in the short-term. But the practice is not sustainable, economically or environmentally.

In California and elsewhere, farmers are the main managers of water. They consume approximately 90% of all water that is needed to meet the food needs of society in a market system that does not incentivise or enable farmers to steward water effectively. On the contrary, they are being incentivised to over-use surface and groundwater in irrigation. In many world regions where farmers have irrigated, they have run out of water (see recent articles in the New York Times and Columbia University).

But there are inherent problems with irrigation. Irrigation increases crop and food production, because water can be made available when rainfall is less than needed. If the water is assumed to be free and the environmental costs of using it - such as soil salinisation - are ignored, then irrigation can work financially in the short-term. But the practice is not sustainable, economically or environmentally.

Over the past century, farmers have been encouraged by society and governments to irrigate. Instead of relying on water stored in the soil, accompanied by conservation farming practices that produce sustainable yields, farmers find themselves forced to produce large volumes of food - all dependent on irrigation to keep the global food system going.

WATER IS NOT AN EASY RESOURCE

Water is a fugitive resource. Freshwater moves around constantly. It falls as rainfall at different depths across the planet, it percolates into the soil, and is often invisible. It also changes its appearance from vapour to water and back to vapour in the water cycle. Water may evaporate at one place but precipitate at another. While wetter zones receive abundant rainfall, drylands sometimes receive marginal amounts of rain leading to decision-makers facing the extreme challenges of significant flood and drought events. Transporting water is also problematic as it involves high-transportation costs. Finally, although water is strategically very important, it is assumed to be free and does not figure as valuable in the value system of food consumers. This particularly applies to the water used for food production where the cost of water as an input and the externalities of misusing it have never been internalised.

THE SUPPLY CHAIN: THE ARENA OF MANAGING WATER

Food is a USD5-7 trillion market. All inputs are accounted for in the food supply chain management except for the environment. The market does not properly account for the natural resources of water and energy. Water is only accounted for in exceptional circumstances in food supply chains. Although stewarding water resources is assumed by society to be one of the duties of the farmer, there are no reporting or accounting rules to guide farmers or provide systems to pay them for water stewardship.

And, food production is even subsidised with roughly one billion USD a day in peak times by countries within the Organisation of Economic Cooperation and Development to keep food prices low and disposable income more effective.

THE WAY FORWARD: THE ROLE OF THE ACCOUNTANCY PROFESSION

This is where we believe the accountancy profession can help the world to become water secure. Water does not only need to capture the attention of corporate social responsibility (CSR) managers but also CFOs. The CSR side has become increasingly aware of their social and environmental responsibilities, and has begun to recognise the need for water ecosystem stewardship, as well as stewardship of biodiversity and the atmosphere. The adoption of voluntary water stewardship concepts is increasing. But the profit generating side of the food corporates has the fiduciary duty to ignore the costs of water for which there are no reporting and accounting rules.

This is where we believe the accountancy profession can help the world to become water secure. Water does not only need to capture the attention of corporate social responsibility (CSR) managers but also CFOs.

The operationalisation of stewardship deploys different methods, such as risk tools and water footprinting, to analyse water risks and disclose the water use of stakeholders. Nestle even attaches a value ranging from 1 (low risk) to 5 (high risk) Swiss Francs to reflect the current and future availability of water in their production plants.

However, these initiatives are in their infancy because of the absence of compulsory requirements. Even the most environmentally aware companies may find themselves in a prisoner's dilemma if they attach a value to their water resources when the vast majority of the food industry still does not account for water costs and externalities. Water needs to find its way into the mindsets of CFOs so that they can recognise emerging societal values as well as the potential bottom line impacts. Those very farmers who manage, and mismanage, 90% of the water need effective economic incentives. Without incentives that protect farm livelihoods, farmers cannot practice sustainable soil and water management. The business as usual approach makes farmers the unwitting start of an uneconomic and environmentally unsustainable system of food provision.

Methodologies to account for the environment exist and have become an increasingly popular topic in the academic accounting literature. Water management

accounting as a sub-discipline is, however, still in its earliest phase. Examples from the Australian wine industry show that physical water management accounting is underway and accepted by wine supply chain managers. The monetary side of water management accounting, however, is still getting used to the need for more costing and accounting information if the outcomes are to be effective. However, while margins in the wine industry are considerably higher than in, for example, cereal production, the core question will be how to develop accounting for water to change behaviours and actions of all parties in the supply chain.

This is not proving to be an easy task. It requires engagement between the leaders of the accountancy profession as well as farmers and corporate executives. It also requires the awareness of wider society. Consumers and voters need to grasp that sustainability in the twenty-first century will come at a price.

It is time for accountants to engage in this crucial debate and enable the mitigation of the world's greatest risk of the coming decades. What is needed are appropriate global standards for accounting for water. Sustainability reporting by the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) provide a voluntary basis for providing disclosures, which in some jurisdictions is a requirement to disclose environmental related risks in regulatory filings. The same must be said about the Natural Capital Coalition in the United Kingdom, which seeks to develop a universal methodology valuing all externalities at risk, including water. However, the significant challenge in this process appears to be how to account for (including measurement, quantification, and pricing) of the fugitive water resource. Attaching a price to water is not an easy task and it would inevitably add a burden to welfare states across the world, which rely on cheap food to keep aging and/or young societies together. But the pricing of water and the payment to farmers for caring for water needs to be part of the accounting standards as much as labour or energy costs. Affordable food should still be possible with market competition despite the higher water costs needed for sound environmental stewardship with the continued government intervention to protect the poor. ■

Dr. Martin Keulertz is a research fellow at Humboldt University of Berlin and adjunct research fellow at the Texas A&M WEF Nexus team. Prior to this, he has worked as post-doctoral research associate in the Department for Agricultural and Biological Engineering at Purdue University in Indiana (United States). He received his PhD from King's College London in which he analysed the role of water resources in Foreign Direct Investment in African agriculture.

Dr. Tony Colman is a Visiting Research Fellow at UCT EGS South Africa, UEA WSRC UK and the Columbia Water Center, Earth Institute, New York. His PhD (2013) is on surmounting the barriers to the delivery of WRM and WSS in Southern Africa and particularly Botswana. He was previously MP Putney in the UK parliament to 2005 and Director Burton Group to 1990 where he was co-founder of Top Shop in 1969.

Prof. Tony Allan heads the London Water Research Group at King's College London and SOAS. He specialises in the analysis of water resources in semi-arid regions and on the role of global systems in ameliorating local and regional water deficits. He coined the concept of virtual water and provides advice to governments and agencies especially in the Middle East on water policy and water policy reform.

Talent
ProCertification

TAX INCENTIVE FOR INVESTMENTS IN PROFESSIONAL CERTIFICATIONS

WHAT IS IT?

NEW BUDGET 2015 INCENTIVE

Double tax deduction incentive on training expenses incurred to enable employees to obtain various industry-recognised professional certifications.

Support Government's effort to

Strengthen Human Capital Development

Encourage employers to

INVEST IN DEVELOPING

employees to obtain industry recognised professional certifications

Approved professional certifications include:

- Accounting: MICPA-ICAA, ACCA, CPA Australia, ICAEW, CIMA
- Finance: CFA, CFP, CCP, IFP
- Project Management: PMP
- ICT: Microsoft, SAP, Oracle, CISCO
- Human Resources: MIHRM, AHRI, SHRM, CIPD

And more...

ELIGIBILITY CRITERIA

- Invest in training Malaysian employees on full-time employment
- Not contributing to the Pembangunan Sumber Manusia Berhad Fund (HRDF)
- Can demonstrate higher investment in supporting professional certifications for employees

TAX INCENTIVE

Double tax deduction applies to direct training expenses for professional certifications approved by Ministry of Finance

HOW TO APPLY?

Company

Submit application to TalentCorp with the following information:

- Number of employees trained
- List of professional certifications
- Amount of funding per employee
- Details of funding arrangement (partial/full etc)
- Illustrate your increased investment in training your employees

TalentCorp

Review application and issue approval letter if meets criteria

Company

File tax returns

Retain approval letter from TalentCorp and supporting documents

TalentCorp
MALAYSIA

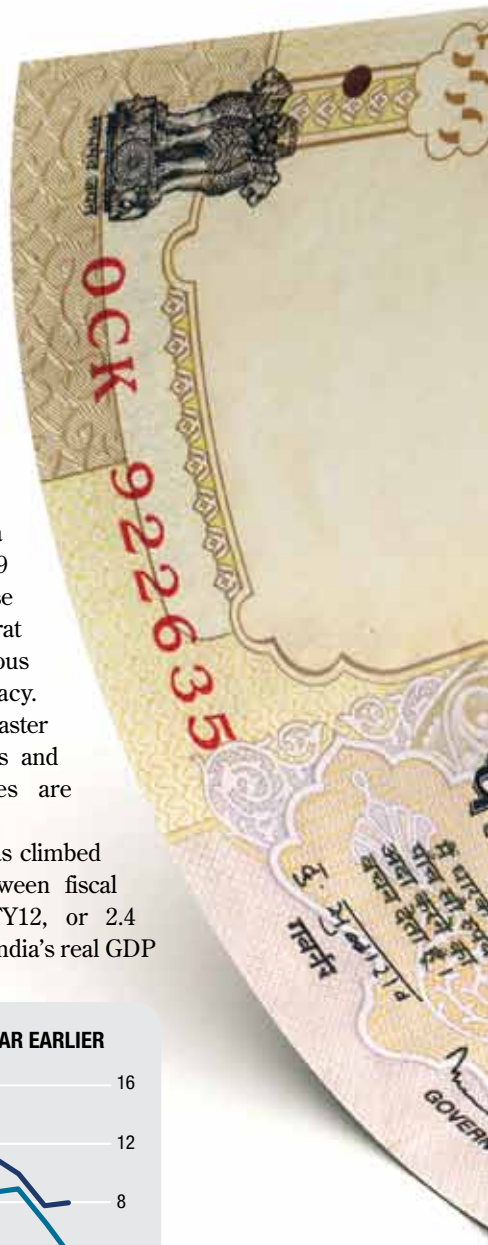
Learn more about the Talent ProCertification at www.talentcorp.com.my

Enquiry: tprocert@talentcorp.com.my Tel: +603 8892 3800

BY SARAVANAN RAMASAMY

INDIA "MODI-FIED"?

IS MODINOMICS PAYING OFF FOR INDIA?



PRIME Minister Narendra Modi was elected with high expectations that he would deliver much-needed economic reforms for India. So far, things have been progressing in the right direction for Modi as he strives to kick-start the recovery of the Indian economy. The recent drop in oil prices has helped India manage two crucial economic levers: inflation and the external balance. The Indian rupee has also been the best performing of the major emerging currencies this year. But can these early results be attributed to the prime minister's economic policy, dubbed as 'Modinomics' or serendipity?

SO FAR, THINGS HAVE BEEN PROGRESSING IN THE RIGHT DIRECTION FOR MODI AS HE STRIVES TO KICK-START THE RECOVERY OF THE INDIAN ECONOMY.

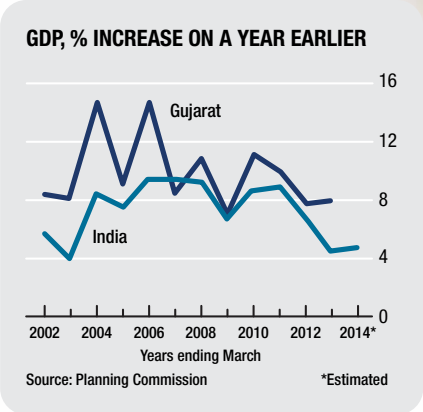
THE GUJARAT MODEL

The Modi miracle actually took off first in Gujarat.

Prior to becoming the Indian Prime Minister, Modi was the Chief Minister of Gujarat from 2001 to 2014 and has been credited with driving Gujarat's economic growth. He has an impressive track record of achieving broad-based growth across the agricultural, manufacturing and service sectors.

While India ranks at a middling 142nd out of 189 countries in the World Bank's 'ease of doing business' rankings, Gujarat is the exception to India's infamous inefficiency and bureaucracy. Factories in Gujarat spring up faster because permits, licenses and environmental clearances are granted quickly.

Gujarat's real GDP has climbed 10.3% year-over-year between fiscal year (FY) 2003 and FY12, or 2.4 percentage points above India's real GDP



growth in the same period, Christopher Wood at CLSA pointed out in a note late last year.

When Indians voted for Modi in great numbers last May, it was in large part because they wanted the country to be run like Gujarat. According to a report in *The Economist*, with just 5% of India's population and 6% of its land mass, Gujarat accounts for 7.6% of India's GDP, almost a tenth of its workforce and 22% of its exports.

limited

Modi believes that the role of a government in business should be limited to that of a facilitator and he strongly believes that government can be made to work better.

MINIMUM GOVERNMENT, MAXIMUM GOVERNANCE

Certainly, Modi brings a different model to the table. For decades, India had been governed by large governments, with a poor quality of governance. More attention was paid to the size of the government and not so much to its quality. Modi's mantra of 'minimum government, maximum governance', which essentially advocates the model of a small yet efficient government, goes against the Indian grain. Modi believes that the role of a government in business should be limited to that of a facilitator and he strongly believes that government can be made to work better.

Modi's act of abolishing the Planning Commission and replacing it with the National Institution for Transforming India (NITI Aayog), establishes the explicit shift from strong centralised government to state autonomy. Perhaps, Modi is following the footsteps of China where competition between provinces and cities have helped the growth process.

In an attempt to make civil servants more accountable and to cut corruption, Modi encourages the application of information technology in the provision of government services. According to that same report in *The Economist*, Tata Consultancy Services, an IT services firm, designed systems for tracking state finances, documents within government offices and value-added tax payments for Gujarat. This platform is now being adopted by the other states.

MODINOMICS - IMPACT ON BILATERAL INDIA-MALAYSIA TRADE

India's reforms, if and when successful, will benefit its neighbours and partners. The establishment of the Malaysia-India Comprehensive Economic Cooperation Agreement (CECA) as a single undertaking covering goods, services, investment and other areas of co-operation on 1 July 2011, paved the way for increased economic and commercial bilateral relations.

Although bilateral trade increased from USD0.6 billion in 1992 to USD13.32 billion in 2012, trade remains significantly imbalanced in favour of Malaysia. India's exports are USD3.83 billion while Malaysian exports are USD9.5 billion. While this may sound beneficial for Malaysia, one has to note that traditionally Malaysia enjoyed a surplus primarily because India is a large importer of palm oil and petroleum. With the drop in petroleum price and erratic palm oil prices, Malaysia will seriously look into the need to diversify the export base to maintain revenues earned.

Apart from the imbalance, the USD13.32 billion trade is a far cry from Malaysia-China trade of USD95 billion, meaning that there is excellent scope to augment bilateral trade under Modinomics. A key area for cooperation in future could be the affordable housing market, where India could learn from Malaysia's experiences and Malaysian businesses could step in to help India fulfil its goal of providing every Indian with a home by 2022.

In a report published in September last year, Vijay K. Gaba at InvesTrekk wrote that 'India is struggling with the limitations of the Nehruvian model of economic development that we have followed since independence.' He described the Nehruvian model as one with the private sector in a large dominant role, but with active state intervention to mitigate the extremes of the business cycle. Modinomics on the other hand supports a free market with minimal state intervention.

Modi's mantra of minimum government, maximum governance generally cheers up the supply-side economists. Speaking at the 'Vibrant Gujarat' investment summit early this year, Modi pledged unlimited reforms which among others, include the 'Make in India' campaign.

THE MODINOMICS' SCHOOL OF THOUGHT

Is Modinomics aligned with any particular economic doctrine?

Modi's mantra of minimum government, maximum governance generally cheers up the supply-side economists. Speaking at the 'Vibrant Gujarat' investment summit early this year, Modi pledged unlimited reforms which among others, include the 'Make

in India' campaign. 'Make in India' attempts to increase aggregate supply by turning the country into a manufacturing hub. Rather than increasing government expenditure to raise aggregate demand, it endeavours to draw in private investment to produce consumption goods either subsumed by ever-growing domestic demand or overseas demand through increasing exports.

However, some of the measures undertaken by Modi do focus on the demand side as well. For example, recognising the fact that public investment is a precursor to a growing role for public-private partnerships in revitalising the investment cycle, both the Indian 2015 General Budget and the 2015 Railway Budget have made allowances for investment in infrastructure. This demonstrates an affirmation of the Keynesian treatment to revive economic growth at least in the short run.

THE WAY FORWARD

Modi has promised a lot. He aims to deliver 20 million homes by 2022 to replace India's overcrowded slums, which, according to the Council of Foreign Relations, would cost USD2 trillion, which is incidentally about the size of India's economy. In addition, the Council of Foreign Relations has also estimated the need to spend USD1 trillion on infrastructure to get India moving.

He aims to deliver 20 million homes by 2022 to replace India's overcrowded slums, which, according to the Council of Foreign Relations, would cost USD2 trillion, which is incidentally about the size of India's economy.

The new Indian 2015-2016 budget has adopted many initiatives to increase government revenue. For example, India is set to impose an additional 2% surcharge on the ultra-rich. Also, more taxes will be imposed on the mining sector. A quick scan of the mining tax on iron and ore reveals that China imposes an 80% tax rate as at 2012 while India's is a mere 10%.

Another initiative which could prove less popular is the possible cutting of the USD18 billion food subsidy programme, which provides cheap rice and wheat for about 600 million people.

In a nutshell, Modi has started a process of shifting the Indian economic thought towards the right direction. In a long arduous journey, it would be unfair to expect early outcomes where much will depend on his leadership to drive through reforms. Regardless of the challenges, however, India is well-placed to differentiate itself from its emerging market rivals through economic actions and results. ■

BY DR. YEW KAM KEONG

ACCOUNTANTS CREATIVE BUSINESS LEADERS?

ACCOUNTANTS NEED TO UNLOCK THEIR CREATIVITY AND APPLY CREATIVE LEADERSHIP TO DRIVE INNOVATION, IMPROVE ORGANISATIONAL PERFORMANCE AND ENHANCE FINANCIAL STABILITY AND GROWTH.

MENTION accountants and creativity in the same breath and most of the time, you'll get puzzled looks. Yet it is evident that the role of accountants in any business innovation initiatives is crucial given their expertise.

ACCOUNTANTS ARE EVERYWHERE

Accountants are SMEs' best friends. No sizeable business can exist without accountants. Based on my own personal interactions, I have found that accountants form the highest percentage of professionals in the upper echelons of the business hierarchy.

But accountants have to up their game to advance in today's dynamic and competitive business landscape. According to the Bath School of Management research, accountants are best placed to move up the organisational ladder. But they need to continuously enhance their creativity and problem-solving skills, communication, and business competencies.

This is supported by an IBM poll of 1,500 CEOs, where creativity topped the list of the most important leadership qualities needed to thrive and prosper in the coming years.

INCULCATING CREATIVE LEADERSHIP

What makes accountants creative business leaders?

Tony Fernandes, the founder chairman of AirAsia, voted as the best low-cost airline in the world for seven consecutive years, needs no introduction. An accountant by profession, Fernandes introduced many mind-blowing innovations to AirAsia

that lowered operational cost and decreased turnaround time for his fleet. He is a true example of a creative accountant in the positive sense and an internationally acknowledged business leader.

A lesser-known example from Canada can also help to illustrate the creativity and innovativeness of accountants.

AN ACCOUNTANT BY PROFESSION, FERNANDES INTRODUCED MANY MIND-BLOWING INNOVATIONS TO AIRASIA THAT LOWERED OPERATIONAL COST AND DECREASED TURNAROUND TIME FOR HIS FLEET.

In the early 2000s, Toronto-based gold mining company Goldcorp (GG) was in trouble. It was forced to terminate its mining operations due to strikes, lingering debts, and an exceedingly high cost of production.

CEO Rob McEwen, an accountant by training, did something exceedingly bold and unprecedented in the mining industry. He published Goldcorp's geological data on the Web for the world to see and challenged experts to do virtual prospecting. This "Goldcorp Challenge" offered a total prize money of USD575,000 for the winning entries.

More than 1,000 virtual prospectors from 50 countries took on the challenge, identifying 110 targets on Goldcorp's site, more than 80% of which yielded substantial quantities of gold worth well over USD3 billion.

This transformed his under-performing USD100 million company into a USD9 billion entity in terms of market cap. Goldcorp subsequently emerged as the most profitable mining company in the world.

THE EDGE: CREATIVE LEADERSHIP

What does this tell us? That the defining characteristic of a successful business venture is creative leadership.

Without creative leadership, all other investments in marketing, R&D, facilities, incentives are futile. Even revamping organisational structures and processes is not the solution. Organisations rise and fall with leadership.

A creative leader does not need to be the person who comes up with the idea behind an innovation. What is important is that he or she be receptive to ideas, and open to selecting those with business potential. An accountant with a head for figures and an open mind is well suited for this role.

A leader must have the ability to sell the vision to the company's staff, business partners and other relevant stakeholders. There needs be enthusiasm, tenacity and commitment for the team to turn that vision into a reality. As leadership guru Warren Bennis said,

"Leadership is the capacity to translate vision into reality."

Accounting is in tune with every department in an organisation, and sees the big picture with greater clarity than others. With their natural tendency to be detail-oriented, coupled with the capability to understand and appreciate the company's diversity, strengths and weaknesses, accountants are the best people to drive this vision.

DRIVING COHESION, BORROWING BRAINS

A creative leader recognises the importance of embracing differences in people and creates a synergy amongst those differences to lead them to optimal performance outcomes.

Most companies continue to assume that innovation comes from that individual genius, or, from specialised teams of experts who work hidden from view and then return with breakthrough innovations. On the contrary, research has shown that most innovations are created through networks - groups of people working in concert towards a common goal.

Accountants are familiar with tight deadlines. They have the experience of building cross-functional networks with other people in the organisation to work to meet these deadlines. They have also gained an understanding of what it's like to work in the trenches during their early days of training, where they toiled at the junior level to attain their professional qualification. Thus accountants have cultivated an ability to connect with those at different levels of the organisation.

The Goldcorp experience showed that it is not good enough to just use all the brains you have. In fact, it is even more important to use all the brains you can borrow.

Creative leaders know that innovation must come from multiple sources, both internally and externally. Accountants who aspire to be creative leaders need to know how to leverage on the global brain.

In short, accountants enjoy distinctive advantages and could become great creative business leaders, with the right training. Some of the additional skills that will help them along the way are:

- Creative thinking skills
- How to conduct creative meetings
- Generating and selecting ideas within 30 minutes
- Leveraging on the global brain

Dr. YKK (Yew Kam Keong, PhD.) is an acknowledged international expert on creativity and innovation. He is a great story-teller, a business innovation speaker and a best-selling author. His best-selling book is now in its 5th edition, and has been published in six languages. Dr. YKK can be reached at *DrYKK@mindbloom.net.* ■

SPS

SALIHIN PREMIER SOLUTIONS

BY ACCOUNTANTS FOR ACCOUNTANTS

www.salihinpremier.com

FREE TRIAL

Sign Up at: http://demo.salihinpremier.com/demo/login

Accounting software like no other
Designed for your business

Financial Modules | GST Module | Zakat Module | Waqf / Endowment Module

Boost Productivity

Let SPS manage your book-keeping, save time for other value adding tasks.

Business Growth

Support your business growth by using SPS to prudently manage and track your profitable transactions.

Advanced Tech

Accounting becomes virtual where all work can conveniently be accomplished anywhere, anytime via the internet.

Efficient Support

Pool of skilled and well-trained personnel ready to provide support and practice training.

Core Features

1st in the world WAKAF & ZAKAT

Easy To Use

With its user friendly interfaces, SPS requires minimum knowledge in accounting.

Drill Down

Analyze and investigate from surface report drill down to the source of transaction.

Multi Languages supported

SPS is ready to support latest business nature in multiple languages.

GST COMPLIANT

Predefined Accounting Chart

SPS comes with 19 industry standard predefined accounting chart and has flexibility to tailor according to business needs.

Fully Responsive

Interactive and fully responsive for all devices and screen resolutions.

Super Search

Provides an integrated search engine that enables users to find information related to transaction in the fastest and easiest way.

SPS BY ACCOUNTANTS FOR ACCOUNTANTS V.14.01

Biz Dashboard

Data updates are real-time for better business decision making.

Regulate User Access

Provides the double layer security, all the right control of functionality to regulate the user accessibility to each module system.

Comprehensive Audit Trail

Ensure that an accurate record of activities or events is captured.

SALIHIN

Unit 2A-1, Level 1, Tower 2A Plaza Sentral,
Jalan Sentral 5 KL Sentral,
50470 Kuala Lumpur, MALAYSIA.

T : +603-2261 4180
F : +603-2261 4182
E : info@salihinpremier.com

REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

ARE YOU THE MASTER OF THE GAME?

Put your business skills to the test. The National Award for Management Accounting (NAfMA) 2015 is now open for nominations.

AWARDED by the Malaysian Institute of Accountants (MIA) and the Chartered Institute of Management Accountants (CIMA), the National Award for Management Accounting (NAfMA) aims to recognise outstanding professionals for their exceptional contributions towards management accounting in Malaysia. These professionals are the CEOs, CFOs, entrepreneurs, and lecturers who have made a remarkable impact on their organisations and the business world through the innovative use of management accounting tools and techniques.

NAfMA 2015 is now open for nominations in the following categories:

- **CEO of the Year**
- **CFO of the Year**
- **Organisation of the Year**
- **CIMA Star of the Year**
- **CIMA Lecturer of the Year**

There will be two awards each in the categories of CEO of the Year, CFO of the Year, and Organisation of the Year for public-listed/non-listed organisations and SMEs respectively. SMEs are companies with an annual turnover not exceeding RM50 million or which employ 200 workers or fewer.

The nomination process for NAfMA is very simple. Simply submit your nomination form online at *www.nafma.my*, together with supporting document(s). Your supporting document(s) could be in the format of a report of between 1,000 and 3,000 words; this will provide evidence that the candidate fulfils the judging criteria in the relevant category.

The NAfMA awards are endorsed by the Accountant General's Department, the Malaysian International Chamber of Commerce and Industry (MICCI), and the EU-Malaysia Chamber of Commerce and Industry (EUMCCI). The supporting partners are KPMG and University Teknologi MARA while the main sponsor is Public Bank Berhad. ■

All nominations for NAfMA must be received by 30 June 2015. More information is available at ***www.nafma.my*** or contact tel: 03 - 2279 9200 (MIA), 03 - 7723 0230 (CIMA) Email: *nafma@mia.org.my, nafma@cimaglobal.com*

THE NATIONAL AWARD FOR MANAGEMENT ACCOUNTING 2015

NAfMA®

Your moves. Your game.

Prove you have what it takes and stand out as the master of the game.

You've made the right moves, you've outsmarted your opponents. Foresight is your strategy, and it is time to showcase your winning moves. The NAfMA Award recognises outstanding individuals who have earned the right to be honoured because to you, business success is the name of the game.

Call for entries deadline: 30 June 2015, 5pm
For more details, please visit www.nafma.my

Awarding bodies:

CIMA Chartered Institute of Management Accountants

mia MALAYSIAN INSTITUTE OF ACCOUNTANTS

Supporting partners:

KPMG

UNIVERSITI TEKNOLOGI MARA

Main sponsor:

PUBLIC BANK

Endorsers:

ANM

EU-Mcci EU-Malaysia Chamber of Commerce and Industry

MICCI

REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

STRENGTHENING ACCOUNTANCY EDUCATION

HOW CAN MALAYSIA IMPROVE the current accountancy education to produce market-ready talent not just for local employers, but the world.

MALAYSIA has produced a large number of accountancy graduates, but employers frequently lament that they lack market readiness and are unemployable. This consequently stymies development goals, since quality talent is the fuel which greases economic growth and supports the fruition of the Economic Transformation Programme (ETP).

"Feedback shows that there is always a shortage of talent which constraints development goals," said Johan Mahmood Merican, Chief Executive Officer, Talent Corporation Malaysia Berhad (TalentCorp), at the recent National Accounting Educators Convention (NAEC) with the theme of 'Strengthening Accountancy Education'. "Since universities are major suppliers of accountancy talent, how can the education sector close the gap to ensure graduate employability?" he asked further.

The following are some of the key points for action gleaned from the NAEC:

PREPARE FOR CROSS BORDER CURRENTS

Wide exposure is vital to shaping the in-demand accountancy professional who in turn should acquire broad capabilities, competencies and experience, and ironically, deep industry and functional specialisation as well. Hermetic mindsets, protectionism and territorial attitudes run counter to internationalisation, which require tolerance for diversity and broad-mindedness. But we have to shed these insecurities and biases because finance and accountancy careers are no longer confined to local markets, and feature strong cross border, regional and global flavours.

Malaysia's efforts to harness its global diaspora are directly contributing to the globalisation of local business, remarked Johan. While TalentCorp is actively encouraging Malaysian expatriates abroad to return and work locally to help reduce the talent gap, it also makes sense for Malaysians to become corporate leaders at a global level and contribute back to Malaysia from abroad. In this respect, young Malaysian accountants should have global ambitions but remain Malaysian at heart. Johan quoted the example of Devinder Kumar, Malaysian chief financial officer and senior vice-president of AMD (Advanced Micro Devices) based in the US, who had been instrumental in the growth of AMD in Malaysia, both in manufacturing in Penang and global shared services in Cyberjaya, creating jobs and stimulating growth in the process.

Johan Merican

While TalentCorp is actively encouraging Malaysian expatriates abroad to return and work locally to help reduce the talent gap, it also makes sense for Malaysians to become corporate leaders at a global level and contribute back to Malaysia from abroad.

Malaysia's ranking as world number three in global shared services is another factor driving the globalisation of Malaysian accountants and finance professionals. While we lack the people and low costs to compete with India and the Philippines in low-value transactional shared services, Malaysia is positioning itself as a centre for medium and high-value added global finance shared services (FSS). At the same time, the shifting of FSS to Malaysia and similar destinations implies that robust talent pipelines must be developed in these locations to replace the talent pools being hollowed out in higher-cost developed nations. "We are going to need more and more Malaysian accountancy graduates to serve not only Malaysia, but the world," enthused Johan. "So how can we as educators inspire them and provide international exposure to our young

Malaysians so they think regionally and globally?"

LEVERAGE ON BIG DATA

Data volumes today are projected to rise exponentially, from 0.8 zettabytes to 35 zettabytes or 44 times from 2009 to 2020. By analysing and interpreting this data, or using big data analytics, institutions of higher education will be able to deliver better quality to students and affect their educational outcomes.

Ignorance of what students nowadays require has produced shoddy results. Quoting a study of 2,300 students, Associate Professor Dr. Sagaya Amalathas, Head of Department, Decision Science & IT, UNITAR International University, said that 45% of those surveyed demonstrated "no significant gains in critical thinking, analytical reasoning and written communications during the first two years of college, while 36% showed no improvement after four years."

Dr. Sagaya is optimistic that big data analytics will be able to remedy this dismal state of affairs. "You've got to know your customer in order to serve them better," she said, likening students to customers. She recommended applying big data analytics in accountancy education to profile students, match them to appropriate courses and majors, monitor student performance, improve student retention, and deliver effective value to students.

While big data analytics will require substantial investment, Dr. Sagaya said a win-win situation would be to collaborate with leaders in big data and technology to leverage their expertise and infrastructure.

PUT STUDENTS FIRST

While it may seem like common sense, Associate Professor Dr. Noraini Mohamad, University Teknologi MARA encouraged educators to shift from a lecturer-centric approach to a student-centred approach. "Less us and more them, and shift the focus of activity from the teacher to the student," she said. She added that students must be encouraged to take responsibility for their own continuing education, instead of being spoon-fed, which reflects actual conditions in the working world.

Students must be encouraged to take responsibility for their own continuing education, instead of being spoon-fed, which reflects actual conditions in the working world.

Dr. Noraini Mohamad

INCORPORATE BUSINESS ISSUES

Business today is integrated, and to be market-ready, students must be exposed to the latest concepts and issues.

A key example is the Goods and Services Tax (GST) which took effect in Malaysia on 1 April 2015, and impacts not just tax and business revenues, but also business operations and systems. "GST is a business issue, not a tax issue," said Rajagopal Raghavan of Multimedia University (MMU), Melaka Campus which started offering GST as an elective subject to final year accounting students in 2014 to make them "more marketable."

The course syllabus covers seven topics: introduction to GST, supply, input tax credits, tax invoices and record keeping, special schemes, special transactions and capital goods adjustments (mixed suppliers).

Given that Malaysian GST is still

fluid, Rajagopal expects the GST syllabus to adapt as well going forward. While the current MMU syllabus is based on the Customs Department's GST training syllabus, future changes may include incorporating case studies into the syllabus based on actual issues and events, and covering GST for various industries such as telecommunications, shipping agencies and manufacturing to name a few. "This is essential because GST has different peculiarities and treatments depending on the sector and industry."

He cautioned educators that GST should also result in revisions to other accountancy subjects, such as fundamentals of accounting (incorporating GST elements into concepts and processes like double entry, revisions to accounts payable and accounts receivable, and recording of GST in financial statements).

EMERGE FROM IVORY TOWERS

The Malay proverb states that a crab will teach its offspring to walk in a crooked line. How then can educators ensure that their teaching is relevant to market expectations if they themselves are insulated from the marketplace?

Linkages and exchanges between industry and academia will be essential if lecturers are sincere in wanting to produce quality talent, said Datuk Johan Idris, President, MIA. He encouraged academics to pursue secondment with public practice firms and corporate finance functions in order to be able to apply technical theories in real-life situations and to build up a robust network for future referrals.

In the same vein, Rajagopal encouraged lecturers to go through GST training in order to be able to teach the subject effectively.

Finally, there is also a dire need to revamp the accreditation, hiring and promotion policies for academics in the accountancy and business faculty. Currently, educators with postgraduate qualifications (masters and doctoral degrees) and research credentials are prioritised in the academic world, although they may lack corporate and industrial experience. It is high time that universities and institutions of higher education modify their policies to recruit and validate lecturers and teachers with professional qualifications and working experience. This should apply not only to accountancy, but also engineering, law, banking and other professions. At its very core, accountancy is a profession and a vocation – professional accountants with relevant working experience are needed to bridge the gap between academia and work and to expose students to real-life accounting problems, warts and all.

WORDS OF ENCOURAGEMENT

While Malaysia's education system might be cracked, there is still optimism that appropriate and timely interventions such as the above measures might seal the fissures and help restore quality. Datuk Johan concluded, "There is a continuous demand for quality teaching and obviously, the educators are faced with a gigantic task in nurturing the talent pool of tomorrow. We must not forget the contribution of teachers to the country and society at large." Assuring educators that MIA would help them "all the way" as they worked to help build the country's talent pool, he pledged that the Institute would continue to work tirelessly with other stakeholders and agencies to strengthen accountancy education and nurture future accountancy professionals. But the pace must pick up; time till 2020 is running out and the country's competitiveness is at stake. ■

Rajagopal Raghavan

At its very core, accountancy is a profession and a vocation – professional accountants with relevant working experience are needed to bridge the gap between academia and work and to expose students to real-life accounting problems, warts and all.

REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

SPECIAL PATHWAY TO ACCA

Through ACCA's pathway, thousands of finance professionals in Malaysia will be eligible to obtain an international professional qualification and membership that is recognised in 180 countries.

THE Malaysian Institute of Accountants (MIA) and ACCA (the Association of Chartered Certified Accountants) signed a Memorandum of Understanding (MoU), which will result in them working together to develop the profession in Malaysia and the wider region.

Through this latest agreement, ACCA will be providing an incentivised pathway for all MIA members of good standing who do not currently hold a professional accountancy qualification to obtain ACCA membership. This special pathway will be in force for three years from the date of signing and is in support of the Malaysian government's aspiration to increase the number of professionally qualified accountants in Malaysia.

ACCA will offer exemption of nine papers from the ACCA Qualification (papers F1 to F9) to eligible MIA members, with the initial registration and exemption fees waived. Hence eligible MIA members are only required to complete five (5) Professional papers to obtain the ACCA Qualification. The professional papers to complete are as follows:

Professional Essentials:

- P1 Governance, Risk and Ethics
- P2 Corporate Reporting
- P3 Business Analysis

Professional Options (select two)

- P4 Advanced Financial Management
- P5 Advanced Performance Management
- P6 Advanced Taxation
- P7 Advanced Audit and Assurance

This MoU which was signed on 4 November 2014 in conjunction with the MIA International Accountants Conference 2014 was formalised at a signing ceremony, where ACCA was represented by Stephen Heathcote, Executive Director – Markets and MIA was represented by its President, Datuk Johan Idris. As a result, thousands of finance professionals in Malaysia will benefit from this agreement and be eligible to obtain an international professional qualification and membership that is recognised in 180 countries.

The MoU also calls for ACCA and MIA to collaborate on high-level policy and research work, utilising ACCA's existing global research and insights, which may include the publication of surveys, research reports and joint events and conferences covering various issues faced by the profession. ■

For further details about the programme, please visit *http://www.accaglobal.com/my/mia* or email miaenquiries@accaglobal or call 1800 88 5051.

REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

TOP OF THE CLASS

As a repository of technical and professional knowledge and expertise, the Institute's Professional Standards & Practices division is the go-to unit for increasingly complex standards and meeting stringent expectations of quality and performance.

WE'VE heard of a moral compass, but what about a quality compass?

Entrusted to set benchmarks and help members live up to expectations of quality and performance, the Malaysian Institute of Accountants' Professional Standards & Practices (PSP) division plays an integral role in guiding members to achieve the standards and performance envisioned by the Institute.

There are five core units within the Professional Standards & Practices (PSP) division and these are Ethics, Regulatory and Governance, Auditing and Assurance, Accounting, Taxation and Professional Accountants in Business (PAIB). Through these core units, the PSP team provides support to slightly more than 10 Boards and committees under the Institute, the main ones being the Ethics Standards Board (ESB), the Auditing and Assurance Standards Board (AASB), the Financial Reporting Standards Implementation Committee (FRSIC) and the Capital Market Advisory Committee (CMAC).

The team has been proactive in addressing issues and challenges arising from new developments and such an attitude must be maintained to stay relevant.

Given the rapid-fire pace of new developments in the accountancy profession, PSP has its work cut out for it. "The team has been proactive in addressing issues and challenges arising from new developments and such an attitude must be maintained to stay relevant," remarked Chong Chen Kian, an Audit Principal of KPMG Malaysia, who is currently on secondment to the Institute as PSP Director.

Chen Kian singled out changes to revenue recognition and auditor reporting reform as

potential key challenges for the profession. "The PSP team is currently addressing some potential accounting issues that the profession will face upon implementation of the new revenue standard MFRS 15 Revenue from Contracts with Customers, which will come into effect 1 January 2017, as announced by the MASB on 2 September 2014. We are also currently looking into the various implementation issues under the new auditor reporting requirements that will be applicable to audits of financial statements for periods ending on or after 15 December 2016. The new requirements are expected to impact on various stakeholders in the capital market, not only the auditors," explained Chen Kian.

BUILD CAPACITY TO UPHOLD QUALITY

Noting that technical skillsets are the core for professional accountants, Chen Kian recommended that both business and public practitioners should think about and invest more in technical capacity building to enhance quality. Consider implementing initiatives such as rotation of staff to provide greater technical exposure as well as exposure to practical business issues for both practitioners and professional accountants in business. Furthermore, exchange programmes between professional bodies and business and public practice could foster closer working relationships, while building technical capacity.

"Overall, we must be proactive to cultivate greater interest in technical specialisation. In the long run, I believe the standard of service, including audit quality, can be further enhanced with a stronger foundation in technical support," emphasised Chen Kian.

Given increasingly complex accounting standards and requirements, technical functions have evolved and organisations are placing greater emphasis on technical competencies compared to before. "I suspect that there might not have been a formal technical set-up in most practices 10 to 15 years ago. Today, the larger firms would have invested in a sizable team of professional staff, providing various technical expertise and support to audit professionals, ranging from accounting, audit quality, tools and methodology," he said. In the corporate world, Chen Kian has seen clients setting up technical teams; some assign dedicated technical staff to assist with major technical projects (such as implementation of new

accounting standards), as well as day-to-day technical enquiries.

Similarly, in MIA, the PSP team comprises about fifteen staff who provide support in vital areas: ethics, accounting, auditing, taxation, regulatory and governance, and support for PAIBs who include those working in commerce, industry, the public sector, academia and internal audit.

Although Chen Kian has only been seconded to MIA since 2 January 2015, one of his priorities is to strengthen the PSP division and make it more efficient and effective in serving members and enhancing professional quality, in line with the Institute's broader vision.

His approach is simple, but certainly not easy, emphasising dedication and strong work ethics, openness and engagement, and empowerment. "I believe it is important for everyone to take pride in their work. Hence, I try to find ways to instil pride in whatever work, large or small, done by the team. I also believe that there must be trust and respect for others, first within the team and then with stakeholders. Last but not least, I empower. Empowerment, when done right, can help you discover and realise tremendous talent and potentials in the team."

Given scarce resources and increasingly complex challenges, teamwork, flexibility and adaptability are critical. "One of the things that I've been doing constantly with the team is to mobilise resources to help one another. Then we can achieve more as a team and lighten everyone's load. We mustn't only stick to what we've been hired for," he said. "At the end of the day, I believe the team will be self-motivated when all can contribute and have a role to play within the team. At the same time, they will be able to develop and grow their individual talents."

BEST MAN FOR THE JOB

Technical roles require robust technical expertise, the ability to articulate and present interpretations and opinions, and preferably a diverse industry experience. Chen Kian fits the bill, with more than 15 years of experience in KPMG auditing public-listed and multinational companies, including two years with KPMG in the UK. "Upon returning to Malaysia in 2008, I decided to try something different and started working in the technical area but maintained my involvement in auditing listed companies. I've audited a wide range of industries but focused on oil and gas, power and manufacturing in recent years. Other than audit, I am also involved in providing accounting advisory services such as accounting standards implementation, and reporting accountants' work in capital market transactions," he said.

Versatility being his middle name, Chen Kian also played a technical role at KPMG, formerly serving as Head of the Professional Practice Department of KPMG in Malaysia, the firm's resource centre dealing with complex and emerging accounting and auditing issues. "This was a great advantage, enabling me to hit the ground running at MIA. The job scope is similar, since both are dealing with technical aspects of accountancy and auditing, although I must say that the coverage is even wider at MIA," he elaborated. In fact, the sheer variety of technical projects ensures that Chen Kian is constantly engaged and interested in the profession.

One of those blessed professionals who enjoy their work and finds the profession meaningful, Chen Kian is eager to contribute more. "I think I'm at a stage of my career where, not only do I want to continue in excelling in my day-to-day role, I believe it is also timely to start giving back to the profession. Among others, because of my role in the firm as well as my current role at MIA, I participate actively in technical committees and working groups both within and outside MIA. ■

VitaHealth®

Enriching Lives . Since 1947

Tired of Counting Sheep to Sleep? zzZ

Do you find yourself awake, lying in bed and staring at the ceiling, trying to fall asleep? You are not alone. A study found that every **1 in 3 Malaysian adults has insomnia symptoms**. Going long periods without sleep can lead to sleep debt that cannot simply be undone with a little extra snoozing from time to time. Left untreated, sleep deprivation leads to a higher risk for automotive accidents and other problems. The key to preventing this is to have sufficient, restful and quality sleep each night.

VitaHealth EziSleep Capsule is a blend of proprietary herbs that work synergistically to relieve sleeplessness and insomnia.

- Allows you to fall asleep fast and stay asleep throughout the night
- Promotes a natural sleeping pattern
- Helps you wake up feeling well rested and refreshed
- Non-habit forming formula
- Suitable for vegetarians
- Suitable for those who have difficulty in sleeping, limited time for sleep, are constantly stressed or anxious, or have sudden changes in schedule that interfere with the internal body clock

Source: Zailinawati AH *et al*. Epidemiology of insomnia in Malaysia adults: a community-based survey in 4 urban areas. *Asia Pacific Journal of Public Health*. 2008;20(3):224-223.

- *Available at all leading pharmacies*
- *For enquiries, please contact Swiss Bio Pharma Sdn. Bhd.* (534481-V) *at* ***03-7729 3873***

The BrandLaureate Product Innovation Signature Award 2012

The BrandLaureate Supplements Best Brands Award 2011

Superbrands Malaysia 2003/2004

Superbrands Singapore 2002/2003

KKLIU 0133/2015

BY VITAHEALTH

ARE YOU GOING TO BED EARLY BUT STILL WAKE UP FEELING GROGGY OR UNRESTED? CHANCES ARE YOU MIGHT BE SLEEP DEPRIVED.

SLEEP DEPRIVATION CAN KILL YOU!

A few hours of sleep loss each night can affect every aspect of your daily life. It can be far more severe than you thought! Several studies have shown that ongoing insufficient sleep may result in a host of health conditions, which may shorten your life expectancy!

CARDIOVASCULAR DISEASES

In the 1980s, when Japan was at its peak of economic development, a large number of deaths resulting from extremely long working hours, paired with sleep deprivation, was reported in the country. Most of these cases involved acute cardiovascular events. This phenomenon is termed as "karoshi" which translates to "death from overwork".

IN 2009, Ranjan Das, CEO and MD of SAP for the Indian subcontinent region, died at 42 years old due to a stroke. He collapsed from a massive cardiac arrest after returning home from a workout. The youngest CEO of an MNC in India was an avid gym goer and marathon runner. It was reported he had only 4-5 hours of sleep at night.

Growing evidence suggests a correlation between sleep deprivation and heart disease. Some of the documented findings reveal that:

- Sleeping fewer than six hours a night has been linked to an increased risk for high blood pressure by 350 to 500 per cent compared to those who slept longer than six hours per night.

- Young people (25-49 years of age) are twice as likely to get high blood pressure if they sleep less.
- Individuals who slept less than five hours a night had a 3-fold increased risk of heart attacks.
- Complete and partial lack of sleep increased the blood concentrations of C-Reactive Protein, the strongest predictor of heart attacks. Even after getting adequate sleep, the levels stayed high!
- Just one night of sleep loss increases very toxic substances in the body that increase risks of many medical conditions, including cancer, arthritis and heart disease.

OBESITY

When you fail to get adequate sleep, your body produces less leptin, a hormone that suppresses appetite, and more ghrelin, a hormone that stimulates appetite. This will eventually prompt you to crave for food. Furthermore, insufficient sleep may leave you too exhausted to burn off the extra calories that you take in. As a result, you tend to gain more weight and are prone to obesity which in turn leads to a number of health complications.

DIABETES

Ongoing sleep scarcity also increases the risk of developing diabetes, particularly if you are obese and have a family history of the disease. When you are sleep-deprived, your body produces more stress hormone – cortisol which in turn promotes insulin resistance, leaving you more susceptible to diabetes.

ACCIDENTS & INJURIES

Lack of sleep can interfere with your cognitive abilities and eventually cause poor decision-making, reduced concentration, impaired judgement, decreased creativity, and increase the likelihood of making mistakes.

Sleep deficiency is not only harmful to the individual, but can also adversely affect the safety of others! Being sleep deprived will put you at an increased risk of accidents, injuries or death on the road, at work and even at home. Even some of the disastrous incidents in history, including the 1979 nuclear accident in Three Mile Island, the 1986 nuclear explosion in Chernobyl and the massive oil spill in Exxon Valdez have been attributed to sleep deprivation,

ARE YOU GETTING ENOUGH SLEEP?

A study found that one in three Malaysian adults has insomnia symptoms! Do you find yourself having trouble falling asleep, frequently waking up in the night or experiencing difficulty getting back to sleep when awakened? Your sleep may be disrupted by a range of reasons such as stress from daily life, sleep disorders, certain illnesses and medications, environmental factors such as room temperature, light and noise, etc.

An average adult requires approximately eight hours of sleep each night. Hence, do not compromise your sleep for work or play. Put your work aside and turn off your electronic gadgets before bedtime. Go to bed at the same time every day and practice a relaxing bedtime ritual to wind down. Take a shower, listen to soothing music or read a book to help you to fall asleep more easily. Cut down on cigarettes, caffeine or alcohol in the evening as they may disrupt your sleep.

Stay away from synthetic sleeping pills even if your sleeplessness persists. Some herbs such as Chinese dates, blue passion flower, valerian root and hops provide a natural approach to help you sleep better.

Getting adequate sleep is essential for your health and well-being. Nonetheless, the quality of your sleep is just as important. Sleep better and start each day feeling fresh and energised! ■

This informational article is brought to you by VitaHealth. For enquiries, please contact VitaHealth at 03-7729 3873.

REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

TODAY'S SYNERGY, TOMORROW'S REALITY

With over 2,700 delegates in attendance and featuring 60 world-class speakers headlining 16 sessions, the MIA International Accountants Conference 2015 looks set to be the best regional gathering of accountants yet in MIA's history. Don't miss your chance to participate in the region's biggest accounting conference, one of the most anticipated events for accountants, as well as financial and corporate leaders from Malaysia and globally.

ONE of the hallmarks of a successful modern accountant is the thirst for continuous learning and improvement. The highly-anticipated MIA International Accountants Conference 2015 aims to deliver cutting-edge learning, encapsulated in 16 stimulating sessions across two intensive and exciting days. This year the Conference will take place from 26 – 27 October 2015 at the premier venue of the Kuala Lumpur Convention Centre.

Backed by thirty years of experience in organising and delivering continuous professional education, the Malaysian Institute of Accountants (MIA) remains at the forefront in providing innovative and high-quality CPE programmes and conferences that are timely and relevant to the accounting fraternity. Indeed, the Conference which is in its 30th edition is acknowledged as a leading vehicle for professional accountancy development.

'Today's Synergy, Tomorrow's Reality' is especially relevant to accountants and finance professionals in the ASEAN region, given its focus on upcoming regional economic integration.

2015 is no different, and the Conference continues to build on its strengths. This year's carefully-selected theme of 'Today's Synergy, Tomorrow's Reality' is especially relevant to accountants and finance professionals in the ASEAN region, given its focus on upcoming regional economic integration.

ACCOUNTANTS DRIVING SYNERGY AND GROWTH

As a partner and provider of core financial services, accountants will be pivotal in facilitating the region's transformation via the ASEAN Economic Community (AEC). The remarkable blueprint of the AEC aims to position ASEAN as a powerful influential economic bloc in the 21st century, one equivalent to the world's seventh largest economy with a combined market of 620 million citizens generating an annual GDP of USD2.4 trillion.

The AEC's creation will accelerate demand for accountancy services, as well as other professional and business services. Hence, the Conference aims to equip accountants with the relevant competencies and cross-cultural sensitivities to collaborate and prosper in an integrated market where financial talent will be increasingly mobile. By synergising the skills and strengths of accountants today, we can help realise ASEAN's collective vision of tomorrow.

Do sign up early for this leading Conference in order to enjoy super savings and early bird deals from 1 April – 30 June 2015. As the largest and most prolific gathering of accountants in the region, the MIA International Accountants Conference 2015 intends to attract more than 2,700 delegates from 30 countries, breaking previous records. Not only does this Conference award 18 CPE hours, but delegates will benefit from invaluable knowledge and diverse networking opportunities, both of which will be essential to building a successful professional career in borderless markets.

Don't miss out! Be there! ■

BY MAJELLA GOMES

Audit Committees: The Age of Accountability

Transparency and accountability must be the cornerstones of conscientious audit committees in an era when each action is open to scrutiny.

JOINTLY organised by MIA and the Institute of Internal Auditors Malaysia, the Audit Committee Conference is the signature event for auditors in Malaysia. It was practically a full house this year, but high attendance was to be expected. After all, these are challenging times, especially for Board audit committees and the internal auditors who support them.

Cybersecurity, potential areas of risk and risk management, dynamic regulatory environments and international developments are just some of the issues that they have to address today.

At the recent MIA Audit Committee Conference 2015, President of MIA Datuk Johan Idris noted that today's audit committees face both economic and political uncertainty while coping with expanded responsibilities.

The Institute of Internal Auditors Malaysia (IIAM) President Philip Satish Rao stressed that the role of the audit committee was critical as it reflected the extent of organisational control, and thus needed adequate support. "The internal audit function needs to be well resourced, and supplied with skilled practitioners," he said. "There is a parallel need for auditors to understand the many functions of their organisations – and they should challenge the practices and processes of these organisations in their efforts to improve them, through following established, recognised procedures."

Chairman of the Public Accounts Committee,

Datuk Nur Jazlan Mohamed, commiserated with audit committees and internal auditors in his highly-anticipated keynote address. "I do understand what auditors go through, and what their responsibilities are. You are answerable to your job, so you have to ensure that you have done the job professionally. It's also about your risk appetite, and how much risk you can stomach. In the course of your work – and even after it, sometimes – you will have to handle completely unanticipated issues, so you have to ensure that whatever you have done can withstand scrutiny long after you have left the job!"

He stressed that responsibility has to be carried collectively, however, while entertaining another kind of risk: that of not confronting the parties responsible on an issue, or not recognising when intervention was required – which would have an adverse impact on the company in the long-term. "Generally, the Board decides but if there is any issue, or if the Board does not do its job, the audit committee has the authority, given by the Securities Commission, to do the job for them," he said, admitting that even simple auditing issues can snowball into complicated matters once they are politicised, as in the case of the current hot potato of 1MDB. But in many cases, it was difficult to confront management, especially if fraud or mismanagement was suspected. "Have internal audit do the checking first," he advised.

But even with checking and re-checking, it may be an uphill task to convince the layman that auditing has been done and certified according to international standards. "The public will not understand," he said. "So it is really an issue of perceptions and how to manage them." There is even more of a dilemma when auditing raises suspicions of fraud and mismanagement, he added. In many cases, internal auditors are beholden to the management which pays their salaries, so it is difficult to red-flag wrongdoing. "The longer you take, the more you will be suspected of helping management whitewash or cover up the issue," he cautioned. "In today's world, you cannot just let the issue go; sometime in the future, it will come back to bite you!"

Responsibility has to be carried collectively, however, while entertaining another kind of risk: that of not confronting the parties responsible on an issue, or not recognising when intervention was required – which would have an adverse impact on the company in the long-term.

Reiterating that accountability does not end with retirement or a change of jobs, he said that the attitude now was, "You were part of the committee which made the decision then, so you will be held accountable anyway." What then should audit committee members do, to lessen the possibility of this happening?

"Ask questions and raise issues in connection with the matter, if you have doubts," he advised. "Show that you asked the right questions at the material time when you held the responsibility. Be careful of what you do, and be professional. Above all, be prepared to face consequences if what you did in the past was wrong." The public was beginning to demand a higher degree of accountability from all who hold public office but the private sector was not exempt.

THE MORE SUCCESSFUL YOU ARE, THE MORE TRANSPARENT YOU HAVE TO BE. THE MESSAGE IS CLEAR: TAKE NOTHING FOR GRANTED.

"Things are changing," he concluded. "People in positions of authority have to be professional and exercise more care than ever before. Private matters can become public ones; private-sector matters become matters of public interest because business is now a matter of stakeholders, not just shareholders any more. The more successful you are, the more transparent you have to be. The message is clear: take nothing for granted."

ADDRESSING AUDIT GAPS AND EMERGING RISKS

Audit committee work is increasing in volume and difficulty, and new techniques must be evolved to help audit committees manage heightened risk and be more effective.

This was a clear conclusion drawn from the ACI Global Audit Committee Survey, which garnered 1,500 responses from respondents in 35 countries in the Asia-Pacific region, the Americas, Europe and the Middle East across multiple industries.

A large percentage of respondents comprised audit committee chairpersons; thus their opinions were of particular interest, especially with regards to the concerns, challenges and future of the audit committee role. These respondents represented a wide swathe of industries, ranging from banking, insurance and manufacturing, to retail and consumer goods. "Their concerns were just as diverse," Lee Min On, Partner, KPMG in Malaysia remarked. "These ranged from economic or political issues and regulations, to hacking of computer systems, low oil prices and falling coal prices. The challenges they cited were risk and information quality, the burgeoning use of social media and vulnerability of information, and talent management-related issues. Overall, they were unanimous about of audit committee work."

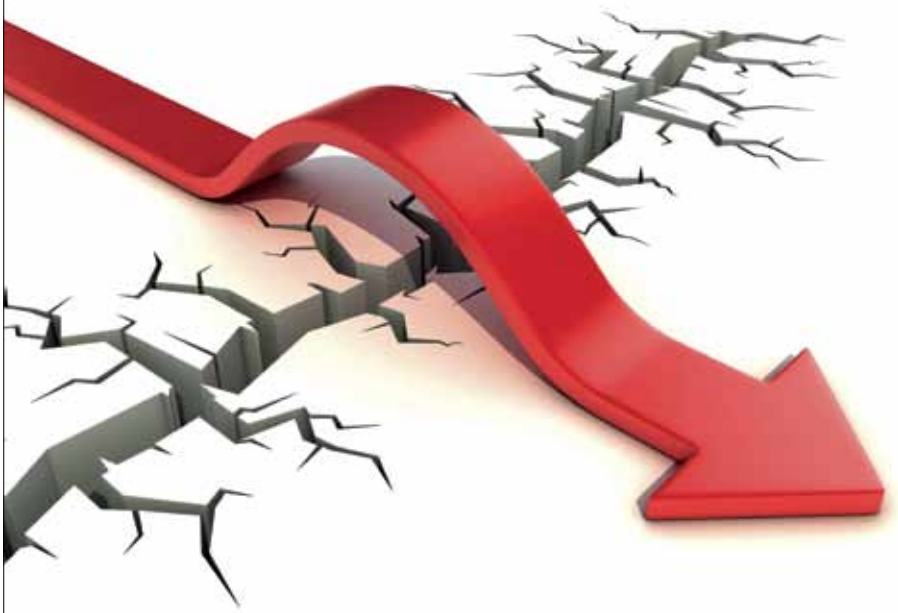
(L-R) Lee Min On, Philip Satish Rao, Datuk Johan Idris, V Uthaya Kumar

Apart from financial risk, the top four challenges cited by the respondents were uncertainty (regulatory, economic and

political) and volatility, government requirements and the impact of public policy initiatives, legal or regulatory compliance and operational risk. In Asia, the main challenge appeared to be talent-related, while Europe was experiencing difficulty with internal audit rotation. In the US, it tended more towards operational issues, with risk and cybersecurity high on the list.

Globalisation may also play a part in risk, said V Uthaya Kumar, Chair of AirAsia Berhad's Audit Committee. "Malaysian companies are now operating overseas and Malaysian companies are not experienced in operating overseas. Whilst we may understand the culture and regulatory environment in Malaysia, each overseas territory poses different risks which Malaysian management has not come across nor is equipped to handle. The audit committee should be mindful as even the smallest overseas affiliate can realise a major loss or reputational issue." Additionally, he stressed that risk management "is not a box-ticking exercise. The focus should be on a risk awareness culture of dealing with or managing risk and unanticipated events. It is far easier to deal with a known risk than an unanticipated one that realises."

RISK MANAGEMENT "IS NOT A BOX-TICKING EXERCISE. THE FOCUS SHOULD BE ON A RISK AWARENESS CULTURE OF DEALING WITH OR MANAGING RISK AND UNANTICIPATED EVENTS. IT IS FAR EASIER TO DEAL WITH A KNOWN RISK THAN AN UNANTICIPATED ONE THAT REALISES."



Philip Satish Rao, President, IIA Malaysia suggested building different scenarios to deal with risk management. "Situations may be dynamic and volatile," he said. "An understanding of the changes that the business faces, is prerequisite. Risk management resides with the Board." Datuk Johan Idris, President, MIA, added that (while a) company incurred additional resources, looking at its risk framework should not be seen as a cost but an investment for its future long-term business. "The credibility and reputation of Board members is at stake," he said.

Effective risk management also depends on the level of collaboration between internal and external auditors. Datuk Johan commented that generally, there was little collaboration between internal and external audit because they operated on different frameworks. "It's also a matter of the competencies and skills of different sets of auditors," he remarked. "Other countries have testing for auditors to ensure their independence." Rao suggested that companies do some soul-searching. "They should ask themselves whether their internal audit processes are robust enough, before applying them to external audit," he concluded.

GUARDIANS OF THE CYBER GALAXY

The core issue of cybersecurity is the need to defend systems, software and networks against threats and crime – but what is the audit committee's role in this?

(L-R) Dr. Solahuddin Shamsuddin, Nickson Choo, Jason Yuen, Jonathan Selvasegaram

Cybersecurity is becoming a nightmare for business, on the back of incidents where internal controls were breached and firms suffered financial and reputational damage as a result.

A key concern is that cybercrime can lead to costly business disruptions which in turn can lead to loss of reputation, credibility and customer confidence. Worse, the threat is growing. "Since the 1990s, cyber threats have increased exponentially," stated Dr. Solahuddin Shamsuddin, Chief Technology Officer, Cybersecurity Malaysia.

Connectivity, technological advancements, and the increase in the cyber attack surface are facilitating cybercrime. "Before, you had to be quite technologically advanced to hack into systems but today, you don't need advanced technological capabilities; there are tools that will help you hack into systems. While everything is connected, and everything is part of the ecosystem, there are limits to how far organisational control can be extended over social media and the Internet. Mobile devices are part of this ecosystem as well, and organisations have even less control of this area, although the use of social media as a marketing tool is on the rise – mainly because it is popular, has wide outreach and is very cost-effective," explained Dr. Solahuddin.

Cybercrime is a business bane. Some prominent examples include the hacking of JP Morgan Chase's systems which resulted in the loss of customer confidence. In the case of Target, card data was stolen from its systems. This data breach cost the company USD148 million, and profits fell 46%. In addition, Target suffered a negative impact on its reputation as well. Edward Snowden is synonymous with NSA (the US National Security Agency) leaks but few people realise why some businesses now refuse to have anything to do with US companies: it's because the NSA has "back doors" into many of them! Malaysia, too, has seen an increase in the number of hacked websites and defaced homepages but the threat goes deeper than that. Online and mobile banking facilities may be at risk. These concerns need to be comprehensively addressed.

FROM SERVER ROOM TO BOARDROOM

Since cybersecurity is a high-level management issue, this puts it squarely within the remit of the Board and the audit committee. "Cybersecurity is moving from the server room to the Boardroom," confirmed Jonathan Selvasegaram, Corporate Attorney, Digital Crimes Unit, Microsoft SEA. "Board members have to understand the need for IT/Tech to ensure cybersecurity for the organisation and manage the

risks represented by the very real cybersecurity issues of today. Audit committees should look at their supply chains, and ask where their machines are coming from, and if software is genuine and if internal IT usage policies are followed. They can also check to see who else has access to data and which cloud provider can be trusted with your data."

At the end of the day, cybersecurity is a risk matter, not an IT one, said Jason Yuen, Partner, EY Advisory Services. "It's about managing risk," he said. "Nowadays, it is just not possible to not have threats or security breaches. When this happens, management has to ask itself if it is able to handle the situation. Key threats need to be identified; threat intelligence is of paramount importance. Ask yourself if threats which have occurred elsewhere could happen to you. No company is so small that it can afford to ignore cybersecurity threats. Are your IT security people looking at all your suppliers, and anyone who has anything to do at all with the company's systems?"

Yuen advised caution when using systems; users have to be aware of threats which exist on systems, or can be transmitted through them. He suggested using specialised services by IT companies that detect botnets and malware, but the best way could be to "monitor your systems to see if there is suspicious traffic or communication with known 'organised crime' information centres."

Nickson Choo, Governor, IIA Malaysia highlighted the Three Lines of Defense model by IIA (the Institute of Internal Auditors) which outlines the three groups on which senior management and the Board can rely to detect and address risk. These are: Operating Management, the Risk and Compliance Functions, and Internal Audit.

A primary responsibility of the Board is to provide risk oversight, and the audit committee is often delegated the task of overseeing the risk programmes and policies, including cybersecurity. "Unfortunately, there is no such thing as absolute security," he reiterated. "Each organisation needs to strike a risk balance between defending its key assets against cyber attack and the cost of cybersecurity measures."

As such, the Board must assume the role of the fourth line of defence against cyber risks within the entire organisation. In this capacity, the Board must require internal audit to provide an annual "health check" report of the organisation's cybersecurity programme.

IN SEARCH OF EXCELLENCE

How can the Board Audit Committee optimise insights from External Audit, Internal Audit and the CFO to improve its performance?

Key to good governance is excellent relationship management, and a focus on audit quality and transparency.

"Audit committees need to drive the audit culture and by extension, the good corporate governance of their respective firms," stated Vijayam Nadarajah, R&D Specialist, Finance Accreditation Agency. "A strong relationship needs to be cultivated between audit committees, internal and external audit, and the chief financial officer."

Meanwhile, Board audit committees will have to elevate their own competence to make up for shortcomings in professional audit quality. Alarmingly, the number and quality of professional auditors is declining, according to Dr. Hj. Badrul Hisham Mohd. Yusoff, Chief Internal Auditor, Bank Kerjasama Rakyat Malaysia. "Board audit committees themselves will need to be efficient and capable," he said. "The quality of auditors needs to be improved through education and professional training."

David Lau Nai Pek, Audit Committee Chair, Axiata Group

(L-R) Vijayam Nadarajah, Dr. Hj. Badrul Hisham Mohd. Yusoff, Raja Faridah Raja Ahmad, David Lau Nai Pek, Lee Tuck Heng

Berhad noted that in assessing the strength of internal and external audit, much depends on the quality of the people in the function. "You need to remember also that to a great extent, internal and external audit depends a lot on the person who is put on the job. How do you assess the competency of the person in that position? Having a governance and control scorecard can help."

To enhance governance, organisations like Bank Kerjasama Rakyat undertake training of internal auditors to increase their capabilities. Auditors also undergo duty rotation, changing departments to better understand various work processes, in order to improve their performance levels.

External auditors too play an essential role in corporate governance, and hence are advised to be more vigilant in auditing and adhere strictly to ethics while maintaining open communications. "Ensure all financial statements show true and fair views," said Lee Tuck Heng, Chair, Auditing and Assurance Standards Board, MIA. "The quality of interaction between all stakeholders must be smooth for things to improve. Holding to accounting standards and codes of ethics is important."

However, the onus is on Board audit committees to take the lead. Lee recommended that separate meetings outside the audit committee meetings could be held to discuss audit findings thoroughly, and all parties concerned could come to an agreement over what course of action should be taken. While Lee urged firms to invest in IT to help them improve their audit and fraud detection processes, he noted that following a code of ethics meant reporting breaches immediately, and that when it came to fraud or mismanagement, organisations should have a zero tolerance policy.

Such transparency is paramount to preempt unwanted surprises. "The last thing you want as an audit committee chairman, is to be surprised by the unexpected," said Axiata's Lau. "Don't hide bad news. Tell it straight out. Before the audit committee meeting, you may want to have all audit partners iron out problems and clarify matters so that there will be no surprises." He added that the latest estimates should be used in conjunction with the outlook for the year, and if the forecasts deviate from the plan, things have to be realigned and readjusted. "Look forward as well as back," he advised.

As a key party in good governance, how should CFOs position themselves to take on expanding roles? Raja Faridah Raja Ahmad, CFO, MSM Malaysia Holdings Berhad said, "CFOs today are no longer just number crunchers. A lot more of them are working with Boards on planning and strategy for the business, in order to produce optimum organisational performance. It's an ever-expanding role. In fact, you just have to put in targets to reach, and you may well be the CEO!"

But she cautioned that the going would be tough if the mindsets, ethics and culture of CFOs, auditors and audit committees were not aligned with what was required by the current management. "Economically and politically, the environment in Malaysia today does not make it easy to do business," she conceded. Ultimately, auditors and audit committees should set clear expectations for themselves, and have the courage to hold themselves accountable, as an example of the right way forward. ■

MIA NOTICE

ORDER OF THE DISCIPLINARY APPEAL BOARD MALAYSIAN INSTITUTE OF ACCOUNTANTS

The Council of the Malaysian Institute of Accountants ("Institute") hereby gives notice that after due consideration by the Disciplinary Appeal Board of the Institute ("Disciplinary Appeal Board") in respect of an appeal by Subramaniam Paidathally (Membership No.: 7334) who appealed against the decision made by the Disciplinary Committee of the Institute ("Disciplinary Committee") to suspend the said member for a period of three (3) years or for the period that the said member remains to be an undischarged bankrupt within the said period, the Disciplinary Appeal Board in exercise of its powers under Section 21 of the Accountants Act 1967 [Act 94] and Rule 28 of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P.U. (A) 229/2002] has made an order to confirm and maintain the said decision of the Disciplinary Committee.

The Disciplinary Appeal Board had further ordered that the suspension period of three (3) years shall be effective from 1 March 2015.

The said member did not appeal against the decision and order made by the Disciplinary Committee that:

- the Disciplinary Committee was satisfied that the said member is an adjudged bankrupt and has not been discharged as bankrupt; and
- the said member's name shall be removed from the register and shall cease to be a member of the Institute in the event that the said member fails to discharge himself as a bankrupt within the three (3) years' suspension period, which therefore shall stand.

The order of the Disciplinary Appeal Board took effect on 1 March 2015.

SUDIRMAN BIN MASDUKI
Registrar
On behalf of the Council of the Malaysian Institute of Accountants

ORDER OF THE DISCIPLINARY APPEAL BOARD MALAYSIAN INSTITUTE OF ACCOUNTANTS

The Council of the Malaysian Institute of Accountants ("Institute") hereby gives notice that after due consideration by the Disciplinary Appeal Board of the Institute ("Disciplinary Appeal Board") in respect of an appeal by Abd Halim bin Ahmad (Membership No.: 12816) who had appealed for:

- the suspension period of six (6) months imposed by the Disciplinary Committee of the Institute ("Disciplinary Committee") be reduced to a period of three (3) months; and
- the fine of RM5,000.00 imposed by the Disciplinary Committee be reduced to RM2,000.00,

the Disciplinary Appeal Board in exercise of its powers under Section 21 of the Accountants Act 1967 [Act 94] and Rule 28 of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P.U. (A) 229/2002] ("Disciplinary Rules") has made an order to confirm and maintain the above disciplinary punishments of the Disciplinary Committee.

The Disciplinary Appeal Board had further ordered that:

- the suspension period of six (6) months shall be effective from 1 April 2015; and
- the said member shall attend the course on Essential Audit Quality Control Practice (with Practice Review Findings) and the Public Practice Programme conducted by the Institute within the six (6) months period of suspension or as soon as the said courses are available.

The said member did not appeal against:

- the decision of the Disciplinary Committee that found the said member to have committed an act amounting to 'unprofessional conduct' within the meaning as provided under Rule 2 of the Disciplinary Rules, in relation to the said member's failure to discharge his professional duties in carrying out the audit on Times Academy Sdn. Bhd. for the financial year ended 31 December 2010;
- the order to pay the Institute a sum of RM2,000.00 in respect of costs and expenses of and incidental to the disciplinary hearing before the Disciplinary Committee and the investigation conducted by the Investigation Committee of the Institute; and
- the order to attend a course on Essential Audit Quality Control Practice (with Practice Review Findings) and the Public Practice Programme conducted by the Institute, which therefore stand.

The order of the Disciplinary Appeal Board took effect on 1 April 2015.

SUDIRMAN BIN MASDUKI
Registrar
On behalf of the Council of the Malaysian Institute of Accountants

Decisions of the Disciplinary Committee of the Malaysian Institute of Accountants ('MIA') pursuant to Rule 2 of the Malaysian Institute of Accountants (Disciplinary) Rule 2002

Lee Kuang Chong (4090) the director primarily responsible for the financial management of Merge Housing Berhad had been punished and imposed a fine of RM3,000-00 and costs of RM3,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to respond to:

- the relevant letters during a specific period from the Financial Statements Review Committee of MIA on their queries on Merge Housing Berhad for the purposes of determining compliance with statutory and other requirements, and approved accounting standards in Malaysia and ;
- the Notice of Complaint and the Institute's relevant letters at specific dates in respect of a complaint lodged by the Financial Statements Review Committee of MIA, thereby refusing to provide assistance to the investigation of the complaint.

Pursuant to Rule 18(2) of the MIA (Disciplinary) Rules 2002, the Disciplinary Committee after due inquiry, is satisfied that **Gok Ching Hee (14570)** had been fined by the Butterworth Criminal Sessions Court (2) for committing offences under Section 364A (1) of the Companies Act 1965 on 10 February 2014. He had been removed from the register and shall cease to be a member of the Malaysian Institute of Accountants and has been ordered to pay costs of RM2,500-00.

Choo Kok Poon (7832) the sole proprietor of Messrs. Choo & Co. (the Firm) had been reprimanded and imposed costs of RM500-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Choo Kok Poon (7832) the sole proprietor of Messrs. Choo & Co. (the Firm) had been reprimanded and imposed costs of RM500-00 (for each year) by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to lodge annual return of the Firm with the Institute for the years **2010, 2011** and **2012** pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Hoo Kit Chong (19153) the sole proprietor of Messrs. KC Hoo & Co. (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Chew Kah Hoe (11447) the partner of Jerome & Associates (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,500-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Li Lai Sin (7613) the sole proprietor of Messrs. L S LI & Co (the Firm) had been punished and imposed a fine of RM2,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Saniza Said (17868) the sole proprietor of Messrs. Saniza & Associates (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for a specific period pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Sariah Ismail (5735) the sole proprietor of Messrs. Sariah & Associates (the Firm) had been punished and imposed a fine of RM2,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for a specific period pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Yeap Fong Yiee (8737) the sole proprietor of Messrs. Yeap & Co. (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Salehuddin Shamsuddin (5918) the sole proprietor of Messrs. Salehuddin Shamsuddin Management Services (the Firm) had been punished and imposed a fine of RM2,000-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for a specific period pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Abdul Mutalip Sulaiman (5530) the sole proprietor of Messrs. AM Sulaiman & Co (the Firm) had been punished and imposed a fine of RM2,000-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for a specific period pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Kong Shau Choong (16330) the sole proprietor of Messrs. SC Kong & Co. (the Firm) had been punished and imposed a fine of RM2,000-00

and costs of RM2,500-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Aris Nasrol Osman (21407) the sole proprietor of Messrs. Aris & Co (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Razaleigh Rahmat (31073) the sole proprietor of Messrs. Razaleigh Rahmat & Co. (the Firm) had been punished and imposed a fine of RM2,000-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for a specific period pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Mahmmud Kindang (9968) the sole proprietor of Messrs. Mahmmud & Co (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for a specific period pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Dato' Zanzali Mohamad (15804) the sole proprietor of Messrs. Zanzali Mohamad & Co (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Ong Teng Cheng (21115) the sole proprietor of Messrs. T.C. Ong & Co. (the Firm) had been punished and imposed a fine of RM2,000-00 and costs of RM2,500-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Siew Han Ngee (20139) the sole proprietor of Messrs. H.N. Siew & Co. (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Hng Khuim Chew @ Heng Khuim Chew (932) the sole proprietor of Messrs. Stephen Hng & Co. (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Theertham Ravichandran (7224) the sole proprietor of Messrs. T. Ravi & Co. (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Theertham Ravichandran (7224) the sole proprietor of Messrs. S.V. Arasu & Co. (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for a specific period pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Yew Teck Yong (14886) the sole proprietor of Messrs. YTY & Co. (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for a specific period pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Goh Hann Shung (3192) the sole proprietor of Messrs. Goh & Associates (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Vasanthi Sinnathamby (23564) the sole proprietor of Messrs. VS Accounting Services (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for specific periods pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).

Fong Nee Wai @ Foong Nee Wai (17512) the sole proprietor of Messrs. N.W. Fong & Associates (the Firm) had been punished and imposed a fine of RM1,500-00 and costs of RM2,000-00 by the Disciplinary Committee of the Malaysian Institute of Accountants ("Institute") for failing to ensure that the Firm had a Professional Indemnity Insurance coverage for a specific period pursuant to the Institute's By-Laws (On Professional Ethics, Conduct and Practice).