THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

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GST GOOD NEWS ON BAD DEBTS

THE WINDS OF CHANGE

BEWARE OF SHADOW ACCOUNTANTS

DISSECTING THE DATA ECONOMY

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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.

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THE FUTURE IS BIG DATA

No matter where we turn today, there is no escaping the ubiquity of big data and the application of Internet and related technologies, which are radically transforming economic models and the way we work and play.

Indeed, in 2010, *The Economist* asserted that data has also become a factor of economic production, along with land, labour, capital and entrepreneurship.

Big data will be one of the key factors shaping the future for accountants and finance professionals over the next decade, according to a report entitled "100 Drivers of Change for the Global Accountancy Profession". This cataract of data will pressure us to expand beyond technical and operational roles to those of catalysts and strategists. We must be swift to acquire the skills and experience to leverage data and analytics to help management and boards make better tactical as well as strategic decisions, which in turn can optimise business performance. The ability to take up additional roles as data analysts in order to use and interpret big data will be a key competitive advantage for us, as explained in this issue's thematic cover stories on the data economy and accounting roles.

IF TECHNOLOGY CAN MAKE BUSINESS BETTER, SO CAN TEAMWORK.

In a hyperconnected world, social media marketing will be equally important to get ahead, whether in a business-to-consumer or business-to-business environment. Businesses and accountants need to learn how to leverage on connectivity and the torrential traffic on social media, to build an Internet marketing strategy that enables effective engagement and interaction with target audiences. Our piece on social media marketing shares key strategies for how businesses and accounting firms can win the social media war.

As champions of quality education and continuing professional development, MIA anticipates that the syllabus for professional qualifications and continuing education will continue to evolve to fully support accountants as we embrace emerging technologies, predictive analytics, and social media.

If technology can make business better, so can teamwork. Balance examines the importance of encouraging collaboration in the workplace to promote innovation, productivity and value creation. How can companies re-think office and workplace design to encourage workers to 'hang out', bounce ideas off each other and communicate effortlessly? There needs to be a paradigm shift in the architecture of the workplace as we know it.

Teamwork, along with delegation have also helped Datuk Alexandra Chin make it to the top. Now serving as Deputy President of ACCA Worldwide (2014-2015), she is touted to be in the running to become only the fourth ACCA lady President since 1904, and the first from Asia and outside the UK. In our profile, Datuk Alexandra says that it is important to delegate and share the load: "What skills I lack I choose to (make up for by) surrounding myself with people who can complement my skills."

This is perhaps the most important message that we can extract from this issue. Despite the cacophony of changes – whether it's big data, standards, regulations or globalisation, to name just a few – we can prevail and succeed if we each play to our strengths and collaborate effectively on our common goals. ■

Season's Greetings and best wishes for a Happy New Year!

2015 - FOCUS ON BUILDING COMPETENCY AND CAPACITY

PRESIDENT SAYS | DATUK JOHAN IDRIS

2015 is right around the corner, but while the New Year heralds unexpected developments and dynamic sweeping changes, some fundamentals will never change.

One, accounting is an inescapable part of doing business; as such accountants contribute great value to national and global economic development. Two, in order to deliver these great values and fulfil the public trust, accountants must continually and tirelessly develop their capabilities and competencies – in short, build competency and capacity.

The marketplace places high expectations on the profession, and we will have to work hard to increase our quality and numbers in order to meet demand. The Economic Transformation Programme (ETP) estimates that Malaysia would need at least 60,000 qualified accountants by 2020 to achieve the vision of becoming a high-income and highly developed nation, and to support the government's aspiration to transform Malaysia into a leading accountancy hub in the Asia Pacific. Currently, there are only about 31,000 professional accountants who are members of MIA; and we need to double the number by 2020.

CURRENTLY, THERE ARE ONLY ABOUT 31,000 PROFESSIONAL ACCOUNTANTS WHO ARE MEMBERS OF MIA; AND WE NEED TO DOUBLE THE NUMBER BY 2020.

This is a challenging target which requires aggressive and effective manpower planning. Apart from taking stock of our own inventory, namely analysing the current availability of accounting professionals, MIA needs to restructure and build pipelines of competent and professionally qualified accountants for the future.

To date, MIA's roadmap includes identifying and implementing the necessary reforms and structural adjustments required to attract, develop and retain top accounting talents in the industry. We will also need to ensure that practitioners and MIA members offer and maintain consistently high service standards to the markets we serve, by providing them with the tools and support they need to excel in the domestic, regional and global environment. In the year ahead, MIA will continue to champion the accounting profession, maintain high standards among members and nurture the next generation of accountants, while scoping the future and focusing on continuous improvement.

Key to the profession's efforts to build competency and capacity is the government's initiative to establish the new Professional Accounting Centre in collaboration with MIA. To be located at a leading institution of higher learning, the Centre will certainly help to increase our pool of future professional accountants. MIA is currently working with the relevant parties on the structured programmes for the Centre.

Going forward, the main challenge for the profession is "competency". The knowledge base of the profession needs to keep pace with the growing complexity of the financial sector and the emergence of new and sophisticated financial instruments. This requires, not just a continuous review of the accounting curriculum, but equally important, an active, well-diversified and constantly updated programme of continuing professional education for our members. And this continuing professional education cannot be a mere "tick in the box" or determined by participation in number of hours of education or training, but should be evaluated by way of outcomes and upgrading of relevant knowledge and skillsets.

As the leading professional and regulatory body for the profession, MIA is committed to delivering quality continuing professional education and reskilling required to help accountants and financial leaders adapt to the changing needs of business, and to manage growing risks, compliance demands and heavier workloads in order to deliver superior service and sustain public trust. ■

trends to note

Economic and political outlook in and around the world

THE SPORTING EDGE

Are you an ambitious career woman? Then play sport.

Are you an ambitious career woman? Then play sport. Research by the EY Women Athletes Business Network and espnW research – based on a global online survey of 400 women executives - reveals executive women are more likely to have played sport and to hire other women who have played sport. The majority of women executives surveyed in *Making the Connection: Women, Sport and Leadership* say that a sport background can help accelerate a woman's leadership and career potential, and has a positive influence on hiring decisions. The C-suite women

respondents in particular are very strong champions of sport and the sporting ethic. The survey showed that the majority (52%) of C-suite women played sport at the university level, compared to 39% of women at other management levels. Just 3% of C-suite women have not played any sport, compared with 9% of women at other management levels.

The top three areas where sport has played a very significant role in developing or improving leadership skills are: seeing projects through to completion; motivational skills; and team building.

With a competitive spirit seen as essential for success on the playing field, about three-fourths (74%) highlight that being described as "competitive" is considered an asset to their leadership style.

EU INVESTMENT OFFENSIVE

The European Commission announced a €315 billion Investment Plan to boost growth and jobs. The Plan is built on three main strands:

According to European Commission estimates, taken as a whole, the proposed measures could add €330 - €410 billion to EU GDP over the next three years and create up to 1.3 million new jobs.

The creation of a new European Fund for Strategic Investments (EFSI), guaranteed with public money, to mobilise at least €315 billion of additional investment over the next three years (2015 - 2017)

The establishment of a credible project pipeline coupled with an assistance programme to channel investments where they are most needed

An ambitious roadmap to make Europe more attractive for investment and remove regulatory bottlenecks.

CARBON PRICING: FACTS AND FIGURES

Businesses can no longer afford to ignore carbon pricing, which helps lower overall emissions while giving businesses the flexibility to find their own most efficient solutions to climate change and environmental stewardship. The World Bank Group is encouraging countries, subnational jurisdictions, and companies to join a growing coalition of first movers supporting carbon pricing.

Number of jurisdictions (national and subnational) implementing or scheduled to implement carbon pricing instruments, including emissions trading schemes and taxes: 39

VALUE OF THE WORLD'S EMISSIONS TRADING SCHEMES **US$30 BILLION**

SECOND LARGEST CARBON MARKET: CHINA, COVERING THE EQUIVALENT OF **1,115 MILLION** TONS OF CARBON DIOXIDE

WORLD'S **LARGEST CARBON MARKET:** THE EU ETS, WITH ITS 2,039 MTCO2E CAP (AS OF 2013)

MARKETS INTRODUCING NEW **CARBON TAXES** IN 2013: MEXICO AND FRANCE

COMBATING OBESITY

McKinsey researchers say that obesity is a critical global issue that requires a comprehensive, international intervention strategy. More than

2.1 BILLION

people-nearly

30 PER CENT

of the global population - are overweight or obese, almost two and a half times the number of adults and children who are undernourished. Obesity is responsible for about

5 PER CENT

of all deaths a year worldwide, and its global economic impact amounts to roughly $2 trillion annually, or

20 PER CENT

global GDP - nearly equivalent to the global impact of smoking or of armed violence, war, and terrorism, said McKinsey. This should be a wake-up call for Malaysia, recently labelled the fattest nation in Southeast Asia.

BATTEN DOWN THE IT HATCHES

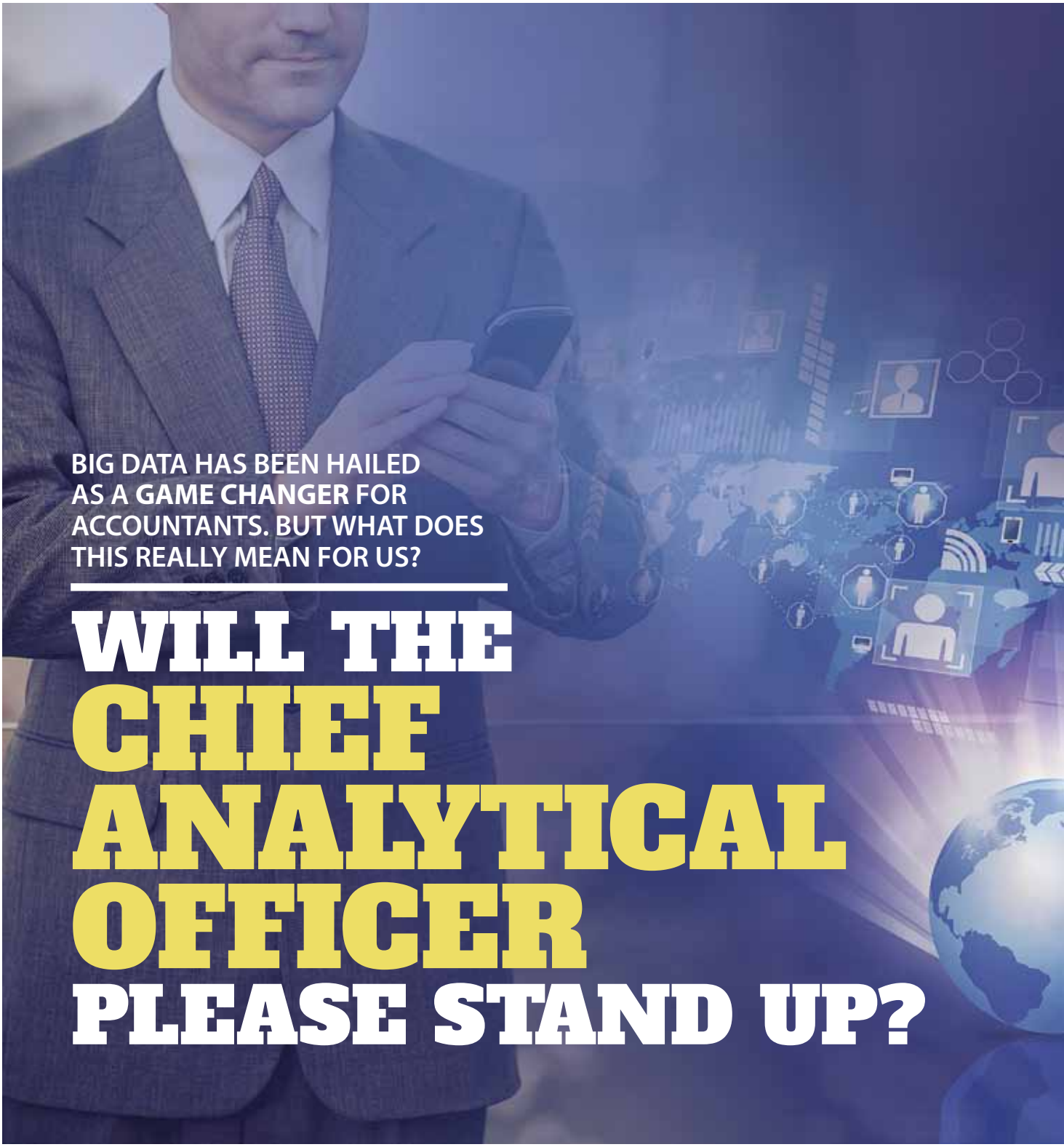
In tandem with increased digitalisation, the number of reported information security incidents around the world rose 48 per cent to 42.8 million, the equivalent of 117,339 attacks per day, according to *The Global State of Information Security® Survey 2015*, released by PwC, in conjunction with CIO and CSO magazines. Detected security incidents have increased 66 per cent year-over-year since 2009, the survey data indicates.

As security incidents become more frequent, the associated costs of managing and mitigating breaches are also increasing. Globally, the estimated reported average financial loss from cybersecurity incidents was $2.7 million – a 34 per cent increase over 2013. Big losses have been more common in 2014 as organisations reporting financial hits in excess of $20 million nearly doubled.

But despite elevated concerns, the survey found that global information security budgets actually decreased four per cent compared with 2013. Security spending as a percentage of IT budget has remained stalled at four per cent or less for the past five years.

"Strategic security spending demands that businesses identify and invest in cybersecurity practices that are most relevant to today's advanced attacks," explained Mark Lobel, PwC Advisory Principal focused on information security. "It's critical to fund processes that fully integrate predictive, preventive, detective and incident-response capabilities to minimise the impact of these incidents," he said.

BY PREETHA NADARAJAH



BIG DATA HAS BEEN HAILED AS A **GAME CHANGER** FOR ACCOUNTANTS. BUT WHAT DOES THIS REALLY MEAN FOR US?

WILL THE CHIEF ANALYTICAL OFFICER PLEASE STAND UP?

WHICH HAT ARE YOU WEARING TODAY?
CHIEF FINANCIAL OFFICERS (CFOs) THESE DAYS ARE EXPECTED TO PLAY FOUR DIVERSE AND CHALLENGING ROLES: FINANCE OPERATOR, STEWARD, STRATEGIST AND CATALYST.

HOW will the emergence of big data expand or stretch these roles? Hugo Walkinshaw, Executive Director, Deloitte Singapore, said at the recent MIA International Accountants Conference 2014 that the big data economy won't bring anything new to the table above and beyond these roles that a CFO plays. "There will however be a greater focus on the catalyst and strategist roles. The operations role will likely be taken for granted and the expectations would be that more will be done with less, but quicker and with 100% accuracy."

Automation and technology which go hand-in-hand with big data will make work easier for CFOs, and make it easier for them to meet changing expectations. For example, technical work could diminish as "the standard preparation of financial statements could be largely automated, allowing for more time to be focused on forward-looking measures such as predictive and prescriptive analytics," explained Walkinshaw, allowing the finance function the time and space to be more of a business partner in strategist and catalyst roles.

On the flipside, the data economy and workflow automation could exacerbate the already sky-high expectations from external stakeholders. For example, there are pressures from regulators for the finance function to deliver absolutely 100% correct compliance and higher expectations upon them to track fraud, which is a huge issue in several countries in Asia Pacific and Europe.

CONTINUOUS AUDITING FOR IA

Even if you're not a CFO, big data will transform your life. Big data will probably bring stark change to the internal audit (IA) functions, which commonly focus on transactional-based analytics and can benefit from automation. "IA can use data to identify notable exceptions in populations that could provide important clues about potential gaps in internal controls," added Walkinshaw. By leveraging automation and big data analytics, the concept of "continuous auditing" could be introduced, i.e. collection of audit evidence and indicators by an internal auditor on IT systems, processes, transactions and controls on a frequent, repeatable and sustainable basis. This will enable a continuous risk assessment process, which is largely a qualitative analysis combined with quantitative, technology-based data analytic processes. "This is not a luxury that internal audit functions that are not analytics-enabled can afford given limited financial and human resources to achieve this manually," he remarked.

These analytics could focus on trends, patterns, and results in key performance benchmarks such as number of days of sales outstanding, number of purchase orders per week, count of authorised users performing unauthorised activities on ERM (enterprise risk management) systems and so on. When properly developed and executed, data analytics can greatly improve an internal audit function by automating the collection, formatting, and mapping of organisational data and applying various tools to analyse and interpret the data in a more meaningful way.

HOPE FOR EXTERNAL AUDITS

Could big data change the traditional intensive model of external assurance where, as the joke goes, auditors work from 9am to 5am. Big data can differentiate audit firms by providing tools to support thought leadership, industry expertise and more beyond merely a well-executed and timely audit, said Walkinshaw. "Given the adoption of paperless audit tools and technologies, data analytics can help exceed the expectations of clients with the same order of magnitude of time and personnel investment."

Data analytics can be used in the planning and risk assessment stage to analyse the accounts more deeply

and focus on key risks and material issues. With increased automation of data collection, e.g. extraction from ERP systems and automated analysis using a number of routines that analyse 100% of the population included in an account or process, precious auditor capacity is freed up to focus on key risk areas identified through the analysis. Since big data can offer quicker analytical capability across subsidiaries and business units, auditors can better evaluate an organisation's policies and practices, giving them more room and time to exercise professional judgement and scepticism.

It's also a boon for forensics and sniffing out fraud. "Big data analytics can be used to identify higher-risk transactions by highlighting deviations from the expected business processes and relationships," said Walkinshaw. Analytics can be also used to assess fraud risks and controls, giving a boost to risk management.

IMPACT TO SSO

Could big data alleviate talent woes in the burgeoning Shared Services and Outsourcing (SSO) industry and deliver better cost reduction? SSOs rely on operational metrics such as SLAs (service level agreements) and KPIs (key performance indicators) to heighten cost efficiency and performance. Incorporating analytics as part of the day-to-day operations can elevate SSOs to the next level, for example, by analysing revenue leakages and customer or employee defections so solutions can be crafted.

It goes without saying that SSOs would need to hire people with premium analytical skills and invest in the necessary tools to create an outcome-driven culture fuelled by automation and analytics, versus an operational culture. These resources are ideally integrated into day-to-day work. For example, in addition to processing expense claims, SSO staff could also run daily fraud checks – in real time – which are embedded as part of the process.

Faye Chua

Hugo Walkinshaw

HOW TO RIDE THE BIG DATA WAVE

How can we acquire the skills to excel in big data?

Faye Chua, Head of Future Research, ACCA noted at the MIA International Accountancy Conference 2014 that a 2012 ACCA-IMA report entitled "100 Drivers of Change for the Global Accountancy Profession", chose big data as one of the key factors shaping the future for accountants and finance professionals over the next decade. She expects that the syllabus for professional qualifications will change over time to provide elective courses to support accountants who may want to embrace these emerging technologies as they climb career ladders and fill more demanding and strategic roles.

Diversity will be pivotal to make the most of big data. "It is not only about putting new skills into existing people, but also about getting different people into the team who don't come from a typical accounting background and then teaming up with them. You need to think outside the box when it comes to the composition of the team in this new era," warned Walkinshaw. In such a scenario, line management needs to build up their management skills to successfully manage the team members' diverse backgrounds and personalities.

Also at the MIA International Accountants Conference 2014, Chari TVT, Group CFO, Axiata Group, said that job rotation would be crucial experience to excel in big data: "Take on different non-finance roles within the organisation to get more all-rounded exposure." He himself spent ten years in a sales and marketing role. He stressed the importance of understanding the holistic business and not just being siloed in the financials, in order to grasp the full strategic benefits of big data and analytics.

Analytics and big data will also be useful tools for accountants who are now expected to be futurists who can chart long-term business prospects. It's no longer sufficient for accountants to provide historical values, but future value creation for business sustainability. "Always look forward and think ahead, beyond just the next quarter," advised Chua. ■

BY PREETHA NADARAJAH

DISSECTING THE DATA ECONOMY

Phrases such as cloud computing, big data, crowdsourcing, data science, Hadoop and Internet of Everything (IoE) may sound like gobbledygook to the man on the street, but these are signposts of the **data economy**. But wait a minute: just what is the data economy?

ALSO referred to as the intelligent or digital economy, the data economy is simply one in which a large and constant stream of data is produced, monitored and analysed as a result of the convergence of technologies, the shift from analogue to digital, widespread mobile device adoption and increasingly connected systems.

IT market research firm IDC predicts that the digital universe will be 44 times bigger in 2020 than it was in 2009, totaling a staggering 35 zettabytes (ZBs). 1ZB=1,021 bytes. To put things in perspective, this is equivalent to the capacity held in one billion 1TB external hard disks! Often, the term big data is also loosely used to refer to this era.

How well will non-monopolistic organisations fare in the time of big data? That will largely depend on their ability to leverage data and analytics to improve operational efficiencies, to make better tactical as well as strategic decisions, and to create innovative products, services and business models to meet and exceed customer expectations. Organisations that learn early on how to use big data analytics to do all three will survive and thrive. The ability to manipulate data will be a key competitive advantage. So much so that in 2010, *The Economist* asserted that data has also become a factor of economic production, along with land, labour, capital and entrepreneurship.

In much the same way that the Internet has virtually encroached into all aspects of modern life, the data economy also has applications to all industries – from insurance for fraud forecasts, to retail supermarkets to better target their customer base, as well as to governments in providing solutions for the public - and across functions from R&D to marketing.

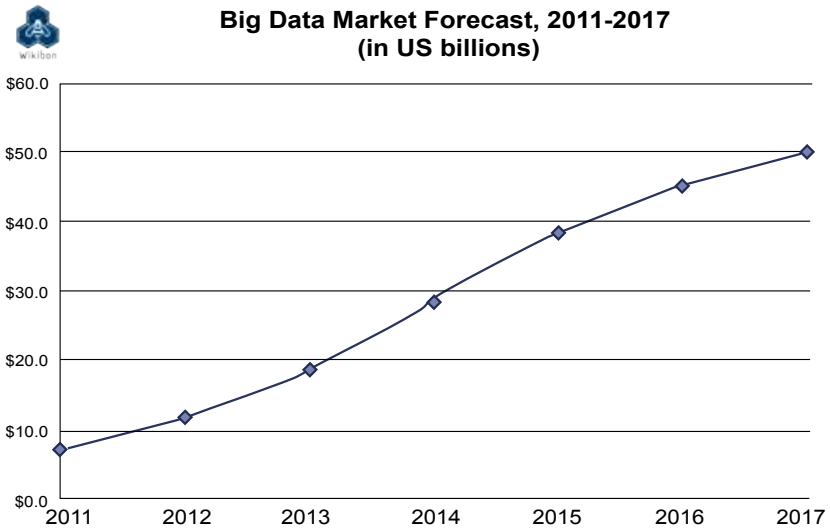


Figure 1: *Big Data Market Forecast, 2011-2017. Source: Wikibon 2014.*

OUR LIVES ARE OPEN DATABOOKS

Nobody is safe from big data, even infants. American supermarket Target used big data to target new parents – the holy grail of retail shopping demographics – as this is a key point in people's lives when shopping habits change, and try and increase revenues from this segment.

Using customer data that Target had been collecting for decades as well as purchased data, big data analysts predicted when a female customer might fall pregnant. Starting at the second trimester, specially designed ads targeted these female customers offering prenatal vitamins and maternity clothing. Analytics then segued to predict the baby's due date, and the targeted offers switched to pushing baby products. Between 2002 and 2010, Target's revenues exploded from US$44 billion to US$67 billion thanks to Target's Mom and Baby sales.

In addition to the data on products purchased at the Target stores, the quantities and frequency of purchases by each customer, the other type of data analysed on every customer covers other structured and unstructured data – including demographic information such as age, marital status, number of kids, address, distance to the nearest Target store, estimated salary, whether there had been a recent relocation, credit cards held, and websites. Target could also buy the following information: ethnicity, job history, magazines read, bankruptcy declarations, the year the customer bought a house (or lost or sold it), education levels including colleges attended, topics discussed online, preferred brands of coffee, paper towels, cereal or applesauce, political leanings, reading habits, charitable giving and the number of cars owned. Data lists are endless.

HOW BIG IS THE DATA ECONOMY?

Big data isn't just pervasive, but it's growing bigger. The global big data market forecast is estimated at a value of US$28.5bn in 2014 with a year-on-year growth rate of 53%. Based on 2013 revenue, broken down by type, big data-related services revenue made up 40% of the total market, followed by hardware

at 38% and software at 22%. Such a breakdown is due in part to the open source nature of big data software and the related business models of big data vendors, as well as the need for professional services to help enterprises identify big data use cases, architect solutions and maintain performance.

In Malaysia, as part of the National Big Data initiative, the Ministry of Communications & Multimedia (KKMM) is driving the development of Malaysia's Big Data framework in 2014. The goal is for Malaysia to become a big data and analytics hub for the region with projected revenues expected to reach RM720 million by 2020. As per IDC's APeJ ex-Japan Big Data MaturityScape Assessment 2013, the Malaysian private sector is at the "Ad-Hoc" stage in terms of big data maturity.

FROM AGRI TO INDUSTRIAL TO KNOWLEDGE AND NOW TO DATA ECONOMY

Malaysia's pursuit of data economy status will be imperative to join the ranks of developed nations, which have transitioned from agricultural economy to manufacturing or industrial economy to post-industrial/mass production economy (mid-1900s, largely the service sector) to the knowledge economy (late 1900s – 2000s, largely the technology/human capital sector). Developing countries are in various stages of this transition. This latest stage has been marked by rapid change through technological innovations. The shift has been from brawn power to brain power; one based on increasingly scarce, limited and natural resources to one of abundance resulting from the sharing of knowledge.

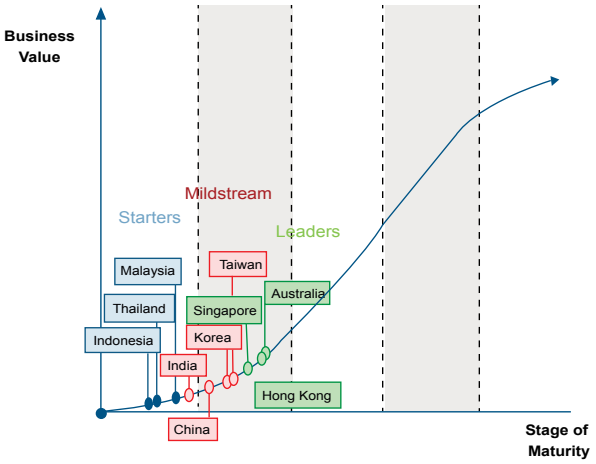


Figure 2: *APeJ Private Sector Big Data/Analytics Maturity. Source: APeJ Big Data MaturityScape Assessment 2013.*

In the book, "How Google Works", Google states that a primary difference between a knowledge worker and the new age worker is a result of the speed at which the world is moving today. With the data economy, employees need to use tools of the new age to produce a prototype product and get it to market quicker using a combination of business vision, technical ability and creativity. In contrast, a knowledge worker is more highly specialised and lower down in the organisation; and his work is also more structured.

With the data economy, as the information becomes digitised and communicated via digital networks, the 4 Vs come into play – volume, variety, velocity and veracity as depicted in the infograph in **Figure 3**. The volume, velocity and variety of data will only continue to increase given the increased take-up rate of communications technologies and reducing end-consumer costs to be connected all the time, making the veracity of the data a more complex issue to handle – i.e. how to differentiate the signals from the noise, and derive massive value from the insights that could be obtained from the data.

Security and data privacy become more significant issues to contend with in the increasingly connected world. Given the massive amounts of personal data being routinely collected, stored and sold, privacy breaches are almost inevitable with few effective controls over how it is used or secured. Legislation is required to reclaim some of that privacy and ensure security of data. However, in this era of globalisation, the challenge of jurisdiction rears its ugly head with different stakeholders (e.g. international social media data providers, localised telco providing data mobility information) in the overall supply chain, possibly operating across multiple continents; thus there is no single point of accountability.

HOW DO WE GET THERE?

Supporting the transition to the data economy requires investment in the following three areas: technology, talent and culture.

Technology investment covers technologies and processes that enable the ability to ingest, analyse, and act on streaming data from all manner of sources in real time and develop closed-loop feedback systems to continually optimise

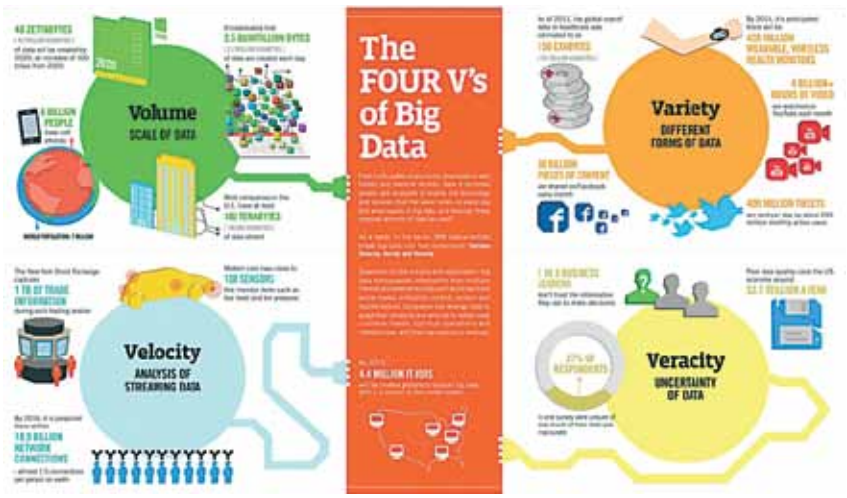


Figure 3: *The 4Vs of Big Data. Source: http://www.ibmbigdatahub.com/infographic/four-vs-big-data*

business processes, while supporting deep, historical analytics capabilities to identify strategic insights and also use the underlying trends to do predictive analysis. Examples of these are Hadoop and non-Hadoop software and related hardware, NoSQL database software and related hardware, amongst others.

Other enabling technologies that further leverage big data include social or collaboration software that allow people to connect with one another and share data e.g. Facebook, Twitter; mobile technology to enable workers to access analytics and information when and where needed, e.g. smartphones or tablets using WiFi, 3G or LTE telecoms technologies; and cloud technology to allow lower cost of ownership across the lifecycle of the IT infrastructure, such as trading upfront CAPEX for regular OPEX to support all of the above, e.g. Amazon storage-as-a-service.

Talent investment involves investing time and resources in hiring and cultivating workers who possess the required skills to extract value from data. This includes IT personnel who understand distributed systems such as Hadoop and MapReduce; Data Scientists and business analysts adept at data mining, statistics, predictive and prescriptive analytics; and data-savvy line-of-business workers proficient in tools like Excel, Tableau, business intelligence applications and data visualisation to communicate insights. Data scientists typically have a strong mathematical and statistical modelling background. Roles called Chief Data Officer (CDO) and Chief Analytics Officer or Chief Digital Officer, to oversee the governance, analysis and monetisation of data will become the norm in companies on this transformational journey. The market research company Gartner has predicted that as much as 25% of all organisations will have a CDO in their executive staff by 2015.

Successfully managing big data and analytics is not only about having the right technology, operating model, or people, but it is about tying these three vital aspects together to create a company culture anchored by differentiated analytics. This needs to start with executive board sponsorship to undertake the transformational journey from being "data rich, knowledge poor" to being an analytics-based company. Data scientists would then need to work with the existing functions in various business lines within the organisation on specific focus areas, challenging conventional wisdom by asking thoughtful questions and then addressing them through scientific, data-driven means. Given that conventional wisdom is being challenged, the open-mindedness of the stakeholders participating in such initiatives is an absolute necessity to be able to follow through on the insights that the data provides, rather than pure reliance on experience. Senior and middle management would need to be educated on this overall process, rather than remain bystanders simply awaiting results, to overcome the generation gap that is likely to exist between the young tech-savvy data scientists versus the older, more seasoned and experienced stakeholders participating from the different business lines.

To further help build a culture of analytics within an organisation, the data scientists need to start by taking a low-risk, no-cost approach to the individual business lines for a predefined period which is long enough to see meaningful results of this approach, typically no shorter than a year. This means that the stakeholders will need to be patient and understand that transformation based on analytics will not happen overnight.

As with all technologies promising sweeping changes to businesses, change management is going to be vital in order to realise the true value of the data economy. ■

BY ANIS RAMLI

LESSONS IN COURAGE, CONFIDENCE AND BEING COMFORTABLE IN YOUR OWN SKIN FROM DATUK ALEXANDRA CHIN, GLOBAL DEPUTY PRESIDENT OF ACCA.

FULL SPEED AHEAD

WHILE it might not be a woman's world yet in business, many remarkable female accountants are making a splash. Take Datuk Alexandra Chin, who is now serving as Deputy President of ACCA Worldwide (2014-2015) and is touted to be in the running to become only the fourth lady President since ACCA's inception in 1904 and the first from Asia and outside the UK.

In her role, Datuk Alexandra cuts a figure of hope and inspiration for not only female accountants, but young accountants everywhere who aspire to dream big and achieve their full potential.

As a successful businesswoman and accountant, she cannot avoid the inevitable questions about work-life balance and juggling career and family commitments. How did she do it? Collaboration is key. "Over the years, I have learnt not to be shy to ask for assistance. People are always willing to help; all you need (do) is to ask. Women are known to be good at multitasking, but we are not superwomen,"

skills

What skills I lack I choose to (make up for by) surrounding myself with people who can complement my skills.

she wrote via e-mail. Drawing upon her own experiences of managing a household and bringing up three children while carving out a career for herself, she says it is important for women to understand that it's okay to share the load – whether with the nanny, household help or family, especially the children. And she is all for delegating, a fact she admitted she discovered from years of learning to be more mindful and better aware of herself. In the end, her approach to work is simple: "What skills I lack I choose to (make up for by) surrounding myself with people who can complement my skills."

PUSHING THE GENDER AGENDA

Her appointment is hardly surprising given the changing demographic make-up of ACCA members and the accounting body's efforts at inclusiveness. Recent ACCA statistics show that women comprise more than 50% of its members and students. This, Datuk Alexandra said, is a natural progression given that women form the majority of graduates.

However, the challenge today is to attract and retain more qualified women in the workforce. "I know many capable women, when faced with the choice between career and family, would choose family. If I had to make a choice myself, I would probably do the same." She said the solution is to provide inclusive and equitable opportunities for women, which means creating a supportive work environment where women will be able to balance work and family commitments.

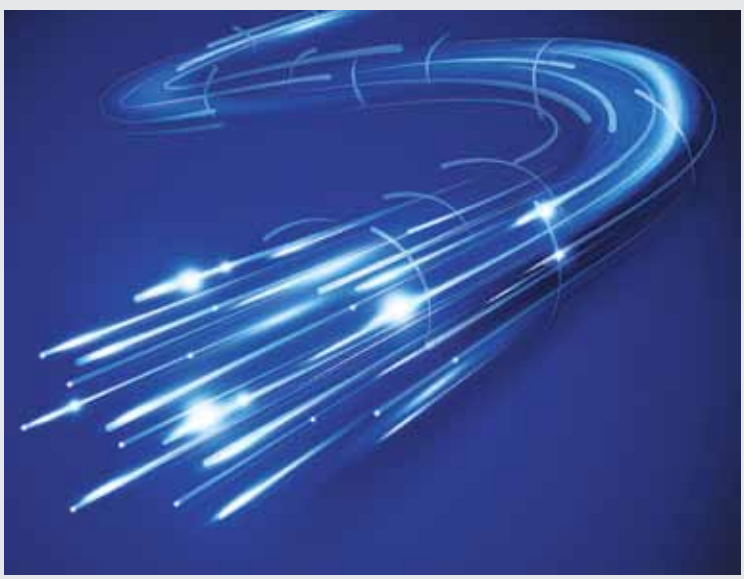
That being said, she's also convinced that a shy mentality and preference for a low profile – not lack of talents – is what's keeping many rising female accountants from being noticed.

She would know. Because she's been there before.

Take her recent candidacy for the Global Vice-President post last year. She never purposely set out to achieve such a high profile. "I have already been serving ACCA for 23 years in various capacities and I felt I was able to contribute more to ACCA as an officer," she explained. In order to influence change in the accounting community, she decided to challenge herself by contesting. As the post is by election process – with two candidates running – it was the ultimate gauge of whether Council colleagues viewed her as the best person for the job. Suffice to say, the results took her by surprise, and she won on merit.

People are always willing to help; all you need (do) is to ask. Women are known to be good at multitasking, but we are not superwomen

Her skills and experience speak for themselves. She set up her own private practice in 2006 and to date has clocked 33 years in public accounting service. Prior to being elected to the Global Deputy President post of ACCA, in September 2014, she held the Global Vice-President post between 2013 and 2014. She was also President of ACCA Sabah from 1999 to 2005. She has served as a Council Member since 2005 and was previously Chair of the ACCA Qualification Committee. Presently, she serves as a member of the Nominating and Market Oversight Committee, a member of the Malaysian Institute of Accountants



(MIA) and the Chartered Tax Institute of Malaysia (CTIM). Besides ACCA, she is also actively involved in various professional bodies and organisations in Sabah and is currently a board member of Sabah Tourism Board until 2017.

NATURAL BORN LEADER

But she isn't a novice at stewardship and public service. Datuk Alexandra got her first taste of leadership when she was appointed Junior Head Girl in her school. Days of helping and serving her fellow students resonated with her deeply such that many years later, she would tap into her sense of social responsibility and wanting to make a difference to serve in ACCA's Sabah Society when she became an ACCA member.

"I came from a humble family and I was the eldest of five siblings. At the age of 13, my parents sent me off to Singapore for my secondary education. It was good training – learning to be independent and taking care of myself," she recalled. It's in character for her to channel her best qualities to give back to ACCA, the very establishment that had steered her to success.

ACCA has given her various opportunities to excel both personally and professionally. Its core values of Opportunity, Diversity, Innovation, Integrity and Accountability are the same qualities she hopes to reflect and promote in her tenure as President.

ACCA has given her various opportunities to excel both personally and professionally, she said. Its core values of Opportunity, Diversity, Innovation, Integrity and Accountability are the same qualities she hopes to reflect and promote in her tenure as President. Recalling her early days studying ACCA, she said, "I was doing self-studies part time and juggling a day job. However, I had good support from ACCA throughout my studies. I relied a lot on the student magazines and past years' examination papers." Even while eight months pregnant back then, Datuk Alexandra was able to complete her ACCA papers with flying colours and qualified in 1986.

Since then, she has drawn on her ACCA competencies and the strength of her own qualities to succeed. It wasn't a cakewalk. There were times, she confided, where everything seemed daunting, in particular starting her own practice. "It was a very big step for me and there was an adjustment period when I had to multitask a lot. I had to handle the administrative work, review audit files and manage the clients." Today, her firm, which she unapologetically described as "small", is efficiently run with a growing client list. Like other successful women, she credits her supportive family for her success.

"It takes passion and unwavering determination to reach and remain at the top of your game," advised Datuk Alexandra. For a woman who is on track for the influential post of ACCA Global President, we predict that all eyes will be on her as she makes even greater strides in the world of accountancy. ■

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BY MAJELLA GOMES

EXPAND OR PERISH

PUBLIC PRACTICE FIRMS HAVE GOT TO SPREAD THEIR WINGS AND EXPAND, WHILE IMPROVING STRATEGIES AND MANAGEMENT, OR RISK BEING BURIED BY THE COMPETITION.

brand

The quality of your work, how you network, and the way you differentiate yourself from other firms, are all means to building a brand.

IT'S hardly a new message, but public practice firms have got to diversify their businesses in order to differentiate themselves from aggressive competition and shield themselves against disruptions in the global and local business environment.

Notably, changes to compliance and regulations could upset the bread-and-butter services of public practice firms, such as audit and assurance. In Singapore, companies with an annual turnover of S$10 million or less need not be audited, making a dent in mandatory compliance services for small and medium-sized public practice firms. If the same happened in Malaysia, audit firms would find it difficult to survive, said Prof. Dato' Dr. Chua Hock Hoo, Managing Partner of chartered accounting firm Cheng & Co. "Companies will not seek to be audited if they are not required to do so. So how do audit firms keep themselves relevant and stay in the business?"

Tang Khan Loong, Director of Financial Alliance Singapore and FA Advisory Sdn Bhd noted that the main challenges of any audit practice probably relate to getting the right human capital, being able to provide quality auditing services while maintaining a profit margin, and keeping abreast of regulations and legislation. Importantly, the services provided must achieve client satisfaction – more so in the case of financial advisory services.

There are several strategies that can be applied to enhance public practice business models, but all of them require a change of mindset among practitioners and a willingness to step out of the narrow comfort zone.

Grow. Consider growing the business by allying with international partners, either through affiliations or through mergers and acquisitions (M&As). The latter is one of the fastest means of attaining growth, particularly as such moves helped to acquire already tried-and-tested talent. "It also means you can provide more services," Dr. Chua said at the recent Public Practitioners Forum 2014 on the subject of *Grow Your Practice: New Opportunities and Business Development.*

Tang Khan Loong

There are several strategies that can be applied to enhance public practice business models, but all of them require a change of mindset among practitioners and a willingness to step out of the narrow comfort zone.

Prof. Dato' Dr. Chua Hock Hoo

Over the years, Cheng & Co has successfully expanded to Singapore, Taiwan, Myanmar and Australia, primarily through M&As with local firms. He also cautioned firms to choose clients carefully so that they could be adequately serviced, saying, "If they are too big, you may not be able to provide what they need; if they are too small, they may not be worth expending your resources on."

Brand. Branding is another means of differentiation. "The quality of your work, how you network, and the way you differentiate yourself from other firms, are all means to building a brand. You have to develop unique characteristics that will allow clients to distinguish you from other firms," said Dr. Chua.

Audit firms, like companies in other competitive industries, need to relook at their services to identify strengths and weaknesses and areas for differentiation. Dr. Chua pinpointed key areas within the firm that may need overhauling, such as the range of services on offer, staff evaluation, client satisfaction, internal processes, training, employee satisfaction and CSR (corporate social responsibility).

Workplace Dynamics. Firms also need to be mindful of workplace dynamics. Human resources and talent management today is made more difficult since organisations now have

to accommodate several generations in the workplace. Indeed, there could be up to three generations working under one roof, even for larger firms that were not family-based. However, such diversity could possibly boost their competitiveness, provided the situation is skilfully managed.

While senior management is usually comprised of Baby Boomers or Gen X-ers, the influx of Gen-Y employees in recent years has necessitated a relook at how firms run their business. Gen-Y has a radically different way of looking at things which doesn't always dovetail with the perceptions of other generations. "Employers looking to recruit Gen-Y staff should be aware that new entrants will have a different set of values compared to those held by previous generations," said Dr. Chua. "In this area, HR (human resources) is very important. You need to define the criteria carefully, to know who you should recruit."

Manage Costs. He also noted that Malaysia's avowed intention of moving to a high-income economy implies that higher costs will not be far behind, so productivity and efficiency must be increased. Advising caution when it came to developing differentiation because of possible increase in costs, he said, "You may have to increase prices to cover these costs; any price increase will have to be managed, to remain competitive." The most practical way to do this, he added, would be to follow industry best practices and apply technology liberally. "Focus on clients' needs," he advised. "But be aware that each client has different needs, so advise appropriately."

Employers looking to recruit Gen-Y staff should be aware that new entrants will have a different set of values compared to those held by previous generations

Target premium services, new market segments. Firms should also consider moving up the value chain and into high-value advisory services, said Tang, on the topic of *Getting Wealth Out of Your Practice – Step Into More High-value Advisory Services.*

Tang singled out financial planning as an area that will garner more attention in the near future, saying that there was a lot of scope for financial planners, due to changing demographics and the evolution of globalisation. "Foreign fund managers are moving into Malaysia because the Malaysian population is aging, and will need such services to manage their money," he said. "Most clients now are small, but this is an opportunity for small firms as well. It can be mutually beneficial as small clients can help small firms grow if they manage their money efficiently." What was required, he said, was the proper licensing, and comprehensive knowledge of the compliance framework, and stellar servicing, which will bring in more referral work from satisfied clients.

Go Hi-tech. To optimise premium services, companies will have to seriously consider technological upgrades. "IT helps increase productivity and efficiency," said Tang. "If high-end financial advisory services are the direction your firm decides to take, your firm's IT capabilities will firstly have to be upgraded, and be more concertedly integrated into your regular services. This will help you remain relevant."

Tang concluded that accounting firms were well placed to consider partnerships with partners in the financial planning industry because of similarities in the professions. While financial planners tended to be familiar with accounting principles, licensing and compliance, auditors could benefit from the technology applied in the financial planning industry and the opportunities unfolding from population ageing. ■

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BY MAJELLA GOMES

THE WINDS OF CHANGE

WHAT'S ON THE HORIZON FOR AUDITORS?

THE international audit environment is in the midst of evolution, and global developments will inevitably drive local changes. "This is a dynamic time for audit," commented Sukanta Dutt, EY Managing Partner for Global Risk Management Infrastructure at the recent Audit World 2014 Conference.

Audit professionals should be prepared for changes which are definitely in the pipeline, advised Nik Mohd. Hasyudeen Yusof, Executive Chairman of the Audit Oversight Board, speaking at the same event.

WHAT TO EXPECT

Among the issues under scrutiny which should drive change are fair value measurement, loan losses and impairment. In Europe, the International Audit Commission

China is being watched very carefully; the issue is how group audits of China-based companies are being conducted. In Malaysia, we are more concerned with consistency of performance, and ensuring the same quality of audit regardless of whether it is carried out by the company's headquarters or by a branch of the firm.

was closely observing developments in independent auditing, which seeks to improve auditor independence and the assurance process to enhance market and investor confidence.

Different continents are taking different approaches to enhancing independent audits, said Nik. "For instance, in Europe, audit firm rotation is mandatory for companies but in the US, they cannot be forced to do this. China is being watched very carefully; the issue is how group audits of China-based companies are being conducted. In Malaysia, we are more concerned with consistency of performance, and ensuring the same quality of audit regardless of whether it is carried out by the company's headquarters or by a branch of the firm." Cautioning that audit oversight in Malaysia was evolving as well, he said that there will be more in-depth engagement with audit partners and staff in future.

GREATER EXPECTATIONS

Greater expectations being placed on audit reports will also drive the evolution of the audit and assurance sector.

Nik Mohd. Hasyudeen Yusof

Sukantha Dutt

"Post-global financial crisis, regulators have pushed for more informative reports," said Dutt. Dutt added that auditors were going to be held to greater scrutiny especially if proposals for revisions in auditor reporting get adopted as they are expected to be. "But they won't be the only ones," he added. "Other stakeholders will need to step up to the plate as well. Everyone will have a role in improving the overall corporate reporting landscape, and auditors will not be able to do it alone."

The evolving landscape of global audit has given rise to a patchwork of inconsistencies in the area of audit firm rotation, such as different practices in the EU as well as non-EU countries. "And whereas disclosures in financial statements used to be an afterthought, new proposed standards will emphasise auditors' timely risk assessments and work effort," said Dutt.

ENGAGEMENT AND COLLABORATION

To improve the audit and assurance process, regulators are engaging

extensively on an ongoing basis with the six largest audit firms worldwide to try and achieve international harmonisation and convergence. "Workshops are being held to ensure that everything is aligned," said Nik. "We are also looking for different perspectives from the various regions, and internationally. This is to further harmonise our approach. The ASEAN Audit Regulators Group is collaborating with the Big 4 in ASEAN on a regular basis to ensure that the work continues."

The Big 4 had unanimously decided to continue with the engagement so that regulators in ASEAN countries will achieve the same standards. "There is definitely a need to continue the process of harmonisation, so there will be more conferences and workshops where we can share experiences and knowledge," he said. "Hong Kong is in the process of establishing independent auditing, and global views have triggered many questions on audit quality."

IMPROVING AUDIT QUALITY

Underscoring the need to enhance audit performance, Nik cited instances where auditors had been found to be lacking in professional scepticism, and in general understanding of audit standards, sometimes even failing to confirm basic things like bank balances! Lack of technical proficiency could be due to high staff attrition and the lack of supervision, but he emphasised that auditing is not a process limited to auditors, as it involved a lot more pertaining to the reporting function. "There is a definite need to increase the number of auditors and audit quality," Nik concluded. "But smaller firms may find it difficult to recruit staff because of cost constraints. Firms should consider their capabilities carefully before accepting jobs, as the job scope could require resources that they lack."

Worse, the audit market may be shrinking. Cautioning against complacency, he said that client numbers were decreasing, and many businesses were beginning to engage mid-tier firms.

Interviews with audit firm staff were necessary because of the need to capture business and industrial risks during the audit. "There hasn't been enough quality discussion between auditors and the people being audited," Nik remarked. "Feedback from auditing professionals with regards to training indicates that classroom-style training is still preferred over Web-based training; personal interaction during training sessions was perceived as imperative during these sessions."

GREATER TRANSPARENCY EXPECTED

"Also coming to the forefront are the areas of ethics and independence," said Dutt. Going forward, proposed changes to IFAC's Code of Ethics intend to make it clear that auditors cannot turn a blind eye to matters in the public interest, requiring that they may have to set aside confidentiality and perhaps even whistleblow on their own clients under certain circumstances. "There will likely be greater public disclosure of inspection reports, seeking to provide more transparency." We will see the rise of Integrated Reporting (IR), which aims to pull together various other reports and perspectives in a connected manner. "Hitherto, there are mostly separate, standalone reports but Integrated Reporting will aim to bring all of them together to make a cogent story." Reports should then be aligned, including key disclosures, financial figures, sustainability reports, codes of conduct and other policy statements. "But before we take these big steps, we will need to get what is core to us – financial reporting – right," he concluded. "We must be careful not to get ahead of ourselves in pursuing goals, albeit laudable, when our own building blocks need to get firmer first." ■

BY KENNETH YONG VOON KEN

GST GOOD NEWS ON BAD DEBTS

A claim for **Bad Debt Relief**, while sound in theory, can sometimes be an exercise in guesswork. This is because the qualifying event for a 'bad debt' is extremely difficult to time, so much so that even the GST Guide on "Tax Invoice and Records Keeping" *(version 20.7.2014)* is unable to specify it with sufficient reassurance.

But a recent announcement by the Royal Malaysian Customs Department (RMCD) has been the harbinger of good news, providing a clear-cut solution to the above difficulty.

THE NEW RULE ON CLAIMS FOR BAD DEBTS RELIEF

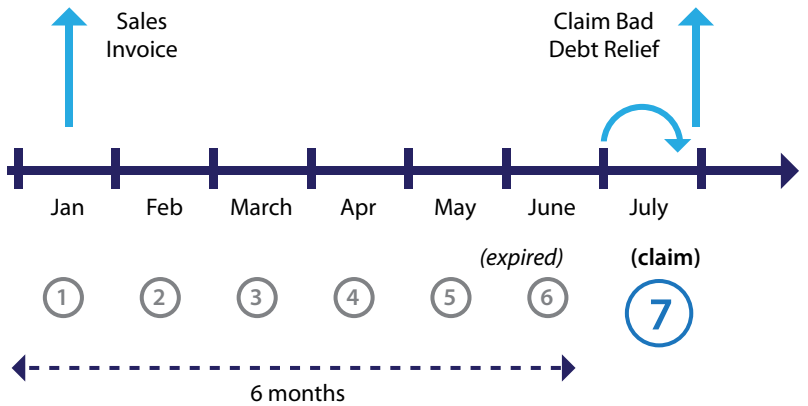
In October 2014, the RMCD issued a Panel Decision on GST Frequently Asked Issues where clarification was provided for certain GST matters. Amongst the handful of issues covered, the one with the most widespread consequence is arguably that on "Bad

Debt Relief".

Specifically, it has now been clarified that a Bad Debt Relief must be claimed (compulsorily) immediately after the expiry of six months from the date of supply.

Furthermore, the meaning of the word "month" in relation to Bad Debt Relief has been defined as "calendar month or complete month". An example in **Figure 1** illustrates that for a Sales Invoice issued anytime in January, the six-month period expires end of June, and the Bad Debt Relief claim must be made in the Taxable Period covering July.

FIGURE 1: TIMING OF BAD DEBT RELIEF CLAIM



Example

- Sales Invoice issued on 15 January 2017
- Sixth month expires in June
- Must claim Bad Debt relief in Taxable Period corresponding to July

COMMENTS ON THE NEW POLICY

Dissecting the announcement above yields three new features for GST-registered persons to take note of.

Firstly, an element of compulsion has been embedded into the Bad Debt Relief claim – taxpayers no longer need to defer a claim of Bad Debt Relief till a later (safer) date. This effectively removes a major uncertainty plaguing each and every bad debt: the subjectivity of timing the claim.

Secondly, since the timing of the Bad Debt Relief is now prescribed with precision, the claim itself can be reduced to an automated process in GST accounting software – thus, providing a certain degree of convenience to accounting personnel as more attention can be diverted to rushing out the accounts under the tighter GST-reporting cycle, instead of being bogged down by issues of subjectivity.

Thirdly, any postponement of the Bad Debt Relief claim beyond the prescribed 'six months' requires the Director General's approval following written application. This reinforces the element of compulsion in the Bad Debt Relief claim, and marks the eagerness (on the part of the RMCD) for full compliance with this six-month rule. In all likelihood, it is the RMCD that will be a major beneficiary of the new streamlined procedure.

IMPLICATIONS TO RMCD

Of all the reasons for the RMCD to issue this new policy, two appear most likely.

The RMCD's decision to adopt a standardised six-month approach reflects its desire to simplify GST administration, which in turn facilitates easier checking and transaction tracing during GST audits. With that, the RMCD's GST auditors can avoid a lot of tedious work tracing bad debts to their corresponding sales invoices which may have originated months or years ago.

Perhaps, valuable lessons have been learnt from the Inland Revenue Board's experience with bad debt write-offs whereby timing of a bad debt is highly subjective, and more disturbingly, can lead to unnecessary disputes between taxpayer and tax authority.

Another reason may have been to thwart potential GST fraudsters from making multiple bad debt relief claims (spread over several different taxable periods) on the same 'bad' invoice.

It may be difficult for GST auditors to spot multiple GST relief claims on the same debt. Without the fixed six-month rule on bad debts, the only foolproof way for discovering multiple claims would be for the GST auditor to check for duplication in every transaction across all Taxable Periods – a near impossibility for a self-assessment system relying on GST audits.

IMPLICATIONS TO GST SOFTWARE

Understandably, this new six-month Bad Debt policy may get software

FIGURE 2: COLLECTIONS ATTRIBUTABLE TO STANDARD-RATED & ZERO-RATED BALANCES

The following formula is used to apportion collections to Standard-rated balances on proportionate basis:

$$\text{GST on collections attributable to Standard-rated balances} = \frac{A}{B} \times C \times 6/106$$

Where

A - Standard-rated portion of debtor balance
B - Total debtor balance (Standard-rated, Zero-rated and Exempt)
C - Collection from debtor (not yet apportioned to Standard-rated, Zero-rated and Exempt balances)

vendors enthralled and worried in equal measure: enthralled because those who speedily incorporate the new feature into their programmes can promote their software as being the "most up-to-date"; worried because such major changes to the GST mechanism so close to the deadline of April 2015 can only add further setbacks to software finalisation, and software vendors themselves may wonder: what other changes are coming next?

Ultimately, with little time left before the actual GST rollout, the GST mechanism must be finalised speedily to provide sufficient time for revisions to be reflected in software. Otherwise, GST adoption will be marred by 'almost-ready' software from "GST-approved vendors" still catching up with ever-changing rules – a clear source of embarrassment.

IMPLICATIONS TO BUSINESSES

While simplifying GST administration, the new six-month Bad Debt policy will also necessitate GST-registered persons to keep track of their debtors' accounts with greater sophistication. This implies the following:

- Invoiced balances must be traceable individually
- 'Paid' and 'Unpaid invoices' must be separately identifiable
- The 'Bad Debt' status of each invoice must be tagged
- GST-status of debtors' various balances (Standard-rated, Zero-rated etc.) must be visible.

Item (a) and (b) are to facilitate age-profiling of invoices to pick out those that are more than six months old. Most accounting software already feature this by default.

For item (c), its importance becomes apparent not at the time of claiming the bad debt, but when receiving collections from customers (where Output Tax must only be charged if Bad Debt Relief has already been claimed earlier).

Complications from mixed debtors with standard-rated and zero-rated balances

In practice, it is not uncommon to receive from customers a lump sum collection without being attributable to any specific invoice. The problem is how to arbitrarily match the collection to specific invoices.

The situation is further complicated when the debtor balance contains a mixture of standard-rated and zero-rated or even exempt balances. In such cases, lump sum collections from customers will become a messy affair because the choice of which invoice to be matched to the collection can have GST consequences (e.g. a standard-rated invoice that is outstanding past six months is eligible for Bad Debt Relief, and thus, will draw preference for being settled last compared to a zero-rated invoice).

Where Bad Debt Relief has been claimed, and the said bad debt (mixture of standard-rated with zero-rated balance) is subsequently recovered, any GST so recovered must be accounted for based on a proportionate approach using the formula in **Figure 2**.

CONCLUSION

When dealing with a matter as complex as GST, more guidance can never be a bad thing. Nonetheless, in this – the final leg towards actual GST rollout – everything needs to be in place well ahead of the rapidly approaching deadline.

Towards this end, the new policy on mandatory six-month Bad Debt Relief is a well-intended step in simplifying GST administration – a factor that the RMCD will need to draw upon to provide for GST launch success. ■

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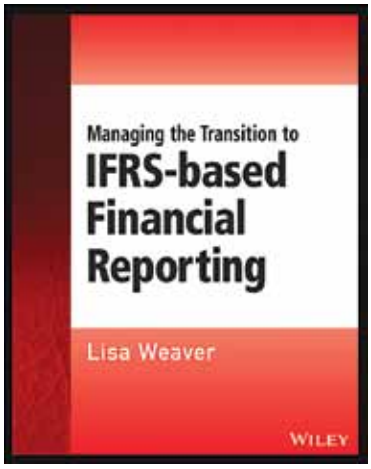


FEATURED BOOK

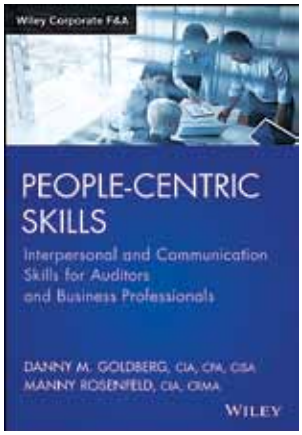
Managing the Transition to IFRS-based Financial Reporting: A Practical Guide to Planning and Implementing a Transition to IFRS or National GAAP

by Lisa Weaver

ISBN: 978-1-118-64374-7

USD95.00

Following the lead of the EU, companies in the UK and other countries around the world will be required to move to IFRS-based financial reporting over the next few years. While there are numerous resources available dealing with IFRS requirements and accounting principles, this is the first book to provide a comprehensive guide to planning and implementing a transition that also covers the wider commercial implications, and puts the transition into a project management context. Written by a leading educator and trainer in financial reporting, *Managing the Transition to IFRS-based Financial Reporting* largely avoids highly technical financial reporting concepts and instead focuses on the practical points that need to be considered when preparing to adopt IFRS.



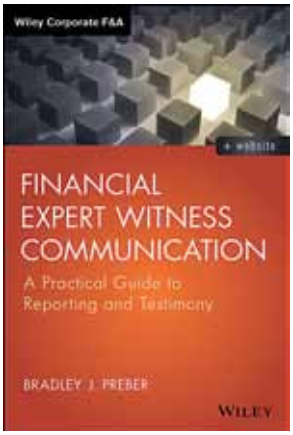
People-Centric Skills: Interpersonal and Communication Skills for Auditors and Business Professionals

by Danny M. Goldberg and Manny Rosenfeld

ISBN: 978-1-118-85081-7

USD44.95

In a 2013 study sponsored by the Institute of Internal Auditors (IIA), the seven key attribute areas identified to be a successful auditor include relationship building, partnering, communications, teamwork, diversity, continuous learning and integrity. Unfortunately, most professionals never obtain these skills as part of their college degrees, certifications and other ongoing training. They are left to their own devices when it comes to developing these talents. The book follows an easy-to-read fictional narrative to highlight areas for improvement, and uses common scenarios to illustrate how to apply the lessons. *People-Centric Skills: Interpersonal and Communication Skills for Auditors and Business Professionals* focuses on many of these critical attributes. Topics include: Conflict Management; Coaching and Mentoring; Building an Effective Team and Team Dynamics; Team Leadership; Partnering and Relationship Building; Effective Meeting Practices; Brainstorming and Multi-voting; Assessing Corporate Culture; Active Listening; Non-verbal Communications; and Consensus Building.



Financial Expert Witness Communication: A Practical Guide to Reporting and Testimony

by Bradley J. Preber

ISBN: 978-1-118-75355-2

USD94.95

Serving as a financial expert witness or consultant in lawsuits is a stressful, challenging, and tough business. In *Financial Expert Witness Communication: A Practical Guide to Reporting and Testimony,* financial forensic expert Bradley J. Preber leverages more than 30 years of experience to create a practical guide for financial expert witnesses as they face litigation reporting and testimony.

Financial Expert Witness Communication covers all areas of financial litigation including accounting, financial forensics, forensic technology, and damages - all from the point of view of an expert witness. The book is especially helpful for those who expect to be formally designated as an expert witness; however, it is also appropriate for financial forensic accountants, litigation consultants, and attorneys as they navigate the unique playing field of the financial litigation process.

BY PREETHA NADARAJAH

SOCIAL MEDIA FOR THE WIN

SOCIAL MEDIA IS UBIQUITOUS AND CANNOT BE IGNORED. HOW CAN ACCOUNTANTS AND BUSINESSES USE SOCIAL MEDIA TO WIN THE HEARTS AND MINDS OF STAKEHOLDERS?

TODAY truly is the age of social media. People are glued to their smartphones or other devices, most probably on Facebook, Twitter or other forms of social media. It's estimated that 91% of mobile internet access is used for social networking. In a sign of the times, a tourist distracted by her Facebook feed walked off a Melbourne pier into chilly water last December because her eyes were on her phone and not her feet.

While nobody's waltzed into the Klang River yet, Malaysia's social media usage is nothing to scoff at. Today, Malaysia is the 18th largest global user of Facebook; 55% of Malaysians use it, even though the young might disdain it because they don't want to "friend" their parents.

Globally, traffic is torrential. The "Big 6" social media sites as of November 2014, based on a continually updated average of each site's Alexa global traffic ranking are Facebook, Twitter, LinkedIn, Pinterest, Google Plus+ and Tumblr in descending order, ranging from 900 million to 110 million unique monthly visitors respectively.

The question is: how can businesses, particularly accountants, leverage on this connectivity? At the recent session on social media at

the MIA International Accountants Conference 2014, Jason Lo, Chief Executive Officer, Tune Talk Sdn Bhd said: "Given this increasingly connected world, you can't afford not to be connected because if you aren't, then you'll look around one day and realise that the world has moved on."

SOCIAL MEDIA BUILDS TRUST

Social media is defined as the social interaction among people in which they create, share or exchange information and ideas in virtual communities and networks. Given the consumer or person-oriented focus, thinking and approach to social media, you could be forgiven for thinking that social media is only applicable in a business-to-consumer (B2C) context, for example in fast-moving consumer goods, and consumer banking. However, B2B or business-to-business entities shouldn't be discounting social media; the use of social media within the B2B environment is key to boost customer loyalty, drive revenues and enhance brands, for a relatively low level of investment.

According to the Edelman Trust Barometer, people's trust in CEOs and governments has been declining over the past years, but the converse is true for peer-to-peer communications; hence it makes sense that businesses focus more on social media marketing. "The number one trusted marketing is still via friends and family. People still trust human beings, whether it is friends and family or strangers online on *tripadvisor* or *booking.com* telling you how good or bad a flight or hotel was," said Abdul Awwal Mahmood Director, Charles Mann Training and Consultancy Sdn Bhd, in extolling the pros of social media marketing.

Bearing this out, Jonathan Wichmann, Head of Social Media at Maersk Line, a container shipping company, told McKinsey research that, "Our initial goals for social media were to raise brand awareness, increase customer loyalty, improve employee engagement, develop customer insights and control news flow. It was the 'softer' side of things. At first, we didn't expect to sell shipping containers through social media, though we're learning now

that in fact we can." In the same McKinsey research, Maersk concluded that 68% of its customers, including those who were not their followers on social media, had improved perceptions of Maersk Line as a result of their social media efforts. In a few cases, the use of social media has also driven down significant opportunity costs, e.g. in handling crisis communications. Maersk Line uses Facebook and Twitter.

LEVERAGE SOCIAL MEDIA EFFECTIVELY

It sounds really easy, but is it? Establishing a social media marketing strategy is more than just posting an update informing people that a new product or service is on sale. Social media marketing refers to the process of gaining traffic or attention through social media sites. A social media strategy is a success when you are able to engage and interact with your target audience.

THERE ARE SIX STEPS TO LEVERAGING SOCIAL MEDIA EFFECTIVELY:

1 IDENTIFY FOCUSED BUSINESS GOALS

The best social media strategies are those that focus on one business objective – at least initially – rather than targeting all of customer acquisition, retention, up-sell or cross-sell, all at the same time. Lo cautioned that social media should not be looked at as a sales channel, but rather as a 'cool tool' to generate leads for the core products and services that the business sells and delivers.

2 BE SMART ABOUT PERFORMANCE MEASUREMENT

Use the S-M-A-R-T (Specific, Measurable, Achievable, Relevant, Time-Bound) approach to define objectives and quantifiable key performance indicators to determine success of a social media strategy. Use the free tools available. Hootsuite, for example, is a social media management platform that allows collaboration among multiple stakeholders within your organisation, supporting the social media strategy to listen and engage using social profiles in over 35 social networks in one place. It also allows content scheduling for future publishing and analytics such as ROI measurements. Other available tools are Facebook Insights and Twitter Analytics.

The "Big 6" social media sites as of November 2014, based on a continually updated average of each site's Alexa global traffic ranking are Facebook, Twitter, LinkedIn, Pinterest, Google Plus+ and Tumblr in descending order, ranging from 900 million to 110 million unique monthly visitors respectively.

3 UNDERSTAND THE AUDIENCE

Understand the current mood of the audience and stakeholders, their psychographics and demographics. JPMorgan had planned to host a session on Twitter to provide leadership and career advice, but cancelled when within 24 hours, the #AskJPM hashtag was hijacked and there were over 18,000 tweets blasting the bank's ethics (or lack thereof). A PR nightmare ensued.

Social media is not about unique selling points of the product or service offering, it is about capturing the share of the heart of the consumer. If they hate you in real life, going on social media is not going to change that. It will backfire!

Abdul surmised: "Recognising who your customers, realising what industry you're in, and how to connect and the way to establish communications is very important."

4 DETERMINE THE CHANNEL PLAN

Each social channel is suitable for a different target audience. Clearly segment audience, content, objectives and metrics for each social presence. Customers and competition give a great guide as to where and how to be active in social media. Have a targeted channel strategy, rather than going all out across the more than 35 channels available. Focus!

Jason Lo, Abdul Awwal Mahmood, Zulkarnain Mohd Yasin

5 CREATE CONTENT STRATEGY

A cross-functional team needs to be in place to conceive and operate a content creation strategy. Create a rota to ensure regular social networking site updates. Use social media management tools such as Hootsuite for team collaboration in this. Social media strategy impacts all corners of an organisation and cannot simply be owned by the communications team within the business. Don't expect to re-use the same content in the same format across the board for all channels. Be aware of internal organisational rules to be adhered to in social networking communications, e.g. crisis handling via social networks may only be owned by named PR personnel.

When it comes to accountants, professionalism is preferred. Zulkarnain Mohd Yasin, Head of Division, Monitoring and Enforcement, Malaysian Communications and Multimedia Commission (MCMC) said: "Engagement via social media, when done well, reflects well on the credibility and professionalism of the accounting profession." For the services industry, knowledge sharing via podcasts or YouTube videos on current topics on a social networking site, rather than the usual popular content such as pictures of food, pets and babies, may be more appropriate.

6 LISTEN AND ENGAGE, QUICKLY!

Social listening needs to go beyond simply listening to the brand name; it is also about conversations and interactive human engagements to get better customer insights. In this fast-paced online world, responsiveness is key, especially during crisis management or in handling a disgruntled customer complaint via social media. Service level agreements (SLAs) of 24 hours or more are unheard of.

In handling the recent fatal Virgin Galactic test flight, Sir Richard Branson's quick human connection via social media combined with the honest and transparent handling of communications via traditional media was described as being credible and confident. When news of the flight crash broke, he had tweeted that he was immediately on his way to the crash site to be with the team. En route, he updated his blog - showing empathy, acknowledging the setback, yet stressing on the importance of business focus, despite not having all the information at hand.

MANAGE THE RISKS

Going social is not without its risks. Poorly managed customer complaints could easily result in a PR crisis; Malaysian examples that have gone viral are Paradigm Mall, Lazada Malaysia, and the Les Deux Garcons bakery. Since employees will use social media, with or without the company's approval, it is crucial to educate them on the fine line between social and business. Do establish company guidelines in social media communication management.

The other major risk is security breaches. The repeated hijacking of Malindo Air's Twitter account in 2013 with seemingly harmless and nonsensical posts cast a shadow of doubt on the management's competency. Or perhaps this was a publicity stunt to generate online traffic for this new entrant to the Malaysian airline industry?

The 2012 LinkedIn security breach was less humorous, more widely publicised, and more costly. Cybercriminals stole passwords of 6.4 million LinkedIn user accounts and posted them online. Subsequently, LinkedIn agreed to pay USD1.25 million to settle a class-action lawsuit.

Zulkarnain said that MCMC launched a "Klik Dengan Bijak" campaign in 2012 to increase awareness of security threats and protection measures in using the Internet and to encourage responsible use of social media tools. "Given the underlying technology of the Internet, there is no way that it can be regulated as the regulatory bodies are not the platform owners of the social media tool. Instead MCMC advocates self-regulation when engaging on the Internet. Do not abuse this freedom." ■

BY MAJELLA GOMES

GOOD GOVERNANCE FOR GST

How should PUBLIC PRACTITIONERS manage governance and business issues pertaining to GST?

GST has been touted as a means for public practice firms to diversify their practice and sources of revenue and reduce their dependence on the bread-and-butter of audit and assurance. However, have public practice firms embraced this message? How is their preparation and implementation coming along given that GST will be effective on 1 April 2015?

"The main issue with GST implementation is that there is a lot of interpretation to be taken into account," MIA Council Member Dr. Veerinderjeet Singh said, moderating the session on *Preparing for GST: Governance & Business Issues* at the recent MIA Public Practitioners Forum. "This could impact public practice and businesses quite extensively, and lead to a change in the way firms do business. There are different tax risks associated with the implementation of GST: transactional, procedural and compliance, operational, financial, market and reputation, and personal risks as well, where directors of the company may be personally liable for the taxes of the company." While

practitioners may make different interpretations, these must be backed by principles that have to be followed. "GST impacts on every line in the P&L statement," he cautioned, "so the transition into a GST environment has to be carefully managed."

ENSURE ROBUST GST MANAGEMENT SYSTEMS

Remember that Malaysia's GST system is designed to be fit for purpose. GST in Malaysia has many items that are to be GST-exempt or zero-rated, divulged Robert Tsang, GST Partner of Deloitte Singapore. Dato' Subromaniam Tholasy, Director of Royal Malaysian Customs' GST Division, confirmed that the Zero Rate and Exempt Orders will be gazetted soon. These elements warrant robust GST management systems that have to be put in place from the outset, Tsang warned practitioners; also do not simply copy the process in another country. Our system is different from say the Singapore model – prepare accordingly.

Agreeing with Tsang, Dato' Subromaniam confirmed that Singapore had one of the simplest GST models in the world, while the Australian model was quite similar to Malaysia's. "Tax administrators usually want minimal exemptions," he affirmed. "But we don't want to do that for basic items."

He conceded that there would be some impact on revenue with the implementation of GST, but added that sectors which provided services direct to consumers will be exempted. Pointing out that the guidelines on the Customs portal that were supposed to help businesses deal with GST were still drafts, Dr. Singh urged practitioners to provide feedback.

Dr. Veerinderjeet Singh, Robert Tsang, Dato' Subromaniam Tholasy, Anand Raj

GST impacts on every line in the P&L statement, so the transition into a GST environment has to be carefully managed.

PROFITEERING NOT TOLERATED

GST is not a license for companies to profiteer. "In terms of the law, there is a Price Control Act which controls profiteering," clarified Anand Raj, Partner, Shearn Delamore & Co. "Accountants should be careful when advising clients in this respect. They cannot charge unreasonably high prices for their goods, and some prices cannot be increased at all, even if contracts allow for it. It's more than just putting

clauses into contracts where the clauses don't exist. General clauses may not be good enough."

Although guidelines for anti-profiteering were yet to be issued, the authorities will consider unreasonable price increases as profiteering, and sellers may be charged for it. Dr. Singh cautioned that it was incumbent upon the seller to justify increases, or be deemed to be profiteering.

Tsang's advice was to look at how GST had been introduced in other countries. "All this has to be dealt with in a proportional way," he said. "Look carefully at your own business. What should your pricing strategy look like? Have you done enough to mitigate the impact of GST?"

Penalties for non-compliance are of course a tool to enforce good GST governance and prevent profiteering and misbehaviour. Dr. Singh confirmed that penalties were high, but could be appealed if the taxpayer felt they were unfair. Raj opined that high penalties were regressive and did not take into consideration the level of severity or circumstances surrounding the mistake. Take note of liability and accountability for errors and mistakes. "Everyone is liable if a company commits an offence, from the person who prepares the accounts, to the director who signs off on it," he said. "How provisions are worded, and how they will be enforced, will be an issue."

Tsang advised better discipline about the issuance of credit notes and documentation, as a great deal more paperwork will be required with the implementation of GST. "More documentation means more focus will be needed," he said. "Also, GST is like many things in life. Things which are unclear at the beginning of the GST implementation exercise your business embarks on will become clearer and things which seemed obvious may become less clear. Customs needs to put out statements to clarify things, and ask taxpayers to tell them what is unclear, so Customs can respond. Businesses need to protect themselves by disclosing what they do for GST accounting."

Everyone is liable if a company commits an offence, from the person who prepares the accounts, to the director who signs off on it.

Dr. Singh urged practitioners to do research first, before asking questions on the Customs website. "Customs and IRB are already dealing with many issues," he explained. "Don't ask simple questions which can be answered by information which is already available in the public domain." He conceded that professional bodies were doing training but at this point, there was no way of telling exactly how much was being absorbed.

DON'T FORGET TO REGISTER

Dato' Subromaniam mentioned that as of 10 September 2014, a total of 33,000 companies had registered, so "if you want to seek clarification, quote your GST tax registration number; it will help us to attend to your queries faster," he said. He reminded practitioners to voluntarily register for GST by 31 December 2014, after which they will be forced to do so by law.

He added that some companies with annual turnovers below the threshold had voluntarily applied for registration, and some applications were yet to be approved because they were subject to Customs' internal procedures.

Dato' Subromaniam said that of the 33,000 firms which had registered, 99% had done so electronically, which would expedite GST refunds. "Refunds can be done within 14 days with online registration," he confirmed. "If not, it takes 28 days."

Refunds, Tsang added, should be processed transparently. "It's a new world," he concluded. "You cannot afford to make mistakes. If you get the first refund claim wrong, you may find your subsequent refunds denied, so establish your credibility from day one. Get it right, and get it right early." ■

MIA NOTICE

DECISION OF THE DISCIPLINARY COMMITTEE MALAYSIAN INSTITUTE OF ACCOUNTANTS

The Council of the Malaysian Institute of Accountants hereby gives notice that on 11 June 2014, after due inquiry by the Disciplinary Committee of the Institute, Djason Ng Choo Hong (Mem. No.: 12650) as the sole proprietor of the firm NCH & Co. was found to have committed an act amounting to 'unprofessional conduct' within the meaning as provided under Rule 2 of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P. U. (A) 229/2002] ["the MIA (Disciplinary) Rules"].

The decision of the Disciplinary Committee was based on the member's own admission that he had failed to complete and return the Practice Review Questionnaire to the Institute as required by the Practice Review Committee despite several written reminders dated 26-12-2007, 30-1-2008 and 2-9-2008.

The Disciplinary Committee in exercise of its powers under Rule 18(3) of the MIA (Disciplinary) Rules has ordered the member:

- to pay a fine of RM1,000.00; and
- to pay the Institute the 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.

The decision of the Disciplinary Committee is effective 9 July 2014.

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

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REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

INTERPRETING IR

At this early stage in the **INTEGRATED REPORTING (IR)** game, preparers and auditors are still figuring out the salient issues.

WHAT came through loud and clear at the recent CFO 2014 Dialogue - which included a panel session on 'Epitome of Integrated Reporting' - is that the still-nascent process of Integrated Reporting (IR) is provoking intense interest.

One point that earned consensus was that accountants and CFOs will be key players in driving IR, while IR will be a useful tool in painting the "big picture of business" that stakeholders demand today. The caveat is that the business-as-usual CFO who controls numbers and produces quality metrics must be able to morph into a strategist and integrated thinker. "CFOs must have a deep understanding of the business model, the business risks that go with it, and crucially, the bigger business picture, and be able to "connect the dots" across the business," said Charles Tilley, Chief Executive of CIMA,

"The accountancy profession has an extremely important role to play in reporting and assuring integrated reporting and information"

-Datuk Johan Idris, President of MIA.

at the conference which was jointly organised by the Malaysian Institute of Accountants (MIA) and the Chartered Institute of Management Accountants (CIMA). "They need to provide an understanding of how the different parts of the organisation come together to create value, and crucially, where the trade-offs are. Integrated reporting is a tool for this."

Meanwhile, as reporters of performance and accountability, "the accountancy profession has an extremely important role to play in reporting and assuring integrated reporting and information," said Datuk Johan Idris, President of MIA.

Professor Mervyn E. King, Chairman, International Integrated Reporting Council (IIRC) concurred with this and said that "the accounting profession has a critical role and moral duty" to capture value accurately and record the actual resources being used to arrive at a product or service. This will be the way to what he termed "sustainable capitalism."

"Things have changed. Value is now seen as the impact of how companies make money financially, socially and environmentally. Companies with negative impacts on environment and society could be destroying value, for example, when textile producers pollute the environment through their fabric dyeing process by not treating toxic chemicals before putting them down the waste."

"When you buy a hamburger, what are the costs that go into making that hamburger? It's subsidised by resources and society, and historic financial reporting doesn't tell the whole story," said King. The accounting profession has got to make corporate reporting relevant and not just focus on historic financial value.

Members of the panel: Charles Tilley, Dr. Noel Tagoe, Prof. Mervyn King, Dato' Mohammad Faiz & Ainol Yaacob

He remarked that limiting corporate disclosure to historic financial reporting is "not the way of the future. You might as well be driving a car with a rear view mirror but no windscreen."

WANTED: CLARITY, BALANCED REPORTING AND UNIFIED MESSAGES

The principles-driven framework of IR may make it difficult for companies which are used to compliance-driven reporting.

For IR to achieve its goals of promoting transparency and credibility through integrated thinking, businesses have to improve their ability to integrate information, as well as the quality and quantity of reporting and disclosure. "To be accountable, you have to be understandable. Current financial reports are very difficult to understand. IR can make reporting easier to understand by stakeholders," said King.

Importantly, since "people are the providers of capital, make sure that people understand the state of play in a company." But don't confuse transparency with telling all. "Being transparent does not mean being naked. You don't have to disclose confidential information. It means balanced reporting." said King.

Reporting should be balanced between the positive and negative, and avoid jargon and verbosity. "There is a natural inclination to highlight the positive and to downplay the negative. This is misinformation. Provide balanced information and use clear, concise and simple language to enable comprehension and informed decision-making," he continued.

It is also very important to ensure that messages are consistent and aligned across all channels and media,

ASSURANCE AND CREDIBILITY

As expected, there was keen interest in how the non-financial and narrative information of IR might be validated to improve credibility.

Faiz remarked that eventually, assurance standards will be created for IR because "we auditors love to apply standards. However, the flexibility and wide scope of IR makes it difficult to achieve the required level of comfort."

Rather than relying on external assurance, King advised preparers wanting to embark on IR to depend more on internal auditors. "Seek assurance on issues like sustainability and supply chains from internal auditors. Internal auditors are able to provide assurance on a range of issues, whereas the external auditor gives assurance according to the IAASB standards which are focused on financials. "

advised Dato' Mohammad Faiz Azmi, Chairman of MIA's Capital Market Advisory Committee and Executive Chairman, PwC Malaysia. "There has to be internal and external alignment. Typically, in companies, accountants control numbers while corporate communications produces annual reports and another group does the sustainability reports. How do you align these messages and ensure that the sustainability report doesn't contradict the financial reports, for example? Are you singing the same tune?"

Faiz also raised the issue of valuations for intangible assets, such as for talent and the quality of staff, and indicated that IR's narrative and non-financial reporting principles might be a means to recognise and communicate these values.

Explain these in clear and simple language so that the user can make an informed assessment of whether this organisation will sustain value creation in the short, medium and long term.

Panellists highlighted materiality, which is not just salient to IR but also to GRI G4 principles for sustainability reporting. "How do you decide what information is relevant out of all the data that you have?" asked King. "What is the process of thinking involved to arrive at that conclusion that certain information is material?"

King advised boards to invest more time into looking at detailed reports to identify the material issues, and analyse the significant impacts and outcomes of their organisation's products on the economy, society and the environment. "Explain these in clear and simple language so that the user can make an informed assessment of whether this organisation will sustain value creation in the short, medium and long term."

REGULATION HOT POTATO

While it was agreed that accountants and CFOs are the logical people to drive IR, other issues such as regulation were avidly discussed – and equally divisive. As expected, IR regulation was a hot potato. Regulators such as Bursa Malaysia and Securities Commission

have previously indicated that IR will be encouraged but not made mandatory.

Taking the opposite view, Faiz said that, "We cannot rely on self-regulation and thus governments must come in to regulate and mandate IR." As a precedent, Faiz cited local banks and their general reluctance to implement best practice Equator Principles for socially responsible lending, despite recording good performance. "If you want companies to buy into this, then you cannot run away from the role of government, because companies by their nature are very geared towards profit making."

However, King is staunchly against regulation. "There is a huge traction and uptake in IR throughout the world. What terrifies me is that, as a result, regulators are becoming interested. There can be nothing worse than regulating IR where regulators will say: "You have to do it this way. We could then have a checklist approach. Rather a regulator says apply IR or explain why not."

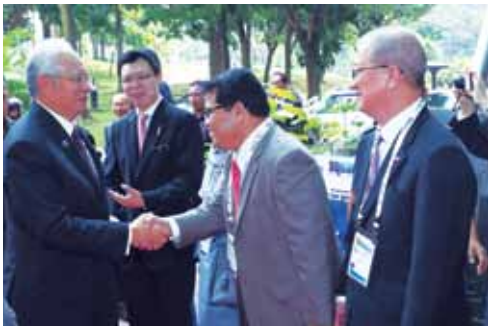
Instead, King believes that the responsible investment movement will drive demand for IR. As investors become more enlightened, they will measure corporate behaviour against investment criteria for ethical behaviour and social and environmental responsibility, using tools such as ESG (Environmental, Social and Governance) indices. "Financial trustees of investment and pension funds can deploy responsible investment criteria, which takes into account how companies deal with social and environmental issues, and these can extend all the way down into supply chain codes of conduct, for example."

"This is much more effective than relying strictly on mandatory reporting," King insisted. Asked about South Africa's IR regime, King explained that public-listed companies are required to either apply or explain why they didn't do an IR to the Johannesburg Stock Exchange.

At the end of the day, said King, "It makes good sense for hard-nosed capitalists to engage in integrated reporting because it will enable companies to borrow and attract capital more cheaply. It's enlightened self-interest." ■

REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

POWERING THE ECONOMY, LEADING WITH DYNAMISM



The MIA International Accountants Conference 2014, which is MIA's 30th annual conference, exceeded expectations with a record-breaking attendance of more than 2,600 delegates.

THE need for enhanced collaboration and strengthening competency and capacity-building to fuel national development were the key messages stressed during the two-day conference, which featured 16 sessions on the latest developments and issues affecting the profession, including regional integration, integrated reporting, big data, leadership and management best practices, and changes to regulations and standards.

During his keynote address, the guest of honour and Prime Minister of Malaysia Dato' Seri Najib Tun Razak urged accountants to step up and contribute their unique strengths to nation-building. "Accountants play key roles in the development of every economy; not just as the financial backbone of organisations, but also as advisors, strategists and administrators," he said.

The Prime Minister championed stronger collaboration between professional accountancy bodies and governments, not just to support economic growth but also to protect the public interest. "In supporting economic development, accountants are expected to drive forward transparency and accountability. It is your core values – integrity, objectivity, transparency, independence and accountability – together with good governance, which deliver healthy economic development and business progress."

Capacity-building and developing a sustainable pipeline and pool of professional accounting talent will be essential to help drive the Economic Transformation Programme, which aims to transform Malaysia into a high-income nation and to support the government's aspiration to transform Malaysia into a leading accountancy hub in the Asia Pacific. It is estimated that Malaysia would need at least 60,000 qualified accountants by 2020, said MIA President Datuk Johan Idris in his remarks at the conference opening ceremony.

Accountants play key roles in the development of every economy; not just as the financial backbone of organisations, but also as advisors, strategists and administrators.

Singling out competency as a major challenge, Datuk Johan said that implementing dedicated professional centres for accountancy training and professional certification will be a key effort to elevating competency. He thanked the Prime Minister for the government's initiative to establish the new Professional Accounting Centre – to be located at UiTM - in collaboration with MIA. "This will certainly help to increase our pool of future professional accountants. MIA is currently working with the relevant parties on the structured programmes for the Centre," he said.

Responding to the Prime Minister's call for greater collaboration between government and the profession, Datuk Johan reiterated MIA's commitment as a partner in economic development and nation-building, by supporting key government initiatives, such as GST implementation and the government's shift to accrual accounting from cash-based accounting. ■

For more in-depth information on the Conference, please visit http://miaconference.mia.org.my/speakers/index.asp to read the coverage of the 16 plenary and concurrent sessions.

BY MAJELLA GOMES

CSI: ACCOUNTANTS!

CAN **FORENSIC ACCOUNTING** MAKE THE PROFESSION SEXY? MALAYSIA'S ACCOUNTING DETECTIVES TELL US HOW TO SUCCEED.

ACCOUNTANTS often bemoan the fact that their profession doesn't get the attention it deserves because there hasn't been a successful TV series about it. For those accounting professionals who feel that the industry will benefit from a little Hollywood-type exposure and attract sorely-needed talent, forensic accounting may just be that required shot in the arm.

A fairly new area, forensic accounting is being deployed more

frequently to find evidence and present it in court. "Forensic accounting is neither a special audit, nor an investigative one," said Prabhat Kumar, Executive Director, Alliance IFA (M) Sdn Bhd, speaking at a special session on forensic accounting at the recent Audit World 2014 conference. "It handles certain factors arising from an investigation, and follows very stringent procedures for obtaining evidence before presenting it to the court."

INDEPENDENCE IS IMPERATIVE

When it comes to forensic accounting, independence is imperative. For instance, the investigator cannot have served the client under investigation. "The forensic accountant will have to obtain and process evidence, as well as be able to analyse and synthesise it," Kumar continued. "But it must be remembered that there is no such thing as 'hard evidence.' This has to be viewed in relation to other factors of the case."

The views of the expert must be objective and reliable, and independence has to be maintained from the time the matter is identified. "Work done on any case can always be challenged," said Kumar. "Independence is always the first acid test. If the evidence obtained and processed cannot be presented in a convincing manner – i.e. it is not communicated convincingly enough – it can be deemed inadmissible. Rigorous internal controls are necessary when collecting and correlating evidence, so that a relationship can be established between processes and documents, and the perpetrators can be identified." Avoid single evidence theory wherever possible, and maintain the chain of custody when handling evidence, to ensure that it will be admissible in court.

Together with the steps to be taken in forensic accounting, Kumar cautioned that those involved in the investigation should avoid making assumptions. "Forensic accounting has to be based on facts," he stressed. "And avoid the temptation of producing a thick report. Present your findings in a few pages. Make complex matters understandable, and follow the natural sequence. Maintain autonomy, and above all, avoid comments on any issue related to company law, common law or income tax – mainly because you're not a legal expert!"

"The forensic accountant will have to obtain and process evidence, as well as be able to analyse and synthesise it, but it must be remembered that there is no such thing as 'hard evidence.

Concurring with Kumar on this point, Alex Tan, Executive Director of Forensics with PwC said, "Make your case in simple language, so that the court can understand it. The rule of thumb is to make it understood by anyone who is not involved in forensic accounting at all."

KNOW THE LIMITS

Patrick McPhee, Forensic Accounting specialist with Baker Tilly Monteiro Heng, cut to the chase with a warning on the constraints that all forensic accountants work under. "These can take many forms," he explained. "So pick a team which can take up the work, and get really hands-

on about it. Forensic accounting is not something you can learn out of a textbook. You do need to know accounts, and you need to have your work reviewed. Have a lawyer look at it first, before going to court to present your findings, or you may find yourself sued." Agreeing with McPhee about the need for a reliable team, Tan Kim Chuan, Head of Forensic Accounting at KPMG, added that forensic accounting may start with accountants, but it grows quickly to encompass lawyers and computer technicians as well. "When investigations are carried out, you have to be sure all this support is in place," he said.

"In almost all engagements, we have to be clear about areas of possible conflict, as the findings have to be produced in a court of law," he continued. "So the questions to ask are: where are the relevant documents, and who is tasked with managing this data? There have been cases where a thorough investigation was necessary, but only one box of documents was available from the client – and it turned out to be insufficient for a court of law." Lawyer Anand Raj, Partner, Shearn Delamore & Co, pointed out that forensic accounting reports were not exclusively used in court matters pertaining to accounting, but could be applied to cases being heard under Acts as well. "Forensic accounting has also been used in mediation cases where ownership of monies had to be determined," he said.

Panel members: Alex Tan, Prabhat Kumar, Patrick McPhee, Tan Kim Chuan & Anand Raj

For instance, if your computer is relevant to an investigation and you change anything, you can raise the argument that you weren't the last one to touch it, this will imply that the evidence was contaminated, perhaps even transferred to another location without your knowledge.

Its increasing use has gained wider recognition for forensic accounting in Malaysian courts. "Action can be taken against the parties concerned, on the basis of the report, but the maker of the report must be available in court, and be prepared to defend the work done," he continued. "It's not only about going to court; that's just one aspect of it." Weighing in on the issue, Alex added that forensic technology is a huge part of the work, remarking that people were quite unguarded when using e-mail, among other things. "You shouldn't overlook computers," he warned. "Things like webmail and cellphone text messages can be retrieved – even if they've been deleted – if necessary, although it does take time. But it isn't as quick and easy as what you see on TV!"

However, there are ways to mitigate the gravity of the situation. "For instance, if your computer is relevant to an investigation and you change anything, you can raise the argument that you weren't the last one to touch it," he said. "This will imply that the evidence was contaminated, perhaps even transferred to another location without your knowledge. All this can be tracked by computer forensics experts, who have specialised software that images the computer's hard drive. Technology is imperative in this field." McPhee concurred on this point, attributing it to the ubiquity of computer use today, although he cautioned that

"certain types of evidence may not be recognised in court, even if these can help put the story together."

FAMOUS LAST WORDS

Rounding up the discussion, the panellists provided some sound advice about the use of forensic accounting. "Do not be an advocate for your client when you are in the witness box," said Kumar. "The defence will try to prove that your investigation was incomplete or questionable." Addressing the issue of independence and conflict of interest, Alex emphasised that it was a complicated one and needed to be reviewed on an individual basis, although Tan was of the opinion that the notion of independence could be challenged. Raj opined that audit firms have to comply with statutory regulations above all, but the final word went to Alex, who put the matter clearly in perspective when he said that it would be easier to cut off an arm, than to manage risk investigation, conflict of interest and the issue of independence when taking on a job! ■

BY ARFAH SALLEH AND WILLIAM G. BORGES

ALI BABA THWARTS THE CONVENTIONAL CORPORATE GAME

Alibaba is challenging conventional corporate governance in favour of human governance. This is good for business and rebuilding trust, but upsets the apple cart.

The September 19 initial public offering of the China-based company Alibaba, and its early run as a publicly listed company, has met with cheers and derision. The cheers are understandable, as the $68 IPO price gave the company an initial value of $167 billion, which eclipsed almost all other technology companies. And in less than two weeks, the market value of Alibaba had risen to over $220 billion, exceeding that of even Facebook.

The onslaught of criticism - from competitors, analysts and academics - is tougher to understand. It centres on the actions and remarks of Alibaba's founder, Jack Ma, who has defied conventional wisdom and longstanding corporate governance practices to clear a new path for creative, innovative entrepreneurs.

Competing in the Chinese e-commerce market, Alibaba is, according to Susquehanna Financial Group's Brian Nowak, "basically a toll-taker, and a wildly profitable one at that." Nowak notes that Alibaba effectively controls this market as people go in and out of it, by controlling the retail platform, Tmall, and the online setting, Taobao, and disallowing indexing of Taobao.

This is a radical departure from the open-door philosophy of the world's largest e-retailers. But what has worked for Ebay is not necessarily best for other companies. By sticking to its strategy of locking in shoppers at the beginning and the end of their excursions, Ma has captured huge market share. Which leads us to the next criticism of Ma and his company.

GOING AGAINST THE STATUS QUO

Analysts and television personalities have heaped scorn on Ma because he remarked that shareholders are his third concern - after the major owners (partners) and his customers. But we wonder why such a sentiment should shock or surprise anyone. After all, it's hard to imagine any company founder putting follow-up, limited investors above those who started the enterprise. And a company that relegates customers to third-tier status surely will have public relations problems. Indeed, putting customers first is the best thing a company can do for its shareholders.

Ma's decision to open on the New York Stock Exchange (NYSE) drew gasps of surprise, once he failed to reach a deal with those in charge of the Hong Kong Exchange, because of differences of philosophy about corporate governance. On the NYSE Ma got his way, but even some American

analysts questioned the "fairness of the arrangement" whereby Alibaba was placed on the NYSE. Jay Ritter, an IPO expert, cautioned that even if Alibaba grows much richer, this might happen "without investors receiving their fair share" because of what Ritter called a "sweetheart" deal struck by Ma.

What is the complaint? Basically, that too much control remains in the hands of Ma and his close associates. Whether this is wise, or fair, is debatable. What is not in debate is whether such set-ups are common in the U.S. - they are. In fact, Facebook has a very similar model, where power resides almost entirely with founder Mark Zuckerberg.

Perhaps the most salient point concerning this top-down ownership and control model is the fact that Ma owns only about 10% of the shares. This, admittedly, could lead to instability down the line. But instability is always a potential problem, given the range of threats to any market-leading company, especially in China. These include aggressive competition and governmental interference in China, and such threats would exist even if Ma owned 90% of the company.

FAILURE OF PREVAILING CORPORATE GOVERNANCE MODELS

We believe that much of the criticism of Ma stems from the simple fact that he is challenging the corporate governance status quo - and this is where we welcome Alibaba and other companies with real vision. That is, we believe that models of corporate governance have, for more than one hundred years, failed to uphold the trust that society, or even their investors put in them. The scandals, bankruptcies and taxpayer-funded bailouts of recent years have only brought into public view a system of corporate governance that has long been characterised by secrecy, greed and a lack of transparency.

Ma is, if nothing else, honest and direct about his intention on how to run Alibaba. Quite obviously it is not about going back into the agricultural era of having workers enslaving themselves ploughing the plots owned by landowners. Nor is it about operating within the traditional system of factories and large plants as capitalist financiers who used to hold employees hostage. That was the regime when ownership of machines was inseparable from the process of industrialisation and which created the supremacy of the master over the worker. And to control and command these workers who are "but only resources", the master who owns the means of production imposed rules and regulations through corporate governance stratagems.

Ma is, if nothing else, honest and direct about his intention on how to run Alibaba.

But today, the human mind and intelligence now takes over the role once held by financial capital. Ma and his partners are the humans behind the corporations.

What we hope is that he ushers in the age-old paradigm of human governance as his guiding principles – building TRUST with customers, partners and shareholders – and changing the game by leaving the path that lullabies the public with a perfect corporate governance compliance score sheet. Whether he will do so remains to be seen; but whether the business world needs a re-shifting back to the paradigm of accountability founded on human governance is, we believe, beyond question. Lest human governance is perceived as an alternative to corporate governance, we wish to emphasise that it is not. Both are framed upon different worldviews just like the East and the West, each is founded upon different philosophical traditions yet co-existing. While corporate governance is built from the framework of corporation as a legal person, human governance underscores the role of humans – humans with spirit – as the soul of the corporation. Hence when human governance is practised, corporate governance will ensue. ■

REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

Beware of the shadow accountants, lurking in the dark and doing accountancy work. MIA members and the public are duly reminded that ONLY MIA members are allowed to provide regulated public practice services, and ONLY MIA members who are approved auditors under the Companies Act 1965 and approved by the Ministry of Finance are allowed to provide statutory audit and other assurance services.

BEWARE OF SHADOW ACCOUNTANTS

THE Malaysian Institute of Accountants (MIA), the regulatory body for accountants established by the Accountants Act 1967 (AA1967), is gravely concerned about the vast number of unqualified "accountants" at work. These unqualified individuals often offer substandard services and advice within the financial reporting framework.

Sections 22 and 23 of the AA1967 provide that no person shall hold oneself out as an "accountant" unless one is registered with MIA. Sections 26 and 27 of the AA1967 further provide that on conviction, the maximum penalty can be a fine not exceeding RM20,000 or imprisonment for a term not exceeding two years.

Unregulated individuals who choose to operate outside the auspices of the main regulatory bodies often undercut regulated firms on fees, with clients often not appreciating the difference in the quality of work delivered.

MIA would like to remind our members and the public that only MIA members are allowed to provide regulated public practice services. Only MIA members who are approved auditors under the Companies Act 1965 and approved by the Ministry of Finance are allowed to provide statutory audit and other assurance services.

Members of the MIA are strictly prohibited to collude with unqualified individuals in providing regulated public practice services as that would contravene the AA1967. Unqualified individuals found contravening the AA1967 can be guilty of an offence and shall, on conviction, be liable pursuant to Section 26 and Section 27 of AA1967 as highlighted above. On the other hand, members of the MIA risk having their audit approval revoked if found guilty of colluding with unqualified individuals to provide audit and assurance services.

The public who may be attracted by the low fees offered may be misled by these unqualified individuals. Those who engage the services of such individuals may unknowingly be impacted by poor quality work, lack of professional competence and could suffer financial losses. Regrettably such individuals have and will continue to "tarnish" the general public's perception of accountants if their activities are not stopped.

IT IS MANDATORY FOR ALL MIA MEMBERS TO ANNUALLY COMPLY WITH MINIMUM HOURS OF CONTINUING PROFESSIONAL EDUCATION TO ENSURE THAT THEY ARE UPDATED.

QUALIFIED VS UNQUALIFIED: UNEVEN PLAYING FIELD

Unqualified "accountants" do not have to abide by any rules or regulations apart from common law. Currently there is no organisation that supervises them or holds them to task for their "negligence" or for anything they do that is not in the best interests of clients.

On the contrary, MIA members are regulated and the public can have recourse by making a complaint to MIA when necessary. It is mandatory for all MIA members to annually comply with minimum hours of continuing professional education to ensure that they are updated, even after being trained as an accountant. They are also bound by a strict ethical code of professional conduct whereby failure to comply may result in a member being suspended or even removed from membership depending on the severity of the non-compliance. The public is therefore assured of quality professional services from MIA members.

Integrity and ethical conduct are the foundation of professionalism.

It is extremely crucial that MIA members recognise that collusion with unqualified individuals is unacceptable and it can be considered as unethical conduct.

MIA members who are aware of individuals who possess qualifications listed under the AA1967 are advised to encourage these individuals to apply to be admitted as MIA members to ensure that they do not fall under the "unqualified accountant" category. Please refer to *www.mia.org.my* for admission requirements.

MIA urges members to step forward to protect and uphold the good reputation of the accountancy profession, for the benefit of all accounting professionals. ■

REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

NACRA: SCALING NEW HEIGHTS IN CORPORATE REPORTING

The winners of NACRA 2014

Heavyweights Telekom, Maybank and CIMB dominated the National Corporate Report Awards 2014 (NACRA), with the theme of Towards Accountability & Excellence.

Telekom Malaysia Berhad won the Overall Excellence Award while Malayan Banking Berhad and CIMB Group Holdings Berhad won the Gold and Silver awards for Overall Excellence respectively. Ten other companies received certificates of merit. All awards were presented by YB Dato' Seri Ahmad Husni Mohamad Hanadzlah, Finance Minister II.

Jointly organised by Bursa Malaysia Berhad, the Malaysia Institute of Accountants (MIA), and the Malaysia Institute of Certified Public Accountants (MICPA), NACRA's key objective is to reward and promote excellence in corporate reporting, and reward greater transparency and accountability by preparers.

WHAT MAKES A WINNING REPORT?

What winning qualities do adjudicators look for?

Annual Reports should not only comply with regulatory requirements and standards, but be written, presented, designed and packaged in such a way that communicates clearly and precisely the company's underlying performance, how it creates value for its shareholders, how it discharges its social responsibilities, and how it planned to enhance shareholders' value in the coming year, said Stephen KL Oong, Chairman of NACRA 2014 Adjudication Committee.

THE FUTURE IS IR, AND D&I

In future, it is expected that corporate reporting will evolve further as Integrated Reporting (IR) gains momentum and traction in Malaysia. "There is a growing consensus amongst the business community, investors and other stakeholders that corporate reporting that focuses purely on historical financial information is not telling the whole story," said Loh Lay Choon, Chairperson of NACRA 2014 Organising Committee. IR will provide a more complete picture by concisely communicating how an organisation's strategy, governance, performance and prospects in the context of its external environment leads to the creation of value in the short, medium

and long term. "Through NACRA, we hope to ease the path for all Malaysian organisations to fully adopt the principles of the Integrated Reporting Framework, recognising this as an area of emerging best practice," she added.

Next year, NACRA in partnership with TalentCorp will introduce a new award category for Inclusiveness & Diversity Reporting (D&I). This is in line with Bursa's requirement for public-listed companies to disclose diversity policies covering gender, ethnicity and age for board and workforce in Annual Reports issued on or after 2 January 2015. ■

WINNERS OF NACRA 2014

OVERALL EXCELLENCE AWARDS

Platinum
Telekom Malaysia Berhad

Gold
Malayan Banking Berhad

Silver
CIMB Group Holdings Berhad

INDUSTRY EXCELLENCE AWARDS

COMPANIES LISTED ON MAIN BOARD

Consumer Products
Nestle (Malaysia) Berhad
Industrial Products & Technology
Petronas Gas Berhad
Trading & Services
Telekom Malaysia Berhad
Finance
Malayan Banking Berhad
Construction & Infrastructure Project Companies
IJM Corporation Berhad
Properties & Hotels
Sunway Berhad
Plantations & Mining
Kulim (Malaysia) Berhad
Reits & Investment Funds
Sunway Real Estate Investment Trust

PRESENTATION AWARDS

BEST ANNUAL REPORT IN BAHASA MALAYSIA

Platinum
Telekom Malaysia Berhad
Gold
Sime Darby Berhad
Silver
Malayan Banking Berhad

BEST DESIGNED ANNUAL REPORT

Platinum
CIMB Group Holdings Berhad
Gold
Telekom Malaysia Berhad
Silver
Axiata Group Berhad

BEST CORPORATE SOCIAL RESPONSIBILITY REPORTING AWARDS

Platinum
Telekom Malaysia Berhad
Gold
Nestle (Malaysia) Berhad
Silver
Malayan Banking Berhad

CERTIFICATES OF MERIT

1. Felda Global Ventures Holdings Berhad
2. Guinness Anchor Berhad
3. KLCC Property Holdings Berhad
4. Lembaga Kumpulan Wang Simpanan Pekerja
5. Malaysian Resources Corporation Berhad
6. Media Prima Berhad
7. Perbadanan Insurans Deposit Malaysia
8. Petronas Chemicals Group Berhad
9. Public Bank Berhad
10. UEM Sunrise Berhad

BY MAJELLA GOMES

Enhancing Audit Quality

How can the expectations of auditors and management be bridged to enhance audit quality and improve the credibility of disclosure and assurance in a rapidly evolving landscape?

"AUDITORS have never faced more challenges than they do today," warned Ken Pushpanathan, immediate past President of MICPA, Board Member of MASB, and Honorary Secretary of the Financial Reporting Foundation, at the recent Audit World 2014 conference.

Among the challenges are bridging the expectations gaps between different stakeholders – such as the public and the preparers and users of financial statements. Equally important is to bridge the knowledge gap between the profession and preparers, said Dr. Yap Kim Len, Technical Director of Deloitte Malaysia.

CLARIFYING EXPECTATIONS

Since auditors are accountable to the public, it is necessary to understand what the public expects. However, it can be difficult, even impossible to deliver on public expectations. "Public expectations can be different from what the profession provides," conceded Pushpanathan. "And public misperceptions have sometimes been the cause of legal liability, locally and globally. More is expected of auditors, but they cannot always provide or be expected to provide it."

BALANCING AUDIT COMMITTEES

One means of plugging the expectation and knowledge gaps and hence enhancing audit quality is to compose a balanced Board Audit Committee. Nevertheless, this is easier said than done in reality. "The Audit Committee represents the Board, and as such, has to maintain integrity," said Raja Faridah Raja Ahmad, CFO of MSM Holdings. "But the Chairman of the Audit Committee comes to Board meetings wearing two hats; he/she has to look at investments and the direction of the organisation. How do you handle this if there is conflict of interest?" Hong Hee Leong, Audit Committee Chairman, MK Land Holdings, suggested appointing more independent non-executive directors to address this conflict.

EDUCATING PREPARERS AND AUDITORS

Expectation and knowledge gaps exist between management and auditors, particularly when it comes to disclosure

and assurance on key audit matters under new audit reporting standards. "If users cannot understand key audit matters, it's a waste of time and money," pointed out Dr. Yap. "Auditors determine what goes into key audit matters but too much information is confusing and could lead to misconceptions."

Raja Faridah opined that internal and external auditors should collaborate to circumvent this, saying, "Preparers of financial statements want discussions to be quick, so close the gap as soon as it is encountered. Don't wait for matters to be brought up."

Dr. Yap remarked that it was not so much the expectation gap that needed to be addressed, as the current knowledge gap.

Pushpanathan concurred that auditors' roles had shifted over the years, and their scope of work had changed to become more onerous. This has necessitated wider knowledge and greater awareness of many business-related matters, because audit is perceived as setting the seal of financial integrity on financial statements.

Apart from knowledge, clarity and conciseness should be essential competencies of auditors, especially in relation to auditors' commentary and input on key audit matters. Nurul Ain Abd Latif, Assurance Partner, PwC said, "There's always a battle between what auditors want to put into the report, and what management feels should be in the report. There needs to be a balance between information overload and what is relevant. Many things may need to be reported, but in time the information becomes diluted and less effective."

"The more information you reveal, the more jittery the Board will become," asserted Raja Faridah. "Auditors have to scrutinise the information and be prepared to answer anything that comes up." If auditors do not agree with the accounts, they should say so in the audit report, in which case there must be modifications or explanations on the matter.

IR COMPLICATES ASSURANCE?

While panellists welcomed integrated reporting (IR) as enhancing disclosure, it will be difficult to provide assurance on an integrated report. While many firms have adopted a wait-and-see attitude regarding its implementation, others have expressed concerns about the extended liability that such comprehensive reporting could cause. "If a firm's confidentiality is compromised through IR, such extensive reporting will definitely be regarded as disadvantageous," Hong said. The main worry is always about confidentiality because it could mean losing the firm's competitive edge.

Pushpanathan remarked that for preparers, IR will shift the dynamics of the current reporting framework as it would require dissemination of both financial and non-financial value-added information in a meaningful and succinct manner. For most companies, IR will be a matter of getting used to doing things differently. "There will have to be a review of what needs to change, and whether it will be positively received by the users of the organisations' financial statements," he said.

Raja Faridah concurred, adding, "There is a need to explain what it is all about, how it will be beneficial, and find resolutions to issues. There also needs to be a change of mindset, together with current policies and procedures which may need a revamp." Panellists generally agreed that for all this to happen, the tone has to be set from the top. "If that doesn't happen, you won't be able to convince middle management or new talent to go along with it," opined Dr. Yap. Nurul Ain cautioned that significant investment in time is needed to pull things together.

One of the major challenges faced by IR is credibility. For this, independent assurance will be necessary. There are currently no frameworks for IR review, although audits are based on guidelines. "So is it an audit, or a review?" asked Nurul Ain. "There are different levels. Every (level of assurance in the) hierarchy will have its own guidelines. Right now, integrated reports are a combination of financial and non-financial information. To have to do assurance work on this will be very challenging. The current framework is still open to interpretation, so signing off on an IR audit opinion takes longer." ■

Ken Pushpanathan, Nurul Ain Abd Latif, Raja Faridah Raja Ahmad, Dr. Yap Kim Len, & Hong Hee Leong

BALANCE

BY ANIS RAMLI

ARE CUBICLES KILLING CREATIVITY? LESSONS FROM POP CULTURE – MORE SPECIFICALLY THE LEGO MOVIE - SHOW WHAT COMPANIES SHOULD DO TO ENCOURAGE TEAMWORK.

The bottom line is: companies must re-think office design to encourage workers to 'hang out', bounce ideas off each other and communicate effortlessly.

making the Office Awesome

"EVERYTHING IS AWESOME, WHEN YOU'RE PART OF A TEAM."

So goes the LEGO movie's not-so-subtle message of teamwork and celebrating mundane inventiveness, which seems to also communicate that solitude is so yesterday. Newton might have discovered gravity alone under a tree while Steve Wozniak's introversion culminated in the invention of the personal computer, but recent studies are confirming that creativity benefits more from tearing down the walls of cubicles and corner offices in corporate workplaces.

This poses a challenge to companies which haven't migrated to the open plan concept. How can companies balance the scale to accommodate employees who prefer to work alone behind barricades while encouraging ideas to flourish through collective thinking and participation? How can companies encourage creativity and teamwork which cater to extrovert tendencies without snubbing introverts?

NEEDED: OFFICE REDESIGN

Play up on man's basic instincts. We are naturally born to seek relationships, yet we also crave privacy at times. Companies need to harness these two wants and create an office environment that balances both needs.

One initiative that employers can embrace is to re-look at office design. One study by office design specialist Steelcase on the unfortunate legacy of old workspaces – typically comprising cubicles and offices-with-a-view - found that 70 per cent of workers waste up to 15 minutes searching for a place to meet and another 24 per cent wasted half an hour. The conventional design office layout leaves little room (pun intended) for workers and colleagues to choose a conducive environment to meet, let alone think.

Most offices lack meeting rooms, and those that have these dedicated conference rooms often require advanced bookings – which don't exactly promote spontaneous brainstorming.

Rooms with teleconferencing facilities may be limited, as are social spaces with connectivity to promote thinking outside the cubicle.

OFFICES OF THE FUTURE

So what should the ideal workplace look like? To encourage effective collaboration, workstations that separate people from one another should give way to open spaces and communal sitting, while providing pockets of privacy. At the same time, the layout should reflect what the company stands for; just as Google and AirAsia's work environments are an extension of their fun and forward-looking brands and more casual vibes. Open spaces that cut across boundaries let people work seamlessly.

Just like at Google, privacy can come from huddle or breakout rooms. But these spaces too can call out to team players when fitted with the right tools that can help project teams call the space their own. Leaving notes behind on the whiteboard – or half-boiled ideas and prototypes – for them to come back again and again help participants maintain a continuum in the thought process and refine the final outcome.

FOOD – AND JAVA - AS FUEL

Don't be too quick to tear down the kitchenette or pantry space, either. Sometimes, the best ideas actually come from here – or even the water stations or vending machines. Encourage free-flow of ideas by wiring these places for connectivity. Create spaces for people to lounge in but that can double up as workstations. In fact, the idea of having loungers, couches and even whiteboards at every open space – whether in the office hallways or corridors – stimulates

conversation.

Team collaboration can be challenging. However, the common denominator in its success, as discovered by Alex Pentland, Director of MIT's Human Dynamics Laboratory, was patterns of communication. Frequent communication – both formal and informal, the ability to talk and listen, and talking outside the group and bringing back what they've learnt - all result in effective teamwork.

The bottom line is: companies must re-think office design to encourage workers to 'hang out', bounce ideas off each other and communicate effortlessly. This cannot be achieved in segregated workspaces. There needs to be a paradigm shift in the architecture of the workplace as we know it.

This shift must also accommodate the preferences of the new generation of noise-cancelling headphone users – otherwise known as Generation Y. Gen Y is a generation of sociable multi-taskers who find ambient noise less of a distraction and more of a stimulus – and would probably welcome open plan offices sans barriers but with built-in nooks and niches for time alone. ■

ARE YOU Really READY?

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BDO has been conducting numerous GST workshops and from the encouraging feedback, we will be coming to a venue near to you. Our specially designed "2-Day GST Workshop and 2-Half Day Case Study" have been a great success for clients in diverse industries including SME.

Why BDO's Workshop?

BDO GST WORKSHOP

- Multi-disciplinary GST Team with vast international & local GST and VAT experiences
- Interactive workshop – encouraging information sharing and gaining a wealth of collective information
- A specimen of GST impact study and implementation plan as well as templates for purchases and sales together with relevant tax codes will be provided
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- Faster and lower cost of GST implementation
- HRDF-SBL Claimable

TIME: 9am – 5pm

KUALA LUMPUR
7 - 8 January 2015
4 - 5 February 2015
11 - 12 March 2015

PENANG
12 - 13 January 2015
9 - 10 March 2015

JOHOR BAHRU
19 - 20 January 2015
2 - 3 March 2015

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