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THE MALAYSIAN
ACCOUNTANT

Of Wishful Thinking
Amid a Clueless Future

Choosing the Right Service

S.O.S: Save Our SMEs!

A Roadmap to the Future of Audit

Journal of The Malaysian Institute of Certified Public Accountants

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Contents

Feature

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Institute News

Young MICPA Corner

TechWatch

Legal Update

Global Insight

Life

Meet our Members

Perspective

At the dawn of 2021, global citizens could not wait to shrug off the shackles of self-incarceration and race jubilantly towards liberation. Unfortunately, the relentless COVID-19 virus continues to wreak havoc worldwide, destroying families, businesses and everything else in its destructive path.

It almost seems like the world is in a stalemate with COVID-19, and the only advantage we have is the vaccine that has been rolled out in some parts of the world. Malaysia is scheduled to start the vaccination programme in end-February starting with the all-important frontliners. Even then, health workers have advised those vaccinated to continue following the standard operating procedures conscientiously.

For Malaysians going through the second movement control order (MCO 2.0), this news is akin to some light at the end of a dark tunnel. The second lockdown together with the declaration of a state of emergency by the Prime Minister didn't do any favours for the financial market.

This means businesses – both big and small – need to rise above the challenges of operating in a "new normal" environment as well as enhance their resilience amid a high likelihood that it may take a while longer for the much anticipated "V" or at least "U"-shape recovery in the domestic economy to take shape.

Read the article inside for some possible scenarios to expect from the current MCO 2.0-cum-Emergency lockdown combo.

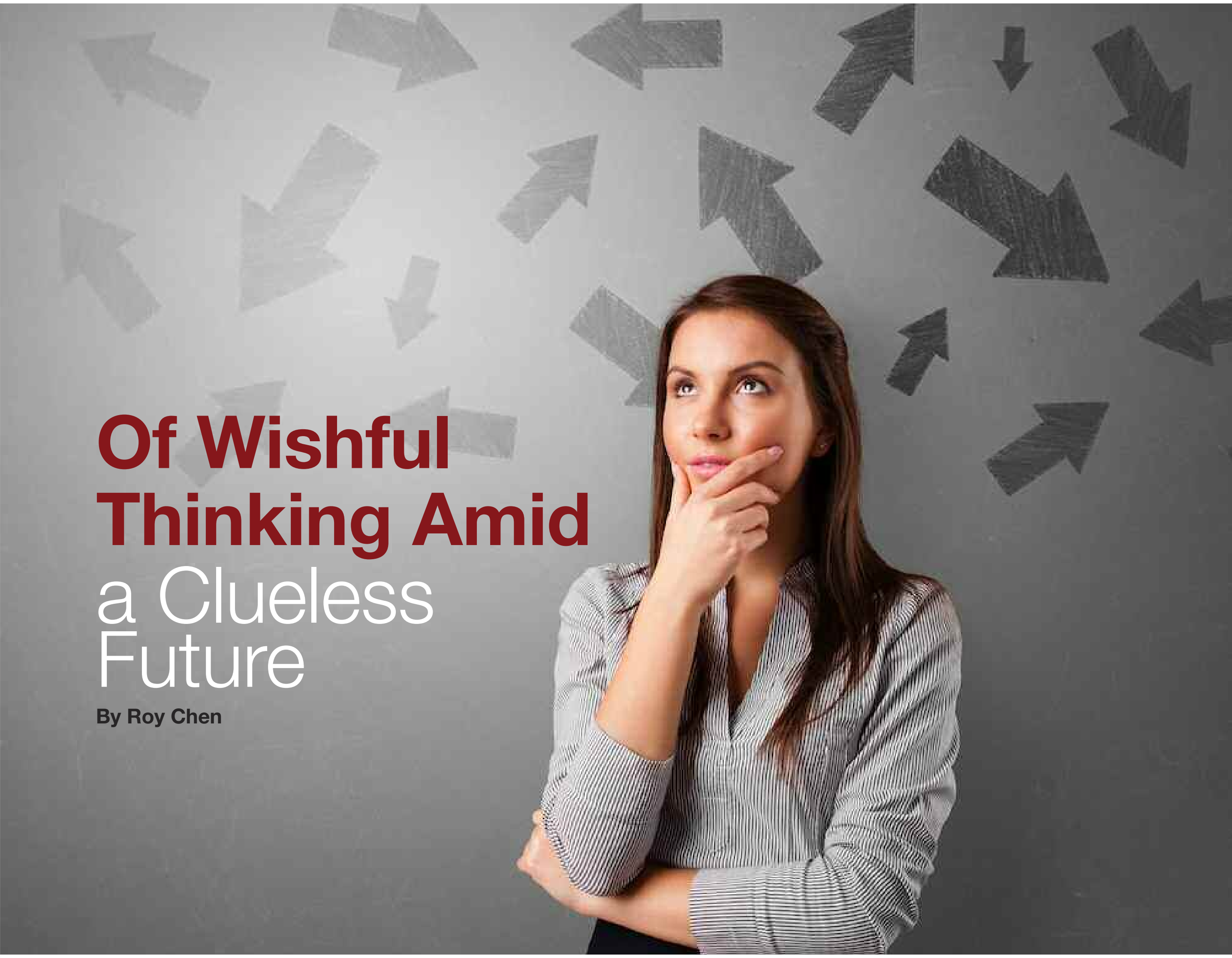
Many concerns have also been raised on the business sector's sustainability, which relies heavily on small and medium enterprises (SMEs).

According to SME Corp Malaysia, a large percentage of business establishments in Malaysia are SMEs. SMEs have limited resources and capital to cope with Malaysia's current uncertain economic situation, so heavy reliance is placed on government aid to keep businesses afloat. To support the SME business community, the Government has implemented several measures such as the PRIHATIN, PENJANA, PERMAI stimulus packages, as well as proposals in Budget 2021.

The article discusses key tax and non-tax incentives that SMEs can benefit from, based on the measures announced in the various stimulus packages and the current provisions in the Income Tax Act 1967 (ITA) and relevant gazette orders.

Whenever one walks into an audit firm, the assumption is that one is keen on obtaining audit services. Interestingly, an Auditor/ Reporting Accountant can also provide other types of services under a varied spectrum of assurance. An essential point to grasp is the level of assurance one wants to derive from these services. Read the article inside for more information.

How can the public's confidence and trust in audit be strengthened? CAANZ has developed a 15-point roadmap to the future of audit and risk. Read more inside.



Of Wishful Thinking Amid a Clueless Future

By Roy Chen

As the curtain fell on 2020, hopes were high that the tumultuous impact of the COVID-19 pandemic would wane in 2021 with recovery on all fronts be felt across the globe.

Back home, the optimism of bouncing back from a year of health crisis-induced financial hardship seems to have encountered a temporary setback with the Government having to reinstate lockdown measures to stem a soaring third wave of positive COVID-19 cases.

With a spike in the infection rate continued unabated, a movement control order (MCO 2.0) was re-imposed on an almost nationwide scale (except Sarawak for now at the time of writing) alongside the declaration of a state of emergency (till August 1) which has somehow come as a shocker for the financial markets.

What this means is that businesses – both big and small – not only need to rise above the challenges of operating in a "new normal environment but more importantly to enhance their resilience amid a high likelihood that it may take a while longer for the much anticipated "V" or at least "U"-shape recovery in the domestic economy to take shape.

Below are some possible scenarios to expect from the current MCO 2.0-cum-Emergency lockdown combo:

• **No curfews:** Thankfully, this is not the typical 'emergency' as many would have envisaged as per what the Prime Minister has clarified.

While the emergency has nothing to do with a "military coup" and "curfew will not be enforced", a heightened concern is that an ordinance can be proclaimed to provide enforcement powers to the Malaysian Armed Forces.

To re-cap, the only nationwide declaration of emergency under the Emergency Ordinance 1969 took place during the May 1969 racial riots which lasted 21 months (which thankfully, did not derail the country's growth trajectory in subsequent years).

That the proclamation of emergency came just a day after the reinstatement of Movement Control Order (MCO 2.0) in a number of states raised the question of the justification and necessity to declare a state of emergency when there are already existing measures available to curb the alarming rise of COVID-19 infections in Malaysia.

These include the current measures under the MCO 2.0, Conditional Movement Control Order (CMCO), the regulations under the Prevention and Control of Infectious Diseases Act 1988 and various other related standard operating procedures (SOPs).

It is also unclear how the emergency order is specifically aimed at facilitating or strengthening measures necessary to flatten the COVID-19 curve.

During these eight months, what won't happen will surely be Parliamentary sittings, by-elections, or even a General Election.

In short, the Government wants to stay focused or empower itself in its efforts to curb the COVID-19 pandemic without being distracted by political-related diversions.

According to the Swiss-based Centre for Civil and Political Rights, about 79 countries have introduced varying degrees of emergency status since last year. They include the US, Australia, New Zealand, France, Finland, Indonesia, the Philippines and Thailand.

• **Economic loss:** CGS-CIMB Research estimates daily economic losses stemming from MCO 2.0 to be at RM750 mil/day significantly lower than the RM2.4 bil/day during the MCO 1.0 from March 18 to May 3 last year.

As such, the research house expects each fortnight of MCO implementation to reduce its full-year GDP growth forecast of 7.5% for 2021F by RM10 bil or 0.7% point.

• **Impact on businesses:** At a glance, business operations which were not allowed to operate or were negatively impacted under the MCO 2.0 include leisure-related industries, retailers of non-essential goods and number forecasting operators (NFOs).

Even as more businesses are allowed to operate, the services sector would generally have to endure a rather depressed revenue flow as the mobility restrictions and consumer confidence would hinder demand.

As for the external sector, the recovery in trade activities may soften in the near term, weighed by the tightened COVID-19 curbing measures abroad, thus creating more obstacles to the restoration of the global supply chain.

• **Looming unemployment:** Even as the Government will allow five essential sectors (manufacturing, construction, services, trading & distribution as well as plantation & commodities) to operate under the MCO, a slowdown in business is inevitable, thus inviting cost-cutting measures that entail wage cuts and layoffs.

While factories continued to operate during the MCO 2.0 period, they very unlikely did so at full capacity in order to adhere to social distancing measures.

As it is, Malaysia already has to deal with 764,400 currently unemployed and possibly around one million new entrants to the job market (taking into account the 2020 cohort coming out of the education system).

• **Weak fiscal front:** Deficit is expected to remain elevated with the MCO 2.0 and a state of emergency being put in place side-by-side.

Despite the current tight fiscal condition, the Government has rolled out its fifth fiscal stimulus measures vis-à-vis the RM15 bil Malaysian Economic and Rakyat Protection (PERMAI) assistance package on Jan 18.

While the Government did not indicate the amount of direct fiscal injection into PERMAI, CGS-CIMB Research expects the combined additional government expenditure incurred to be not higher than RM2 bil or 0.1% of gross domestic product (GDP).

"Moreover, if current global oil prices persist at US$56/barrel (vs Budget 2021 assumption of US$42/barrel), we estimate the Government could collect additional oil-related revenue of about RM4 bil, assuming a sensitivity of RM300 mil per US$1/barrel," opined the research house.

"As such, we do not expect PERMAI to lead to concerns about the Government's fiscal position."

The swift announcement of fiscal support provides some short-term reparations to affected households and businesses, although it does not completely offset the downside risk to the economic outlook.

Thus far, RM305 bil has already been allocated to funding stimulus packages and economic recovery plans in 2020 (namely, PRIHATIN, PRIHATIN SME+, PENJANA and KITA PRIHATIN) in addition to the various COVID-19 measures under Budget 2021.

• **Low-interest rate environment:** Given businesses are facing so much downside challenges with the lingering uncertainties, there is increasing likelihood of Bank Negara Malaysia (BNM) slashing the overnight policy rate (OPR) by another 25 basis points (bps) to 1.50% in the near future.

In fact, Kenanga Research does not discount the possibility of an additional 25bps cut to 1.25% if needed. While this in principle would ease the burden of existing borrowers, doubt abounds if it will entice new borrowers as rates are already at record-low.

Anyway, for now, the central bank has maintained the OPR rate at the current 1.75% level as per the latest outcome from its Monetary Policy Committee meeting.

• **Market risks:** The state of emergency declaration could delay the potential return of foreign funds to Malaysia's equity market on the grounds of political uncertainty while the MCO 2.0 will elevate corporate earnings risk.

In a similar note, there could also be an indirect negative impact on the banking sector which is viewed as a bellwether for economic resilience given (i) potential OPR reduction by the Malaysian central bank to cushion adverse effect from the MCO 2.0 could affect banks' net interest margins; (ii) increase in non-performing loans; (iii) likelihood of loan moratorium extension or re-introduction should MCO 2.0 gets prolonged; and (iv) negative loan growth as MCO 2.0 could reduce business activities.

• **Delay in administration of COVID-19 vaccines:** A potential delay now looms in the Government's 18-month projection to inoculate 70-80% of the Malaysian population by end-2021.

Although the Malaysia healthcare system has not yet reached its breaking point, the Health Ministry (MoH) should open more field hospitals or quarantine centres as well as continue to practise home care isolation for patients in stage 1 and 2 to de-congest hospitals and create more space for critical COVID-19 patients (stage 3 to 5).

Based on Malaysia's COVID-19 pandemic trend, Kenanga Research has projected that Malaysia's daily COVID-19 infection rate could fall below 100 by end-June 2021 if the country can significantly bring down its COVID-19 transmission rate.

The research house further estimated that at least six weeks (until Feb 23) of MCO is needed in the red zones for the daily cases to return to three-digit figures before a more lenient measure (i.e., Conditional MCO or Recovery MCO) can be implemented.

However, the COVID-19 infection could worsen if the SOPs are ignored, and there is a major outbreak involving the new strain of COVID-19 from the UK and South Africa.

Inflationary pressure: Inflationary pressure was largely muted in 2020 due to weak demand and government rebates through the electricity discount bills along with new vehicle sales tax exemption.

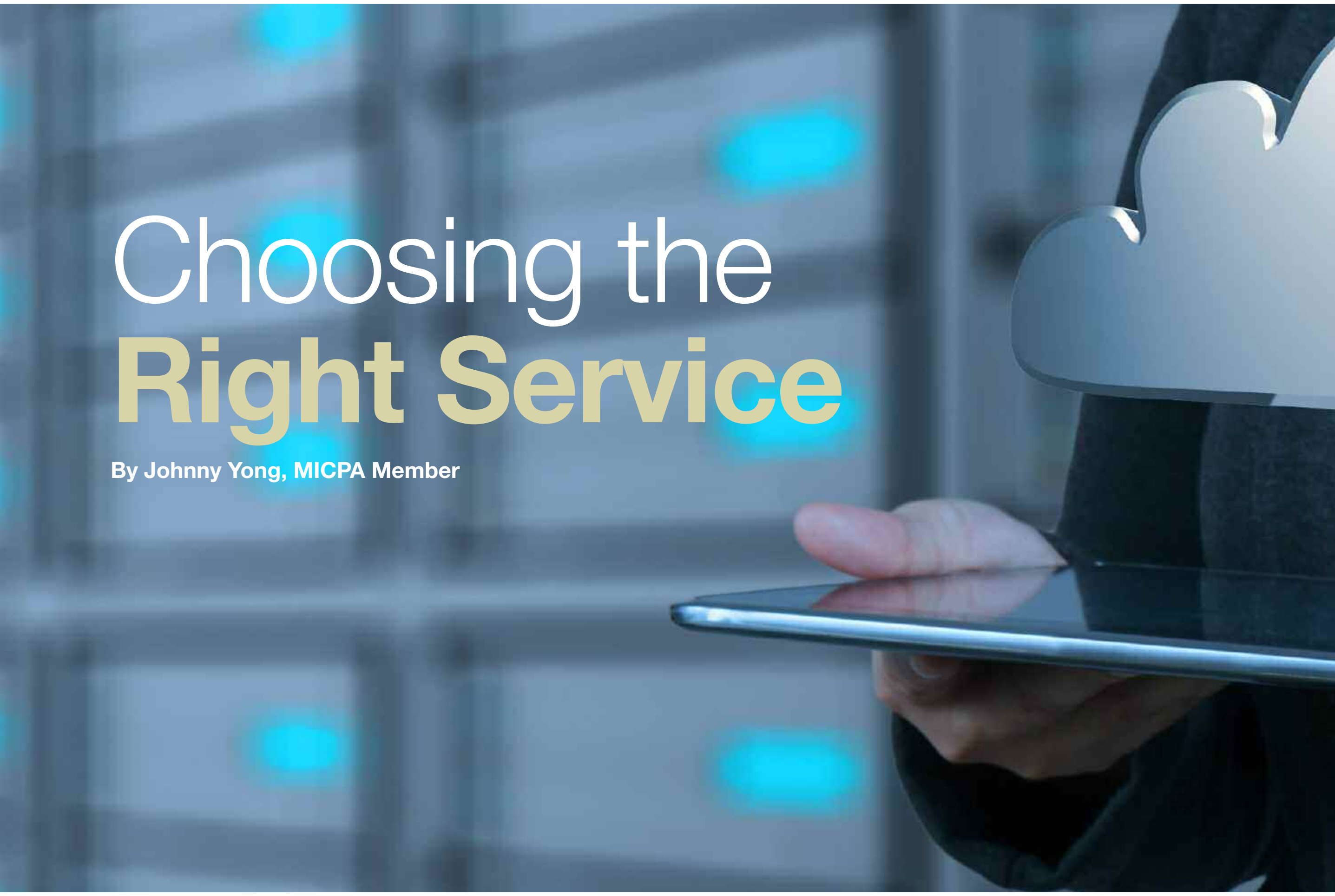
With the latest announcement on electricity rebates and new vehicle sales tax exemption that will be continued for the 1H 2021, MIDF Research expects consumer price index (CPI) increase to moderate from its initial estimate of 2.2% year-on-year (y-o-y).

In addition, MCO 2.0 was implemented reducing outside activities and eventually affected consumption.

Given that consumers' spending on discretionary items could also be pushed to a later period of the year when income prospects are better, the research house has revised its CPI inflation forecast downward to 1.8% y-o-y from 2.2% y-o-y initially.

Nevertheless, prices for most of the goods will improve generally compared to last year's fall of -1.2% y-o-y on the back of returning demand as the economy recovers, facilitated by low-interest rate environment and vaccine distribution.

Global crude oil prices are also expected to inch higher this year at an average of US$51/barrel for Brent.



Choosing the Right Service

By Johnny Yong, MICPA Member

Whenever you walk into an audit firm, one assumes that you are interested to purchase an audit service. But did you know that your auditor/ Reporting Accountant can also provide other types of services under a varied spectrum of assurance?

An important point for you to grasp is the level of assurance you want to derive from these services.

The International Auditing & Assurance Standards Board (IAASB) based in New York requires the concept of assurance to be understood before audit and review engagements are to be undertaken. Assurance, according to the dictionary, is "a positive declaration intended to give confidence or a promise". Based on the IAASB's standards applicable to audit and review, an assurance engagement is "an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party (ie. the preparer) about the subject matter information, usually the financial statement, for a specific time frame. These assurance engagements are classified on two dimensions, either a reasonable or a limited assurance engagement, but in practice, the spectrum of assurance can be wider.

Certification

A certification report or 'attestation' in the US, provides an assurance level of 100%. In a certification engagement, the entire population of transactions is examined, and any exceptions are tabulated. The report will state that the Reporting Accountant or auditor certifies the results of the examination to be accurate or has since tabulated the results in a true and correct manner (as opposed to true and fair) for

those transactions reported within a specific time frame under examination.

A certification is usually required by a competent authority or regulator, or during a forensic investigation where all transactions within the population must be verified to ensure their authenticity. The IAASB does not promulgate any reporting standard on certification because the specified level of work required for an absolute level of assurance is always agreed upon between the reporting entity, the auditor or Reporting Accountant, and the recipients of the final report, be they a regulator or third party such as shareholders or an acquirer, who are independent of the management or preparer.

So, what are the benefits of a certification and when is this appropriate? Obviously since the scope of coverage is 100%, this allows for all exceptions to be tabulated in a report with certainty. The flip-side is the cost – it involves extensive examination and reporting of the whole population of transactions, so the effort and cost of providing such a service can be prohibitive.

For this reason, unless it is a request by a regulator or in the case of a forensic investigation where certainty is required in fraud cases and for determining the scope of potential losses, most companies will steer clear of such a service.

In many jurisdictions, certification work is undertaken by the legal profession as it comes with many caveats – possibly with the assistance of a good accountant.

Audit

The most common service rendered by an auditor – an audit, is a statutory requirement for companies under the Malaysian Companies Act 2016. The auditor's report will include an opinion whether the financial statements have been prepared in all material respects in accordance with the applicable financial reporting framework, e.g. the MFRS. The International Standards on Auditing (ISA) require the auditor to perform a variety of audit procedures to obtain audit evidence that is appropriate and sufficient to reach an opinion with a high, but not absolute, level of assurance, i.e. that the financial statements are true and fair (as opposed to a certification which is 'true and correct').

An important distinction between an audit and a certification is that in an audit, the auditor does not verify 100% of the transactions but is based on a random and/or statistical sampling that is supposedly representative of the population. The concept of materiality is thus applied in the audit work.

Review

A review involves your Reporting Accountant primarily making enquiries and performing analytical procedures to arrive at a conclusion whether the financial statements are prepared in accordance with the applicable financial reporting framework. It is typical that such a report will state that "Nothing has come to the attention of the Reporting Accountants … "unless certain exceptions are noted in the course of the work being performed. The planned nature, timing and extent of procedures performed, differing from the usual audit procedures, depend on the nature and circumstances of the review engagement, and are undertaken to obtain a limited assurance on whether the Reporting Accountant is aware of any matter that may cause the financial statements to be materially misstated. Hence, this type of assurance is usually known as a negative assurance report.

So, when is a review appropriate? According to the IFAC's recent publication, "Choosing the Right Service"[1], a review is appropriate when:

- The entity is exempted from statutory audit requirement but users such as shareholders or banks require some form of limited assurance;
- It is requested by a group auditor in respect of a subsidiary or business unit forming part of the consolidated group; and/ or
- The management of a business unit, requiring an additional control mechanism in the oversight of the overall financial reporting process, specifically requests for this service as an added assurance, albeit limited.

Compilation

Your Reporting Accountant will apply accounting and financial reporting expertise to assist you with the preparation and presentation of historical financial information, based on your request. A compilation engagement is not an assurance engagement; the Reporting Accountant does not obtain any assurance after his work, but external users such as lenders, insurers, including yourself, will often value the involvement of a professional accountant in compiling such financial information.

At the very least, the knowledge that the Reporting Accountant will not knowingly be associated with any documents, reports or other information that contain a materially false or misleading statement is a form of pseudo-assurance. It is part of the accountant's compliance with the Malaysian Institute of Accountant's (MIA) expansive code on professional ethics. In addition, the Reporting Accountant is also required to report all matters that, in their professional judgement, are of sufficient importance to merit management's attention in the course of their work.

So, when is a compilation engagement appropriate? It is appropriate:

- When management may not have the expertise nor time to prepare a financial report and prefers to have an external professional accountant to do it; or
- Where users need to know that a professional accountant had some form of involvement in the preparation and presentation of the financial statements.

Agreed-Upon Procedures (AUP)

In this case, your Reporting Accountant performs procedures on financial or non-financial subject matters only upon agreement with yourself, the engagement party, or someone who specifically requested for the report such as a competent authority or a regulator. A report communicating the procedures performed and related findings will be issued. No assurance is obtained and neither is a conclusion nor opinion expressed; it is up to the readers to reach their own conclusion. This is a significant difference from a certification service where your Reporting Accountant renders an opinion or conclusion based on the results of work performed.

So, when are agreed-upon procedures useful?

- When management wants to focus on specific areas of financial or non-financial subjects to satisfy the intended users' needs, for example, in comparing inventory balance to inventory records, matching accounts payable balances to third party confirmations, tracing the use of grants, or recalculating the volume of greenhouse gas emissions for submission to the authorities; or
- When management seeks comfort that certain disclosures required by applicable reporting standards have been provided. Moving forward, this is especially relevant for the volume of non-financial subject matter information that needs to be reported such as those related to emerging environmental, social, or governance reporting standards (ESG standards).

Again, the comfort that the Reporting Accountant will not knowingly be associated with any documents, reports or other information that contain a materially false or misleading statement, as part of the accountant's compliance with the MIA's professional code of ethics, is a draw factor.

In summary, here's a recap:

Engagement Type	Standards	Assurance	Work Effort	Report
Certification	Not Applicable**	Absolute (a "true and correct" opinion is given with exceptions tabulated, where appropriate)	Procedures are agreed-upon (on 100% of the transaction population) specified in the terms of the engagement. Limitation or caveat on the work performed is usually stated up-front.	Report on the agreed-upon procedures performed and the related findings with a conclusion/ opinion provided
Audit	International Standards on Auditing (ISAs)	Reasonable (a "true and fair" opinion is given with exception, where appropriate)	Risk assessment and audit procedures (on a sampling basis) that respond to the risk identified. Materiality is a recurring concept in audit	Opinion given (Positive assurance)
Review	International Standards on Review Engagements (ISRE) 2400 (Revised)	Limited ("Nothing has to come to our attention..")	Primarily enquiries and analytical review	Conclusion (Negative assurance)
Compilation	International Standards on Related Services (ISRS) 4410	None	Assisting management to prepare historical financial information	Report communicates the nature of the compilation engagement and the Reporting Accountant's role and responsibilities (no assurance is given)
Agreed-Upon Procedures	(Revised) ISRS 4400 (Revised)	None	Procedures as agreed upon in the terms of the engagement	Report on the agreed-upon procedures performed and the related findings (again, no assurance is given)

** *While no specific standard exists (IAASB does not promulgate any certification standard), the Reporting Accountant can usually use the Agreed-Upon Procedures standard as a basis to frame the scope of engagement, except that in such a situation, a conclusion or opinion is expected to be rendered. In other instances, the requirement for certification will usually come with its own set of procedures or processes (se by a competent authority or regulator) and the Reporting Accountant is expected to comply with those stated requirements.*

S.O.S: Save Our SMEs!

By Mah Wen Jian

After almost a year of coping with the COVID-19 pandemic in Malaysia, many concerns have been raised on the sustainability of the business sector which relies heavily on small and medium enterprises (SMEs).

According to SME Corp Malaysia, a whopping 98.5% of business establishments in Malaysia are SMEs, contributing approximately 38.9% to Malaysia's GDP in 2019[1]. Given that SMEs have limited resources and capital to cope with the current uncertain economic situation in Malaysia, heavy reliance is placed on government aid to keep businesses afloat. In recognition of this pressing need, the Government has implemented several measures to support the SME business community via the PRIHATIN, PENJANA, PERMAI stimulus packages, as well as proposals in Budget 2021.

In this article, we will discuss key tax and non-tax incentives that SMEs can benefit from, based the measures announced in the various stimulus packages as well as the current provisions in the Income Tax Act 1967 ("ITA") and relevant gazette orders. A few pointers are also highlighted which may be helpful during these trying times.

Incentives under the various stimulus packages

1. Special deduction for rental reduction

Under the COVID-19 stimulus packages, a special deduction will be given to landlords who grant at least 30% rental discounts for business premises rented to SME tenants. This special deduction is equivalent to the amount of discount given to the tenants and is applicable for the period from April 2020 to 30 June 2021. For the purposes of this incentive, the definition of "SME" is based on the national definition issued by SME Corp.

Specific conditions to the special deduction are expected to be issued once the proposal is legislated.

2. Deduction for renovation and refurbishment (R&R) expenses

Another special deduction which is restricted to RM300,000 was introduced to provide relief to business owners for costs incurred on the renovation and refurbishment of their business premises. This special deduction applies for R&R expenses incurred between 1 March 2020 and 31 December 2021. Qualifying expenses include general electrical installation, lightings, fixed partitions, canopy or awnings, air-conditioning system, children play area, reception area and surau, etc. The claim is to be supported by a certification issued by an external auditor.

Ordinarily, R&R expenses would not qualify for a tax deduction, unless such expenses are incurred on industrial buildings on which industrial building allowance is claimed. For businesses who intend to renovate or refurbish their business premises, this incentive would be beneficial provided that the expenditure is incurred by 31 December 2021. Time is of the essence!

3. Accelerated capital allowance for machinery and equipment

Broadly, machinery and equipment qualify for initial allowance (20%) and annual allowance (14%). As such, it will take 6 years for the qualifying expenditure to be fully claimed.

Pursuant to the Economic Stimulus Package and PENJANA initiatives, accelerated capital allowance (ACA) will be given for qualifying capital expenditure incurred on machinery and equipment, including ICT equipment. The ACA will be fully claimed over a period of 2 years.

Specific conditions for the ACA claim are expected to be issued once the proposal is legislated.

4. Special tax rebate

As announced in Budget 2021, SMEs are entitled to a special rebate of RM20,000, claimable for the first three (3) consecutive years of assessment after the commencement of operations. This rebate is applicable for businesses which commenced operations between 1 July 2020 and 31 December 2021. To avail the special rebate, the SME must not have gross business income exceeding RM50 million in the year the claim is made.

The term "operations" is defined in the ITA as "the activity of carrying on the business or making an investment, or both". Based on this definition, the placement of funds in bank deposits or in other types of investment would constitute "commencement of operations", notwithstanding that the actual business operations have not commenced. Newly incorporated SMEs looking to take advantage of this tax rebate should take note of this to avoid missing out on the 3-year tax rebate period.

In the event the RM20,000 rebate cannot be fully utilised in a year of assessment, the unutilised rebate cannot be carried forward to future years of assessment.

5. Special financial assistance

In addition to the tax measures mentioned above, the Government has also implemented non-tax measures to provide financial relief to aid SMEs. Amongst others, the relevant schemes which are applicable in 2021 are tabulated below:

Incentive scheme	Key features
Wage Subsidy Programme 3.0	• As announced in Budget 2021, employers in the tourism and retail sectors will receive wage subsidy of RM600 for 3 months (existing recipients) or 6 months (new applicants), restricted to 500 employees • Under the PERMAI Assistance Package, all employers operating in Movement Control Order (MCO) states (regardless of sector) will receive wage subsidy of RM600 for 1 month for each local employee earning RM4,000 or less per month. • New applications must be submitted for WSU 3.0 at the Prihatin portal on SOCSO's website • Applicants must prove a minimum 30% decrease of sales/revenue in 2020 as compared to the same month in 2019
HRDF levy exemption	• HRDF levy exemption available for employers who are unable to operate during the current MCO or Conditional MCO announced in the Permai Assistance Package
Prihatin Special Grant	• RM1,000 for SMEs in MCO states with payment targeted to be made in March 2021 • No new application required as eligibility is based on the Inland Revenue Board data from the earlier Prihatin Special Grant in 2020

Preferential tax treatment and incentives under current legislation for SMEs

In addition to recently announced incentives, there are existing provisions in the ITA and incentives which are in place to support the SME business community.

1. Lower corporate tax rate for SMEs

With effect from the year of assessment 2020, SMEs are taxed at 17% on the first RM600,000 of chargeable income, whilst chargeable income in excess of RM600,000 is taxed at 24%. SMEs in this context refers to:

- Resident companies incorporated in Malaysia with paid up capital of not exceeding RM2.5 million at the beginning of the basis period for a year of assessment and having gross business income of not more than RM50 million for the said basis period; and

- Limited liability partnerships ("LLP") resident in Malaysia with total capital contribution of not more than RM2.5 million at the beginning of the basis period for a year of assessment and having gross business income not exceeding RM50 million for the said basis period

However, the preferential tax rate of 17% will not apply where the company or the LLP is related to a company with paid-up capital exceeding RM2.5 million at the beginning of the basis period.

The reduced tax rate will translate into tax savings of RM42,000 per annum for SME companies and LLPs, as compared to the corporate tax rate of 24% applicable to non-SMEs.

2. 100% capital allowance for small value assets

Businesses are entitled to claim capital allowance at the rate of 100% on small value assets i.e. value not exceeding RM2,000 per unit. The claim is restricted to RM20,000 per year of assessment.

The restriction of RM20,000 will not apply to SME companies with gross business income exceeding RM50 million for the basis period, or SME companies related to another company with paid-up capital exceeding RM2.5 million at the beginning of the basis period.

3. Tax estimates and monthly tax instalments

All companies, LLPs, trust bodies or co-operative societies are required to submit a tax estimate to the Inland Revenue Board for each year of assessment. The estimated tax is to be paid via instalment payments.

SME companies however, are exempted from submitting a tax estimate for the first two (2) years of assessment from the date of commencement of business. To qualify for the exemption, the SME company cannot be related to another company with paid-up capital exceeding RM2.5 million at the beginning of the basis period. The exemption helps SMEs to reduce cash flow requirements during the early phase of the business.

In addition, there is an avenue to better plan and manage cash flow by utilising the tax estimate revision allowed in the 6th and/or 9th month of the basis period. With careful planning, companies, LLPs, trust bodies or co-operative societies can reduce their tax instalment payments by revising their tax estimate in the 6th month to an amount where no further instalment payments are required to be made after the 4th instalment. In the 9th month of the basis period, when a more accurate projection can be made, another revision can be submitted at that juncture.

Nevertheless, it is important to ensure that the tax estimates submitted be as accurate as possible to avoid under-estimation penalty or significant tax refunds which may take a lengthy period of time to be obtained.

4. Allowance for increase in exports

In year 2021, the Malaysian economy is projected to grow by 6.5% to 7.0%. Based on the Ministry of Finance Economic Outlook 2021 report, Malaysian export earnings are expected to rebound by 2.7%, after a projected 5.2% decline in 2020. This is in tandem with the projected growth in the global economy in 2021.

SMEs involved in manufacturing and agriculture sectors which are in the export market should leverage on the incentive available for increase in exports. This incentive takes the form of an exemption against 70% of statutory income and is given as follows:

- Manufactured products - exemption of 10% or 15% on the value of increased exports where the value added attained is at least 20% or 40% respectively
- Agriculture produce - exemption of 10% on value of increased exports

Any unutilised export allowance can be carried forward to future years of assessment.

5. **Special reinvestment allowance**

Companies involved in manufacturing and selected agriculture activities can claim reinvestment allowance (RA) for a period of 15 consecutive years of assessment. RA is claimed on capital expenditure incurred on qualifying projects, namely expansion, modernisation, diversification and automation projects. RA is granted at 60% on qualifying capital expenditure and to be utilised against 70% of statutory income for the year. Unutilised RA can be carried to future years of assessment, subject to a seven year restriction after the expiry of the 15-year RA period.

In Budget 2021, a special RA was re-introduced for the years of assessment 2020 to 2022, which is available to companies that have claimed RA and exhausted the 15-year period. In view of the challenges faced during the pandemic, many industries are restructuring their operations and work processes are continuously evolving. Modernisation and automation processes will reduce demand for unskilled foreign labour and create higher value jobs. Where such plans are in the pipeline, it is worthwhile to consider embarking and completing these projects by YA2022 so that the special RA can be fully enjoyed.

6. **Other tax incentives available for SMEs**

(a) Deductible pre-commencement expenses

Generally, expenses incurred prior to the commencement of business are not eligible for a tax deduction. However, there are specific exceptions to this rule. Subject to meeting the requisite conditions, SMEs may qualify to claim a deduction for the following:

- Company incorporation expenses
- Employee training costs to impart basic skills relating to the business incurred within one year prior to commencement of business
- Employee recruitment costs incurred within one year prior to commencement of business

(b) Double deductions

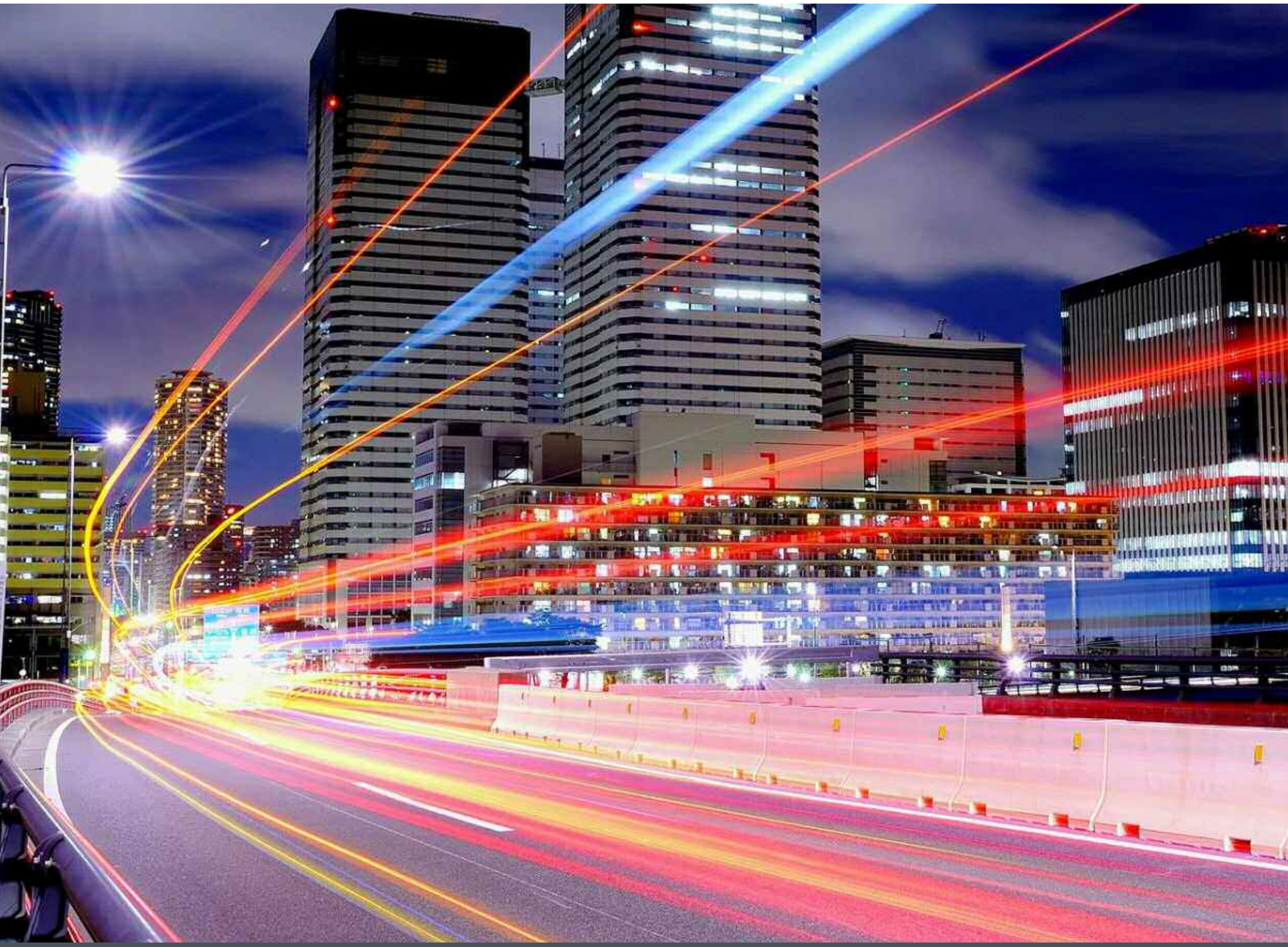
Double deductions are available to qualifying expenses, subject to meeting the requisite conditions. Some of the available double deductions are as follows:

- Remuneration of disabled employees
- Remuneration of senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependants, where monthly remuneration does not exceed RM4,000
- Qualifying expenses incurred for the promotion of exports from Malaysia
- Participation expenses in approved international trade fairs held in Malaysia, subject to approval from the Ministry of International Trade & Industry
- Participation expenses in trade fairs held outside Malaysia, subject to approval from MATRADE
- Child care allowance for employees or expenses relating to the provision and maintenance of a child care centre

Concluding remarks

The incentives under the various stimulus packages as outlined above were formulated to provide immediate assistance to businesses affected by the pandemic. Amongst others, the special deduction for rental subsidy, HRDF levy exemption, wage subsidy, special tax rebate, ACA for machinery and equipment and special RA are aimed at reducing operational costs and tax burden during this challenging period. Financial assistance under the Prihatin Special Grant Plus and moratorium of loan repayment should also alleviate cash flows which will be adversely impacted due to a downturn in sales revenue. These measures, although welcomed, may not provide sufficient relief and it remains to be seen if further initiatives will be introduced to provide additional aid to SMEs. Meanwhile, SMEs should also leverage on preferential tax treatment/incentives that are currently available to reduce their tax burden.

Mr. Mah Wen Jian is an Assistant Managing Consultant of Tricor Taxand Sdn Bhd, an entity within the Tricor Group which is the leading business expansion specialist in Asia, with global knowledge and local expertise in business, corporate, investor, human resources & payroll, and corporate trust & debt services. The Tricor Group operates in 21 countries / territories and across a network of 47 offices. The views expressed here are the writer's personal views and he can be contacted at Wen.Jian.Mah@my.tricorglobal.com



A Roadmap to the Future of Audit

How can the public's confidence and trust in audit be strengthened? CA ANZ has developed a 15-point plan.

By Lynda Dugdale

A good audit is all about trust. Can you trust the numbers? Can you trust the finance team that crunched the numbers? Can you trust the audit partner? Can you trust the audit committee to have asked the right questions?

In the vast majority of cases, the answers are yes, yes, yes and yes.

But a member of the general public could be forgiven for thinking otherwise, based on media coverage of late.

In recent years, the audit profession globally has faced a barrage of regulatory reviews and inquiries that have created a rash of sensational headlines, including those bemoaning "appalling" audit quality and calling to break up the Big Four.

It hasn't been the most nuanced public debate. That's a shame, given audit quality is so vital for markets and the economy. Leading accounting and audit industry bodies such as the International Federation of Accountants (IFAC), the Association of Chartered Certified Accountants (ACCA) and Chartered Accountants Australia and New Zealand (CA ANZ) are at the forefront of advocating for stronger audit quality frameworks. This has been the case since long before the UK's Brydon Review into the effectiveness and quality of audit started making headlines around the globe.

The inquiry, headed by the outgoing chair of the London Stock Exchange, Sir Donald Brydon, is due to report by mid-January 2020. It was launched after the collapse of UK construction giant Carillion in 2018, which is forecast to cost UK taxpayers £148 million (A$279 million).

In Australia, a Parliamentary Joint Committee inquiry into the regulation of audit is due to report by March 2020. Professor Roger Simnett AO, chair of Australia's Auditing and Assurance Standards Board (AUASB), welcomes the inquiry but stresses the need for a calm and informed debate.

"We need to make sure that the criticism and reviews are as evidence-based as possible," Simnett says. "It's incumbent on all the parties to provide as much evidence to support their views as they can, so that we can take these forward.

"Let's make sure it's run on Australian issues and not on overseas issues. I know it's an international profession and it's an international economy, but let's bring to these inquiries the best evidence we can from Australia."

What is CA ANZ's plan for audit quality?

It's important to acknowledge that audit quality standards in Australia and New Zealand are already high and subject to some of the strongest regulatory frameworks in the world, notes CA ANZ reporting and assurance leader Amir Ghandar CA. That said, Ghandar doesn't shy away from a real opportunity to further strengthen audit quality frameworks.

"CA ANZ have long been at the forefront of advocating for better standards and other reforms to strengthen the audit quality ecosystem, and we are continuing to do that," he says.

In its submission to the current parliamentary inquiry, CA ANZ unveiled a 15-point roadmap to the future of audit and risk. It has three priority areas:

- Increasing public confidence in audit
- Ensuring the continued relevance of audit scope and risk coverage
- Continued strengthening of audit quality.

CA ANZ developed the plan following input from members, investors, regulators and other stakeholders.

"The public has a fair and reasonable expectation that auditing and other lines of defence will protect them from risks and shocks in their financial and consumer lives, and will similarly provide confidence, integrity and transparency in business," Ghandar says.
"There is a need to revisit independence rules and the assessment of how conflicts of interest are mitigated in an effort to keep pace with expectations."

There is a need to revisit independence rules and the assessment of how conflicts of interest are mitigated in an effort to keep pace with consumer and public expectations." *Amir Ghandar CA, reporting and assurance CA ANZ*

Fewer conflicts of interest, more confidence concerns, both real and perceived, about auditor independence pose a threat to public confidence in audit. This is especially true with large firms that perform audits and also house large consulting practices, and when organisations have developed close relationships with their auditors over many years.

In Australia, there is currently no legal requirement for organisations to rotate their audit firm (although periodic rotation of the lead audit partner is obligatory). CA ANZ has recommended that major listed companies and financial institutions review their audit provider at least every 15 to 20 years and, when audits are not put out to tender, to report why.

Some pundits have voiced concerns about the potential risk of auditors turned company-directors using their relationships with former colleagues to influence the outcome of an audit. To combat this perceived risk, CA ANZ suggests that when a former audit partner joins a board, the entity should be prohibited from appointing the director's former employer as its auditor for at least five years.

CA ANZ has also called on companies to be more transparent about their reasons for removing an auditor, and for greater regulatory oversight of auditor removals.

In addition, CA ANZ recommends strengthening the prohibitions on non-audit services that firms can provide to their audit clients, as well as clarifying fee disclosures.

Scope to cover all relevant risks in audit

Ghandar says CA ANZ would like to see a government review of the 'seven lines of defence' in audit: management; compliance and risk; the internal audit function; the board; the external auditor; regulators; and institutional investors.

One of the biggest challenges for the audit profession when it comes to maintaining confidence is that the public's understanding of what auditors do is very different to the actual scope of their role.

This has been true for decades. It's compounded every time a company collapses and politicians and commentators cry foul that the auditor did not prevent the impending disaster. Ensuring the ongoing viability of a company's strategy is not the job of its external auditor but rather of its management and, ultimately, its board.

Even so, the consensus now is that the business environment has become so complex the scope of audit does need to evolve; not just to satisfy the public, but to provide a best-in-class service that genuinely adds value.

Historical financial statements are no longer enough. Investors want to know about fraud and misconduct, cybersecurity and data privacy issues, consumer protection in financial services, whether the company uses its resources in an environmentally sustainable way – even the sustainability of the business model.

It's worth noting that the 2019 Australia Investor Confidence Survey, conducted by CA ANZ with the help of the Center for Audit Quality (CAQ) in the US, found that 87% of retail investors have confidence in public companies' audited financial reporting. But clearly there is still potential for improvement.

CA ANZ has called on corporate boards, in particular their audit and risk committees, to do a better job of reporting on the threats to their business model. CA ANZ is also urging directors to clarify accountability for internal controls and risk management, and to develop an integrated line of defence against key operational and emerging risks – including cybersecurity and data threats, fraud, misconduct and consumer protection.

CA ANZ is also recommending mandated digital corporate reporting. Ghandar says this would allow for more consistent, customised financial disclosures, while apps could provide bespoke analysis of data for different stakeholder groups.

Mandated digital reporting would also open up the possibility of more timely and continuous assurance. Rather than an auditor coming through once or twice a year, it could be done on an ongoing basis.

"That has to be the way forward," Ghandar says, but he warns standards will have to keep pace.

Clarifying regulatory oversight

The 2017-18 audit inspection report, released in early 2019 by the Australian Securities and Investments Commission (ASIC), found that in 24% of 347 key audit areas, auditors in Australia failed to obtain reasonable assurance that financial reports were "free from material misstatement".

This followed a 25% failure rate in 390 key audit areas recorded in the previous 18-month period – a result former ASIC boss Greg Medcraft was widely reported as describing as “appalling”. ASIC commissioner John Price said the latest numbers represented an improvement at the largest six firms but suggested that “further work and, in some cases, new or revised strategies, are needed to improve quality”.

However, many in the industry have noted that the phrase ‘failure rate’ makes the results sound worse than they are and is confusing for the public.

While CA ANZ acknowledges the scope for improvement, the organisation wants more clarity about this area of regulatory oversight. CA ANZ would like ASIC to develop an audit quality scorecard with a three-grade severity scale applied to all audit inspection findings.

“Transparency is one way to address the confusion of those inspection results,” Ghandar says.

CA ANZ has also called on companies to clarify and formalise the remit for their audit committees, to make them more independent from management decisions in relation to procuring resources, determining fees and setting the scope of the assurance engagement.

CA ANZ also recognises that more needs to be done to improve auditors’ fraud detection skills.

What is the case for multidisciplinary firms?

In addition to the Brydon Review, another UK inquiry that made headlines in 2019 was the Competition and Markets Authority’s (CMA) statutory audit services market study. Its final report, released in April, considered whether professional services firms should be forced to split off their audit arms altogether.

The CMA found against this idea, on the basis it would actually be detrimental to audit quality; instead, it opted for more internal operational separation between auditing and other divisions within firms. The CMA did note that if other measures to improve competition in the UK audit market were unsuccessful, it might reconsider the question in five years.

Would splitting up the Big Four (Deloitte, EY, KPMG and PwC) be the answer to improving confidence in audit quality? A recent joint report from IFAC, ACCA and CA ANZ concludes it would not.

The report, Audit Quality in a Multidisciplinary Firm: What the evidence shows, argues that multidisciplinary firms have serious advantages when it comes to meeting expectations of an increasingly broad scope of audit work and can deliver this with integrity and independence.

Maggie McGhee, executive director, governance at ACCA, says multidisciplinary firms contribute to, rather than detract from, audit quality because of the knowledge experts they bring to the table. The career opportunities they offer allow them to continue to attract the brightest and best.

“Audit has gone through a huge evolution over recent years as businesses have become more complex – in the nature of what they do but also in the business models they [employ]. To undertake a good-quality audit, it’s really important that specialists are engaged,” McGhee says.

Audit Quality in a Multidisciplinary Firm found that audits require staff with a range of experiences and expertise – such as valuation specialists, actuaries, geologists, and experts in financial instruments and information technology.

Geoff Roberts FCA, who is chief financial officer at employment and education group Seek, says the varied skillset multidisciplinary firms bring is essential. Roberts has a strong background in audit himself, including 25 years at Deloitte, a stint as chair of the audit committee at AMP and more than a decade as a CFO at ASX-listed companies.

“I’ve seen it from both sides,” Roberts says. “I’d be very disappointed and I think the quality of audit would go down if the Big Four broke off their audit practice or their audit and tax practice. They wouldn’t be able to retain the talent to give us the other views that we’re expecting in a normal audit or wider advice on the financial statements.”

"I'd be very disappointed and I think the quality of audit would go down if the Big Four broke off their audit practice or their audit and tax practice." Geoff Roberts FCA, chief financial officer, Seek

Kevin Dancey, chief executive of IFAC, argues that it's critical an audit practice has the right people with the right talent, the right sense of judgement and professional scepticism – particularly within the audit partner.

"We need to have a business model that attracts those types of people and a multidisciplinary firm has a much higher chance of attracting the skillset you need in the audit partners than an audit-only firm," Dancey says.

He points to several studies, including one the Institute of Chartered Accountants Scotland and the UK's Financial Reporting Council conducted in 2016, that demonstrate the benefits of audit firms having a wide range of expertise in-house.

CA ANZ's position is that multidisciplinary firms have an important role to play in providing high-quality audits for large and complex entities.

"It's part of the deal that the transparency, governance and independence rules must carry the weight of making sure there is public confidence in the firm," Ghandar says. "A firm that has audit as well as other services must be able to demonstrate that a firm-wide culture of integrity will provide the right incentives for high-quality audits."

AUASB chair Simnett says the scrutiny of the multidisciplinary firm model is understandable, given the public interest in audit work.

"Audit has a public-interest element to it. We audit on behalf of the public or the stakeholders," he says. "The other elements of these multidisciplinary firms have much more of a consulting basis – they're done for the benefit of the client. I think it's incumbent on us to keep an eye on these things to ensure the auditing, as such, is not being adversely affected."

He does not believe, however, that there is any evidence the multidisciplinary firm model is harming audit independence or quality. "I know of no evidence that it is being adversely affected," he says.

Simnett notes that the Code of Ethics issued by Australia's Accounting Professional & Ethical Standards Board already provides tight controls on which non-audit services can be provided to audit clients and current revisions indicate the code will probably impose an even harder line in the future.

Embrace technology to future-proof audit

PwC Australia managing partner, assurance, Matt Graham FCA says the latest parliamentary inquiry into audit is an opportunity for all players in the ecosystem to contribute ideas about how quality can continue to improve.

"It's time for not just the profession of auditing but for all the people involved in preparing, reviewing and regulating financial statements... to lean into that discussion and talk about what a future-focused, technology-enabled, relevant audit looks like in the future," Graham says.

He believes that the scale of large multidisciplinary professional services firms contributes to audit quality because they can invest in market-leading technologies, advanced data analytics, quality processes and continued learning and development for staff.

"The smaller you potentially make the firms, the less opportunity for investment in the future," he says. This is especially true at a time when the potential for emerging technologies to revolutionise the delivery of audit services is so huge. Already, robotic process automation can speed up tasks such as reconciliation, enabling auditors to spend more time challenging findings and asking more insightful questions about complex business operations.

The ACCA's McGhee notes that technology-enabled processes give audit committees access to richer data about the company, which means they can more fully engage with the work being undertaken – leading to more informed questions, challenges and insight.

Continued advancements in machine learning and other fields of artificial intelligence are tipped to further alter audit in the next few years. Likewise, blockchain, with its promise of an immutable ledger, is another nascent technology expected to have a profound effect in the fields of audit and assurance. Even drone technology is starting to be applied in these areas. Keeping pace is a challenge the profession is ready and willing to tackle.

"We have to adapt," says AUASB chair Simnett. "If we don't, then the product we are producing and the service we're producing will become out of date and the profession will be doing just a small amount of what it could possibly do."

Ghandar concurs: "The profession is ready for change and is embracing it. We have to be head and shoulders above other groups and industries because we have a privileged place of trust and we have to work to maintain that."

15 steps to strengthen audit quality and risk management

CA ANZ's 15-point audit quality roadmap covers three key areas: public confidence in audit, the relevance of audit scope, and strengthening audit quality.

Confidence

Independence rules and how potential conflicts are mitigated should keep pace with public expectations.

1. Clarify and strengthen non-audit services independence rules:
   (a) Strengthen prohibitions on non-audit services provided by firms to companies they audit.
   (b) Pre-approval by audit and risk committee for non-audit services.
   (c) Clarification of fee disclosures.
2. 'If not, why not' governance review of audit tenures: Review of auditor appointments across major listed companies and financial institutions every 15-20 years.
3. Stricter relationship independence rules: Where a former audit partner joins a company board, their previous employer should not be allowed to audit that company for five years.
4. Enhance firm transparency and governance: Audit firms to report on what they are doing to oversee the compliance, quality and independence of their audits.
5. Introduce transparency and oversight of auditor removals: Companies should disclose the reasons for removal of auditors.

Relevance

Addressing risks to business, such as fraud and misconduct, must involve all lines of defence.

6. Integrated lines of defence on risks facing business and consumers: Develop an integrated approach to lines of defence on key risks facing businesses and consumers, such as cyber/ data risks, fraud, misconduct and consumer protection.

   This should encompass the roles of:
   - management/CFO
   - compliance
   - internal audit
   - board/audit and risk committee
   - external auditor
   - regulators
   - institutional investors.
7. Clarify accountability for the internal control environment and risk management: Reporting on internal risk-management frameworks.
8. Corporate reporting clarity and relevance: Mandate digital reporting and support continued engagement with international standard-setters.
9. Transparency on business failure risks: Reporting on key risks to business continuity and how these are mitigated.
10. Don't overburden smaller businesses: Audit arrangements should be proportionate to the size and nature of the business.

Quality

Improving audit quality demands robust oversight and the continuous sharpening of auditors' skills.

11. Clarify regulatory oversight on audit quality: Support ASIC's development of a balanced scorecard on audit quality; bring in three-grade severity scale for inspection findings.
12. Formalise audit and risk committees: Clarify the committee remit; enhance the committee skillset; implement safeguards for independence from management.
13. Engage investors with the audit: Engage investors in auditor appointment and fee setting through audit and risk committee chair reporting, and involvement at annual general meetings.
14. Multidisciplinary firms with reinforced independence and transparency: Implement strong independence rules for auditors within multidisciplinary firms.
15. Improve auditors' fraud detection skills: Implement profession-wide fraud detection training for auditors at all levels.

MICPA-ICAI Mutual Recognition Agreement Signing Ceremony

A Mutual Recognition Agreement between the Institute and Institute of Chartered Accountants India (ICAI) was formalised at a virtual ceremony on December 4, 2020, to recognise each other's qualifications and forge stronger ties between the two bodies. This would enable appropriately qualified members of either Institutes to join the other by receiving appropriate credit for their existing accountancy qualification. The agreement was signed by MICPA President, Dr Veerinderjeet Singh and Vice President, Dato' Gan Ah Tee and on behalf of ICAI – President, Mr. Atul Kumar Gupta and Vice President, Mr. Nihar Jambusaria.

The ceremony started with opening remarks by Mr. Shri Rakesh Sehgal, Acting Secretary of ICAI, followed by welcome remarks by Mr Phabat Kumar, Chairman, Malaysia Chapter of ICAI. The Vice Presidents of MICPA and ICAI shared a few words as well.

Dr Veerinderjeet Singh shared that, "With the establishment of ICAI's Malaysian Chapter in 2018, we have been able to build closer ties between our Institutes, sealed by the signing of this MRA. Partnerships, like friendships, are built on shared values, and there can be no doubt that MICPA and ICAI share important values, including the need to maintain the highest standards in technical and ethical areas." He then continued to

share the pathway for ICAI members into MICPA - "ICAI members in good standing who obtain membership through the ICAI Qualification route are considered to have met the education, ethics, examination and experience requirements for admission into membership of MICPA. They will be required to pass 2 MICPA Programme modules – Business & Company Law and Taxation and have no less than three years of relevant professional experience."

MICPA members who wish to become members of ICAI must have gone through the MICPA Programme route, have no less than three years' relevant accounting experience, and pass 2 of ICAI's examinations, which are Corporate & Allied Laws and Taxation.

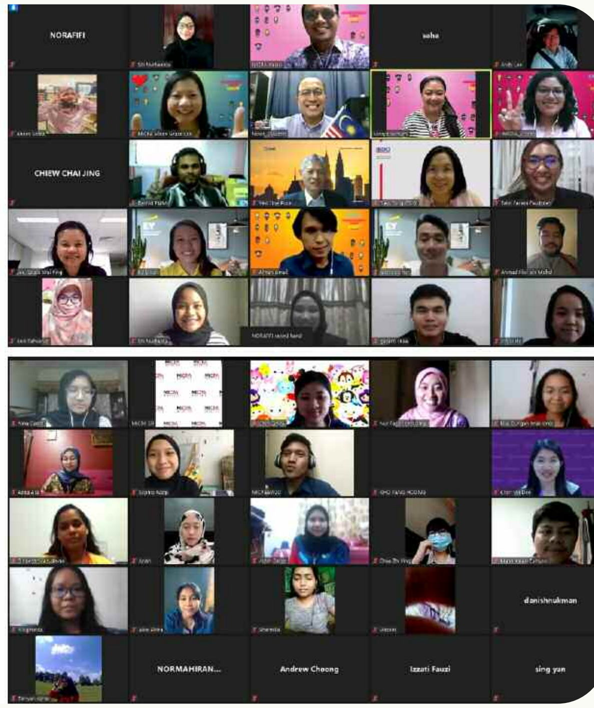
This MRA also covers joint initiatives and cooperation that will add value to both memberships, which is to develop training and educational programmes relating to accountancy, organise joint events for members at members' rates, and share knowledge and information on technical areas.

ICAI has also offered to make its e-learning platform accessible to MICPA members.

Mr Atul Gupta Kumar echoed the sentiment during his address that the MRA between the Institutes would only reinvigorate the efforts to continue playing a key role in enhancing their memberships' value, thereby creating a competitive advantage for members of ICAI and MICPA.

The event carried on with addresses from Mr Shri Manoj Pandey, Joint Secretary, Ministry of Corporate Affairs, Government of India and Special Guest - H.E. Mr. Mridul Kumar, High Commissioner of India to Malaysia. The ceremony came to an end with closing remarks by Mr. Jagdish Sandeep Agarwal, Vice Chairman, Malaysia Chapter of ICAI.

MICPA Accountancy Week 2020 - Our First Virtual One!



An annual event for accounting students, the MICPA Accountancy Week 2020 was organised by the Institute to promote the accounting profession and develop a community of students who excel academically and as all-rounders. Themed *"Lights! Camera! Accountant!"*, this year marked the 21st Accountancy Week, held virtually for the first time due to the COVID-19 outbreak.

We were privileged to have Event Partners – Baker Tilly, BDO, Crowe, Deloitte, EY, Grant Thornton, KPMG and PwC, and supporting organisations - Ler Lum Advisory Services Sdn Bhd and Sekhar & Tan, participating as sponsors for the event.

Typically, during a physical event, there are a lot of activities that are conducted face-to-face, so executing it virtually was definitely a new and exciting experience, and we had many students from across the country who were able to participate and have some fun from the safety of their own homes.

The event was launched at a virtual ceremony on September 10, 2020, where students were briefed on the various activities they could participate and compete in from October till the end of November. Several competitions were organised – a Business Case Challenge for Diploma and Degree Levels, and Accountant's Got Talent which allowed the students to record and showcase their talents either as an individual or a group performance. The final round for the Business Case Challenge – Diploma and Degree Level was held on November 18 and 25, respectively.

A series of virtual talks by prominent MICPA members was held in October as part of the Accountancy Week activities and were open to everyone:

- October 7: 'Leading with Integrity' by Jerome Hon Kah Cho – Group Chief Operations Officer, Maybank Berhad
- October 14: 'Leading Global Shared Services' by Barbara Thangarajah – Senior Director, Global Business Services, Resmed (Malaysia)

- October 21: 'Becoming a Future-Ready CFO' by Wan Ahmad Ikram Wan Ahmad Lofti – Chief Financial Officer, PIDM
- October 28: 'IFAC & The Future of Accounting' by Johnny Yong – Technical Manager, International Federation of Accountants (IFAC)

A Young MICPA forum titled 'Level Up in the Professional World' was held on November 26 featuring young members who shared their different perspectives on climbing up the career ladder and professional growth. The panellists featured Franklin Shepherdson - KPMG Melbourne, Husna Hamid – Young MICPA Task Force Alternate Chairperson, Rafiq Saiful Aznir - EY Malaysia and Sangeetha Selladurai - PwC Malaysia.

The variety of talks proved to be a great success as each session was loaded with valuable insights and power-packed advice for young aspiring professionals. Two virtual info sessions on the MICPA Programme pathways were held for accounting students at the diploma and degree levels on November 23 and 24 respectively. Over 600 participants from various institutions joined the series of virtual talks and forum.

The highlight of Accountancy Week was the Closing Ceremony held on November 27, where participants eagerly awaited the announcement of winners for the competitions. Event Partners played a big part in the competitions by providing representatives as judges, who were also invited to witness the closing and prize-giving ceremony.

On November 30, the Institute organised its first Virtual Networking Session for the finalist

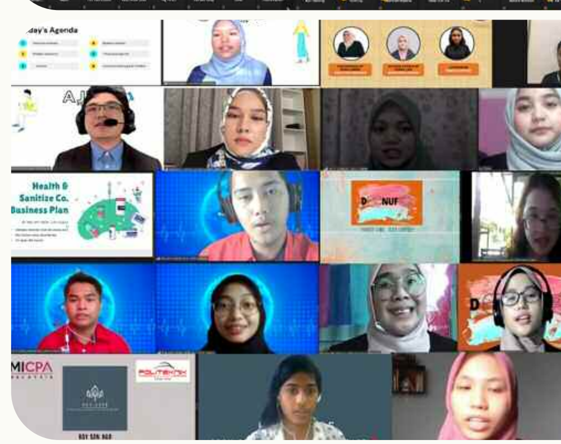
teams from the Business Case Challenge - Diploma and Degree Levels and the Top 3 winners of Accountant's Got Talent. The session aimed to provide students with an opportunity to meet and mingle with Event Partner representatives who are also the top employers in Malaysia.

We are pleased to announce the winners for the competitions that took place during the MICPA Accountancy Week 2020:

Business Case Challenge – Diploma Level
Champion
Team The AFZ Crew, Universiti Teknologi MARA Sabah
1st Runner-Up
Team Sumandak Sabah, Universiti Teknologi MARA Sabah
2nd Runner-Up
Team Actuarius Metier, Universiti Teknologi MARA Tapah

Business Case Challenge – Degree Level
Champion
Team Fish & Chips, International Islamic University of Malaysia
1st Runner-Up
Team Triumphant, International Islamic University of Malaysia
2nd Runner-Up
Team Ravenclaw, Universiti Malaya

Accountants' Got Talent
Champion
Muhammad Azri Hafiy, Universiti Kebangsaan Malaysia
1st Runner-Up
Sriwarna Gemalai Tari, Politeknik Mukah
2nd Runner-Up
Irfan Afiq, Universiti Teknologi MARA Melaka



OBITUARY

The Council and Members of The Malaysian Institute of Certified Public Accountants note with deep regret the demise of its members –
Mr. Ho Chun Fuat in 2018
Mr. Michael Joseph Monteiro on November 27, 2020

The Institute wishes to extend its deepest condolences to the late members' families and friends on their bereavement.

Upcoming Continuing Professional Development (CPD) Programmes

It is an integral part of the Institute to conduct CPD Programmes to enhance the skills and knowledge of the members. Our training covers a wide range of areas, including auditing, financial reporting, tax and more. The following CPD Programmes have been planned:

Programme Title	**Speaker/s**	**Date/s**	**Time**	**Type**	**Fees**
Update on Transfer Pricing Documentation Requirements	Mr Harvindar Singh	February 23 & 24, 2021	09:00 a.m. – 01:00 p.m.	Webinar	MICPA/CAANZ Members:- RM360.00 Non-Members:- RM480.00
Corporate Tax Planning	Mr Harvindar Singh	March 15 & 16, 2021	09:00 a.m. – 01:00 p.m.	Webinar	MICPA/CAANZ Members:- RM360.00 Non-Members:- RM480.00
MFRS 15 and MFRS 16: Disclosures – Best Practices	Mr Ng Kean Kok	March 19, 2021	09:00 a.m. – 05:00 p.m.	Webinar	MICPA/CAANZ Members:- RM360.00 Non-Members:- RM480.00
Practical Issues of Financial Statements - MPERS for MBRS Templates	Dr Yee Hun Leek	March 29 & 30, 2021	09:00 a.m. – 01:00 p.m.	Webinar	MICPA/CAANZ Members:- RM360.00 Non-Members:- RM480.00
Tax Audits and Investigations	Mr Harvindar Singh	April 15 & 16, 2021	09:00 a.m. – 01:00 p.m.	Webinar	MICPA/CAANZ Members:- RM360.00 Non-Members:- RM480.00
Preparing MPERS Compliant Financial Statements – COVID 19	Mr Ng Kean Kok	April 21, 2021	09:00 a.m. – 05:00 p.m.	Webinar	MICPA/CAANZ Members:- RM360.00 Non-Members:- RM480.00
Taxation of Property Developers and Contractors	Mr Harvindar Singh	May 3 & 4, 2021	09:00 a.m. – 01:00 p.m.	Webinar	MICPA/CAANZ Members:- RM360.00 Non-Members:- RM480.00
Consequences of COVID 19 – Accounting Considerations	Ms Oh Ai Sim	May 21, 2021	09:00 a.m. – 05:00 p.m.	Webinar	MICPA/CAANZ Members:- RM360.00 Non-Members:- RM480.00
COVID-19 Considerations - Going Concern, Impairment and Financial Instruments	Mr Ng Kean Kok	May 27, 2021	09:00 a.m. – 05:00 p.m.	Webinar	MICPA/CAANZ Members:- RM360.00 Non-Members:- RM480.00

- *All courses listed are subject to updates and changes*
- *If you are interested, head to https://www.micpa.com.my/calendar/training/ to download the course brochures.*
- *For more information, please contact the CPD Department: Tel No: 03-2698 9622 (extn: 206) or email: cpd@micpa.com.my*

Check out our website for the latest CPD Programmes by scanning this QR code.

Introduction of Young MICPA Task Force

The Young CPA was first established in 2004 and was revived as a formal Committee of the Institute in December 2017 to facilitate and develop a social and networking platform for the Institute's younger members aged 40 and below, to provide opportunities for them to improve their soft skills and extend their business network, and to be closely involved in the Institute's activities, especially student-related outreach with the purpose of building the pipeline of future MICPA members. Young members play an important role in identifying this demographic of members' professional needs and providing valuable feedback, suggestions, and recommendations to the Institute.

After the Institute's AGM which was held on July 11, 2020, it was decided that the Committee would be redesignated as a Task Force that would share similar terms of reference that guided the Committee and operate on a less formal mode. The Institute and the Committee would like to extend their thanks and gratitude to Dato' Megat Iskandar Shah, appointed as Chairman since December 2017, for his leadership and guidance that steered the Committee to many successful initiatives.

Pursuant to its formation, the Committee members elected a new Chairman and Alternate Chairman to lead the Task Force. Mr Peter Lim Chu Guan was appointed as Task Force Chairman, and Ms Nur Nazratulhusna Abdul Hamid was appointed as Alternate Chairman for a term of one year.

The name "Young MICPA" was chosen for the Task Force as it reflects the Institute's recent logo change which spells out MICPA. The Task Force would focus on two main items, which are events and student outreach. The planned activities include networking and talks on contemporary issues, management and leadership. The Task Force also aims to build a strong network with current MICPA candidates and undergraduate students who may well become future MICPA members. The goal of this new Task Force is to take a more informal and open approach as the Young MICPA welcomes young members and candidates to be involved and take part in the planning of activities as a means to foster closer ties with the Institute, and to build their professional network amongst fellow young members.

Collaboration with MIA's YPC

The Coffee Talk series has been one of the regular flagship events organised by the Young CPA Committee since 2018. Each talk features prominent speakers from both within and outside the industry who share insights candidly and casually in a relaxed café environment – hence the name 'Coffee Talk'. With the pandemic taking hold last year, the Task Force decided to switch the Coffee Talk to a virtual event, collaborating for the first time with MIA's Young Professionals Committee (YPC). The Task Force was very proud to have collaborated with the YPC on this event. Both groups are devoted to exchanging ideas and bringing value to young professionals within the accounting profession.

The Young MICPA - YPC Forum titled "The Accounting Practice Amidst COVID-19" was held on November 9, 2020. The forum featured esteemed panellists from the Big 4 accounting firms that provided interesting perspectives into how professionals and firms weather the pandemic. The panel members consisted of Mr Alex Khaw, MICPA Council Member and Partner of KPMG, Mr Herbert Chua, MICPA member and Partner of PwC, Mr Ong Chee Wai, MICPA Council Member and Partner of EY, and Mr Peter Lim Chu Guan, Young MICPA Task Force Chairman and Partner of Deloitte, and moderated by Mr Renganathan Kannan, MIA YPC Chairman and Partner of TraTax.

Many interesting topics were discussed in this forum which was well-received by participants from various backgrounds – university students, practitioners and commercial professionals.

Task Force Members (in photo from Left to Right) : Peter Lim Chu Guan, Nur Nazratulhusna, Ace Tan Kian Kiun, Kamal Hadi bin Muhamad, Liza Tan, Mabel Tan Chih Chean, Nicholas Yap Song Yuan, Mohd Nurhakimi Fitri bin Mohd Wahid, Nur Izzati binti Abd Aziz, Rafiq Saiful Aznir, Rozairee Othman, Sangeetha Selladurai, Wong Boon Kin, Wong Jen Shaun & Beh Chun Chuan

IFRS™

IASB Update (www.iasb.org)

IFRS Foundation Announces First Step in Overhaul of Future Digital Experience

The IFRS Foundation recently announced plans to move the Foundation's three existing websites into a single, unified platform. The new platform will launch in April 2021 and represents the first step in the Foundation's multi-year programme to enhance the digital experience it offers its stakeholders.

In 2019, the Foundation began to transition its technology infrastructure to modern, cloud-based systems that facilitate more efficient internal working practices while also permitting the Foundation to deliver over time an enhanced digital experience to its stakeholders around the world. As part of that programme, the Foundation is nearing completion of its work to consolidate three of its existing websites (public website, eIFRS and archive) into a single, unified online presence.

The new website will look familiar, but we have responded to feedback from website users by introducing new innovations, such as a new Standards navigator, enhanced personalisation options and an improved search facility. There are also further updates planned. These innovations have required a move to a new content management system, which will result in some actions for existing users. Therefore, the Foundation is providing advance notification to users of its websites of the following changes from April 2021:

- **Existing public website (www.ifrs.org):** Most users of the public website will be able to access content as before. The web addresses for the main website sections, including the work plan and active projects, will remain as is, but links to other content may require updating. Those users that login to the public website using a username and password (to submit comment letters and manage 'follows') will be required to update their information and preferences on initial login.

- **eIFRS (eifrs.ifrs.org):** The content of eIFRS, which includes IFRS Standards and related information, will be incorporated into the new public website, accessible via a new Standards navigator. If you are an existing subscriber to either eIFRS Basic (the free-of-charge subscription offering access to core IFRS Standards) or eIFRS Professional (the paid-for service to access all current and historic content related to IFRS Standards), you will get automatic access to the equivalent new service. You will also be able to access the old eIFRS platform until it is decommissioned at the end of December 2021. Upon first logging in to the new system, you will be asked to update your registration details. If you currently access eIFRS Professional without having to sign in with a username and password, it means you have direct access through a third party that has a licence agreement with the Foundation. The Foundation is working with all licence holders to provide you with access to the new service. Please liaise directly with your licence holder. All eIFRS Professional users will continue to have access to the legacy eIFRS platform until the end of 2021.

- **Archive (archive.ifrs.org):** A previous version of the Foundation's website has been available since 2017, hosting content that was not migrated to the current platform. Guided by data on traffic to the archive, the Foundation has now completed migration of most of the content from the archive to its public website. As a result, the archive site will be decommissioned once the new public website is launched. Any remaining content will be preserved and accessible on request.

Commenting on the announcement, Lee White, Executive Director of the IFRS Foundation, said, "Our new online platform presents one of the first tangible opportunities our stakeholders will have to benefit from the work that has been ongoing to modernise the Foundation's digital infrastructure. We have exciting plans for our digital future, but also recognise the need to help minimise the burden on stakeholders as we transition to these new platforms."

IFRS Foundation Trustees Announce Appointment of Xianzhong Li to the IFRS Advisory Council

The Trustees of the IFRS Foundation, responsible for the oversight and governance of the IASB (Board), have confirmed the appointment of Xianzhong Li to the IFRS Advisory Council, effective 1 January 2021 and for a three-year period.

Mr Li takes over the Advisory Council seat from Yibin Gao and will represent the Chinese Ministry of Finance, where he is currently the director-general of the Accounting Regulatory Department.

The Advisory Council advises the IFRS Foundation Trustees and the Board on strategic matters and it consists of representatives from over 50 groups affected by and interested in international financial reporting, including academics, analysts, auditors, investors, preparers, professional accounting bodies, regulators and standard-setters.

IFRS Foundation Publishes Educational Material to Support Companies in Applying Going Concern Requirements

The educational material is published to support consistent application of IFRS Standards and does not change, or add to, existing requirements.

Companies preparing financial statements using IFRS Standards are required to assess their ability to continue as a going concern. In the current stressed economic environment arising from the covid-19 pandemic, deciding whether the financial statements should be prepared on a going concern basis may involve a greater degree of judgement than usual. To support companies, the educational material brings together the requirements in IFRS Standards relevant for going concern assessments.

The Foundation has committed to supporting stakeholders during the pandemic; further educational materials published by the IFRS Foundation in relation to the covid-19 pandemic can also be accessed under the 'Supporting application' section.

IASB Reviews Package of IFRS Standards for Group Accounting

The IASB (Board) is calling for feedback on the IFRS Standards for group accounting—IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities.*

The Request for Information has been published as part of the Post-implementation Review (PIR) of these Standards.

PIRs are carried out to assess the effects of a new Standard after companies have applied the requirements for some time.

IFRS 10 sets out requirements for the preparation of group—consolidated—financial statements; IFRS 11 addresses how to account for interests in joint arrangements; and IFRS 12 sets out the information to be disclosed in the notes to the financial statements about interests in other companies.

These IFRS Standards have been effective for annual reporting periods beginning on or after 1 January 2013.

The Request for Information seeks feedback on applying the Standards and on the information provided to users of financial statements.

The Board will use the feedback on the Request for Information to determine whether any further action is required.

Hans Hoogervorst, Chair of the IASB, said, "Post-implementation reviews are an opportunity to check that our Standards do the job they were intended to do. I encourage all stakeholders to help us in the process by providing relevant feedback."

Further information about post-implementation reviews can be found in the *Due Process Handbook.*

The deadline for comments is 10 May 2021.

IFAC Update (www.ifac.org)

IFAC and ICAEW Release Fourth Instalment of Six-Part Anti-Money Laundering Educational Series

Together with ICAEW, the IFAC recently released the fourth instalment in its *Anti-Money Laundering: The Basics* educational series: *Instalment 4:* Asset Transfers. The publication is part of a 6-month short series helping accountants enhance their understanding of how money laundering works, the risks they face, and what they can do to mitigate these risks and make a positive contribution to the public interest. Instalment four examines asset transfers, one of the primary ways in which criminals layer or integrate the proceeds of crime into the legitimate economy.

Anti-Money Laundering: The Basics is featured on both the IFAC and ICAEW websites and available for download for free. IFAC is featuring the series on a new landing page alongside other relevant information on anti-money laundering (AML).

To be globally relevant, the *Anti-Money Laundering: The Basics* series uses the risk-based approach of the Financial Action Task Force (FATF) – the global money laundering and terrorist financing watchdog -- as a starting point.

IFAC Releases New International Standard Support Resources

The IFAC released updates to two previously published international standard support resources:

- **Agreed-Upon Procedures (AUP) Engagements: A Growth and Value Opportunity (the AUP Publication):** Describes AUP engagements, when they are appropriate, and identifies key client benefits. It also covers AUP engagements on financial and non-financial subject matters, provides six short case studies with example procedures that might be applied and two illustration AUP reports from ISRS 4400 (Revised).

- **Choosing the Right Service: Comparing Audit, Review, Compilation, and Agreed-Upon Procedures Services (the Brochure):** Explains and differentiates the range of audit, review, compilation, and agreed-upon procedures services which practitioners can provide in accordance with relevant international standards. It can help current and prospective clients understand the range of services available, when they are appropriate, as well as their benefits.

Both resources have been updated to reflect International Standard on Related Services 4400 (Revised), *Agreed-Upon Procedures Engagements,* which was approved by the International Auditing and Assurance Board (IAASB) earlier this year and is effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after January 1, 2022.

The demand for AUP engagements continues to grow as a broad range of stakeholders, such as regulators, funding bodies, and creditors use agreed-upon procedures reports for a variety reasons. Flexibility is a key benefit of AUP engagements, as they can be tailored to different circumstances and focused on individual items of financial or non-financial subject matters.

One of IFAC's three strategic objectives is contributing to and promoting the development, adoption, and implementation of high-quality international standards. There are numerous additional guidance and support resources available on the dedicated 'Supporting International Standards' section of the IFAC Knowledge Gateway.

RETRENCHMENT due to COVID-19 PANDEMIC

By Leonard Yeoh & Pua Jun Wen

As Malaysia was in the process of reopening all activities to revive the country's economy, the country encountered record daily spikes of COVID-19 cases in October 2020. Due to the sudden spike in COVID-19 cases, the government has implemented the Conditional Movement Control Order ("CMCO") in Kuala Lumpur, Putrajaya, Selangor, Labuan and Sabah.

The resurgence of Covid-19 cases has caught the nation's capital off-guard and it will potentially inundate the already teetering economic climate. Most businesses may not be prepared for the abrupt loss of cash flow or the contraction of business so soon due to this CMCO. While this second CMCO, implemented with less stringent movement regulations and only in certain areas of the country, may not have caused the high number of retrenchments as the first wave, but the second round may still pack a sizable economic punch.

An "opportune time" for retrenchment?

Businesses have yet to recover from the financial impact brought by the country's first MCO and they are still struggling to cope with the turbulence. Thousands of small and medium businesses are sitting by the sidelines as they may need to halt parts of their operations again in response to the recently implemented CMCO.

Businesses are most likely losing its financial wherewithal and the employers' hands are tied. Businesses on the brink of collapse may have no option but to release their employees to prevent insolvency. In times like these, the "threshold" and expectation for a responsible retrenchment might be lowered as the impulse to cut cost by businesses is understandable.

Can you fire?

The law recognises that employers have the right and prerogative to manage their workforce, subject to fair labour practices being implemented. Employers should abide by the necessary selection criteria and to let go staff based on objective criteria such as "Last-in, First-Out (LIFO)" and to preserve those with skills to support business sustainability. A company which is genuinely facing financial difficulties due to COVID-19 outbreak has legitimate grounds to reduce its workforce. Employers must exhaust other means, i.e. by reducing working hours, reducing or freezing the hiring of new employees, reducing or limiting overtime prior to retrenching employees. While salary reduction is one of the recommended steps to be taken to avert retrenchment, employees' consent should be obtained for any salary reduction. A unilateral salary reduction may be viewed as a breach of contract that may potentially give rise to a claim of constructive dismissal.

As responsible employers, companies should help affected employees to look for alternative positions or jobs in associate companies or other companies. Employers should endeavour to meet their obligations in the area of retrenchment benefits due to the employees. Despite the novel COVID-19 situation, it is no less pertinent for employers to observe proper procedures. This is to prevent unnecessary money spent on resolving wrongful dismissal disputes with the employees amidst the worrisome COVID-19 situation.

Employers should not be too quick to trim its workforce as the other side of the coin is that, it may require time and effort to rehire when business picks up again.

Moving forward

To the dismay of all Malaysians, it is certain to see a second wave of retrenchment and job losses if the number of Covid-19 cases continues to escalate. The financial pain during the second wave is certainly going to extend further beyond the food and beverage, aviation, retail and hospitality industries. History has favoured the prepared, being prepared for new lockdowns or outbreaks will be a prerequisite to thrive.

The ultimate wild cards in the job outlook are how many businesses could still remain resilient during the second wave of COVID-19 outbreak and how long it will take for job opportunities to rebound. Some may not even survive the second wave of COVID-19 outbreak, rendering employees rehiring completely impossible. The government will be battling over how to fund or support the unemployed and businesses on the cusp of insolvency. People will find themselves confronting an uncertain future.

"Everything will be okay in the end. If it's not okay, it's not the end." – John Lennon.

Leonard Yeoh is a Partner and Pua Jun Wen an associate with the law firm, Tay & Partners.

NEWS from Down Under

By Chartered Accountants Australia and New Zealand

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Report identifies sustainability as a key action for finance teams in pandemic

An international accounting bodies' report identifies action areas for Chief Financial Officers (CFOs) and finance teams during the COVID-19 pandemic, including directing capital away from unsustainable outcomes and towards the innovative solutions the world needs.

The Accounting for Sustainability Project's Accounting Bodies Network's recent report brings together conversations with CFOs and other members of the finance and accounting community from around the world regarding COVID-19 response, reset and recovery.

"CFOs are in a unique and powerful position to ensure that resilience and sustainability are built into corporate strategy and business planning during the response, reset and recovery phases of the pandemic," said Karen McWilliams, Chartered Accountants Australia and New Zealand's Business Reform Leader.

"As the report says, CFOs are well positioned to influence CEOs and boards offering a multi-capital, multi-stakeholder perspective and identifying the trade-offs between short-term and long-term outcomes."

The Accounting Bodies Network (ABN) has also released a Building a Better Future report that details how the 16 professional accountancy bodies belonging to the ABN, including Chartered Accountants Australia and New

Zealand (CA ANZ), have responded to the COVID-19 pandemic.

The finance and accounting community report suggests that companies with strong environmental and social credentials performed better during the pandemic.

It says "purpose-led organisations have shown that they have competitive advantages and less exposure to risks, making them better prepared to weather the pandemic and its aftermath".
The five key actions for CFOs and finance teams are:

1. Cementing a purpose-driven mindset
2. Setting ambitious targets
3. Performing proactive scenario analysis
4. Collaborating with others
5. Accelerating the adoption of global standards

"These areas are central to taking forward the lessons from the pandemic and accelerating the transition towards a sustainable economy," the report says.

It also highlights the crucial role accountants played in helping businesses, especially SMEs, to shore up finances, access government support schemes and put in place the financing needed to survive COVID-19 in the short term.

"CFOs and finance teams have an essential role to play in supporting their organisations and the wider economy to transition," the report says. "They have a number of tools that they can bring to bear which the response to the pandemic has demonstrated as key."

These include:

- Pricing risks appropriately so that short-term benefits can be properly weighed against future potential costs.
- Establishing more robust risk management frameworks and proactively performing scenario analyses that help manage future uncertainty.
- Integrating sustainability processes and controls with operational and financial performance management to provide rigour and deliver long-term goals.

"These areas are central to taking forward the lessons from the pandemic and accelerating the transition towards a sustainable economy," the report says.

As part of organisational resets, CFOs should use their influence to promote and embed a purpose-driven, multi-stakeholder strategy and business model.

"Organisations need high quality financial information to improve their risk models, produce transparent reports and set and measure social and environmental targets. Collaboration is essential for tackling what lies ahead and will require finance teams to learn new approaches and share best practices."

The report says there is an "increasing appreciation that a multi-stakeholder, multi-capital approach offers a holistic view and a strong framework for better business performance".

You can find the full report at *charteredaccountantsanz.com/news-and-analysis/news/report-identifies-key-actions-taken-by-leading-finance-teams-during-pandemic*

WORLD News

United Kingdom

MPs Challenge Treasury Over COVID Support Gaps

A cross-party group of MPs is pushing the Treasury to 'right a historic wrong' by offering financial support packages for an estimated three million people who have not be able to access other COVID-19 schemes since the beginning of the pandemic.

The all-party parliamentary group (APPG) on gaps in support is campaigning for help for a number of categories of workers MPs say have fallen between the cracks of the schemes announced by the Chancellor since March of last year.

These include the newly self-employed, who have not filed a 2018/19 tax return by the date required for application to the self-employed income support scheme (SEISS), or earned more than £50,000 or under half their income from self-employment.

Others who have faced difficulties in getting support are seasonal workers who have been refused furlough despite being eligible; limited company directors; and new mothers and fathers who made use of parental leave over the past three years.

When government announced new restrictions at the beginning of the year, gaps in support APPG chair Jamie Stone said: 'These new restrictions may be necessary, but they will leave more than three million people without any income or support once more.

"It is an injustice that, as we enter our third national lockdown, that government still refuses support for the self-employed and those who have been wrongfully denied furlough. Without help, it will be much more difficult for these people to follow the new rules.

"The government must now bring forward financial help for excluded groups. It is not fair to be locked up and locked out of support."

Earlier this month, the group's co-chair Tracy Brabin presented a 10 Minute Rule Bill on plans to help those who have been left out of financial support schemes since the beginning of the pandemic.

The Bill, which passed first reading and will go to second reading on 29 January, would require the government to 'undertake an assessment of any gaps in financial support provided to individuals, businesses and industries over the course of the Covid-19 pandemic; to require the government to report to Parliament on steps it intends to take in connection with any such gaps'.

The APPG, which has around 260 MPs as members, has outlined its own proposals for addressing the shortfalls in support it has identified.

These include making previously excluded self-employed groups eligible for the next round of SEISS or a one-off grant of either £7,500 for the long-term self-employed or £3,500 for newer entrants.

Company directors would receive either a one-off grant of £7,500 or be able to claim under a new system similar to SEISS and dubbed the 'directors income support scheme'.

Source: accountancydaily.co

BrightHR Launches VaccTrak Feature to Help Business Owners

BrightHR, the international HR software and employment law advice service, has invested half a million pounds in its brand-new and cutting-edge feature VaccTrak.

The feature will help employers protect their people and operate a safer workplace for those essential services that remain open currently or that will reopen post-lockdown.

VaccTrak is aimed at both BrightHR's new and existing clients, many of whom work in sectors that have been under strict restrictions for months, and are desperate to open their businesses in the safest way possible, but who need the expert COVID-related software, tools and support to do so.

With the Oxford and Pfizer vaccines currently being rolled out and the Moderna vaccine becoming the third COVID jab approved in the UK, employers are now one step closer to getting their businesses back up and running again. And while mass vaccination will take time, some staff will likely get vaccinated sooner than others.

That's why BrightHR has launched VaccTrak. It's a brand-new tool that lets employers quickly update their employees' BrightHR profiles to record who's had the vaccine and who's still on the waiting list.

The unique feature allows businesses to download an Employee Information report, which lists all employees, their vaccination status, and a percentage of the workforce that has received a vaccination. This tool will be an excellent asset in particular for all healthcare and care sectors, helping to reduce the risk of transmission, which is paramount to their work.

Users of VaccTrakk will also get access to a suite of e-learning tools that outline the different vaccines available, the vaccination process and the benefits of receiving the vaccine, to provide essential education and important information to employees when making any decisions on the vaccine.

Alan Price, CEO at BrightHR, said, "With two vaccines currently being rolled out and another just approved, there is finally light at the end of the tunnel for employers. Our brand-new tool makes it easy for employers to record who's had the COVID-19 vaccine and who's still on the waiting list—helping to protect their people and their businesses throughout the pandemic.

"BrightHR is committed to supporting new and existing clients through this challenging time, which is why we've made the significant investment of half a million pounds into our brand-new VaccTrak tool. It complements BrightHR's already established suite of tools, such as the Back to Work Navigator and the Shift and Rota Planner."

Price added, "It's our mission at BrightHR to make it easier for employers to run their businesses. These past 11 months have been incredibly tough, but we believe that with cutting-edge software and services like VaccTrak, business owners and employers will come out of this pandemic stronger than ever."

Source: accountancydaily.co

European Union

EU Tax Haven List 'Ineffective'

The European Parliament has called the current EU list of tax havens 'confusing and ineffective', claiming it is not catching the worst offenders and should apply more stringent assessments.

MEPs called for a tightening of the rules on which countries are added or removed from the blacklist, and indicated that the Cayman Islands, Bahamas and Guernsey are among those which should not have been taken off the list.

They said criteria should be added to ensure that more countries are considered a tax haven and to prevent countries from being removed from the blacklist too hastily.

In a debate on the topic, MEPs said that while the EU's list of tax havens, set up in 2017, has had a 'positive impact' so far but has failed to 'live up to its full potential, [with] jurisdictions currently on the list covering less than 2% of worldwide tax revenue losses'.

A resolution in favour of tightening the criteria was adopted by 587 votes in favour, 50 against and 46 abstentions, with MEPs calling the current system 'confusing and ineffective' and supporting changes to make the process of listing or delisting a country more transparent, consistent and impartial.

The EU Parliament said that the criterion for judging if a country's tax system is fair or not needs to be widened to include more practices and not only preferential tax rates, citing as an example the fact that the Cayman Islands has just been removed from the black list, while running a 0% tax rate policy.

Among other measures, the resolution proposes that all jurisdictions with a 0% corporate tax rate or with no taxes on companies' profits should be automatically placed on the blacklist.

MEPs also warned against removing countries from the blacklist on the basis of 'token tweaks' to their jurisdiction's tax system, arguing that for example the Cayman Islands and Bermuda were delisted after 'very minimal' changes and 'weak enforcement measures'.

The European Parliament also said that all third countries need to be treated and screened fairly using the same criteria, arguing that the current list indicates that this is not the case. EU member states should be screened to see if they display any characteristics of a tax haven, and those falling foul should also be regarded as tax havens.

MEPs called for the process of establishing the list to be formalised through a legally binding instrument by the end of 2021 and questioned whether an informal body such as the Code of Conduct Group is able or suitable to update the blacklist.

Paul Tany, chair of the subcommittee on tax matters, said, "While the list can be a good tool, member states forgot something when composing it: actual tax havens.

"The truth is, the list is not getting better, it's getting worse.

"Guernsey, the Bahamas and now the Cayman Islands are only some of the well-known tax havens that member states have taken off the list.

"In refusing to properly address tax avoidance, national governments are failing their citizens to the tune of over €140bn (£124bn). Especially in the current context, this is unacceptable.

"That is why the parliament strongly condemns the recent delisting of the Cayman Islands and calls for more transparency and stricter listing criteria.

"However, if we focus on others, we also need to look ourselves in the mirror. The picture is not pretty. EU countries are responsible for 36% of tax havens."

Source: accountancydaily.co

United States

Financial Accounting Foundation Trustees Announce New Members and Reappointment of the Governmental Accounting Standards Advisory Council (GASAC)

The Board of Trustees of the Financial Accounting Foundation (FAF) announced the appointment of Kristine Brock, Chris Brown, Davis Collins, Samuel Owl, Beth Pearce, Daron Tarlton, Elizabeth Thomas, Stephen Stuart, and Phil Vidal to the Governmental Accounting Standards Advisory Council (GASAC). All appointees' terms began January 1, 2021.

In addition to the nine newly named members, the FAF reappointed eight GASAC members and extended the term of Chair Robert Scott by an additional year.

The GASAC advises the Governmental Accounting Standards Board (GASB) on strategic and technical issues, project priorities, and other matters that affect standard setting. The GASAC provides the GASB with diverse perspectives from individuals with varied governmental, professional, and occupational backgrounds.

"I am pleased to welcome our new GASAC members and know they will play an important role in the GASB process," said Kathleen L. Casey, chair of the FAF Board of Trustees. "I would also like to thank the departing members for their time, expertise, and contributions to improving financial reporting for all our stakeholders."

The new GASAC members will serve a two-year term and are eligible to be reappointed for up to two additional consecutive terms.

New two-year terms of the reappointed members begin January 1, 2021. The reappointed members are Duncan Baird, Robert Balducci, Kristen Fontana, Matt Harvey, Joe Morrissette, Lise Valentine, Lisa Washburn, Michael Weinstein.

Nine members departed from GASAC on December 31, 2020: Eric Bringardner, Wayne Gerhold, Brian Green, Demetria Hanna, Shirley Hughes, John Kinnaird, Fiona Ma, Nadine Paisano, and Phyllis Resnick.

Source: accountingfoundation.org

The IIA and AuditBoard Extend $500,000 Scholarship Program to Support Internal Auditors Impacted by COVID-19 Pandemic

The Institute of Internal Auditors and AuditBoard, a leading cloud-based audit software platform recently announced the extension of a US$500,000 scholarship program to provide access to training and educational courses for internal auditors who have been adversely affected by the COVID-19 pandemic and related economic pressures.

The Elevate Internal Audit Scholarship Program will continue to provide scholarships to internal auditors who have been impacted by layoffs and furloughs. The scholarships can be used to participate in six diverse IIA training and certification program bundles, regardless of the recipient's professional level or ability to pay. Such programs typically cost in the hundreds of dollars. But, as with many professions, internal auditors have seen mounting job losses and other cutbacks over the past several months. A recent IIA survey found that 21% of audit teams were forced to reduce staff this year as a result of the pandemic.

This scholarship program reflects both AuditBoard's goal of elevating the audit profession through technology and education and The IIA's mission to advance the profession by providing educational and training opportunities based on a global set of standards, guidance, and certifications. These overlapping mandates to fuel professional development in the internal audit community are more crucial than ever in today's dynamic risk environment to help enhance and protect organizational value.

"The internal audit community continues to face the dual challenges of a fast-changing risk environment and difficult market conditions, including unfortunate layoffs and furloughs," said Scott Arnold, President and CEO of AuditBoard, a leading cloud-based software platform for transforming the way enterprises manage critical risk, audit, and compliance work. "As a company that believes in the power and purpose of the audit community, we're proud to continue the partnership with The IIA to help internal auditors grow professionally and expand the modern audit skills needed to position them well for their next career step and their future."

"Organisations of all sizes still face unprecedented challenges from the twin impacts — health and economic — of this unrelenting virus, making internal audit's role to support sustainability that much more crucial," said IIA North American Board Chair Nancy Haig, CIA, CCSA, CFSA, CRMA. "Providing six diverse education and training bundles to internal auditors is core to what the scholarship program offers. By helping internal auditors affected by job cuts access our programs without regard to cost, they will be able to maintain and even advance their skills, enabling a quicker transition back to work as the economy recovers."

Applications for the Elevate Internal Audit Scholarship Program are still being accepted from those pursuing an internal audit career who are currently experiencing a pandemic-related layoff or furlough in the United States and Canada. The scholarships cover the cost of select course bundles focused on modern internal audit practices and innovation, emphasizing the essentials, CIA prep, and information technology. The IIA's premier Certified Internal Auditor® (CIA®) certification and the AuditBoard Modern Audit Technology course also are included in the scholarship program.

Source: na.theiia.org

Hong Kong

HKICPA Advances Recommendation for the Government's Budget Preparing for the Recovery

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has announced its tax policy and budget proposals for 2021-22. Under the theme "Preparing for the recovery", a range of 21 different measures were suggested to prepare for the recovery, enhance public finance and taxation, help citizens and businesses to adapt to the "new normal" through more extensive digital transformation, as well as environmental measures to improve the local environment and citizens' well-being.

HKICPA estimates that the fiscal deficit for 2020/21 will reach HK$348 billion for the year. Fiscal reserves are expected to stand at HK$812 billion. "Hong Kong's economy is facing various domestic and external challenges. Like many other jurisdictions, the near-total disruption to lives due to the COVID-19 pandemic and the related restrictions on travel, have had a significant impact on the economy, resulting in the high unemployment rate and budget deficit. Other challenges ranging from the outmoded tax system, the US-China trade war, the need for faster digital transformation in light of the 'new normal,' and the pressure on public finances, indicate an urgent need for the government to respond," said Mr. Raymond Cheng, President of HKICPA.

The Leader Within: Behold Retreats Launches Exponential Leaders Retreat

A holistic plant medicine retreat to transcend the analytical mind for optimal performance

Behold Retreats, specialists in bespoke entheogen plant medicine journeys, is inviting guests to travel with a purpose and expand their horizons in 2021. Set in the lush tropical jungles of Costa Rica, the *Exponential Leaders Retreat* is designed to help those in positions of leadership tap into their subconscious to find clarity of purpose, while developing a more authentic and intuitive leadership style.

To deliver exponential results in today's turbulent times, leaders must transcend growing complexity, establish a clear vision for themselves, their business and their teams and energize and organize a collective for massive action and outcomes. This seven-night immersive Ayahuasca Retreat has been specially designed to accelerate progression to the exponential through a holistic expert-led program that includes pre-travel education, goal-setting workshops, and plant medicine ceremonies.

Behold Retreat's bespoke programs offer end-to-end support so that guests can reap the full benefits of plant medicine. Solidifying intentions with a coach beforehand is a key part of this process. During the retreat, guests are given the tools for success and taught how to use them; post-retreat they'll receive continued support and resources to help integrate these learnings into their everyday lives. The result is an extended period of personal growth that will help participants understand themselves better, refine priorities, and achieve their goals.

The *Exponential Leaders Retreat* will be held in Costa Rica's Gulf of Papagayo. A tropical haven offering mesmerising oceanfront views, it's an idyllic setting for self-improvement and visualising goals for the year ahead. Guests will stay in single-occupancy bungalows in a sustainable, eco-minded property boasting state-of-the-art architectural design that seamlessly blends indoor with outdoor. During their stay, participants will enjoy plant-based meals, daily yoga, meditation or massage sessions, all with the ongoing support of expert guides.

This particular retreat will focus on entheogen plant medicine – in this case, Ayahuasca. Traditionally used for spiritual and religious ceremonies by Amazonian tribes, Ayahuasca is a tea-like herbal brew made from indigenous plants. It has proven useful in facilitating heightened self-reflection and producing insightful perspectives and is increasingly acknowledged to promote unique benefits such as detoxification, heightened introspection and self-analysis, improved emotional processes, and a sense of purpose. During this particular Ayahuasca Retreat, guests will be guided through a program designed to radically accelerate both personal and professional growth, with the goal of achieving peak performance and wellbeing.

By promoting neurogenesis – the formation of new neurons and neural connections – plant medicine offers a unique proposition for personal growth. These psychotropic herbs can expand the consciousness, thereby offering a profound opportunity to explore new perspectives. Over the last 20 years, renowned institutions like John Hopkins School of Medicine and the Imperial College of London have conducted significant research to prove that under therapeutic conditions, plant medicine can safely and effectively treat a number of mental health conditions as well as promote long-lasting psychological growth.

Jonathan de Potter, Founder of Behold Retreats, said: "We are pleased to offer this Ayahuasca Retreat for those who are ready to look within and explore the self in order to reach a new level of self-actualisation in the new year. To say 2020 has been challenging seems a trite understatement, but with the *Exponential Leaders Retreat*, we hope to encourage people to take charge of their wellbeing and performance in 2021."

Jonathan concludes: "This retreat combines academia, activity, professional guidance, and the considered use of plant medicine so that guests can reach their full leadership potential and seize the opportunities 2021 will offer."

The *Exponential Leaders Retreat* is scheduled for the first quarter of 2021, subject to pandemic travel restrictions.

Visit www.behold-retreats.com to read more about the scientifically proven benefits of plant medicine therapy, and for more information about Behold Retreats' services.

Scientific Research:

1. *Frontiers in Pharmacology Study, National Center for Biotechnology Information: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4773875/*
2. *Multidisciplinary Association for Psychedelic Studies Bulleting Article: https://maps.org/news-letters/v23n1/v23n1_p36-40.pdf*
3. *Johns Hopkins Center for Psychedelic & Consciousness Research: https://hopkinspsychedelic.org/#research*

Andy Lee

Partner, Baker Tilly Malaysia

Description of your role

I am currently an Audit and Assurance Partner with Baker Tilly Malaysia. Besides the professional services industry, my career also includes seven years in the manufacturing industry, where the last position I held was as Financial Controller of Classic Scenic Berhad, a public listed company. Apart from auditing clients from various industries and sizes, I also spend time training and conducting workshops, for staff and corporate clients, on new and existing accounting standards. I was elected to the MICPA Council in July 2020.

I am also actively involved in various accounting bodies, the most significant being the Malaysian Accounting Standards Board (MASB), where I serve as a member of the board. MASB is the standard-setting body of the Financial Reporting Foundation in Malaysia with the functions of determining and issuing approved accounting standards for the preparation of financial statements, which are required to be prepared or lodged under any law administered by the Securities Commission Malaysia, Bank Negara Malaysia or the Registrar of Companies. Members of the MASB are committed to ensuring that the objectives of the MASB, which amongst others, include developing high-quality accounting standards for financial reporting, contributing to the International Accounting Standards Board (IASB) standard-setting process, and promoting the use of financial reporting standards, are consistently upheld in the decisions made.

Additionally, I also serve as a member of the MFRS Application and Implementation Committee (MAIC). MAIC was set up by the MASB to consider application, and implementation issues raised by users of MFRS and therefrom, recommend to the MASB Board guidance or other form appropriate that would be made publicly available, and if any, recommend to the MASB Board identified issues that need to be brought to the IASB.

Your MICPA journey

I first encountered MICPA when my course-mates and I participated in the Accounting Students Management Simulation Game in conjunction with the Accountancy Week held by MICPA in 1995. It was a team event, and we emerged as champions! This experience imprinted in me that MICPA is a distinct and prominent professional accounting body that I should aspire to be part of in the future.

Upon my graduation from University of Malaya in 1996, I began my career with Arthur Andersen & Co (AA) and immediately signed up for the MICPA (formerly known as MACPA) training contract with the firm. I will always be grateful to Mr. Ken Pushpanathan, who was then a Partner with AA, for the opportunity to work at the firm. I took the Professional Examination II, completed the exams by June 1997, and was subsequently admitted as a member of MICPA in 1999.

It was initially a challenge to work and study simultaneously, especially after having the luxury of studying full-time for almost two decades. I remember rushing after office hours to attend evening classes at PAAC in Kampung Attap, going through heavy rain and horrendous traffic jams. Looking back, as stressful as those times were, I really enjoyed the experience as I could catch up with friends and colleagues during classes. It was during this period that I learnt the importance of good time-management.

What is your definition of success?

Success is knowing that the people I serve and work with are happy; to have the peace and be able to sleep soundly at night, knowing that whatever I am doing is right before God. Success is not a destination but a journey that I enjoy achieving every day.

When faced with two equally-qualified candidates, how do you determine whom to hire?

There is a quote saying, 'Attitude is a small thing that makes a big difference.' Having the right attitude is important to me. So, I will choose the person who is honest, a self-starter, hardworking, stress-taker, keen-learner, with the right attitude to be part of the team and to succeed.

What are you doing to ensure you continue to grow and develop as a leader?

Observing how others lead and reading widely have helped my growth as a leader. I believe that I can always learn from people around me, irrespective of their age or position. I am also fortunate to have worked, or am working, with many outstanding leaders. For instance, one taught me, 'not to simply presume but to always confirm the facts and master my thought process', while another taught me, 'to be a caring and appreciative leader but be ready to provide constructive criticism'. I am particularly fond of reading biographies of leaders and personalities. One such person I have read about and admire is the late Jack Welch, former CEO of General Electric.

What do you enjoy doing outside of work?

I enjoy spending time with my family and friends.

I also decided to finally bite the bullet in 2017 and picked up the guitar from a professional teacher after procrastinating for some time. Eventually, I started learning the drums, as well. I find that playing musical instruments helps me relax, feel a sense of accomplishment, and have fun. I really should have done it earlier.

What advice would you give to rising young accounting professionals?

I encourage young professionals to work hard, keep learning and do not give up easily. You need to persevere and be persistent in dealing with challenges, be it tight deadlines, having limited resources or facing demanding clients or superiors. Press on and continue to learn along the way. Most importantly, always uphold the ethical standards of the profession and do not sway from this. Only then will you be well-equipped and able to gain the trust of others. Someone once told me, 'Opportunity is given to those who are ready'.

Desmond Tan

Senior Partner, Grant Thornton Malaysia

Description of your role

I am a Senior Partner of Audit & Assurance in Grant Thornton Malaysia PLT, and I oversee and lead a team of audit professionals that handles a wide range of clients, from medium to large local entrepreneurs, large multinational companies, as well as IPOs for companies listed on the Malaysian Stock Exchange and Overseas Stock Exchanges.

Besides that, I am the Head of China Business Practice in Grant Thornton Malaysia PLT. With a deep understanding of the business environments in Malaysia and China, I am responsible for assisting Chinese businesses in investing, expanding, and setting up operations in Malaysia and vice versa. I also work closely with Grant Thornton China to ensure that our clients have the support they need to expand their businesses. This involves handling numerous China IPOs, which made me a frequent traveller to China for many years.

I was also involved as a leader in peer review of Grant Thornton member firms overseas.

Other than that, I am also the Co-Managing Partner of our Johor Branch, a role that was bestowed to me after the then M.S. Wong & Co. merged with Grant Thornton Malaysia PLT in 2018. I oversee the overall operations and growth of the Johor Branch.

I am the Exco Partner of Grant Thornton Malaysia PLT, a Senior Management role that involves strategic management with my fellow Exco Partners and the Country Managing Partner.

Last but not least, in my professional capacity, I am serving as a Council Member of The Malaysian Institute of Certified Public Accountants (MICPA) since July 2020. Also, I serve on various committees in MICPA.

You could say that I am a person who wears many hats, but each role has different responsibilities and significance to the firm and my professional capacity.

Your MICPA journey

My MICPA journey started in 1991 after I finished my Form 6 and registered as a student at Tunku Abdul Rahman College to study on a full-time basis while working on numerous part-time jobs.

In 1995, I started my audit career as an Audit Junior with Grant Thornton Malaysia PLT (the firm was known as Shamsir Jasani & Co. back then). I was grateful to be accepted under an articleship contract, so I was working and studying at the same time for a couple of years. After much hard work and discipline, I completed the MICPA examination and qualified as an MICPA member in 1997.

Fast forward close to a decade later, I became a Partner of the Firm in 2005 and started overseeing our Johor Branch. In 2012, I was promoted to Senior Partner of the firm and the Head of our China Business Practice. In 2015, I became the Exco Partner of the firm, and three years later, the Co-Managing Partner of our Johor Branch.

What is your definition of success?

I would define success as having the ability and privilege to help, guide, coach and bless people around me and those in need. Being able to give is the greatest blessing.

What are the most important decisions you make as a leader in your organisation?

As a leader, I believe that the decisions we make today will determine our future. Therefore, it is second nature for me to think carefully and wisely while making decisions, and the decisions should be made for the firm's best interest. The decisions that I make today sets part of the strategy and direction for the firm's growth and sustainability. This ranges from client targeting to internal talent investment and many more with my fellow Exco Partners and Country Managing Partner. We often strategize and plan how to build a firm for the next generation and a lot of forward-thinking is required in this aspect to anticipate scenarios to equip our firm better.

What are you doing to ensure you continue to grow and develop as a leader?

Life is a never-ending process of growth and learning. To ensure that my growth is continuous, I have developed a healthy habit of reading. I usually finish one book a month, and I read books on management, philosophy and biographies of successful leaders where I can seek guidance and learn best practices.

Besides reading, I also ensure that I do not lose touch on my technical and leadership skills. I continuously attend auditing & accounting standards training. In terms of leadership skills, I was grateful to be given the opportunity in 2016 to attend the International Senior Leadership Programme held by Business Said School, Oxford University in the United Kingdom under the purview of Grant Thornton International, which was a valuable and eye-opening experience for me.
Having constant interaction with our people and with our clients is also key to my development as a leader. I try to understand their predicaments and start to structure work around them to maximise their strengths and cover their weaknesses. The more I understand and care for the people around me, the more I can grow as a leader as I believe that when we sincerely care for one another, we can be stronger as a team and will be able to overcome any challenges together.

What do you enjoy doing outside of work?

In the mornings, I enjoy taking walks to exercise my body, clear my mind, and set the goals I need to achieve for the day. At night, I read the bible before I go to sleep. During the weekends, I love to spend time with my family, having meals and chatting with them. I also enjoy serving my church, where I conduct bible studies, act as the life group leader for several families, and even blow the shofar. I have also served as the Chairman and Treasurer for my community in the past.

It is important to find the right work-life balance as it gives me a greater sense of well-being.

What advice would you give to rising young accounting professionals?

In a continually evolving environment, you need to have a strong foundation to carry out your daily tasks as professional accountants with quality and integrity. Thus, it is essential to have solid technical skills, especially in accounting and auditing standards.

Hone your communication skills. In a working environment, you will need to request for information, discuss problems, and interact with your colleagues and clients, and these tasks involve communication. Try to speak up more to brush up your communication skills and most importantly, to be taken seriously.

If you fail to plan, you are planning to fail! I don't believe that anyone sets out planning to fail, but sometimes too many priorities or a lack of time or self-discipline result in our failing to plan, making all the difference between success and failure. So, plan before starting a task and be focused on seeing it being completed.

Add value to your company and contribute to your team. Be proactive and creative to develop ideas, improve the efficiency of protocols and be a team player that is valued and appreciated.
Your career journey may be challenging, but if you set these as your guiding principles, you will reap the rewards as you grow.

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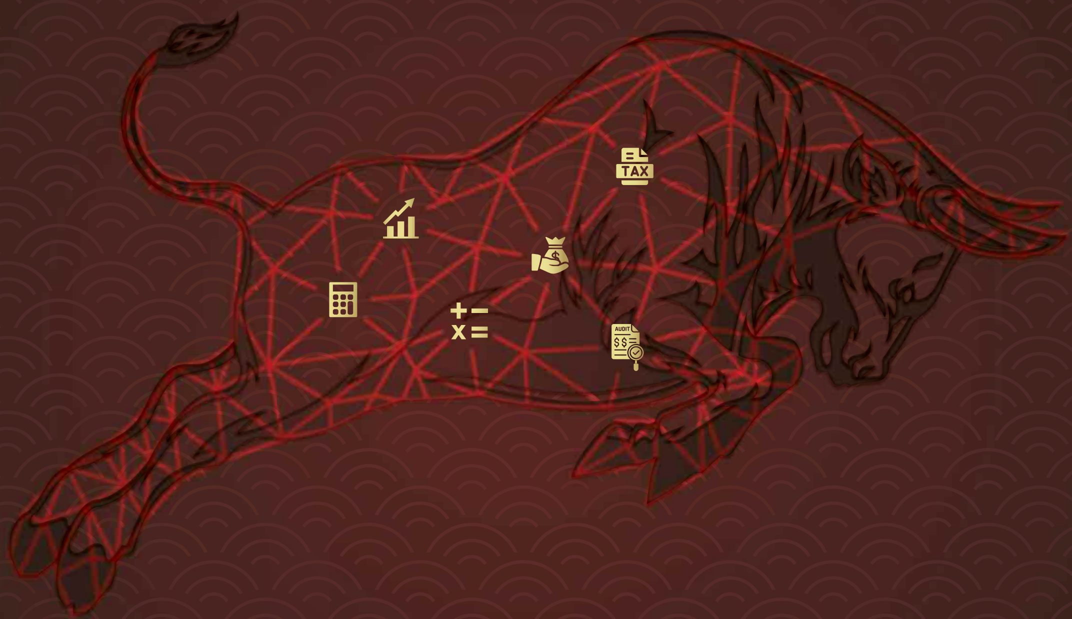
A Niu DAWN

While we can make every effort to navigate the new reality in this new Year of the Ox, experience is still the greatest teacher.

Our professionals are well equipped with global experience and local industry knowledge, providing seamless services in Audit & Assurance, Advisory, Tax and Business Services & Outsourcing. This ensures that you receive comprehensive advice that corresponds to your needs.

As we enter into this new year of recovery, we remain committed to grow along with you.

It's the real value of working with BDO – we'll talk to you.



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