

**REPORT ON
THE STRENGTHENING OF THE
ACCOUNTANCY PROFESSION IN MALAYSIA**

REPORT FOR PUBLIC FEEDBACK

By:
The Committee to Strengthen the Accountancy Profession

December 2014

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INTRODUCTION

The Committee to Strengthen the Accountancy Profession in Malaysia (the CSAP) was established as part of the country action plan to address issues raised in the Report on the Observance of Standards and Codes in Accounting and Auditing (ROSC AA) released by the World Bank in 2012.

In addition to addressing the issues raised in the report, the CSAP considers this as the opportune juncture to identify ways to further strengthen the accountancy profession in Malaysia and enhance the contribution of the accountancy profession in nation building, given the changing economic landscape and the need for Malaysia to remain competitive as a nation.

The key questions considered by the CSAP in formulating the recommendations in this consultative document are:

- How would the accountancy profession better serve the economic and societal needs given the changing economic landscape and a more competitive environment?
- How could the Malaysian accountancy education and training be enhanced to ensure the economy is supplied with the requisite number of professional accountants possessing competencies demanded by the fast changing marketplace?
- How would the governance of the accountancy profession be reset to ensure its effectiveness in steering the accountancy profession in Malaysia to meet the present and future challenges and capturing opportunities which will enhance the contribution of the profession to the nation?

In arriving at its recommendations, the CSAP consulted various stakeholders including regulators, professional accountancy bodies, business community, government agencies, university students, graduates and employer groups. It also considered global developments in accountancy education which is a very important factor to ensure the accountancy profession in Malaysia commands global respect.

Key historical developments were traced to provide the context in which certain key policy decisions were made in the past. This is important to provide us with the understanding of the circumstances and factors which influenced the shape and behaviour of the accountancy profession until today.

The CSAP wishes to record its appreciation to all individuals and organisations which provided feedback, suggestions and encouragement to formulate the recommendations in this report. The way forward is to reset the foundations of the accountancy profession here, its regulatory and education structures. At the same time, the promise of an inclusive accountancy profession acting in the interest of the public will be further fortified.

We look forward to receiving feedbacks on our recommendations. To ensure that we would be able to deal with your feedbacks, we appreciate any comment or suggestion to be accompanied with facts and proposed solutions as follows:

- (a) indicate the specific paragraphs (s) to which they relate;
- (b) contain clear rationale; and
- (c) describe any alternative that the CSAP should consider, if applicable.

Comments should be submitted in writing no later than 31 January 2015.

PART 1

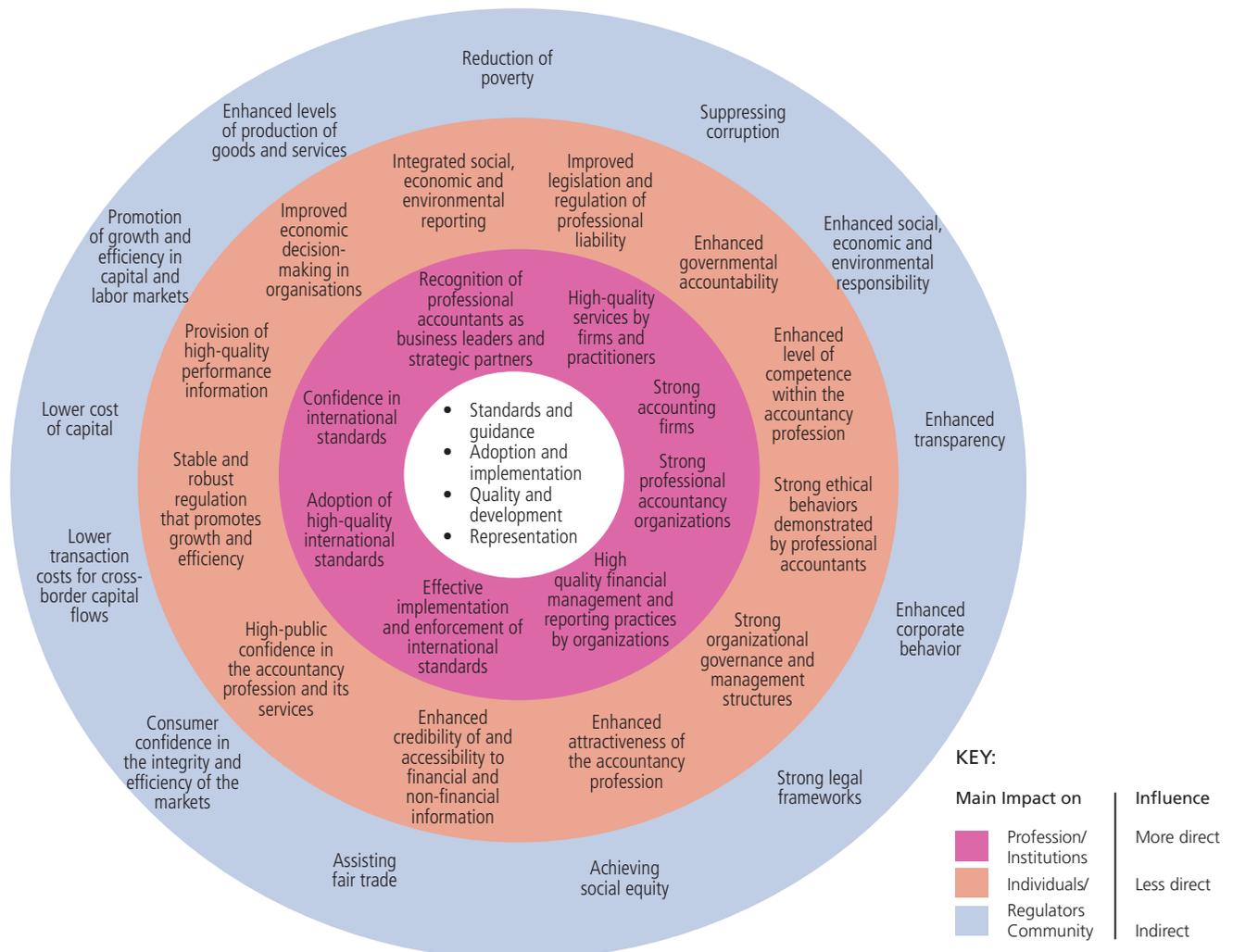
THE ROLE OF THE ACCOUNTANCY PROFESSION IN THE ECONOMY

1.0 THE NEXUS BETWEEN ECONOMIC DEVELOPMENT AND ACCOUNTANCY

The nexus between economic development and accountancy can be appreciated by understanding

the circle of influence of an accountancy body in an economy. The International Federation of Accountants (IFAC) in its 2012 annual report provided the following graphical perspective of the circle of influence which identifies direct and indirect areas where accountants can contribute to nation building.

Diagram 1
Accountants' Circle of Influence and nation building



Source: Diagram from IFAC 2012 Annual Report, *Transparency and Accountability: Past, Present, Future* copyright © March 2013 by the International Federation of Accountants (IFAC). All rights reserved. Used with the permission of IFAC

The knowledge, skills and values of accountants enable the members of the accountancy profession to be involved in most economic sectors in an economy. Accountants are employed at all levels of management and leadership and normally are key people in financial management, financial and management reporting and governance.

Some members of the accountancy profession may not have direct accountancy-related roles; however their accountancy qualification and skills remain important in other key roles (such as internal audit, risk management and general management) that support the effective functioning and oversight of any organisation.

The level of contribution of accountants in an economy is also influenced by the strength of the public accountancy organisation (PAO) in the economy. When PAOs maintain appropriate capacity, they are able to¹:

- Operate in the public interest;
- Develop capable and competent accountancy professionals;
- Promote strong professional and ethical standards;
- Enhance the quality of financial reporting and auditing through education and training, quality review, investigation, and discipline of professionals; and
- Act as a resource to government, regulators, and other stakeholders on accountancy related issues.

In the context of developing economies, focusing efforts on strengthening PAOs supports the production of high-quality financial reporting, auditing, and financial management, which in turn:

- Attracts foreign direct investment (FDI);
- Promotes growth and development of the small and medium-sized entity sector;

- Increases transparency and accountability in the use of public funds; and
- Improves the design and delivery of vital public services.

In the more developed economies where financial markets are one of the important economic drivers, the role of the profession in supporting the development and sustainability of this sector has become more pronounced.

The credibility of financial statements is an important contributor to the efficient operation of financial and capital markets in allocating capital for the productive economic purposes. It also has a key role in promoting confidence in the financial and capital markets. In this respect, significant efforts have been made over the years to improve the quality of financial reporting and auditing. International Financial Reporting Standards (IFRS) have been adopted widely while at the same time, independent oversight of auditors by regulators is becoming a global practice. Accountants are directly involved in these developments either as preparers, auditors, regulators or those charged with governance.

The area of enterprise governance² has seen significant development in responding to corporate scandals and the need to sustain value creation. Various economies have adopted corporate governance frameworks with a stronger focus on the role of the chairman, board, board committees, risk management and control activities in ensuring that organisations are subjected to effective oversight. The board is also required to make strategic decisions, to understand its appetite for risk and key performance drivers. This has led to the wider adoption of best practice tools and techniques such as scorecards and strategic enterprise systems within organisation. Such developments have resulted in the natural demand for accountants to drive key positions in organisations in creating and sustaining value. Regulatory requirements (including

¹ PAO Global Development Report, MOSAIC: The Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration, December 2013.

² Enterprise governance constitutes the entire accountability framework of an organisation. It has two dimensions: Conformance or corporate governance and Performance or business governance – Enterprise Governance, Chartered Institute of Management Accountants, June 2007.

company, tax or financial sector legislation) are also largely based on accounting measures, which in turn are closely integrated with how firms measure and control business risks. The importance of accounting knowledge and application has therefore become significantly more pronounced in the effective management of business.

Another evolving area where accountants are key drivers is non-financial performance reporting such as integrated reporting³. The International Integrated Reporting Council recently issued the integrated reporting (IR) framework which provides guidance on the concept, principles, elements and preparation and presentation of integrated reports.

Although this reporting approach is still at its early days, the take-up rates would increase given the breadth of information provided by an integrated report including strategy, governance, business models, performance and future outlook of the business. Since 2010, the Johannesburg Stock Exchange has made integrated reporting a compulsory requirement for all companies wishing to be listed there.

Organised criminal activities, corruption, illegal trade in natural resources and the laundering of the proceeds of crime, generate illicit flows that undermine good governance, financial-sector stability, and economic development. At the global level, the co-ordination in detection and prevention of illegal money flows is gaining momentum, led by the Financial Action Task Force⁴ (FATF). This is in addition to efforts to reduce cross border corrupt practices through laws such as the *Foreign Corrupt Practices Act* of the United States (US) and the *Bribery Act, 2010* of the United Kingdom (UK). Accountants are often either held directly responsible to report suspicious transactions or are part of the management team which set up policies and procedures to ensure the organisations are in compliance with the anti-money laundering or anti-bribery laws relevant to them.

Trust in public institutions are key. To establish this, it is important that governments provide accurate and complete information on expenditure and transactions, in order to demonstrate accountability and stewardship, and to reinforce their credibility. This means providing clear and comprehensive information regarding the financial consequences of economic, political, and social decisions⁵. This information must also focus on the longer term impact of decision making which cannot be achieved through the reporting and disclosure of cash flows alone.

The type of information required can only be provided through a high-quality, robust, and effective accrual based financial reporting system, which allows for government assets and liabilities (including debt) to be appropriately recorded, reported, and disclosed—and hence, effectively monitored. The most globally accepted high-quality accrual-based financial reporting system is the International Public Sector Accounting Standards (IPSASs). It provides for the full disclosure of all assets, liabilities, and contingent liabilities, which are vital for assessing the true economic implications of public sector financial management. Malaysia will implement accrual accounting for the public sector in 2015.

The role of accountants in economic development can be further assessed based on the profile of the accountancy profession across markets. Table 1 shows a strong correlation between economic growth, measured by the gross domestic product (GDP) per population, and the strength of the accountancy profession.

As an economy grows and becomes more sophisticated, decision making, including financial related decisions become increasingly complex. For example, to invest in long-term revenue generating assets which require bond financing the involvement of advisors including accountants is needed. Hence, apart from other professionals, the demand for

³ An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term – The International (IR) Framework, International Integrated Reporting Council, December 2013.

⁴ FATF sets standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

⁵ IFAC Policy Position 4 – Public Sector Financial Management Transparency and Accountability: The Use of International Public Sector Accounting Standards (IPSASs).

Table 1
Demand for accountants to support economic growth

Country	National accountancy body	Membership#	GDP (in US\$ billion)*	Population (million)*	GDP per population US\$	Population per accountant
Australia	CPA Australia, Institute of Chartered Accountants in Australia & Institute of Public Accountants	191,204	1,532	22.72	67,436	119
Singapore	Institute of Singapore Chartered Accountants	28,869	287	5.31	54,007	184
Brunei	Brunei Darussalam Institute of Certified Public Accountants	58	17	0.41	41,127	7,108
New Zealand	New Zealand Institute of Chartered Accountants	32,677	171	4.43	38,678	136
Hong Kong	Hong Kong Institute of Certified Public Accountants – GAA	36,711	274	7.15	38,297	195
Malaysia	Malaysian Institute of Accountants	30,781	305	29.24	10,432	950
South Africa	The South African Institute of Chartered Accountants	43,791	382	52.27	7,314	1,194
Thailand	Federation of Accounting Professions	60,347	366	66.79	5,474	1,107
Phillippines	Phillippines Institute of Certified Public Accountants	22,072	250	96.71	2,587	4,381
Vietnam	Vietnam Association of Accountants & Auditors	10,000	156	88.77	1,755	11,097
Indonesia	Ikatan Akauntan Indonesia	20,735	877	246.86	3,551	11,906
Myanmar	Myanmar Accountancy Council	2,117	57	52.80	947	24,940
Cambodia	Kampuchea Institute of Certified Public Accountants & Auditors	175	14	14.86	945	84,941

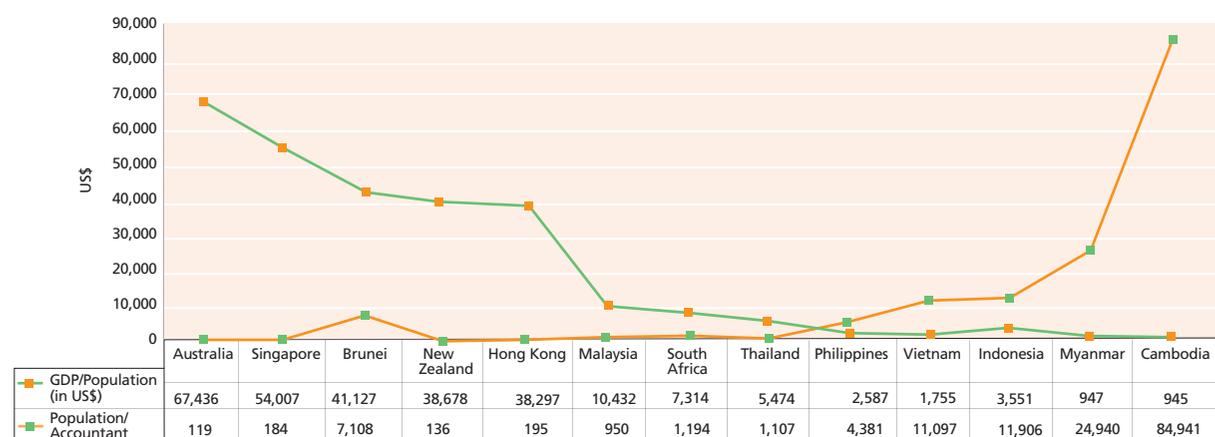
Source:

MIA analysis: the numbers for the membership for ASEAN jurisdictions is as at July 2014 and for non-ASEAN jurisdictions is as at March 2014

* World Bank Data

Note: In 2013, the New Zealand Institute of Chartered Accountants and the Institute of Chartered Accountants Australia merged and are now known as Chartered Accountants Australia and New Zealand.

Chart 1
Strength of the accountancy profession in selected countries



Source: The CSAP analysis

accountants to support economic growth is well established (Chart 1).

1.1 THE DEVELOPMENT OF THE ACCOUNTANCY PROFESSION IN MALAYSIA

The formal relationship between the accountancy profession and the economic development of Malaysia can be traced back to 1958 when the Malaysia Association of Certified Public Accountants (MACPA) was incorporated under the *Companies Ordinance* (1940–1946) as a self-regulatory accountancy body. Its principle objective was to provide an organisation for accountants to advance the status as well as theory and practice of accountancy⁶.

The MACPA was set up when Malaysia (then Malaya) had just obtained its independence from the British and during the First Five-year Plan (1956–1960) where agriculture was by far the largest sector of the economy, providing employment to 58% of the labour force. The second Five-Year Plan (1961–1965) saw rural development as its major objective including funding for infrastructure and social services. The increased sophistication of the economy led to

the introduction of the *Companies Act, 1965*.

The Malaysian Institute of Accountants (MIA) was established in 1967 to regulate and control the practise of the accountancy profession and to ensure that only suitably qualified persons are admitted to the profession⁷. Section 22 of the *Accountants Act, 1967* makes it an offence for a person who holds himself as an accountant unless the person is a member of MIA.

Membership into MIA can be obtained in three ways:

- Being a member of professional accountancy bodies recognised by MIA;
- Being a graduate in accountancy from approved institutions of higher learning; or
- Completion of the MIA Qualifying Examination which was introduced to equate accountancy qualifications with the equivalent approved local accountancy degrees.

All members must obtain recognised working experience. The MIA Chartered Accountant's Relevant Experience (CARE) was developed as a structured assessment programme which is based on the mentor – mentee approach that monitors the practical

⁶ Susela Devi Selvaraj, *Accounting Standard Setting in Malaysia*, University of Waikato, 1996.

⁷ A.M. Ali, T.H. Lee and B. West, *External Influence on the Development and Professionalisation of Accounting in Malaysia, 1957–1969*, 2008.

experience of the mentees. The CARE programme supports the IFAC International Education Standard (IES) 5, Practical Experience Requirements. Introduced on 1 November 2009, it sets out a range of competencies that need to be obtained before applying for MIA membership as a chartered accountant. Please refer to Appendix 4 for details on CARE.

With the implementation of CARE, the practical experience gained by the mentees should allow them to demonstrate that they have the knowledge, skills, values, ethics and attitude required for performing their work with professional competence and continue to grow throughout their careers. However, there are certain concerns regarding the effectiveness of this assessment which will be discussed in the later part of this report.

While at its inception MIA was given the statutory power to conduct professional examinations before admitting its members, that power was never exercised in the past. This power was then removed in 2000 and MIA presently does not have the necessary tool to assess the competency of new members, and instead relies on the quality of other memberships or qualifications which it recognises.

As a developing country, Malaysia has also benefited from the presence of international accountancy bodies to train Malaysians who wish to pursue professional accountancy qualification while the local accountancy bodies, MIA and the Malaysian Institute of Certified Public Accountants (MICPA), gain international recognition progressively. This inclusiveness has enabled the market to be supplied with the required talent as our economy progressively transformed from being highly dependent on agriculture to a more diversified economy with higher-value added manufacturing and services sectors that are more reliant on knowledge and talent to drive growth and distribution of wealth.

Accountancy bodies which are presently active in Malaysia are the Institute of Chartered Accountants in England and Wales (ICAEW), Institute of Chartered Accountants in Australia (ICAA), Association of Chartered Certified Accountants (ACCA), Chartered Institute of Management Accountants (CIMA)

and CPA Australia. These bodies provide options for Malaysians who wish to obtain professional accountancy qualifications. As each provides distinct value propositions which includes general and specific knowledge in the capital market, management accounting, business leadership and broad-based accountancy skills, Malaysians are not constrained to a particular shape of qualification.

Greater intensity in the level of regionalisation and globalisation would also significantly increase the mobility of accountants. The establishment of the ASEAN Economic Community by 2015 which is part of the ASEAN Vision 2020 would open up the market further, thus creating more opportunities for accountants in Malaysia to seek employment and business opportunities within the region. Singapore for example, has positioned itself as the hub for accountancy services in the Asia-Pacific region. Such initiatives will increase the pressure on Malaysia to retain its talent.

1.2 ISSUES AND CHALLENGES OF THE MALAYSIAN ACCOUNTANCY PROFESSION

The World Bank released a Report on the Observance of Standards and Codes in Accounting and Auditing (ROSC AA) for Malaysia in 2012. While the ROSC AA concluded that overall, the Malaysian accounting and auditing profession is well developed and accounting and auditing standards are in line with international standards, it also highlighted issues which may adversely impact the accountancy profession, if left unattended.

The issues raised are grouped into five categories:

- a. Review of the statutory and professional framework relating to the practice of audit of financial statements.
- b. Review of accounting and auditing standards of private entities.
- c. The need for a holistic and independent review of the governance of the accountancy profession in Malaysia.
- d. Monitor and review arrangements in improving

- the quality of the audit of private entities.
- e. The need to enhance education and training of accountants in Malaysia.

While some of the issues identified have been or will be addressed through ongoing statutory reforms such as the amendments to the *Companies Act, 1965*, the more substantive matters such as the review of the MIA's governance structure and the reform in the accountancy education and training are addressed in this report. The progress of the steps taken to address the policy recommendations made in the ROSC AA is provided in Appendix 1.

As Malaysia moves forward to be a developed country by 2020, the structure and size of the economy will continue to change, influenced by regional and domestic developments. The private and public sectors will also become more competitive. Such a progression would demand for the services of accountants across all sectors. Hence, the availability of talent both in number and with the required competencies relevant to the various economic sectors, would be highly critical.

At the same time, there are numerous strategic initiatives which are being pursued to expand specific economic sectors in Malaysia to drive the economy to a higher trajectory. Among the key initiatives are the:

- a. Capital Market Masterplan 2.
- b. Economic Transformation Programme incorporating the National Key Economic Areas and the Strategic Reform Initiatives.
- c. Financial Sector Blueprint 2011–2020.
- d. Government Transformation Plan.
- e. Small and Medium Size Enterprise (SME) Masterplan 2012–2020.

The growth prospects arising from the implementation of programmes and activities under these various initiatives will increase the demand for qualified professional accountants. Such demand can only be met if the infrastructure available in the education and training of accountants in Malaysia is geared towards producing the requisite number of accountants who are competent and able to serve in various sectors across the economy.

Another trend requiring consideration involving the supply of accountants for the future is the development of specific niche areas where Malaysia has a strong comparative advantage. For example, Malaysia is well established in Islamic finance and this market is expected to grow further in the future. However, there is no serious effort at the moment to align the supply of accountants in this segment which will require a specific focus on the development of relevant basic competencies and specialise knowledge. The other niche area which is being aggressively pursued is outsourcing, including accountancy related services. This industry has grown tremendously over a short period of time and will continue to grow, provided we are able to supply the talent needed by market players.

In addition to domestic factors, the Malaysian accountancy profession is also influenced by global and regional developments. For example, Malaysia has adopted international standards in accounting and auditing. Changes to such standards would change expectations on the competencies required of accountants in our market. The trend of expecting corporations to report more than just their financial performance and position is getting more support globally. From the concept of triple bottom line, many markets are now considering whether integrated reporting should be adopted. Moving forward, additional expectations on external reporting would certainly alter the demand and expectations on accountants.

The trend in the growth and development of the accountancy sector itself is also an important consideration. As at 30 June 2014, there were 1,378 audit firms and 771 other firms providing accountancy related services. Collectively, 2,784 accountants are involved in these practices employing 21,666 personnel. Audit and tax are the main services provided by these firms but they are also involved in providing a wider range of services such as corporate secretarial services, business advisory, consulting, financial advisory, corporate recovery and liquidation services. Accounting firms have been providing various services to the private and public sector entities and further growth will result in more demand for services from accounting firms.

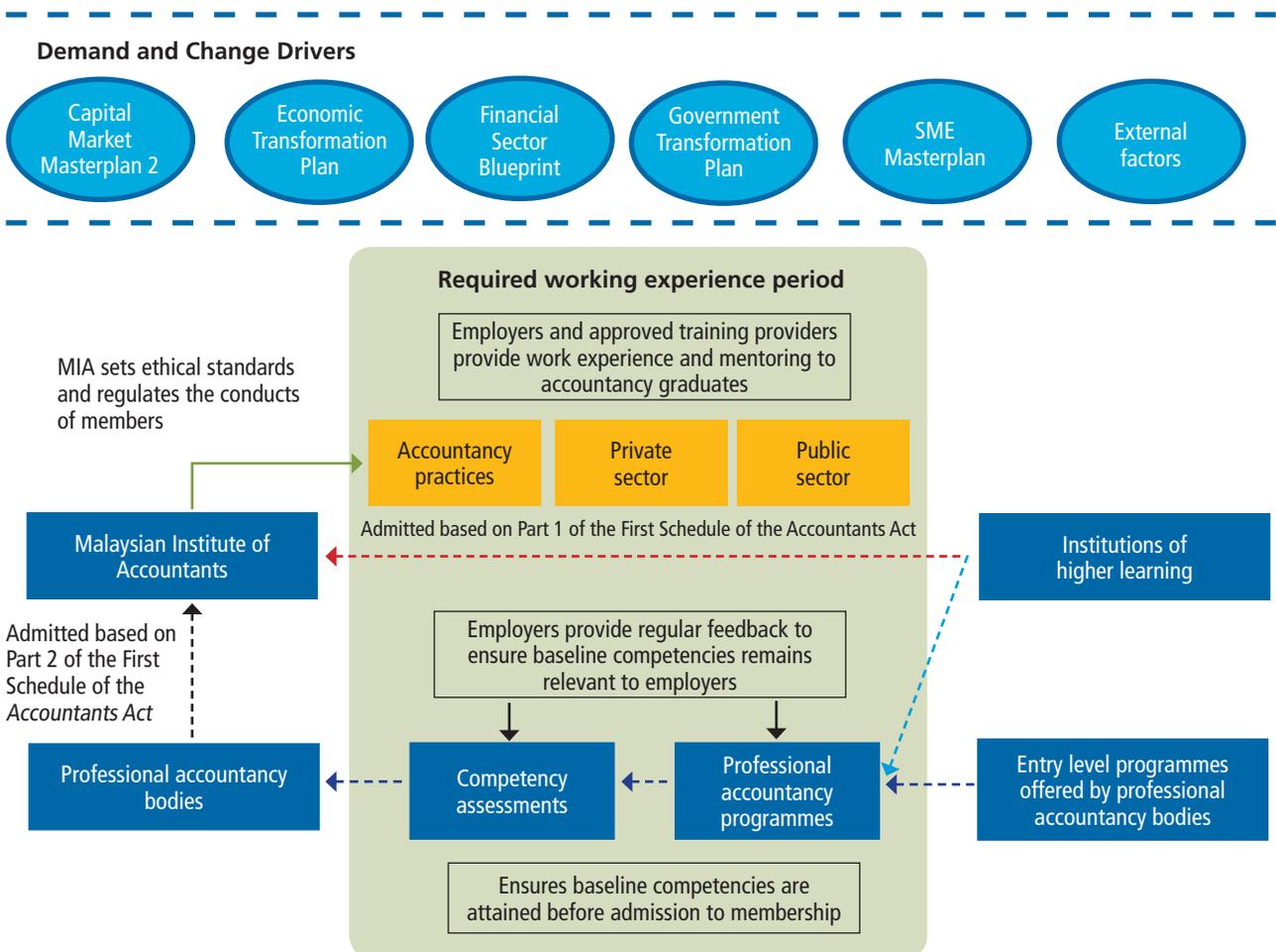
Diagram 2 below provides an overview of the present accountancy supply chain in Malaysia. The demand drivers influence changes in the economy which pushes the demand for accountants in terms of quantity, specialisations and quality. More accountants are required given the expansion of economic activities and complexity of businesses. More importantly, the competencies of these accountants should match the evolving needs of businesses.

The consequential effect of the projected shift in demand for accountants will require the institutions

of higher learning and professional bodies to respond to the changes in demand. Given the regulatory framework and the current approach to educating and training accountants in Malaysia, a number of issues have been identified:

- a. The MIA does not have the ability to provide assurance on the baseline competencies of its membership. It relies on the quality of graduates of recognised universities and the membership admission process of recognised professional bodies.

Diagram 2
The present accountancy supply chain in Malaysia



Source: The CSAP analysis

- b. Based on the roundtable discussion with chief financial officers (CFOs) of financial institutions and top public listed companies, employers do not consider MIA as a professional body and only recognise other professional accountancy qualifications such as MICPA, ACCA, ICAEW and CPA Australia. This results in those who do not possess such professional qualifications to have limited professional career opportunities. Furthermore, the number of Bumiputera with professional accountancy qualifications is small.
- c. As mentioned in the ROSC AA, the effectiveness of MIA to enforce compliance with its standards is being questioned. This is important for public confidence and the image of the accountancy profession at large.
- d. There is a need for MIA to provide strong leadership in accountancy education and training with clear competency parameters. This would enable better alignment between market expectations, professional competencies and professional accountancy education offered at tertiary levels.
- e. While higher education institutions have taken important strides to enhance the quality of accountancy graduates, there are issues which needed to be addressed.
- f. Talent migration is a challenge which affects the supply of talent in adequate numbers for the needs of the economy. Malaysia is perceived to have “a world class talent pool at competitive costs”. This is one of the factors which drive accountancy graduates and the more experienced professional accountants to seek opportunities abroad.
- g. Malaysia has comparative advantage in a number of industry segments. Careful planning and follow up is required to preserve and leverage this advantage.

PART 2

THE DEMAND AND SUPPLY OF ACCOUNTANTS IN MALAYSIA

2.0 THE DEMAND PATTERNS

Qualitative factors

While accountants have various levels of expertise and seniority, most major employers such as the Big-4 accounting firms, global corporations and major listed companies would concentrate on recruiting accountancy graduates to fulfill the various functions in their organisations. They would then be required to complete professional programmes of the various accountancy bodies in order to prepare them for greater roles and responsibilities within these organisations. Given such focus, the competition for graduate talents

meeting their employment criteria is fairly competitive. Demands from employers in overseas markets have also made competition for talents at this level very intense.

Demand for professional accountants is also high as they are required to fill up more senior roles in organisations in addition to running the finance functions. As depicted in Diagram 3, the roles and skill sets of accountants changes as they move up the corporate ladder. Competency in strategy and leadership and able to look at issues from the enterprise level are critical as accountants take on various leadership roles such as Board Members, Chief Financial Officer, Chief Operating Officer or Chief Executive Officer.

Diagram 3
General role and competency patterns for accountants



Source: The CSAP analysis

The involvement of accountants in the leadership and management of the top 100 public-listed companies (PLCs) in Malaysia is demonstrated through Chart 2. These PLCs have a collective market capitalisation of RM1.2 trillion as at 31 December 2012 with annual turnover of around RM600 billion and total assets worth RM2.8 trillion.

Based on the above, the presence of professional accountants on boards of such companies is a significant (24%) indication of the importance of their skill sets and contribution in leadership, governance, value creation and performance assessments.

Out of the 100 PLCs studied, only 41 disclosed the information regarding their senior management. We noted that 15% of senior management are professional accountants. The lower percentage of accountants at this level is due to the broader skill sets required to run operations. However, the proportion is still significant especially in the areas of financial reporting, management accounting and governance.

Surveys conducted by the CSAP provide some insights on how issues relating to the accountancy profession are viewed by students, graduates and employers.

Employers responses are summarised in Chart 3.

29% of employers indicated that not all accounting positions in their respective organisations are filled up, with 28% indicating that on average, the required increase in the number of accounting staff is in excess of 5%.

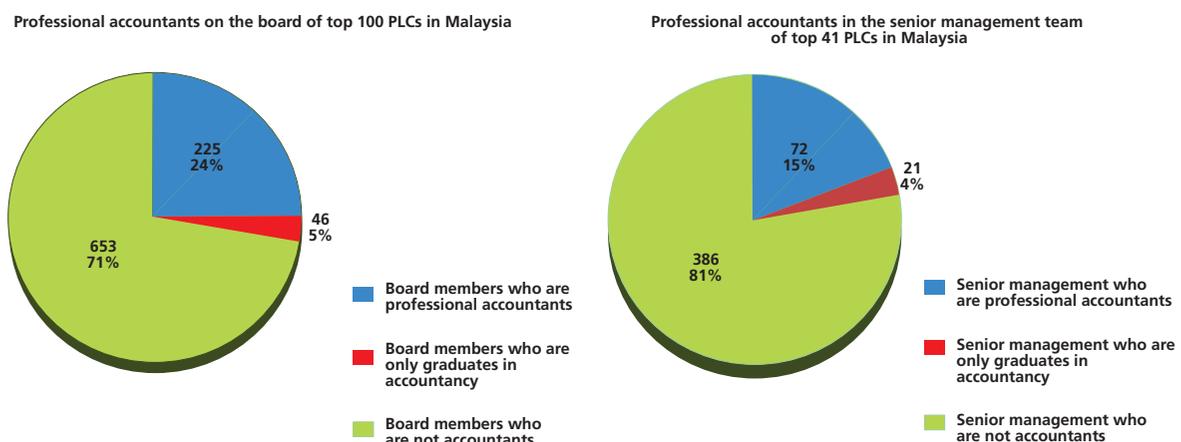
In respect of the quantity of the profession's current talent pool, only 35% of the employers surveyed felt that the quantity was sufficient. The employers indicated that their main criteria when recruiting accountants are candidates with professional accountancy qualification, good communication skills and have relevant market experience.

In addressing the issue of quality, 35% of the employers felt that the quality of the current talent pool is below expectation. The recommendation to improve the quality of the current talent pool include increased focus on communication skills at the school and university level and the accountancy syllabus to be strengthened in meeting the needs of the industry.

An area of concern is the level of interest of students to pursue professional accountancy qualifications. Only 41% of students surveyed were keen to pursue professional accountancy qualifications while 54% of the students indicated lower interests.

Chart 2

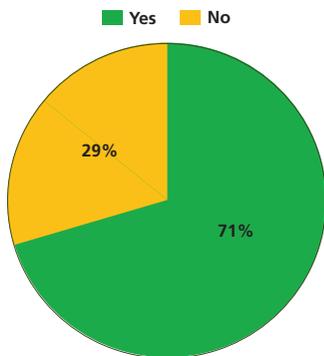
Professional accountants in key Leadership and Management roles



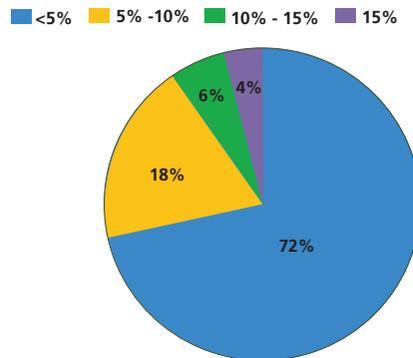
Source: The CSAP analysis

Chart 3
Employers' views on adequacy and quality of accountants

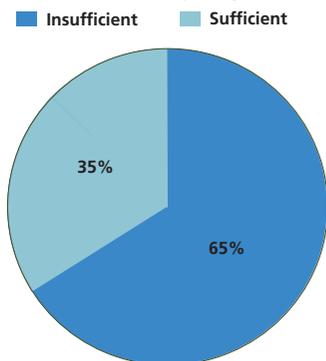
Are all the accounting positions in these organisation taken up?



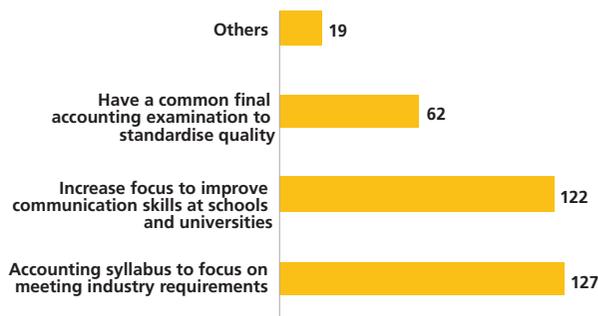
On average, what is the required increase of accounting staff per annum?



What is your opinion of the accounting profession's current talent pool in terms of quantity?



What would your proposal(s) be to improve the quality of the accounting profession's current talent pool?



Source: The CSAP analysis based on 189 respondents

The top three reasons given by graduates for not pursuing professional accountancy qualifications are–

- professional programmes are too expensive (25%);
- no time (25%); and
- not supported by employers (18%).

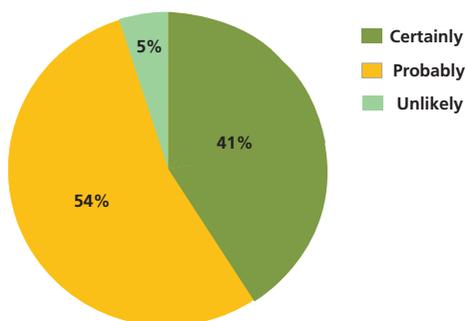
The level of interest among students towards the accountancy profession has to be increased and barriers removed, especially in respect of funding and support from employers to ensure adequate number of graduates can pursue professional accountancy qualifications.

It is important that the issues are addressed to ensure the accountancy profession remains attractive to the best and brightest. Given the role of accountants and the level of competitiveness in the future, the need for a continuous supply of professionally trained accountants into our market will only be assured if it can attract the right number of talents (Charts 4 and 5).

Based on the employers surveyed, 64% of the employers have indicated that their main focus in recruiting accountants is in respect of professional qualifications and relevant market experience. In addition to that, 35% of employers had indicated that quality of the current accounting talent pool is below expectation.

Chart 4
Students interests in pursuing professional accountancy qualification

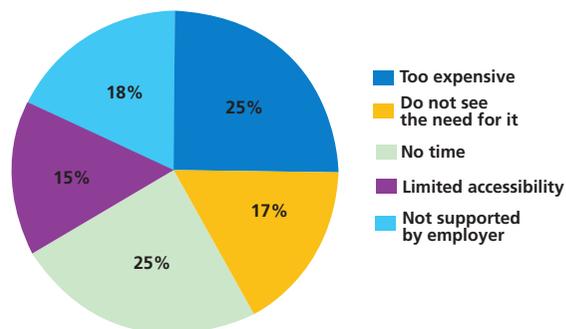
Do the respondents intend to pursue their accounting professional qualification upon graduation?



Source: The CSAP analysis based on 477 respondents

Chart 5
Reasons for graduates not pursuing professional accountancy qualification

Reasons for not pursuing an accounting professional qualification



Source: The CSAP analysis based on 496 respondents

Diagram 4
What key employers want to see in professional accountants

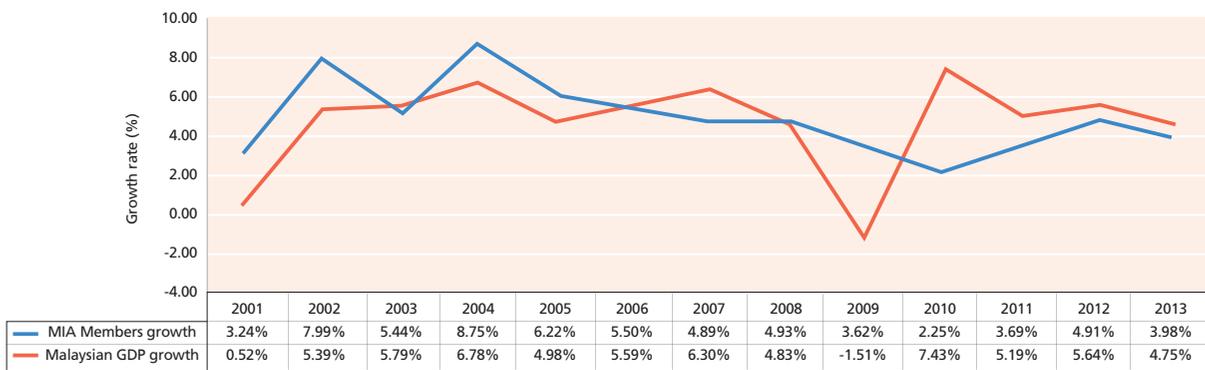


Source: The CSAP roundtable with major employers, CFOs of commercial banks and employers surveyed by MIA.

In Chart 6, the growth rate of MIA membership has a strong correlation to the growth of our GDP. As of 30 June 2014, the MIA has a membership of 30,298. The distribution of accountants, as reflected by the membership of the MIA, according to the economic sectors in Malaysia is reflected in Chart 7.⁹

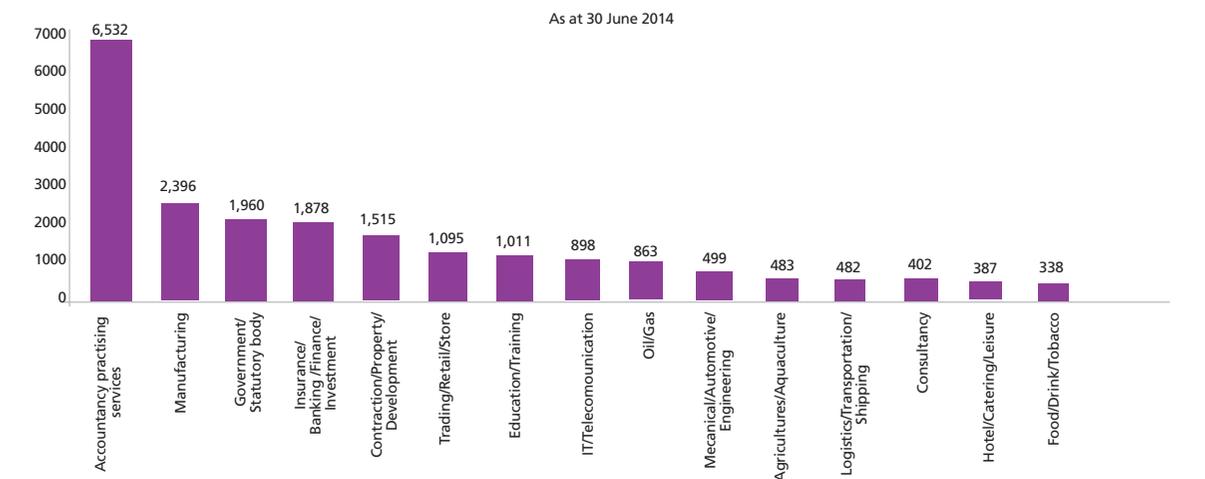
Based on the MIA membership and professional accountancy bodies in Malaysia, there are around 36,000 accountants in Malaysia. We noted that out of approximately 41,000 accountancy graduates from the institutions of higher learning recognised by MIA since 1978 under Part 1 of the First Schedule, only

Chart 6
MIA membership growth as compared to GDP growth



Source: MIA & International Monetary Fund

Chart 7
Membership by business category



Note: 4,593 members have not state their business category. Categories which have less than 300 members are not included in the above chart. This consists of 4,966 members

⁹ Members of the MIA based on stated economic sector.

10,787 or 27% of them joined MIA. Given that there is no further barrier for them to join MIA apart from obtaining relevant work experience, such a trend indicates that the interest among the accountancy graduates in developing their careers in accountancy is not strong. While we do not have the data on how many of the graduates become members of professional accountancy bodies, anecdotally the number is not large.

Graduates from foreign universities are more inclined to pursue professional accountancy qualification for the purpose of recognition as professional accountants in those countries. Hence the designs of accountancy programmes in those countries are aligned to their professional accountancy programmes. There is also clear demarcation and expectation between the role of the institution of higher learning and the role of professional accountancy bodies. The concept of professional accountancy degree is not practiced in many countries except in cases where the accountancy bodies in those countries are weak and do not have the capacity to develop respectable professional accountancy programmes.

Chart 8 provides an overview of the distribution of accountants in Malaysia in accordance with their qualification and MIA membership.

Diagram 5 indicates the conversion process of accountants from undergraduates to leadership roles based on the available statistics. To cater for future demands, the conversion ratio from graduates to professional accountants has to be increased significantly. More efforts are required to elevate professional accountants into senior management and taking up leadership roles in organisations.

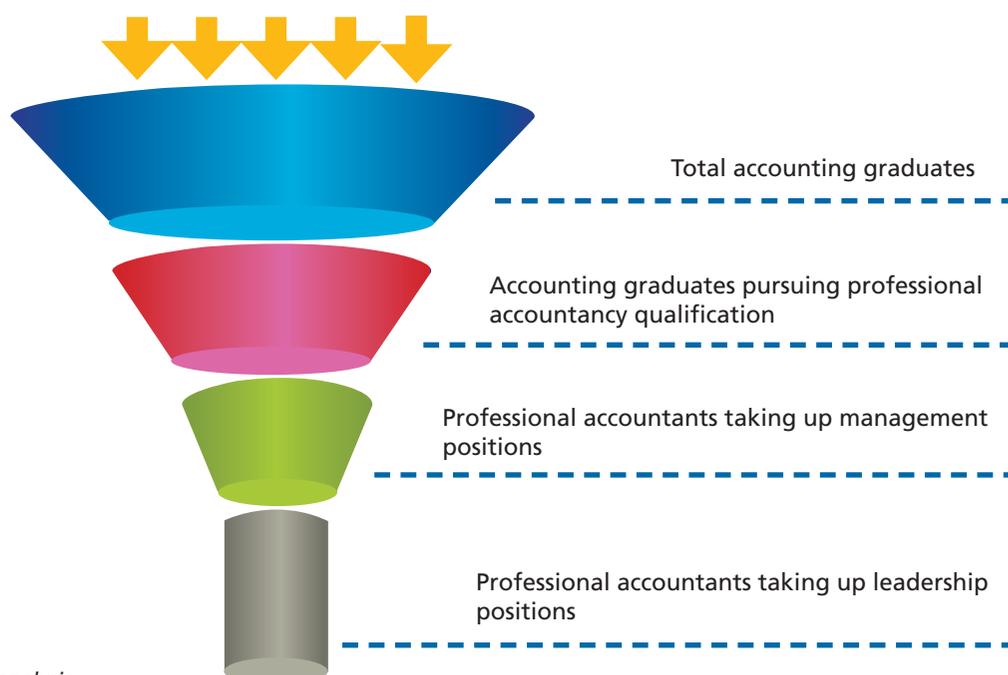
Chart 8
Distribution of accountants in Malaysia based on their qualifications



Source: The CSAP analysis

Diagram 5

The funnel of accountants in Malaysia



Source: The CSAP analysis

Quantitative factors

In considering the demand for accountants in Malaysia, the CSAP has considered the following information and data:

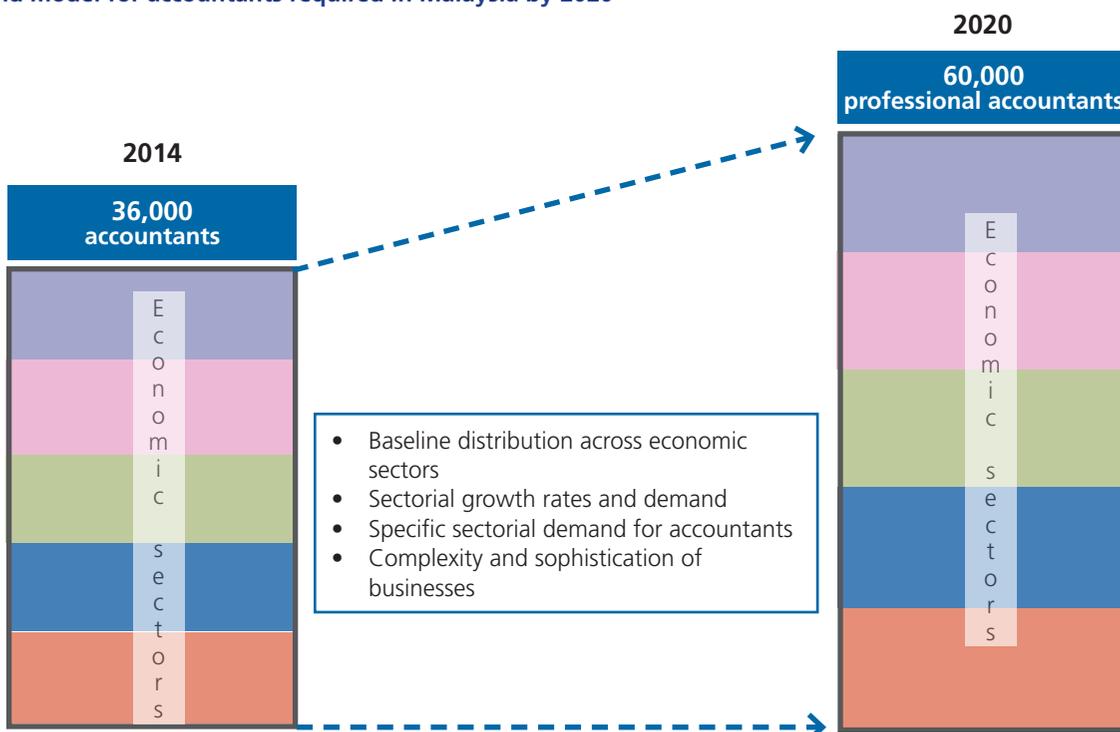
- a. The present number and distribution of accountants using the membership of MIA as the baseline. While some of the data is not current, the MIA membership database provides the best objective data of the distribution of accountants across economic sectors in Malaysia.
- b. Specific growth projections for the relevant economic sectors made in the relevant sectorial master plans. As indicated in Chart 6, the growth in GDP and the growth in MIA membership are highly correlated. By understanding the projected growth of specific economic sectors, the level of demand for accountants in those sectors can be projected.
- c. Whenever available, the projected growth of accountants by specific economic sectors is used. For example, the Accountant General

- d. In arriving at the estimated number of professional accountants required by 2020, the CSAP also took into consideration the complexity and sophistication of businesses going forward. The strength and quality of the finance function of enterprises are getting more critical in ensuring Malaysian companies are able to attain and maintain competitiveness. This would also enable them to comply with the demand of regulation, not only in Malaysia but in other markets in which they are operating.

The model used in projecting the number of accountants by 2020 is depicted in Diagram 6.

It is estimated that by the year 2020, Malaysia will need 60,000 professional accountants to serve the need of a developed economy and to ensure Malaysian enterprises remain competitive and resilient.

Diagram 6
Demand model for accountants required in Malaysia by 2020



Source: The CSAP analysis

2.1 THE SUPPLY PATTERNS

The supply of accountants can be considered at two levels, the supply of professional accountants meeting minimum competency standards and the supply of experienced professional accountants meeting the different needs and levels of market demand.

Supply of professional accountants

Based on the MIA membership of 30,298 as at 30 June 2014, 62% of accountants in Malaysia are members of professional accountancy bodies. Based on the present MIA membership admission framework, 37% are graduates who completed accountancy degrees from recognised local universities¹⁰. Those who are admitted after completing the MIA Qualification Examination only form less than 1% of the MIA membership.

At present there are 11 professional accountancy bodies which are recognised for the purpose of membership of the MIA. As at 30 June 2014, the professional accountancy bodies collectively have 25,021 of members in Malaysia of which 19,511 are members of the MIA.

In considering the supply of accountants in Malaysia from now until 2020, the CSAP has considered the following information and assumptions:

- a. The growth rates of the membership of professional accountancy bodies in Malaysia based on the average projected growth rates made by the professional accountancy bodies.
- b. The criteria for recognition as a professional accountant is aligned with international standards and receives proper recognition by employers.
- c. The level of interest of local accountancy graduates in becoming professional accountants remains unchanged.

Based on the above, there would be approximately 46,000 accountants in Malaysia by 2020. Such a number may not be adequate to cater for the demand as discussed earlier. Hence, the need to increase the number of professional accountants is critical to ensure the Malaysian economy, corporations and organisations are not deprived of the critical competencies and skills of accountants.

Meeting the demand for professional accountants

To increase the number of professional accountants, the following issues along the supply chain as described in Diagram 7 have to be addressed.

- **Increase the talent pool and interest towards the accountancy profession**

The number of students graduating from various accountancy programmes at the institutions of higher learning in Malaysia annually is approximately 5,000¹¹ of which 3,000 graduate from public universities and 2,000 from private universities.

Most professional accountancy programmes offered in Malaysia require a graduate level entry qualification. However, two professional accountancy bodies, namely the ACCA and ICAEW are offering entry level programmes where students who complete the *Sijil Pelajaran Malaysia* (SPM) examination are able to enter these programmes. They would then be required to complete their professional programmes before being admitted as professional members.

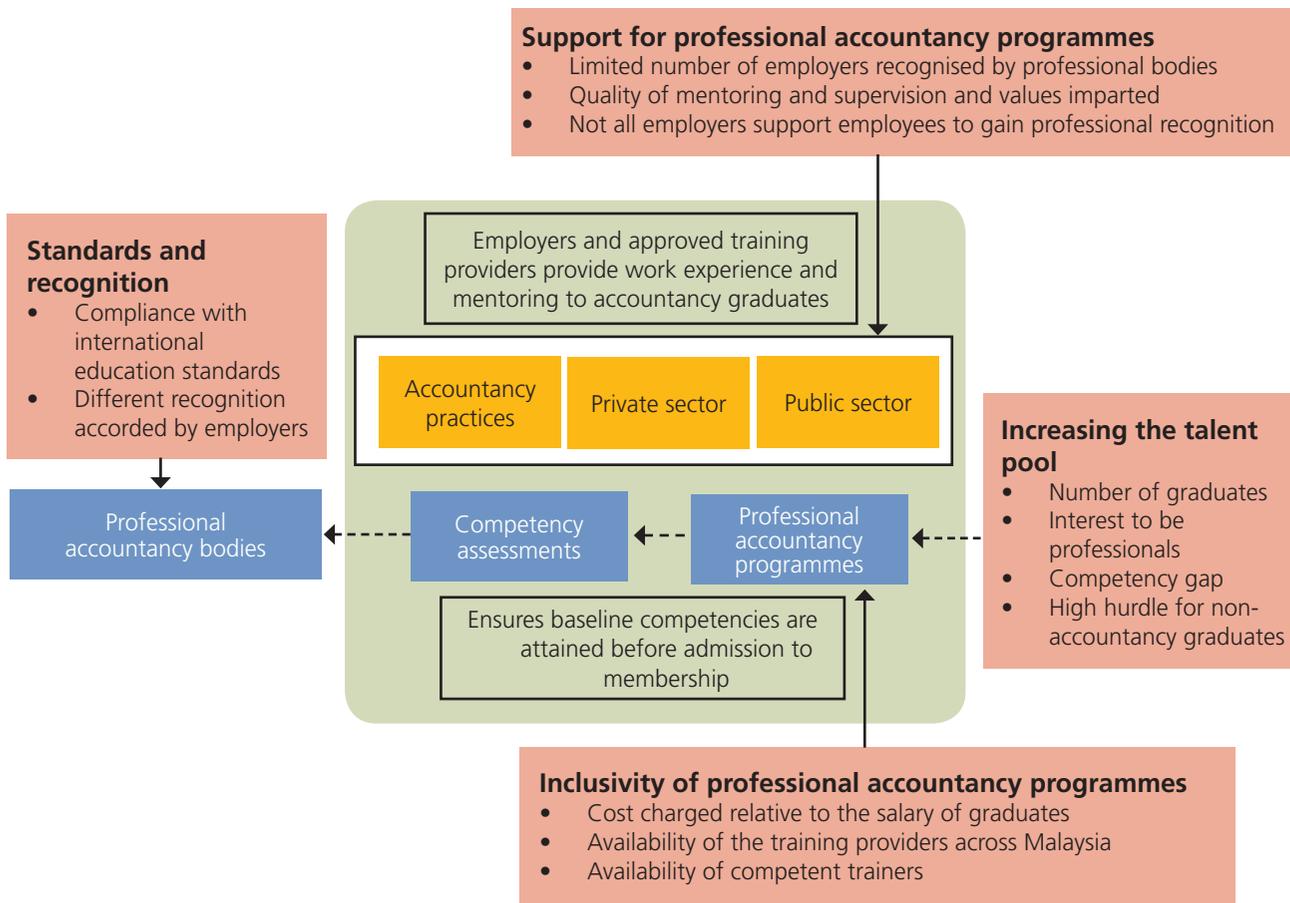
In order for more professional accountants to be produced, the number of places offering accountancy courses may need to be increased given that not all graduates ended up being recognised as accountants (as discussed earlier). At the same time, concerted efforts are needed to promote professional accountancy to accountancy graduates, especially at the early stage of their career. Students who have strong interest to pursue professional accountancy could also be encouraged to enrol into the entry level programmes offered by professional accountancy bodies.

¹⁰ Recognised based on Part 1 of the First Schedule of the *Accountants Act, 1967*.

¹¹ Based on data obtained during the ROSC AA assessment.

Diagram 7

Issues in nurturing more professional accountants in Malaysia



Source: The CSAP analysis

Some universities are already offering students options to take a number of professional papers during their undergraduate programmes. This reduces the number of professional papers that need to be taken post-graduation. The higher the standards of the undergraduate programmes, the higher the chances for the students to get through the professional papers. Therefore, it is important for this gap to be narrowed to ensure higher success rates of graduates pursuing professional accountancy qualifications.

The practice of providing specific exemptions for graduates from accountancy programmes that were assessed by professional accountancy bodies should continue to be encouraged to develop a nexus between accountancy degrees and professional qualifications. However, such concessions should be continuously

evaluated to ensure standards of the accountancy degrees are maintained and enhanced.

Another approach is to open professional accountancy to graduates from other disciplines. Given the MIA membership framework is focused on accountancy graduates, the option to allow non-accountancy graduates has not been pursued by MIA other than through the MIA QE which is available to a wider range of graduates.

It is important that the issues are addressed to ensure the accountancy profession remains attractive. Given the role of accountants and the level of competitiveness in the future, the need for a continuous supply of professionally trained accountants into our market will only be assured if it can attract the right number of talents.

- **Make professional accountancy programmes more inclusive**

The cost of professional accountancy programmes is a factor in influencing whether a graduate would decide to pursue such a qualification. Based on the survey conducted by the CSAP, the baseline cost for a programme is around RM15,000. If this is incurred over a three year period, this amounts to 14% of the take home salary of a graduate¹² before paying for any other commitment. Without any support from employers, it would be financially challenging for a graduate to pursue professional qualifications.

Most professional accountancy programmes require prospective members to obtain supervised experience with accredited employers. While such employers would ensure the transfer of relevant knowledge, experience and values, they may not be present in all major towns in Malaysia. With such limitation, the opportunities for graduates to meet the membership requirement may be limited.

While in theory professional accountancy programmes could be completed without the need for further tuition, in Malaysia, it is customary for graduates who are pursuing professional accountancy programmes to attend classes by third-party tuition providers. However, such providers are not necessarily available throughout the country which may limit access to professional accountancy programmes.

Another important factor in ensuring higher conversion rate from graduates to professionals is the availability of experienced trainers who are able to guide graduates. Given the dynamics of the accountancy profession, the programmes modules are revised frequently. Most of the subjects focus on the application of the relevant knowledge and skills where those who have professional work experience would have the advantage to impart such knowledge more effectively. Without such trainers, tuition centres may not be effective.

One of the projects addressing inclusiveness is the Thuthuka project implemented by the South Africa

Institute of Chartered Accountants. Launched in 2002, the main objectives of the project are to increase the number of chartered accountants and to transform the demographics of the profession to match the country's racial and gender profile and the general demand for accounting and auditing services. Within a nine year period, it managed to increase the membership of Africa and Coloured from 544 (2.6%) to 3,057 (9.2%). Details of the Thuthuka Project are included in Appendix 6.

Any reform in the framework for accountancy education in Malaysia has to take into account the inclusiveness of those programmes.

- **Enhance support for professional accountancy programmes**

The commitment of employers in supporting professional accountancy programmes is one of the key success factors in increasing the number of professional accountants. Many established organisations have been playing this role given the benefits they will receive from the services of their accountants who are professionally qualified. The mobility of talent is another reason for employers to support such programmes as this serves as a talent pipeline and a tool to attract new talents. Among the benefits offered to employees who pursue professional accountancy programmes are:

- Cost of professional accountancy programmes are borne by employers
- Third-party tuition fees are borne by employers
- Study leave
- Mentoring and supervision

The graduates then serve out a bond of service with the employers for a specific time period to ensure both parties benefit from the programme.

However, such programmes are not available across organisations in our market, especially in the small and medium enterprise sector as the role of accountants are less appreciated and many of these employers have limited resources to offer such programmes. There are also limited opportunities in the public sector.

¹² Assuming a base salary of RM2,800 per month with annual increment of 10%.

Without the availability of qualified accountants as supervisors and mentors, the quality of guidance to employees who are pursuing professional programmes may not be sufficient and effective.

On the other hand, professional bodies have specific criteria before an employer is recognised for the purpose of determining the relevant working experience. This, to a certain extent, limits the places where professional experience can be obtained for the purpose of professional accountancy membership.

Increasing the support level for graduates who are pursuing professional accountancy programmes across industries and economic sectors is important to increase the number of professional accountants in Malaysia.

- **Recognition as accountants must comply with international standards and recognised by employers**

A professional qualification is only valuable when it complies with public expectations and is recognised by employers. A registration status mandated by law does not necessarily mean market acceptance. This is proven given the fact that some employers give preference towards certain professional accountancy qualifications for the purpose of recruitment, promotion and career progression notwithstanding other qualifications are recognised by the MIA for the purpose of its membership. This does not necessarily mean that certain professional accountancy qualifications have issues with their standards but given that each of them offers different value proposition, employers have the option to choose those who meet their expectations.

What is more important is that the professional accountancy qualifications meet baseline standards which are developed based stakeholders' expectation. Internationally, the IFAC through its International Accounting Education Standards Board (IAESB) develops and issues publications on prequalification education and training of professional accountants,

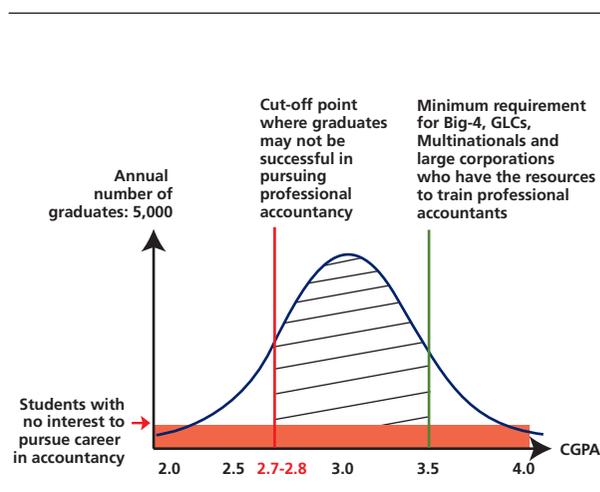
and on continuing professional education and development which must be complied with by its members¹³. The efforts by IAESB to enhance and clarify IESs is described in Appendix 2.

To meet the continual challenges facing the global economy, the accountancy profession needs to ensure that individuals who become professional accountants achieve an agreed level of competence, which is then maintained. Competence is developed and sustained through initial education and practical experience, followed by continuing professional development. The profession, therefore, needs to set and meet high educational standards in these three areas. Enhancing education serves the public interest by contributing to the ability of the accountancy profession to meet the needs of decision makers.¹⁴

- **Close the quality gap between academic qualification and professional qualification**

Not all graduates in accountancy would be able to pursue professional accountancy qualification. The distribution of graduates who have the potential to pursue professional accountancy qualification is illustrated in Chart 10.

Chart 10
Distribution of students' performance and its relation to professional accountancy enrolment



Source: The CSAP analysis

¹³ IFAC Statements of Membership Obligations (SMOs) 1-7 (Revised).

¹⁴ IAESB fact sheet, February 2013.

Major employers who have the resources and capabilities of providing professional accountancy training to graduates would recruit those who demonstrate strong performance during their studies. Those scoring a Cumulative Grade Point Average (CGPA) of 3.5¹⁵ and above would fall into this category. Based on the engagements with major employers, graduates who are recruited by them will be supported to qualify as professional accountants.

On the other hand, to complete a professional accountancy programme, a graduate needs to have a baseline academic achievement. While there is no bright line of where this lies, those who are at the bottom 20% may not be able to successfully complete a professional accountancy programme. Notwithstanding this, they are still able to provide services based on their accountancy skills in organisations, especially in functions supporting professional accountants.

Those graduates who are good enough to be able to complete professional accountancy programmes but not employed by major employers are the group which require our focus. If appropriate intervention is provided including motivation, funding and educational support, the number of professional accountants in Malaysia can be increased.

We should also recognise that not all graduates are interested to progress to professional accountants, including the top scorers. This is due to various reasons including the perceived stress and pressure as well as other attractive alternatives such as investment banking, technology sectors and entrepreneurship. In some organisations, an accountancy graduate could very much progress to the top without professional accountancy qualifications due to the different emphasis on competency and skill sets which are required by those organisations.

Inherently, there would be gaps between the knowledge-based and skills of graduates who just graduated from a university programme from the competency and skills of a professional accountant after going through professional accountancy programmes. To maximise the number of graduates who are capable

to be nurtured as professional accountants, the skills and competency gaps between accountancy degrees and professional expectations need to be narrowed.

2.2 SECTORIAL OPPORTUNITIES AND CHALLENGES IN ACCOUNTANCY EDUCATION AND TRAINING

Given the maturity of the accountancy profession in Malaysia, the changing economic landscape, globalisation of business and convergence of regulation and standards, accountancy education and training can be considered as a sector that could be nurtured to grow further. Apart from ensuring Malaysia receives the supply of talents as discussed above, the country could be positioned as the hub for accountancy education and services.

- a. The accountancy profession has attained a certain level of maturity. Accountancy is a recognised profession under the law, accountants hold many key positions in many organisations across our economic sectors, accountancy courses are offered in many institutions of higher learning and many key global professional accountancy bodies are present in Malaysia.

The natural demand for accountants and the corresponding supply have created a vibrant accountancy education and training industry, both at the entry level through tertiary education and professional accountancy qualifications as well as the continuing professional education level. Around 5,000 accountancy graduates are produced annually, 31,000 students¹⁶ are pursuing professional accountancy qualifications as at 31 December 2013 and the MIA conducted various CPE programmes attended by both the members of the accountancy profession and non-accountants. The pinnacle of this was when Malaysia hosted the World Congress of Accountants in 2010 where more than 6,000 accountants from all over the globe attended the event. The goodwill generated by the event remains until today.

¹⁵ The CSAP estimate based on our engagements with major employers.

¹⁶ Inclusive of those pursuing entry level programmes and would not graduate at the same time and may drop off without qualifying

If the above education and training capacities are strategically structured and aligned, Malaysia is poised to be a competitive hub for accountancy education and training in this region. This is further complemented by its competitive cost structure and mature accountancy practices.

- b. As Malaysia moves further up the value chain, demand for specific competencies and skills will grow as well. Such demand creates commercial opportunities for educational and training activities, not just in Malaysia but also serving global needs.

One of the examples is for accounting and auditing in the Islamic finance sector. Given that Malaysia is leading the world in this sector, the opportunities for certification of talents who achieve the relevant levels of competencies in this domain are really enormous. The Islamic Financial Services Board (IFSB) located in Kuala Lumpur, Malaysia is the global largest sukuk issuer and the Malaysian Accounting Standards Board (MASB) for example is recognised for its work in this area especially through projects of the International Accountancy Standards Board (IASB) and the Asia Oceania Standards Setters Group (ASSOG). With such knowledge based and credentials, Malaysia should capture the opportunities from the demand for talents in this sector.

At the moment, there is no certification for accountancy and auditing for Islamic Finance offered by the Malaysian accountancy profession. Given the projected growth of this sector by 2020 to 60,000 accountants, the opportunities will correspondingly grow further.

- c. As global corporations seek new business models to remain competitive, business process outsourcing (BPO) and its variants are becoming popular options. Malaysia is one of the leading countries in providing shared services to many global corporations and accountancy related services are amongst the services being offered. An estimated 8,000 people are involved in this sub-sector and the MDEC estimates that this will

grow further as the industry matures further. As the shared services centres mature, the skill sets and competency demanded would also be more complex, in addition to the number of people who are required to serve global operations in many other markets.

Increasingly, the constraint in the supply of competent talents is influencing further growth of accountancy related shared services centres although it has not reached a critical level yet. One way of addressing this challenge is to provide bridging programmes for graduates to consider the sector as one of their career options and strengthen their knowledge and skills in meeting demand of the shared services centres.

- d. The adoption of the International Financial Reporting Standards (IFRS) and the plan to implement Malaysian Private Entities Reporting Standards (MPERS) by 2016 has also triggered demand for accountants and accounting executives who are competent in applying the standards. The demand comes both from organisations which are required to prepare financial statements using the standards and audit firms which need to audit those financial statements.

Given the complicated and dynamic nature of business, these standards are rather challenging and evolving as well as consistent with the needs to address new issues and concerns. Hence, the need for professional accountants and their support staff to be trained and retrained is fairly high. Given the global nature of the standards and limited number of credible trainers, markets in this region are also demanding similar education and training.

While some providers, including audit firms, are offering training in IFRS, many of these programmes are not structured in such ways which allow the participants to be certified. A number of global accountancy bodies do offer web-based certification programmes. However, these programmes are limited to the entry

level and do not cover specific issues which are prevailing in this region.

In addition to the core IFRS skills, other complementary knowledge and skills such as valuation and business and risk modelling are becoming critical in ensuring IFRS is smoothly implemented. It is important for capabilities in such specialised skills to be developed and education and training programmes around those skills are made available.

- e. The recent global financial crisis demonstrated the need for the public sector to strengthen their financial management and accountancy practices to cater for more sophisticated economic needs. Given that governments and their agencies normally have long-term commitments such as paying retirement benefits and guaranteeing social projects with long tails, more accurate and meaningful financial information is required and accrual accounting based on the International Public Sector Accounting Standards will be beneficial.

While the demand for training and retraining of existing accounting personnel in the public sector will certainly increase, the availability of specialists and specialised education and training programmes catering for the specific needs of the public sector are limited. Since the rollout of accrual accounting will be over a number of years, it is important for the needs of the sector to be addressed, including establishing special interest groups who have a deep understanding and knowledge of the public sector.

Moving forward, if Malaysia is recognised as a country with strong public sector accounting capabilities in this region, such expertise and intellectual capital could also be useful for other public sectors entities in the region.

- f. The SMEs contribute 32% towards the economic growth of the country and employs 59% of the work force. This is expected to grow to 41% and 62% respectively by 2020.

Given the size and the significance of this sector, it is important for SMEs to be able to procure adequate accountancy services in order for them to grow and become more competitive. Among the challenges faced by SMEs in respect to financial management and accounting are:

- Do not have business models which are appropriate given the industry they are in and the level of competition they face adversely impacts profits or results in inadequate returns which are not sustainable;
- Are not able to employ qualified accountants due to their resource constraints and they may not be attractive enough for talents which they require;
- Poor financial management capabilities including inability to manage cash flow properly;
- Poor financial and management reporting capabilities which result in entrepreneurs making decisions based on incomplete or incorrect information; and
- Not able to comply with laws and regulations such as taxation resulting in being penalised by authorities.

One of the options which could be considered is to provide specific accountancy education and training to their employees to enable them to provide certain basic services to the SMEs. These programmes should be structured in such a way that those who participate would eventually be certified in certain skills. Opportunities for those who are qualified to sit for professional qualification examinations should also be made available.

Most of the SMEs are serviced by the Small and Medium Accountancy Practices (SMPs) which generally offer compliance related accountancy services such as accounting, auditing, taxation and corporate secretarial services. These SMPs, like their SME cousins, may also be facing similar challenges. Therefore, to enable the SMEs to be better served by the SMPs, capacity building

programmes for the SMPs are necessary to build their human and intellectual capital as well as building skills and competency beyond their traditional strengths. New capabilities such as the ability to provide strategic advisory and risk management services, budgeting and performance appraisals, basic corporate finance and high-end compliance services would assist the SMPs to be more '*Significant and Meaningful*' Providers to the SMEs.

While the SMPs may have the technical capabilities, one of the reasons which deter their growth is the lack of management capabilities such as strategic planning, risk management, pricing and communication among the accountants who are running those practices. Structured education and training in enhancing their management capabilities would facilitate their growth and development. To enhance capacity, merger and acquisition should be encouraged.

- g. One of the lessons learnt from the recent global financial crisis is the importance of strengthening governance and risk management in ensuring sustainability of corporations. In this respect, professional accountants have been playing important roles in many respects.

The tone set by the board sets the overall governance philosophy of an organisation. This is complimented by supporting structures such as audit and risk committees. In the Malaysian scenario, professional accountants have been appointed to be members of the boards and supporting committees including playing the roles as chairman of audit committees.

At the operational level, the design and effective implementation of internal control and risk management are dependent on the quality of people who are responsible for the design and implementation of those internal controls. This is also another area where accountants have

been contributing significantly as internal auditors and risk officers. This includes ensuring effective communication of governance, risk and compliance related matters to the appropriate parties within organisations.

While there are many educational and training programmes around this area, focus programmes for accountants would certainly increase the talent pool which is critical in positioning Malaysia as a competitive market.

- h. While the focus of re-aligning the key players in accountancy education and training in Malaysia is to meet domestic needs, we should not overlook the opportunity to position Malaysia as the hub for accountancy education and training as mentioned above.

While there are a number of initiatives in this direction such as through formal collaboration between institutions of higher learning and professional bodies, this effort should be approached in a more holistic manner. Among the key issues that need attention are:

- Development of adequate talent pool who are able to teach critical subjects and subjects which require significant work experience such as advanced accounting, auditing and taxation to teach in participating institutions.
- Closer alignment between the curriculum taught as relevant accountancy programmes with professional accountancy programmes.
- Availability of ready places for foreign students to have their relevant working experience in Malaysia and no immigration restrictions for them to be employed until they complete their professional accountancy programme.
- Develop circles of excellence around geographical locations to cater for specific regional markets.

2.3 ROLES OF KEY PLAYERS IN ACCOUNTANCY EDUCATION AND TRAINING

Based on the demand, challenges and opportunities discussed above, the key players in accountancy education and training need to review their strategies and operations to ensure the Malaysian economy is supplied with adequate number of accountants who possess professional knowledge, skills, experience and values which will serve the needs of the diverse sectors in our economy.

a. The accountancy profession

While Malaysia has benefited from an inclusive accountancy profession where many global accountancy bodies are operating and providing support to their members in Malaysia, the framework for recognition of accountants varies and may not necessarily provide the assurance on the baseline competency of people who are recognised as accountants.

As mentioned earlier, while the MIA was established in 1967 with the power to conduct examination prior to admitting its members, this was never developed into a full fledged professional pathway. Instead, MIA started to register graduates from recognised local accountancy degrees as its members from 1973. Since 2000, MIA started to conduct its Qualifying Examination, a process to equate certain foreign accounting degrees with its recognised local accountancy degrees.

From 2000 onwards, all MIA members are designated as Chartered Accountants, a designation which is common in Commonwealth countries but does not necessarily mean all chartered accountants completed any professional programme, when compared to other accountants with similar designation in other parts of the world would have.

Appendix 3 provides the comparisons between members who are admitted through Part 1 of the First Schedule of the *Accountants Act* with those who are members of professional bodies approved under Part 2 of the First Schedule.

At the initial stages, the professional accountancy qualifications and accountancy programmes recognised by the MIA were recognised without any assessment made. A formal process to assess and evaluate local accountancy programmes was only introduced in 2013. As an attempt to comply with IESs, MIA introduced CARE programme in 2009 to ensure some sort of assessment is performed before membership is awarded. So far none of the applicants under the CARE programme were denied membership due to the inability to meet the requirement of CARE.

In addition to the framework issue, accountancy today has moved significantly ahead, in line with our economic growth and developments where accountants need to have more market oriented skills to deal with present challenges. A selected comparison between the present accountancy landscape and those existing in 1973, where the first local accountancy programme was recognised by MIA is shown in Table 2.

Based on the present arrangement, the process to recognise accountants in Malaysia has a number of shortfalls:

- MIA has not developed a competency assessment which would provide a uniform assessment of competencies of applicants who wish to be registered as chartered accountants. Presently, it accepts members of professional bodies or graduates from a recognised accountancy programme without being able to have any assurance that they have demonstrated such baseline competencies;

Table 2

Selected differences in the present accountancy landscape compared with what existed in 1973 when local accountancy degree was first recognised

	1973	Present landscape
Accounting standards	Generally accepted accounting practices Historical cost	International Financial Reporting Standards and IFRS for SMEs Fair value and complex
Auditing standards	Generally accepted auditing practices	International Standards on Auditing and International Standards on Quality Control
Professional ethics	Stand alone code of professional ethics	International Code of Ethics for Professional Accountants
Capital market	No capital market	Large equity and bond markets including Islamic capital market
Financial sector	Predominantly domestic banking	Globally connected financial services including Islamic Banking
Public sector	Cash-based accounting	Outcome-based budgeting and accrual accounting

- While the local institutions of higher learning attempted to ensure their graduates have met the requirements of the IESs through an initiative of having a common curriculum in the form of *Halatuju Reports*¹⁷, such approach does not ensure consistent competencies across universities due to:
 - o Each university has different teaching capacities and limited number of lecturers who are professionals;
 - o While universities are applying common education framework, there is no common examination to ensure a common baseline standard as the competencies of graduates are based on the questions and marking standards set by each university;
 - o All graduates are treated as equal although the academic achievements among them ranges between CGPA of 2.0 and CGPA of 4.0;
- o The other phases of initial professional education such as having relevant working experience and developing high level professional skills which normally occur at the post university phase are not within control of the universities; and
- o The competencies and standards set by Halatuju are predominantly from the perspective of universities, and not from the perspectives of the market who are the consumers of their products (accountancy graduates). In the Halatuju 2 report, it was acknowledged and recommended that the MIA should conduct competency assessment in line with the requirements of IES 6.

¹⁷ The draft third *Halatuju Report* was issued in 2014 but the final version has not been made public.

- While MICPA has been playing its role as a training institution for accountants in Malaysia, it presently has only around 3,000 members, including those who qualify as professional accountants through other professional accountancy bodies. MICPA is also now focusing on ensuring that it is recognised by the Global Accountancy Alliance¹⁸ (GAA) which limits the ability of MICPA to revise its membership framework to accommodate local needs and situations including enabling accountancy graduates who are not employed by accounting firms or large corporations to become its members.

Moving forward, MIA or any designated organisation, should take leadership in accountancy education in Malaysia and able to steer and co-ordinate tertiary education and professional accountancy programmes, taking into account the need for ensuring competency, inclusiveness and affordability. The body would be able to develop better relationships with other professional accountancy bodies through mutual recognition arrangements and joint professional development programmes which will provide greater benefits to our economy.

There is a need for the development of the accountancy profession as a whole to be designed and shaped to meet the market needs rather than the present “pass-through” model. This will also enable innovative education and training programmes to be developed at the right levels and to ensure the profession is more inclusive in order to produce the adequate number of competent accountants which Malaysia.

b. Institutions of higher learning

Institutions of higher learning are important players in producing accountants in many economies. The graduates, whether in accountancy or other relevant courses, are the input into professional accountancy programmes offered by professional accountancy bodies. The closer the competency gaps that exist at the graduation stage with the competency at the end of the professional programmes, the easier it would be for the graduates to be recognised as professionals.

However, there are many challenges faced by many institutions of higher learning in becoming effective suppliers of talents to the accountancy profession. One good example is those captured by the *Pathway Commission Report*¹⁹ which was issued in 2012. It should be noted here that these findings are in the context where graduates have to complete the AICPA professional programme before being accorded with the American Institute of Certified Public Accountants (AICPA) membership.

Among the impediments that exist at the institutional, programme and departmental levels identified by the Commission are:

- failure to acknowledge what drives faculty to change
- inability to overcome the silo effect in many departments where curricula are viewed simply as collections of independent courses
- delays in incorporating effective practices in pedagogy because faculty lack experience, knowledge, and development opportunities

¹⁸ The Global Accounting Alliance is made up of 11 of the world's leading accounting institutes, brought together to promote quality services, share information and collaborate on important international issues.

¹⁹ The Pathways Commission on Accounting Higher Education was created by the American Accounting Association (AAA) and the AICPA to study the future structure of higher education for the accounting profession and develop recommendations for educational pathways to engage and retain the strongest possible community of students, academics, practitioners, and other knowledgeable leaders in the practice and study of accounting.

- the slow pace at which curricular change occurs within colleges and universities
- lack of flexibility in tenure processes and post tenure
- review focused primarily on research productivity
- lack of reward structures promoting student-centeredness and curricular innovation
- inability or unwillingness of deans and department chairs to implement change
- lack of appreciation or understanding of the importance of sound pedagogy and professional relevance

A review of the recommendations of the Halatuju 2 report indicates that the challenges in Malaysia are not that much different from the issues mentioned in the Commission report. Issues such as improving teaching pedagogy, developing learning and teaching infrastructure and personal development of lecturers are equally relevant here. Hence, the Commission's proposes solutions which should be considered here. Among the recommendations are:

- Build a learned profession for the future by purposeful integration of accounting research, education, and practice for students, accounting practitioners, and educators
- Develop mechanisms to meet future demand for faculty by unlocking doctoral education via flexible pedagogies in existing programs and by exploring alternative pathways to terminal degrees that align with institutional missions and accounting education and research goals
- Reform accounting education so that teaching is respected and rewarded as a critical component in achieving each institution's mission
- Develop curriculum models, engaging learning resources, and mechanisms for easily sharing them as well as enhancing

faculty development opportunities in support of sustaining a robust curriculum

- Improve the ability to attract high potential, diverse entrants into the profession
- Create mechanisms for collecting, analysing, and disseminating information about the current and future markets for accounting professionals and accounting faculty

Addressing the identified challenges would be more effective when the profession and academics develop mutual respect towards each other and understand the different roles played by each party. They should accept that there are limitations to what they can achieve individually and the country will have more to gain if the cooperation between these two sectors are enhanced.

c. Employers

The role played by employers in the development of professional accountants can be described as akin to the teaching hospitals for the medical profession. This is the stage where aspiring professional accountants transform the knowledge and skills which they learnt during the undergraduate stage into professional skills through the application of the knowledge and skills on real life problems under the supervision of qualified and experienced supervisors who are professional themselves.

However, not all employers have the capacity to educate and train professional accountants due to the following constraints:

- Small and medium enterprises do not have the interest to participate in programmes with professional accountancy bodies
- For smaller employers, the breadth of experience offered and the quality of supervision is insufficient if there are no professional accountants available to supervise such graduates

- Employers may not be keen to support the cost to complete professional accountancy programmes

The further the employers are located from major cities like Kuala Lumpur, Penang, Johor Bahru, Kota Kinabalu and Kuching, the more difficult it is for graduates to find employers who are recognised by professional accountancy bodies as approved employers.

To overcome this challenge, some professional accountancy bodies do recognise work experience under the supervision of mentors who may not necessarily be working at the organisations where the graduates are employed. The challenge with this approach is how the baseline standards are maintained to ensure the graduates achieve the desired competencies, especially when there are no further formal processes that the graduate is required to go through before being admitted into professional accountancy bodies.

Commitment by employers in making available training opportunities with appropriate level of supervision is critical if the number of professional accountants in Malaysia is to be increased as desired. While it is anticipated that accounting firms and large corporations would remain committed to provide the opportunities, those from other sectors such as small and medium enterprises and public sector organisations should be encouraged and assisted to contribute.

d. Funding agency

As the number of graduates pursuing professional accountancy education grows, the demand for funding will increase accordingly. While larger employers offer funding for their employees who are taking up professional accountancy education, such practise is limited in the SME sector, which employs a large number of graduates. Professional accountancy education is not covered by the National Higher Education Fund Corporation (PTPTN).

The accountancy profession had in the past attempted to contribute towards this area through the establishment of the Malaysian Accountancy Education and Research Foundation (MAREF). However, the funding offered by MAREF is limited and the focus has been on supporting applied researches by Malaysian academicians and limited scholarships were offered to graduates who were interested to pursue professional accountancy programmes.

Moving forward, MAREF or any other funding agencies have to be brought into the picture to ensure adequate funding is made available to cater for future demand by graduates. This is especially important for those who are not employed by large accountancy firms or large corporations, which form the majority of graduates in the job market.

PART 3

THE ACCOUNTANCY PROFESSION, ROLES AND REGULATION

3.0 THE ORIGIN OF PROFESSIONS AND ITS NEXUS WITH REGULATION

The understanding of the development of professions in the UK, from where we inherit our regulatory principles, provides a good idea about the connection between professions and regulation.

“The origins of many modern professional bodies are from social clubs, formed to provide a forum to exchange ideas on a particular subject without any conscious intention of becoming a regulatory institution.

As professions became more established, with distinct sets of interests, memberships, and bodies of knowledge, they began to enter into a special relationship with the state to achieve a monopoly, or at least licensure. The political culture of a society, which influences the style of this “regulative bargaining”, can be seen as crucial for the development of a profession.

People rely on the ethical integrity of professionals in a way unprecedented in other occupations because the services offered by a professional are characteristically different from goods that are sold by a manufacturer, merchant or retailer. A professional provides intangible services, and the purchaser has to take them on trust. Strong educational background and qualifications are thus necessary, but trust, measured by outward appearance and manner fitting the socially-accepted standards of repute and respectability, is often just as important.

Professional bodies accordingly have a twin function in assuring quality services to the public, as well as representing their members in the regulative bargain with the state.”²⁰

The obligations of a profession to the public is well described by Lord Benson in his speech at the House of Lords.²¹

The nine obligations to the public are:

- I. The profession must be controlled by a governing body which in professional matters directs the behaviour of its members. For their part, the members have a responsibility to subordinate their selfish private interests in favour of support for the governing body.
- II. The governing body must set adequate standards of education as a condition of entry and thereafter ensure that students obtain an acceptable standard of professional competence. Training and education do not stop at qualification. They must continue throughout the member’s professional life.
- III. The governing body must set the ethical rules and professional standards which are to be observed by the members. They should be higher than those established by the general law.

²⁰ British Professions Today: The State of the Sector © Spada Limited 2009, p.4 and 5.

²¹ The Professions: House of Lords Deb, 8 July 1992 Vol 538 cc1198-234.

- IV. The rules and standards enforced by the governing body should be designed for the benefit of the public and not for the private advantage of the members.
- V. The governing body must take disciplinary action, including, if necessary, expulsion from membership should the rules and standards it lays down not be observed or should a member be guilty of bad professional work.
- VI. Work is often reserved to a profession by statute – not because it was for the advantage of the members but because, for the protection of the public, it should be carried out only by persons with the requisite training, standards and disciplines.
- VII. The governing body must satisfy itself that there is fair and open competition in the practice of the profession so that the public are not at risk of being exploited. It follows that members in practice must give information to the public about their experience, competence, capacity to do the work and the fees payable.
- VIII. The members of the profession, whether in practice or in employment, must be independent in thought and outlook. They must be willing to speak their minds without fear or favour. They must not allow themselves to be put under the control or dominance of any person or organisation which could impair that independence.
- IX. In its specific field of learning, a profession must give leadership to the public it serves.

The different models of regulation are well described in the *Clementi Report*²². It identified the conflict of interest between the representative role and regulatory role of practitioner bodies. In arguing for the representative and regulatory roles to be split, the report noted that “It is difficult to understand how one body can effectively both regulate a profession

and also represent and lobby for its interests without prejudice to either its regulatory or representative functions.”

The split between regulatory and representative functions could be achieved in a number of different ways. The first model provides the clearest split where all regulatory functions are removed to an independent authority.

The other model leaves the front-line regulatory functions at practitioner body level, subject to consistent oversight by an independent regulator, but requires the practitioner body to split their regulatory arm from their representative arm, with separate governance arrangements.

The model for the regulation of professionals in Malaysia is quite established. Except for the accountancy profession, all other professions are regulated independently by bodies established under statutes. The members of the profession are represented through representative bodies established by the members of the profession themselves. Malaysia appears to be adopting the first model mentioned in the *Clementi Report*.

The regulatory and representative bodies for the professions in Malaysia are set out in Table 3.

In a developing economy, aligning the development of a profession with market demands is another important issue apart from balancing between representative needs and public benefit issues. For example, as the Malaysian economy moves up the value chain, more new and advanced services are required from professionals. In the capital market sector for example, specialised skills in financial asset valuation, assurance, Islamic finance, governance, risk management and compliance are high in demand. If the relevant professional bodies are not able to innovate and develop the relevant skill development programmes, the under-served market may not be able to expand appropriately notwithstanding the opportunities and potentials.

²² The review of the regulatory framework for legal services in England and Wales by Lord Clementi which was released in December 2004.

Table 3

The regulatory and representative bodies for the professions in Malaysia

Profession	Regulatory body	Representative body
Engineering	Board of Engineers established by the <i>Registration of Engineers Act 1967</i>	Institute of Engineers Malaysia
Architecture	Board of Architects Malaysia established by the <i>Architects Act 1967</i>	Malaysian Architect Association (Persatuan Akitek Malaysia)
Surveyors	The Board of Quantity Surveyors Malaysia was set up by the <i>Quantity Surveyors Act 1967</i> (revised 2002) Land Surveyors Board in 1958, under the <i>Licensed Land Surveyors Act 1958</i> (Act 458)	Institute of Surveyors Malaysia
Medical	Malaysian Medical Council is a body corporate established under the <i>Medical Act, 1971</i>	Malaysian Medical Association
Legal profession	Advocates and Solicitors Disciplinary Board established under the <i>Legal Profession Act, 1976</i>	The Bar Council of Malaysia

In this respect, the design of regulation for professionals in Malaysia must be more forward looking and has to capture future needs of the country. For example, as economies are more globalised through trade and social arrangements such as ASEAN, the regulatory framework should be able to accommodate new economic features such as freer flow of professionals and more convergence in regulatory frameworks.

Regulation should allow, instead of hinder, quick adjustments to the changes in the market place instead of retaining practices which may not allow innovation, flexibility and public benefits to be served. As knowledge evolves, distinctions between professions may be less clear and new disciplines will become more dominant. There will be more demand for services outside the traditional strength and core skills of professions. The economy cannot afford

resources to be spent on debating which body is responsible for overseeing the development and growth of these new services.

For example, is financial asset valuation a domain controlled by the accountancy profession or it is a new discipline altogether? If this new skill is required, who is responsible to develop the area? If one profession believes it should be responsible for valuation but is not fast enough in developing and training Malaysian talents in this area, should other bodies be allowed to take over and progress the new discipline further for the sake of meeting market demand?

Moving forward, a flexible architecture which facilitates the development of new disciplines around traditional boundaries of professions is an important factor in designing regulation.

3.1 ISSUES RELATING TO THE PRESENT REGULATORY FRAMEWORK OF THE ACCOUNTANCY PROFESSION

The accountancy profession in Malaysia is regulated through the *Accountants Act, 1967*. The MIA was established to perform, among others, the following functions²³:

- Determine the qualifications for membership admission;
- Provide education and training in accountancy;
- Regulate the practice of accountancy; and
- Promote the interests of the accountancy profession.

Section 22 prescribes that no one in Malaysia can hold himself/herself as a “Chartered Accountant” or any similar designation unless the person is a member of MIA.

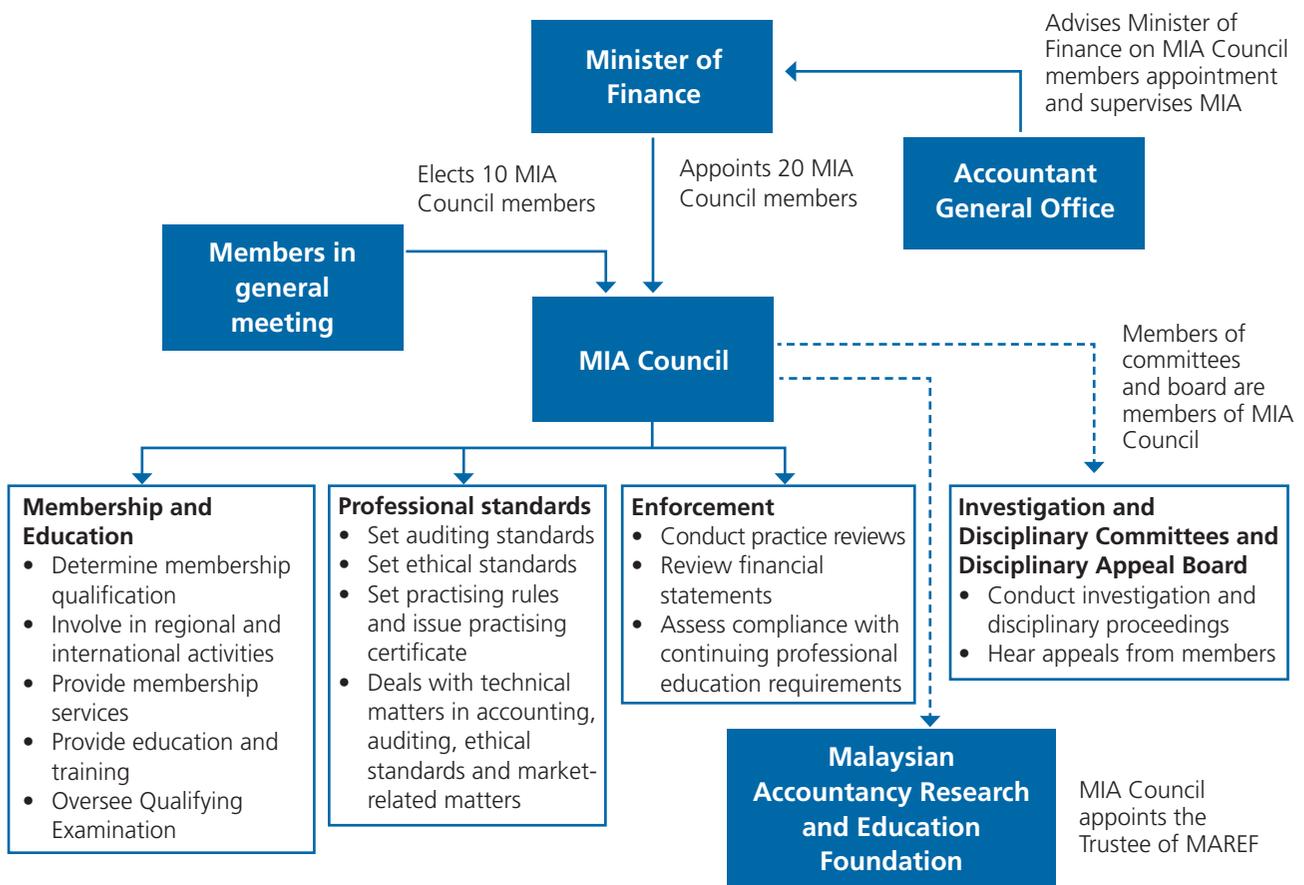
MIA is governed by a Council of 30 with representatives from the Accountant General Office, professional accountancy bodies, institutions of higher learning and other suitable accountants appointed by the Minister of Finance in addition to 10 who are elected by members in general meeting. Members of MIA are empowered to decide on certain matters as specified by Section 6 in general meetings of MIA.

Disciplinary matters are dealt with by three statutory committees which inherit their powers directly from the *Accountants Act, 1967*. However, the Act specifies that the members of the committees must also be members of the MIA Council and the proceedings of the committees are determined by rules passed by MIA members at the general meeting.

Diagram 9 describes the present regulatory framework and MIA's governance arrangement.

Diagram 9

The present regulatory framework and MIA governance arrangements



Source: The CSAP analysis

²³ Functions of MIA are determined by section 6 of the *Accountants Act, 1967*.

A review of the regulatory framework and governance structure of MIA revealed the following key issues:

a. MIA perceived split identity hinders its effectiveness

As discussed above, the MIA was established as a body shaped as a professional body carrying a regulatory mandate. The following key events influenced how MIA is perceived by itself and other stakeholders:

- MIA has been unable to develop and conduct examination for the purpose of membership admission although it was empowered to do so;
- Direct admission of graduates from local institutions of higher learning starting from 1973;
- The introduction of Qualifying Examination in 2000; and
- Changes in the composition of MIA Council membership from a fully elected council into a split model where 10 are elected by members and 20 are appointed by the Minister of Finance.

MIA's structure which has been prescribed by this statute/law i.e as a regulator and also a professional body, has created confusion as to whether MIA is a professional body with a regulatory function or a regulator with professional functions. This issue has, to a certain extent deterred MIA from carrying out its function more effectively, as the conflict between its representative role (which prefers less regulation and more membership development and benefits) and its regulatory role (to enforce professional standards and protect public interest effectively) has been dominating most of MIA's Council and general meetings agenda. At the MIA's recent Annual General Meetings held on 27 September 2014, a motion to separate the dual functions was carried by its members. The Audit Oversight Board did approach MIA with a suggestion to provide technical assistance and quality

assessment services to audit firms to alleviate their professional standards and audit quality. However, noting MIA's dual function, MIA was of the view that the provision of such assistance as services to audit firms would create a conflict with its regulatory function and hence, the idea was not further developed.

Though MIA is unable to ensure that its members attain a minimum professional proficiency due to not having the necessary tools to do so, MIA has still managed to provide training and development for its members in areas relevant to the accountancy profession, but within a more neutral area/context.

b. Effectiveness of the MIA Council

The intention for the enlargement of the MIA Council was to ensure fair representation of the key stakeholders in the council which is responsible to chart the future of the accountancy profession in Malaysia. It was expected that all members of the MIA Council would focus on the growth and development of the accountancy profession as a whole and ensure professional standards and public interests are protected.

However, given that the council members could be identified as representing their specific sectors and interests, many tend to focus on their areas of interest and the overall interests of the profession and nation sometimes do not receive adequate attention.

There are also concerns on the performance of council members as there is no fit and proper test required for MIA members who offer themselves for election.²⁴ There are also no formal criteria and nomination process for the appointment of a person to the MIA Council and no formal performance assessment to determine whether an appointed council member should be re-appointed or otherwise.

²⁴ Presently the MIA Council Rules does not stop a person who has been removed from his/her professional body to offer him/herself for election as council member unless the person has been disciplined by MIA.

Given the present governance arrangements, succession planning is a challenge and this influences selection of the leadership of MIA. As the effectiveness of any organisation is set by the tone at the top, a more robust governance arrangement is necessary to ensure those who are in charge of the development and governance of the accountancy profession consists of “the best person for the position”.

- c. MIA leadership in accountancy education is not visible

While one of MIA's statutory functions is to determine the membership admission, MIA's leadership in accountancy education is not visible. Presently, there is no clear description of the competency of a “Chartered Accountant” who is a member of MIA which should be the baseline for membership admission.

Given that MIA from the onset has admitted members from other recognised professional bodies, there is no formal process of maintaining recognition nor the opportunity for a review of such recognition. One of the recommendations made by the ROSC AA was for MIA to mandate that candidates for membership who are members of a recognised professional accountancy body sit for examinations covering taxation, business and company law in Malaysia prior to admission. Without its own competency model, MIA would not be able to assess whether there are material gaps in the competency of members of other professional accountancy bodies.

On the other hand, the standards used by recognised institutions of higher learning for accountancy education are developed collectively by these institutions under the sponsorship of the Ministry of Education (Halatuju report). This is a unique situation where the baseline standards are set by the institutions of higher learning instead of being driven, shaped and determined by MIA in performing its function under Section 6 of the Accountants Act and meeting the needs of the industry.

The ROSC AA had also identified the need for these accountancy programmes to be regularly reviewed. While MIA has started reviewing such programmes, it does not address the conceptual issue of the determination of baseline standards as the reference used is the Halatuju report.

Section 52 of the *Malaysian Qualification Agency Act, 2007* (MQA) empowers professional bodies, through a joint committee, to grant recognition to professional programmes applied pursuant to Section 50 of the Act. This power provides the MIA with a strong tool to shape accountancy education in Malaysia. However, the MIA has not been actively involved in the accreditation process and the joint committee was only established in 2013 even though the MQA has been operational since 2007.

As a member of IFAC, the MIA is obliged to apply the International Education Standards (IESs) issued by the IAESB. However, there is no formal process at the MIA which officially affirms that all the IESs have been adopted and complied with.

While the MIA is active in providing continuing professional development programmes and organising sector specific and international conferences, it is not actively involved in providing certification for specific skills which are demanded in the market. There is no programme leading towards providing certification in accounting/auditing Islamic finance transactions notwithstanding Malaysia is one of the leading countries in the world in relation to Islamic finance.

- d. Distortion of the identity of accountants

The initial approach taken by the *Accountants Act, 1967* was to register accountants for the purpose of regulation based on their classification as public accountants or registered accountants. This was to differentiate between those who are in public practice and others who are in commerce and industry, public

sector and academia. The classification is based on the experience of the members in public accountancy practice and those classified as public accountants in public practice. At the MIA annual general meeting, these two groups who are members will vote separately to appoint their representatives to the MIA Council.

From the date of the establishment of MIA until 1973, such categorisation of membership did not create any issue as all members of MIA are also members of other recognised professional accountancy bodies. However, when the membership route was enlarged to include graduates from recognised accountancy courses, the meaning of the categorisation shifted.

In 2000, the designation of all MIA members was changed to "Chartered Accountants". This changed the underlying concept of MIA membership categorisation from registering accountants based on their vocation into according them with a "professional designation". However, given the numerous pathways to MIA membership, a single designation does not necessarily create a brand which is accepted in the market place. Employers would then request information on the qualifications of MIA members instead of just relying on the designation accorded by MIA.

The practice of admitting degree holders directly as full members without any further professional assessment is fairly uncommon among countries that have a developed and mature accounting profession. Other than MIA, the other IFAC member countries that adopt the same approach are:

1. Bahrain Accountants Association;
2. Ordre des Experts Comptables et Comptables Agréés de Côte d'Ivoire – Ivory Coast;
3. Instituto de Contadores Públicos Autorizados de la República Dominicana – Dominican Republic;
4. The Malta Institute of Accountants; and

5. Swaziland Institute of Accountants (as registered accountants).

On further analysis, these countries adopted such approach as they lack capacity to develop processes in admitting members like other professional accountancy bodies which have matured professional training and assessment processes to access the suitability of prospective members prior to their admission.

At the same time, professional accountancy bodies under Part 2 of the First Schedule of the MIA Act have recognised accountancy programmes under Part 1 of the First Schedule and provide the degree holders from these programmes exemptions from certain number of subjects in their professional accountancy programmes. As the graduates will have to pass further professional assessments before being admitted as members of the professional accountancy bodies, the market finds it difficult to reconcile when they are later positioned in a similar category as members of MIA.

In the legal profession, admission is based on the law degrees obtained by aspiring professionals. They are then required to go through a chambering period to gain a deeper understanding and knowledge of the rules of the courts. Hence, the purpose of chambering is not similar to the professional experience required for the accountants as such a period is used to develop professional skills and competency which are significantly higher than those when they graduated.

The accountancy profession adopts a similar approach to the medical profession where students have to pass the clinical stage, supervised by faculty members who are themselves professionals at medical facilities approved by the Malaysian Medical Council. Medical students have to demonstrate competencies expected of a doctor during this period. In the accountancy profession, this is done when graduates work at organisations approved by professional accountancy bodies in functions which are

relevant to the professional development of the graduates under the supervision of qualified professional accountants. The supervisor would have to assess the competency attained by the graduates as part of the admission process as a member of the professional accountancy body.

New Zealand and Singapore are the last few developed countries which abandoned the approach of admitting graduates as professional accountants directly without further assessment at the point of entry. Aspiring graduates would have to complete four technical modules and the capstone programme on top of their relevant work experience before being admitted as a member of the New Zealand Institute of Chartered Accountants²⁵. With the merger with the Institute of Chartered Accountants in Australia, this professional programme is aligned further; similar to what is being adopted by MICPA. Singapore has just introduced the Singapore QP on top of academic qualifications which leads to the designation as a Chartered Accountant. It consists of four technical modules, one ethics module and an integrated business solution module. Practical experience with an approved training organisation is also required. All graduates in Singapore including those from the National University of Singapore²⁶ are required to complete the Singapore QP. Given that MICPA is accepted by our market as the Malaysian professional accountancy body, it will not be difficult if this route is taken here as we already have a matured professional programme, which is recognised internationally.

e. Challenges in enforcing professional standards

The MIA is facing a number of challenges with respect to enforcing professional standards and rules. As mentioned earlier, the inability to reconcile between the representative and regulatory roles had stalled several efforts to enforce standards. For example, the MIA

has set up a practice review regime in 2002 to ensure auditors in Malaysia comply with the relevant professional standards. From the findings²⁷ where more than 44% of 639 audit firms reviewed had failed to comply with the relevant standards, no disciplinary action was taken against these firms as the MIA Council had to accommodate a strong request from its members to adopt a more “educational” approach. Notwithstanding that auditors who are approved by the Minister of Finance, must be competent, fit and proper.

The structure of the disciplinary process of the MIA needs to be enhanced. Among changes that need to be considered are:

- The limitation imposed by the *Accountants Act, 1967* that the investigation and disciplinary committees should be limited to the MIA Council members. Given the diversity of their background, some may not have the prerequisites to be on these committees and boards. When conflict arises, the number of committee members deliberating referral cases is reduced and this affects their effectiveness. Modern disciplinary structures require independent members to be involved. This is not possible under the present regulatory framework;
- To move away from conducting investigations through a committee. Investigation into complaints received by the MIA should be performed by MIA staff that are competent and suitable, which is similar to the approach of other regulators. The current structure is not optimum as the committee members are part-timers and have other competing commitments. As the law requires a new committee to be set up after every annual general

²⁵ Now known as Chartered Accountants Australia New Zealand after the merger with the Institute of Chartered Accountants in Australia.

²⁶ Ranked 26th in the world by the Times Higher Education World University Ranking 2013–2014 <http://www.timeshighereducation.co.uk/world-university-rankings/2013-14/world-ranking/range/001-200/order/country%7Casc>.

²⁷ MIA Practice Review Report 2009–2013.

meeting, the continuity of investigations can sometimes be affected with the newly formed committee having to re-visit certain cases all over again. The fact that the law provides for only a single investigation creates more of a challenge for it to be effective;

- While the committees and boards inherit their power directly from the Accountants Act, their processes and deliberations are dictated by rules approved by MIA members in the general meeting. This framework is not flexible and may not meet the test of ensuring public interests are protected as those rules are key to ensure referral cases are dealt effectively. One of the rules which create a huge challenge for the Disciplinary Committee is the requirement for the committee to produce the complainant to be cross-examined by the respondent. Given that most cases against members of MIA could be proven using documentation (for example audit working papers or documents filed with regulators) such requirement creates an unnecessary burden for the committee to effectively discharge its responsibilities; and
- The committees and boards are operating independent of each other and not subjected to any oversight or supervision. It is important that the work be co-ordinated to ensure cases are dealt with in a timely manner to ensure public confidence in the MIA disciplinary process is upheld. To address the conflict issue, an independent structure outside of the MIA Council that provides oversight may be needed.

Given that many members of MIA are also members of other professional accountancy bodies which have their own code of conducts and rules, this situation creates some challenges as some of these codes and rules may not be similar with the MIA's By-Laws on Professional Conducts and Ethics. Moving forward,

this needs to be aligned so that the responsibility and jurisdictions of parties involved are defined upfront.

- f. The lack of technical capacity to advance accountancy knowledge and practice.

Given that accountants in Malaysia are increasingly required to deal with multifaceted business issues which require complex accountancy solutions, the demand for technical support from the MIA has been on the rise. While the MIA has responded by setting up structures such as the Financial Reporting Standards Implementation Committee (FRSIC) and invested resources to run a number of technical functions, there is still more that can be done to ensure Malaysian accountants have adequate technical support to perform their duties.

While the large accountancy firms and other professional accountancy bodies provide support to some of the technical needs of the MIA, strategically the MIA should ensure it is able to deal with most of the technical issues independently as other parties may have different interests and priorities. This requires the MIA to make a strategic decision in identifying priorities and allocating investments in resources and talent development.

- g. Rules for practicing accountants need to be modernised

The *Accountants Act, 1967*, defines the parameters which governs accountancy practices in Malaysia. This includes the structures acceptable, services offered, practice names and advertising.

As business practices evolved, the field of accountancy has changed significantly, especially in developed countries. This includes allowing for practice incorporation, flexible usage of commercial names, allowing non accountants to have equity in accountancy practices and liberal advertising regime.

There is also some disparity between the accountancy profession and other professions in Malaysia. For example, engineers, architects and surveyors are allowed to incorporate their practices notwithstanding they are assuming personal liabilities as professionals. Given the complexity of businesses which now demand comprehensive services by providers with multi disciplinary skills, the practice parameters for accountants warrant further review. This is more so as many accountancy practices are structuring their set-ups to meet changing business requirements.

- h. Need to strengthen funding for accountancy development.

For the Malaysian accountancy profession to continue developing, it has to attract new talents and continue to expand the knowledge domain to ensure its relevancy to the market needs. Apart from the MIA, the Malaysian Accountancy Education and Research Foundation²⁸ (MAREF) was set up by the MIA in 1990 as a trust body for the promotion, encouragement and advancement of accountancy research and education in Malaysia. The foundation was gazetted as an approved organisation under section 44(6) of the *Income Tax Act 1967* which means that any monetary donation towards MAREF attracts a tax exemption.

The trustees of MAREF are appointed by the MIA Council. However, MAREF runs as an independent organisation and does not report

to the MIA. The present trust deed provides that a trustee serves MAREF unless the person is disqualified or resigns.

MAREF has been funding applied academic researches and other studies which contribute to the advancement of accountancy knowledge. It has offered a number of scholarships for graduates to pursue professional accountancy qualifications but the have been in limited numbers and it has not been doing so in the last five years.

The foregoing discussions indicate that more needs to be done to develop the accountancy profession in Malaysia and grow the number of professional accountants to meet market demands. Hence, MAREF has to go beyond its traditional activities and be more active in sponsoring students who are pursuing professional accountancy programmes, implement capacity building projects to enhance the level of teaching and researches as the local institutions of higher learning and promote the accountancy profession to students. To allow MAREF to be more involved, it has to raise more funding, beyond the existing practice of relying on contributions from the members of MIA.

The governance of MAREF needs to be strengthened to ensure good governance practices are adopted such as periodical rotation of trustees and having explicit responsibility to report its operational and funding activities to the public. The management of MAREF must be further strengthened to ensure it has the capacity to deliver the new expectations of MAREF.

²⁸ <http://www.maref.org.my/>

PART 4

RECOMMENDATIONS, RISKS AND IMPLEMENTATION CHALLENGES

4.0 THE TIME TO RESET THE ACCOUNTANCY PROFESSION IN MALAYSIA

The numerous challenges identified in this report signal the need for a total reset of the governance of the accountancy profession in Malaysia. Any incremental change would only address parts of those issues. Unless the fundamental issues such as the identity of the governing body and its governance, baseline standards for professional accountants and leadership in accountancy education are addressed, the profession would continue to be behind the curve and would not contribute effectively to nation building.

The main thrust of our recommendation is to revamp the governance structure of the accountancy profession, replacing the MIA with a new structure with better checks and balances including better clarity in the reporting lines to the Minister of Finance and creating specific structures which will address the key issues of the accountancy profession. The relationship between the new regulatory body with other stakeholders such as the professional accountancy bodies and institutions of higher learning are clarified.

We envisage that the new structure will take some time to develop further strategies to bring the accountancy profession forward. Hence, the CSAP takes this opportunity to provide recommendations in areas where the profession can be further strengthened; especially to increase the number of professional accountants and ensure specific competencies and skills are made available to support the demands of corporate and public sectors.

While some of the measures undertaken in the past have placed the Malaysian accountancy profession at its current level, future success will depend on how the whole profession is set up to take on the challenges of future.

The key thrusts of the recommendation herein are:

- Introduce a new regulatory structure which will strategise and develop the accountancy profession while promoting public interests through the formulation and enforcement of professional standards;
- Ensure adequate supply of professional accountants for the economy that fulfills market expectations in terms of knowledge, skills and values;
- Improve the effectiveness and efficiency of the disciplinary structure for the enforcement of professional standards to ensure protection of public interest;
- Ensure financial support for education, research and capacity building for the accountancy profession;
- Create a conducive and inclusive environment to attract students to pursue professional accountancy profession;
- Foster support to MIA members to enhance their skills and competency to match market expectations;

- Strengthen the Small and Medium Practices to render professional services for SMEs;
- Strengthen the accountancy education as well as positioning Malaysia as the hub for accountancy education and training for this region; and
- Enhance the competitive edge of the profession by developing specialised competencies and skills (for example, in the area of Islamic Finance).

Risks and implementation challenges are also identified.²⁹

4.1 A NEW REGULATORY BODY TO REGULATE THE ACCOUNTANCY PROFESSION IN MALAYSIA

RECOMMENDATION 1

New Regulatory Body to be set up

As discussed in the previous section, the current regulatory framework for the accountancy profession requires a reset.

It is recommended that a new regulatory body (hereinafter referred to as "NRB") be established in Malaysia.

The objective of the NRB is to ensure that the accountancy profession is effectively regulated. The NRB will also be tasked to develop the accountancy profession and ensure key issues pertaining to the profession are dealt with appropriately with no duplication of efforts. All accountants in Malaysia will need to be registered with the NRB.

The NRB will consist of a Supervisory Board and three operational boards focusing on professional conduct, standard setting and education.

The Supervisory Board will be responsible to oversee the overall development of the accountancy profession in Malaysia. In doing so, it would consider strategies, operational activities and the budgets of the three

boards under its supervision. It should have adequate power to enforce professional standards and other rules within the purview of the NRB.

Upon its establishment, the Supervisory Board is expected to formulate a detailed blueprint to develop the Malaysian accountancy profession across all critical areas.

Members of the Supervisory Board will be appointed by and report to the Minister of Finance. It will have its own governance structure such as the Nomination Committee and Audit Committee. The Supervisory Board will appoint the members of the other boards under its supervision.

The Supervisory Board will be supported by a management team led by a chief executive. The management team will also be responsible to support the operations of the other boards within the NRB structure, such as conducting investigations, supervising accountants in public practice and leading accountancy research. This will enable the NRB to consolidate all regulatory roles relating to the accountancy profession under the ambit of NRB.

Collectively, the NRB would deal with:

- Registering and regulating accountants in Malaysia;
- Ensuring all relevant professional standards are aligned with our market needs and are effectively enforced; and
- Drive the development of accountancy education and set standards to ensure the needs of the market are met.

This regulatory structure will also provide flexibility and allow the NRB to oversee and regulate new or emerging groups within the profession or relevant to the financial market such as valuation professionals, risk management experts, liquidators and corporate recovery professionals. It could also be a platform to oversee other standard setting structures relating to the accountancy profession which are not within the preview of MIA at the moment.

²⁹ The risks and challenges are not necessarily pervasive but need to be considered during the implementation of the recommendations

With respect to the operational boards, their roles and responsibilities are as follows:

- The Conduct Board will be responsible for the disciplinary process relating to professional misconduct. It will also explore efforts to align conduct, standards and enforcement with other professional accountancy bodies operating in Malaysia in order to reduce the regulatory burden of accountants in the country.
- The Standards Board will set professional and ethical standards to be complied by accountants registered with the NRB, which include auditing, quality control standards, practising guidelines and guidelines on specific areas which may require attention from time to time. The Board is also responsible for overseeing and monitoring the application in addition to providing interpretation guidance on the relevant standards. It will also take over public interest functions from the MIA such as the Financial Reporting Standards Implementation Committee (FRSIC).
- The Education Board will be responsible for the professional development needs of the profession and ensure Malaysia's economy has the adequate number of professional accountants. It will also set competency and education standards (includes both university degree programmes and post qualification programmes) for professional accountants. This board will also be responsible to assess professional accountancy bodies for the purpose of recognition as well as monitoring institutions of higher learning to ensure that the graduates meet the required competency requirements set by the Board. It will also organise events and activities which promote the accountancy profession in Malaysia. To avoid any actual or perceived conflict of interest, members of the Education Board must be independent of the governance of any professional accountancy body or institutions of higher learning offering accountancy programmes.

Currently all persons holding themselves out as accountants are required to be members of MIA for the purpose of being regulated. As the NRB assumes the responsibility to register and regulate accountants in Malaysia, compulsory membership of MIA is not required. Instead the NRB will be the unifying platform for accountants in Malaysia.

The Malaysian Institute of Accountants will then operate as a professional accountancy body. It has to develop its new value proposition in winning market recognition as MICPA is already an established Malaysian professional accountancy body in the market. MIA has to ensure its membership admission process and criteria is comparable in substance with MICPA or other professional accountancy bodies operating in this country.

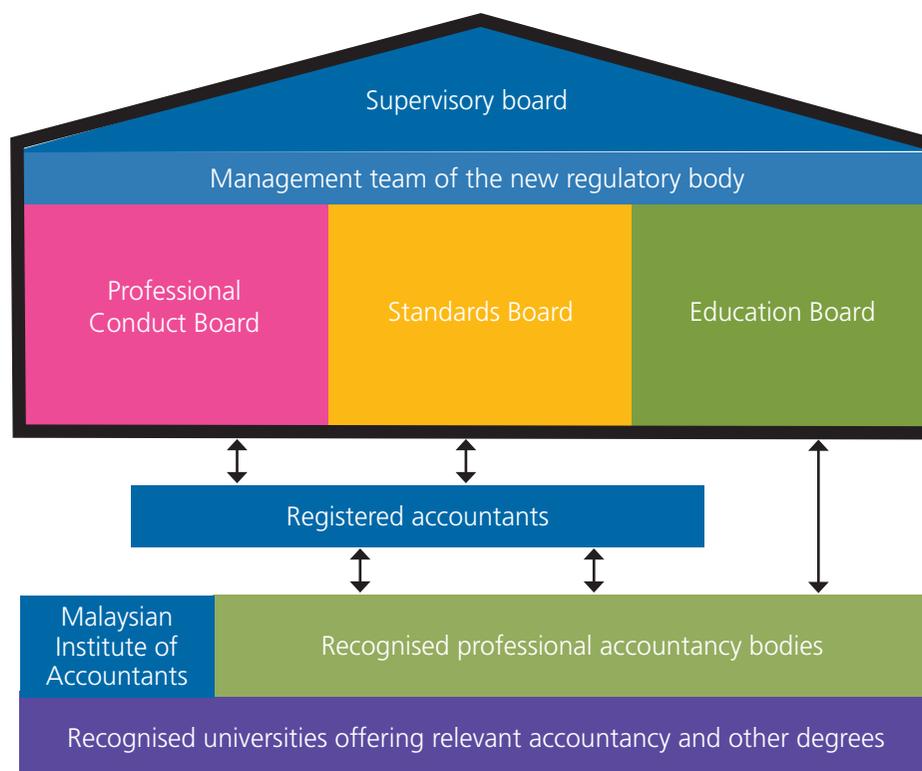
Given the present membership strength, MIA will be able to position itself into a body with high technical capabilities and further strengthen accountancy education and training.

The professional accountancy bodies could establish a coordinating platform which will support the work of the Education Board and other structures of the NRB.

Risks and implementation challenges:

- The NRB must be provided with adequate power to effectively operate and manage issues in the future.
- The need to gain public trust and confidence that the accountants registered with the NRB are competent and able to meet the changing market demands.
- The sizes of the boards and council must be properly designed and representation on the boards and council reflects their objectives, performance and functions.
- The NRB structure must be self-sufficient and operate independently without any financial support from the government.

Diagram 10

Revised Governance Structure of the Malaysian accountancy profession

4.2 MEETING THE DEMANDS FOR PROFESSIONAL ACCOUNTANTS IN MALAYSIA

RECOMMENDATION 2

Ensure baseline competencies are met

Any registration designation which may imply that the registered person is a professional accountant should only be accorded to accountants who have obtained recognised professional accountancy qualifications and remained members of good standing of their professional bodies, moving forward.

The recommendation by ROSC AA for member of professional bodies to sit for examinations covering taxation, business and company laws in Malaysia has to be implemented.

This will assure the market that the designation refers to accountants who have demonstrated the achievement of the baseline competencies of an accountant in Malaysia. Hence, baseline competencies in Malaysia must be enhanced and continuously re-affirmed based on the needs and expectations of our economy. As an interim measure, the competency model of MICPA could be adopted. This is to ensure that the standards do not fall below than the one adopted by the only other professional accountancy body in Malaysia.

As a Malaysian professional accountancy body, MICPA should play a more active role and provide opportunities for more accountancy graduates to join its full membership by extending more membership pathways, especially in sectors where there are significant concentration of graduates such as the public sector.

Accountancy programmes at all local institutions of higher learning which are recognised under Part 1 of the First Schedule of the Accountants Act 1967 should be reviewed and restructured to be aligned with the professional accountancy programmes. Such exercise is necessary to reduce the competency gaps between the competency of graduates and professional accountants. The proposed alignment may allow the duration of the accountancy programmes conducted by the recognised local institution to be reduced from four years to three years.

The savings of a year which is derived from this exercise can be redeployed to finance graduates who are pursuing professional accountancy qualifications.

It is imperative that the review and restructuring of accountancy programs at all recognised local institutions are undertaken urgently and with the active involvement of the new Education Board, including monitoring progress with clear timelines set for the review. Such an approach is critical to achieve the desired competency level and quality of graduates.

Risks and implementation challenges:

- The underlying diverse professional qualifications may still influence market acceptance.
- Insufficient number of graduates who are interested to pursue professional accountancy qualifications.
- MICPA remains focused on its present strategic path.
- The main challenge is resistance towards reform in institutions of higher learning and professional bodies or slow progress in making change.

RECOMMENDATION 3

Co-ordinate efforts to build capacity

Professional accountancy bodies have to be committed to produce the necessary number of professional

accountants and ensure their professional programmes are available across Malaysia. They must also be involved in capacity building and ensure the appropriate level of transfer of knowledge to Malaysian accountancy bodies and other relevant institutions in strengthening the accountancy profession.

The Education Board shall co-ordinate strategies and measures with recognised professional accountancy bodies and assess their performance to ensure growth in the number of accountants is in line with our economic needs.

Risks and implementation challenges:

- Misalignment between the global interests of professional accountancy bodies and the interests in Malaysia given that most of them have their strategies set at the global level and may provide preference to larger and fast growing markets.
- Supply constraints if any major accountancy body exits our market.

RECOMMENDATION 4

Increase support to the SMEs and SMPs

Given that accountancy graduates are employed in various economic sectors and a large number of them are employed in SMEs and SMPs, it is important to increase the number of Approved Training Organisations³⁰ (ATO) in the country including having more small and medium enterprises as ATOs. These smaller ATOs should be supported with technical assistance to ensure their effectiveness.

Risk and Implementation Challenges:

- Given the size and resource constraints, certain SMEs and SMPs are not able to carry out their responsibilities effectively.
- Operational difficulties in setting up the technical support structure.

³⁰ This refers to establishments where accountancy graduates are eligible to work and obtain the required professional experience for the purpose of being admitted as members of recognised professional accountancy bodies

RECOMMENDATION 5 Widen pathways into the professions

The pathways into the accountancy profession should be widened to include non-accounting graduates. Professional accountancy bodies operating in Malaysia should design and implement clear programmes to enable such graduates or other professionals to join the profession.

Risks and implementation challenges:

- Interests from non-accountancy graduates are low.
- Some may have difficulties to complete professional accountancy programmes.

RECOMMENDATION 6 Focus funding on accountancy education

The governance of the Malaysian Accountancy Research and Education Foundation (MAREF) to be strengthened and MAREF to focus on the objectives of raising funds to:

- Finance professional accountancy education through scholarships, loans and other means of assistance;
- Provide support to capacity building programmes of accountancy lecturers;
- Support applied academic research to expand the knowledge base and domains of the accountancy profession;
- Establish a knowledge-blueprint which maps future industry needs with relevant research as well as the progress of knowledge discovery. Linkages with relevant global research institutions and professional bodies should also be incorporated in the blueprint; and
- Develop a framework to link knowledge discoveries through research with the transmission of that knowledge to accountants in the relevant sectors to ensure the knowledge is applied in practice.

Risk and implementation challenges:

Inadequate funding raised as corporations may prefer to channel funds into their own scholarship programmes.

RECOMMENDATION 7 Make accountancy the profession of choice

Accountancy should be made the profession of choice through more promotions and structural changes in education.

While promotional activities are conducted by MIA, the accountancy firms and other professional accountancy bodies, it has not managed to create broad based awareness among students, their parents and employers.

More concerted efforts to promote the accountancy profession is necessary and certain issues such as the concern of having to work long hours and no work life balance needs to be addressed.

More educational efforts among accountancy students at the early stages of their education are necessary. This will provide them with a good understanding of what it takes to qualify and ensure that they are able to make the right choices in pursuing their ambitions to be professional qualified accountants.

Risks and implementation challenges:

- The workload and work hours at larger accountancy firms dominate the perception towards the accountancy profession.
- Professional accountancy bodies are focused on their own brand building rather than the profession as a whole.

4.3 STRENGTHENING THE ACCOUNTANCY EDUCATION SECTOR AND CAPTURING OPPORTUNITIES AS THE HUB OF ACCOUNTANCY EDUCATION AND TRAINING

RECOMMENDATION 8

Make Malaysia a hub for accountancy education

The strengthening of Malaysia's position as the hub of accountancy education and training has a two-fold objectives. While this would attract more foreign students to pursue professional accountancy programmes in Malaysia, it would also help professional accountancy bodies and relevant institutions of higher learning to build their talents and intellectual properties in terms of teaching platforms, tools and methodologies. Such capacity would also benefit Malaysians who are pursuing professional accountancy qualifications with those bodies and institutions.

Establish centres of excellence which offer professional accountancy programmes at institutions of higher learning in key locations. These centres should also be involved in capacity building activities to support lecturers who are involved in teaching professional programmes. Internet-based platform should also be considered to ensure knowledge, insights and teaching materials are shared across the industry at the lowest cost possible.

Lecturers should be encouraged to obtain professional accountancy qualifications and those who are successful should be given due recognition as they are critical in teaching professional accountancy subjects.

Industries should be encouraged to directly finance developmental needs such as teaching materials, tools and sponsoring lecturers who wish to pursue professional accountancy qualifications. They should also offer more market data, information and insights for the purpose of enhancing teaching.

Risks and implementation challenges:

- Institutions of higher learning may not have enough capacity in terms of human resource to make the concept work.

- Inadequate interest and support from the industry.

RECOMMENDATION 9

Encourage co-operation between the industry and universities

Encourage cross fertilisation programmes between industries and universities. This would include industries commissioning universities, together with accountancy and consultancy firms, to conduct applied researches on their behalf. Such collaboration can expedite knowledge transfer.

Placement programmes for lecturers with industries should also be encouraged to ensure they are exposed to applied accountancy practices and able to identify research opportunities which are relevant to market needs. This would also be helpful in building trust among these stakeholders which is important to develop the accountancy profession. These industry-based activities should also be considered for the lecturers' performance assessment.

More experienced professional accountants should be encouraged to teach at institutions of higher learning to enable knowledge and experience to be shared between lecturers and students. The concept of having co-lecturers for certain subjects such as auditing and advanced accounting should be considered.

Risks and implementation challenges:

- Performance assessments of lecturers remain the same with focus on research and no time allowed for industry placement.
- Inadequate interest and support from the industry.

RECOMMENDATION 10

Revise promotion and reward structures for lecturers

The promotion and reward structures for lecturers teaching accountancy programmes at institutions of higher learning should be reviewed. Excellence in teaching should be rewarded in an equal manner with excellence in research. Given the number of accountants needed by the country, more excellent graduates are needed and this can only be achieved

if lecturers are able to focus on teaching and are rewarded accordingly.

Risks and implementation challenges:

Performance assessments of lectures remain the same with focus on research and no time is allowed for industry placement.

RECOMMENDATION 11

– Create an accommodating human capital development environment

The concept of “Malaysia as the hub for accountancy education and training” has to be further defined and the implementation monitored. More institutions of higher learning, professional accountancy bodies, approved training organisations and other industry-based training institutions should be involved in this recommendation.

The hub should not be limited to professional programmes for the purpose of obtaining professional accountancy qualifications but to also include programmes and qualifications for more experienced accountants to acquire more advanced and specialised knowledge. Some of these programmes could be embedded into post graduate qualifications to provide stronger value propositions. This will serve the immediate needs of the Malaysian market itself.

More employers should be accorded the flexibility to bring employees from their regional offices for accountancy training in Malaysia. While this will facilitate human capital development for them, it would also enable Malaysian companies to take the lead position to nurture talents in the countries in which they are operating.

The new regulatory body, through the Education Board should take the role as the driver of this effort given its role in developing and strengthening the accountancy education sector in Malaysia.

Risks and implementation challenges:

- Certain government policies are unable to be revised to support the concept;
- Weak implementation and co-ordination challenges.

RECOMMENDATION 12

Introduce certification in specialised areas

Post accounting degree programme continuing professional education (CPE) should not be limited to workshops and conferences only. More formal qualification programmes such as certification or advanced diploma should be offered for specialised areas such as valuation, risk management, integrated reporting, IFRS and other new and emerging bodies of knowledge. This will assist more senior accountants to move up the career path and provide industries with talents with specific specialisations.

Risks and implementation challenges:

- Difficulties in developing and implementing certification programmes.
- No demand from senior accountants, and other post graduate qualifications are preferred.

4.4 MAKING MALAYSIAN PUBLIC ACCOUNTANCY PRACTICES MORE COMPETITIVE

RECOMMENDATION 13

Nurture SMPs that are relevant to SMEs

The SMPs need to be nurtured to be more relevant to their clients which are mainly SMEs and be able to be a significant segment which produces professional accountants. The following could be considered:

- Provide financial incentives to encourage more SMPs to merge. This includes funding for leadership training and development of the merged firms and funds to acquire intellectual assets and relevant services tools and systems.
- More programmes which enable the firms to provide value-added services to their clients must be offered. This includes partnering programmes with successful overseas SMPs which have specialised skills and market shares in those services.
- Firms which have attained certain sizes and provide comprehensive training and development programmes for their staff should be supported by being given opportunities to bid for certain services for the government,

government-linked companies and other agencies.

Risks and implementation challenges:

- Insufficient interest from SMPs to merge and build capacity.
- Fewer and younger accountants who are more innovative and interested to enter public practice.

4.5 CAPTURING SPECIFIC SECTORIAL OPPORTUNITIES AND ENSURING INCLUSIVENESS OF THE ACCOUNTANCY PROFESSION

RECOMMENDATION 14 Capitalise on existing expertise

Given the advantage that Malaysia has in Islamic finance, more comprehensive educational and training programmes for accounting for Islamic finance should be offered. This includes publishing textbooks for reference at institutions of higher learning, specialised training for lecturers, practitioners and those working in this area, certification programmes in financial reporting and train-the-trainer programmes. The NRB should lead this effort and partner with existing research and training institutions and standard setters such as the Malaysian Accountancy Standards Board (MASB) to enable knowledge to be developed and commercialised.

Malaysia should also provide training and education in this area for the region given our early move into IFRS. Knowledge and experience in adopting IFRS should be the foundation for us to move further in this area given the shortage of IFRS-trained accountants in the region.

The shared services industry should continue to be supported by developing revolving door arrangements with partner companies in the industry. This will enable

accountants working in shared services centres to have opportunities to work in companies and later bring their experience back to the centres which they serve. This will provide them with broader business experience as well as career development.

Risks and implementation challenges:

- Resource constraints in developing the required training modules for Islamic finance related programmes.
- The shared services industry competing with traditional employers for talents in accountancy.

RECOMMENDATION 15 Establish a more inclusive profession

An inclusive profession would certainly provide opportunities for more Malaysians to benefit from the development we are enjoying. In this respect, more Bumiputeras and students in remote parts of Malaysia should be encouraged to pursue professional accountancy qualification.

While there are many programmes offered by agencies such as MARA, Yayasan Peneraju Pendidikan Bumiputera, Talentcorp and other agencies, the new regulatory body should take the lead and ensure the supply chain of accountants consists of a respectable number of people reflecting the racial and gender profile of the country as well as geographical locations.

Other interventions such as providing extra English Language proficiency and soft skills to students in the early years of studies should be considered. This is to ensure they are competitive and able to meet the demand of accountancy programmes at tertiary and professional levels.

Risks and implementation challenges:

- Insufficient interests from the target groups to pursue professional accountancy qualification.
- Funding constraints if demand is high.

Table 1
The CSAP Recommendations Implementation Timeline

No.	Recommendations	Short Term	Medium Term	Long Term
SET UP A NEW REGULATORY BODY TO REGULATE THE ACCOUNTANCY PROFESSION IN MALAYSIA				
1	A new regulatory body to be set up to lead the accountancy profession in Malaysia.	✓		
MEETING THE DEMANDS FOR PROFESSIONAL ACCOUNTANTS IN MALAYSIA				
2	Ensure baseline competencies are met.	✓		
3	Co-ordinate efforts to build capacity.	✓	✓	✓
4	Increase support to the SMEs and SMPs.		✓	✓
5	Widen pathways into the profession.		✓	✓
6	Focus funding on accountancy education.	✓		
7	Make accountancy the profession of choice.		✓	✓
STRENGTHENING THE ACCOUNTANCY EDUCATION SECTOR AND CAPTURING OPPORTUNITIES AS THE HUB OF ACCOUNTANCY EDUCATION AND TRAINING				
8	Make Malaysia a hub for accountancy education.	✓	✓	✓
9	Encourage co-operation between the industry and universities.		✓	✓
10	Revise promotion and reward structures for lecturers.	✓		
11	Create an accommodating human capital development environment.		✓	✓
12	Introduce certification in specialised areas.	✓	✓	✓
13	Nurture SMPs that are relevant to SMEs.	✓	✓	✓
14	Capitalise existing expertise.		✓	✓
15	Establish a more inclusive profession.	✓	✓	✓

ACRONYMS AND ABBREVIATIONS

Abbreviation	Definition
AAA	American Accounting Association
ACCA	Association of Chartered Certified Accountants
AICPA	American Institute of Certified Public Accountants
ASSOG	Asia Oceania Standards Setters Group
ATO	Approved Training Organisations
BPO	Business process outsourcing
CARE	Chartered Accountant's Relevant Experience
CAT	Certified Accounting Technician
CFA	Chartered Financial Analyst
CFAB	Certified in Finance, Accounting and Business
CFOs	Chief Financial Officers
CGPA	Cumulative Grade Point Average
CIMA	Chartered Institute of Management Accountants
CIMA-CBA	Chartered Institute of Management Accountants-Certificate in Business Accounting
CPD	Continuing professional development
CPE	Continuing professional education
CSAP	The Committee to Strengthen the Accountancy Profession
FATF	Financial Action Task Force
FDI	Foreign direct investment
FRSIC	Financial Reporting Standards Implementation Committee
GAA	Global Accountancy Alliance
GDP	Gross domestic product
IAESB	International Accounting Education Standards Board
ICAA	Institute of Chartered Accountants in Australia
ICAEW	Institute of Chartered Accountants in England and Wales
ICAEW CFAB	ICAEW Certificate in Finance, Accounting and Business
IES	International Education Standard
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IFSB	Islamic Financial Services Board
IPD	Initial Professional Development
IPSASs	International Public Sector Accounting Standards
IR	Integrated reporting
MACPA	Malaysian Association of Certified Public Accountants
MARA	Majlis Amanah Rakyat
MAREF	Malaysian Accountancy Education and Research Foundation
MASB	Malaysian Accounting Standards Board
MDEC	Multimedia Development Corporation
MIA	Malaysian Institute of Accountants
MICPA	Malaysian Institute of Certified Public Accountants

MICPA-ICAA	Malaysian Institute of Certified Public Accountants–Institute of Chartered Accountants Australia
MQA	Malaysian Qualification Agency
NRB	New regulatory body
PAO	Public Accountancy Organisation
PLCs	Public listed companies
PTPTN	National Higher Education Fund Corporation
ROSC	Report on Observance of Standards and Codes
ROSC AA	Report on the Observance of Standards and Codes in Accounting and Auditing
SME	Small and Medium Size Enterprise
SMPs	Small and Medium Practices
SPM	Sijil Pelajaran Malaysia
UK	United Kingdom
US	United States
YPPB	Yayasan Peneraju Pendidikan Bumiputera

STATUS UPDATE OF STEPS TAKEN TO ADDRESS THE POLICY RECOMMENDATIONS MADE BY THE WORLD BANK

Statutory Framework

World Bank Findings	Identified follow up actions
Some exemptions from the requirement to audit annual financial statements should be introduced.	Suruhanjaya Syarikat Malaysia (SSM) has indicated that they will be incorporating the power for the Registrar of Companies to exempt companies from audit in the new Companies Act which is in the process of being tabled in the Parliament.
The procedure for licensing of statutory auditors needs to be improved.	The new licensing process has been implemented.
The minimum Professional Indemnity Insurance requirement of RM100,000 for MIA members in public practice should be reviewed.	The amount of the Professional Indemnity Insurance has been revised upwards to RM250,000 with effect from 1 July 2012.
Auditors should be required to attend the Annual General Meeting of Public Interest Entities.	This is incorporated in the new Companies Act which is in the process of being tabled in the Parliament.
Changing auditors for the sole purpose of reducing the audit fee should be discouraged as this will potentially lead to lower quality audits.	This is being addressed through outreach programmes by the MIA and the AOB.
Section 174 of the Companies Act should be amended or clarified so that auditors are not required to review the audit opinion for each of the subsidiaries of the group entity they are auditing before issuing their audit opinion on the consolidated financial statements.	This is clarified in the new Companies Act which is in the process of being tabled in the Parliament.

Accounting and Auditing Standards

World Bank	Identified follow up actions
Priority should be given to the current review of the Private Entities Reporting Standards accounting and reporting framework.	The Malaysian Private Entities Reporting Standards (MPERS) will be implemented from 2016. There is no necessity to amend auditing standards.

The Accounting Profession

World Bank	Identified follow up actions
An independent review of the governance structure of the MIA should be conducted to provide recommendations for improving the structure and operations of the MIA.	The CSAP was established and part of the scope is to conduct the review.

Monitoring and Review Arrangements for Improving the Quality of Audits

World Bank	Identified follow up actions
The MIA's practice review has revealed that a significant number of audit firms and practitioners was not complying with International Standards on Auditing and International Standards on Quality Control 1.	A new practice review framework was introduced by MIA effective from 1 January 2014 incorporating the risk-based approach.
MIA's practice review function should include a risk-based scheduled review.	

Professional Education and Training

World Bank's Findings	Identified follow up actions
It is recommended that all university programmes recognised by the MIA should be subjected to periodic reviews and that institutions offering non-compliant programmes be given a warning and the option of addressing any deficiencies.	MIA has completed a review of accountancy programmes on 11 universities while two other universities are pending finalisation of its review report.
To facilitate the return of Malaysian accountants practising overseas, it is recommended that experience gained prior to joining the MIA be taken into consideration in meeting the three-year practical experience requirement when applying for an audit license in Malaysia.	This recommendation has been implemented.
The MIA should mandate that candidates for membership who are members of a recognised professional accountancy body to sit for examination covering Taxation and Business & Company Law in Malaysia prior to admission.	This will be implemented when the recommendations of the CSAP is accepted.

Professional Education and Training

World Bank	Identified follow up actions
The MIA qualifying examination should be expanded and become mandatory for candidates who do not hold a recognised professional qualification.	The CSAP report provides a holistic view of on accountancy education and further changes may be necessary if the recommendations of this report are accepted.
Even though the Ministry of Education and MIA have undertaken several initiatives to improve the quality of accounting degrees in Malaysia, the approach taken is one which is based on a strict evaluation of new degrees offered and fosters continuous improvement of existing the programmes, rather than regular monitoring and enforcement	
Halatuju 2, the Reassessment Report on Accounting Programmes at Public Universities in Malaysia published in 2006, contains the standards against which accounting degree programmes are to be assessed.	
The balance of academic qualifications (Masters, PhD) versus the benefits of having strong practical industry experience for lecturers needs to be reviewed.	

INTERNATIONAL ACCOUNTANCY EDUCATION STANDARDS REVISION PROJECT

The International Accounting Education Standards Board (IAESB) undertook a project on improving the clarity of its standards. The aim of this project was to revise and redraft the suite of eight International Education Standards (IESs) for IFAC member bodies and interested stakeholders in professional accounting education in accordance with its new clarity drafting conventions.

In October 2009, the IAESB agreed that eight IESs should be revised with the aim of:

- Improving clarity;
- Ensuring consistency with concepts of the Framework for International Education Standards for Professional Accountants (the Framework); and
- Clarifying issues resulting from changes in the environment of accounting education and the

experience gained from implementation of the IESs by IFAC member bodies.

The IAESB expects that the revision and redrafting of the suite of eight IESs will clarify the obligations of IFAC member bodies and other interested stakeholders involved with the development, delivery, and assessment of professional accountancy education. The suite of revised IESs is also expected to contribute to other desirable outcomes, including :

- Reduction in international differences in the requirements to qualify and work as a professional accountant;
- Facilitation of the global mobility of professional accountants; and
- Provision of international benchmarks against which IFAC member bodies can measure themselves.

The status of the project as at October 2014 is as follows

Title	Contents	Effective dates
International Education Standards (IES) 1 – Entry Requirements to Professional Accounting Education Programs (Revised)	This IES explains the principle of allowing flexible access to professional accounting education programs under the auspices of an IFAC member body, while ensuring that aspiring professional accountants have a reasonable chance of successful completion of professional accounting education programs.	1 July 2014
International Education Standards (IES) 2 – Initial Professional Development – Technical Competence (Revised)	This IES prescribes the learning outcomes for technical competence that aspiring professional accountants are required to demonstrate by the end of Initial Professional Development (IPD). Technical competence is the ability to apply professional knowledge to perform a role to a defined standard.	1 July 2015
International Education Standards (IES) 3 – Initial Professional Development – Professional Skills (Revised)	This IES prescribes the learning outcomes for professional skills that aspiring professional accountants are required to demonstrate by the end of IPD. Professional skills are the (a) intellectual, (b) interpersonal and communication, (c) personal, and (d) organizational skills that a professional accountant integrates with technical competence and professional values, ethics, and attitudes to demonstrate professional competence.	1 July 2015
International Education Standards (IES) 4 – Initial Professional Development – Professional Values, Ethics and Attitudes (Revised)	This IES prescribes the learning outcomes for professional values, ethics, and attitudes that aspiring professional accountants are required to demonstrate by the end of IPD. These relevant ethical requirements ordinarily set out five fundamental principles of professional ethics: integrity; objectivity; professional competence and due care; confidentiality; and professional behaviour.	1 July 2015
International Education Standards (IES) 5 – Initial Professional Development – Professional Experience (Revised)	This IES prescribes the practical experience required of aspiring professional accountants by the end of IPD. Practical experience during IPD builds on general education and programs of professional accounting education. The public expects professional accountants to apply their experience and knowledge in carrying out their roles.	1 July 2015
International Education Standards (IES) 6 – Initial Professional Development – Assessment (Revised)	IFAC member bodies have a responsibility to assess whether aspiring professional accountants have achieved the appropriate level of professional competence by the end of IPD. This IES prescribes the requirements for the assessment of professional competence of aspiring professional accountants that need to be achieved by the end of IPD. IFAC member bodies shall design assessment activities that have high levels of reliability, validity, equity, transparency, and sufficiency within professional accounting education programs.	1 July 2015
International Education Standards (IES) 7 – Continuing Professional Development (Redrafted)	This IES prescribes the continuing professional development (CPD) required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders, and thereby strengthen public trust in the profession.	1 January 2014

COMPARISON OF THE MAIN PROFESSIONAL ACCOUNTANCY BODIES IN MALAYSIA

COMPARISON OF THE MAIN PROFESSIONAL ACCOUNTANCY BODIES IN MALAYSIA

Items	MICPA	ICAEW	ACCA	CPA Australia	ICA Australia	MIA
Entry Requirement	<ul style="list-style-type: none"> Degree in accounting Member of recognised professional body. 	<ul style="list-style-type: none"> School leavers Degree (accounting/non business related ICAEW Certificate in Finance, Accounting and Business (ICAEW CFAB). 	<ul style="list-style-type: none"> A-Levels and GCEs (or their equivalent) Member of recognised professional body. Certified Accounting Technician Degree in accounting 	<ul style="list-style-type: none"> Degree or post graduate award recognised by CPA Australia, in any discipline. 	<ul style="list-style-type: none"> Bachelor or Masters degree (Accounting) Completed any Australian non-accounting degree, have work experience and have passed the Chartered Accountants Programme entrance exam. 	<ul style="list-style-type: none"> University degree; Member of recognised professional body MIA QE (graduates from unrecognised universities local/overseas).
Professional Accounting Education	MICPA-ICAA Programme.	ACA Qualification (15 accounting, business and finance modules).	The ACCA exams (Fundamentals & Professional).	CPA Program (6 papers).	Chartered Accountants Programme Module Name: Taxation, Audit & Assurance, Financial Accounting & Reporting, Management Accounting & Assurance.	Based on qualifications listed in the First Schedule
Practical training experience requirement	3 years relevant work experience (supervised).	3-5 years training with authorised training employers.	Minimum 36 months + achieve 13 performance objectives (subjective assessment by a qualified mentor).	3 years professional experience in finance, accounting or business.	3 years full-time (or part-time equivalent) approved employment.	3 years work experience under CARE.
Written competency assessment	Yes	Yes	Yes	Yes	Yes	No

- MICPA Admitting Examination : <http://www.micpa.com.my/join-us/how-do-i-become-a-member/admitting-examination/>
- MIA Application Guideline: http://www.mia.org.my/new/members_being_application.asp
- How to Become ICAEW Chartered Accountant: <http://careers.icaew.com/~media/Files/Graduate%20brochure.ashx>
- Chartered certified accountant with the ACCA Qualification ACCA: <http://www.accaglobal.com/gb/en/qualifications/glance/acca/overview.html>.
- CPA : <http://www.cpaaustralia.com.au/about-us>.
- Membership of the Institute of Chartered Accountants Australia: <http://www.charteredaccountants.com.au/Chartered-Accountants/Become-a-Chartered-Accountant-in-Australia>.
- Technical competence (ICA Australia) <http://www.charteredaccountants.com.au/Candidates/The-Chartered-Accountants-Program/Practical-experience/Demonstrating-competency>.

MIA CHARTERED ACCOUNTANT'S RELEVANT EXPERIENCE (CARE)

The MIA Chartered Accountant's Relevant Experience (CARE) is a structured assessment programme which is based on the mentor – mentee approach that monitors the practical experience of the mentees. The CARE programme supports the International Federation of Accountants (IFAC) International Education Standard (IES) 5, Practical Experience Requirements. Introduced on 1 November 2009, it sets out a range of competencies that need to be obtained before applying for MIA membership as a chartered accountant.

With the implementation of CARE, the practical experience gained by the mentees should allow them to demonstrate that they have the professional knowledge, skills, values, ethics and attitudes required for performing their work with professional competence and continue to grow throughout their careers.

The objectives of the CARE programme are as follows:

- Provide guidance to graduates and ensure that they acquire the appropriate degree of professional competencies in order to qualify as a chartered accountant in Malaysia.
- Eligibility to undergo the CARE programme.
- Graduates who aspire to become MIA members as chartered accountants.

The minimum duration to complete the CARE programme is 36 months. It must be completed within a rolling 60 months period or any other period approved by MIA.

The duration must be sufficient to allow the mentees to develop and demonstrate the competency requirements of an entry-level chartered accountant.

An employment period of less than six (6) months or "part-time" experience or industrial training with

any organisation to fulfil the undergraduate degree requirement will not be considered as part of the practical experience.

Areas of Competency

The Institute acknowledges the essential financial and technical skills required to be a competent CA. These areas of competency will provide an opportunity for graduates to apply the knowledge gained during their academic studies and further develop professional skills that they can apply in a variety of situations. The areas of competency that graduates required to be involved are as follows:

(a) Technical Competencies

Mentees are expected to demonstrate a specific level of technical competency in any of the following eight (8) areas: Auditing, Taxation, Management Accounting, Financial Accounting and Reporting, Finance, Business Performance and Planning, Insolvency and Information System.

(b) Generic Competencies

The professional qualities and skills that mentees are expected to develop and demonstrate throughout the CARE programme are: Professionalism and Ethical Behaviour, Personal Attributes and Professional Skills.

Minimum Number of Competencies

(a) Technical Competencies

The eight (8) areas are set at three (3) levels of competency. The technical competencies will

be assessed by the mentors. Mentees must demonstrate to their mentors that they have either obtain practical experience in at least:

- i. one (1) technical area from Level 1 to Level 3; OR
- ii. two (2) technical areas from Level 1 to Level 2.

(b) Generic Competencies

The generic competencies will be assessed by the employers. Mentees must demonstrate to their employers that they have acquired all the generic competencies.

Level of Competency

(a) Level 1 – Gathering Information

- Performing work under the supervision and carrying out tasks of a low level of complexity using established processes.
- This level should be attained in the first year of the CARE programme.

(b) Level 2 – Analysis

- Performing work as part of a team and carrying out tasks independently, being responsible for the quality of own work.
- This level should be attained in the first, second or even the third year of the CARE programme depending on the task.

(c) Level 3 – Applying Knowledge and Skills

- Managing own work and being responsible for the quality and quantity of the work and exercises professional judgement.
- This level should be attained in the third year of the CARE programme.

A Mentor

A mentor must be a Chartered Accountant of MIA. Preferably he/she should be employed within the same organisation as the mentee. He/She may also be employed in a different organisation but nonetheless has regular contact with the mentee and work in accounting or other accounting related areas.

The mentor should assist the mentee in choosing appropriate areas of work. He/She should guide the mentee to demonstrate accomplishment of relevant competencies.

INITIATIVES BY YAYASAN PENERAJU PENDIDIKAN BUMIPUTERA (YPPB)

PENERAJU PROFESIONAL

(1) Peneraju Profesional Akauntan Muda

Peneraju Profesional Akauntan Muda – Fast Track is a programme designed to help those who aspire to become chartered accountants straight after SPM or Diploma. The programme provides the opportunity for scholars to go through the foundation accounting paper of choice (CAT, CIMA-CAB and CFAB) and the professional accounting papers immediately after completion (ACCA, CIMA, CPA Australia, ICAEW and MICPA-ICAA).

Application Requirements:

- Malaysian Bumiputera.
- Not more than 23 years old on closing date of application.
- Academic Qualification.
- SPM 2013: 5As (A in English and Mathematics).
- Diploma in Accounting (min. CGPA of 3.00) or Fundamental Level Accounting Certificates (CAT, CFAB or CIMA – CAB).

Peneraju Profesional Akauntan Muda – Sarjana

Peneraju Profesional Akauntan Muda – Sarjana is a programme designed to help those who aspire to become chartered accountants shortly upon graduating in their Bachelor's Degree in Accountancy. This programme allows those in their penultimate year of Bachelor's Degree in Accountancy programme to be coupled with professional accounting certification (ACCA, CIMA, CPA Australia, ICAEW or MICPA-ICAA).

Application Requirements:

- Malaysian Bumiputera
- Not more than 23 years old on closing date of application
- Academic Qualification - 3rd or final year Bachelor's Degree in Accounting with a minimum CGPA of 3.00

(2) Peneraju Profesional Akauntan

The Peneraju Profesional Akauntan programme was launched in 2012 as an initiative to encourage Bumiputera presence and participation in the finance industry, particularly in audit firms. This is in line with YPPB's aspiration to optimise Bumiputera capabilities into high income employment through quality education and certifications.

To achieve this end, YPPB plans to increase the number of Bumiputera with professional accounting certifications like ACCA, ICAEW and MICPA-ICAA. Besides increasing the number of Bumiputera with professional accounting certifications, the participants of this programme are placed in prominent audit firms in Malaysia namely BDO, Deloitte, Ernst & Young, KPMG and PwC as this would increase their industry exposure and also provide hands on experience in audit works.

Application Requirements:

- Malaysian Bumiputera.
- Possess a Bachelor's Degree in any field with CGPA not less than 3.00 or equivalent. Young working adults with less than five (5) years working experience are encouraged to apply.
- Not more than 28 years of age on the closing date of registration.

(3) **Peneraju Profesional – Pensijilan Perakaunan**

The Peneraju Profesional – Pensijilan Perakaunan programme was launched as an initiative to encourage Bumiputera presence and participation in the finance industry. This is in line with YPPB's aspiration to optimise Bumiputera capabilities into high income employment through quality education and certifications.

To achieve this end, YPPB aspires to increase the number of Bumiputera with professional accounting certifications like ACCA, CIMA, CPA Australia, ICAEW or MICPA – ICAA. This programme allows participants to enroll in one of the professional accounting certifications while they remain working in their current organisation.

Registration Requirements:

- Malaysian Bumiputera.
- Not more than 40 years of age on the closing date of application, with at least 1-year work experience in auditing, banking and finance or business related field.
- Bachelor's Degree in accounting, banking and finance or business related field with a minimum CGPA of 2.80.
- Diploma in accounting, banking & finance or business related field with a minimum CGPA of 3.00.

(4) **Peneraju Profesional – Chartered Financial Analyst**

Chartered Financial Analyst (CFA) is a professional credential that is highly sought after in the financial and investment industry with the aim of becoming a certified CFA charter holder.

Application Requirements:

- Malaysian Bumiputera.
- Not older than 35 years of age, on application closing date.
- Applicants must possess a Bachelor's Degree in any discipline, preferably Finance related with a minimum CGPA of 3.0 (Malaysia, United States, Canada), or weighted average mark (WAM) of 60% (Australia), or 2nd Class: Division II (United Kingdom, New Zealand), or relevant Professional Certification.
- Applicants with non-financial related degree must possess direct working experience in finance or investment field.
- Fresh graduates from Accounting and Finance related fields are encouraged to apply.

APPENDIX
6SOUTH AFRICA INSTITUTE OF CHARTERED
ACCOUNTANTS' (SAICA) THUTHUKA PROJECT

The Zulu verb Thuthuka means “to develop”. The main objectives of this SAICA-driven project, which was launched in 2002, are to increase the number of chartered accountants and transform the demographics of the profession to match the country’s racial and gender profile and general demand for accounting and auditing services.

The approach of the Thuthuka project is to address the challenges encountered by African and Colored students, from secondary school level through qualification as a chartered accountant, when these students do not have the numeracy and literacy skills to enter the accredited universities leading to a professional qualification nor the financial resources to afford the costs.

The project supports all potential candidates at school, undergraduate, and post-graduate levels. At school level, the main objective has been to ensure that there are sufficient numbers of high-caliber learners able to enter higher education institutions to pursue careers as chartered accountants. The objective is reached, for example, by encouraging school-age students to enter the profession and by helping them to improve their academic skills. At the undergraduate level, the main target is to increase the throughput passes by providing Thuthuka bursary funds, fully supporting students financially, helping them to access additional tutorials, and assisting them in improving their “soft” and life skills. At the graduate level, the project aims to support students from the Thuthuka undergraduate program through their post-graduate studies by specifically supporting the progress of African and Colored students who have failed to pass their examinations but who are identified as having good potential to be successful.

Despite all the challenges, Thuthuka initiatives have had a very positive impact on the demographics of the profession. When the project started in 2002, there were 322 Africans and 222 Colored chartered accountants registered with SAICA. By the end of 2011, these numbers had grown to 2,184 Africans and 873 Colored (Table below). In addition, students graduating from the Thuthuka program have consistently achieved pass rates above the national average of other African and Colored candidates. However, the current demographic profile of the chartered accountant profession still falls short of the demographic ratios of the country, and additional projects similar to Thuthuka would need to be developed to further ensure this gap is addressed.

Demographics of SAICA Membership since the launch of Thuthuka Initiatives

	<i>Demographics As percentage of total SAICA membership</i>					
	2002		2010		2011	
	<i>African</i>	<i>Colored</i>	<i>African</i>	<i>Colored</i>	<i>African</i>	<i>Colored</i>
CTA students (enrolments)	13%	5%	34%	7%	37%	7%
Trainees	14%	2%	28%	6%	28%	6.5%
Membership	1.5%	1.1%	5.8%	2.5%	6.6%	2.6%
SAICA Membership (number)	322	222	1,845	789	2,184	873

LIST OF STAKEHOLDERS CONSULTED

Major Employers

1. Affin Bank Bhd
2. AmlInvestment Bank Bhd
3. Axiata Group Bhd
4. Citibank Bhd
5. DRB Hicom Bhd
6. Hong Leong Bank
7. HSBC Bank Malaysia Bhd
8. Khazanah Nasional Bhd
9. Kuala Lumpur Kepong Bhd
10. Kuwait Finance House
11. Malayan Banking Bhd
12. MIDF Amanah Investment Bank Bhd
13. OCBC Bank (Malaysia) Bhd
14. Petroliam Nasional Bhd (PETRONAS)
15. Public Bank Bhd
16. RHB Bank Bhd
17. Sime Darby Bhd
18. United Malayan Land Bhd
19. United Nation Development Programme (UNDP)
20. United Overseas Bank (Malaysia) Bhd
21. YTL Corporation Bhd

Government Agencies and Trade Associations

1. Accountant General Office
2. Bursa Malaysia Bhd
3. Multimedia Development Corporation
4. Persatuan Firma-Firma Akauntan Awam Melayu Malaysia
5. SME Corporation Malaysia
6. TalentCorp Malaysia
7. Association of Banks in Malaysia
8. Performance Management & Delivery Unit
9. Yayasan Peneraju Pendidikan Bumiputera

Institutions of Higher Learning

1. Multimedia University
2. Universiti Islam Antarabangsa
3. Universiti Kebangsaan Malaysia
4. Universiti Malaya
5. Universiti Malaysia Sabah
6. Universiti Malaysia Terengganu
7. Universiti Perguruan Sultan Idris
8. Universiti Putra Malaysia
9. Universiti Sains Islam Malaysia
10. Universiti Sains Malaysia
11. Universiti Selangor
12. Universiti Sultan Zainal Abidin
13. Universiti Teknologi MARA
14. Universiti Tenaga Nasional
15. Universiti Utara Malaysia

Accounting Firms

1. Baker Tilly Monteiro & Heng
2. BDO
3. Crowe Horwath
4. Deloitte
5. Ernst & Young
6. HLB Lerlum
7. KPMG
8. MAZARS
9. PricewaterhouseCoopers
10. SJ Grant Thornton

Professional Accountancy Bodies

1. Malaysian Institute of Certified Public Accountants
2. Association of Chartered Certified Accountants
3. Chartered Institute of Management Accountants
4. CPA Australia
5. Institute of Chartered Accountants in Australia
6. Institute of Chartered Accountants in England and Wales

Individuals

1. Abdul Rahim Hamid
Chairman, Malaysia Venture Capital Management Bhd; Former MIA President
2. Abdul Rauf Rashid (Dato')
President, MICPA; Managing Partner, Ernst & Young
3. Abdul Samad Hj Alias (Tan Sri Dr)
Chairman, Perbadanan Insurans Deposit Malaysia
4. Ali Abdul Kadir (Datuk)
Chairman, Financial Reporting Foundation
5. Ho Foong Moi
Chief Executive Officer, MIA
6. Johan Idris (Datuk)
President, MIA; Managing Partner, KPMG Malaysia
7. Ken Pushpanathan
Independent Non-Executive Director, Asian Institute of Finance; Immediate Past President, MICPA
8. Mohammad Faiz Mohammad Azmi (Dato')
Chairman, Malaysian Accounting Standards Board; Executive Chairman, PwC Malaysia
9. Takiah Mohd Iskandar (Prof Dr)
Chairman, Review Committee, Hala Tuju 3 (Accountancy Profession): Professor, School of Accounting, Faculty of Economics and Management UKM
10. Zaiton Mohd Hassan (Datuk)
Chairman, Private Pension Administrator Malaysia; Vice President, MIA

MEMBERS OF THE CSAP

The members of the CSAP are:

Nik Mohd Hasyudeen Yusoff	Executive Director Market and Corporate Supervision Securities Commission Malaysia
Dr Chen Chaw Min ¹	Deputy Secretary of Finance Loan Management, Financial Market and Actuary Division Ministry of Finance
Razali Othman ²	Principal Assistant Secretary Loan Management, Financial Market and Actuary Division Ministry of Finance
Jessica Chew Cheng Lian	Assistant Governor Bank Negara Malaysia
Datuk Mohd Nasir Ahmad	Former President Malaysian Institute of Accountants
Nor Azimah Abdul Aziz	Director Policy and Corporate Development Division Companies Commission Malaysia
Nik Hapsah Nik Hassan	Director Accountancy Development and Management Accountant General Malaysia

¹ Dr Chen Chaw Min has ceased to be a member of the CSAP as he has assumed the position of the Deputy Secretary General, Ministry of Health.

² Razali Othman replaced Dr Chen Chaw Min effective from 10 September 2014.