Riding the Digital Wave,
Leading Transformation

9 - 10 OCTOBER 2018 | KUALA LUMPUR CONVENTION CENTRE

CONFERENCE PROCEEDINGS REPORT
About MIA Conference

The MIA International Accountants Conference (MIA Conference) is MIA’s annual flagship event which provides the best avenue for insightful discussions for the accountancy profession.

The MIA Conference features top-notch speakers from both local and around the world.

Last year, more than 3,000 delegates from commerce and industry, public sector, public practice and academia had participated in the MIA Conference.

The MIA conference has been organised successfully for more than three decades and attended by participants from Malaysia as well as the Asia-Pacific region. The MIA Conference won the “National Conference for Excellence” in the Business Events category at the Recognising Award Winning Results (rAWr) Awards 2013.

We are also proud that MIA Conference 2017 has been certified as ‘The Largest Gathering of Accountants in a Single Event’ by The Malaysia Book of Records. This recognition has placed the MIA International Accountants Conference (MIA Conference) and Malaysian Institute of Accountants (MIA) amongst the “Best of the Nation”.

Who Attended

- Accountants in Business
- Accountants in Public Sector
- Accountants in Public Practice
- Accounting Educators
- Management and Finance Professionals

About the Organiser - MIA

Established under the Accountants Act 1967, MIA is the national accountancy body that regulates, develops, supports and enhances the credibility status and interests of the profession in Malaysia. MIA accords the Chartered Accountant Malaysia or “C.A. (M)” designation.

Presently, there are more than 35,500 MIA members making their strides in businesses across all industries, public practices, public sector and academia in Malaysia and around the world.

MIA’s international presence and connections are reflected in its membership of regional and international professional organisations such as the ASEAN Federation of Accountants (AFA), and the International Federation of Accountants (IFAC). MIA is a leading provider of continuing professional education for the accounting fraternity. MIA won the Human Resource Minister Award under the Training Providers category for its exceptional contribution and role in the human resources development sector of Malaysia.

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KEY HIGHLIGHTS

3,119 conference delegates from over 19 countries

WELCOME DELEGATES

OUR SPEAKERS

68 top notch local and international speakers

Officiated by
YB Dato’ IR Haji Amiruddin Hamzah, Deputy Finance Minister, Ministry of Finance

58 sponsors including 6 exclusive sponsors
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Accountants today have the opportunity of a lifetime to transform business by leveraging on digital, whether it is artificial intelligence, blockchain, cloud or data analytics. While our 2017 Conference offered a tantalising introduction to the prospects and risks of digital disruption, this year it takes a deeper dive into how accountants can embark on transformational initiatives and apply the right tools to lead organisation to the top of the value chain. By showing you how you can work smarter and faster with machine learning and smart software, we can help you free yourself to focus on the higher elements in which accountants excel – developing relationships and leadership, nurturing a values-based culture of integrity and accountability, and crafting innovative solutions to business decisions, and most importantly to ensure all these practices are underpinned by ethics to enhance sustainability and trust.
Dr. Nur Mazilah Dato’ Mahzan
Chief Executive Officer
Malaysian Institute of Accountants
It is my great pleasure to pen a few words to commemorate the successful conclusion of the MIA International Accountants Conference 2018 and to share my thought process in crafting the Conference’s content.

The overarching theme of the Conference, *Riding the Digital Wave, Leading Transformation*, relates to how the profession can leverage digitalisation and embrace technology to transform for the better. In adopting and leveraging technology, we must also address the impacts of technology on jobs, as the risk of obsolescence understandably worries our members and accountants.

According to the Asian Development Bank’s research paper entitled the *Asian Development Outlook (ADO) 2018: How Technology Affects Jobs*, “new technologies will drive higher productivity, and form the foundation for better-paid jobs and economic growth.” The report noted that, “While new technologies displace jobs, they also unleash countervailing forces that generate more jobs.”

The ADO 2018 report also addressed the dawning of Industrial Revolution 4.0 (IR4.0) and identified the three essential technologies that are impacting all workers – artificial intelligence (AI), blockchain (BC) and robotics. Further, the report categorises jobs into four classes – routine/cognitive, routine/manual, non-routine/cognitive and non-routine/manual.

Today, the job of accountants is typically routine/cognitive and almost 100% at risk of being automated. However, members and accountants working in non-routine yet cognitive jobs face a lesser risk of being automated. Therefore, we have to seriously think about how we advance and enhance our skills as accountants, in order to provide services where we can apply our expertise, our professional judgement and decision-making abilities. These qualities cannot be cloned by machines – these are the abilities that we must harness and hone if we are to become indispensable and valued business partners able to provide business with trusted advisory.

These higher order skills that accountants must deploy to remain relevant have been further validated by research from the World Economic Forum on the future of jobs. There is growing demand for jobs that require analytical thinking and problem solving, systems analysis and evaluation. However, there is a declining trend in terms of jobs requiring memory, verbal, management of financials, quality control, safety awareness, etc. which are in probability replaceable or can be supplanted by robots.

To understand the impact of technology on the profession in the local context, MIA also conducted our 2017 survey of members. Responses showed the top five technology trends impacting members were cybersecurity, big data, automation, online services and cashless systems. Building on our findings, in July 2018, we published the MIA Digital Technology Blueprint which we hope will spur members to respond to the IR4.0 evolution and revolution.

As our flagship learning event, the Conference is a key platform for engaging over 3,000 MIA members and accountants on digitalisation, in person. Earlier, when we crafted our 2017 MIA International Accountants Conference, we actually brought awareness to all participants about the impact of technology and possible disruption to our work. This year, we took awareness and exposure a step further when crafting this Conference. We invested significantly in our thought process on how we as an Institute can assist our members and motivate you through a decisive and clarion call for action – “Let’s ride the digital wave, and lead transformation!”

In ending, I would like to thank everybody for attending. Thank you as well to all supporters, sponsors and team members from MIA for your support and collaborative efforts in ensuring the success of this Conference. I hope to see you at next year’s Conference, when we will prepare content to delve more broadly and deeply into the impacts of technology on the profession and how we can further leverage technology and other disruptions to support nation building in the era of the digital economy and IR4.0.
Salihin Abang
President
Malaysian Institute of Accountants
The Malaysian Institute of Accountants (MIA) successfully organised yet another record-breaking MIA International Accountants Conference 2018 that attracted over 3,100 delegates.

The theme of ‘Riding the Digital Wave, Leading Transformation’ was chosen to expose our members and delegates to the current potentials and challenges faced by the profession, especially those caused by digital disruption and changing regulations, to name two major developments impacting accountants.

We are advocating for faster and better technology adoption among our members and the profession – for example, robotics process automation, artificial intelligence, and big data analytics – so that you can become more effective and relevant business partners who create value for your customers.

At the same time, we are emphasising that our members and delegates keep up with the new standards, professional practices and regulations - such as the Companies Act 2016’s impacts on financial statements and reporting compliance. These are changing the landscape tremendously and placing increased pressure on accountants as managers of risk and custodians of the public interest.

Increased expectations from society and Government are also placing more pressure on accountants. In his keynote address, the Deputy Finance Minister, Yang Berhormat Dato’ IR Haji Amiruddin Hamzah delivered the Government’s strong message on how accountants must be competent, trustworthy and accountable to help improve governance and tackle wastage and corruption, in both the private and public sectors. The competency, trust and accountability of accountants is especially important in the public sector, to support excellence in public sector financial management and to protect the public interest.

To support the profession’s competency and good governance, MIA is continually working to improve our regulatory and development model and ecosystem for the benefit of members and all our stakeholders. One key initiative is that we are engaging with the Government and the Ministry of Finance (MoF) to lobby for improvements in the Accountants Act 1967. This Act empowers MIA as the regulator and developer of the accountancy profession, but we have asked for stronger sanctions and investigative powers in order to better enforce regulations and good governance in a more complex business environment.

The Conference also focused on our MIA Digital Technology Blueprint, which encourages technology adoption that is suited for accountants, and our MIA Competency Framework that maps out the different roles and baseline competencies for accountants and members to enhance competency and business relevance. We also focused on our advocacy for heightened accounting and audit quality, integrated reporting, UN SDG implementation, and paying the right tax, especially with the transition from GST to SST and the future adoption of digital tax, to support better competency, transparency, accountability, and governance in the interest of the public and nation building.

In ending, on behalf of MIA I would like to thank our guest of honour, Deputy Finance Minister Yang Berhormat Dato’ IR Haji Amiruddin, for delivering the keynote address. We thank the Government and MoF for their continuous support of MIA, and we hope that the MoF will facilitate the necessary changes in the regulatory and legislative landscape – specifically, strengthening the Accountants Act 1967 - that will empower MIA to strengthen our regulation and enforcement of the profession.

I would also like to thank all our partners and stakeholders – our delegates, speakers, sponsors, supporters and the MIA team who have all collaborated to make today’s Conference a success. It takes substantial stakeholder engagement, time and effort to pull off an event of this scale, and I hope that you will continue to support us in our upcoming Conference and initiatives as we strive to serve you better in the future.

Thank you.
Yang Berhormat
Dato’IR Haji Amiruddin Hamzah
Deputy Finance Minister, Ministry of Finance
I am pleased to note that the Conference highlights two aspects that are pivotal to Malaysia's future growth and international reputation – good governance and technology adoption.

With reference to good governance, the Government today is working to implement Competency, Accountability and Transparency (CAT) which is the key to a resurgent Malaysia, a dynamic economy and a prosperous society. CAT values are also synonymous with the accountancy profession. The Government hopes that accountants as guardians and representatives of the public interest will continue to do their job in accordance with the highest professional standards to uphold integrity and good governance.

The Government also wishes to thank MIA for their support for the implementation of our public sector accrual accounting, that fosters better financial planning and transparency. MIA has been instrumental in extending their technical support, support for public financial management enhancement, support of our compliance with international standards specifically the Malaysian Public Sector Accounting Standards (MPSAS), and capacity-building for accountants in the public sector.

Good governance and the implementation of CAT also requires robust regulation. The Government commends MIA for strengthening its enforcement in order to enhance regulation, through proactive enforcement actions against bogus accountants, prompt disposal of backlogged cases and judicious investigation of 1MDB by MIA, that create confidence in the profession and the market. Furthermore, the Government believes that more can be done to strengthen MIA's powers and we are looking into enhancing and refining the Accountants Act 1967 to further empower regulation and enforcement of the profession. As MIA is a statutory body under the Ministry of Finance (MoF), MoF looks forward to facilitating this legislative transition in order to improve the relevance, governance and global reputation of MIA and our Malaysian accountancy profession.

The Government also commends MIA for utilising technology adoption to enhance accountants and drive nation building in the digital economy and Industrial Revolution 4.0. The Conference theme of “Riding the Digital Wave, Leading Transformation” highlighted the need for all of us to leverage on technology adoption in order to transform ourselves to become more relevant and resilient in the 21st century digital economy.

Likewise, the Government is using digital technology to improve efficiency and productivity of Government services, thus contributing to the country's development. Malaysia is ahead of 29 of the 35 OECD countries and ranked 10th in the world in the World Bank Government Digital Adoption Index due to our strong performance in core administrative systems and digital identification. In this regard, MoF has introduced various digital initiatives for the public and the government agencies to improve service delivery such as MyBudget, MyCukai, ePerolehan, and e-Filing. These technologies will continue to add value to government service delivery and assist in data collection which enables more transparency, effective policy formulation as well as reduction in leakages and wastages.

With these digital initiatives, the Government is hopeful that we can improve the quality of public sector management, especially public financial management, and heighten productivity and performance. I hope that accountants – especially those in the public sector - can refer to the guidelines and principles in MIA’s Digital Technology Blueprint to guide their journey of technology adoption and to build capacity and competency in digital technology.

It is the Government’s hope that we will continue to collaborate fruitfully with the MIA on the ongoing transformation and future direction of the global profession and the nation, especially in terms of public sector financial management and technology adoption, in order to heighten nation building and build a prosperous future.

Thank you.
“Accountants and auditors have a 98% risk of losing their jobs to automation as opposed to dentists and even dancers.”

“These times don’t call for optimisation or diversification but for transformation.”

“It is not an easy acceptance; we need to convince them that it works,”

“Now we use blockchain which is basically a source of immutable or single source of truth – where all parties of the chain do not own the system. It is an independent system where everyone is aware of changes at any point of time in the transaction.”
Riding the Digital Wave, Leading Transformation

How should accountants transform themselves to ride the digital wave and ensure their relevance in the age of Industrial Revolution 4.0 (IR4.0)?

David Chew, Producer/Presenter BFM89.9 opened the session by touching on technological risks and impacts on jobs, particularly accounting jobs. Quoting research from the likes of the McKinsey Global Institute and Frey and Osborne’s seminal Future of Employment report, Chew noted that those with routine and mundane jobs face high risks from automation and technology. “Accountants and auditors have a 98% risk of losing their jobs to automation as opposed to dentists and even dancers.”

In response, Dr. Noel Tagoe, Executive Vice President, Research and Curricula, CGMA explained that accountants can react to job obsolescence risk in three ways – optimisation, diversification and transformation, which is a complete paradigm shift that changes the way we do things. “These times don’t call for optimisation or diversification but for transformation.”

Transformation should be driven from a restructured finance function that leverages on data analytics and technology to deliver value and reskill new talent. “Try to learn how to move finance from being a cost centre to a value centre. For anything that is classified as cost, the instinctive and strategic behaviour towards that is cost minimisation. Move towards data because the instinctive and strategic behaviour towards data is value maximisation,” recommended Dr. Tagoe.

But getting accountants to transform won’t be easy. “It is not an easy acceptance; we need to convince them that it works,” explained Dr. Nurmazilah Dato’ Mahzan, CEO, MIA. According to her, MIA’s new Digital Technology Blueprint advocates five principles for technology adoption, including promoting awareness and familiarity with technology, and gaining competency through training and education.

As data and analytics become predominant, accountants need to acquire the right skills and competencies to play in the data space. According to Dr. Tagoe, his conversation with 15 data analytics heads of 15 top FTSE 100 companies, showed that there are four key competencies for managing data: data strategy and planning abilities; ability to extract and store data; ability to analyse and model data; and ability to communicate insights about the data. “Their advice to accountants is to remain multiskilled and look into how you do communications and get people to use financial data that is provided by machines. Take that and use the analytical skills and judgement and professional scepticism – which are all in our education standards – to give advice and be trusted advisors,” she concluded.

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Fittingly, the panel ended with a final question from the floor on risks to accounting and auditing jobs. Dr. Nurmazilah replied that the Asian Development Bank (ADB) research reported losses in routine cognitive jobs and routine manual jobs where algorithms are able to replicate these jobs, such as in book-keeping. “This is where there is more potential in the space of non-routine advisory and communications-based roles. There are reports that a high percentage of new jobs being created in Malaysia are about public relations (PR) and communications. Accountants should remain multiskilled and look into how you do communications and get people to use financial data that is provided by machines. Take that and use the analytical skills and judgement and professional scepticism – which are all in our education standards – to give advice and be trusted advisors,” she concluded.
“Businesses can actually leverage on technological disruption to hone a competitive edge.”

“Allowing robotics to take over routine, repetitive, tedious tasks can free staff to pursue more value-added activities that better serve clients.”

“Security is important even before full automation,“

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Alan Hatfield  
Executive Director  
Strategy and Development  
ACCA

Alvin Gan  
Executive Director  
Head of IT Enabled Transformation (ITET)  
KPMG

Ray Ng Kar Teik  
Senior Manager  
Averis Sdn Bhd
The rise of robotics – in particular robotic process automation (RPA) – is imminent. Requiring no special programming, robotics can be configured by the end user to respective specifications. Although it can mimic human behaviour, especially in repetitive tasks, it needs human behaviour to provide the examples to be replicated, so that requirement alone will put humans firmly in the driving seat. “It is not ‘smart’ tech,” said Helen Brand, Chief Executive, ACCA. “It does not think for itself.”

Brand shared highlights from ACCA’s recent report ‘Embracing automation during the evolution of finance’, that aims to demystify robotics in today’s finance organisation and explores the opportunities and challenges it presents. The report is available on ACCA’s website and it’s a joint collaboration between ACCA, Chartered Accountants Australia and New Zealand and KPMG in Australia.

Class 1 ‘Bots’ need to be taught basic instructions; Class 2 can deal with more complicated instructions and read formats; Class 3 are considered ‘artificial intelligence’ or AI. Allowing robotics to take over routine, repetitive, tedious tasks can free staff to pursue more value-added activities that better serve clients. “If organisations want to implement robotics to reduce staff, it is the wrong move,” said Alvin Gan, Executive Director and Head of KPMG’s IT-Enabled Transformation (ITET). “RPA improves efficiency. It is not for reducing staff.”

Being rules-based and highly structured, RPA can only follow detailed instructions. This necessitates a complete and comprehensive review of processes for automating, for any company that wants to implement RPA, besides the involvement of the IT and other departments. For effective RPA, the CFO needs to validate the data generated and ensure its integrity; human intervention is thus imperative. Similarly, staff must learn how to manage robotics efficiently, to derive maximum benefit. Everyone needs to understand that the CFO has to be armed with robust data, to make good decisions.

Another item on the AI agenda is cybersecurity. Because people are the weak link in cybersecurity, educating staff about this aspect is everyone’s responsibility. “Security is important even before full automation,” cautioned Ray Ng Kar Teik, Senior Manager, Averis Sdn Bhd. There should be clear company policy to control automation and cybersecurity and proper documentation of what has been automated. The role of internal audit cannot be underestimated in ensuring good governance and robust cybersecurity; internal audit will have to be linked into the process.

The CFO and finance team would be well advised to conduct a comprehensive inventory of processes that need RPA before implementing any system, as this will involve everyone in a learning curve. “Senior leadership involvement is necessary because it is enterprise-wide,” stressed Gan. “Set the right expectations. Don’t automate inefficiencies.” He suggested asking the vendor to build a model as a proof-of-concept to help senior management and the board visualise the investment before RPA implementation. “RPA works 24/7. Make sure it is fully occupied,” he concluded.

Correctly applied, robotics offers significant benefits to the business, like better process control and speedier data delivery. One desirable side effect is staff upskilling. When robotics free up employees from the dull, humdrum and mundane, they can concentrate instead on honing professional talents, and increasing the value-added dimension of the services which they offer to clients.
“By 2050, ASEAN is expected to become the fourth largest economy in the world, after the US, China and EU,”

“The price of intervention… can be very costly e.g. PKFZ, 1MDB, Perwaja Steel. Due to the high degree of government intervention in the market, we are very risk averse to liberalisation in general.”

“ASEAN remains an important investment destination for European businesses aiming to leverage on ASEAN’s growth potential.”

“ASEAN has to be cognisant that there is going to be a lot more competition than the regional players that we traditionally think about.”

“If you want to work effectively and have a greater addressable market, you need harmonisation in terms of standards and access.”
Greater regional alignment, harmonisation and cooperation are integral to the future success of ASEAN as an economic juggernaut.

"By 2050, ASEAN is expected to become the fourth largest economy in the world, after the US, China and EU," said moderator Tan Chung Han, Producer/Presenter BFM 89.9, citing UOB market research in his opening remarks.

But this can only happen if ASEAN as a region successfully achieves greater cooperation and alignment, despite the individual agendas of sovereign nations. Firdaos Rosli, Director, Institute of Strategic and International Studies (ISIS) identified government intervention and protectionism as the biggest drag on Malaysian economic growth that also hampers regionalisation. "The price of intervention... can be very costly e.g. PKFZ, 1MDB, Perwaja Steel. Due to the high degree of government intervention in the market, we are very risk averse to liberalisation in general." This attitude could cost Malaysia dearly, for example, once Vietnam ratifies the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), substantial investment could flow into Vietnam from other ASEAN destinations.

Despite the challenges, Roberto Benetello, Chief Executive Officer, EU-Malaysia Chamber of Commerce and Industry said that ASEAN remains an important investment destination for European businesses aiming to leverage on ASEAN’s growth potential. "One, there is a huge potential for developing intra-ASEAN trade," said Benetello. ASEAN has set a target of doubling intra-ASEAN trade from 23% to 46% (in comparison, intra-European trade among the EU’s 28-member states is around 60%). "Two, ASEAN is a good location to set up production and manufacturing facilities and achieve easy trade with countries worldwide." This will be further facilitated by ASEAN’s target of reducing the cost of trade transactions by 10%, which will be supported by the EU chamber’s proposals such as expediting customs clearance for low value shipments to help micro-small medium enterprises and e-commerce.

ASEAN is likewise a magnet for US business. Siobhan Das, Executive Director, American Malaysian Chamber of Commerce said: “US business is here to be closer to customers, therefore establishing a foothold in ASEAN is very important. Malaysia is a great beneficiary of this policy of being closer to the customer.” However, Das cautioned that ASEAN is not the only destination for US companies, with emerging economies like Costa Rica and Estonia in the running. “ASEAN has to be cognisant that there is going to be a lot more competition than the regional players that we traditionally think about.”

The session also touched on Industrial Revolution 4.0 impacts on ASEAN and trade. One key difference is that FDI will be more associated with the movement of data and information and human capital as opposed to physical capital and goods. To facilitate IR4.0, ASEAN must invest more in harmonisation of standards, communications and connectivity and infrastructure to enable this mobility that in turn supports the creation of a bigger and more unified ASEAN marketplace, pointed out both Das and Dr. Donald Hanna, Group Chief Economist, CIMB Group. "If you want to work effectively and have a greater addressable market, you need harmonisation in terms of standards and access. It is going to be particularly important for you as accountants because to the extent that there is standardisation of accounting across the region, then the individual firms can actually address a much larger audience," said Dr. Hanna.

Opening questions to the floor, Tan fielded a question that focused on the impacts of the China-US trade war on ASEAN. According to Das, while the majority of China-focused business will stay put, ASEAN has opportunities to attract business that is going to leave China. However, she reiterated that ASEAN must bear in mind that it is competing against the rest of the world, especially emerging economies like Estonia and Costa Rica in the battle for global FDI.

Dr. Hanna urged ASEAN members to come together more cohesively to manage the conflict-ridden environment and trade complications arising from the US-China conflict that is more of a Cold War than a trade war. “ASEAN needs a greater political voice for maintenance of the multilateral rules-based system that has been the basis for growth as opposed to the 19th century power politics in play at the moment.”

At the end of the day, ASEAN members must balance sovereign interests against the regional agenda if ASEAN is to succeed. “If you want to put Malaysia first, then think about ASEAN because you need friends. Your narrowly defined interests are much better served in a broader context than thinking about the national boundary, especially when that national boundary is about to get less and less economically relevant,” concluded Dr. Hanna.
“One of the reasons why the series was so successful was also because we broke various barriers.”

“Speaking the language has nothing to do with Westernising your thought or self. It’s about picking up good grammar, speaking well and encouraging lifelong learning of the language.”

“So we did learn a few things while on the set – our pronunciations were more enunciated and we discovered a couple of idioms.”
The educational comedy was brought to life in a hilarious live skit on the final day of the MIA Conference 2018. Emcee Reuben Anson told the audience that the educational comedy that satirises Manglish aimed to “educate Malaysians to stop mangling this global language and reverse the population’s decline of English.”

Adibah and Zain were joined by two other cast members, Akhmal Nazri and Zhafir Mazni who both played students Jibam and Mazlee respectively.

Amid the barrel of laughs both on and off the set, Zhafir says of his experience, “I didn’t have a good command of English to begin with when I first started the series. So we did learn a few things while on the set – our pronunciation were more enunciated and we discovered a couple of idioms.”

Disguising English lessons in humour can work wonders, says Adibah. But it is a lot of hard work. “One of the reasons why the series was so successful was also because we broke various barriers. The show had local content and a local scenario, and the mistakes we made conversing in English created awareness of how the language was supposed to be spoken.”

The show’s popularity was reflected in the numbers, easily amassing a total of 15 million views on YouTube and 662,000 Facebook fans to date. Zain said he and the other actors recognised the importance of their role in helping make English an everyday norm. “Speaking the language has nothing to do with Westernising your thought or self. It’s about picking up good grammar, speaking well and encouraging lifelong learning of the language.” He also believes that the poor state of the English language in the country is due to lack of practice in speaking the language “though Malaysians generally excel more in reading and writing.”

In sharing advice on how to better oneself in the language, Adibah says, “Keep reading and listening to native speakers speak the language. Take 10 minutes each day just to sit and read an article that is fully written in English – you want to be listening to how you pronounce the words.” TV also helps, she says - ‘Oh My English’ was a case in point.
LUNCH & ENTERTAINMENT SNAPSHOT
The Alleycats & Dasha Logan
“There are opportunities for cost reduction, quality improvement and business growth.”

“The first thing that all organisations need to do is make it a permanent agenda at the Board discussion, Exco discussion and management discussion so everybody participates.”

“You need to have a culture that encourages change and culture change needs to occur from a top down leadership perspective.”

“it is important for accountants to “pivot” while building on core strengths in finance and accounting.”

“They’re risky innovative structures but with the right kind of regulations there, people are able to experiment and bring growth to the economy.”
As Industrial Revolution 4.0 (IR4.0) transforms global business at light speed, how can Malaysia leverage the emerging opportunities?

Session moderator Freda Liu, Producer/Presenter, Enterprises Show/BFM quoted Accenture research that the Industrial Internet of Things (IIoT) could add US$14.2 trillion to the global economy by 2030. “There are opportunities for cost reduction, quality improvement and business growth.”

To truly leverage IR4.0, the session panelists highlighted certain catalysts such as supportive top-down government policies. Speaking from the perspective of cashless payments, Aiza Azreen Ahmad, Director, Strategic Development, Axiata Digital eCode Sdn Bhd said, “The Chinese government actually gave a lot of push to the usage of smartphones as more than just phones. It’s literally a tool for everything.” For example, China’s street beggars use personal QR codes for panhandling. However, e-wallets are not a necessity in Malaysia but a lifestyle application. Fragmentation also delays adoption, as there are 35 e-wallet licensed providers for a market of approximately 30 million.

Vincent Hoong, Senior Project Manager, Financial Markets Infrastructure, Standard Chartered Bank cited Singapore’s experience with regulating initial coin offerings (ICOs) as a driver for IR4.0. “They’re risky innovative structures but with the right kind of regulations there, people are able to experiment and bring growth to the economy.” Despite Singapore’s relatively small size, it is now the second largest global market for ICOS, where the market in the first half of 2018 raised 15 billion dollars. “While it is sizeable but not huge yet, it replaces traditional funding models, being at the forefront of that is going to be crucial to ensure the competitiveness of the nation.”

But pushing IR4.0 can result in “unintended consequences” such as loss of data privacy and job obsolescence, noted Marcus von Engel, Partner and Financial Services Consulting Leader, PwC Malaysia. With IR4.0, “there’s more of a societal/public policy personal impact than we see in any previous industrial revolutions,” requiring investment, regulatory changes and reskilling.

Von Engel predicted that for Malaysia, at least a quarter of the jobs, especially in professional services, would change or be directly impacted over the next five years. As such, it is important for accountants to “pivot” while building on core strengths in finance and accounting, said Aiza. “We’re going to have to add to the toolkit that we already have, not throw away what you know,” agreed Hoong.

Datuk Amiruddin Abdul Satar, President/Managing Director KPJ Healthcare noted that leadership is critical. “The first thing that all organisations need to do is make it a permanent agenda at the Board discussion, Exco discussion and management discussion so everybody participates.” The second step is to take “baby steps and try as much as possible to use digital applications and equipment.” More powerful infrastructure would also drive IR4.0, he said. “The single most important factor for Malaysia to push us ahead would be faster Internet speeds,” such as 5G networks.

Curiosity and courage are vital. “You have to experiment, be brave and bold and try new things,” said Datuk Amiruddin. “Fail to learn,” urged Aiza. “You need to have a culture that encourages change and culture change needs to occur from a top down leadership perspective,” said von Engel.

As always, there were concerns about costs and return on investment; but panelists pointed out that adopting IR4.0 is comparatively cheaper than during the dotcom heyday. “Capex has gone down. If you want to access big data analytics tools you can certainly do that now a lot cheaper than before by rolling out servers on AWS (Amazon Web Services) or Azure,” suggested Hoong.

Hoong also recommended doing proofs of concept and small pilots first before putting in big investments. “You need to be bold with these new technologies but you don’t have to be reckless. You don’t have to put all your eggs in one basket from the get-go.” This is especially important for SMEs who have limited resources. “There may be a financial frugality risk for SMEs because they cannot place a lot of bets everywhere. SMEs have to be even more competitive and smarter about technologies than big companies because they have fewer bets to place,” advised Hoong.

Ultimately, IR4.0 requires strong political will and urgency or Malaysia risks being left behind. “It requires reskilling and government investment that becomes public policy to drive that (IR4.0 adoption) not only to improve Malaysia but improve opportunities for Malaysia to compete in the world,” urged von Engel.
“As the industry value chain enlarges, workers’ education and skills must be upgraded and socioeconomic reforms must take place to prepare everyone for the IR4.0 wave,”

“Democratising tech education to leverage AI means that our education policies cannot limit learning only to are in the science stream,”

“IR4.0 requires higher order thinking skills that are essentially analytical and cognitive skills, not a STEM-centric education,”

“A very collaborative environment is very critical because nothing exists in silos anymore. Everything is networked. We have a very huge ecosystem which is proving a challenge but we have to manage these challenges to grow and enable people to develop,”

Dato’ Hj Muhammad Redzuan
Executive Director
Surveillance & Enforcement
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Dr Jasmine Begum
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Government and Regulatory Affairs
IBM Malaysia

Bawani Selvaratnam
Head of Division Strategy and Policy
Malaysian Communications and Multimedia Commission
As the industry value chain enlarges, workers’ education and skills must be upgraded and socioeconomic reforms must take place to prepare everyone for the IR4.0 wave,” said moderator Dato’ Hj Muhammad Redzuan, Executive Director, Surveillance & Enforcement, MIA.

Nobody should be left behind in the IR4.0 race. “Everybody in the country should be afforded similar opportunities to augment their skills and create a better life for themselves,” stressed Bawani Selvaratnam, Head of Division Strategy and Policy, Malaysian Communications and Multimedia Commission. She highlighted that MCMC carries out significant work via its internet centres in rural areas to develop technological skills.

Democratising tech education to leverage AI means that our education policies cannot limit learning only to those who are in the science stream, said Dr Jasmine Begum, Director, Legal, Corporate & Government Affairs for Malaysia and New Markets, Microsoft Malaysia, who shared examples of how AI education will become pervasive and cross occupational borders.

Hasnul Nadzrin Shah, Director, Government and Regulatory Affairs, IBM Malaysia said IR4.0 requires higher order thinking skills that are essentially analytical and cognitive skills, not a STEM-centric education.

To leverage IR4.0, we need to strengthen the communications infrastructure backbone that mobilises data and embrace collaborative regulation. “A very collaborative environment is very critical because nothing exists in silos anymore. Everything is networked. We have a very huge ecosystem which is proving a challenge but we have to manage these challenges to grow and enable people to develop,” said Bawani.

As AI becomes more pervasive, the question of AI ethics is inevitable. While work can be delegated, responsibility still rests with the human decision maker, concurred the panellists. “AI is adopted to remove rote work and more mundane tasks from the workforce, but the higher-level decision-making is still left to the human being,” said Hasnul. Whether the decisions made are digitally enhanced, the human is responsible, particularly senior decision makers such as the CFO.

Good regulation is timely and fast; five-year regulatory timeframes no longer fit the bill. “Instituting rapid response policymaking to keep up with the pace of technology is critical,” urged Jasmine.

Apart from flexible, adaptive and organic policymaking, “The quality of debate and discussion in terms of regulatory reform has to be in a different space, not just venting dissatisfaction but based on evidence and specific context. The time has come for Malaysia to move forward with evidence-based policy-making,” commented Hasnul.

Responding to Dato’ Redzuan’s question on the adequacy or reforms of existing legal provision, Bawani noted that the Communications and Multimedia Act 1998 is quite forward thinking. However, MCMC has been considering reviewing its Act to cater for the enlarged digital ecosystem. “We also promote self-regulation as a way of making sure that our framework is not obsolete. Industry can always create rules and govern themselves, and the regulator will step in if there is market failure.”

Regulatory enforcement to enable better data access and protection is one of the biggest challenges facing not just Malaysia but the world, noted Jasmine. “We really need to relook at how we educate law enforcement and look at how regulators can rightfully access data by going to the enterprise and not the cloud service providers.”

Improving cybersecurity will be a critical regulatory issue as people get more and more connected. “As the weakest link, users must be given a lot of education on staying safe. For companies, security should be a given and not an add-on for your enterprise systems and IT systems. Your vulnerability in an interconnected world will impact others,” stressed Bawani.
“one of the biggest challenge is convincing senior management and the Board of the need for AI, while demonstrating to middle management that it can be profitable and simultaneously decrease their workload.”

“The algorithms for AI are not 100% accurate. It still needs ‘experts’ – humans – to ‘teach’ it what to do.”

“You may not be disrupted by AI but by others who have learned to use AI effectively,“

Shankar R. Santhiram
Managing Consultant
EQTDM Consulting
Malaysia

Gavin Seewoornuttun
Head of AI & Advance Analytics
EY Data & Analytics

Muhammad Nazri Muhd
Chief Executive Officer
MyFinB (M) Sdn Bhd
Simulated or artificial intelligence (AI) is gaining traction across all industries, and its impact on the field of accountancy is inevitable. The fear of disruption stemming from this is very real and needs to be tackled before systems are implemented. But getting to grips with AI may prove as disruptive as the technology itself; more so when people fear being replaced or becoming obsolete. Still, “Human intervention is needed,” stated moderator Shankar R Santhiram, Managing Consultant, EQTD Consulting.

Concurring on this point, the session’s two speakers stressed that AI emulates what people do; so, if there are no people to emulate, AI cannot work. Additionally, the emulation is only about 80% accurate, said Gavin Seewooruttun, Head of AI & Advanced Analytics, EY Data & Analytics. “The algorithms for AI are not 100% accurate,” he said. “It still needs ‘experts’ – humans – to ‘teach’ it what to do.”

As such, rather than being concerned about the possibility of redundancy or obsolescence, accounting professionals should view this technological shift as offering unprecedented opportunities. Small and medium practices (SMPs) especially can leverage on technology to step up their game, said Muhammad Nazri Muhd, CEO, MyFinB. This is especially important because customers today also have learnt to leverage technology. “You may not be disrupted by AI but by others who have learned to use AI effectively,” he cautioned. “Customers will have access to technology that could make your service irrelevant.”

Instead of fearing or ignoring AI, accountants should apply it towards strengthening their business models. Digital transformation, he said, was the way for SMPs to remain competitive. But dealing with AI needs mindset change and behaviour readjustments. Successfully transitioning to AI will allow staff to concentrate on dealing with data more effectively and adding value to their services, while AI takes care of transactional processes. The main disadvantage is that there is no absolute way of projecting outcomes until the processes are actually operationalised.

One way of mitigating such situations, said Seewooruttun, was to “allow people to fail quickly” – i.e., try as many methods as possible and see what pays off. While many firms dither about whether to adopt AI or not, the changing environment may give them no choice. Costs are increasing; margins are decreasing; attrition rates are rising. Accounting is a labour-intensive industry. AI can be cost-effective and easily implemented. The best way to get a good deal is to research what is available and determine the needs of the respective firms, advised both speakers.

But challenges remain; one of the biggest is convincing senior management and the Board of the need for AI, while demonstrating to middle management that it can be profitable and simultaneously decrease their workload. While younger employees – “Millennials” – generally embrace AI, it is actually the Baby Boomers and Gen-Xers who ask the right questions and bring a healthy scepticism to its adoption – a necessary check-and-balance component, added Santhiram. This has resulted in the practice of reverse mentoring in some firms, with younger employees guiding more senior ones.

AI applications currently available do not require programming skills but Muhammad Nazri cautioned that for AI to be effective, human experience must be applied. “Lay out the rules, and the algorithms will do the rest,” he said. “Cost, expertise, implementation – these are the three core principles. Keep proprietary data secure.” Seewooruttun suggested giving accountants programming skills. “Upskill your accountants with IT,” he said. “Or upskill your IT people with accounting!”
“The change of lessee accounting is really on the single right of use (RoU) model in MFRS 16 compared to the dual risk and reward model under MFRS 117,”

“Public sector doesn’t use IFRS so it’s not a big issue. Think again because IPSAS which closely follows IFRS has got projects on leasing and income from non-exchange transactions…”

“have a single project team to spearhead, or in the driver’s seat, to lead this project because many companies have dispersed operations and multiple subsidiaries.”

“MFRS 16 will force us to relook at these contracts all over again to see whether they contain a lease or not. The recognition of RoU assets and liabilities will definitely bump up the total assets and total liabilities of companies.”

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With the new leasing standard MFRS 16 Leases set to take effect from 1 January 2019, this session explored the potential impacts that businesses should watch out for.

Moderator Rasmimi Ramli, Deputy Executive Director, Professional Practices & Technical noted in her opening remarks that the session would discuss lessee accounting, not lessor requirements. “The change of lessee accounting is really on the single right of use (RoU) model in MFRS 16 compared to the dual risk and reward model under MFRS 117,” she said.

Under MFRS 16, all leases need to be recognised in the financial statements, albeit there are recognition exemptions for short-term or low value asset leases.

Lim Kian Tong, Senior Vice President, Accounting Policy, AmBank Group explained that the impact to banking groups is comparable to retailing groups as both operate from rental properties which are primarily operating leases. “MFRS 16 will force us to relook at these contracts all over again to see whether they contain a lease or not. The recognition of RoU assets and liabilities will definitely bump up the total assets and total liabilities of companies.”

Lim cautioned that companies should pay attention to the impacts of MFRS 16 on reported ratios. Non-financial institutions should focus on impacts on ratios related to measurement of indebtedness e.g. debt service coverage ratio, and debt covenants with customers. Financial institutions meanwhile are more concerned with how MFRS 16 will impact the calculation of their Capital Adequacy Ratio (CAR).

Ram Subramanian, Policy Advisor – Reporting, CPA Australia warned public sector companies not to think that “Public sector doesn’t use IFRS so it’s not a big issue. Think again because IPSAS which closely follows IFRS has got projects on leasing and income from non-exchange transactions. When you move to MPSAS, which includes the new lease accounting and new income recognition requirements, you might potentially see similar issues.”

Earlier, Ram had highlighted the impact of IFRS16 on the Australian public sector’s concessionary leases in tandem with a new Australia-specific standard AASB 1058 which is income for not-for-profits including the public sector. Simply put, the requirement to work out the RoU asset value at fair value or based on the market value of rentals and recognise lease liabilities based on actual rentals results in a credit difference that goes to the income statement. “As some of these leases run for decades, in those cases the hit to the income statement can be quite significant,” said Ram. Another big challenge for the public sector would be getting the market value for rentals for specialised assets such as ports and infrastructure facilities.

Chamazy Rashid, Partner, Audit & Assurance, Deloitte Southeast Asia, advised companies to “have a single project team to spearhead, or in the driver’s seat, to lead this project because many companies have dispersed operations and multiple subsidiaries. You need to have someone central to make sure policies, approaches and timelines are consistent throughout the entire organisation.”

Drawing on his experience helping clients come up with a standard approach for implementation, Chamazy articulated a five-step approach for applying MFRS 16. One, understand the standard in order to identify the options available to you and map out timelines. Two, collate and read the data and don’t underestimate the efforts needed. Companies must look at all contracts, including service contracts, to make sure they come under the complete population of leases. Once the data is collated, read it. “Some of the data requirements are clearly evident in the standard, but there are data that lie outside, such as discount rates and lease term estimates.” Given the volume of data, some companies choose to subcontract the reading. Chamazy estimated that companies can expect to take at least two months to complete reading a thousand contracts and above. Three, agree on accounting policies with management and auditors to avoid disagreements down the line. “There are a number of issues especially with regards to transition date accounting. Within this step is also coming up with the assumptions and estimates, e.g. discount rate estimation.” Four, which is optional, is modelling different options as these produce different outcomes. Five, use the appropriate technology. “Under the new standard, accounting for leases is dynamic and leases may change throughout the tenure of the lease because of modifications and changes in probability of renewals, etc. Spreadsheets become unwieldy and software solutions should be considered.”

The session concluded with several questions on identifying leases, substantive substitution rights, determining of low value assets, and judgement in exercising options in relation to lease terms, among others.
“We hope that auditors can elevate to predictive and prescriptive maturity levels to provide added value to clients.”

“Since the issue of audit is to test the hypothesis that accounts are true and fair, you can now can access non-financial data of clients and feed these into models to really exercise a risk-based approach to audit.”

“There are many opportunities but they come with compliance and governance risks as well.”

“there was a significant introduction of data analytics to help auditors identify appropriate risk areas and make risk assessments to reduce audit risks.”
In a global landscape where technology is revolutionising business, there have been concurrent shifts in how audits are executed. Moderator Shalini Balakrishnan, Head, Assurance & Digital Transformation, MIA, explained that auditors are currently at the D2 - descriptive and diagnostic analytics level of maturity. “We hope that auditors can elevate to predictive and prescriptive maturity levels to provide added value to clients.”

Yee Wing Peng, Chief Executive Officer, Deloitte Malaysia, said that in the last three years, “there was a significant introduction of data analytics to help auditors identify appropriate risk areas and make risk assessments to reduce audit risks.”

Kishan Jasani, Audit Partner, Grant Thornton Malaysia urged auditors to take advantage of cheap and readily available computing power for data mining using tools like Amazon web services. “Since the issue of audit is to test the hypothesis that accounts are true and fair, you can now can access non-financial data of clients and feed these into models to really exercise a risk-based approach to audit.”

Asked about the opportunities arising from digital, Yee noted that data analytics in particular enables auditors to validate data and provide analysis that otherwise requires human intervention. “Analytics allows auditors to focus on risk areas e.g. areas of material misstatements of financial statements and brings down the cost involved in auditing substantially.” These cost savings can be shared by various stakeholders e.g. more competitive audit fees and higher remuneration to improve talent retention. Doing data analytics can also make auditing more interesting by automating mundane tasks and enabling auditors to exercise more judgement.

Of course, data analytics also carries risks, such as competency, cybersecurity and data integrity. Alex C. Eng, Chair-Emeritus, IMA’s Global Board of Directors singled out an opportunity for increased advisory services which also poses a risk of impaired independence as assurance engagement partners. “There are many opportunities but they come with compliance and governance risks as well.” To get started, Kishan advised auditors to “Go online. You need to be aware of what your problem is, and from your problem statement, find a solution.” Concerns with data analytics led to his firm implementing a tool called IDEAS, and Kishan also recommended exploring programming languages like R.

In practice, Yee explained that Deloitte’s deploys technology on IT audits and data analytics e.g. journal entry tests, and identifying exceptions and unusual transactions in seldom used users and seldom used accounts, such as big transactions in long dormant accountants and odd hour data entries. Also done are substantive tests on systems and the recomputing of accounts receivables aging, stock aging and work in process, bank and intercompany balances reconciliations.

“Work like this is now performed by robotics, no longer sampling but 100% of computations. By analysing the data and slicing and dicing information we can identify and assess risk levels and have a meaningful discussion with the client on risk areas to enhance the quality of audit.”

Before transiting to data analytics, consider the following criteria, said Yee. One, the data must be in digital form. Two, the source data must be accurate and have the highest level of integrity. Three, you must have the competency to make use of these tools to generate and analyse data/info required e.g. you would need competent auditors to instruct the analysts to write the programme, link up data and perform correlation in order to come up with meaningful output.

Touching on auditor obsolescence, Kishan assured auditors that they would still “have a job in the next 20 – 30 years because you cannot programme judgement.” Auditors need to be present to ensure that the system is reporting accurately and to pick up on any red flags within the system. “The system is only as good as the programmer or auditor itself.”

The session highlighted the legal challenges of harnessing data analytics for audit, such as accessing the data kept in data warehouses. Alex explained from the client’s perspective the thorny issues surrounding sharing of offsite data. In some Western jurisdictions, the concept of auditor-client privilege may not be available – legal protections afforded to the client/party making disclosures - in the event of legal action, and the if data had been released in an external assurance engagement, “that data and subsequent analytics performed by the auditor could be subject to discovery,” said Alex.

Data sharing with auditors may also be in violation of multiple federal and international laws - such as the EU General Data Protection Regulation (GDPR), until regulations and legislation catch up with the rapidly evolving digitisation of audit evidence. As a possible solution, Alex encouraged the audience to evaluate the need for certain waivers (if available and possible) and in other cases, indemnification(s), for breaches of data security with respect to non-disclosure agreements e.g. vendor data, accounts receivable data and banking data. “You should really revisit NDAs and master agreements to make sure that data can be released to auditors,” he advised.
“All countries express the intention for a level playing field and digital tax reform in the international environment. But at the end of the day, when they introduce certain laws, these might have different impact.”

“Since the digital economy doesn’t offer a tangible office or inventory to inspect, the “brick and mortar test” of PE doesn’t apply to the digital economy.”

“Malaysia like Australia needs to figure out how the collection of tax on the digital economy will be regulated whilst fulfilling the national goals.”

“EU’s interim solution is a 3% digital services tax, where it focuses on taxing big players with group global turnover greater than €750 million and EU sales of €50 million.”

“Insisting on the existence of a PE is contrary to the esprit of the digital economy.”
How can the global playing field be levelled when it comes to digital taxation? Is the movement for multilateral taxation of the global digital economy being undermined by the unilateral actions of sovereign jurisdictions to protect their tax bases?

“All countries express the intention for a level playing field and digital tax reform in the international environment. But at the end of the day, when they introduce certain laws, these might have different impact. The intention to level the field between domestic and foreign suppliers of digital goods and services by taxing both at the same level is noble, but how to do it is another issue,” remarked moderator Dr Veerinderjeet Singh, Group Non-Executive Chairman, Axcelasia Inc.

Like other jurisdictions, one key challenge hindering Malaysia’s digital taxation of offshore or foreign suppliers transacting with Malaysians online is their lack of a permanent establishment (PE) in Malaysia. Outlining the basic concept of residence and source, Nicholas A. Crist, Executive Director, Corporate Tax, KPMG (Malaysia), referred to the Organisation for Economic Co-operation and Development (OECD)’s first Double Taxation Agreement stating that business profits of a non-resident are taxable in the country where a PE is deemed. Since the digital economy doesn’t offer a tangible office or inventory to inspect, the ‘brick and mortar test’ of PE doesn’t apply to the digital economy. Crist added that digital technology has also ‘fragmented’ business models and supply chains, which obscure taxability. “The tax authorities have a challenge whereby the people creating value or the users might be based in one country but the revenue is coming from a party in another country. So traditional taxing concepts just cannot cope with this new method of value creation.”

Another key challenge would be to reform and align international taxation with local legislation. Michael Croker, Australian Tax Leader at Chartered Accountants Australia and New Zealand, said, “Malaysia like Australia needs to figure out how the collection of tax on the digital economy will be regulated whilst fulfilling the national goals.” Australia expects online companies to voluntarily register for tax purposes and charge GST on purchases. To support voluntary compliance, the importation tax threshold was lowered to zero so that all goods entering Australia will attract GST. But in practice, online purchases can still be made without GST. Croker also called for better multilateral cooperation to streamline tax regulation and “create better tax laws, which are compatible, which are consistent, which reduce the avenues for tax avoidance. Together, as a worldwide economy, we’ll all be better off.”

Anil Kumar Puri, Partner, International Tax Services, Ernst & Young, Tax Consultants Sdn Bhd also highlighted the global vs local conundrum. “On the international front, we’ve had supranational agencies like the OECD and the EU make rules or propose rules which they hope will be rolled out on a global basis. In addition to that, we’ve had many countries take unilateral action or propose unilateral steps to tax the digital economy.” Anil noted that EU’s interim solution is a 3% digital services tax, where it focuses on taxing big players with group global turnover greater than €750 million and EU sales of €50 million. EU estimates that it will collect approximately €5 billion annually in digital tax. Examples of unilateral actions include Italy and Spain’s moves to implement a withholding tax rate of 3% and 5% respectively whereas India adopted a 6% Equalisation Levy.

Providing the local regulatory perspective, Datuk Noor Azian Abdul Hamid, Deputy CEO (Policy), IRB clarified that “Section 4A of the Malaysian Income Tax Act on special classes of income does not require the presence of a PE to enable Malaysia to impose a tax”, although bilateral tax treaties with Singapore and Spain for example require that services be performed in Malaysia for withholding tax purposes.

Insisting on the existence of a PE is contrary to the esprit of the digital economy. “In a digital world, there is no need to define that you can only withhold if services are performed in Malaysia. That goes against what the digital economy is all about. Insisting on meeting the PE criteria contradicts the development of the digital economy, which by 2020 is projected to be the Malaysian GDP’s highest contributor,” argued Datuk Noor Azian.

Summing up, Dr Singh reiterated the overarching challenge embattling digital economy taxation – that of multilateralism against unilateralism. “The whole objective of the OECD/G20 BEPS (base erosion profit shifting) project was to change the international tax order, to the extent possible of having a uniform way of applying the international tax rules. While the project was very well intentioned, it has moved in a different direction, where countries have started to do things their own way.”
“Islamic financial institutions need to have a changed mindset across all its players within the ecosystem. It’s a critical requirement for them to do so or they will find themselves without any business”

“The fundamental underlying theme is attending to a fast-changing consumer behaviour. Digital disruption becomes a threat if we mimic the behaviour of the generic fintech.”

“Fintech start-ups are able to establish the financial behaviour of micro SMEs, allowing them to look at a company’s characteristics that enable them to issue out micro financing.”

“A lot of start-ups have no capital and no users but they have the agility to deploy solutions quickly as opposed to banks.”

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Malaysia Digital Economy Corporation
CONCURRENT SESSION 3A

Digital Disruption: Revolutionising Islamic Finance

While Islamic financial institutions (FIs) are adopting technology, most still lag behind conventional or more traditional banking institutions in leveraging on innovations that can strengthen the sector and further enhance consumer experience.

Session moderator Dato’ Badlishah Abdul Ghani, Executive Chairman, Souqa Fintech, acknowledged the need for Islamic financial institutions to have an organisational readiness to support digital transformation. He said, “Islamic financial institutions need to have a changed mindset across all its players within the ecosystem. It’s a critical requirement for them to do so or they will find themselves without any business – being challenged not only by a challenger bank that is already licensed in some countries, but also by newer banks that operate outside the regulated space and by the likes of Amazon and Ali Baba that are already behaving like the largest financial institutions in the world albeit unregulated.”

Digital disruption is real, he said, and thus begs the question: how do Islamic financial institutions approach their business?

A clear hurdle and limitation for Islamic financial institutions remains the lack of agility and technological know-how that are the hallmarks of a fintech start-up. Without embracing innovative tools possessed by fintech start-ups, such as efficient use of big data or data analytics, traditional banks are not able to provide a sustainable model that can reach underserved communities – such as micro financing for SMEs that lack traditional access to finance. “Fintech start-ups are able to establish the financial behaviour of micro SMEs, allowing them to look at a company’s characteristics that enable them to issue out micro financing. Traditionally this is not within the banks’ purview but should aspire to as this is what promotes real economy” said Zahrain Aris Bakti Zulkifli, Head of Digital Banking, Bank Islam Malaysia. With fintechs leveraging on mobile connectivity and digitally connecting peers in P2P lending networks with technology, Zahrain stressed that it is critical to cultivate an Islamic Fintech Ecosystem with the support of Islamic FIs.

In a report by Boston Consulting Group, there are 9,000 FinTech companies across the world and 200 are involved in payment activities which compete directly with banks. Though fintechs and FIs seem to be in market competition, Shah Mohammad Ali, Head, Islamic Markets & FinTech, Malaysia Digital Economy Corporation (MDEC) is more pragmatic, saying that a collaboration between FinTechs and banks is the way forward. “A lot of start-ups have no capital and no users but they have the agility to deploy solutions quickly as opposed to banks. Banks have the capital and users, but they are answerable to boards that require short-term returns.” By complementing each other instead of competing, they both can fill the gaps within the finance industry to fulfill social and developmental needs.

While digital acceleration can allow Islamic FIs to offer easier, more affordable and need-based financial products, Datuk Noor Azrin Mohd Noor, Managing Director, Sedania Group cautioned against chasing technology disruption for the sake of being disruptive and innovative. Instead, the focus should be on leveraging technology to serve customers. “The fundamental underlying theme is attending to a fast-changing consumer behaviour. Digital disruption becomes a threat if we mimic the behaviour of the generic fintech.”

Malaysia can strengthen its status as an Islamic finance hub and as a digital leader for Industrial Revolution 4.0 (IR4.0) by seizing the opportunity to develop and position Syariah-compliant fintech as a premium service. “If we focus on the behavioral aspects of our primary target market, which is the Muslim consumers, this becomes the basis of how we come up with our services and how we position ourselves.” Products that extend beyond banking, such as Islamic insurance and Islamic micro financing can help boost the Islamic finance industry and put them in a strong position to lead change with technology as an enabler.
“Big data analytics involves the acronym ICTM, which is Inspecting, Cleansing, Transforming and Modelling of Data, for three purposes: one, discovering of useful information, two, to suggest conclusions and three, to support decision making.”

“data visualisation or data dash boarding and what we call as infographics using pictures will be the next wave.”

“Sometimes the danger of data analytics is that you have so much data, so many conclusions being produced but these are not relevant to the question at hand.”

“... while the CIO handles big data analytics in collaboration with a pool of experts, the actual final decision rests with the CEO.”

Simon Tay Pit Eu
Executive Director
Professional Practices & Technical MIA

Surendran Nair Sankaran
Senior Director & Digital Insight Group Audit
Malayan Banking Berhad

Nik Shahrizal Sulaiman
Assurance Partner
Risk Assurance Services
PwC

Prof. Dr. Siva Muthaly
Dean, Faculty of Business & Management
Asia Pacific University of Technology & Innovation
What are the impacts that data analytics poses for accounting, and how can the profession optimise the use of analytics?

Moderator Simon Tay Pit Eu, Executive Director Professional Practices and Technical Division kicked off the session by explaining big data analytics in a nutshell. “Big data analytics involves the acronym ICTM, which is Inspecting, Cleansing, Transforming and Modelling of Data, for three purposes: one, discovering of useful information, two, to suggest conclusions and three, to support decision making.”

Big data analytics is especially critical as accountants evolve from just record keeping and hindsight to offering predictions and foresight to support and guide businesses, agreed Nik Shahrizal Sulaiman, Assurance Partner, Risk Assurance Services, PwC Malaysia and Surendran N Sankaran, Technical & Digital Insight, Maybank.

While accountants and the finance function might have relied on the IT team to run analytics before, these days accountants are capable of doing the data mining and data analytics with the aid of tools, added Surendran, who predicted that “data visualisation or data dash boarding and what we call as infographics using pictures will be the next wave.”

He explained that Group Audit in Maybank is “trying to build an intel of analytics for the future. Instead of you coming up with the possible scenarios, the system or tool can tell you what are the potential things happening or could potentially happen using internal data as well as external data that place an impact on all factors outside of the bank.” Rather than the auditor’s traditional pure focus on compliance, effective data exploration requires an in-depth analysis involving the four Ws (What, Who, When, Why) and one H (How), with the ‘Why’ being the most important to understand the reason behind an occurrence, said Surendran.

In essence, Big Data Analytics involves the concept of D2 and P2, where the two Ds are Descriptive and Diagnostics - describing and diagnosing a dataset - and the two Ps relate to Prediction and Prescription - predicting the future, inferring from the patterns and behaviours and applying any prescriptions to remediate anomalies found, explained Professor Dr. Siva Muthaly, Dean, Faculty of Business & Management, Asia Pacific University of Technology & Innovation.

For practical purposes, Big Data Analytics is also being deployed to stamp out creative cyberfraud, such as the use of Benfords Law to pick up complex split transactions, said Surendran, and to give actionable insights into areas as varied as consumer behaviours, said Dr. Siva. Going beyond this, Nik urged accountants to use data analytics for strategic business purposes because “increasingly, many accountants are expected to use data analytics for strategic business purposes because they want to see results, they want to see more of foresights and how this data could actually make better rather than just providing information about transactional values. That is the real challenge because the most important thing is to give the correct insight.”

Asked whether accountants or data scientists should take the lead in data analytics, Surendran emphasised that top management needs to be in the driver’s seat. “Who drives data analytics is the key. (There is a) stronger message if it is conveyed from the CFO downwards. Ultimately the CFO wants to see results, they want to see more of foresights and how this data could actually make more meaningful decisions.” Offering an Australian perspective, Dr. Siva noted that while the CIO handles big data analytics in collaboration with a pool of experts, the actual final decision rests with the CEO.

In order to give the right insights, completeness of data and the ability to ask the right questions are key. Reliability of the data, data integrity, and data accuracy are among the factors that must be considered, pointed out Surendran. “By asking the right questions, you can figure out the tools and methodology to answer the questions. Sometimes the danger of data analytics is that you have so much data, so many conclusions being produced but these are not relevant to the question at hand. So, in summary it is very important to know what you are trying to do with that question,” concluded Nik.
"With MBRS, manual or over-the-counter submissions will be things of the past,"

"The plan is to use as little human intervention as possible. Financial information uploaded through the MBRS platform using XBRL becomes immediately available to the public."

"The automation component of MBRS should be embraced because "accountants are not bookkeepers,"

"XBRL is disruption in a good way. It empowers policymakers, regulators and companies with real time validated data."

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Nurul Hidayah Zailani
Head
Financial Reporting & Capital Market
MIA

Khuzairi Yahya
Deputy Chief Executive Officer
(Registry & Business Services)
Companies Commission of Malaysia

Douglas Brown
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ACPM IT Asia
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Balaji Krishnaprasad
Program Manager
IRIS Business Services (Asia) Pte. Ltd.
Kicking off the session, Nurul Hidayah Zailani, Head, Financial Reporting & Capital Market, MIA walked the audience through the submission process. “With MBRS, manual or over-the-counter submissions will be things of the past,” she said.

As with any new implementation, there are challenges. A major one may be learning how to use the system itself. Explaining that XBRL allows the streamlining and sharing of information with a host of other departments speedily and securely, Khuzairi Yahya, SSM’s Deputy CEO (Registry & Business Services) said, “The plan is to use as little human intervention as possible. Financial information uploaded through the MBRS platform using XBRL becomes immediately available to the public.” The XBRL system takes data and makes it understandable, providing information from the filing company to the regulator(s). The data can be validated without human intervention, thus maintaining its integrity.

Although not new, XBRL is part of a growing trend of digital technology utilisation that is being increasingly adopted globally. While its implementation has challenges, opportunities arising from its adoption – such as using it to add value to accounting services – have developed in parallel. A host of other countries including Singapore, Thailand and Indonesia have already started using XBRL by adopting it later, Malaysia was able to learn from their experiences. SSM held extensive consultation sessions with other regulators and professional bodies like MIA and MAICSA and the feedback received were taken into consideration during system implementation.

The automation component of MBRS should be embraced because “accountants are not bookkeepers,” said Douglas Brown, Executive Director, ACPM IT Asia (Moore Stephens Advisory Sdn Bhd). “With XBRL, all processes were trackable and transparent, thus simplifying the accounting process. This gives a true and fair picture of the firm and improves stakeholder confidence.” Far from being ‘just another document to fill out,’ XBRL helps organisations track who did what at any point in the filing process. This shift provides an opportunity for accounting firms to shift their focus from submission to the value-added accounting areas clients are looking to see in today’s changing and growing standards and business environment.

However, the information filed through MBRS must be thoroughly checked before it is lodged. Submissions are also checked by SSM, and any irregularity will result in more checks. Khuzairi cautioned. The minimum penalty for filing misleading statements is RM3 million, or three years’ jail, or both. Currently, MBRS take-up may start slow but then accelerate, due perhaps to ignorance of its potential and the reluctance to adopt something new that is perceived as disruptive. “Don’t fear technology,” urged Balaji Krishnaprasad, Program Manager, IRIS Business Services (Asia) Pte Ltd. “XBRL is disruption in a good way. It empowers policymakers, regulators and companies with real time validated data. It also helps in good governance – data transparency and availability at the right time.”

By making it widely available, the system helps information become accessible to other parties in the industry besides the regulator. This eases the business process considerably, and since the health of individual companies can be tracked, the general condition of the industry can be ascertained, and help can be given where and when required, to keep all sectors competitive. SSM has been working with other parties to provide training, and since MBRS is less time-consuming, it can cut down filing and submission costs and reduce the strain on other resources. Physically queueing to lodge reports, for instance, will no longer be necessary, freeing staff for more productive pursuits.
While the most publicised use case is cryptocurrency, there is a huge potential for public sector use cases with many countries such as UK, Brazil and China running pilots in areas such as government services, procurement, payments, voting and land registration, healthcare and taxation.

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“If we can combat that level of corruption through using blockchain, then that is a great public good.”

“The easiest way to get around the tech is to go out and start doing bite-size projects. Choose a particular area and start piloting it within the organisation.”

Khoo Hsu Chuang
Producer/Presenter
BFM 89.9

Hari Haran Iyer
Associate
CIPFA

Stephen Darley
CEO Asia Pacific
BDO

Zhong Yang Chan
Assistant General Manager
Innovation, Digital & Strategy
Securities Commission Malaysia
Stephen Darley, CEO Asia Pacific, BDO noted that approximately between US$1.5 – 2 trillion is lost yearly through fraud and corruption in the public sector, equivalent to about 2% of global annual GDP. “If we can combat that level of corruption through using blockchain, then that is a great public good.”

Hari Haran Iyer, Associate, CIPFA singled out Estonia as a striking sovereign test case of e-government. “Estonia uses blockchain technology to process 100% of its public sector transactions, from its electoral records to the health registry.” He added that blockchain use has benefited Estonia by ‘minimising corruption, duplication of records and errors and bringing in efficiency.’ Buoyed by Estonia’s success, Dubai has announced that it will process all government transactions on blockchain by 2020.

Darley noted that countries that successfully implement blockchain tend to be relatively small and possess strong motivation and political will to do so, such as the post-conflict nations of Estonia and Georgia. “It might be more difficult in the likes of Malaysia and India until such time that records are consistent country-wide.”

Darley called for more standardisation to facilitate blockchain adoption. ‘Before we even move into the business environment, there is the requirement for the standardisation of records and information. As we transition, there is a huge potential for standardisation of these records and a huge opportunity for us as accountants.’

Zhong Yang Chan, Assistant General Manager, Innovation, Digital & Strategy, Securities Commission Malaysia said that cost need not be a barrier to blockchain adoption. “The easiest way to get around the tech is to go out and start doing bite-size projects. Choose a particular area and start piloting it within the organisation. Take bite-size pieces out of the apple rather than trying to swallow the whole apple.”

Asked about the possible obsolescence of accountants and auditors due to blockchain, Zhong explained that, “At the fundamental level, blockchain is a ledger. It records information and makes it easy to be audited and auditable. We need someone to audit if that information is true and immutable, and we still require accountants to ensure that the right data is being recorded in the right way in the right system. So, accountants are not at risk, though their roles might change.”

Theoretically, all government records could be put on blockchain. However, putting them on blockchain could be politically sensitive and would require careful consideration of data privacy and protection.

“The process of procurement is pretty standard in most organisations and internationally similar. Therefore, migrating that smart procurement process would to a great extent eliminate risk of fraud and introduce efficiency and increase accuracy of records,” explained Iyer. However, the tendering process for the public sector has to be separate.

Apart from making government records transparent and tamper-proof, blockchain can have real benefits for improving income tax collection. “Once a transaction is recorded in blockchain it cannot be amended or deleted. There is only one set of truths and you can no longer have separate accounts for accountants, tax authorities and shareholders,” said Iyer.

If all corporations and taxpayers are on blockchain, there is “no luxury of hiding taxable income. They would be declaring correct income or profit to the tax authorities. Therefore, governments don’t have to introduce new tax mechanisms or increase the existing tax rate if they can just introduce blockchain technology as revenue on existing tax rates and measures will be increased,” he continued.

Concluding, Iyer urged the audience to: “Take these early opportunities to adopt tech. I am convinced that blockchain is here to stay and will remain for a very long time. Early adopters are going to derive benefits that will influence others sitting on the fence to move into blockchain.”
Users have no alternative but to learn how to utilise the technology effectively. Tech does not think; humans do. “The only thing we have going for us is the ability to make judgements,”

As the business environment is dynamic, reports should be more dynamic and forward-looking without compromising accuracy and transparency. “The real purpose of reports is to perform analytics,”

“Technology should enable business to move forward, not retard its growth.”

“Stakeholders still look at the company’s projections so we have to invest in the right infrastructure to expedite this.”

“We have a lot of data but we don’t know what it means!”

Devanesan Evanson
CEO
Minority Shareholders
Watch Group

Sanjay Sivanandan
Regional Managing Director
LucaNet AG

Andrew Chan
Managing Director
ShareInvestor Malaysia

Vincent Tan
Choong Khiang
Group Company Secretary
IOI Group

Ho Zu Heng
Senior Research Consultant
Black Sun Asia Pacific
Corporate reporting produces a staggering amount of reading material, said moderator Devanesan Evanson, CEO, Minority Shareholders Watch Group. Listed companies are required to produce as many as eight types of reports annually, and regulators – and investors – have to read them. But information changes fast, and there is still a tendency to produce static PDF reports that are outdated even before they are viewed by investors and stakeholders. Exactly how useful is this information? Many companies produce similar “cut & paste” information for every report; this does not encourage reader feedback, so neither the firm nor its investors derive much benefit from the effort.

As the business environment is dynamic, reports should be more dynamic and forward-looking without compromising accuracy and transparency. The real purpose of reports is to perform analytics,” said Sanjay Sivanandan, Regional Manager, LucaNet AG. “We look backwards with reports (but) they need to enable us to plan and be forward-looking.” To help investors concentrate on what is meaningful, he said companies needed to implement real-time data collection and processing and automation. The main concern is how to deliver up-to-the-minute information to investors to help them make decisions.

While information technology has made large volumes of data available, there is the challenge of deriving meaning from the data. “We have a lot of data but we don’t know what it means!” said Ho Zu Heng, Senior Research Consultant, Black Sun Asia Pacific. There is a disconnect between having information, and knowing how to apply it effectively. Ironically, the problem – information overload from increasingly sophisticated technology – is also the solution.

Users have no alternative but to learn how to utilise the technology effectively. Tech does not think; humans do. “The only thing we have going for us is the ability to make judgements,” said Evanson. “So we have to harness the digital world.”

Data analytics can be used to ‘connect the dots’ and interpret the information; this has to then be speedily disseminated to stakeholders and decision-makers. The platforms to expedite this are already available. Most companies have websites; most individuals have ‘smart’ phones that can access information globally, making it ‘real-time’ Andrew Chan, Managing Director, ShareInvestor Malaysia, advocated the use of micro-sites for more detailed information. “This makes better use of existing websites and spurs more engagement between the company and its stakeholders,” he said. Technology should enable business to move forward, not retard its growth.

Tech-driven automation should manage the mundane, so that staff can turn their attention to more value-added services. “Historical reporting will still be relevant but there is growing focus on the future of the organisation,” said Vincent Tan Choong Khiang, Group Company Secretary, IOI Group. “Stakeholders still look at the company’s projections so we have to invest in the right infrastructure to expedite this.” Thus empowered, the CFO can leverage on digital reporting to present a meaningful picture of the company, its future, strategy and sustainability. While the numbers will still tell the story, the CFO, simultaneously spurred and supported by technology, will be the lynchpin of the organisation, enabling it to move forward more swiftly, surely and sustainably.
“A report by the Business and Sustainable Development Commission (BSDC) estimates that there are 60 market hotspot business opportunities coming from the SDGs that are worth US$12 trillion a year.”

“Though Malaysia has a huge financial inclusion agenda and has done an incredible amount to promote the sector, we are trying to encourage the Government to think in a more ambitious way – to raise the targets.

“It’s best for organisations, in aligning their business objectives with SDGs, to support initiatives that encourage experimenting, learning and proposing new technologies.”

“The 17 SDGs are the most exciting thing to happen to an accountant. It is both an opportunity and an obligation. It gives accountants a purpose because they are all linked to integrated reporting <IR>.

Dato’ Merina Abu Tahir
Head of Group Internal Audit
Malaysia Airlines Berhad

Dr Firas Raad
Country Manager
World Bank Malaysia

Rashvin Pal Singh
Co-founder
The Biji-Biji Initiative

Uantchern Loh
Chief Executive Officer
Asia Pacific Black Sun
Technology will play a critical role in helping to realise the United Nations’ Sustainable Development Goals (SDGs). The SDGs, 17 in total, leverage on the success of the Millennium Development Goals (MDGs), and present the blueprint to achieve a better and more sustainable future for all. With areas covering climate change, economic inequality, peace and justice, to name a few, these goals – that are interlinked in nature – are targeted to be achieved by 2030.

Leveraging on the full potential of digital to deliver the SDGs makes good business sense. “SDGs have been called a purchase order for 2030,” noted Dato’ Merina Abu Tahir, Head of Group Internal Audit, Malaysia Airlines Berhad, as she moderated the session on ‘Leveraging Digital to Achieve the UN SDGs. ‘A report by the Business and Sustainable Development Commission (BSDC) estimates that there are 60 market hotspot business opportunities coming from the SDGs that are worth US$12 trillion a year.” Adopting SDG-inspired frameworks provides not only a useful 21st century risk map for businesses and governments, but also helps build their sustainability platforms, added Dato’ Merina.

For governments, adopting the Goals can transform the country’s holistic development. Said Dr Firas Raad, World Bank Country Manager for Malaysia, “To do so requires governments to look at the digital economy through a particular framework that focuses on three themes: efficiency, inclusion and innovation. Through these three channels, we see that advances in promoting digital economy can support overall economic growth, particularly SDG8 (Good Jobs and Economic Growth).” Central to the three themes is faster and inexpensive broadband that can expand financial inclusion and improve how small businesses can enter the regional and global market. “Though Malaysia has a huge financial inclusion agenda and has done an incredible amount to promote the sector, we are trying to encourage the Government to think in a more ambitious way – to raise the targets. This is important going forward because to go into IR4.0, you really need to up the game.”

To drive the SDG agenda forward, corporations and business must show the readiness to act. Rashvin Pal Singh, co-founder Biji-Biji Initiative said, “It’s best for organisations, in aligning their business objectives with SDGs, to support initiatives that encourage experimenting, learning and proposing new technologies.” At Biji-Biji, 5 percent of every department’s budget is allocated to propose new technologies that can be used, especially in promoting business efficiency. Why a department-led approach? “Often times management will be sold by new software technology, but there is always push back in adoption of it, whether in part because of reluctance to learn or change. What is good about empowering each department to lead tech innovations is they can propose technology that best suits them.”

For accountants in particular, the SDGs require them to be in the frontline. Uantchern Loh, CEO, Black Sun, Asia Pacific enthused, “The 17 SDGs are the most exciting thing to happen to an accountant. It is both an opportunity and an obligation. It gives accountants a purpose because they are all linked to integrated reporting (IR). With 17 goals, 169 targets and 230 indicators – just choose any of them; it gives you the ‘why’ that is missing from Annual Reports.”

Therein also lies the challenge for accountants: how to account for things you cannot count. “Accountants must learn to use certain proxies,” Uantchern explains. “For example, every report has values: innovation, teamwork, togetherness, integrity. But most are slogans and are meaningless because they are not connected to strategy, sustainability reporting or purpose.” The accountants of tomorrow must find a way to use their reporting skills to connect the intangibles and adopt a new way of reporting that allows for value creation, if the UN’s SDG targets are to be met.