



## **The Strengthening of the Accountancy Profession in Malaysia**

ICAEW welcomes the opportunity to comment on the consultation paper 'The Strengthening of the Accountancy Profession in Malaysia' published by The Committee to Strengthen the Accountancy Profession (CSAP) in December 2014, a copy of which is available from this [link](#).

This ICAEW response of 30 January 2015 has been prepared on behalf of the Learning and Professional Development Department and reflects consultation with the Learning and Professional Development Board.

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## MAJOR POINTS

1. The report on 'The Strengthening of the Accountancy Profession in Malaysia' makes some bold recommendations for comprehensive changes which will benefit the profession in the short, medium and long term. ICAEW is broadly very supportive of these recommendations and their underlining rationale. Additionally, there are some areas where we would appreciate additional clarification or detail. We set out below our observations and responses to each recommendation.
2. The recommendations set out will require the support of a range of stakeholders including accountancy firms (large and small), universities, academics and the government. CSAP should ensure that it is clear on who will be responsible for the implementation of each recommendation and ensure the New Regulatory Body (NRB) works closely with these stakeholders to deliver success in areas which are outside its natural remit, such as changes to the reward and promotion policies for accountancy academics.

## RESPONSES TO SPECIFIC QUESTIONS

### R1: A new regulatory body to be set up

3. We believe that the development of the NRB to oversee the regulation of professional accountants, adherence to professional standards and development of the accountancy profession will be beneficial to the accountancy profession in Malaysia. The changes will enable regulation of groups and areas not currently under the remit of MIA, such as valuation professionals, liquidators, Islamic Finance etc. We support this recommendation.
4. ICAEW has a long history of working closely with our own regulator, the FRC to ensure the highest possible standards for accountants, firms and the wider public in the UK.

### R2: Ensure Baseline competencies are met

5. We agree that baseline competencies should be achieved by all professional accountants and we believe that these should be in line with those set out by IFAC in their International Education Standards (IESs).
6. We note that the 19,000 MIA members who hold professional membership will apply for membership of the NRB. We would welcome further clarity on how these changes will affect the remaining 11,000 MIA Schedule 1 members (university graduates who have been awarded Malaysian Chartered Accountant status without sitting any professional qualification papers). There is both the dimension of whether there is regulatory permission to continue working professionally as before and, irrespective of the former, the potential that these accountants will be perceived to have completed a qualification of lower status to that being developed by the NRB. The perception issue will need to be carefully managed particularly if there is a need for these accountants to act as mentors and supervisors for new trainees.
7. Further, we would welcome additional detail on how the review and restructure of all accountancy programmes recognised under the first schedule of Accountants Act 1967 will be carried out. This is a key area of work but if rushed through it runs the risk of further alienating qualified accountants who studied the older programmes and the universities who have in the past changed their programmes from three to four years at the request of MIA and who are now being asked to amend these back to a three year programme. An additional consideration given that this is noted as a key objective which will need to be started quickly is whether these changes will require amendments to the Accountants Act 1967 and how long the governance process will take if this is necessary.
8. Conversely, the existence of a common curriculum suggests that this restructure may not in fact be necessary. There is the potential that the development of a common assessment,

which each university is required to adhere to, might be a simpler method of ensuring the baseline competencies are achieved by all university graduates.

### **R3: Coordinate efforts to build capacity**

9. ICAEW supports this recommendation and would welcome the opportunity to discuss ways in which we could support the NRB in developing capacity through working collaboratively with the professional accountancy bodies in Malaysia. ICAEW has been involved in a number of capacity building projects in South East Asia including assisting with the development of the accounting profession in Myanmar and the design and delivery of a specialised training to Asian Development Bank staff

### **R4: Increase support to the SMEs and SMPs**

10. We agree that increasing the number of, and support available to, SMEs and SMPs is an important area of work in developing the accountancy profession within Malaysia and we support this recommendation. However, we are concerned about the ability of the principals in these offices to act effectively as mentors when many will not have had experience of professional examinations. Consideration will need to be given to ensuring that these principals are supported by the NRB, particularly in light of the potential for the qualification these accountants received to be considered sub-par in comparison to students on future programmes due to the extensive overhaul of the accountancy profession taking place.

### **R5: Widen pathways into the professions**

11. ICAEW supports the recommendation to widen access to the accountancy profession. The inclusion of students with non-relevant degrees will increase the potential number of trained accountants and, in the longer term, should foster a more inclusive profession.

### **R6: Focus funding on accountancy education**

12. We support the recommendation on focus funding on accountancy education. The suggested changes to the remit of the Malaysian Accountancy Research and Education Foundation (MAREF) are to be welcomed and, given the risk that corporations may wish to channel their funds into their own scholarship programmes, we also agree that other new routes to funding should be sought to ensure the accountancy profession does not become unduly reliant upon MAREF.

### **R7: Make accountancy the profession of choice**

13. ICAEW supports the move to make accountancy the profession of choice. We note that the suggested targets for promotion of the profession should be younger accountancy students and welcome this suggestion. However, more could also be done to target parents, and students at earlier stages in their education: those who have not yet selected their career path, and to promote the benefits of an accountancy role to this group in order to increase the number of students entering into accountancy training. Additionally we welcome the plans set out elsewhere in the report for the development and promotion of routes into the profession for non-accountancy graduates. ICAEW has a long track record of attracting non-relevant graduates and school leavers into the profession through the development of a range of routes to the professional qualification. We have also had a great deal of success in promoting the accountancy profession to school leavers through our BASE business games which enable teams of school pupils to take part in a competitive business challenge and experience what working in accountancy is like.

### **R8: Make Malaysia a hub for accountancy education**

14. We support the recommendation that Malaysia be developed into a hub for accountancy education. The achievement of recommendations such as R10 (revision of promotion and reward structures for academics) and R12 (introduce certification in specialist areas) should go

some way to achieving this goal, as will the redevelopment of accountancy programmes at universities and attracting additional funding for qualifications.

**R9: Encourage cooperation between the industry and universities**

**15.** ICAEW supports this recommendation. The buy-in of universities and the accountancy industry to all of the recommendations in this report is essential. This process will ensure that these two key stakeholders see tangible benefits from the overhaul of the profession.

**R10: Revise promotion and reward structures for lecturers**

**16.** We support the intention of this recommendation. However, it would be useful to have further clarity on whether this activity will be within the scope of powers for the NRB and, if not, how universities will be encouraged to implement this change given the issues universities face with resourcing noted earlier in the CSAP report.

**R11: Create an accommodating human capital development environment**

**17.** ICAEW supports this recommendation although we note that the work suggested in the report falls mainly within the remit of 'R8: Make Malaysia a hub for accountancy education' and would therefore suggest this is removed as a separate recommendation and included under R8 to avoid confusion or duplication.

**R12: Introduce certification in specialised areas**

**18.** ICAEW supports this recommendation. However, we note in the implementation issues for this recommendation that there is presently little demand for additional certified courses amongst the senior accountants who are seen as the target market for these programmes, and that other postgraduate programmes are preferred. Additional research could be beneficial here to investigate the potential to work collaboratively with the suppliers of these other programmes and have certification embedded in these rather than develop additional stand-alone programmes that will have low take up from the senior accountants being targeted. Alternatively, programmes could be developed aimed specifically at the newer accountants who are looking to build their skills and develop their careers in a competitive market and who may be looking for certification in specialist, niche areas.

**R13: Nurture SMPs that are relevant to SMEs**

**19.** ICAEW supports the intention of this recommendation. However it might be considered detrimental to the accountancy profession to encourage the SMPs to merge to create larger practices. An alternative to this might be to offer financial incentives to the SMPs to accept accountancy students, and support to the senior accountants who act as sponsors or mentors for trainees. In this way the SMPs will retain their individual identities, become a sizable sector capable of producing professional accountants, and still service the SMEs and not find themselves placed in direct competition with larger firms and the Big 4.

**R14: Capitalise on existing expertise**

**20.** ICAEW supports the recommendation that the Malaysian accountancy profession should build upon existing expertise and areas in which Malaysia is emerging as a specialist. The suggestion that more training courses in these areas be provided is laudable however the NRB may find that the lack of interest in additional courses noted as a risk to R12 may impact on this recommendation as well. Additional research on the potential market for these courses should be completed to ensure there is demand. We would also recommend widening the target market to include younger accountants as noted in our response to R12.

**R15: Establish a more inclusive profession**

**21.** ICAEW welcomes the recommendation to foster a more inclusive profession. Development of the profession to better reflect the racial and gender mix of the Malaysian population will not only increase the number of potential professional accountants but will make the profession

more attractive to future generations. Encouraging students in more remote areas to study for an accountancy career may require the development of accountancy degrees and the professional qualification to include new methods of delivery such as online learning as well as the consideration of alternative funding models noted earlier in the CSAP report. ICAEW has a number of programmes which offer the option of online learning such as our Business Sustainability Programme and the IFRSs and ICAEW ISAs programmes. These programmes incorporate online modules and assessment and an online support network for students.

- 22.** ICAEW now has a number of tuition providers globally who are monitored and held to the same rigorous standards as our tuition providers in the UK. We would be happy to discuss ways in which we could work collaboratively with the NRB to develop standards and monitoring processes for tuition providers in more remote regions of Malaysia.