

Professional Accountancy Organisations

ENGAGING WITH THE PUBLIC SECTOR

CASE STUDY 2: MALAYSIA





In May 2019, CAPA issued a publication titled **'Professional Accountancy Organisations - Engaging with the Public Sector'**. Amongst the seven (7) findings from a survey giving rise to the publication were the following:

- Few professionally qualified accountants operate in the public sector.
- The public sector lags in the implementation of internationally recognised standards, especially in accounting.
- Consolidated accrual-based financial statements in the public sector remain rare.
- Most professional accountancy organisations (PAOs) focus on the private sector, and engagement with the public sector is limited.
- PAOs in developing and emerging economies are uncertain about how to engage with the public sector.

The **Case Study Series** represents examples of how PAOs can address the findings highlighted in the survey. **Case Study 1: India** describes the involvement of the PAOs in India in a major project to migrate to an accrual-basis of accounting for the Indian Railways and to improve costing systems to provide better information for decision-making.

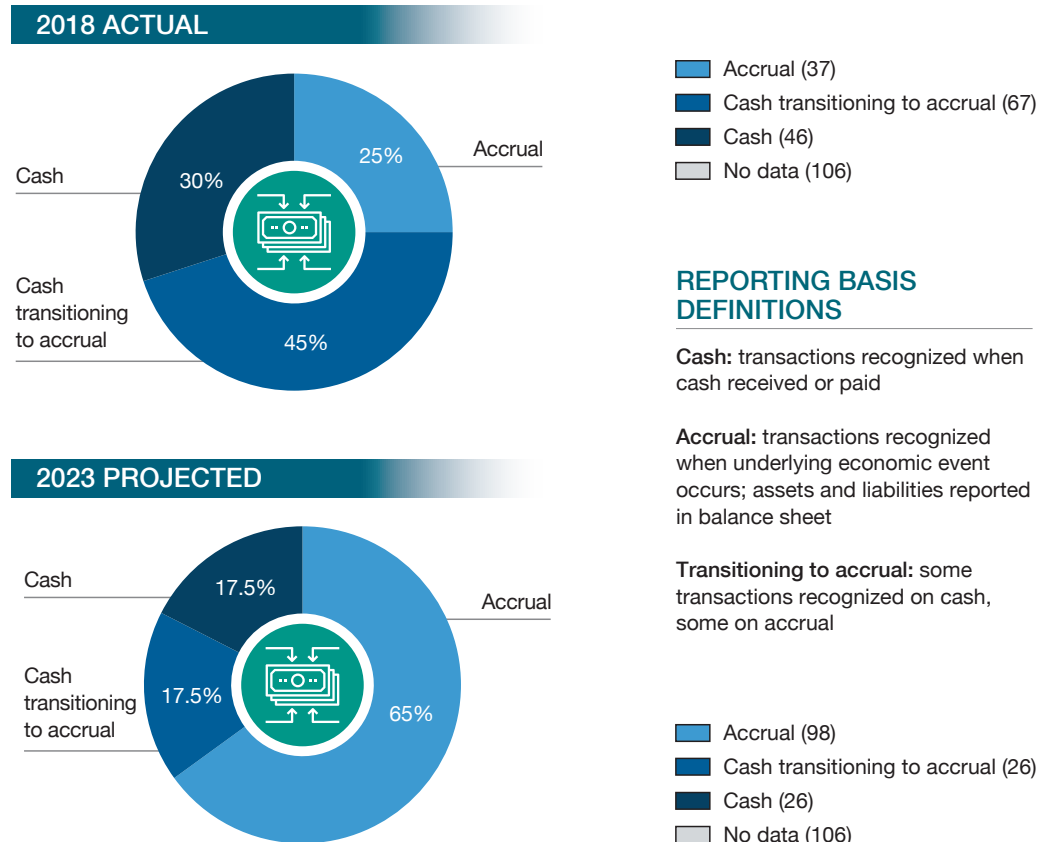
This case study demonstrates how a national PAO in Malaysia engaged with the Malaysian government to assist introduce accrual accounting into the public sector and strengthen the accounting cohort working in the public sector.

Accelerating the Journey to Professionalise the Public Sector in Malaysia

The Malaysian Institute of Accountants (MIA) was invited to participate in the Public Financial Management (PFM) Strategic Reform Initiative (SRI) in 2011. The SRI, one of six initiatives under the Malaysian government's economic transformation program, was aimed at strengthening the government's finances to ensure stability and sustainability of public funds to transform Malaysia into a high-income nation.

MIA's key contribution was to strongly advocate for the introduction of the accrual basis of accounting in line with the International Public Sector Accounting Standards (IPSAS). To that end, MIA played a key role in the move to accrual accounting from a modified cash basis.

Accrual-Based Financial Reporting used by Governments around the World - from 25% in 2018, to 65% in 2023*



*Based on countries captured in the Index

Source: International Public Sector Financial Accountability Index - 2018 Status Report, jointly published by the International Federation of Accountants and the Chartered Institute of Public Finance & Accountancy.

Recognising the journey to implement an accrual accounting system is not an easy one, MIA continued to extend its support to the government throughout the transition, in particular to the Accountant General's Department (AGD). The AGD is the lead agency in the implementation of accrual accounting in the public sector in Malaysia. MIA's support was extended via two key approaches:

1. Providing technical assistance and supporting capacity building by:

- a. making available MIA staff with appropriate expertise to serve on government committees including the Government Accounting Standards Advisory Committee (GASAC), one of two high-profile government committees¹ which were set up, inter alia, to oversee, confirm and approve the development, adoption and implementation of Malaysian Public Sector Accounting Standards (MPSAS);
- b. supplying technical advisors to support any government representatives appointed or elected to regional or international PFM-focussed committees/boards;
- c. organising and facilitating engagement and consultation by way of outreach sessions, working groups and roundtables, to consider consultation documents issued by the IPSAS Board (IPSASB). The MPSAS is based on IPSAS, and it was therefore important for MIA to take a proactive role by providing Malaysia's views on the IPSASB consultation documents to facilitate smoother adoption;
- d. establishing a Public Sector Accounting Committee (PSAC) within MIA, chaired by the Accountant General, to support PFM related initiatives;
- e. organising or co-organising public sector focussed trainings, seminars and conferences; and
- f. creating pathways for public sector accountants to obtain professional qualifications through establishing Memorandums of Understanding with various professional accountancy organisations such as CIPFA, CPA Australia, CIMA and ACCA².

2. Advocating the value of strong PFM by:

- a. highlighting the value and role of accountants in enabling strong PFM through activities such as convening roundtables for public sector entity representatives, and submitting written position papers to the Ministry of Finance and relevant government departments;
- b. promoting the importance of the public sector embracing and adopting technology and referencing MIA's Digital Technology Blueprint which outlines five driving principles to guide the accountancy profession in Malaysia to respond to digital technology appropriately;
- c. engaging with public sector entities, including federal statutory bodies (e.g. Central Bank, Securities Commission, public higher learning institutions) on the benefits of supporting sound PFM in their environment and enhancing the capacity of respective Chief Financial Officers; and
- d. encouraging the Malaysian Accountancy Research and Education Foundation (MAREF) to undertake research on public sector contemporary issues and/or topics.

The Initiatives' Outcomes

- The progressive implementation of accrual accounting in Malaysia.
- The Ministry of Finance's working committee accepted MIA's proposed accounting framework to be used by the federal statutory bodies.
- The number of qualified accountants in the public sector increased.
- Establishment of the PSAC within MIA to address PFM initiatives including advocating the role of accountants in PFM.
- Stronger recognition of MIA as an overall authority for the accountancy profession and as a valued partner of the government on PFM related matters including advocacy at global levels.

The Benefits to MIA

- MIA is seen to be delivering on its mandate to develop the accountancy profession to support economic growth and nation building.
- The Malaysian government recognises MIA's relevance in being involved in PFM reform, including the implementation of MPSAS.
- The reputation and credibility of the accountancy profession to deliver and support tangible reforms in the public sector has been enhanced.
- There is an increased understanding of the expertise and value accountants can bring to the public sector.
- By sharing the story and their involvement, the profile of MIA has been increased, both nationally and globally. This aligns with MIA's vision to be a globally recognised PAO.

About MIA



Established under the Accountants Act 1967, the Malaysian Institute of Accountants is the national accountancy body that regulates, develops, supports and enhances the integrity, status and interests of the profession in Malaysia. MIA accords the Chartered Accountant Malaysia or C.A. (M) designation to a professional in accountancy, business and finance with a recognised qualification and relevant work experience.

Working closely alongside businesses and the public sector, MIA connects its membership to a wide range of information resources, events, professional development and networking opportunities. Presently, there are more than 36,500 members working across private and public sectors in Malaysia and elsewhere in the world.

¹ GASAC and the Accrual Accounting Steering Committee (AASC)

² Chartered Institute of Public Finance and Accountancy (CIPFA), CPA Australia, Chartered Institute of Management Accountants (CIMA) and Association of Chartered Certified Accountants (ACCA)

Success Factors for Engaging

As a statutory body established under the Accountant's Act in 1967, MIA operates under the Ministry of Finance. Consequently, the Accountant General of Malaysia is a permanent Council member. This governance structure allows MIA to develop an extended relationship network throughout the public sector, including with key officials. These relationships have allowed MIA to build credibility and trust as a valued strategic partner in PFM reforms.

Over the years, MIA has also developed strategic relationships with key institutions such as the International Federation of Accountants, ASEAN Federation of Accountants and the World Bank. This has allowed MIA to gather and share international knowledge relevant to PFM reforms in the Malaysian context.

MIA has been involved in regulating and developing the accountancy profession in Malaysia for the last 50 years. Although earlier focus was predominantly on the private sector, the knowledge and experience gained from five decades was transferable and also applicable to the public sector. The experience allowed MIA to put in place initiatives to help drive good PFM reforms.

Further, MIA has expertise and experience garnered from involvement in the standard-setting processes as well as on adoption and implementation of international standards in Malaysia. The experience extends to accounting, auditing, education and ethics standards. This cumulative knowledge can equally be applied to the adoption and implementation of public sector standards, including the development of implementation guidelines.

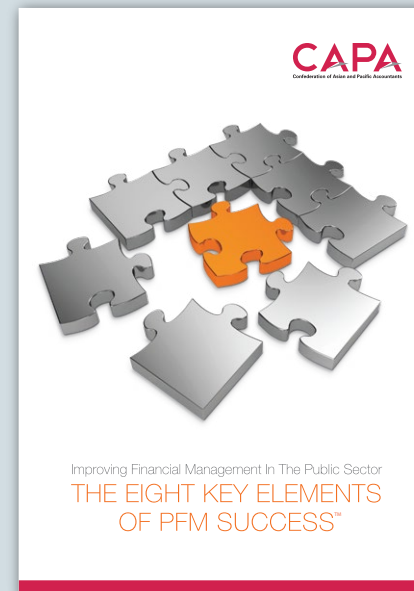
Top Tips for PAOs

- Political buy-in is essential to drive the adoption of accrual accounting in the public sector.
- Position as a sparring partner or sounding board for the government, and provide technical know-how support, throughout the whole accrual accounting implementation journey.
- Advocate for PFM reforms which place finance and accountancy at the heart of public sector decision making.
- Early and ongoing emphasis on the public sector to:
 - assist build capacity;
 - provide support to those charged with PFM reform; and
 - ensure national approaches are aligned with international standards.

Other Considerations for PAOs

One of the key investments for MIA was the nomination of a member of MIA, who was a former Accountant General, to the IPSASB. MIA supported the member with a technical advisor (TA) who was an MIA technical staff person conversant on the subject matter. Both the IPSASB member nominated by MIA and the TA were able to network with the IPSASB community – to learn from countries that have implemented IPSAS and enhance their technical expertise, which was then shared with the relevant stakeholders in Malaysia. Although the term was only for three years, the benefits continued beyond.

Related Publications



The effective management of public finances – known as public financial management (PFM) – is fundamental to the development and growth of individual economies. Governments are responsible to their citizens and taxpayers for implementing effective systems of PFM. The profession is committed to protecting the public interest and encouraging accountability and transparency from governments around the world.

This publication is specifically aimed at assisting dialogue between PAOs and the public sector to identify improvement opportunities.

Having the right people with the right financial skills will be crucial if a country is to have effective PFM. However, attracting and retaining finance personnel in the public sector is a challenge in many countries.

This publication suggests a multi-faceted stakeholder approach to address the challenge, including the unique role a PAO can play.



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