



**ACCOUNTING FOR MORE THAN CASH FLOWS – INCLUDING THE GOVERNMENT'S ASSETS AND LIABILITIES IN TOTAL, INCLUDING OFF-BALANCE SHEET ITEMS AS WELL AS PENSION OBLIGATIONS FOR PUBLIC SERVANTS – PROVIDES A CLEARER PICTURE OF THE GOVERNMENT'S FISCAL POSITION.**

## ENHANCING PUBLIC ACCOUNTABILITY



In turn, access to qualitative and quantitative information of higher quality should enable better financial decision-making and management decisions. The question is whether government executives are committed to or able to act on this information for the benefit of stakeholders, instead of compromising public interest for vested interests. Therefore, one of the measures that needs to be addressed going forward is how to enforce accountability among public sector managers and employees. Building talent and their capabilities and competencies should hence be a priority in the accrual accounting regime; executives should be empowered and educated to identify the full impact of public sector decisions and act accordingly. At the same time, it must be stressed that reinforcing strong ethics and moral values are a must to achieve accountability.

Importantly, accrual accounting should also help governments defend themselves against reputational risk and loss of public confidence by reducing opacity. Since accrual accounting requires the provision of more complete, reliable and meaningful information about government assets and liabilities,

this should enhance government transparency and accountability.

### CHALLENGES AND READINESS

It is anticipated that the Malaysian federal government will trial the implementation of accrual accounting sometime in 2015 with state governments following suit in 2016. However, the process to full implementation is expected to take a few more years, given the many technical and operational challenges.

Notably, the process of producing an opening balance sheet and implementing

accounting policies to track government assets and liabilities is complex. Other areas of concern include identifying and assessing the value of heritage assets.

There is also the issue of human readiness and upskilling. Accrual accounting will see a demand for specific skills, such as valuation and asset and liability registration. Importantly, accountants will also need to develop sound professional judgement to be able to assess the future economic value and benefits accruing from an asset, as opposed to the current systemic focus on determining the cost of an item.

Importantly, political will and commitment are prerequisites for elevating public sector efficiency. Key policymakers need to understand the reasons and benefits of robust financial management and be committed to the system.

### LOOKING BEYOND NUMBERS

While accrual accounting is a solution to achieve higher quality public financial management, it is not a magic bullet.

From the sustainability perspective, the absence of environmental and social accountability is a shortcoming





of accrual accounting. Accrual accounting does not measure government performance on non-financial dimensions. For instance, with regards to equitable distribution of wealth, how can the system ensure that benefits accrue to all, and not just a chosen few? How can accrual accounting be utilised to measure a project's social engineering effects, skills creation and entrepreneur creation which are important in Malaysia as it aims to become a strong high-income economy? In any government project, there must be analysis of the value chain and its impacts in totality. The accountancy profession was urged to remedy shortcomings by costing in non-financial impacts.

*Malaysia is stepping along the path of accrual accounting, and this is the first step in the journey towards higher-quality financial management.*

It must also be noted that the public sector is a tremendous source of reputational risk. Hence, the government should leverage on the higher-quality information generated by accrual accounting to maximise the sustainability of its projects, identify and reject white elephant projects, and

diminish leakages and corruption to control this risk. There is also a dire need to develop communications plans and protocols to manage perception – do not underestimate effective communications with stakeholders in building public goodwill and trust.

At any rate, some change is better than none. Malaysia is stepping along the path of accrual accounting, and this is the first step in the journey towards higher-quality financial management. The willingness to move to public sector accounting standards means that Malaysia should expect the quality of accounting and financial management within the government to improve over time, and this should support sustainable economic growth. ■

# 2015 CPA CONGRESS

## LEADERSHIP. STRATEGY. BUSINESS.

**KUALA LUMPUR**  
22 SEPTEMBER 2015  
ONE WORLD HOTEL,  
PETALING JAYA,  
SELANGOR

CPA Congress brings together finance, accounting and business professionals in a global dialogue to convert innovative strategies into practical action plans. This is your opportunity to advance your business and leadership skills with experts in the field.

REGISTER TODAY, CALL +603 2267 3388 OR VISIT [CPACONGRESS.COM.AU/KUALA-LUMPUR](http://CPACONGRESS.COM.AU/KUALA-LUMPUR)

CLAIM UP TO **20 CPD HOURS** 8 CPD hours for CPA Congress  
12 CPD hours for Congress On Demand



### SPEAKER HIGHLIGHTS



**SRIDHARAN NAIR**  
Managing Partner,  
PwC Malaysia  
(Moderator)

**PLENARY 1:**  
The act of balancing  
risk and growth



**CHOW SANG HOE**  
Managing Partner,  
ASEAN Advisory,  
EY (Moderator)

**PLENARY 2:**  
The shifting global  
economic climate and  
its impact on ASEAN  
economic integration



**MOK CHEW YIN**  
Executive Director,  
Advisory and GST,  
BDO Malaysia

**PLENARY 3:** Managing  
profiteers and the  
inflationary effects  
of GST



**TAN ENG YEW**  
FCPA (Aust.)  
Indirect Tax Leader,  
Deloitte Malaysia

**PLENARY 3:** Managing  
profiteers and the  
inflationary effects  
of GST



**DANI MICHAUX**  
Executive Director,  
KPMG Malaysia

**PLENARY 4:**  
Cybersecurity –  
more smoke than fire?

BE HEARD.  
BE RECOGNISED.



SIGNATURE SPONSOR



CORPORATE PARTNER



STRATEGIC PARTNER



PARTNER SPONSORS

