



# **PFM AND PSA REFORM IMPLEMENTATION: Malaysia Experience**

# MALYSIAN ACCOUNTING REFORM: ACCRUAL ACCOUNTING

Implementing **accrual accounting** for prudent fiscal management under Fiscal Discipline and reform as one of the Public Sector Transformation Policy Measures under the New Economic Model.

## OBJECTIVES

-  **Financial Position**  
To provide a more comprehensive and accurate picture of the government's financial position by considering the assets and liabilities
-  **Transparency and Accountability**  
To enhance government transparency and accountability in financial management and accounts
-  **Financial Management and Accounts**  
To enhance government management and accounting through good governance while supporting the development of effective fiscal and financial policies for the country
-  **Integrity**  
To increase efficiency, accountability, and transparency in financial and accounting management and reporting
-  **Efficiency and effectiveness of organizations**  
To support effective financial management through comprehensive data and information on assets and liabilities

## IMPLEMENTATION STRATEGY



# CURRENT STATUS OF MALAYSIAN PUBLIC FINANCIAL MANAGEMENT

## Accounting Perspective



**33 MPSAS**  
Published

Improvements to  
MPSASs 2023

Malaysian Public Sector  
Accounting Pronouncement  
Handbook 2023

WORK IN  
PROGRESS

IPSAS 41 – Financial Instruments  
IPSAS 42 – Social Benefits

IPSAS 43 - Leases

IPSAS 44 - Non-current Assets Held for  
Sale and Discontinued Operations

IPSAS 45 - Property, Plant and Equipment

IPSAS 46 - Measurement

IPSAS 47 - Revenue

IPSAS 48 - Transfer Expenses

IPSAS 49 - Retirement Benefit Plans

IPSAS 50 - Exploration for and Evaluation  
of Mineral Resources

Yet to be adapted

## Fiscal Objectives



Ensuring sustainability  
of public finance



Preserving  
macroeconomic stability



Safeguarding the well-  
being of the people

## Policy Initiatives



The Public Finance and Fiscal  
Responsibility Act 2023 (Act 850)  
as a foundation for stronger  
governance



Reviewing the existing pension  
scheme to reduce long-term  
fiscal burden



Enhances accountability by  
defining "other liabilities"



Reinforced asset management  
strategy



Phased approach on  
sustainability-based financial  
reporting to support fiscal  
decision-making

# THE CHALLENGES ENCOUNTERED



Laws & Regulations



**Still awaiting approval from the Ministry of Finance for tabling the accrual-based financial statements bill in Parliament**



Standards & Policies



Human Resources



Process & Technology

## To navigate this challenge:



Placing fiscal responsibility and accountability on ministers via The Public Finance and Fiscal Responsibility Act 2023 (Act 850)



Presentation of accrual elements in memorandum statement consists of financial assets and liabilities in cash-based financial statements



Using management accounting to support achieving and maintaining a prudent debt level



# WAY FORWARD IN PUBLIC FINANCIAL MANAGEMENT & ACCOUNTING REFORM



**Strengthening Legal and Regulatory Framework**



**Improving Revenue Generation and Tax Reforms**



**Strengthening Public Expenditure and Debt Management**



**Leveraging Technology and Digitalization in Fiscal Management**



**Enhancing Collaboration and Oversight Mechanisms**



***Thank you***



# Supporting PFM reform: Thinking Ahead

**Zarif Ludin:** *Head of Institutional Partnerships*

# ACCA's role in PFM reform



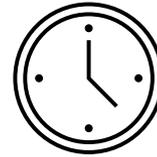
**Membership  
base**



**Thought  
leadership**



**Resources**



**40+ years in  
capacity-  
building**



**Collaboration**

# Lessons learnt from crises

- Focus on better budget oversight
- Implement outcome-based budgeting
- Ensure SAI independence
- Embed risk management and include climate risks
- Implement accrual accounting and budgeting
- Upskill public sector professionals





## Addressing PFM challenges

- ACCA launched its proactive approach to PFM reform
- Focus on holistic support addressing a spectrum of public sector needs
- PEFA Framework used as a basis for PFM diagnosis and solutions development

# Pro-active approach

- In-depth analysis of the global PFM landscape
- Deep dive into country-specific challenges
- Collaboration with governments to establish PFM reform priorities
- Design and development of targeted solutions
- Project implementation



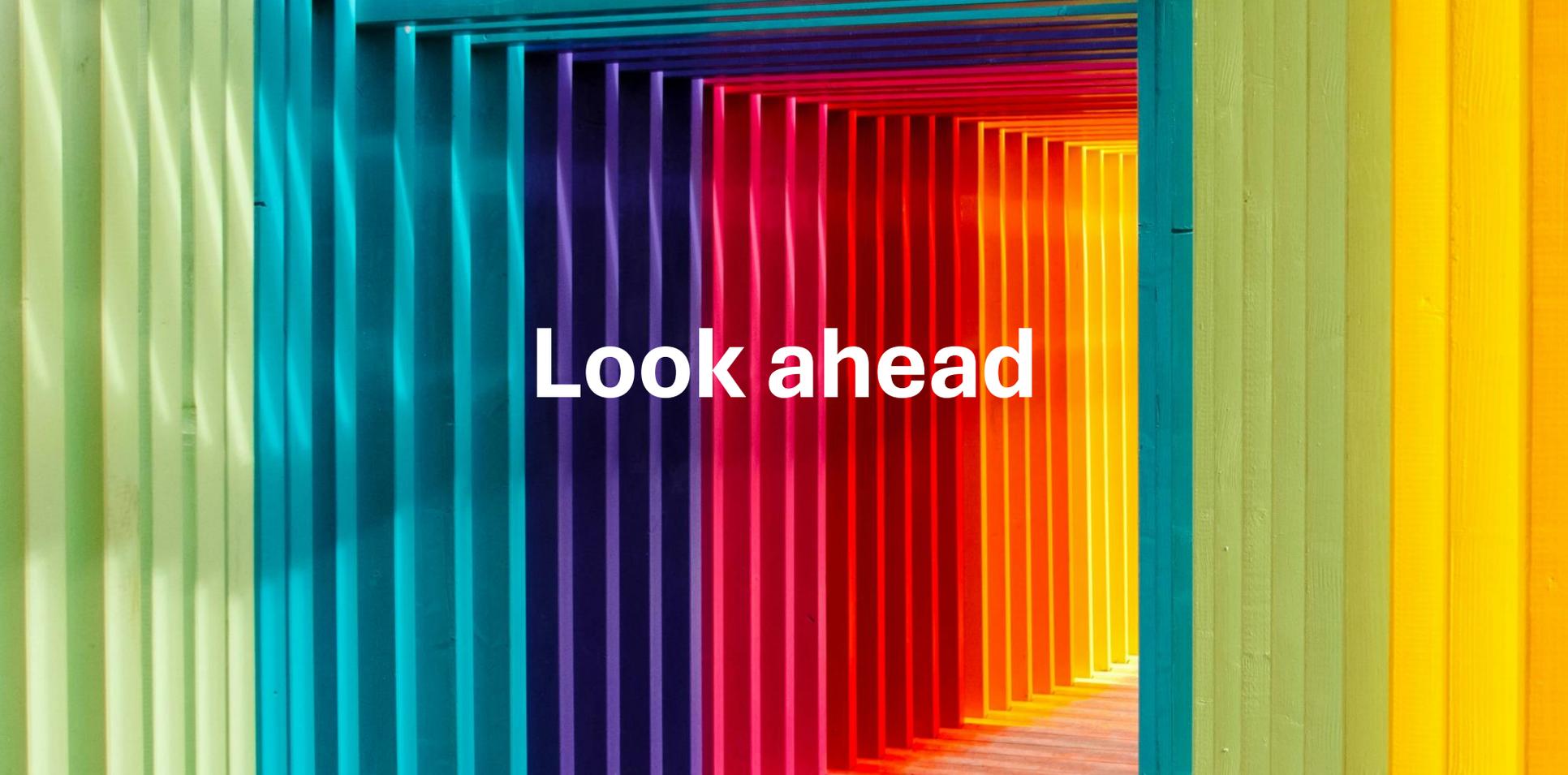
# Key PFM weaknesses

- Service delivery performance is not evaluated and outside audit scope
- Procurement lacks competitiveness undermining effectiveness and sustainability
- Limited effectiveness, resources and capacity of internal audit functions
- Audit report review by legislature lacks transparency, no follow-up
- Management of assets and liabilities are the poorest performing areas
- Fiscal and macroeconomic forecasting is short-sighted, lacks detail and narrative
- Policy impact is often not assessed or costed, fiscal outcomes are not evaluated
- Tax collection and compliance processes are sub-optimal

# Focus on Accounting and Reporting

1. Data integrity and accuracy within accounting records is poor.
2. Financial reports are often not comparable to budgets.
3. Standard application is chaotic, and non-compliance to international standards is common.
4. National standards most often refer to cash-basis and their application correlates with incomplete financial reports.
5. Countries exclude certain bank accounts, entities and operations from consolidation perimeter (if consolidation is performed at all).
6. Contingent liabilities, provisions and assets are often not reported.





# Look ahead

## Policy and Insights

- Research into the emerging topics in the accountancy profession
- Guidance and toolkits for the public sector
- Input into standard-setting through consultations and roundtables
- Policy-paper development to influence decision-making impacting the profession

# Research into Sustainability Reporting

## Sustainability reporting and assurance report

- Reporting should be aligned to sustainability strategy
- SAls must find a suitable audit approach
- SAls must lead development of assurance frameworks
- SAI should leverage experience in performance auditing



## Sustainability reporting roundtables

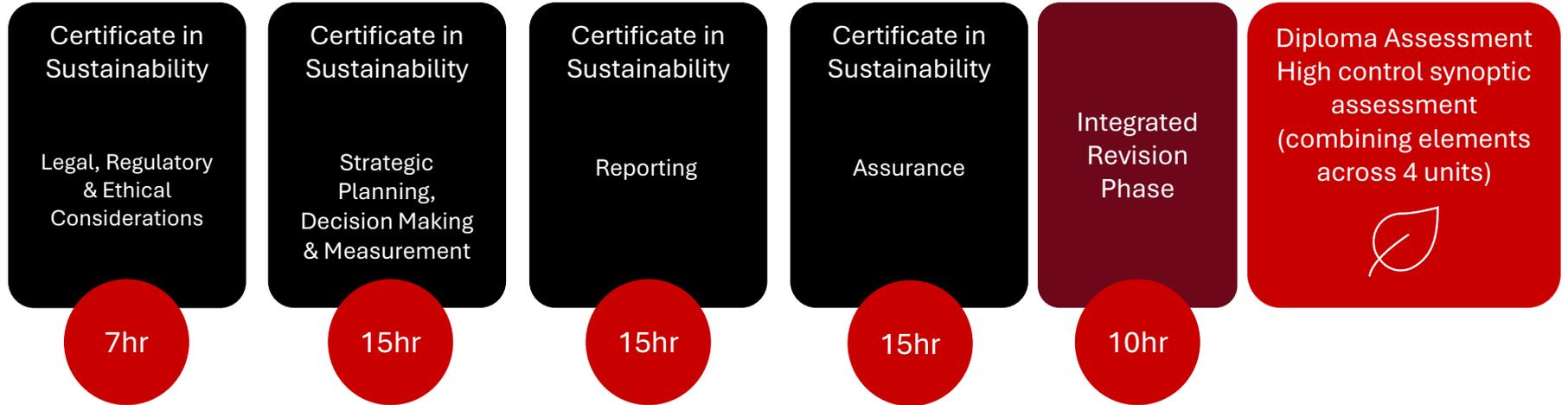
- Existing frameworks are a good basis for public sector standard
- Adaptation is needed for broader stakeholder base
- Consideration of climate impact of entity and policies
- Avoid IPSAS as a pre-requisite for IPSAS SRS



## IPSAS SRS consultations in Africa

- Poor data quality
- Data diffused across entities
- Problems tracking climate outcomes in general policies
- Responsibility for implementation vs outcomes
- More examples across four reporting elements needed

# Professional Diploma in Sustainability

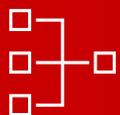


# Research into AI

In finance AI can help improve efficiency, effectiveness and accuracy, manage risk and performance, speed-up decision making:



Automation can be applied to standardised processes like payables and receivables



SAs can leverage AI for anomaly and fraud detection, data groupings and classifications, sampling



GenAI can help with reporting, analysis, summarisation, scenario planning, sensitivity analysis

- AI is not just efficiency and cost saving – it can also enable staff, provide insights into citizens' preferences, create reports.
- Organisational culture remains a critical factor in the successful adoption of technology.
- Lack of technical leadership remains a significant challenge.
- AI can help reduce silos and encourage functions and entities to collaborate and reduce admin, duplication and inefficiencies

# ACCA learning solutions

## ACCA qualification

- Performance information (Pillar II)
- Asset valuation (Pillar III)
- Budgeting and control (Pillar IV)
- Investment appraisal (Pillar III)
- Accounting and financial reporting (Pillar VI)
- Internal and external audit (Pillars V and VII)

## CertPFM

- Overview of the budgeting cycle and key PFM functions (Pillars I to VII)
- Budget planning (Pillar IV)
- Internal control and budget execution (Pillar V)
- Types of public sector audit (Pillar VII)
- Project management cycle (Pillar III)

## CertIPSAS

- Accounting for assets and liabilities (Pillar III)
- Public sector accounting and reporting (Pillar VI)

# Bespoke support

Institutional and functional needs assessment

Skills gap analysis within PFM functions

Competency frameworks

Design and delivery of bespoke solutions

Capacity building of the legislature and public oversight bodies

Strategy, roadmaps and governance



**Thank you.**

# Public Financial Management and Public Sector Accounting reform implementation: Look forward

2025 World Bank/IPSASB Public Sector Accounting and Reporting Conference



**Building Competence. Crossing Borders.**

**Prof. Dr. Andreas Bergmann, Director Public Sector, Chair IPSASB AAG**  
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# PMF/PSA is not static!

- ✓ Ongoing challenges, even after formal end of project
  - ✓ Consolidation
  - ✓ Presentation of Financial Statements
- ✓ Sustainability reporting
- ✓ Artificial intelligence
- ✓ Debt reporting

# Implementing PFM/PSA Reforms

## Consolidation and Presentation of Financial Statements

- ✓ A suite or **landscape** of financial statements should be defined
  - ✓ Consider user needs – avoid information overflow: Each financial should be useful to some users
  - ✓ Consolidated financial statements according to IPSAS 35 are certainly part of the reporting, but sub-consolidations (e.g., budgetary entities) or individual financial statements are also relevant
  - ✓ Ease navigation (using links)
  - ✓ Provide easy-to-read summaries
- ✓ **Ongoing** development due to changes in user needs and technological developments



# Implementing PFM/PSA Reforms

## Sustainability reporting

- ✓ Get **positioning** right!
  - ✓ Entity reporting, closely linked to financial statements
  - ✓ Basis for special purpose reports (e.g., pre-issuance reports, nationwide reports)
  - ✓ Not a Paris-Agreement-Report!
  
- ✓ **Accountability** is the objective, hence be responsive to user needs



# Implementing PFM/PSA Reforms

## Artificial intelligence

- ✓ Well advanced at **operational** public sector accounting and audit
  - ✓ Processing of (semi-)standardized transactions (e.g., expenses, accounts payable)
  - ✓ Analysing journal of accounting entries for internal control, internal and external audit
  - ✓ Manual approval and random checks advisable
- ✓ Useful for **translations** 
  - ✓ Many jurisdictions are multi-lingual and require translation into other national languages
  - ✓ Proof-reading still advisable
- ✓ **Beware: Confidentiality** 

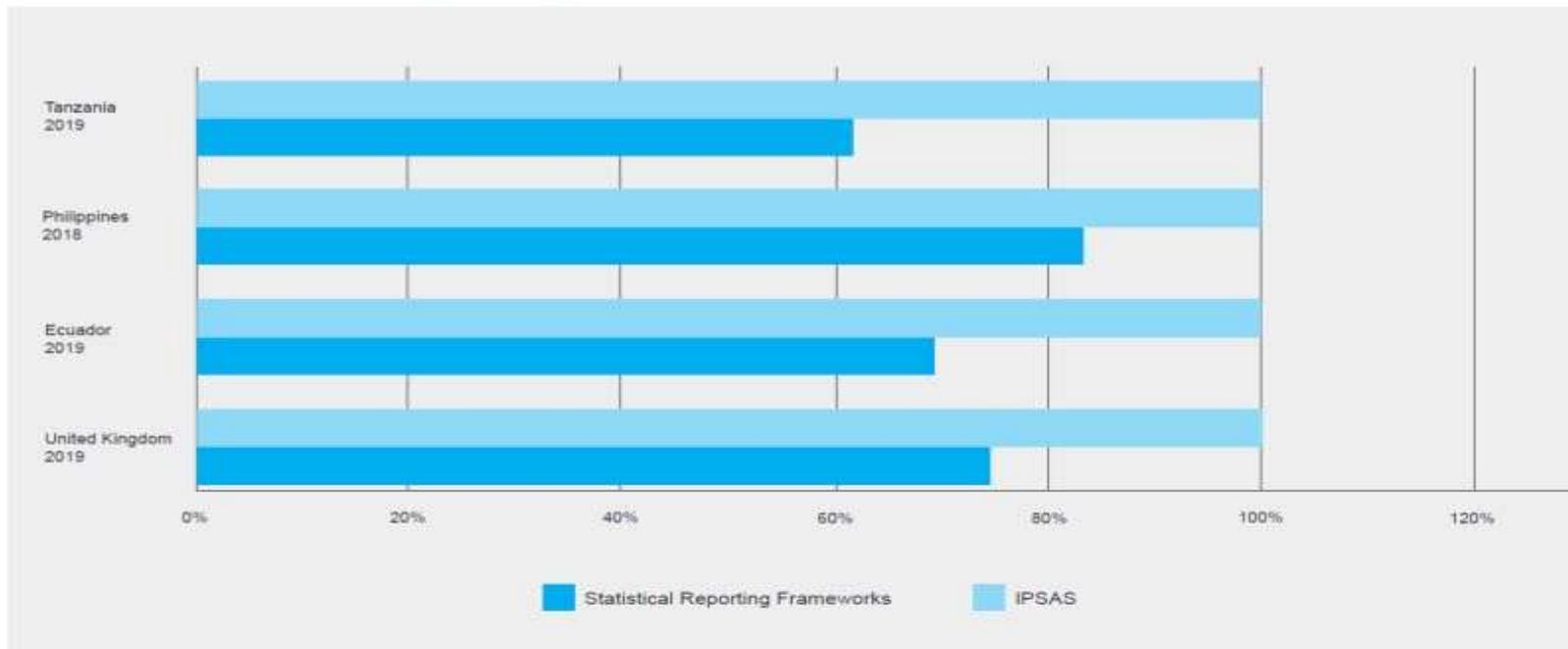


# Implementing PFM/PSA Reforms

## Debt

- ✓ Contradicting information: Completeness?

FIGURE 2 - Total Debt Reported by Statistical Frameworks as a Percent of Total IPSAS Liabilities



Bonnie Ann Sirois; Srinivas Gurazada.  
*2024 Global Report on the Use of Accrual Accounting for Fiscal Management (English)*. Prosperity Insight Series Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/099030125153013298>

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