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Venue : PALACE OF THE GOLDEN HORSES
Date : 14-09-2005
Title : THE OCCASION OF THE ICAEW MALAYSIA ACHIEVERS' BALL

Distinguished Guests

Ladies and Gentlemen

I feel most privileged tonight to speak before Malaysia's accounting elite.

1. Within this hall tonight are some of the most notable captains of Malaysia's business and commerce – accomplished men and women who steer the fate of some of our largest and most influential companies in an increasingly global business environment. I am especially pleased that I have been invited to speak at this auspicious occasion of the ICAEW's 125th anniversary of its Royal Charter signing. Truly, 125 years is cause for celebration.

2. But your profession has gone through many challenges to achieve the sterling reputation it now enjoys. Around the time of ICAEW's founding, it was Sir Charles James Lyall, living from 1845 to 1920, who perhaps best captured the mood of the times when he observed that there were four things that held back human progress: ignorance, stupidity, committees and accountants.

3. But jibes aside, 125 years on, much has changed and the profession has gone on to distinguish itself as a key pillar of business in many countries. The Institute today is at the forefront of one of the most esteemed professions in the world.

4. I know that ICAEW Members - the Chartered Accountants - go by the qualification A.C.A or F.C.A. And then there are the A.C.C.A.'s, the C.I.M.A.'s, the C.A.'s and the C.P.F.A.'s. In terms of being professional exhibitionists, accountants are perhaps only second to academics and doctors with your string of qualifications. But whatever name you call yourselves, I am told by your President that there are really only two kinds of accountants in this world: those who can count; and those who can't.

Ladies and Gentlemen

5. I understand that the ICAEW is the largest accountancy body in Europe. Nearly 60 percent of FTSE 100 Finance Directors are ICAEW members. And over 90 percent of these companies have at least one member of the ICAEW on their Board, often as Chairman or Chief Executive. The fact that ICAEW members are so well represented among the top business leaders speaks volumes about the credibility and reputation of the profession.

6. The rapid changes in Malaysia's corporate environment has made ICAEW Malaysia more relevant to its local members than ever before. There are important debates about the future of corporate governance, financial reporting and auditing taking place. Its agenda should be to help bring greater transparency, clarity and where possible, even simplicity, to these areas. The growth of accounting firms has also been fuelled by a growing demand for management consulting, tax planning,

corporate finance and the design and provision of information technology systems. This trend will continue as Malaysia becomes more plugged into global capital markets and as liberalization in trade and investments exposes local firms to greater competition, whether at home in our domestic market or when Malaysian companies expand abroad .

7. In the last few years, we have seen greater scrutiny and attention focused on the accounting profession worldwide, brought about by events such as the collapse of Enron and Worldcom in the US, and Parmalat in Italy. Accountants and auditors have been taken to task for their roles in these cases.

8. The common thread linking these corporate failures is the way in which financial information and the system of corporate and market governance has been manipulated for private gain. We now know that CEOs, CFOs and controllers were misappropriating corporate assets and manipulating accounting records. And worse, independent auditors were signing off on accounting irregularities, whether knowingly or otherwise.

9. The clear lesson from these excesses is that companies need strong internal control systems to safeguard assets and ensure reliability and transparency of financial records. These controls cannot prevent all fraud, but coupled with independent internal auditors, they can help reduce material abuses of corporate behavior. Ultimately however, systems and processes, no matter how robust, can never be 100 percent foolproof. Their effectiveness is only as good as the people behind them. The way to prevent CEOs from treating companies like their personal property is to have credible, informed accountants playing a check and balance role.

10. Internal and external auditors must regain their independence, reporting to and interfacing with the board of directors and the audit committee. Reporting irregularities to the board and the auditors should be the rule rather than the exception. Internal and external auditors should view the board and not senior management as the client.

11. Similarly, Public Listed Companies should strive to improve their corporate governance practices to meet world-class standards in corporate reporting, disclosure and communications. Only then will investors be willing to place significant premiums on such companies. High standards of financial reporting, auditing and ethics underpin the trust investors place in the probity of financial and non-financial information.

12. As preparers or auditors of financial information, the accountancy profession is held publicly accountable for its veracity and provenance. I have just described the gold standard that will need to be achieved for the Malaysian accountancy profession to become world-class players. There must be no room for complacency, incompetence or quick gains.

Distinguished Guests

13. Prime Minister YAB Dato' Seri Abdullah Ahmad Badawi has called on Malaysia to brand itself internationally as a nation that is defined by quality, security, service and efficiency. In branding Corporate Malaysia, the business community must strive to reinforce four realities - that we have large and well-managed companies; that we are governed by a sound regulatory framework; that we prescribe to high standards

of disclosure and the best corporate practices, and that Malaysian companies are able to compete with the best among the global business community.

14. As part of the National Integrity Plan, the government has also outlined a number of strategic objectives to be achieved within the next five years. Notable among them is the need to enhance the standards of corporate governance and business ethics. Malaysia has a perception problem, particularly among foreign investors. While we have made much progress, we have not been doing enough to publicise our efforts. In particular, we continue to be perceived to lack corporate governance even when many of you in this hall know that our standards are equal to, if not higher than, many other jurisdictions.

15. The Prime Minister is currently on a road show in London and New York precisely to correct such misperceptions, and to sell the Malaysian success story. In complementing this effort, let me call on the Malaysian accountancy profession to become a partner in nation building by contributing positively to our international standing. Foreign and local professional bodies should work together to create a unique "Malaysian accountant" reputation and brand that will reflect Malaysia positively as a world-class capital market.

16. Companies too must observe the highest standards of corporate governance in their business practices. Malaysian companies must have the drive and ambition to turn themselves into quality companies. With the globalization of finance, capital and investment markets, the competition for capital, technology, talent and markets can only intensify. A strong, credible and competent accounting profession can become a valuable partner in helping businesses and companies to plan, deploy and control resources needed to achieve their goals.

Ladies and Gentlemen

17. Today's youngsters make up tomorrow's workforce. We should aspire to attract more students to choose accounting as their preferred career and I wish to commend the ICAEW Malaysia for promoting accountancy as a profession of choice. It has been estimated that Malaysia needs 60,000 accountants by the year 2020 in line with our aspirations to achieved developed country status. The figure now stands at 21,000. I congratulate ICAEW Malaysia for your efforts to revive the ACA qualification programme in Malaysia, in collaboration with selected private colleges and authorized training organizations. Through ICAEW's efforts, and together with the rest of the Malaysian accountancy bodies, you can impress on students the attractiveness of an accounting career and help to correct any misconceptions on the profession.

18. In this regard, let me also underscore here the need for accounting graduates not to be content with the basic academic degree in this discipline, but to go further and attain professional qualifications that are in line with international standards. At the same time, we need to ensure that professional accounting bodies play their role in producing accountants who are imbued with strong ethics and values.

19. Finally, I would like to commend the Institute for giving out its first-ever Lifetime Achievement Award, in recognition of its most illustrious member for a lifetime of achievements in promoting and advancing chartered accountancy in Malaysia. Tan Sri Hassan Marican is most deserving as the Institute's first recipient of this annual award for his lifelong efforts in shaping the profession and helping, in his own quiet

way, to turn vision into reality and tangible results.

20. I salute ICAEW for building a profession of the highest repute and I trust your members will continue to uphold the highest professional, technical and ethical standards that are expected of your vocation.

Thank you.