

**15/04/2014 - Thought Leadership Seminar On Understanding And Embedding
Accrual Accounting In The Malaysian Public Sector**

Assalamualaikum Warahmatullahi Wabarakatuh, Salam Sejahtera and Salam
1Malaysia.

YBhg. Tan Sri Dr. Mohd Irwan Serigar bin Abdullah,
Secretary General of Treasury;

YBhg. Tan Sri Dato' Setia Haji Ambrin bin Buang, Auditor-General;

YBhg. Datuk Wan Selamah Binti Wan Sulaiman, Accountant-General;

YBhg. Datuk Dr. Hamzah Kassim,
Managing Director of The IA Group;

YBhg. Dato' Mohammad Faiz Azmi,
Executive Chairman of PricewaterhouseCoopers Malaysia;

YBhg. Tan Sri-Tan Sri, Puan Sri-Puan Sri, Dato'-Dato', Datin-Datin, Tuan-tuan dan
Puan-puan,

OPENING REMARKS

1. I am delighted to be here with all of you today at the "**Thought Leadership Seminar on Understanding and Embedding Accrual Accounting in the Malaysian Public Sector**". I am also very pleased to see the very encouraging attendance, comprising senior Government leaders, decision and policy makers, together with subject matter experts and our business partners. I thank you for taking time out of your busy schedules to be here.

THE MOVE TO ACCRUAL ACCOUNTING

Distinguished guests, Ladies and Gentlemen,

2. The economic downturn in recent years has changed the global economic landscape as we know it. Nations have turned their focus on Global Financial Reform to be better prepared. Countries are looking to improve financial management and better understand their fiscal standing in order to achieve financial stability. There has been a **paradigm shift in the priorities of Public Finance Management**, from identifying resources for public scheme funding, to fiscal prudence, efficiency and transparency in public spending.
3. In keeping with financial reforms in the public sector, our **target is to achieve a Federal Government budget deficit of about 3% by 2015 and near budget neutral by 2020**. These targets were outlined in support of the New Economic Model (NEM)'s objective, as aspired by our Prime Minister, Yang Amat Berhormat Dato' Seri Najib Bin Tun Abdul Razak.
4. One of the key initiatives to achieve this target is to **adopt accrual accounting** in line with the Government's intention to embrace **Outcome-Based Budgeting** in the near future. Bear in mind that the change to the accrual-based accounting is much more than just an accounting exercise. It is a **transformation of the Government finance function** which will impact the entire Government machinery. This initiative, requiring the shift from a cash basis of accounting to an accrual basis, will **enable increased budget transparency**, especially in terms of the Government's ability to account for long-term assets and liabilities, as well as a tool for increasing government efficiency through performance-based management. To support this major shift in accounting for the nation's finances, a state-of-the-art financial management and accounting system will also go live nationwide in 2015.
5. Accrual accounting will contribute significantly to improved decision-making and enhance efficiency, as well as effectiveness of government spending, through the **creation of accurate and accessible financial information**. The facilitation of efficient resource allocation due to the

availability of better foresights into costs of policies and transparency of its consequences will be enabled.

6. With the implementation of this initiative, the **credibility of the Government is enhanced**, and the public will have greater confidence in the Government's financial management ability. The transition to accrual accounting will also be seen as a positive effort to demonstrate to the public the **commitment of the Government** to continuously fulfil its responsibility in **efficiently managing the country's resources**.
7. With cutting edge information technology as the enabling tool, this transformation is supported by the introduction of **1GFMAS, a newly integrated and centralised system**; enhancing data integrity, enabling real-time reporting by the Ministries, increasing work efficiency and ultimately, producing a lower Total Cost of Ownership.
8. This is a transformational effort that will affect all of us in the Public Service, not only our accountants. We have the opportunity to make history in 2015, as I am sure it will be a quite some time before the introduction of another major shift or improvement in accounting that will affect us as significantly as this. Many Governments of the world are slowly but surely making this shift, and we will be **amongst the early adopters**, particularly in the Asia Pacific region.

KEY TO SUCCESSFUL TRANSFORMATION

Distinguished guests, Ladies and Gentlemen,

9. A key element in ensuring successful transformation is **leadership support and commitment**. Leaders in all Ministries and Agencies play a prominent role in driving and sustaining transformation. All senior officials need to demonstrate and provide strong leadership and commitment to improve financial management within and across departments. Sharing the aspiration and providing a clear set of goals for the respective divisions and departments is part of this. Encouraging and influencing peers and staff to behave

consistently in accordance with good financial management and governance principles is a must.

10. Hence, I strongly believe that the **KSUs' leadership and visible commitment are critical and central to the success of this transformation** towards accrual accounting. KSUs are the "**Change Champions**" in this initiative, setting direction and influencing important stakeholders to provide support and commitment to effect change at each respective ministry. I expect the KSUs to actively participate in this exercise and "walk the talk", so as to be role models and visible champions to the rest of the ministerial staff.
11. Change Champions must energize groups who will be directly implementing accrual accounting. Therefore, I urge all the KSUs to understand the need for change, and embrace the change with a positive mind and attitude. I would like the KSUs to **manage the change smoothly**, by anticipating, preparing and responding effectively to roadblocks. At the same time, **create an open and receptive work environment**, and involve people at all levels in the change initiatives. Once the people affected by change are able to demonstrate commitment and the skills necessary to carry out the changes required, then I would say that the change has happened positively.

ROLE OF CHIEF ACCOUNTANTS

Distinguished guest, Ladies and Gentlemen,

12. At the same time, the "Change Champions" must provide all the support required by "Change Ambassadors", who are the Chief Accountants or Ketua Akauntan, in propagating and sustaining the change efforts. The **Chief Accountants** will now **assume the role of the Chief Financial Officer** or CFO of their respective ministries. This role will be similar to the role in private enterprise, where the CFO bears the ultimate responsibility for the financial wellbeing and health of the organisation.
13. Armed with the financial statements prepared under principles of accrual accounting, real time decisions will be able to be made with the benefit of completeness of information of the assets, liabilities, expenditure and revenue.

Accounting will then become exciting and interesting, and **no longer be a back room function**, as it will have **real impact on the business of running the ministries**.

14. Taking cognizance of the big the task that lies ahead for the KSUs and Chief Accountants, and the large teams involved both within the accounting functions and in the “business units” of the ministries, I extend my utmost gratitude and appreciation for your support thus far. However, the journey does not, and will not cease, upon the implementation in early 2015. It will only really begin in earnest at that point in time, and we will really start to see the benefits of all the effort you and your teams have put in thus far, much later. I therefore require your sustained commitment and support, towards this project.

CONCLUSION

Distinguished Guests, Ladies and Gentlemen,

15. I am happy that this seminar, organised by the Accountant General’s Department and the IA Group, will greatly boost our efforts in **creating more awareness on the change initiatives** and more importantly, in **driving leadership commitment** to achieve a successful, effective and sustainable transformation.
16. I am fully aware that this will be a challenging journey, with tremendous demands on all of us who are involved. However the successful implementation and adoption of this change will be our reward. We can all proudly say: “We were there. We helped with this transformation and we made it happen!”. I urge us all to work together, and to overcome the challenges and obstacles ahead, in this transformational journey. And let us once again make Malaysia proud.
17. With that, I hereby officially open the “Thought Leadership Seminar on Understanding and Embedding Accrual Accounting in the Malaysian Public Sector”.

Thank you.

Wabillahittaufik walhidayah, Wassalamualaikum warahmatullahi wabarakatuh.