

**IFAC INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
IFAC IPSASB MEETING – JULY 2005**

COUNTRY REPORT - MALAYSIA

Government Accounting Entities

There are three levels of government in Malaysia and they are listed as follows:

- Federal Government;
- State Government and
- Local Government.

In addition to the above, there are Statutory Bodies which are incorporated under respective acts and Government Linked Companies which are incorporated under the Companies Act 1967. Malaysia does not prepare whole of government account as each level of government is an accounting entity by itself and is subjected to different Laws and regulations that are being enforced.

Basis of Accounting

The Federal and State Government have been adopting modified cash basis of accounting in the preparation of the annual financial statements where expenditures incurred in the old financial year but not yet paid will be paid in January of the new financial year and are reported as expenses for the old financial year. As for the Local Government, Statutory Bodies and Government Linked Companies, they have been adopting accrual basis of accounting in the preparation of the general purpose financial statements.

Public Sector Accounting Standards

The Accountant General's Department is responsible for issuing of Public Sector Accounting Standards (PSAS) in Malaysia. The objectives of these Standards are to prescribe the basis for presentation of general purpose financial statements in order to ensure comparability and also to comply with the Federal Constitution and Financial Procedure Act 1957 which are being enforced. As of to date, six Public Sector Accounting Standards have been issued and they are as follows:

- PSAS 1 - Government Accounting Policies**
- PSAS 2 - Presentation of Financial Statements**
- PSAS 3 - Consolidated Revenue Accounts**
- PSAS 4 - Consolidated Trust Accounts**
- PSAS 5 - Consolidated Loans Accounts and**
- PSAS 6 – Investments**

Currently, we are working on two new accounting standards that are cash and memorandum accounts.

Compliance to IPSAS 1 (Financial reporting under the cash basis of accounting)

Effective from financial year 2002, other than preparing the annual Balance Sheet and Statement of Financial Performance, the Accountant General's Department also prepares a Statement of Cash Receipts and Cash Payments so as to comply with the requirements of the IPSAS 1 (Financial reporting under the cash basis of accounting).

General Financial & Management Accounting System (GFMAS)

The Accountant General's Department is in the process of re-engineering and developing its accounting system which is 17 years old. The new accounting system also known as General Financial & Management Accounting System (GFMAS) being developed will be able to capture accounting transactions and prepare financial statements based on accrual basis of accounting. Among the characteristics of the GFMAS are listed as follows:

- Cash accounting with capability of accrual reporting
- Streamlining transactions towards accrual processing
- Data warehousing
- Single point of entry
- Distributed processing.

Modules that are being developed under GFMAS are as follows:

- General Ledger (GL)
- Accounts Receivable (AR)
- Accounts Payable (AP)
- Controlling (CO)
- Cash Management (CM)
- Funds Management (FM)
- Asset Management (AM)
- Treasury Management (TR)
- Loan Management (LM)
- Human Resource & Payroll (HR/PAY)
- Material Management (MM)
- Government-Advance & Loans Monitoring System (G-ALMOS)
- Government-Unclaimed Moneys Management Integrated System (G-UMIS)
- Government-Securities Management Integrated System (G-SMIS)

GFMAS will be implemented across 35 accounting offices. The GFMAS Project Management team is adopting the Accelerated System Application Program (ASAP) methodology to manage the implementation activities and deliverables of the project.

The ASAP methodology covers 5 stages namely:

Stage 1: Project Preparation

Stage 2: Business Blueprint

Stage 3: Realization
Stage 4: Final Preparation
Stage 5: Go Live & Support (Rollout)

Stage 1-Project preparation

The core activities of this project include:

- Establish project teams
- Conduct kick-off meeting to confirm the project scope
- Develop Project Charter
- Perform review on all technical requirements of the project

This stage symbolizes the initiation of the GFMAS project and was completed at the end of February 2005 and documents containing project kick off, Project Charter and Project Plan were received from consultant Teliti-Innovation Alliance.

Stage 2-Business Blueprint

The objective of this stage is to obtain a clear precise understanding of the detail functional requirement of different modules to be implemented in GFMAS.

The major activities during this stage are as follows:

- Develop System functional requirements
- Develop System's data conversion and authorization strategy
- Identify training needs
- Determine reporting requirements
- Determine interface requirements
- Initiate change readiness Assessment

This stage was completed on 11 April 2005 with the signing-off of the Business Blueprint by the Accountant General's Department.

Stage 3: Realization

The project teams are focusing on the configuration of the SAP modules using agreed functional requirements. The core activities that are being carried out at this stage include:

- Configure SAP modules/develop customized modules
- Develop forms, reports and interfaces
- Establish profiles for authorization
- Implement data conversion and migration plan
- Setup training environment
- Conduct awareness program
- Develop change infrastructure; conduct change management activities relating to communication and role definition

This stage of the project is expected to be completed at the end of August 2005.

Stage 4: Final Preparation

Among the core activities to be carried out at this stage include:

- Develop cut-over and go-live plan
- Develop standard operating procedures
- Develop offline procedures
- Conduct end-user training for users at the pilot site
- Complete the preparation of the production environment
- Conduct communication and acceptance program

This stage of the project is expected to be completed at the end of December 2005.

Stage 5: Go Live & Support (Rollout)

The final stage of the project relates to the roll out of the GFMAS application, which is divided into two phases. The pilot phase will involve 3 sites. Upon completion of the pilot roll out, GFMAS application will be implemented to the other 32 sites across the nation over a period ending October 2006.

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1. Accounting Standards Board (ASB)

By the time of submitting this report the following exposure drafts and Invitations to Comment had been approved for exposure by the Board:

The Standards of GRAP on:

3.1 Consolidated and Separate Financial Statements; (Comment due date 15 July 2005)

3.2 Interests in Joint Ventures; and (Comment due date 15 July 2005)

3.3 Provisions, Contingent Liabilities and Contingent Assets (Comment due date 15 August 2005)

Invitations to comment on:

3.4 Heritage Assets; and (Comment due date 31 October 2005)

3.5 Intangible Assets (Comment due date 31 October 2005)

2. Auditing and Assurance Standards Board

The following exposure drafts are currently open for comment:

<i>Title</i>	<i>Comment Date:</i>
IFAC ED Review of Interim Financial Information	15 Sep 2003
IFAC IAASB Due Process	30 Sept 2004

IFAC ED Clarifying Professional Requirements in International Standards Issues by the IAASB	31 Dec 2004
IFAC ED Audit Documentation	15 Jan 2005
IFAC ED The Auditor's Communication with those charged with governance	15 July 2005
IFAC ED The Audit of Group Financial Statements	15 July 2005
IFAC ED Modifications to Auditor's Reports	15 July 2005

3. South African Institute of Chartered Accountants (SAICA)

The following exposure drafts are open for comment:

<i>Title</i>	<i>Comment Date</i>
ED 201 IFRS 2: Group and Treasury Share Transactions	4 July 2005
ED 200 Scope of IFRS 2	4 July 2005
ED 199 Accounting for Black Economic Empowerment (BEE) Transactions	4 July 2005

South African Statements of GAAP are fully harmonized with IFRS. The international text is used and a South African wrap around is added.