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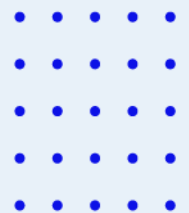
# **eProceeding**

# **iaac**

## **INTERNATIONAL ACCOUNTING COLLOQUIUM**

(FACULTY OF ACCOUNTANCY UiTM CAWANGAN KEDAH &  
MINDANAO STATE UNIVERSITY- ILGAN INSTITUTE OF TECHNOLOGY)

**Organized by**  
**FACULTY OF ACCOUNTANCY UiTM CAWANGAN KEDAH, MALAYSIA**



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The editorial board would like to express their heartfelt appreciation for the contributions made by the authors, co-authors and all who were involved in the publication of this bulletin.

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## PREFACE

The heartiest congratulation is proffered to the Faculty of Accountancy of UiTM Kedah Branch for the successful organization of the first *International Accounting Colloquium (IAC2023)* in collaboration with Mindanao State University-Iligan Institute of Technology on 31<sup>st</sup> January 2023. This colloquium marked another milestone for UiTM Kedah Branch as an intellectual hub where stimulating and prolific academic presentations and discussions could always be found.

It is indeed truly encouraging to see UiTM Kedah Branch forging ties with international universities to further strengthen itself in the aspects of research and innovation. This colloquium which covered a wider scope of knowledge had managed to accrue a broad set of perspectives not only in accountancy and business but also in other facets in which those two areas could be applied.

Thus, this colloquium could be viewed as a platform that brought together academicians who were interested in mobilizing innovative and creative global practices in accountancy and business for a sustainable business environment. Hopefully, our valued presenters and participants had not only gained new ideas from others but also managed to share their experiences, ideas and expertise which had been an enriching as well as a fulfilling experience for everyone.

Finally, to all participants and presenters, without your contribution, this colloquium would not have been possible. I would like to take this opportunity to express my immense gratitude and appreciation to you.

Thank you.

PROFESSOR DR. ROSHIMA HJ. SAID  
Rector  
Universiti Teknologi MARA (UiTM) Kedah  
08400 Merbok, Kedah, Malaysia.

## PREFACE

Alhamdulillah, my utmost gratitude to Allah SWT as with His blessings and mercy, the *International Accounting Colloquium (IAC2023)* could be successfully held on 31 January 2023. I would like to thank the Rector of UiTM Kedah Branch, Deputy Rectors, and esteemed members of the management for their support and encouragement in making IAC2023 a success. I would also like to extend my heartfelt thanks to Ms. Noora'in Omar, the Chairperson of IAC2023, for her dedication and commitment in accomplishing this program. My humble gratitude also goes to IAC2023 Committee Members and Team for their continuous hard work and effort.

The research effort is essential in educational organizations. Hence, the publication of this online eProceeding comprising of 10 (ten) extended abstracts is an effort by the Faculty of Accountancy, Universiti Teknologi MARA Kedah Branch (UiTM Kedah) to encourage accounting academics to be involved in academic writing. The IAC2023 eProceeding provides a platform for accounting academics to share and disseminate their academic knowledge to a larger audience. The experience gained in writing extended abstracts may help them improve their writing skills and be more confident in producing academic materials in the future.

Finally, the Faculty of Accountancy of UiTM Kedah, organizer of IAC2023, is very proud to share this avenue with academics, students, and industry practitioners. Thanks, and congratulations to all involved.

Thank you.

ASSOCIATE PROFESSOR DR. HAJAH INTAN MARZITA SAIDON

Head of Faculty

Faculty of Accountancy

Universiti Teknologi MARA (UiTM) Kedah

08400 Merbok, Kedah, Malaysia.

## PREFACE

Alhamdulillah, all praises to Allah, by whose grace and blessings made it possible to conduct our first *International Accounting Colloquium (IAC2023)* on 31<sup>st</sup> January 2023. This colloquium was organised by Faculty of Accountancy of UiTM Kedah Branch. The main participants were lecturers of UiTM Kedah Branch, Malaysia and Mindanao State University-Iligan Institute of Technology, Philippines. Hence, I would like to take this opportunity to thank the Rector of UiTM Kedah Branch, Deputy Rectors, Head of Centre of Studies and esteemed members of the management for their support and encouragement in making IAC2023 a success.

As a result of the colloquium, we are now publishing an online eProceeding IAC2023 comprising of 10 (ten) extended abstracts covering various topics such as money laundering, fraudulent financial reporting, ESG and sustainability. Some of the articles highlight the current issues in accounting, current development of related concept in accounting and its application in Malaysia and the Philippines. It is hope that this effort will encourage more academicians of local and foreign countries from different backgrounds to present and publish their research in their respective fields.

On behalf of the colloquium organiser, I would like to thank all presenters and authors for your participation and contribution. Special thanks to all the committee members of the *International Accounting Colloquium (IAC2023)*, I owed all of you so much and I want you to know that this is the best team ever!!! Last but not least, to all participants, we hope to see you in our next colloquium.

Thank you.

HAJAH NOORA'IN BINTI OMAR

Chief Editor

eProceeding International Accounting Colloquium (IAC2023)

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# Money Laundering Propensity Amongst Accountants In Malaysia

Nur Hanie Johari<sup>1</sup>, Wan Nailah Abdullah<sup>2</sup>, Hasnisah Hassan<sup>3</sup>, Intan Marzita Saidon<sup>4</sup>  
<sup>1, 2, 3, 4</sup>, Faculty of Accountancy, Universiti Teknologi MARA Cawangan Kedah, Malaysia  
haniejohari@gmail.com

## Abstract

Based on the International Narcotics Control Strategy Report (2018), Malaysia is used as a transit country to move drugs globally. Launderers are continuously updating their new routes for laundering their illegal funds (FATF, 2012). Currently they like to use the services and consultancy from the Designated Non-Financial Business and Professions (DNFBPs) especially those in accounting, company secretarial and legal professions. Accountants are vulnerable towards involvement in money laundering as they are the gatekeepers as well as the bridge to commit money-laundering activities (Omar and Johari, 2015). This paper discusses the factors influencing the propensity for money laundering amongst accountants in the Northern Region of Malaysia. The dependent variable is propensity for money laundering, whereas the independent variables consist of familiarity with Financial Task Force Action (FATF) familiarity with Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities (AMLATFAPUAA) Act 2001 and familiarity with Anti-Money Laundering (AML) Requirements. This study is a conceptual paper.

**Keywords:** Money Laundering; Accountants; FATF; AMLATFAPUAA; AML

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## 1. Introduction

Former Deputy Communication and Multimedia Minister Datuk Jailani Johari said that Malaysians are facing threats from the international criminal organisation, which abuse the internet for activities such as drugs, human trafficking, financial fraud and money laundering. Malaysia is also vulnerable to money laundering due to its geographical factor, which has a porous border that leads to an easy movement for drug smuggling (FATF Mutual Evaluation Report, 2015). As reported in The Malay Mail (2016), smuggling and trespassing activities are continuing at the Bukit Kayu Hitam, Kedah border with Thailand. Based on the International Narcotics Control Strategy Report (2018), Malaysia is used as a transit country to move drugs globally. Ismail and Jaafar (2015) agreed that Malaysia is the transit hub for drug smuggling and it is known as the hot spot of this illegal activity, which carries the death penalty in the country. The Malaysian authorities emphasise that drug trafficking is the core source of illegal funds in Malaysia apart from the illegal funds derived from corruption (APG Mutual Evaluation Report on Malaysia, 2007). There are some of the evidences indicating that the Northern Region of Malaysia, especially Kedah and Perlis are directly exposed to the drug trafficking activities due to the cross border between Kedah-Thailand and Perlis-Thailand. According to The News Straits Times (2018), The normal modus operandi of money launderers in Malaysia to conceal their illegal proceeds of crime is by placing the money into the mainstream banking system and by setting up front companies (Omar, Johari & Sathye, 2015).

There are many functions performed by accountants which are vulnerable towards money laundering such as, providing financial and tax advice, company and trust formation, buying or selling of property, performing financial transactions and gaining introductions to financial institutions (FATF Accounting Profession, 2019). Accountant Daily (2017) reported that accountants involved in money laundering by performing high value financial transactions for clients with no clear business rationale. This allows criminals to transfer funds through bank accounts with little scrutiny as a mean to complicate the audit trail (Accountant Daily, 2017). The main objective of engaging with accountant is to conceal or disguise the 'dirty money' in order to distance it from its criminal origin. Accountants are vulnerable towards involvement in money laundering as they are the gatekeepers as well as the bridge to commit money laundering activities (Omar & Johari, 2015). From a theoretical perspective, the accountants should be

aware of the standards in curbing money laundering activities. However, as can be expected, practice and theory are not always similar. Therefore, the purpose of the research is to examine factors influencing the propensity for money laundering amongst Accountants in the Northern Region of Malaysia. The Malaysian Government has seriously put the efforts into combating terrorism financing and money laundering by enhancing punishment for money laundering under the new AMLATFAPUAA 2001 Act.

The punishment is raised from an imprisoned term of a maximum of five years or fine up to RM5 million or both, to 15 years of imprisonment and up to the maximum fines of five times the size and value of the proceeds of unlawful activity or instrumentalities of an offence at the time of an offence, or RM5 million, whichever is higher (AMLATFAPUAA Act 2001). As part of the Malaysian Government's efforts in combating terrorism financing and money laundering, Bank Negara Malaysia has stated in AML requirement that the DNFBPs especially the accountants need to conduct due diligence (CDD) on their clients which is Know Your Client before proceeding with any transactions or provide professional services (Bank Negara Malaysia, 2018). AML requirements also state that accountants must maintain proper records and documentation of related transactions for at least six years. Other AML Requirement is accountants must submit any suspicious transaction report (STR) to the Bank Negara Malaysia when having a suspicion that a customer is involved in money laundering or terrorism financing.

## 2. Conceptual Framework

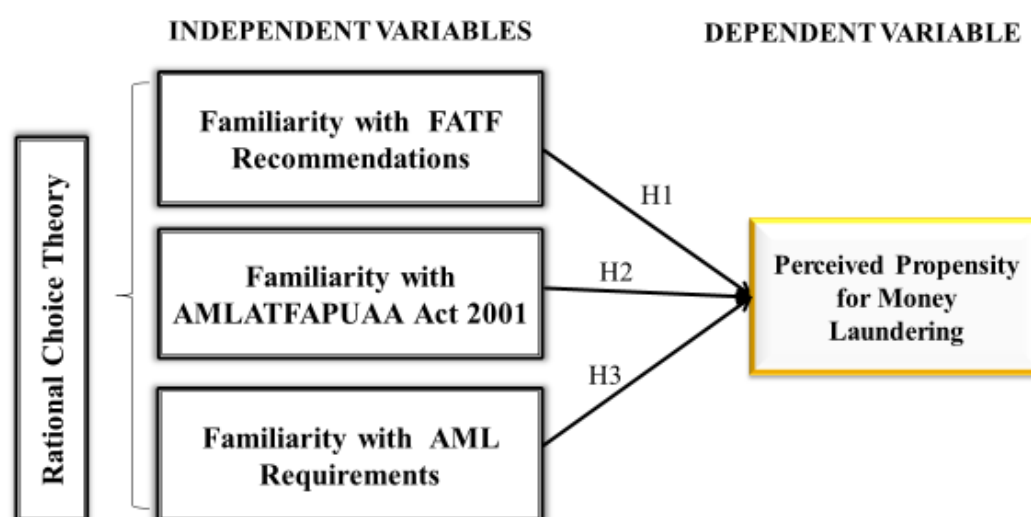


**Figure 1: Conceptual Framework**

Figure 1 indicates that the independent variables, which are familiarity with FATF Recommendations, familiarity with AMLATFAPUAA Act 2001 and familiarity with AML Requirements will have a relationship with the dependent variable, which is propensity for money laundering.

## 3. Conclusion

The accounting service is a high-risk business that is exposed to money laundering activities. The money launderers are likely to deal with accountants as accountants can be the gatekeeper and the bridge to commit money laundering activities. This research is very significant to the accounting profession and competent authorities especially Bank Negara Malaysia as accountants are very vulnerable to money laundering activities committed by money launderers. The study predicts that accountants' familiarity with FATF Recommendations, AMLATFAPUAA Act 2001 and AML Requirements have negative significant relationship with the propensity for money laundering.

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