

IS Chartered Accountant Journal

DECEMBER 2018



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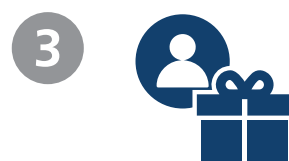
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Know Your A, B, C, D, E; Champion Growth In Industry 4.0

Dear members,

ISCA, AS A MEMBERSHIP BODY, regards members as our top priority. This is why our initiatives are all focused on supporting members in their professional journeys. Throughout the year, the Institute organises seminars, workshops and other events to bring relevant knowledge and updates to our members. We also provide members with good resources that equip them with the capabilities to navigate an increasingly complex business environment.

This year, the Institute's flagship Singapore Accountancy and Audit Convention (SAAC) comprised a series of events to better cater to the needs of our different membership segments. The final instalment of the SAAC was the Professional Accountants in Business (PAIB) Conference. Curated specially for PAIBs, the event brought to accounting professionals the latest issues and topics that are pertinent in today's rapidly-changing business landscape. Technology continues to disrupt many industries and, in some instances, it has upended the traditional approaches to doing business, forcing companies to transform or risk being side-lined. Businesses that react to change with agility and leverage technology to transform themselves will be able to seize the opportunities ahead. As the national accountancy body, ISCA has been preparing members for the future economy for some time now, through a series of events aimed at upskilling and upgrading members' competencies.

The cover story highlights the key topics of the ISCA PAIB Conference, including positioning accountants to lead in the 21st Century, the changing role of the accountancy profession, and transforming the profession in the digital era. As noted by IFAC's immediate-past-President Rachel Grimes at the Conference, accountants, with their training and experiences, are well-placed to thrive in four main technology areas – Artificial intelligence and automation, **B**lockchain, **C**ybersecurity and **D**ata analytics (the ABCD of transformational technology). Read about what transpired at the Conference. I would add an E, for **E**xperience of our member-customers. We get the ABCDs right so that our customers, our members, get an enhanced experience from ISCA.

Technology's ABCDE should be familiar to ISCA members as the Institute has conducted many courses on these and related topics, having identified the trends early. To bring members beyond the basics and deepen their knowledge of these emerging areas, ISCA has launched several specialisation pathways including the Financial Forensic Accounting (FFA) Qualification, which aims to build and shore up capabilities in financial forensics. The Institute has also partnered the Singapore University of Social Sciences (SUSS) to launch the ISCA-SUSS Business Analytics Certification Programme, and is currently exploring with EY on the development of a new professional/experience pathway to intensify the skills of our members in project financing.

Increasingly, finance professionals are expected to understand all aspects of the business as they are called upon to assume the role of strategic business partners to other departments or the

management. In this Member Profile article, CA (Singapore) Cyndi Pei, Group Financial Controller and Senior Vice President for Group Finance of Yeo Hiap Seng Ltd, explains how understanding different aspects of the business, including going down to the nitty-gritty details, helps her "get to the bottom of the problem". In her role, she manages more than the data, and if you read her story, you will realise that an accountancy training provides a solid foundation on which to develop different capabilities for a fulfilling career.

To help members chart their professional development, ISCA has unveiled the ISCA PAIB Framework, which better defines the traits of future-ready financial professionals. The Framework serves as a guide for PAIBs to understand the different competencies they need in order to harness the opportunities and tackle the challenges ahead. We also unveiled the corresponding PAIB Learning Roadmap, aimed at fulfilling the professional development training needs of Financial Accountants and Management Accountants. Accountants in public accounting firms are not forgotten – the SMP Learning Roadmap facilitates the professional development of small and medium-sized practices (SMPs).

As we prepare members to champion growth in Industry 4.0, we also paid tribute to the firms, teams and individuals that have stepped up to go the extra mile. Fourteen award recipients were feted at the biennial Singapore Accountancy Awards, part of the Institute's SAAC series. Find out who took home the honours this year.

Ending on a cheery note as the year-end festive season is upon us, I wish all members a very happy New Year.

Kon Yin Tong

FCA (Singapore)
president@isca.org.sg



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Enhanced Auditor Reporting, Two Years On

THE SECOND-YEAR REPORT by PwC on the implementation of enhanced auditor reporting in Singapore, titled “Time to Step Up: Building momentum for progress”, revealed that while there was an increase in audit committees (ACs) providing commentaries on significant financial reporting matters in the annual reports, the quality of the commentaries could be further improved.

According to the report, the proportion of annual reports of listed companies on the Singapore Exchange with an AC commentary increased from 40% in the inaugural edition of the report issued in 2017 (Year 1) to 60% in the current report published in 2018 (Year 2). This is an encouraging sign given that it is not compulsory in Singapore to have an AC commentary.

However, the report also noted that the descriptions in the AC commentaries were generally short and fairly generic. Often, they provided information similar to the key audit matters (KAMs) in the auditor’s reports and did not give insights into the ACs’ assessment and decision-making processes. The report further suggested that ACs may be sensitive about providing too much information in the AC commentary. This mindset



will hamper the effectiveness of the AC commentary as a communication tool and prevent the ACs from using it to showcase the robustness of the work that they have done.

In addition, the report highlighted that early signs of predictability in the number and topics of KAMs may be surfacing. Overall, the average number of KAMs in Year 1 was 2.3 whereas the average in Year 2 dropped slightly to 2.2. Across industries, the average number of KAMs also did not differ much from Year 1 (2.3 to 3.8) to Year 2 (1.9 to 3.7). Likewise, the topics reported in KAMs did not change much. The top five KAMs

in Year 2 were the same as in Year 1, except for the sequence – valuation of receivables; valuation of property, plant and equipment; impairment of goodwill and intangible assets; revenue recognition (non-fraud), and valuation of investment properties (Figure 1).

New And Revised Auditor Reporting Standards

In July 2015, ISCA released the new and revised auditor reporting standards, which are based on the new and revised auditor reporting International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB). The revisions had stemmed from the IAASB project to enhance auditor communication in response to investors’ call for the auditor’s report to be more informative and relevant. These standards are expected to reinvigorate the audit and change the manner in which auditors communicate their work in the auditor’s report. The most significant enhancement to the auditor’s report is the new requirement for auditors of financial statements of listed entities to communicate “Key Audit Matters (KAMs)” – those matters that the auditors judge to be of most significance in the current-period audit, with an explanation of how they were addressed in the audit. There are also enhancements to the auditor’s attention and communication on matters related to going concern in the auditor’s report, applicable to audits of financial statements of all entities.

Source: ISCA website

PHOTOS SHUTTERSTOCK

Cybersecurity As A Competitive Advantage

THIS YEAR’S “EY GLOBAL INFORMATION SECURITY SURVEY 2018-19 (GISS): IS CYBERSECURITY ABOUT MORE THAN PROTECTION?” shows that cybersecurity continues to rise up the board agenda, and examines some of the most urgent concerns about cybersecurity among organisations and their efforts to manage them.

The findings show that 87% of respondents operate with a limited budget to provide for the level of cybersecurity and resilience they require, and that 55% of organisations do not make the protection of the organisation an integral part of their overall business strategy and execution plans. Surprisingly, larger organisations are more likely to fall short on this point than smaller organisations (58% versus 54%). However, cybersecurity budgets are on the rise with larger companies being more likely to have increased budgets this year (63%)



Survey Highlights

- 87% of organisations surveyed operate with limited cybersecurity and resilience
- 77% currently work with basic cybersecurity protections and are seeking to move toward finetuning capabilities
- 82% of boards fail to make cybersecurity a strategic agenda item

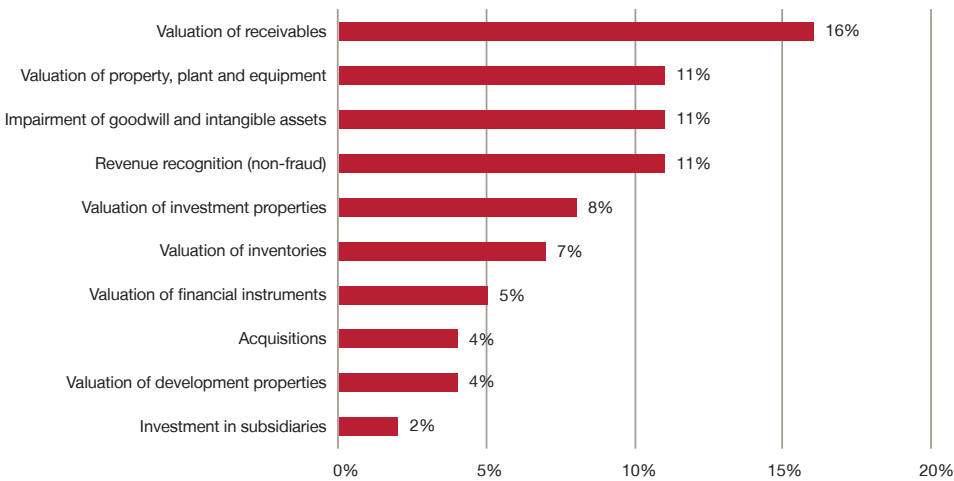
and next year (67%) than smaller companies (50% and 66%, respectively).

All the surveyed organisations are going through digital transformation projects and are increasing their spending on emerging technologies, with computing (52%), cybersecurity analytics (38%) and mobile computing (33%) as the highest priorities for cybersecurity investment in emerging technologies this year. While working towards their cybersecurity essentials, they are also rethinking their cybersecurity framework and

architecture to support the business more effectively and efficiently.

“We strongly believe that in the future, digital trust will be the bedrock on which business value will be created. To achieve that, organisations must move beyond thinking in siloes about cybersecurity as an IT issue and implement security-by-design. This will increase cyber resilience to give organisations the confidence to seize emerging opportunities and manage cyber risks,” says Paul van Kessel, EY Global Advisory Cybersecurity Leader.

Figure 1 Top 10 topics reported in KAMs as a proportion of all KAMs reported in Singapore in Year 2
Source: Time to Step Up: Building momentum for progress, PwC



Companies Should Take Note Of Intangible Assets And Intellectual Property

INTANGIBLE ASSETS are increasingly acknowledged as drivers of value for companies today. Integrated intellectual capital merchant bank Ocean Tomo, which analysed the largest companies in the US, found that “patents, trademarks, copyrights and other IA (intangible assets) have exploded as a percentage of the S&P 500’s market value from 17% in 1975 to 84% in 2015”.¹ The reason is the “rising importance of intangibles as represented by intellectual capital versus bricks-and-mortar, research and development versus capital spending, services versus manufacturing...”²

Ninety members of the accountancy profession gathered at RSM on October 3 for an ISCA-RSM seminar. Titled “Embedding Intangible Assets Management into Your Strategy”, the panel featured:

- + Dexter Teo, Executive Director, Intellectual Property Office of Singapore International (IPOS-I)
- + Terence Ang, Partner and Head, Transaction and Valuation Advisory, RSM
- + Lionel Tan, Partner, Rajah & Tann
- + Professor Susanna Leong, Vice Provost (Lifelong Education), National University of Singapore



- + Professor David Llewelyn, Deputy Dean, School of Law, Singapore Management University
- + Yvon Bock, Founder/CEO, Hegen Pte Ltd
- + Veiverne Yuen, Co-Founder/CIO, Tryb Pte Ltd
- + Tay Woon Teck, Managing Director, Risk Advisory, RSM (moderator)

PRESENTATIONS FROM REGULATOR, ACCOUNTANT, AND LAWYER

What is the relationship between IA and intellectual property (IP, or sometimes, IP rights)? Mr Ang explained that IA is the broader reference for assets that do not exist physically, while IP is a subset of IA.

Mr Tan provided some common examples of IP. A trademark is “a word, device, brand, shape, colour or sound, or combination, to distinguish goods or services. It is best to register a trademark to protect the brand”. A copyright is “a bundle of rights which allows the copyright owner to reproduce, publish, perform, communicate and adapt his work.

¹ Russell Parr, “Intellectual Property: Valuation, Exploitation, and Infringement Damages”, John Wiley & Sons: Hoboken, New Jersey, 2018, p7
² Christopher P. Skroupa, “How Intangible Assets are Affecting Company Value in the Stock Market”, 1 Nov 2017, Forbes online
³ David Llewelyn, “Invisible Gold in Asia: Creating Wealth through IP”, Marshall Cavendish Business: Singapore
⁴ “China’s Specialized IP Courts”, Kluwer Patent Blog, 10 April 2017, Wolters Kluwer
⁵ Prof Leong prefaced her sharing by saying that as she has not practised in China, her views do not constitute legal opinion or advice.



Some 90 members of the accountancy profession were at the seminar



(From left) Panelists Prof Llewelyn and Prof Leong



Terence Ang, RSM, explaining how to recognise intangible assets under FRS 38 and FRS 103

(From left) Lionel Tan, Partner, Rajah & Tann; Yvon Bock, Founder/CEO, Hegen; Prof Susanna Leong, Vice Provost (Lifelong Education), NUS; Prof David Llewelyn, Deputy Dean, School of Law, SMU; Tay Woon Teck, Managing Director, Risk Advisory, RSM; Veiverne Yuen, Co-Founder/CIO, Tryb; Dexter Teo, Executive Director, Executive Director, IPOS-I; Terence Ang, Partner and Head, Transaction and Valuation Advisory, RSM

A work has to be original to be protected by copyright,” he explained. A patent is “a right granted to the owner of an invention that prevents others from making, using, importing or selling the invention without his permission”.

Mr Teo explained that since IPOS’ inception in 2001, it has evolved from a regulator to an innovation agency. It has three subsidiaries – IP Academy, IP ValueLab and IPOS International, which respectively provide IP training and education, work with enterprises to develop IP management and strategy, and help inventors apply for patents and undertake patent analytics.

Mr Ang spoke about recognising and valuing IA. Accountants recognise IA in accordance with FRS 38 and FRS 103, when they arise through business combinations. IA are valued via the income, market and cost approaches. The income approach is most commonly used. Here, the IA value is estimated based on the future economic benefits or cost savings arising from the control of the IA. However, the financial projections and discount rates used are judgemental areas where accountants and valuers need to critically assess.

Mr Tan illustrated how the law can be used to enforce IP protection. In 2014, Big Box Corporation Pte Ltd sued Courts Singapore for using the

term “Courts Big Box megastore” in one of its advertisements. Big Box had, in 2005, registered “Big Box” as a trademark for services related to merchandising and distribution of goods. In another case, a well-known cupcake brand was involved in a dispute with SPH for its copyright infringement. SPH had featured the company in its publications, and the company had reproduced the articles on its website. SPH then demanded payment from the company as SPH owns the copyright to these articles.

PANEL DISCUSSION: HOW TO USE IP TO PROTECT AND GROW YOUR BUSINESS

Hegen is an SME with an international footprint. It sells baby feeding products in 14 markets and has earmarked 35 markets to enter into by 2022. It has won several design awards including the Life Category Gold award at the Singapore Good Design Mark (SG Mark) 2018 for the Hegen PCTO™ Feeding Bottle PPSU, and Japan Good Design Mark 2018 for its Hegen PCTO™ Multi-Functional Feeding System.

During the initial phase of a product, Ms Bock had seen the company’s first concept materialised by a competitor at an international tradeshow. It was not clear how and where information was leaked but, at that stage, the SME had not filed for a patent nor registered its bottle design. She then realised the importance of IP, and how it was imperative to secure non-disclosure and confidentiality agreements. Ms Bock went on to develop a comprehensive IP strategy with her lawyers. Today, Hegen has invested millions on their

IP journey.

How should companies develop an IP strategy? That was the focus of Prof Llewelyn’s sharing. Companies should first understand the rules of “the IP game” as no one IP strategy fits all. They also need to understand, firstly, why they want the IP, as it is costly to maintain, and secondly, which geographical locations they need the IP in. He noted that trademarks as an IP tool were undervalued and underused in Asia. Prof Llewelyn is the author of a book on IP.³

Prof Leong discussed IP protection in China, where the situation has improved from the past two or three decades. Then, China was known as the “land of the copycat” (*shan zai*). However, in 2008, China announced the “Outline of National IP Strategy” that aimed to see IP creation, use and protection increase to a high level by 2020.⁴ This led to judicial reform that saw specialised IP courts set up in Beijing, Shanghai and Guangzhou.⁵

As Co-Founder of a company that invests in fintech companies, Mr Yuen shared that the classic definition of IP is not what comes to mind when he looks at the financials of a target company. Cashflow and other evaluation metrics come first. “But embedded in all these, you’re trying to value whether or not the future cashflows of the business are above what they think they’re selling to you, and whether or not you can create additional value – which is our understanding of IP,” he explained.

In this new knowledge economy, companies need to understand that IA and IP need to be looked at as part of the overall business strategy.

IFAC PAIB Committee Holds Meeting In Singapore

THE INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC) Professional Accountants in Business (PAIB) Committee held its biannual committee meeting in Singapore for the first time, on September 26 and 27. Kick-starting the meeting, ISCA co-hosted a roundtable with IFAC on September 25 to understand how well Chief Financial Officers (CFOs) and finance functions are meeting current business needs in Singapore.

IFAC-ISCA CFO ROUNDTABLE
The roundtable discussion, themed “A Vision for Accountants in Business and the Finance Function”, was attended by CFOs including members of the ISCA CFO Committee. Charles Tilley, Chairman of IFAC PAIB Committee, shared that IFAC has been working on developing a future finance vision and development roadmap which includes meeting the needs of the “customers” of the finance function, and building awareness of the latest developments in digitalisation of the finance function. The key messages from the roundtable discussion included:

- + An increase hiring trend of CFOs with non-accounting backgrounds;
- + A pressing need for CFOs to focus on strategies, insights and controls with a mindset of embracing continuous changes;
- + CFOs today require many more skill sets to become trusted advisors rather than being merely number-crunchers;
- + CFOs ought to understand their businesses holistically and transform themselves into effective leaders and communicators;
- + Non-technical aspects of accounting have to be honed, cultural intelligence developed, and business acumen cultivated for an accountant to grow to become a value-creating CFO.



Keeping succession planning in mind, the participants concluded that CFOs today should place more emphasis and channel more effort into training the next generation of finance professionals, so that they can step up to become the leaders of tomorrow.

IFAC PAIB COMMITTEE MEETING
The two-day meeting was well attended by over 40 members and observers from different countries and professional bodies. The morning started off with guest speakers James Hopkinson, Global CFO of Standard Chartered Bank, and Yvonne Chan, CFO of Maritime and Port Authority of Singapore, sharing their perspectives on their respective finance transformation journey. Mr Hopkinson shared some insights on the right starting point for an organisation to drive change, pointing out that managing the mindset change at the onset is more critical than jumping in and investing in new technologies. Ms Chan walked



IFAC PAIB Committee Chairman Mr Tilley providing a summary at the close of the meeting

IFAC PAIB Committee Chairman Charles Tilley (centre, speaking) moderating the roundtable discussion; in attendance were CFOs including members of the ISCA CFO Committee



The roundtable discussion, as illustrated by Rachel Sinha from The System Studio



Excerpts from the presentation by Yvonne Chan, CFO of Maritime and Port Authority of Singapore



the talk in her advice to hone the next generation of leaders, by bringing at least one young member of her team along with her to external meetings. Based on the vision and roadmap for finance professionals, the following focus areas were discussed:

- + Data analytics;
- + Data modelling;
- + Risk management;
- + Effective governance and audit quality, and
- + Professional ethics.

The two-day meeting concluded with a sumptuous networking dinner hosted by the Institute.

IFAC PAIB Committee members with our ISCA participants after the roundtable



Membership Privileges

ISCA Members’ Privileges Programme (MPP) is a platform where various merchants of different industries offer their respective services and products as a form of privilege to our esteemed members. Membership benefits now extend beyond signing up for CPE courses at members’ rates and accessing the Technical Knowledge Centre as ISCA members can ride on and take advantage of the various discounts or deals that are offered throughout the year.

Our newly-revamped ISCA MPP allows our members to enjoy special deals and discounts from various merchant partners, enhancing our value to you as an esteemed member of the Institute.

You may also access your privileges online at <http://bit.ly/memberssignup>. *Terms and conditions apply.

Flash your membership e-card to enjoy these benefits as an ISCA member.



Singapore Marriott Tang Plaza Hotel



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- * Weekend staycation rates are valid from 1 Jan – 30 Dec 2018 and blackout dates apply

RUN Singapore



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● isca new members ceremony

Honouring Members, Celebrating Achievements

ISCA NEW MEMBERS CEREMONY was an evening of camaraderie, learning and celebration. Held twice yearly to mark the professional achievements of newly-conferred Chartered Accountants of Singapore, or CA (Singapore) members for short, and FCA (Singapore) members, the dinner function at Sofitel Singapore City Centre on October 9 also honoured other members for their contributions and accomplishments.

For the first time, as part of the Institute's Member Recognition Programme, ISCA presented the 50 Years Recognition Award to members who have been upholding the highest ethical standards and professional conduct as Chartered Accountants over the last five decades. ISCA Advisor Dr Gerard Ee handed a specially-designed plaque to each of the 21 members present. This award is part of the new Milestone Awards which will be rolled out in full next year, to recognise members who have been with the Institute for 10, 20, 30, 40 and 50 years.

ISCA also paid tribute to the Life Members who have been with the Institute for over 30 years and are at least 70 years of age. Life Members will continue to enjoy the ISCA membership and all its benefits, on a complimentary basis, for life. The 20 members present at the ceremony were conferred their Life Membership. A Life Members video, dedicated to all long-serving members, was played, featuring experienced members' inspirational quotes and words of wisdom; the video also served to encourage young members as they embark on their accountancy journey.

The Fellow status is conferred upon CA (Singapore) members with more than 10 years of membership, holding leadership positions and possessing a proven track record. In total, 12 members received the distinguished title at the ceremony.

The Institute extended its appreciation to the former ISCA Committee members who have stepped down after at least six years of service, noting their valuable contributions and dedication. Nine members were given certificates of appreciation, while the 10 members who were not present were also acknowledged.



▲ Members who have attained 50 years of membership and Life Members at the dinner celebration

GROWING FROM A POSITION OF STRENGTH

The new ISCA members are joining the profession at an exciting time, and the Institute is showing its support with “a vast array of resources and opportunities”, said ISCA Vice President Yvonne Chan in her welcome address. She cited the new ISCA Professional Accountants in Business (PAIB) Framework, which provides finance professionals with an overview of the five key essential DNAs that a finance professional should possess, to stay relevant and competitive in a constantly changing business environment. In line with the Framework, the Institute has developed the PAIB Learning Roadmap for Financial Accountants and Management Accountants, to support members in charting their learning journey.

Ms Chan highlighted that new members will be joining a strong network of more than 32,000 accounting professionals who are making their mark across diverse industries. To expand members' career mobility, ISCA has signed memoranda of understanding with internationally-recognised accountancy bodies including Chartered Accountants



▼ ISCA Vice President Yvonne Chan delivering her welcome address

Ireland, Institute of Chartered Accountants in England and Wales, and Institute of Chartered Accountants of Scotland, while new specialisation pathways and courses pave the way for members to transit into high-growth practice areas. Some of these areas were featured in the series of five Future-Ready Talent videos screened that evening.

A specialisation pathway open to members is the ISCA Financial Forensic Accounting (FFA) Qualification, which enables accounting professionals to specialise in the growing field of financial forensics. In total, six members who were present received the inaugural ISCA FFP credentials.

A thunderous round of applause greeted the 209 new members as ISCA CEO Lee Fook Chiew presented them with certificates affirming their CA (Singapore) designation – a mark of professional excellence and distinction that signifies a fully-qualified accounting professional. In unity, everyone took the ISCA Oath, pledging to continually uphold fundamental ethical principles and to act in the public interest.



▲ ISCA Council member and Eu Yan Sang International Ltd CFO Lelaina Lim, FCA (Singapore), sharing her experiences with the audience



▲ Members taking the ISCA Oath, pledging to continually uphold fundamental ethical principles and to act in the public interest



▲ ISCA CEO Lee Fook Chiew (extreme right) presented the ISCA Financial Forensic Professional (FFP) credential certificates to the pioneer batch: (from left) Tan Sze Wei Belinda, Chua Gui Zhi, Lee King See, Chan Kheng Tek, Lem Chin Kok and Tan How Choon; absent with apologies: Kon Yin Tong, Murali Pillai and Seow Hwee Koon

50 YEARS RECOGNITION AWARD RECIPIENTS

Members who have been with the Institute since 1968

Aw Boon Teck	Loh Beow Huat
Bak Soo Ha	Loong Sie Hock Anthony
Chai Chong Yii	Low Kok Kim
Chan Kok Teun	Lui Weng Chiew
Chan Soon Hong Ruby	Medora Jamshid Keki
Cheah Ruby	Nakhoda Abbasbhoy Haider
Cheang Wai Yeow	Ng Choon Teck
Chey Chew Kwong	Ng Yong Huan
Chin Yee Keang	Ng Yook Moon Gillian
Choe Soi Gek Nora	Ong Choa Huat
Chow Yew Kee	Ong Tiam Seng
Choy Jee Hong Anthony	Pee Tian Kee
Chua Swee Ming	Pong Hui Fai Hoover
Chua Tong Chea	Quek Shi Kui
Chung Keng Oi	Seah Buck Tiang
Das Valmary Kottaye Ram	Seow Teng Liang
Ee Hock Leong Lawrence	Smith Philip John
Foo Boon Fong	Somasundaram Narayanan
Foo Juat Yong	Song Chwee Him
Gan Eng Hee	Soong Chok Yean
Gan Siong Teck	Su E-Min
Gwee Lian Kheng	Tan Boon Hai
Han Eng Juan	Tan Chee Chuan Steven
Hong Min Yi	Tan Choon Tat
Hooi Cheng Cheong Paul	Tan Hee Chai
Han Yuet Yun Michael	Tan Ngiam Siah
Khong Kit Thong	Tan Sim Cheng, JP, BBM, PBM
Khor Thiam Chye	Tan Swan Jeng
Kok Soon Fatt Patrick	Tan Teck Lee Aloysius
Kong Cheng Chee Barbara	Tan Thean Puat
Kwan Mee Sin	Tan Wee Tin
Kwok Lock Peng	Tay Kim Chuan Patrick
Lee Boon Geck	Tay Kim Kah
Lee Chay Pian	Tay Kwang Thiam
Lee Geok Seng	Teo Hong Seah
Lee Hoong Seun	Teo Kim Yam
Lee Oon Hwee	Teo Lan Chua David
Lee Peng Seong	Tey Swee Nai
Lee Seng Chan	Thang Kwek Min
Lee Seng Quee David	Tie Min Tet Stephen
Lee Tian Soo Lawrence	Tsi Wen-Zi
Leong Chip Heng Stanley	Wee Eng Hock
Lim Ho Seng	Wong Cecil Vivian Richard
Lim How Boon	Wong Choong Leng
Lim Meng Eng	Wong Pakshong Michael
Lim Siew Toh Lucy	Wong Phui Lun Joseph
Lim Thin Kong Francis	Yap Boh Pin
Lim Yam Poh	Yee Lat Shing, Tom
Liu Buong Keon	Yeo Seng Lam
Lo Hock Ling	

THE VOICE OF EXPERIENCE

At every New Members Ceremony, the Institute invites an industry leader and ISCA member to share his/her insights and experiences. Inspiring a new generation of ISCA members that evening was ISCA Council member Lelaina Lim, Chief Financial Officer of Eu Yan Sang International Ltd.

Ms Lim's sharing centred around the themes of learning, integrity and passion. The self-professed “kampong girl” had joined Ernst and Young upon graduation and had “immediately” become a member of the Institute – a membership she has maintained over the decades, even during her overseas stint in China from 2003 to 2008, as it is important to keep in tune with the latest regulations and financial standards. “Knowledge is king,” she said, simply. Today, she continues to upgrade her abilities through the Institute's continuing professional education (CPE) and other programmes.

Urging new members to move out of their comfort zones so that they can “learn new things”, Ms Lim advised, “Don't be afraid to volunteer... always volunteer”, just as she had when she asked to be part of the IPO team at Trans-Island Bus Services, and in the early years of e-commerce, when she had stepped forward to champion the online push for her company. “It was like speaking a new language,” she shared of e-commerce, and “very different” from the brick-and-mortar way of doing things. Her early, hands-on experience gave her “a lot of confidence in talking about e-commerce”.

In the post-SARS period, Ms Lim uprooted her family for China, where she “learnt a tremendous amount” both professionally (China has its own set of accounting standards different from international standards) and culturally. Given the many opportunities beyond Singapore, Ms Lim advised members to consider an overseas posting as part of their career development.

Integrity is the bedrock of accountancy. To this end, Ms Lim iterated that members should always “stand firm” and “do what is right”, even if it deviated from acceptable, cultural norms. As long as they demonstrate professional competency and work well with the team, they will earn the respect of those they work with.

Having a mentor is important, as is networking, as being in the right place at the right time will “likely lead” to the right job, so “have your name out there”. Rounding off her presentation, Ms Lim summarised her success ingredients – be hardworking and persistent; seize every opportunity; learn, relearn and never stop learning; do the right thing, and find a passion and pursue it. The right aptitude and attitude will bring success. “And whatever you do, enjoy it!”.

We thank all members for joining us at the ISCA New Members Ceremony, and we look forward to supporting our members in their accounting journey. The photos of the event are available at the ISCA Facebook page.

● isca audit quality seminar 2018

Launch Of ACRA’s 2018 Practice Monitoring Programme Report And ISCA’s Audit Manual For Group Entities

OVER 370 AUDIT PROFESSIONALS gathered at ISCA’s Audit Quality Seminar, held on October 23, at One Farrer Hotel for the launch of ACRA’s 2018 Practice Monitoring Programme Report and ISCA’s Audit Manual for Group Entities (Manual).

Shariq Barmaky, Chairman of ISCA’s Auditing and Assurance Standards Committee, delivered the welcome and keynote address. He reiterated the importance of audit quality, especially at a time when the reputation of the audit profession is at stake with the adverse news and developments concerning auditors globally.

Ng Meow Ling, Chief Inspector of ACRA’s Practice Monitoring Department, shared the observations from ACRA’s firm-level and engagement-level inspections. She highlighted that recurring audit deficiencies mainly arose from inadequate audit procedures performed and evidence obtained. Ms Ng then used case studies on selected topics with repeated findings, such as modified audit opinion, revenue recognition,



▲ More than 370 audit professionals gathered at ISCA’s Audit Quality Seminar

valuation of trade receivables, and impairment assessment of property, plant and equipment, to illustrate the shortfalls observed and what should have been done.

Serene Teo, Senior Compliance Manager of ACRA’s Professional Oversight Department, presented the proposed changes to the ACRA Code of Professional Conduct and

Ethics for Public Accountants and Accounting Entities relating to long association of personnel with an audit or assurance client. These changes are effective for audits of financial periods beginning or after 15 December 2018. Ms Teo explained that the driving factor for the proposed changes were familiarity and self-interest threats which could affect audit quality.

Rounding off the seminar, Eric Tan, Director, SPT Advisory and Co-Developer of the Manual, shared common group audit challenges faced by audit professionals and the key features of the Manual that would help overcome these challenges. The Manual is an illustrative guidance to help auditors understand and apply SSA 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* in group audits.

Users of the Manual can make use of its detailed work programmes in key areas including identifying key component and significant risks, and determining group and component materiality, to better execute their group audits. The Manual also provides useful templates, such as those for group audit instructions and reporting forms by component auditors, to improve communication with them.



▲ (Clockwise from top left) Shariq Barmaky, Chairman of ISCA’s Auditing and Assurance Standards Committee; Ng Meow Ling, Chief Inspector of ACRA’s Practice Monitoring Department; Serene Teo, Senior Compliance Manager of ACRA’s Professional Oversight Department, and Eric Tan, Director, SPT Advisory and Co-Developer of ISCA’s Audit Manual for Group Entities

FCA (Singapore): A Mark Of Distinction

The Fellow Chartered Accountant of Singapore or FCA (Singapore) membership is a recognition accorded to long-standing senior CA (Singapore) members. A mark of distinction that signifies the epitome of professional achievement for accountancy professionals, it is the highest level of membership presented by the Institute.

This prestigious designation is typically awarded to CA (Singapore) members who have achieved 10 years of membership and five years of senior management experience.

In the third quarter of 2018, 17 members were conferred the FCA (Singapore) status. They are outstanding business leaders with extensive experience across various industries and sectors spanning audit and commercial firms, the public sector, academia and not-for-profit organisations.

Heartiest congratulations on attaining this prestigious title!

- Ang Siew Geok
- Balasubramaniam Janamanchi
- Yvonne Chan Mei Chuen
- Cheng Qiang
- Choo Teck Min
- Goh Yin Shian
- Joan Ho Yooi Feng
- Janice Hong Pei Ying
- Anthony Kwan
- Marcus Lam Hock Choon
- Low May Yin Eunice
- Shariq Barmaky
- Seow Poh Sun
- Tan Chiew Kian
- Tan Peng Yew
- Janice Teo
- Yiong Yim Ming

“I am honoured to be a Fellow member as it is an invaluable recognition.”

DR SEOW POH SUN

“Privileged to be acknowledged and recognised as an FCA (Singapore) member. I look forward to sharing my experience.”

JANICE HONG PEI YING

Accountancy Students Receive Support From ISCA Cares

ZAFRI ZACKERY, 18, was raised by his retired grandparents as his parents were out of the picture for most of his life. His family relied solely on financial assistance from the government and religious organisations. Despite the financial hardship he faced, Zackery yearns to give back to society by entering the teaching profession in the future. This is his way of thanking the teachers and counsellors who had provided him guidance and were his pillar of support throughout his years as a student.

With a passion for numbers and calculations, Soh Hui Wen enrolled herself as an Accounting and Finance student at Temasek Polytechnic to pursue her dream of becoming an auditor one day. However, circumstances compelled her to work part-time to support herself financially, and the lack of time for her studies caused her grades to plummet. Hui Wen's parents are separated and have their own families now. Hui Wen, 19, was raised by her retired great-grandparents, with whom she currently lives.



A SMALL GIFT, A BIG IMPACT

With just 10 cents each day, you can help these youths fulfil their dream of becoming a Chartered Accountant like yourself. In this season of joy and giving, support ISCA Cares by donating through the ISCA eServices portal during your membership renewal. For more information, please visit iscacares.org.sg.

ISCA Cares Chairperson Lim Hwee Hua (row 2, 7th from left); ISCA Cares Board members: ISCA Advisor Dr Gerard Ee (row 3, 3rd from left), ISCA President Kon Yin Tong (row 3, 2nd from left); ISCA CEO Lee Fook Chiew (row 2, 1st from right); ISCA Council members Marcus Lam (row 3, 1st from left), Roger Tay (row 3, 4th from left), with ISCA Cares beneficiaries

tuition fees and basic living expenses. In addition, beneficiaries have the opportunity to be mentored by experienced accounting professionals for a year. Beneficiaries can also apply for internship programmes through ISCA Cares, where they can gain invaluable accountancy work experience with organisations such as the accountancy firms.

Chermaine Pung, 22, received the bursary from ISCA Cares last year and was mentored by Jocelyn Goh, Audit Partner, BDO LLP. Commenting on the mentoring programme, Chermaine said, “Ms Jocelyn was a nice mentor. She shared with me her work experience and many tips and career paths that I can consider in future. As I would like to be an auditor, she shared with me the qualities and skills

that are relevant to the industry today, and what employers are looking for. Through this mentorship experience, I gained a lot of insights and knowledge about the profession, from the view of a very senior member of ISCA. She inspired me to want to become a Chartered Accountant.”

ISCA Cares was made possible with the firm support of the accountancy profession. In particular, Baker Tilly and RSM Singapore are the largest corporate donors this year, and PwC Singapore availed its new premises at Marina One for the award ceremony.

ISCA Cares Chairperson Lim Hwee Hua said, “Many of our beneficiaries take on part-time jobs, which eats into their study time, because of their challenging financial situations. ISCA Cares hopes that the bursary will help lighten the families’ financial burden while encouraging our youths to excel in their personal development. Upon graduation, they can perhaps pursue the chartered accountancy programme with ISCA or take other pathways that ISCA provides to enter the accountancy profession.”

ISCA CEO Lee Fook Chiew said, “We are glad to have many firms and individuals giving generously to support needy students and fostering the future generation of accountants. We would also like to express our gratitude to those who shared their experiences and donated their precious time mentoring the beneficiaries.”

ISCA Cares is a charity set up in 2015 by ISCA as part of Singapore’s celebrations marking its 50 years of independence. As the national accountancy body, the Institute would like to provide a platform for the profession to come together to support worthy causes and give back to society.

Muhammad Ashiq Chu, Audit Manager, PwC Singapore, sharing his experiences as an auditor

Zackery and Hui Wen were among the 29 students from underprivileged families who received their bursaries at the ISCA Cares Education Programme award ceremony on October 12. The programme awards bursaries to needy youths whose family’s per capita income falls below S\$625. Now in its third year, the ISCA Cares Education Programme has disbursed over S\$80,000 to 29 beneficiaries, seven of whom are repeat recipients.

The ISCA Cares Education Programme, which was granted charity status as an Institute of Public Character in 2015, aims to provide needy youths with access to quality accountancy education in the local polytechnics and mainstream universities. The bursary goes towards subsidising beneficiaries’ school



PwC Ambassador Alvin Soo introducing the PwC Legacy Wall during the office tour; guests saw the Legacy of PwC brought to life through an interactive, mixed-reality experience (as featured on-screen)

Inter-Professional Games 2018 Closing Ceremony

THE INTER-PROFESSIONAL GAMES (IPG) is an annual sporting event that provides an excellent platform for ISCA members to network and informally share best practices with other professionals outside the accountancy sector. IPG 2018, hosted by The Law Society of Singapore (LSS), brought together six professional bodies, namely, ISCA, LSS, Singapore Institute of Architects, Singapore Medical Association, The Institution of Engineers Singapore, and The Singapore Institute of Surveyors and Valuers.



▶ IPG closing event at Royal Palm, Clark Quay Central
▼ A close-up view of the trophies



▲ Alex Phua (right), representing ISCA, received the Basketball Champion's trophy



▲ Charissa Goh (right), representing ISCA, received the Floorball Champion's trophy



👤 Team ISCA clinched top spot in Table Tennis

After two months of intense competition, the IPG Closing Ceremony on October 5 brought the event to a conclusion. More than 100 representatives from the participating professional bodies gathered at the Royal Palm event space, in Clark Quay Central, to mark the occasion.

This year, a total of 48 teams participated across 12 sports – Badminton, Basketball, Bowling, Chess, Floorball, Golf, Pool, Soccer (Ladies), Squash, Table Tennis, Tennis and Volleyball.

The ISCA players played their hearts out in their respective sports and emerged first runner-up in IPG 2018; SMA came in first while LSS was the second runner-up.

The evening event saw players, friends and staff from the different professional bodies in friendly banter

IPG 2018: ISCA's placing

Champion	1 st Runner-Up
Basketball	Badminton
Floorball	Golf
Soccer (Ladies) (non-competitive)	Squash
Table Tennis	Tennis
	Volleyball

as they reminisced the high points of their respective matches. While the highlight of the event was the prize presentation ceremony, everyone present was equally excited about the lucky draws, where attractive prizes awaited the lucky winners.

ISCA will be hosting IPG 2019, and we look forward to another round of friendly competition among the professions.

For more information or if you are interested to be part of IPG 2019, do drop us an email at ipg@isca.org.sg.

MARK YOUR CALENDAR

06 DEC

Accounting for Restructuring and Discontinued Operations under FRS 37 and FRS 105

Learn to understand the core principles of FRS 37 and FRS 105 and apply the requirements relating to the accounting and reporting of restructuring and discontinued operations.

06 & 07 DEC

Overview of Essential Singapore Standards on Auditing

This programme will discuss all the Singapore Standards on Auditing (SSAs) issued by ISCA which the major provisions of each SSA will be highlighted and illustrated.

SkillsFuture Credit & UTAP approved

10 DEC

Look Before You Leap: Key Tax Structuring Considerations for Singapore Companies Venturing Overseas

This seminar seeks to provide you with an overview of tax efficient structuring and how this impacts the after-tax returns and cashflows from your company's outbound investments, potential pitfalls to watch out for, and safeguards that could be put in place to ensure that your company remain tax compliant.



12 DEC

ISCA Breakfast Talk: Machines Are Hungry – Do You Have the Right Data to Feed Them?

In many instances, data can be the deal breaker in organisations when it comes to structuring & interpreting inconsistent data points. These challenges can be overcome with automation solutions.

Join us as we discuss which solutions are best suited for structured vs unstructured data? Does your organisation have the right data management in place to access the type of data and how to leverage your data to ensure automation solutions portray your organisations true value.



Quarterly Technical Update for Auditors 2019 (3-day Series) NEW!

Be updated throughout 2019 amidst the standards and regulatory developments.

Enrol for all 3 sessions now and be entitled to 15% discount!

- ADT158: Start of Year Technical Update for Auditors 2019
- ADT159: Mid-Year Technical Update for Auditors 2019
- ADT160: Year End Technical Update for Auditors 2019

Note: This promotion cannot be used in conjunction with other promotions



13 DEC

ISCA Career Pathway Talk: Opportunities Ahead and Beyond

The common misconception after obtaining an accounting degree or a Chartered Accountant qualification would be to assume that one should pursue the career of an auditor or a role working closely with financial numbers. However, is this really the only path available to you? Join us for an evening with our esteemed speakers and get inspired by their journey as they tell us how an accounting related education has given them an edge in their careers and brought them to where they are today.

Dates and events are subjected to change without prior notice.
For more details, visit www.isca.org.sg

● isca breakfast talk

RPA In The Transformative Age

DURING THE ISCA BREAKFAST TALK ON NOVEMBER 14, Neo Sing Hwee, EY Internal Audit Partner for Asia Pacific, ASEAN and Singapore, shared EY’s perspective on robotics process automation (RPA) with some 100 participants.

RPA is one of the fastest-rising technologies within the spectrum of automation. By embracing RPA through a “virtual workforce”, finance professionals can enhance efficiency, drive performance and move people higher up the value chain to achieve better efficacy. A video was shown on how key information was extracted from contracts using bots for reporting purposes, and 100% of the contracts were reviewed instead of a sample of contracts. Finance officers can thus focus more on advanced analysis and interpretation of transactions to improve the decision-making process.



Introducing the various elements of RPA, Mr Neo iterated how RPA can enrich the key business processes. RPA implementation does not solely depend on the transformation of the processes using automation as it is also paramount to consider the changes to the control

▲ EY Internal Audit Partner for Asia Pacific, ASEAN and Singapore, Neo Sing Hwee, explaining the four stages of RPA in the intelligent automation journey

environment, and how to monitor and ensure governance over its deployment throughout the corporation.

Going Full Steam Ahead On Tax Compliance

WITH THE TAX PEAK FAST APPROACHING amid this year’s whirlwind of tax changes, the Singapore Institute of Accredited Tax Professionals (SIATP) once again jointly organised its annual *Tax Excellence Decoded* session on tax compliance with the Inland Revenue Authority of Singapore (IRAS).

The IRAS officers helped participants to recognise common errors and provided valuable tips on implementation processes for a fuss-free tax-filing period. The range of topics included capital allowances, tax exemptions for foreign-sourced dividends, provisioning for unutilised leave, and many more. Participants gained a better understanding of how to implement holistic internal controls, proper record-

▶ Yap Zhi Hui, Tax Specialist from IRAS’ Corporate Tax – Medium Corporation branch, shared on the key areas to focus on



▲ (From left) Lim Chiew Tuck, Ms Yap and Annie Au fielded questions during the panel discussion

keeping, and a compliance framework for greater assurance on tax compliance.

The panel discussion at the end of the session saw questions flowing freely, as tax professionals were eager to have their queries answered. The participants left the session more prepared than before to take on the approaching tax season.

Email enquiry@siatp.org.sg if you wish to get sturdy on all things tax too.

SWAT ACCOUNTING

The SWAT accounting team springs into action at the call from directors, bankers, corporate finance and litigation professionals to attend to non-routine accounting work requiring a quick turnaround. Speed is of the essence.

Our Assistance



Assist in applying FRS115 for revenue recognition



Expedite preparation of financial statements for urgent submission to banks & financial institutions



Prepare financial statements to support audit or tax in meeting filing deadlines



Supports non-routine accounting work for the financial year-end crunch



Assist in forensic accounting for litigation support



Clear accounting backlog and 'messy' accounts



Deal with sudden staff departures



Reconstruct accounts from incomplete records

The following are some of the cases the SWAT Accounting team has handled:

Case Study:

CLEARING ACCOUNTING MESS

The subsidiary of a listed company restructured its operations, with some of its staff redeployed to other subsidiaries. The low morale environment resulted in a high turnover of its accounting personnel, which led to an accounting mess. Accounts Receivable & Payable, inventory and reported GST did not tally with the control accounts. The monthly bank reconciliations were also not done properly. Adding to the mess was a backlog of accounts and an urgent need to meet the audit deadline.

The SWAT Accounting team

- Traced the differences and reconciled all items
- Reviewed and rectified the accounting & GST errors
- Reconciled all bank and major suppliers' accounts
- Reviewed inventory costing
- Reviewed system flow and provided improvements plan

The company was able to start afresh with an updated and neater set of accounts.

Case Study:

STREAMLINE GLOBAL REPORTING

A leading pharmaceutical MNC in the US appointed a SWAT Accounting Manager as Project Manager to coordinate the Special Project for Asia-Pacific region and work with their shared service centre in China to help streamline, segregate and compile financial reports to improve transparency for their stakeholders. Adding to the complexity was the need to compile data from multiple ERP systems yet minimising disruptions to the financial closing cycle.

The SWAT Accounting Manager worked with project leads from multiple global locations to ensure a smooth and successful project implementation. They monitored progress in the Asia-Pacific region to ensure the regional financial reporting system was aligned with global requirements and proposed process improvements.

CONTACT US



Angie Lee : +65 6594 7806
Felicia Foo : +65 6594 7692



▲ Participants at the PAIB Conference 2018

PROFESSIONAL ACCOUNTANTS IN BUSINESS CONFERENCE 2018

Championing Growth In The Transformation Wave

BY WANDA TAN AND ASHOK SOMAN



▲ ISCA Vice President Yvonne Chan giving the welcome address

AN ODD SIGHT GREETED DELEGATES AT THE START of the ISCA Professional Accountants in Business (PAIB) Conference 2018, the final instalment of the Institute's Singapore Accountancy and Audit Convention series, held at the Marina Bay Sands Expo and Convention Centre on September 28. Up on stage with the event emcee was "Janet", a robot co-host who, much to the audience's delight, gave a few words of welcome. Indeed, Janet's presence served to reference the impact technology is having on the accountancy industry – hence, the Conference theme, "Championing Growth In The

Transformation Wave".

Touching on the theme in her welcome address, ISCA Vice President Yvonne Chan remarked, "We are living in a time of great change. Technology continues to disrupt many industries. While there are challenges that come with digitalisation, this is also a time of exponential growth. Businesses that react to change with agility and leverage technology to transform themselves will be able to seize the opportunities ahead. Amid the Fourth Industrial Revolution, there are many opportunities for the accountancy profession to be the driver of change in the business world."

To prepare finance professionals to become more forward-looking, Ms Chan



▲ "Janet", the robot co-host proving popular among the participants

announced the launch of two initiatives by the national accountancy body:

- **ISCA PAIB Framework**
It provides an overview of the five essential DNAs that PAIBs should possess – Future Finance, Business Acumen, Professional Values and Ethics, Technical Excellence, and Leadership and Personal Empowerment – as well as the competencies required under each DNA.
- **ISCA PAIB Learning Roadmap for Financial Accountants and Management Accountants**
It recommends Continuing Professional Education (CPE) courses that are aligned with the five DNAs in the PAIB Framework, and in accordance with an individual's proficiency level.

In her keynote address, Guest-of-Honour Tan Ching Yee, Permanent Secretary (Finance), urged PAIBs not to dwell on the potential loss of jobs caused by technological disruption. Rather, they should upskill themselves to create

opportunities for business innovation. "This requires the blending of quantitative skills, understanding the intent of accounting standards, business acumen, and practice in advocacy and persuasion. All of these are highly complex cognitive, emotional and social abilities," said Mrs Tan. Such "soft skills", she added, are well beyond the current capabilities of robots and computers.

Held in conjunction with the International Federation of Accountants (IFAC) PAIB Committee Meeting in Singapore, the Conference featured several speakers from the IFAC leadership. Then-IFAC President Rachel Grimes (Ms Grimes stepped down as IFAC President in November) named people and technology as tomorrow's drivers of change and argued, "I find it hard to believe that technology will replace tangible, face-to-face presence and professional judgement." Specifically, she noted that accountants will thrive in four key technology areas – Artificial intelligence (AI) and automation, Blockchain, Cybersecurity, and Data analytics (ABCD of transformational technology trends) – all covered under the "Future Finance" DNA in ISCA's PAIB Framework. Referring to the "Future

Finance" DNA, Ms Grimes was hugely impressed by how comprehensive and structured the Learning Roadmap is, to allow finance professionals to identify relevant competencies and plug learning gaps with appropriate training recommendations.

Charles Tilley, Chair of IFAC PAIB Committee and Chairman of CGMA Research Foundation, elaborated on the evolving role of PAIBs due to global trends like digital disruption, inclusive capitalism, and unprecedented levels of transparency and regulation. "Accountants are increasingly being asked to serve as a reliable, trusted business partner. We are expected to play the role of a *co-pilot* rather than a *navigator* of the business in strategic and operational decision-making," he said.

In this context, having technical expertise is no longer enough if the finance function is to remain relevant and add value to businesses. Mr Tilley explained that professional accountants must also demonstrate business-specific and sector-specific knowledge, acquire interpersonal and behavioural skills to communicate effectively, and stay on top of emerging technologies.

A total of 488 participants attended the day-long PAIB Conference, where local and international experts and business leaders delivered updates on a wide range of issues and topics pertinent to today's rapidly-changing business landscape. Following the morning plenary session, there were two parallel tracks in the afternoon – one for PAIBs in the private sector, and another for PAIBs in the public sector. The specially-curated line-up of programmes was aimed at inspiring accounting professionals to take the lead in seeking growth in this era of change.



▲ Permanent Secretary (Finance) Tan Ching Yee delivering the keynote address



▲ IFAC PAIB Committee Chair and CGMA Research Foundation Chairman Charles Tilley spoke about the evolving role of PAIBs



▲ Then-IFAC President Rachel Grimes named people and technology as tomorrow's drivers of change

PLENARY SESSION



Presentation
The Top Five Technology Trends Finance Needs To Know From Now Until 2023: The Five-year Countdown

PREDICTING TECHNOLOGY TRENDS IS DIFFICULT. History is strewn with examples of hyped-up technologies that never took off, from nuclear-powered vacuum cleaners in the 1950s to the recent Google Glass. Conversely, it is hard to believe now, but then-Microsoft CEO Steve Ballmer famously dismissed the iPhone when it was first launched in 2007.

So why do businesses still persist? “If we can spot the right trends early, we can get an advantage,” said Rick Payne, Finance Direction Programme Lead, Institute of Chartered Accountants in England and Wales (ICAEW). For instance, companies can improve their sales forecast accuracy and accordingly, develop a capacity-building plan as well as drive their industries forward. The key to identifying genuine trends is to think critically about them. Is the new technology just a passing fad? What forces are impacting upon it? Most importantly, what does it mean for your business and for your own role?

With that in mind, Mr Payne selected five tech trends, some of which are being “accelerated through democratisation”, that will be relevant for the finance function in the next five years. “There is an opportunity for accountants to take advantage of these trends to make a difference in your business, in your profession and ultimately in society,” he said.

“If we can spot the right trends early, we can get an advantage,” said Mr Payne. For instance, companies can improve their sales forecast accuracy and accordingly, develop a capacity-building plan as well as drive their industries forward. The key to identifying genuine trends is to think critically about them.



RICK PAYNE
Finance Direction Programme Lead, Institute of Chartered Accountants in England and Wales

- 1) **Data**
The rapid growth of mobile, Internet and social media activity, as well as the digitalisation of the economy, has led to an explosion of data. This opens up new opportunities for accountants, such as tracking and valuing fixed assets and stocks more effectively, and improving operational and strategic decisions.
- 2) **Analytics**
Data analytics tools are now readily available, enabling big firms and small and medium-sized enterprises (SMEs) alike to make sense of big data. Professional bodies such as ICAEW and ISCA offer programmes and support for accountants to hone their analytical skills, so as to generate meaningful insights for business.
- 3) **Visualisation**
Business dashboards are becoming more popular due to the increasing availability, user-friendliness, functionality and interactivity of data visualisation software. Provided accountants heed basic design principles when presenting the visuals in a financial dashboard, the organisation as a whole can benefit.
- 4) **Robotic process automation (RPA)**
Suitable for rules-based tasks, RPA – the replication of human work by robots – does not require a change to the underlying systems, is easy to code, and is cheap and quick to implement. RPA is currently in the early-majority adoption stage in developed countries like Singapore, with the next step being to scale it up.
- 5) **Machine learning**
A subset of AI based on using data to develop models, machine learning is already being employed by finance teams. For example, Microsoft uses it to provide financial forecasts to Wall Street, and chatbots are multiplying. Where machine learning still falls short is in producing insightful commentary; as yet, only PAIBs can do this.



Presentation
Cyber Attacks: A True Story

ADDRESSING THE “C” in then-IFAC President Ms Grimes’ “ABCD” mnemonic on transformational trends, Cecil Su, Director, Technology Risk Advisory, BDO Advisory Pte Ltd, stressed the importance for all organisations, including financial institutions, to have a secure, vigilant and resilient cyber assurance framework. “No industry or company is immune to cyber attacks. The risk of data breaches is a matter of when, not if,” he warned. “All organisations should have measures in place to prevent, detect and respond to data breaches.”

Cybercrime resulting in the loss of confidential data is estimated to cost the global economy up to US\$575 billion a

10 WAYS ORGANISATIONS CAN MAKE LIFE DIFFICULT FOR HACKERS

- 1 Encourage employees to understand and care about information security. Teach them how to act and react.
- 2 Install security software on all devices.
- 3 Keep all software programmes up-to-date (updates/patches).
- 4 Filter web traffic and block suspicious websites.
- 5 Make backups the right way: test them and keep them secure.
- 6 Review user account privileges periodically.
- 7 Have clear, effective restrictions on remote access and mobile devices.
- 8 Set systems to capture log data, for forensic purposes if a breach occurs.
- 9 If using cloud storage, make sure your firm controls the encryption key.
- 10 Protect and encrypt devices and storage, and create strong passwords.



CECIL SU
Director, Technology Risk Advisory, BDO Advisory Pte Ltd

“No industry or company is immune to cyber attacks. The risk of data breaches is a matter of when, not if,” warned Mr Su. “All organisations should have measures in place to prevent, detect and respond to data breaches.”

year, to say nothing of the long-term damage to a company’s reputation, brand value and customer base. These costs are bound to rise as the number and sophistication of cyber attacks continue to increase.

In today’s evolving cyber-threat landscape, virtually any device can be “weaponised” with malicious software (malware), such as phishing emails, defaced websites, spoofed mobile apps, and infected servers and USB flash drives. New attack methods, like the “low and slow” technique and the use of decoy operations, allow perpetrators to evade detection. Moreover, attackers gather any available data about their target company – including but not limited to its IT systems, organisation charts, profiles on employees and security personnel, and its business partners – to anticipate the company’s response and understand its weaknesses.

Mr Su observed that “criminals” (external actors) and “insiders” (employees) are the ones who are most likely to attack specific organisations, usually for monetary gain. In fact, despite advancements in IT systems, the “human firewall” remains the weakest link in cybersecurity. “Everyone in the organisation has a role to play in cyber assurance... we have to educate our users.”

To maximise the chances of discovering a breach, Mr Su advocated a three-pronged approach to cybersecurity:

- **People** should be trained to recognise and report security problems.
- **Processes** must be able to detect suspicious activity.
- **Technology** should monitor systems for evidence of incidents.

Presentation
New Growth Areas
In Accountancy

FROM THE GET-GO, Tay Woon Teck, Managing Director, Risk Advisory, RSM Singapore, who chairs the ISCA Corporate Governance and Risk Management Committee, allayed delegates' fears that the advent of new technologies would make their jobs obsolete. "AI can perform some roles like bookkeeping, but it cannot replace an entire profession," he asserted. For example, AI cannot exercise the "professional scepticism and judgement" needed to identify key audit matters in enhanced auditor's reports.

A look back through history underscores the resilience of the accountancy sector. Over the years, the stewardship role of accountants has morphed from merely recording to safeguarding assets and shareholders' interests, and subsequently to providing assurance, ensuring compliance and managing risks. Even after the 2008 collapse of Lehman Brothers triggered the worst financial crisis in recent memory, it was the "collective wisdom of the profession", said Mr Tay, that issued FRS 113 *Fair Value Measurement*, thus helping to restore stakeholder trust in the public and private sectors.

Seen in this light, accountants will continue to be in demand in the Fourth Industrial Revolution, as long as they adapt to the changing roles and services brought about by the current wave of digital technologies. A simple rephrasing of technology from a "disruptor" to an "enabler of change", as Mr Tay recommended, is one way of making the sector more receptive to transformation. "Technology enables us to process information more efficiently to make informed decisions. Ultimately, humans are still the ones making the decisions and upholding public trust and confidence."

"Technology enables us to process information more efficiently to make informed decisions. Ultimately, humans are still the ones making the decisions and upholding public trust and confidence."



TAY WOON TECK
Managing Director, Risk Advisory, RSM Singapore and Chairman,
ISCA Corporate Governance and Risk Management Committee

Technology is already altering the accountancy profession in exciting ways. New growth areas like robo-advisory services, fintech and digital forensics have emerged. Banks and finance companies are increasingly outsourcing their functions to overseas third parties, requiring accountants to conduct high-quality audits in a globalised environment. And with data analytics tools, accountants can now automate routine and repetitive tasks such as transaction processing, compliance and control, freeing them up to take on more value-adding roles.

Mr Tay envisions a future where accountants move away from back-office work, or financial gatekeeping, to become trusted business advisors. By harnessing technology to gain access to relevant data and analytics, they can provide real-time support and analysis to operations and management, and supply deeper audit insights to decision-makers. In this capacity, they can serve as change catalysts for the organisation.

"Whenever a new technology is created, humans create new capabilities and service lines," said Mr Tay. Technology is not making accountants obsolete or redundant; rather, it is augmenting and expanding their work scope. To capitalise on these budding career opportunities, he reminded the audience to update their skill sets and become not just professionally competent but also technologically proficient and relationship-focused.



(From left) Charles Tilley, Chair, IFAC PAIB Committee and Chairman, CGMA Research Foundation; David Leow, Independent Director, Mencast Holdings and Member, ISCA Corporate Governance and Risk Management Committee; Yvonne Chan, ISCA Vice President and Chairperson, ISCA CPE Committee; and Director (Corporate Development) and CFO, Maritime and Port Authority of Singapore; Rick Payne, Finance Direction Programme Lead, ICAEW; moderator Tay Woon Teck, Managing Director, Risk Advisory, RSM Singapore and Chairman, ISCA Corporate Governance and Risk Management Committee

Panel Discussion
New Growth Areas In Accountancy

TAY WOON TECK, Managing Director, Risk Advisory, RSM Singapore and Chairman of ISCA Corporate Governance and Risk Management Committee, remained on stage after his presentation to moderate a panel discussion on how finance professionals can thrive in the digital workforce.

The first question Mr Tay posed to the panel addressed the challenge of attracting young people to the accountancy profession. "Accountancy is at the heart of business," claimed Charles Tilley, Chair of IFAC PAIB Committee and Chairman of CGMA Research Foundation. Accountants play an "exciting" role in enabling "good decision-making and effective communication" to drive businesses forward.

Rick Payne, Finance Direction Programme Lead, ICAEW, commented on how technology is opening up new possibilities and job roles for the sector. To get accountants on board with these changes, David Leow, Independent Director of Mencast Holdings and Member of ISCA's Corporate Governance and Risk Management Committee, said that "culture is key". He exhorted finance professionals to curb their conservative tendencies and couch technology in positive terms, as Mr Tay had proposed in perceiving technology as an "enabler of change" rather than a "disruptor".

Representing the public sector was Yvonne Chan, ISCA Vice President and Chairperson, ISCA CPE Committee, who is Director (Corporate Development) and CFO of the Maritime and Port Authority of Singapore. She averred that there is a bright future ahead for accountants, be it in the government agencies or private firms. In particular, a growing number of organisations is adopting sustainability reporting and triple bottom line accounting frameworks, with the

profession having to account for financial as well as non-financial performance indicators.

As integrated reporting encompasses all types of information pertaining to an organisation, ranging from corporate governance, business strategy and business model to the external environment, Mr Tilley pointed out that "concise communication" is a must-have for PAIBs. "Accountants need to gather information and tell a story in a way that our stakeholders can understand," he said.

Other newfound opportunities for the accountancy sector lie in the "democratisation of new technologies", said Mr Payne, citing entry-level jobs to build robots and design data visualisations as examples. Mr Leow noted that by leveraging technology, accountants can gain a "well-rounded" understanding of different aspects of the business and deliver better-quality insights. Ms Chan also raised the potential for automation to improve people management – freed from spending time on mundane, repetitive tasks, accountants can enjoy a better work-life balance, or undergo skills training or upgrading.

One new technology that delegates were keen to hear about was blockchain. Ms Chan likened blockchain, which integrates data and processes across companies, to the Enterprise Resource Planning (ERP) systems deployed within companies. Mr Tilley noted that blockchain can considerably streamline the reconciliation process for businesses with many subsidiaries. Mr Payne added that diamond companies are already using it to track diamonds across the value chain from mine to retail, to counter the trade in blood diamonds and increase public trust in the diamond industry.



BREAKOUT SESSION

TRACK 1: PAIB (PRIVATE SECTOR)



GLADYS CHIU
Solution Consultant, SAP Concur

Presentation

Leaders In Technology:
How Can You Stay Ahead?

KICKING OFF TRACK 1 was Gladys Chiu, Solution Consultant, SAP Concur, who discussed how finance professionals can make an impact in the technology space. “Technology has always been an enabler in helping organisations move forward in their business objectives,” she said. Just as the development of mainframe computers and PCs brought forth industrial automation in the second half of the 20th century, and the proliferation of broadband Internet and ERP systems enabled business process automation in the early 2000s, we are now entering a digital tech-fuelled era of the “intelligent enterprise”.

Cloud computing, mobile technology, social networking, AI, the Internet of Things and other technologies allow companies to achieve, or even accelerate, their business objectives. Ms Chiu enumerated the advantages of machine learning for the finance function, including 24/7, real-time processing of transactions, avoidance of unbiased forecasts or human errors, and time savings from chatbot analytics as well as automated invoice clearance and approvals. These benefits enhance strategic value across the enterprise, or as Ms Chiu put it, “transform challenges today into efficiencies tomorrow”.

As a case in point, she introduced SAP Concur’s robust spend management solutions. The machine learning-powered software helps businesses to simplify their travel and expense management, thus yielding greater visibility and control over costs, faster invoice processing and improved employee productivity.



FANG EU-LIN
Partner, Sustainability and Climate Change Leader, PwC Singapore

Presentation

Climate Change And
Financial Disclosures:
How Does It Affect You?

STAGGERING GROWTH in the global population has led to over-consumption of natural resources and rising greenhouse gas (GHG) emissions, making climate change one of the most serious challenges of our time. Fang Eu-Lin, Partner, Sustainability and Climate Change Leader, PwC Singapore, argued that it is imperative for businesses to consider the financial implications of climate-related risks and opportunities, and incorporate these into mainstream annual reports.

The impact of climate change on organisations is two-fold. There are the *physical risks* of climate-related extreme weather events like flash floods and heat waves, which respectively cause damage to property and lead to higher energy costs from the use of cooling systems. There are also the *transition risks* as businesses implement new policies and technologies aimed at mitigating climate change, or expose themselves to climate-induced shifts in supply and demand or potential reputational losses.

Under the Paris Agreement, signatory countries including Singapore have pledged to cut GHG emissions, with many governments levying a carbon tax on large emitters. The Financial Stability Board also established the Task Force on Climate-related Financial Disclosures (TCFD), an industry-led and geographically-diverse group, in 2015. TCFD has issued a set of recommendations for voluntary climate-related financial disclosures that cover four areas: Governance, Strategy, Risk Management, and Metrics and Targets.

“TCFD is helping organisations find out their climate-related risks (physical and transitional), so as to manage the risks better,” said Ms Fang, who encouraged companies to adopt the TCFD guidelines.



LOH YOON MIN
Senior Assistant Director (Internal Audit), Corrupt Practices Investigation Bureau

Presentation

Corruption In The Business
World: Why Didn’t You Report?

SINGAPORE’S REPUTATION as one of the least corrupt nations globally for business was not arrived at accidentally. Strong political will was one of the decisive factors. Singapore’s Prevention of Corruption Act criminalise both public-sector and private-sector corruption including bribery. The Corrupt Practices Investigation Bureau (CPIB) is also empowered to continue investigations into other offences detected during the initial corruption investigations. Corrupt proceeds and gains derived thereof are dealt with under the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act. In addition, CPIB is also actively engaged with the business communities and professional bodies to join in the fight against corruption.

Loh Yoon Min, Senior Assistant Director (Internal Audit), CPIB, gave a sobering talk about the consequences of corruption. Besides the monetary loss incurred through the higher costs of doing business or when settling bribery cases, he highlighted the “irreparable damage” to a company’s reputation, loss of investor confidence and drop in employee morale.

“CPIB needs everyone to do their part to ensure we keep a level playing field and create a corruption-free nation,” said Mr Loh. “Finance professionals are very well-placed to identify cases of corruption. They must not stay silent – they must blow the whistle.” He also suggested several tips for companies to combat corruption:

- Get board and senior management to set the right ethical tone from the top;
- Identify risk areas (example, procurement, hospitality expenses) and potential conflicts of interest;
- Institute proper working procedures (example, internal audit regime and reporting channels, a code of conduct outlining acceptable staff behaviour);
- Train and educate employees to enhance awareness of corrupt practices.



CHAN YEN SAN
Partner, Department of Professional Practice, KPMG Singapore

Presentation

FRS Updates: What You
Should Know In 45 Minutes

WITH 2018 SOON DRAWING TO A CLOSE, preparing year-end financial statements was at the forefront of PAIBs’ minds. Chan Yen San, Partner, Department of Professional Practice, KPMG Singapore, reminded participants that full convergence with SFRS(I)s, Singapore’s equivalent of IFRSs, is now mandatory for Singapore Exchange-listed entities and listing aspirants. She then presented an update on new and upcoming changes to three key accounting standards.

Under FRS 115 *Revenue from Contracts with Customers*, revenue recognition is based on the concept of performance obligation. This affects the timing of revenue recognition, which may be accelerated for some contracts and deferred for others. It impacts the firm’s gross/net profit, bonus scheme, KPIs, IT systems and internal control processes, among other considerations.

On FRS 109 *Financial Instruments*, equity investments are most affected. More financial investments are expected to require fair valuation, increasing P&L volatility. Application of the new expected credit loss impairment model is likely to cause an increase in impairment allowances.

Lastly, Ms Chan summarised the accounting changes brought about by FRS 116 *Leases*, due to take effect on 1 January 2019. Lessees will see their assets and liabilities on the balance sheet, while depreciation and interest expenses will be recognised on the income statement. Companies with operating leases will appear to be more asset-rich, but also more heavily indebted. Total lease expenses will be front-loaded. Financial metrics affected include an increase in lessees’ EBITDA and gearing ratio, and an adverse impact on EPS (in the early years of lease), net assets and interest coverage.



▲ (From left) Chan Yen San, Partner, Department of Professional Practice, KPMG Singapore; Sanjay Rughani, CEO, Standard Chartered Bank – Tanzania and Deputy Chair, IFAC PAIB Committee; moderator Ei Leen Giam, Partner, Audit & Assurance, Deloitte Singapore; Zann Kwan, Co-founder and CEO, Bitcoin Exchange Pte Ltd; Sanjay Sivanandan, Regional Managing Director, LucaNet AG; Caroline Stockmann, Chief Executive, The Association of Corporate Treasurers; Lee Fook Chiew, CEO, ISCA

Panel Discussion

Be A CFO Who Thinks Like A CEO

BEING A CFO does not mean what it used to mean. While CFOs still hold responsibility for optimising a company’s financial performance, they are increasingly expected to fulfil additional roles such as monitoring cybersecurity risks, and act as strategic business advisors or catalysts of business transformation. “CFOs need to have more than financial capabilities... This creates an opportunity to do different things, but (is) also a threat. If you don’t stay up-to-date, the role may become redundant,” said Ei Leen Giam, Partner, Audit and Assurance, Deloitte Singapore, who moderated the panel discussion.

An accountant by training, Zann Kwan, Co-founder and CEO, Bitcoin Exchange Pte Ltd, opined that being open-minded and agile is especially crucial in start-ups like hers. “I require CFOs to not be afraid to make mistakes. Our profession could be obsessed with perfection, or getting things right. But we also need interdisciplinary skills. Think from different vantage points, not just financial.”

Two of the panellists – Sanjay Rughani, CEO, Standard Chartered Bank – Tanzania and Deputy Chair of IFAC PAIB Committee, and Caroline Stockmann, Chief Executive, The Association of Corporate Treasurers – are former CFOs themselves. Both observed that CFOs must be able to effectively communicate the company’s financials to internal and external stakeholders by using jargon-free language and visual aids. Beyond that, CFOs should, like CEOs, look at the “bigger picture” and gain a well-rounded understanding of the business, including the various departments, and its overall risk appetite.

Given today’s increasingly complex business environment, Sanjay Sivanandan, Regional Managing Director, LucaNet AG, challenged CFOs to break out of the traditional accounting

mindset of looking retrospectively. “The pace of the economy will only get faster from now, hence, it is vital to have insightful information as quickly and in as real-time as possible. But that is only possible if we adopt the correct technology and tools that eliminate mundane manual task and empower the higher value-added strategic work... Move from being reactive to proactive. Be a core part of forecasting where the future can lead.”

The discussion then veered towards how CFOs can build future-ready finance teams. Mr Rughani’s advice was to “stay agile” in your roles, avoid getting bogged down in the internal world and adopt an “outside-in” perspective so you are more aware of the changing dynamics and can respond. “Spend no less than 30% of the time on non-technical activities so you can help and impact more of your clients with certainty and real business value. Have a network of people who are subject matter experts, inside and outside the organisation – you do not need to know it all; this way, you will be able to anticipate and respond to disruptions,” he said.

Another critical capability for CFOs is to be a people person, or to pay attention to what Ms Kwan called the “wetware” of organisations. This involves looking closely at each team member, empathising with their needs and leveraging on their individual skill sets. “Create an environment where individuals in your team get to utilise and leverage on their strengths, rather than focus on filling gaps in their competencies. If you do that, you are more likely to have a diverse and high-achieving team,” added Ms Stockmann.

Above all, CFOs should lead by example and embrace change. “Often, the biggest barrier to change is fear of the unknown. Finance professionals have to be architects of change,” said Mr Sivanandan. “Technology is not a driver of change, it is just an enabler; change comes from within.”



BREAKOUT SESSION

TRACK 2: PAIB (PUBLIC SECTOR)



RAYMOND LEONG
Associate Partner, Ernst & Young Advisory Pte Ltd

Presentation

Governance And Trust In The Transformational Age

THE INTERNET took seven years to achieve 50 million users, but today we have Pokémon Go, which needed just 17 days to reach the same number. This is emblematic of the massive digital transformation that is sweeping through the world. Raymond Leong, Associate Partner, Ernst & Young Advisory Pte Ltd, made some key points on this front.

As outlined in its Digital Government Blueprint, Singapore’s vision is to create a government that is “digital to the core, and serves with heart”. A trust framework is required to address the inherent opportunities and threats. Mr Leong highlighted three elements to build trust in the digital economy, namely, instilling confidence in any given system, identifying the risks of new technologies, and protecting and securing organisations against those risks. With risk contained and trust established, organisations can reap the rewards from digital ecosystems. For finance officers and CFOs, these rewards include faster end-to-end processing, the ability to access and process large volumes of data, and near-real-time ability to analyse said data. A digital dashboard presents a powerful overview of all the analytics and also provides deep-dives into any given analysis or chart, on demand.

Another reward that Mr Leong was keen to emphasise was robotic process automation (RPA). Far from being an enemy of the finance professional, RPA is a demonstrable tool for efficiency, or making the best use of time. The finance community should view RPA as a way to strip their jobs of the most tedious components.



STACE CHOW
Manager, Sales Engineering, MicroStrategy

Presentation

The Digital Finance Team: A Public Sector Experience

ONE OF THE MOST ACUTE QUESTIONS in public-sector finance is familiar to many in the private sector, across business and professional divides – What to do with all the data? Stace Chow, Manager, Sales Engineering, MicroStrategy, answered the question by showcasing how the real-world integration of Fi@Gov – a whole-of-government (WOG) finance analytics platform launched in 2016 – is unfolding.

In a nutshell, things are looking up for Fi@Gov and user adoption is increasing. Ms Chow explained that the digital transformation tool provides “holistic end-to-end analysis” of data through the use of powerful, user-friendly dashboards. “What (Fi@Gov) wants to do goes beyond giving the stakeholders access to numbers. It is about who is benchmarking own expenses, at a glance, for example. In short, it is about analysis and not number-crunching.”

As a WOG platform, Fi@Gov integrates data from various operational systems such as transport and medical claims, payments to vendors, invoices and budget utilisation. Different entities may employ slightly different data sets and definitions. Working with common data definitions is therefore important for multi-agency systems like Fi@Gov, said Ms Chow.

FI@GOV BY THE NUMBERS

400+
users

Used by
33
ministries
and agencies

14,000
reporting jobs
per week

2,647
data attributes
and metrics



GAUTAM KAMATH
CFO, Asia Pacific Fabric Care, Procter & Gamble

Presentation
**All You Need To Know:
Finance Business Partnering**

LEADERSHIP ROLES ARE DIFFICULT TO ACHIEVE. Far more aspire to such positions than will ever succeed. When it comes to CFOs becoming overall leaders, the statistics are grim. A UK survey by Robert Half showed that 86% of global CFOs harbour ambitions of becoming CEOs; only 13% have succeeded, according to a Forbes survey in 2015.

Gautam Kamath, CFO, Asia Pacific Fabric Care, Procter & Gamble, shared how finance managers can become effective partners for their organisations. He identified four steps, each of which involves venturing outside one's comfort zone:

- 1) Develop a vision** Think about your organisation's future, read the relevant literature, and then dissect the existing mission statement to see how it is relevant to the current business model.
- 2) Become an influencer** Use the insights gleaned during the Vision stage to voice your opinion about areas of the organisation outside finance.
- 3) Find solutions** Instead of saying "no" or shutting down a problem, say "no, but..." and think of a useful solution.
- 4) Be a smart risk-taker** Familiarise yourself with every aspect of your operations, as well as current affairs and trends, to better calculate the odds.

To illustrate, Mr Kamath related one of his own experiences, "My sales director came to me with a request for a list price reduction that could be expensive. Instead of saying 'no', I asked him to make the business case that this was good for the company. Using his argument backed by my financial assessment, I managed to get the trade spend targets extended, and it paid dividends for me because it was good for business growth and I had gained the trust of an important colleague."



MARK RATHBONE
Asia Pacific Capital Projects and Infrastructure Leader, PwC Singapore

Presentation
**Project Financing For Major
Infrastructure Projects**

NOTABLE DIFFERENCES exist between project finance and corporate finance. However, it was revealed that most Conference delegates lacked direct experience with the former. Mark Rathbone, Asia Pacific Capital Projects and Infrastructure Leader, PwC Singapore, provided a point-by-point explanation of the differences between the two financing options. He also elaborated on the advantages of project finance, under which lenders look solely to the cash flow generated by the project for repayment, to manage the funding needs of key infrastructure projects.

Focusing on economic infrastructure projects in the utilities, transport, resource extraction and manufacturing sectors, Mr Rathbone gave several reasons to pursue project financing, including risk mitigation. Perhaps the biggest one is the worst-case scenario – in the event that the project sponsor defaults on servicing the loan, the lenders cannot march in and simply do with the asset as they please. Instead, they have to find another party to take up the project, and they wind up with all the equity of the original sponsor.

- Project financing is also suitable in cases where:
- The project is the sponsoring company, that is, single purpose vehicle;
 - The project is large relative to the size of the sponsoring company. Hence, it makes sense to ring-fence the risk associated with the project;
 - Cheap political risk insurance and export credits enhance the creditworthiness of the project company;
 - Additional discipline is to be provided on investment appraisal, because the robustness of the project's cash flow is the key to raising financing.



Ⓐ (From left) Goh Soon Poh, Deputy Secretary (Corporate), Ministry of Home Affairs; moderator Julia Tay, Partner, Asia-Pacific Public Policy Leader, Ernst & Young; Eugene Wong, Chairman, CrimsonLogic and Board Member, Enterprise Singapore and AVA Singapore; Ow Fook Chuen, Accountant-General, Accountant-General's Department; Janet Senior, Executive Director, Resources and Regeneration, London Borough of Lewisham; Kon Yin Tong, ISCA President

Panel Discussion
**Evolving Expectations Of The Public Sector
Finance Function In Five Years' Time**

AT THE OUTSET, the panel broadly agreed that five years may be too short a horizon for public-sector transformation, with multiple government agencies looking at a 10-year timeframe. Nevertheless, digitalisation is already in progress. Both Goh Soon Poh, Deputy Secretary (Corporate), Ministry of Home Affairs, and Ow Fook Chuen, Accountant-General, Accountant-General's Department, pointed to the roll-out of Fi@Gov, the whole-of-government financial analytics platform in 2016, as an important part of the process.

Indeed, the overarching goal of the public sector has always been to stay ahead of external forces. This is happening at a time when, as Mr Ow pointed out, the fiscal space was tightening, and the public sector needed to do more with less. He indicated that these presented opportunities for the public-sector finance community to step up and help the public sector to find ways to drive greater efficiencies and greater value-add in government expenditures.

Eugene Wong, Chairman of CrimsonLogic, who sits on the boards of Enterprise Singapore as well as the Agri-Food and Veterinary Authority of Singapore, chimed in with a private-sector opinion on the matter. He indicated that performance has always been the main KPI for finance professionals in business, unlike their public-sector counterparts. "The focus is usually on budgeting, risk management, internal controls and conformance... Going forward, the question is, 'How will the public-sector finance role change in terms of performance and standalone sustainability?'"

To understand the UK experience, moderator Julia Tay, Partner, Asia-Pacific Public Policy Leader, Ernst & Young Solutions LLP, turned the spotlight over to Janet Senior, Executive Director, Resources and Regeneration, London

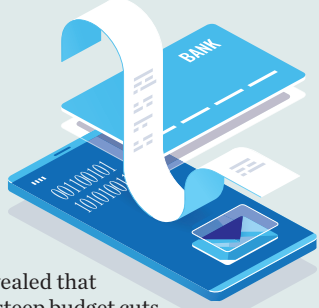
Borough of Lewisham. Ms Senior revealed that her borough is similarly dealing with steep budget cuts, as London has yet to recover from the 2008 economic crash.

"Initially, we were ahead of external forces – we were able to transform our services by finding efficiencies – and we've had to embrace (digital) transformation," said Ms Senior. She also echoed Mr Wong's earlier comments on business sustainability and revenue models, stating that generating income and attracting investments are vital for her borough.

Ms Goh shared about the finance transformation at the Ministry of Home Affairs. Finance transformation seeks to fundamentally change the way the finance function is conceptualised, and finance services delivered. Finance officers will be upskilled. Instead of finance being a back-room function, it will become a strategic partner to senior leaders at the Ministry. Ms Goh said that there was a need for those in the finance community to "think ahead, think across and think again", and not be too caught up in the day-to-day.

Finally, the panel responded to a question from the audience regarding the potential for centralised manpower across the public sector. "The direction for managing public-sector finance manpower is to move towards more centralised coordination, facilitation and such... Whether we will end up having one professional scheme of service for finance officers across the public sector, I think it is a matter of timeframe... in the next five years, probably not," said Mr Ow, adding that finance officers need to continue to keep abreast of developments impacting the public sector, adapt and upgrade to stay relevant. ISCA

Wanda Tan and Ashok Soman are contributing writers.





Winner of the inaugural Special Recognition Award, Euleen Goh (centre) with ISCA President Mr Kon and GOH Mrs Tan

Rising Star (PAIB) award winner Chan Ying Jian, Group CFO, BreadTalk Group



BY ZOEY XIE AND ARIANA TAN

SINGAPORE ACCOUNTANCY AWARDS 2018

Marking The Epitome Of Excellence



ISCA President Kon Yin Tong delivering his welcome address

“THE AWARD GOES TO ...”
And the Marina Bay Sands ballroom would erupt in cheers and sounds of clappers as the almost-500 guests applauded the achievements of the 14 deserving award recipients. The September 28 event marked an evening of recognition, gratitude and camaraderie.
Making a return for the third time, the Singapore Accountancy Awards 2018 built on the success of 2014 and 2016 editions to honour and celebrate outstanding firms, teams

and individuals that have stepped up to go the extra mile. The joyous occasion was graced by Guest-of-Honour (GOH) Tan Ching Yee, Permanent Secretary (Finance), and attended by many industry veterans. Kicking off the evening’s proceedings was ISCA President Kon Yin Tong, who welcomed the distinguished guests in his opening address.
The festive mood began with the presentation of the ISCA Appreciation Awards. These were accorded to ISCA Council members and the Chair and Deputy Chairpersons of ISCA

ISCA President Kon Yin Tong (1st from left) and GOH Tan Ching Yee, Permanent Secretary (Finance) (centre, in blue), with winners of the Singapore Accountancy Awards 2018: (from left) Tan Kuang Hui, Crowe Singapore; Thomas Sim, Accountant-General’s Department; Chan Ying Jian, BreakTalk Group Limited; Lim Kexin, PwC Singapore (Ms Lim was a recipient of the ISCA Appreciation Awards); Max Loh, EY Singapore; Yeoh Oon Jin, PwC Singapore; Euleen Goh, SATS Ltd; Philip Yuen, Deloitte Singapore; Tania Harsono, Deloitte Singapore; Tan Khoo Guan, Precursor Assurance PAC; Ow Fook Chuen, Accountant-General’s Department; Muhammad Ashiq Chu, PwC Singapore; Deon Kwok, Select Group; Wong Peck, State Courts Singapore, and Alina Ang, Chubb Insurance Singapore Limited

Committees who stepped down in 2018, in recognition of their invaluable contributions and dedicated service to the Institute on a voluntary basis.

SPECIAL RECOGNITION AWARD
The highlight of the evening was a tribute to an industry veteran, who was conferred the inaugural Special Recognition Award. This award recognises senior ISCA members who have retired from the profession but continue to make significant contributions to the accountancy sector and the wider community. The prestigious award was accorded to Euleen Goh, Chairman of SATS Ltd, who stood out for her long and accomplished list of contributions to the entire accountancy ecosystem and the wider community.

Ms Goh was one of the rare women CEO and Chairman of several boards, both in the

private and public sectors. Despite having retired from the profession in 2006, she has continued to enrich the industry with her experience and know-how, including in her role as the founding Chairperson of the Accounting Standards Council. Today, Ms Goh has an enduring influence on the accounting industry and society at large, setting a fine example for women in leadership roles.

INDIVIDUAL EXCELLENCE AWARDS
The rising stars below 35 years of age who have displayed exemplary efforts towards both their personal and professional development were recognised with the Rising Star Award.
Lauded by the judges as an all-rounded individual who has a strong drive to achieve things in life, the winner of the Rising Star Award in the Professional Accountants in Business (PAIB) category was Chan Ying Jian, Group Chief Financial Officer (CFO), BreadTalk Group Limited. Looking forward to making greater contributions to the accounting profession, he said, “Many thanks to ISCA for this recognition, especially for someone whose accounting career did not quite follow the conventional path.”

Recognised for the Highly Commended accolade in the same award category were two other rising stars – Alina Ang, Chief Financial Officer, Chubb Insurance Singapore Limited, and Thomas

Sim, Head, Salaries and Pensions, Accountant-General’s Department. Both demonstrated much growth in their careers and went beyond what was required of them.
This year’s Rising Star Award in the Professional Accountants in Practice (PAIP) category saw two joint winners – Muhammad Ashiq Chu, Manager, PwC Singapore, and Tania Harsono, Audit Manager, Deloitte Singapore – bagging the honours. Mr Chu was extolled as someone who pushed the descriptor “all-rounder” past its limits. In the words of his bosses, he embodies the spirit of the new generation of leaders that has a deep sense of purpose and desire to give back generously to the community. Ms Harsono, upon receiving the award, said, “I hope that the Singapore Accountancy Awards will continue to inspire young accounting professionals to make a positive impact in the work that they do, and to give back to the community.”

PROJECT EXCELLENCE AWARDS
To recognise finance teams which have leveraged innovation and technology to improve operational effectiveness and business performance, the Institute presented the inaugural Best Finance Transformation Project Award to three deserving finance teams.

AWARD RECIPIENTS

BUSINESS EXCELLENCE AWARDS

Best Practice Award
(International Practice Category)
+ Deloitte Singapore

Best Practice Award
(Small & Medium-sized Practice Category)
+ Precursor Assurance PAC

Growth Award
+ Crowe Singapore

Innovation Award
+ EY Singapore

People & Talent Award
+ PwC Singapore

PROJECT EXCELLENCE AWARDS

Best Finance Transformation Project
(Private Sector)
+ Select Group Limited

Best Finance Transformation Project
(Public Sector)
+ Accountant-General's Department
+ State Courts Singapore

INDIVIDUAL EXCELLENCE AWARDS

Special Recognition Award
+ Euleen Goh,
Chairman, SATS Ltd

Rising Star
(Professional Accountants in Business)
+ Chan Ying Jian,
Group Chief Financial Officer,
BreadTalk Group Limited

Rising Star
(Professional Accountants in Business)
- Highly Commended
+ Alina Ang,
Chief Financial Officer,
Chubb Insurance Singapore Limited
+ Thomas Sim,
Head, Salaries and Pensions,
Accountant-General's Department

Rising Star
(Professional Accountants in Practice)
+ Muhammad Ashiq Chu,
Manager, PwC Singapore
+ Tania Harsono,
Audit Manager, Deloitte Singapore



The Best Finance Transformation Project in the Private Sector was clinched by Select Group Limited as they showcased to the judges how the finance team addressed the company's pain points while improving customer service. The judges felt that this was a comprehensive and large-scale project as it involved automating a massive volume of receipts, boarding passes and meal vouchers,

Ⓜ (From left) Best Finance Transformation Project (Private sector) winner: Select Group; (Public sector) joint winners: Accountant-General's Department, and State Courts Singapore



Ⓜ The elated Team Precursor Assurance on stage, after clinching the Best Practice Award in the SMP category

linking front-end and back-end systems; most importantly, it created a mindset change among long-serving staff who were already familiar with the manual process. This massive project had eliminated administrative inaccuracies and delays internally and brought much convenience to the airlines and millions of travellers who transit in and out of Singapore.

The Best Finance Transformation Project Award in the Public Sector went



to two equally worthy joint winners. The project led by the Accountant-General's Department pulled off an integration of multiple platforms within 16 ministries, nine organs of state and eight statutory boards to claim this title. They incorporated different systems which "spoke different languages" to put together an interactive and comprehensive dashboard that can be used for cross-functional data analytics. The impressive joint winner was State Courts Singapore, which developed the nation's first-of-its-kind, multiple payment mode automated collection system; it is user-friendly even for the elderly. This payment



Ⓜ The Deloitte Singapore team taking their celebratory photo with GOH Mrs Tan (centre, in blue)

kiosk accepts NETS, cash, cheques, cashiers' orders and credit or debit cards – all in one transaction. The innovation is a fine example of leveraging technology to improve work effectiveness, and enabling digitalisation to be embraced readily by the users.

BUSINESS EXCELLENCE AWARDS

The Business Excellence Awards were the finale of the evening. Each time the name of their accounting firm was called, ecstatic members would pop colourful streamers and cheer lustily to celebrate their win. In the Open category, Crowe Singapore bagged the Growth Award with its introduction of six additional revenue streams in its practice and advisory arm. The Innovation Award went to EY, which is at the



Ⓜ Joint winners of the Rising Star (PAIP) Award, Muhammad Ashiq Chu (left), PwC Singapore, and Tania Harsono, Deloitte Singapore

forefront of innovating and developing new technologies, strategies and services. PwC Singapore took home the People & Talent Award for its strong people development and talent management efforts.

The highly-coveted Best Practice Awards went to first-time winners Deloitte Singapore and Precursor Assurance PAC in the International and Small and Medium-sized Practice (SMP) categories respectively.

Among other notable achievements, Deloitte Singapore was lauded as a well-rounded firm that has excelled as a firm; it was also particularly commended for its efforts in grooming talents from diverse backgrounds. The firm believes in an inclusive culture and recognises the contributions of everyone including people with disabilities.

Having accomplished much as an SMP in its revenue and clientele, Precursor Assurance PAC has gone way ahead to excel in the technology innovation space to develop a proprietary cloud-based practice solution to address the pain points of the wider accountancy community.

The grand finale of the Singapore Accountancy and Audit Convention (SAAC) Series 2018 ended amid much fanfare with confetti and roaring cheers from the winners and guests. All good things must come to an end, and the Institute would like to thank our industry partners and sponsors for their valuable support and contributions towards the SAAC Series 2018. Stay tuned for more exciting line-ups in 2019! ISCA

Zoey Xie is Senior Manager, and Ariana Tan is Assistant Manager, Industry Support, ISCA.

2018: YEAR IN REVIEW

On Track For 2020



SCA CONTINUED TO MAKE STEADY PROGRESS in the last year of its third transformation phase (2016–2018: Intensifying Global Prominence), with initiatives aligned with the three strategic pillars for this period – build a competent, future-ready and inclusive profession; elevate global recognition of ISCA membership, and intensify its role as a leading professional accountancy organisation in ASEAN, to achieve greater presence on the global platform. The programmes and activities also served to advance members’ career mobility and professional recognition, opening doors to opportunities in up-and-coming business areas and potential markets beyond Singapore.

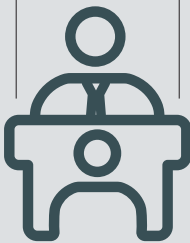
We look back at some of the key ISCA initiatives in 2018.

GIVING MEMBERS A LEADING EDGE

The Institute identifies key trends and their impact on the profession, and communicates impending accountancy and business issues to members. In the last few years, disruptive technologies have been unsettling the traditional ways of doing things, bringing challenges as well as interesting prospects for our members. ISCA has been proactive in helping members address the issues and prepare them for Industry 4.0.

Singapore Accountancy and Audit Convention series

This year, the Institute’s flagship Singapore Accountancy and Audit Convention (SAAC) comprised a series of events to better cater to the needs of our different membership



Speakers at the ISCA Practitioners Conference focused on the two notions of quality and value in audit

segments. Covering the most significant topics ranging from Budget 2018 to hot-button issues in accountancy, audit, ethics, cybersecurity risk and the application of technology in business, the SAAC series culminated in the Singapore Accountancy Awards, which honoured outstanding firms, teams and individuals that have stepped up to go the extra mile.

The Budget Update Seminar, an annual sell-out ISCA event, covered the highlights of the Budget and shed light on a wide range of topics spanning Singapore’s economic outlook, building a smart and sustainable nation, China’s Belt and Road Initiative, and the vast potential in the infrastructure sector.

The ISCA Practitioners Conference, organised with strategic partners Accounting and Corporate Regulatory Authority (ACRA) and Singapore Accountancy Commission, was a signature event for the audit profession. The prominent line-up of speakers from the public and private sectors shared how auditors can create a significant impact with the work that they do, to deliver both quality and value to stakeholders. The selection of topics, discussed from the auditor’s perspective, ranged from cybersecurity risks to anti-money laundering (AML), corruption, the new leasing standard FRS 116, and more. A key message was the need for auditors and the audit profession to transform, in order to meet the needs of Industry 4.0.

Getting members up-to-date on digitalisation and the impact of technology on the accountancy profession was the TechCountx

The ISCA Budget Update Seminar was again a sell-out event, attracting over 800 members



... disruptive technologies have been unsettling the traditional ways of doing things, bringing challenges as well as interesting prospects for our members. ISCA has been proactive in helping members address the issues and prepare them for Industry 4.0.

Conference. Insights and valuable take-aways spanned the ABCDs [artificial intelligence (AI), blockchain, cybersecurity and data analytics] of technology, and how they are disrupting traditional work processes.

The Professional Accountants in Business (PAIB) Conference aimed to inspire accountancy professionals to take the lead in seeking growth in an era of change. Curated specially for professional accountants in business (PAIBs), the event featured updates on the latest issues and topics that are pertinent in today’s evolving business landscape, such as positioning accountants to lead in the 21st century, the changing role of the accountancy profession, and transforming the profession in the digital era.

The Singapore Accountancy Awards, the preeminent awards in the local accountancy scene, honoured excellence, innovation and growth in the accountancy profession. The Awards Dinner celebrated outstanding firms, teams and individuals that have stepped up to go the extra mile. A new Project Excellence Awards category was created to distinguish finance teams that have leveraged innovation and technology to improve operational effectiveness and business performance. The inaugural Special Recognition Award was also given out, to acknowledge senior ISCA members who have retired from the profession but continue to make significant contributions to the accountancy sector and the wider community.



The ISCA Pre-Budget Roundtable brought together leaders of trade bodies and accounting firms to discuss and provide recommendations on the Singapore Budget

Enhancing technical excellence and advocacy

The Institute, as an advocate for members and the profession, ensures that our views are heard by the relevant authorities through our feedback and commentaries.

The annual ISCA Pre-Budget Roundtable brought together members of the accounting and business community, and their suggestions were submitted to the government for its consideration, for Budget 2018. The event involved the accountancy profession, trade associations and chambers and small and medium-sized enterprises, and are part of the Institute’s strategic priority to promote dialogue and understanding that would benefit our members, the profession and the wider community. We also published the salient points and tax implications in this Journal for our members’ reference.

The Institute also serves our members by keeping them informed of the latest industry developments, so that they can continue to add value to their clients and organisations. To support our members in upskilling, ISCA leverages multiple platforms spanning seminars, workshops and continuing professional education (CPE) programmes to improve their know-how. In the pipeline are new e-learning courses focusing on financial modelling, fraud investigation and transfer pricing. These are niche specialisations which practitioners can venture into. The



The ISCA Breakfast Talk sessions provided members with updates on relevant, trending issues



e-learning courses are expected to be rolled out by January 2019.

Strategic intangible asset management can go a long way to maximise a company’s value, and participants of the ISCA-RSM seminar, “Embedding Intangible Assets Management Into Your Strategy”, learnt how unlocking the value of intangible assets can enable their business to gain a competitive edge. Members were also kept up-to-date on the latest in financial standards and regulations at the ISCA Ethics Seminar, while the ASC-ISCA Financial Reporting Technical Forum, which featured experts from the International Accounting Standards Board (IASB), Accounting Standards Council (ASC) and ISCA, focused on the future of financial reporting in the digital era.

ISCA has numerous on-going initiatives to help members improve the quality of audit. These include the ISCA Quality Assurance Review Programme, customised technical training for small and medium-sized practices (SMPs), and Tech Labs (formerly known as Technical Clinics) which provide a platform for public accountants to share technical issues among themselves in focus group discussions facilitated by ISCA. Updated resources are available to members to support them in their work, such as the latest editions of “Illustrative Financial Statements (IFS) For Private Entities”, “Enhanced Auditor Reporting – Implementation Of New and Revised Standards: Frequently Asked Questions”, and “Auditor’s Report On Financial Statements Prepared In Accordance With Singapore Financial Reporting Standards (International): FAQs”. ISCA also launched the new “Audit Manual For Group Entities” at the full-capacity Audit Quality Seminar where members acquired valuable insights into ACRA’s 2018 Practice Monitoring Programme.

Specialisation pathways

Accountants are increasingly carving out careers in non-traditional areas such as financial forensics, business analytics and project financing, among others.

Specialisation pathways enable members to explore new areas in more depth and develop their professional expertise and versatility.

In keeping with the growing threats of online fraud and to support members, ISCA commenced a new Financial Forensic Accounting (FFA) Qualification in March, with the aim to build and shore up capabilities in the financial forensic field and provide a pathway to the conferment of the ISCA Financial Forensic Professional (FFP) credential. To date, over 100 candidates have been admitted into the Qualification programme.

Modern technology has brought about vast volumes of data. To help members attain business analytics skills so that they can derive meaning from the unprocessed data, we partnered the Singapore University of Social Sciences (SUSS) to launch the ISCA-SUSS Business Analytics Certification Programme. The Programme offers the option of two certificates – ISCA-SUSS Certificate in Business Analytics, and the more in-depth ISCA-SUSS Specialist Certificate in Business Analytics.

The Asian Development Bank estimated that developing Asia would need to invest US\$26 trillion over the next 15 years from 2016 to 2030 (around US\$1.73 trillion a year) to maintain its growth momentum and meet its demand for new infrastructure. To support infrastructure development in Asia, Singapore set up Infrastructure Asia, which according to Finance Minister Heng Swee Keat, is “intended as a platform to connect local and international stakeholders across the value chain, enable information exchange, facilitate infrastructure



✔ Ethics is fundamental to the accountancy profession – that was the key message of the ISCA Ethics Seminar



A burgeoning infrastructure industry will require expertise in project development, technical expertise as well as financing and advisory services. Accountants who are already familiar with risk management, credit analysis, and financial modelling and forecasts can look forward to exciting opportunities afforded by infrastructure expansion.

investments and connect infrastructure players with relevant professional services”.¹ A burgeoning infrastructure industry will require expertise in project development, technical expertise as well as financing and advisory services. Accountants who are already familiar with risk management, credit analysis, and financial modelling and forecasts can look forward to exciting opportunities afforded by infrastructure expansion. ISCA and Ernst & Young (EY) are currently exploring the development of a new professional/experience pathway to deepen the skills of our members in project financing.

Levelling up the profession

ISCA works with other agencies to develop programmes to raise industry standards, which would also benefit members. In the area of AML and countering the financing of terrorism (CFT), the Institute collaborated with ACRA and Chartered Secretaries Institute of Singapore (CSIS) for Corporate Service Providers (CSP) to develop a training programme on AML/CFT. Since June, the monthly training sessions conducted by ISCA and CSIS have been contributing towards raising the professional standards of the CSP sector and strengthening

resilience in AML/CFT.

As the national accountancy body, the Institute supports the Singapore Stewardship Principles (SSP), an industry-led effort to encourage responsible investment and promote good stewardship practices among investors. Accountants, as stewards of companies, have a critical role to play as the conduit between the investee companies and investors to communicate how sustainable business value is created in an environment of good governance. ISCA jointly organised the 3rd SSP Networking Series with the SSP Steering Committee. The panel discussion, which centred on creating sustainable business value, saw spirited discussion on how SSP and sustainability reporting could create sustainable business value for companies and stakeholders. The discussion was all the more relevant as 2018 marked the first year that sustainability reporting was made mandatory for Singapore Exchange-listed companies.

Knowledge and resources

ISCA strives to equip members with the knowledge and resources that prepare them for a fast-changing world. One way the Institute does this is through our publications, which cover a plethora of topics that are salient to the accountancy profession.

This year, ISCA launched the PAIB Framework and corresponding PAIB Learning Roadmap, which serve to guide financial and management accountants on the key areas of competency and skills they would require at various proficiency levels. The Learning Roadmap maps ISCA’s CPE courses to the five DNAs of the PAIB Framework – Future Finance, Business Acumen, Professional Values and Ethics, Technical Excellence, and Leadership and Personal Empowerment.

¹Keynote speech by Finance Minister Heng Swee Keat at The World Bank-Singapore Infrastructure Finance Summit, 5 April 2018



To facilitate professional development in public accounting firms, ISCA launched the SMP Learning Roadmap, developed with reference to the Assurance track under the Skills Framework For Accountancy sector. Like the PAIB Learning Roadmap, the SMP Learning Roadmap provides a series of competencies which prescribes the skill sets and related learning needs required by the various levels of audit professionals in SMPs, based on their experiences.

With Singapore being a global fintech hub, ISCA again collaborated with the Institute of Chartered Accountants in England and Wales (ICAEW) to release the report



▶ The panel discussion at the inaugural ISCA Young Professionals Symposium focused on how technology innovation is disrupting the workplace



“Fintech Innovation: Perspectives From Singapore And London”. The publication consolidated the research by ISCA and ICAEW on the fintech industry in Singapore and London, to identify drivers of successful fintech innovation. A roundtable discussion was held at the launch event in Singapore, where fintech innovators, banks, advisors and investors shared their different perspectives.

As digitalisation becomes more commonplace, there is increased attention on issues like cybersecurity. ISCA launched “Cybersecurity Risk Considerations In A Financial Statements Audit” as a guide for auditors on assessing cybersecurity risk in a financial statements audit. This is the first publication in Southeast Asia that provides guidance on cybersecurity risk considerations in a financial statements audit.

This year, ISCA also produced “Artificial Intelligence: Opportunities, Risks And Implications”, a publication which examines the opportunities, risks and implications of AI, particularly in the accountancy and finance industries.

In a business environment that is increasingly volatile, uncertain, complex and ambiguous, businesses must have a robust risk management regime underlined by a good risk culture. Addressing how companies can shape organisational behaviour and attitudes about risk management is “Risk Culture: How To Get It Right”, produced by ISCA in collaboration with the Chartered Institute of Management Accountants and EY, with Aberdeen Standard Investments as a knowledge partner.

An on-going initiative of the Institute is the production of bite-sized technical guidance materials termed as “Tech Bites”, which convey the application of accounting principles in

an easy-to-read format. This year, we released Tech Bites on these topics, namely, Classification of amounts due from related parties as current or non-current in relation to parent-subsidiary financing, and whether the classification should be symmetrical between that of the lender and the borrower (FRS 1); Application of contract cost accounting requirements under FRS 115, and Treatment of variable rent leases by JTC Corporation under FRS 116.

NURTURING YOUNG LEADERS

Today, more than 50% of ISCA members are aged 40 years and below. As our young members have different aspirations from the more senior ones, the ISCA Young Professionals Advisory Committee (YPAC) has stepped up with initiatives that would resonate with their peers. The inaugural ISCA Young Professionals Symposium aimed to empower millennials with the knowledge and skills to boost their careers and be ready for future demands. The winner and finalists of the One Young World (OYW) Competition, which sought to find One Young #CharteredStar to represent ISCA and Chartered Accountants Worldwide at this year’s OYW Summit, were also accorded recognition at the event.

To help young finance leaders strengthen and expand their professional networks, ISCA set up the Young Finance Leaders Network for high-achieving members below 45 years of age. Already, our young members have benefitted from an informal get-together and a formal digital leadership seminar. More meet-ups and activities are in the pipeline.



▲ ISCA President Kon Yin Tong, in his capacity as President of AFA, speaking at the 2018 World Congress of Accountants



▲ Participants preparing their report at the “Moving SMPs From Farming To Hunting” leadership workshop

in order to add value to their clients. The Institute organised two two-day leadership workshops in Bintan aimed at helping SMPs expand into business advisory services.

INTENSIFYING GLOBAL AND REGIONAL PROMINENCE

ISCA works hard to elevate recognition of the ISCA membership. At the same time, we strive to intensify our role as a leading professional accountancy organisation in ASEAN and achieve greater presence on the global platform.

The Institute was invited to the United Nations Conference on Trade and Development (UNCTAD) in May and again in October. In May, we participated in the International Standards of Accounting and Reporting (ISAR) Consultative Group meeting on Enterprise Reporting and the Sustainable Development Goals (SDGs), where we shared our views on the Guidances for core indicators for corporate reporting on the SDGs. In October, on the fifth consecutive invitation from UNCTAD-ISAR, we provided comments on enhancing comparability of sustainability reporting and issues of practical implementation of international

standards of accounting and reporting in the public and private sectors. Global events such as these also advanced ISCA’s advocacy role.

At the 2018 World Congress of Accountants, ISCA President Kon Yin Tong, in his capacity as President of the ASEAN Federation of Accountants (AFA), engaged an international audience with insights into doing business in ASEAN. Mr Kon spoke about the profession’s role in supporting the growth of Southeast Asia as an emerging economic region and updated that following the liberalisation of professional services among the 10 ASEAN countries, qualified accountants who have attained the ASEAN CPA credential now have access to new markets where they can provide their accountancy services.

This year, ISCA hosted the Chartered Accountants Worldwide Board and CEO meetings in Singapore. Attended by the CEOs of 11 member-bodies, the sessions centred on ideas to promote the prestige and value of Chartered Accountants globally. The CEOs were joined by four representatives from the Big Four firms for a roundtable discussion on the current issues impacting the profession.

The ASC Board, supported by ISCA, hosted the Asian-Oceanian Standard-Setters Group (AOSSG)’s annual meeting, bringing together 20 standard-setters as well as representatives from IASB and IFRS Foundation. ISCA made a presentation on Singapore’s IFRS convergence journey and Singapore-specific IFRS 9 and IFRS 15 application challenges. The post-meeting fintech experience provided insights into Singapore’s fintech environment and helped raise the profile of Singapore as a fintech hub and a choice destination for



▲ The AOSSG meeting was a multi-agency event which included IASB Chairman Hans Hoogervorst, IASB Vice Chair Sue Lloyd, Guest-of-Honour Minister Indranee Rajah, ISCA President Mr Kon and ASC Chairman Kevin Kwok

fintech start-ups.

Held back-to-back with the PAIB Conference, the two-day IFAC PAIB Committee Meeting in Singapore gathered more than 40 members and observers from different countries and professional bodies. Local CFOs were invited to share their finance function transformation journey. At the CFO Finance Function Roundtable co-hosted by the Institute and IFAC, the IFAC PAIB Committee initiatives were shared. Our local CFOs provided input on how well they perceived themselves to be meeting current business needs in the Singapore and regional context. The presentations made by the Institute and our members at these sessions demonstrated the progress we were making as a professional accountancy organisation.

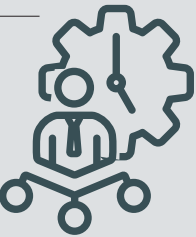
When the Institute plays host to global events in Singapore, we elevate the Institute’s visibility on an international level and enhance the value and recognition of the ISCA membership.

Leading change in the region

Closer to home, ISCA takes the lead to share our expertise with emerging markets such as Lao PDR, Cambodia and Myanmar. The ISCA-Temasek Foundation International Public Administration Programme in Accountancy will train over 50 government officials from Lao PDR, in partnership with the Lao Ministry of Finance. Supported by Temasek Foundation International, the three-year programme is part of a Memorandum of Understanding (MOU) signed between ISCA and the Lao Chamber of Professional Accountants and Auditors in 2016 to co-develop the accountancy sector in Lao PDR. Following a five-day



December 2018 places us on the cusp of our 2020 vision. With the support of our members and stakeholders, the Institute is confident that we can maintain a steady momentum towards our goal.



leadership workshop in 2017, this year, 32 Lao government officials completed a two-week specialist workshop which covered topics like principles of accounting, tax mechanism and public sector financial management. Facilitated by ISCA members, the workshop, which was held in Vientiane, Lao PDR, equipped the officials with skills and knowledge that can be readily applied in their daily course of work.

Cambodia is in the process of drafting a Cambodian Accounting Model, with the aim to raise the standard of the local accountancy profession and garner stronger investor confidence. Of interest to the country’s National Accounting Council (NAC) is ISCA’s Micro Accounting Model (MAM), which was designed to facilitate the adoption of accrual accounting by micro, small and medium-sized businesses operating in ASEAN. Cambodia had extended an invitation to ISCA to participate in a public consultation to know more about

▼ ISCA members facilitated the specialist workshop for Lao government officials in Vientiane, Lao PDR, from January 22 to February 2



MAM. The invitation, and Cambodia’s intention to adopt the MAM, affirmed ISCA’s role as a regional thought leader in accountancy.

In Myanmar, through an MOU signed between ISCA and the Myanmar Institute of Certified Public Accountants, we would contribute our expertise and experience towards developing the country’s accountancy sector. The Institute has commenced training on the overview of ISCA’s “Audit Manual for Standalone Entities” (AMSE) with an emphasis on the methodology and forms used, and how auditors can effectively use AMSE to comply with the various requirements during audits. The Institute will continue to step up to help our neighbours develop their accountancy sectors to support economic growth.

CONCLUSION

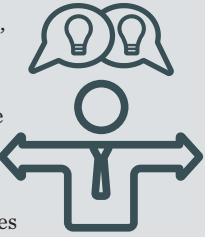
December 2018 places us on the cusp of our 2020 vision. With the support of our members and stakeholders, the Institute is confident that we can maintain a steady momentum towards our goal. ISCA will continue to heighten the professional standing of our members so that they have greater access to a multitude of career options locally and internationally. We will develop new initiatives to serve current and emerging needs of our members and help them fulfil their professional aspirations. ISCA

SUPPORTING SMP DEVELOPMENT

ISCA has many initiatives aimed at helping local SMPs build capabilities and improve productivity, and the well-received SMP Dialogue was one of them. As more practitioners are now looking to grow via mergers and acquisitions, the session focused on practical tips for consolidation and provided insights into common valuation methods and market benchmarks.

SMPs, like other businesses, need to transform and adopt technology to better navigate the complex business environment. Through a digital marketing workshop and digital audit clinics which diagnostically assessed the effectiveness of SMPs’ website performance, the Institute geared participants towards the digital space and its massive possibilities. Harnessing technology was also a key message for ISCA’s business study mission trip to the UK, which was timed to allow members to attend the country’s largest accountancy tradeshow – Accountex UK 2018 – and gain advance insights into emerging accountancy trends and practice areas, including solutions that were not yet available in Singapore. The UK visit familiarised members with the destination’s business and regulatory environment, and provided opportunities for them to connect with their foreign counterparts. ISCA is planning more trips to support SMPs’ overseas expansion ambitions.

Business sustainability is a common area of concern among the smaller practices. With the impact of the increase in audit exemption threshold, SMPs may need to diversify into non-assurance services



▲ Singapore delegates gained advance insights into accountancy tech solutions at Accountex UK, during their ISCA business study mission trip to the UK



BY ZOEY XIE AND SHERYL DUA

PAIB FRAMEWORK AND LEARNING ROADMAP

The DNAs Of An Accountant In Business

DEOXYRIBONUCLEIC ACID, more commonly known as DNA, is considered the “molecule of life”. It is self-replicating and present in nearly all living organisms. In a similar vein, the DNAs of Professional Accountants in Business (PAIBs) are the fundamental and distinctive qualities of PAIBs which distinguish them from other professionals. How can an accountant excel as a PAIB and stay ahead of the corporate curve? The answer lies in the ISCA PAIB Framework¹ (Framework) and ISCA PAIB Learning Roadmap for Financial Accountants and Management Accountants² (Learning Roadmap). All PAIBs will be able to relate to the five DNAs set out in the Framework,

which was launched during the recent ISCA PAIB Conference on September 28. Along with the Framework, the Learning Roadmap was also unveiled.

The Framework (Figure 1) better defines the traits of future-ready finance professionals, and serves as a guide for PAIBs to understand the different competencies they need in order to harness the opportunities and tackle the challenges ahead. A forward-looking PAIB should minimally possess the following five DNAs:

- + Future Finance,
- + Business Acumen,
- + Professional Values and Ethics,
- + Technical Excellence,
- + Leadership and Personal Empowerment.

(Finance professionals) are expected to understand all aspects of the business to become strategic business partners to other departments. Key finance personnel are increasingly involved in important decision-making processes.



¹ <https://isca.org.sg/paibframework>
² <https://isca.org.sg/paib-lrm>





With this Learning Roadmap, finance professionals can take charge of their personal development and career planning with a progressive and structured learning plan.

Figure 1 ISCA PAIB Framework



WHAT DOES EACH DNA MEAN? Embrace Future Finance

Finance professionals today need to embrace the mindset that change is the only constant, and be ready to step out of their comfort zones. With technological advancement, organisations will gradually invest more in technologies to enhance efficiencies in their business processes. Automation is key. Artificial intelligence, blockchain, robotic process automation and enhanced data analytics are examples of technologies available for adoption. Progressive finance professionals should maximise their capacity by embracing technology to make real-time data available at their fingertips instead of dwelling on historical financial data. More time should be spent on analysing real-time financial data in order to generate greater insights that will contribute to key business decisions.

Develop Business Acumen

While conventional finance roles are typically stereotyped as bean counting, finance professionals today are anything but mere number crunchers. They are expected to understand all aspects of the business to become strategic business partners to other departments. Key finance personnel are increasingly involved in important decision-making processes. It is therefore critical that finance professionals are in tune with the latest economic, industry and political developments, all of which can have an impact on businesses. With sharp business acumen, finance professionals can then use financial analysis and modelling to simulate forward-looking scenarios to facilitate better decision-making.

Uphold Professional Values and Ethics

One of the key challenges in the commercial environment is the ability to make the right decisions when one is being driven to a corner. Staying true to one’s professional values and knowing when to do the right thing is critical for finance professionals, especially when faced with ethical dilemmas. Having strong ethical values is the cornerstone of the accountancy profession. Finance professionals must always act professionally and ethically to maintain a high level of public trust, and demonstrate honesty and integrity.

Achieve Technical Excellence

The key distinction between a Chartered Accountant and a “business” accountant is the capability of a Chartered Accountant to provide

sound technical advice to their businesses. Being technically competent and keeping up with the relevant accounting standards is a given – finance professionals need to be proficient in the knowledge and application of accounting and other professional standards to successfully navigate the many challenges of the demanding business and regulatory environments. In addition to the bread-and-butter financial reporting standards, finance professionals need to venture into new areas of corporate reporting such as sustainability reporting.

Hone Leadership and Personal Empowerment

Great leaders effectively manage the growth of their businesses and talents to deliver on-going client satisfaction. With the rapid changes in the global workforce, individuals must constantly differentiate themselves with new skills to remain competitive – and this includes soft skills. Therefore, lifelong learning has become progressively vital, and finance professionals need to take ownership for their own professional development. They need to upskill and transform themselves into effective leaders and communicators in order to play a more major role in their organisations.

WHAT IS THE LEARNING ROADMAP?

As part of ISCA’s continuing efforts to promote lifelong learning and provide support for the profession to stay relevant, the Institute has developed the Learning Roadmap alongside the Framework. Using the Framework and the Financial Accounting and Management Accounting tracks in

the Skills Framework for Accountancy as key points of reference, the Learning Roadmap aims to fulfil the professional development training needs of Financial Accountants and Management Accountants. It facilitates the development of the right skill sets by recommending relevant learning opportunities. With this Learning Roadmap, finance professionals can take charge of their personal development and career planning with a progressive and structured learning plan.

The Learning Roadmap calibrates ISCA’s continuing professional education courses to the five DNAs of the Framework, outlining the developmental priorities essential for preparing the accountancy profession for the future.

For example, the Future Finance DNA comprises topics such as big data analytics, blockchains, cybersecurity, fintech and digital awareness. Accountants can acquire knowledge in these areas through courses such as “Gain Big Data Business Insights from Digital Breadcrumbs”, “Blockchain, Cryptoassets and ICO for Professionals”, “Transforming Finance through Intelligent Automation” and “Big Data and Machine Learning in Finance with Learning Journey”. These courses keep the finance professionals abreast of the latest technological advancements and how technology can be positioned as an “enabler” rather than a “disruptor”. With proper application, technology can transform and add value to the finance profession.

The Business Acumen DNA incorporates competencies such as business innovation, business partnering and sustainable business strategy. Courses available include

“Lean Finance”, “Leading Innovation and Design Thinking in Finance” and “The Accountant as Strategic Influencer and Adviser – Becoming a Business Partner”. Finance professionals are moving from a passive financial reporting role to an active finance business partnering role, providing strategic advice for better business planning. These courses are a good starting point to develop the relevant skill sets.

To enhance learning effectiveness, finance professionals should pace their professional development opportunities according to their level of experience and seniority in their organisations. Finance professionals can then design their learning journey by selecting courses to continuously meet their training needs and acquire new skill sets as they advance along the corporate ladder both vertically and laterally. The Learning Roadmap defines the skills and training needs for four proficiency levels – Foundational, Intermediate, Advanced and Expert – based on job roles and number of years of experience. For example, those with fewer than three years’ experience can refer to courses for the Foundational level, while those with more than 10 years’ experience and are in a leadership role can refer to courses for the Expert level.

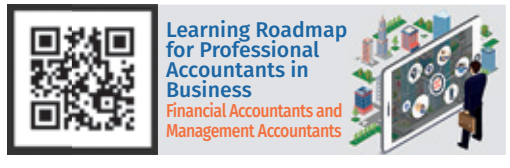
At the PAIB Conference, all the participants including the international delegates were hugely impressed by the Learning Roadmap which introduces a structured way for finance professionals to identify relevant competencies and plug any learning gaps with the appropriate training recommendations. The Learning Roadmap also serves as a guide for employers and talent development professionals to assist them in planning the learning and development programmes for their staff.

It is said that the future belongs to those who prepare for it today. Change doesn’t happen overnight – it starts with the desire to download the Framework and use the Learning Roadmap... so begin learning today! ISCA

Zoey Xie is Senior Manager, Industry Support, and Sheryl Dua is Manager, Professional Development, ISCA.



For access to the updated list of the PAIB Learning Roadmap, please scan the following QR code.



MEMBER PROFILE

Like A FISH To Water

IN HER PRIVATE LIFE, CYNDI PEI, 40, is a fun-loving mother of a four-year-old son and seven-year-old daughter. As a family, they enjoy beach outings and even karaoke sessions together. “I am quite relaxed outside of work,” she says with a chuckle. But even in her down time, Ms Pei is always ready to spring into a methodical, unwavering problem-solving mode. “If it is something important, such as trying to understand why my daughter is unhappy in school, or an occasion that I can use to help my kids learn the right values, I will persevere and get right to the bottom of things,” she admits.

Such is the approach Ms Pei takes in her career. Thus, even as Group Financial Controller and Senior Vice President for Group Finance at Yeo Hiap Seng, she does not shy away from going down the ranks to talk to people of all levels. “I take an interest in the business. I ask a lot of questions and go right down to the deepest levels to understand something,” shares Ms Pei. “If you go through the finance route alone, you will only know a fraction of what they know, and if you ask somebody too senior, you might not get to the bottom of the problem. So I will go right down to the different levels – but where possible, I always hand the issue back to the departments in charge. It is not about finding fault, but about giving constructive advice.” Going beyond the big picture, she gains a comprehensive understanding of the nitty-gritty details behind the many cogs of the wheel in the giant corporation.

In August this year, Yeo Hiap Seng saw earnings swell in the second quarter, with a 5.6% increase in revenue to S\$92.1 million. This is in spite of the many pressures faced

Cyndi Pei, CA (Singapore), Group Financial Controller and Senior Vice President for Group Finance, Yeo Hiap Seng Ltd

by the regional food and beverage (F&B) industry, from weak consumption outlook in the company’s key markets to maintaining competitive selling prices amid foreign currency fluctuations and rising raw material prices.

Her job is undoubtedly a huge undertaking, especially considering that it is only the second in her 19-year career. But Ms Pei dived right into her role and is doing swimmingly well – both for herself and her company.

A HEAD FOR NUMBERS... AND MORE

Daughter of a businessman, Ms Pei always had a passion for numbers. “I was good in maths but accounting, to me, was even more fun and I found the concepts easy to grasp,” shares Ms Pei. “I really like how the numbers can report values and tell stories.” So when choosing her subjects as a junior college student, she picked economics and accounting. She furthered her studies in accountancy at Nanyang Technological University, during which she did an internship with PwC Singapore. Subsequently, she received an invitation to join the company upon graduation and began her 14-year journey with the company. “In my time with PwC, I had the opportunity to experience many areas. As a young



“I ask a lot of questions and go right down to the deepest levels to understand something... If you go through the finance route alone, you will only know a fraction of what they know, and if you ask somebody too senior, you might not get to the bottom of the problem.”



CAREER HIGHLIGHTS

1999
Associate Director, Assurance, PwC Singapore
2014
Group Financial Controller and Senior Vice President for Group Finance, Yeo Hiap Seng Ltd

manager, I was exposed to business development, account driving, and took care of key accounts for the firm. That gave me an early appreciation of the different challenges a business can face,” recalls Ms Pei. She provided audit and advisory services to clients in industries spanning technology, media and telecommunications; real estate; consumer goods; entertainment; automobile and F&B.

Her job went way beyond analysing data. “At the same time, I was responsible for connecting teams across countries to share and deepen knowledge and replicate success stories,” she elaborates. “I also had the chance to manage an audit unit with more than 200 professionals, and was simultaneously involved with the firm’s talent development and management initiatives.”

The high-flying all-rounder was actually serving Yeo Hiap Seng – and its parent company Far East Organisation – for seven years while in PwC. In 2014, she was invited by the then-Group CEO of Yeo Hiap Seng to join the company. Ms Pei now takes care of the organisation’s entire suite of finance functions, and is supported by over 90 people working out of seven countries. Extending out of the traditional finance spectrum, she is also responsible for Enterprise Risk Management, Sustainability and Real Estate.

What gets her excited when she gets up every morning? “It is about what I set out to achieve during the day,” she answers, simply. “Of course I have long-term goals, but short-term ones – which can be something as simple as coming to a business decision on a certain matter – are what get me going.” As a team leader, Ms Pei shares that looking after the many people whom her work impacts is also important to her. “I am now accountable for so many people working with me, all working hard to generate the data and value to business. Thus, I ask myself, ‘What can I do for them?’ This has become a driving force as well.”

With her positive, energetic disposition, Ms Pei makes her work seem like a walk



“There will always be challenges. But when taken positively, every challenge is a chance to make positive changes.”

in the park. Yet in reality, there are hurdles aplenty to cross. “There are various challenges within the F&B industry, which are applicable to almost all other industries, such as maintaining profitability while prices remain competitive and margins are tame,” she says. Referring to Yeo Hiap Seng, she continues, “Now, the company is going into more than 20 countries and each has to be approached in a different mode. In the early stages of growth, our team will have to advise on the various risks spanning tax risk and currency volatility; an operating arrangement with our customers to mitigate the risks is then designed.”

Yet, there can be surprises even with the most detailed homework done. “At times, tax regulations change overnight, and I will have to quickly understand what is the extent or impact of these changes and analyse the different scenarios available to the business. Many things are not within your control,” shares Ms Pei. “If you want to worry about things that you cannot control, you will not be able to sleep at night. My mentality is to prepare for any risk I know in the horizon, and don’t stress about what I cannot prepare for,” she says calmly.

LEARNING, SHARING, IMPROVING

In the course of the interview, Ms Pei shares a few examples of how technological innovations have been adopted by Yeo Hiap Seng to improve business processes. These range from building one of the most advanced canning factories in Asia – which won the organisation the Singapore Productivity Award by the Singapore Business Federation in 2015 – to a material requisition planning system that offers a straight-through and full view that reduces wastage and inefficiency.

While technology can be disruptive, she sees it as offering

potential tools that can be harnessed. “There will always be challenges. But when taken positively, every challenge is a chance to make positive changes,” opines Ms Pei. In relation to the field of accountancy, she feels that technology might take over the role of data collection and simple processing. But rather than thinking of it as a threat for the robot to replace the human, she sees it as a chance for accountancy professionals to elevate their skill sets and develop a sophistication that is irreplaceable. Indeed, the value she brings as a trusted business advisor comes not just through her analysis and interpretation of data but also her insights into the business. “The CFO should be very strong in his/her fundamentals, as well as possess a deep knowledge of the business. This will allow you to know how value can be created or lost in every decision,” shares Ms Pei. “The CFO has to build trusted relationships with all the stakeholders in order to challenge decisions, ask difficult questions, and ultimately achieve the best outcomes.”

This constant pursuit of betterment is core to her professional development. “My boss always asks, ‘Can it be only done like this? Is this the only solution?’ This makes me think beyond my decisions and outside of the box.” Her limits stretched by her boss’s push for her to think differently, she now incorporates this self-challenging mechanism to better herself and her team. “It pushes us to the next level,” says Ms Pei, who also professes to enjoying training talents and helping them grow.

From being part of the Young Finance Leaders Network, where she can network and share best practices with her peers, to communicating her valuable experiences with young professionals at the ISCA Career Pathway Talk sessions, Ms Pei’s ISCA membership has provided her with the ideal platforms to develop talents. “Many people have made a mark through the different stages of my career,” says Ms Pei of those whom she has learnt from. “For example, in my early audit days, I had a coach who taught me that I have to get things right at the first attempt, and to always deliver quality. To this day, it is a principle that I teach my team to embrace – do your job well, and take pride in what you do.” ISCA



BY JAIME TING

ONE YOUNG WORLD SUMMIT 2018

A Life-Changing Experience



Jaime with Geetika Bhatia, Product Development Manager from Unilever India (3rd from left), and other Singapore delegates at Madurodam, a miniature park showcasing famous Dutch landmarks

There were also keynote speeches by Nobel Peace Prize Laureates Bob Geldof, Professor Muhammad Yunus and Tawakkol Karman. All of them emphasised the limitless power we have to influence and create the change needed to make this world a better place.



THE ONE YOUNG WORLD (OYW) SUMMIT IS AN ANNUAL EVENT that brings together young leaders from all around the world to discuss and work on solving some of the world’s most pressing issues. This year marks the ninth OYW Summit, and as it is also the 70th anniversary of the Universal Declaration of Human Rights, the event was held at The Hague, home to the International City of Peace & Justice. It was here that more than 1,800 young delegates from over 190 countries had gathered for a life-changing experience.

BEFORE THE SUMMIT

Most of the delegates had arrived a day before the Summit, which was scheduled for October 17 to 20. This allowed us some time to meet one another and explore the beautiful city of The Hague, located on the western coast of the Netherlands. There was never a dull moment from the time I touched down at



With fellow Chartered Accountants Worldwide delegates at the Opening Ceremony



Dinner with Chartered Accountants Worldwide delegates and Adam Boys (2nd from left) at The Hague Marriot Hotel



A gathering of Singapore delegates

Amsterdam Airport Schiphol. I met a few Singapore delegates at the airport and when we arrived at The Hague train station, there were OYW volunteers standing by to provide directions. During the journey to our hotels, I met many other delegates from different countries. One of them was Geetika Bhatia, Product Development Manager from Unilever India, who greatly inspired me with her efforts on sustainability – developing ways to convert plastics into oil. Later in the evening, I met with fellow Chartered Accountants Worldwide delegates for dinner, and we were privileged to have Adam Boys with us. As the former Chief Operating Officer of the International Commission of Missing Persons,

he shared how being a Chartered Accountant equipped him with the skills and ethical standards that positioned him as a trusted business partner vital in making key decisions.

OYW SUMMIT OPENING CEREMONY

The OYW Summit 2018 Opening Ceremony took place at the Peace Palace in The Hague. It was a breathtaking experience being surrounded by more than 1,800 delegates, ambassadors and counsellors as everyone cheered while the OYW introduction and 2017 Colombia event highlights video was played. Queen Maxima and Mayor of The Hague, Pauline Krikke, each gave a speech welcoming us

to this historic location. There were also keynote speeches by Nobel Peace Prize Laureates Bob Geldof, Professor Muhammad Yunus and Tawakkol Karman. All of them emphasised the limitless power we have to influence and create the change needed to make this world a better place. The most memorable moment was the Flag-bearing Ceremony, where delegates from 193 countries proudly waved their country’s flag. The crowd cheered in unison when delegates from North and South Korea joined hands while waving their nation’s flag. This reminded us to put aside our differences and come together as one, because together, we are stronger.

THE OYW SUMMIT

Over the next three days, the World Forum was the main event venue for the keynote speeches, delegate-led plenary sessions, workshops, Q&A breakouts and exhibitions. This year, the plenary sessions focused on five themes, namely, Education, Environment, Health, Human Rights and Poverty Alleviation.

I was deeply inspired by Rakesh Kapoor, CEO of RB, who shared the “More than a toilet” campaign. Before the session, it was announced



▲ Rakesh Kapoor, CEO of RB, sharing the story of women in India who do not have access to toilets

that toilets at the summit would not be available for use. It immediately caught our attention. I later found out that one in three people around the world does not have access to a toilet. Mr Rakesh went on to highlight that not having access to a toilet can have alarming effects on people’s health, safety and education. Nearly one million people are killed by water, sanitation and hygiene-related diseases each year. Women living without access to a toilet are twice as likely to experience sexual violence when defecating in the open. And children can spend hours each day searching for a place to go to (as a toilet) when that time can be spent at school. I began to realise how much I had taken basic sanitation for granted, and learnt to appreciate the importance of a basic necessity, such as toilets, in our lives.



▲ A memorable Community Dinner at Resto VanHarte with OYW Summit delegates and a local resident, Add Flipse (seated, in light grey jacket)

Another instance that greatly moved me was during the plenary sessions on sexual violence and human rights. Some of the Summit delegates shared their personal testimonials, and encouraged all of us to take action and stand up against sexual violence and human rights violations in our own communities. Luke Hart, a gender equality campaigner, shared about his father who had killed his mother and sister before taking his own life. Despite such a horrific act, the media had termed his acts “understandable”, suggesting that his mother was in some way responsible for his father’s actions. He highlighted the fact that women are most threatened by the men they live with, with 50% of female murder victims killed by a partner or ex-partner. Being a woman myself, it is heartbreaking hearing these recounts. I applaud the courage of these delegates who stood up to share their stories so as to raise awareness and to give a voice to the voiceless.

Among the workshops I attended, I was intrigued by the session on “Product Inclusion as the Great Equalizer” conducted by Google. They shared the principles and thought processes behind some of their digital solutions aimed at providing a more equitable and inclusive world. For example, in India where the majority of mobile owners use the prepaid SIM card, mobile data is a precious resource. Google’s Datally app provides the user with ways to manage and save on data usage. Furthermore, in a country where mobile phones are relatively entry-level, Google’s new payment app, called Tez (the Hindi word for “fast”), allows



▲ Google workshop on “Product Inclusion as the Great Equalizer”

users to transfer money using sound. This transaction does not require the exchange of personal details like bank accounts and contact numbers. Technology advances may result in a wider digital and economic divide around the world, and it is heartening to know that big corporations like Google are making an effort to develop inclusive product solutions for under-represented user groups.

Each day would end with a dinner party – a chance for delegates to connect and have fun. The most memorable for me was the Community Dinner, where we were placed in 32 groups, each assigned to a different organisation and dinner location. I was assigned to Resto VanHarte, an organisation aimed at combating social isolation and promoting quality of life in the neighbourhood. It does this by providing healthy and affordable



▲ Feeling empowered with Chartered Accountants Worldwide delegates from around the world

dinner in a school or community centre with the help of volunteers and donors; some of these volunteers are children.

Besides having the opportunity to connect with other delegates over good food and music, I met a local resident and dear friend Add Flipse, an elderly man who is physically challenged and hard of hearing. We had a warm conversation and he absolutely enjoyed himself, as did I. It was such a heartwarming and meaningful experience. Looking back, it only takes a simple action like enjoying a meal together to contribute to social inclusion.

OYW SUMMIT CLOSING CEREMONY

The finale of the OYW Summit was the Closing Ceremony. This was held at the AFAS Circustheatre, formerly a home for the Circus Schuman Animals and now famous for its spectacular musicals. In addition to the keynote

speeches, there were performances by Jay Sean and the London military marching band to officially announce the OYW Summit 2019 in London. The highlight of the night was definitely the Ribbon Tying Ceremony, where everyone wrote a personal commitment on a white ribbon, which were all tied together and wound into a ball. This ribbon ball includes commitments from participants of every Summit since 2010, and symbolises our unity and dedication to building a better future.

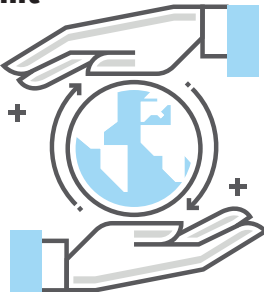
BE A CHANGEMAKER

My key takeaway from the Summit is to be a changemaker – to challenge the status quo and be willing to take risks. The world will not be a better place if we keep doing things the same way. Changing the status quo takes courage, and as the late Nelson Mandela had said, “Courage is not the absence of fear, but the triumph over it.”

OYW Summit 2018 offered us a global platform where like-minded young leaders congregated. The energy was truly extraordinary – we were empowered and felt that anything was achievable. As the late Kofi Annan once said, “Alone, you can go fast. Together, you can go far.” Every one of us may be doing something small in our own community but together, these efforts add up and go a long way in making this world a much better place to live in. ISCA

Jaime Ting was ISCA’s representative at the OYW Summit 2018. She is Business Planning and Governance Leader, Procter & Gamble, Singapore.

My key takeaway from the Summit is to be a changemaker – to challenge the status quo and be willing to take risks. The world will not be a better place if we keep doing things the same way.





Benchmarking against competitors is also an area that all companies can work on to create better informational value to stakeholders.



BY GOH KIA HONG

ENHANCING STAKEHOLDER VALUE

What Makes For An Award-Winning Annual Report

QUALITY DISCLOSURE AND TRANSPARENCY are essential to properly assess a company. Lacking that, investors, and other stakeholders like employees, customers, creditors and the general public, are left in the dark about company performance and prospects. Annual reports written simply to meet mandated guidelines are thus of little value in comparison to ones that tell a coherent story.

To encourage excellence in corporate reporting through transparent, informative and stakeholder-relevant annual reports that go beyond minimum regulatory requirements, the Best Annual Report Award was introduced in 1974. This award is part of the Singapore Corporate Awards and is organised by ISCA, Singapore Institute of Directors and *The Business Times*.

The Best Annual Report Award 2018 saw keen competition, with winners selected from more than 600 entries after two rounds of rigorous screening. Sembcorp Industries Ltd, Banyan Tree Holdings Limited, and Qian Hu Corporation Limited emerged as champions in the large (above S\$1 billion), medium

(S\$300 million to below S\$1million) and small (below S\$300 million) market capitalisation categories respectively. Capitaland Commercial Trust topped the REITs and business trust category and Frasers Logistics & Industrial Trust was best among first-year listed entities.

The quality of the entries has improved greatly over the years. However, there is some room for improvement to provide more transparent disclosures in the annual reports, especially those in the small market capitalisation category.

The framework in Figure 1 depicts six key elements of an annual report and how their interactions enhance its usefulness. These were what set the award-winners apart.

PERFORMANCE REVIEW
Relevant, balanced and entity-specific
Information on operations, financial analysis and corporate developments are fundamental parts of an annual report that help stakeholders appreciate a company's performance.

Award-winners exhibited excellent and balanced presentation of performance reviews. Not only did they present areas where the company had performed well, they equally covered areas of poor performance. These companies had followed up by explaining the reason for poor performance and put forward proposals on what could be done to improve the situation.

Other features of good performance reviews included full-page summaries of key financial data and ratios with footnotes explaining important events/factors, good use of charts and diagrams in operating/financial reviews, and benchmarking on yields/returns. Sembcorp Industries Ltd had an informative financial review with quarterly figures and detailed analyses by business segments, supported with clear charts and visuals. It also included strong commentary on historical financials. Capitaland Commercial Trust did well in its operations review, with useful information on lease profile of malls, tenants, sector analysis and shopper traffic.

Figure 1 Six key elements and interactions in a good annual report



Quarterly financial information and value-added statements were common in the big and medium market capitalisation categories. Companies in the small market capitalisation category are, however, encouraged to align to the bigger companies in this aspect. Benchmarking against competitors is also an area that all companies can work on to create better informational value to stakeholders.

STRATEGY AND PROSPECTS
The future, not the past, is what matters most

A coherent annual report should explain how the company's vision and mission can be achieved by clearly articulating its strategic thrusts. Content should reflect a company's business philosophy and future direction. Forward-looking annual reports give readers a good idea of a company's strategies, current fit in its competitive environment, and direction.

Features of better reports include charts and diagrams showing value creation, goals mapping, discussions in Chairman/CEO statements, and clear dividend policies. Again, Sembcorp Industries Ltd excelled with good discussion of its value creation process and three strategic pillars. It addressed why, what and how it pursues its strategy.

SUSTAINABILITY REPORTING
Adds certainty to strategy and prospects

A relevant and informative sustainability report should have balanced coverage on sustainability of environment, employees and the wider community, making appropriate reference to reporting frameworks like the Global Reporting Initiative (GRI). It should also include quantitative information, disclose key performance indicators/targets, include plans and achievements to date, and highlight key information with charts and diagrams.

Banyan Tree Holdings Limited shone here, having comprehensive coverage on all aspects of sustainability pertinent to its business. It

Good corporate governance reporting should clearly explain a company's governance policies and practices. This greatly boosts stakeholders' confidence and the value of the company.

displayed quantitative achievements alongside industry averages and best practice benchmarks. Qian Hu Corporation Limited's sustainability report was thoughtful – it articulated its approach and strategy, and mapped out what mattered most to external and internal stakeholders. It was also explicit in its achievements and targets.

As 2018 is the first year that sustainability reporting is mandatory, it will be interesting to monitor how this evolves over time. We can expect more consistent and reliable information to come as companies have committed to having their sustainability reports independently assured in future.

ENTERPRISE RISK MANAGEMENT REPORTING
A common theme that connects performance, strategy and sustainability reporting

Award-winners displayed significantly stronger enterprise risk management (ERM) reporting. They include tailored discussions on risk identification covering emerging topics like ethical behaviour/anti-corruption/money laundering, cyber risks and data protection, business disruptions/continuity, indicating mitigation plans and their performance in the current year. Sembcorp Industries Ltd was one of the rare few that clearly articulated its approach



to risk management through a comprehensive risk appetite framework.

Companies are encouraged to provide greater insights on their risk management approach, how they promote a risk-awareness culture and specific risks and mitigation plans. Only then will readers truly appreciate how these companies integrate risk management into their strategy-setting to create value.

CORPORATE GOVERNANCE REPORTING
An overarching disclosure that adds credibility to the company and its annual report

Good corporate governance reporting should clearly explain a company's governance policies and practices. This greatly boosts stakeholders' confidence and the value of the company.

Award-winners were significantly more substantive in their corporate governance reporting, with transparent disclosure of executive directors' and key management personnel's remuneration and policies, tailored discussion in assessing independence, details of directors' training, whistleblowing policy and avenues of reporting, and key areas considered by directors like key audit matters in the auditor's report. Sembcorp Industries Ltd and Qian Hu

Corporation Limited showed exemplary reporting with transparent, detailed disclosures on key management personnel remuneration.

Some areas of improvement include greater disclosures on succession planning for management, addressing diversity and independence of the board and whistleblowing policy. Companies could also make improvements in the areas of disclosures on the remuneration of key management personnel. Many companies chose to disclose remuneration by bands and some do not disclose the specific names of key management personnel in these bands. Such non-compliance to the code of corporate governance was explained with remarks such as "sensitivity and confidentiality" and "disadvantageous to the interest of the group to divulge".

LAYOUT AND PRESENTATION
A differentiating factor that dresses up the content

It is encouraging to see more appealing annual reports with attractive layouts and innovative designs emerging, with appropriate use of table summaries, diagrams and charts, minimising wordiness and clutter.

Banyan Tree Holdings Limited impressed with an attractive design and refreshing visuals in its operating and financial review. It did an excellent job of leading the readers through its business. Frasers Logistics & Industrial Trust also used appealing visuals, summaries and infographics, making it easy for investors to understand the information presented.

QUALITY DISCLOSURES FOR BETTER VALUE

The Best Annual Report Award is judged based on disclosure and presentation beyond the mandatory requirements that resonate with the needs of investors and other stakeholders. This is in line with a survey¹ of retail and institutional investors in 2016 by the Accounting and Corporate Regulatory Authority (ACRA), ISCA and National University of Singapore (NUS), which reaffirmed that investors want greater transparency and disclosures in financial reporting to help them derive an accurate picture of the business which is vital for investment decisions. Award-winners and other transparent, informative and stakeholder-relevant annual reports therefore stand to benefit in the long term through winning greater stakeholder trust and confidence.

Isn't quality disclosure the obvious way forward for all listed companies? **ISCA**

Goh Kia Hong is a member of ISCA's Best Annual Report Award judging panel for the Singapore Corporate Awards 2018. He is Senior Lecturer, Nanyang Business School, Nanyang Technological University. An edited version of this article was first published in *The Business Times* on 16 October 2018.

¹ "Into the Minds of Investors: Investors' Views of Financial Reporting, Audit and Corporate Governance" (2016), by ACRA, ISCA, NUS

TECHNICAL HIGHLIGHTS

FINANCIAL REPORTING

IASB AMENDS DEFINITION OF BUSINESS IN IFRS 3

The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the focus of the previous definition is on returns in the form of dividends, lower costs or other economic benefits to investors or other owners, members or participants. In addition to amending the definition, IASB has provided supplementary guidance. The amended definition is required to be applied to acquisitions that occur on or after 1 January 2020. Earlier application is permitted.

For more information, please visit www.ifrs.org/news-and-events/2018/10/iasb-amends-definition-of-business-in-ifrs-standard-on-business-combinations/

ASC ISSUES EDITORIAL CORRECTIONS ON SFRS(I) STATEMENT ON APPLICABILITY

The editorial corrections relate to early application of SFRS(I)s in connection with an offer made pursuant to the Securities and Futures Act.

For more information, please visit www.asc.gov.sg/firstvolume

IASB PUBLISHES OCTOBER 2018 IASB UPDATE

This Update highlights preliminary decisions of the IASB during the October 2018 IASB meeting on topics such as Disclosure Initiative: Accounting Policies, Goodwill and Impairment, and Insurance Contracts. The work plan of IASB has also been updated.

For more information, please visit www.ifrs.org/news-and-events/2018/10/october-iasb-update-published-and-work-plan-updated/

IASB OCTOBER PODCAST ON IFRS 17 NOW AVAILABLE

The podcast features IASB member, Darrel Scott, and IASB staff, Roberta Ravelli, reporting on the discussion at the October 2018 meeting of the IASB about IFRS 17 *Insurance Contracts*.

For more information, please visit www.ifrs.org/news-and-events/2018/10/podcast-on-october-2018-iasb-meeting-on-ifrs-17-now-available/



AUDITING AND ASSURANCE

ISCA LAUNCHES ISCA AUDIT MANUAL FOR GROUP ENTITIES

The Manual is developed to meet the needs of small and medium-sized practices in Singapore. It aims to enhance the efficiency and effectiveness of group audits by introducing audit programmes, with suggested procedures to address the challenging aspects of group audits, such as using the work of a component auditor, group audit instructions for component auditors, etc. The Manual can be downloaded for free.

For more information, please visit <https://isca.org.sg/tkc/aa/resources/isca-audit-manual-for-group-entities/>

IAASB MODERNISES AUDITING OF ACCOUNTING ESTIMATES

ISA 540 (Revised) reflects the rapid revolutionary change in business environment and ensures that the standard continues to keep pace with the changing market. It becomes effective for FS audits for periods beginning on or after 15 December 2019.

For more information, please visit www.ifac.org/news-events/2018-10/iaasb-modernizes-auditing-accounting-estimates-support-audit-quality

ISCA COMMENTS ON IAASB'S PROPOSED ISA 315

ISCA supports the overall direction of the proposed revisions made to ISA 315 *Identifying and Assessing the Risks of Material Misstatement*, and identifies areas where the IAASB could review its proposals, and areas where further clarification is required. ISCA shares its views in the following areas:

- Clarity between information system controls and controls in the "controls activities" component, and the nature and extent of work required over these controls;
- Definitions and concepts of "relevant assertion" and "significant risks";
- Risks of material misstatement at the financial statement level;
- Stand-back requirement and paragraph 18 of ISA 330.

For more information, please visit <https://isca.org.sg/tkc/aa/exposure-drafts-comment-letters/isca-comment-letters-to-iaasb/>

ETHICS

ISCA ISSUES REVISED EP 200 IG 1

ISCA has issued revised EP 200 IG 1 *Frequently Asked Questions* to provide additional clarifications.

For more information, please visit <https://isca.org.sg/ethics/ethics-pronouncements-and-implementation-guidances/>

PHOTO SHUTTERSTOCK

Stone Forest IT

F&B Wholesale Distributor Boosts Productivity with Automation Tool

CHALLENGE

The client is an established local company with a vast food distribution network. As the company expanded regionally, it had to manually input voluminous data from ordering lists that came in various formats from numerous distributors into its Sage 300 ERP system. This manual, time-consuming process presented a high risk of human errors and data loss, requiring multiple checks before packaging and delivery that wasted more man-hours. To address these challenges, the client turned to Stone Forest IT (SFIT) for a solution that would link Sage 300 directly to distributors' systems.

SOLUTION

After consulting the client and distributors, SFIT identified various ordering list formats, such as CSV, XML or Excel spreadsheets, and proposed a customised utility for Sage 300 with the following features:

- Ability to interpret the different formats and seamlessly import ordering lists' data into Sage 300
- Validation checks to identify issues such as duplicate sales orders

RESULTS

Following implementation, the client enjoyed several benefits:

- Greater efficiency and productivity as ordering lists' data is automatically transferred to Sage 300
- Elimination of human errors and data loss
- Cost-effective use of human resources as staff are not required for manual data entry

Businesses tap into SFIT's extensive experience in providing customised solutions for Sage 300 to meet their needs and enhance productivity.

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BY FELIX WONG AND ANGELINA TAN

GRASP THE INTRICACIES OF INTERCOMPANY LOANS

Intercompany Loans From A Transfer Pricing Perspective

THE PROLIFERATION OF GLOBAL TRANSFER PRICING (TP) RULES and regulations is testament to the strong emphasis placed on the subject by tax authorities around the world in recent years. Among the wide array of intercompany transactions, intercompany loans are generally deemed as high risk and are some of the most scrutinised transactions. Typically, the focus is on whether additional interest income should be imputed on the lender, or whether the interest expense deduction claim made by the borrower should be denied.

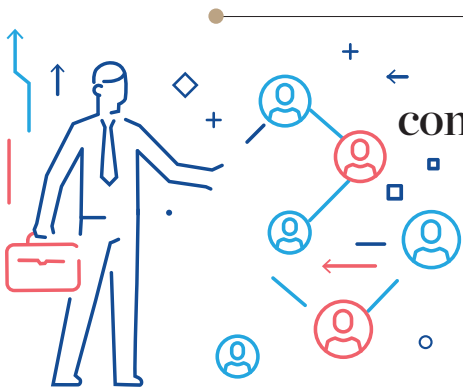
“IDEAL STEPS” TO SET UP AN INTERCOMPANY LOAN

“A two-step process is recommended when establishing intercompany loans,” shared Adriana Calderon, Director, Transfer Pricing Solutions Asia, at a recent *Tax Excellence*



Adriana Calderon, Director, Transfer Pricing Solutions Asia, shared her insights on the intricacies of intercompany loans

Decoded (TED) session organised by the Singapore Institute of Accredited Tax Professionals (SIATP). “A well-drafted intercompany loan agreement, coupled with a robust TP analysis to justify the interest rate on the loan, would no doubt help the company in future disputes with the tax authorities.”



The credit rating of a company is crucial as it is the most important factor impacting the pricing of intercompany loans.



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Step 1 Put in Place a Well-Drafted Loan Agreement

A well-drafted intercompany loan agreement is vital in supporting a company’s TP position. The agreement should clearly state the obligations of a loan including the following:

- The presence or absence of a fixed repayment date;
- The obligation to pay interest;
- The right to enforce payment of principal and interest;
- The status of the funder in comparison with corporate creditors;
- The existence of financial covenants and securities;
- The source of interest payment;
- The purpose of the debt;
- The liability should the borrower fail to repay on the due date or to seek a postponement;
- The specific terms of the debt [including currency, interest rate (fixed or floating), start date, principal amount and interest period].

In practice, intercompany loan agreements are often too generic and do not adequately cover the key obligations of the parties. The lack of details in such loan agreements makes it difficult for companies to justify and defend their TP positions during tax controversies.

When drafting an intercompany loan agreement, it is important to ensure that each clause in the agreement is what a third party in a similar arrangement would agree to (or in other words, the intercompany loan agreement must be arm’s length in nature).

Step 2 Conduct TP Analysis

Once the contract is prepared, a TP analysis should be conducted to justify that the interest rate on the intercompany loan is in line with the arm’s length rate. There are generally three considerations, depending on the size and complexity of the intercompany loan.

Option 1: Consider Safe Harbours

Companies should first consider whether they are able to avail themselves to certain administrative concessions or safe harbours. In Singapore, one such safe harbour is applicable to domestic intercompany loans where the lender is not in the



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business of borrowing and lending. For such loans, the Inland Revenue Authority of Singapore will apply interest restriction (as a proxy to the arm’s length principle) by limiting the taxpayer’s claim for any interest expense to the interest charged on such loan. TP analysis is not required for such domestic intercompany loans.

Another safe harbour available to companies is the indicative margin which they can apply on their intercompany loans obtained or provided from 1 January 2017, provided that the loan quantum does not exceed S\$15 million at the time the loan was obtained or provided. It is not mandatory to use the indicative margin; it simply provides companies with an alternative to comply with the arm’s length principle for their intercompany loans.

Option 2: Evaluate whether an Internal Comparable Uncontrolled Price (CUP) is Available

If the company is unable to avail itself of any administrative concessions or safe harbours, it should then consider the application of the CUP method using internal data to determine the arm’s length interest rate for the loan.

The CUP method essentially compares the price for properties or services transferred in a related party transaction to the price charged for properties or services in an independent party transaction in comparable circumstances. The CUP method may be applied using an internal CUP (which is a

transaction between the tested party and an independent party) or an external CUP (which is a transaction between two independent parties).

In the context of intercompany loans, the internal CUP method can be applied when the borrower or the lender has loans with third parties. To illustrate, where a Singapore company (SG Co) who is not in the business of borrowing and lending provides a loan to its foreign subsidiary (Sub Co), SG Co can use a loan that it has provided to a third party as the internal CUP to determine the arm’s length rate for its loan to Sub Co, and accordingly charge Sub Co using the same interest rate that it charges the third party.

If internal CUPs are available to determine the interest rate but they are not entirely comparable to the intercompany loan, comparability adjustments can be made to the interest rate to eliminate the differences. A comparability analysis is conducted to ensure similarities in the actual characteristics of the transaction. The comparability factors that should be considered include:

- The credit standing of the borrower;
- The nature and purpose of the loan;
- The market conditions at the time the loan is granted;
- The principal amount, duration and terms of the loan;
- The currency in which the loan is denominated;
- The exchange risks borne by the lender or borrower;
- The security offered by the borrower;
- The guarantees involved in the loan;
- The ranking of the loan (senior or subordinated).



Option 3: Perform a Complete TP Analysis

Where it is not feasible to use the internal CUP method, the company will have to perform a complete TP analysis to determine the arm's length interest rate for the loan. This generally comprises a credit rating analysis and a benchmarking analysis. The company will also need to address compliance with Section 34D(1C) of the Income Tax Act.

Perform Credit Rating Analysis of the Borrower

In determining an arm's length interest rate, the credit default risk of the borrower is typically the most important factor. In practice, the credit default risk of the borrower is the basis for determining the interest margin rate.

The most direct way of establishing the creditworthiness of a borrower is to check its official credit rating issued by credit rating agencies. If the borrowing company does not have a formal credit rating, it is also possible to apply the credit rating of the parent company if there is evidence of linkages between the borrowing company and its parent company.

Where no official credit rating is available, a credit rating analysis has to be performed. The credit rating analysis can be performed with models offered by credit rating agencies. However, such models have several shortcomings, such as their reliance on historical information and the exclusion of qualitative factors. It is also a time-consuming process.

The credit rating of a company is crucial as it is the most important factor impacting the pricing of intercompany loans. The higher the credit rating, the lower the effective interest rate due to lower risks of default.

Perform a Benchmarking Analysis

Once the credit rating is determined, the company can then perform a benchmarking analysis. The benchmarking analysis involves the application of the CUP method using external data. Based on the credit rating of the borrower, a search can be performed using databases to find the suitable interest rate margin to derive the arm's length interest rate.

Address Compliance with Section 34D of the Income Tax Act

The last step to the TP analysis is for the company to ensure that it is able to demonstrate (with supporting documents) that the intercompany loan is entered into for legitimate commercial and financial reasons.

While intercompany loan is one of the most common intercompany transactions, companies must recognise that each intercompany loan is unique and for TP purposes, avoid using one blended interest rate for all loan transactions. To manage their intercompany loan transactions, companies need to identify their TP risks early, review their intercompany loan agreements (and remembering that a one-page contract without key commercial terms is likely to be inadequate for TP purposes), and in general, be savvy in ensuring that their TP positions are sound. ISCA

Felix Wong is Head of Tax, and Angelina Tan is Technical Specialist, SIATP. This article is based on SIATP's Tax Excellence Decoded session facilitated by Adriana Calderon, Director, Transfer Pricing Solutions Asia. For more tax insights, please visit www.siatp.org.sg.

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