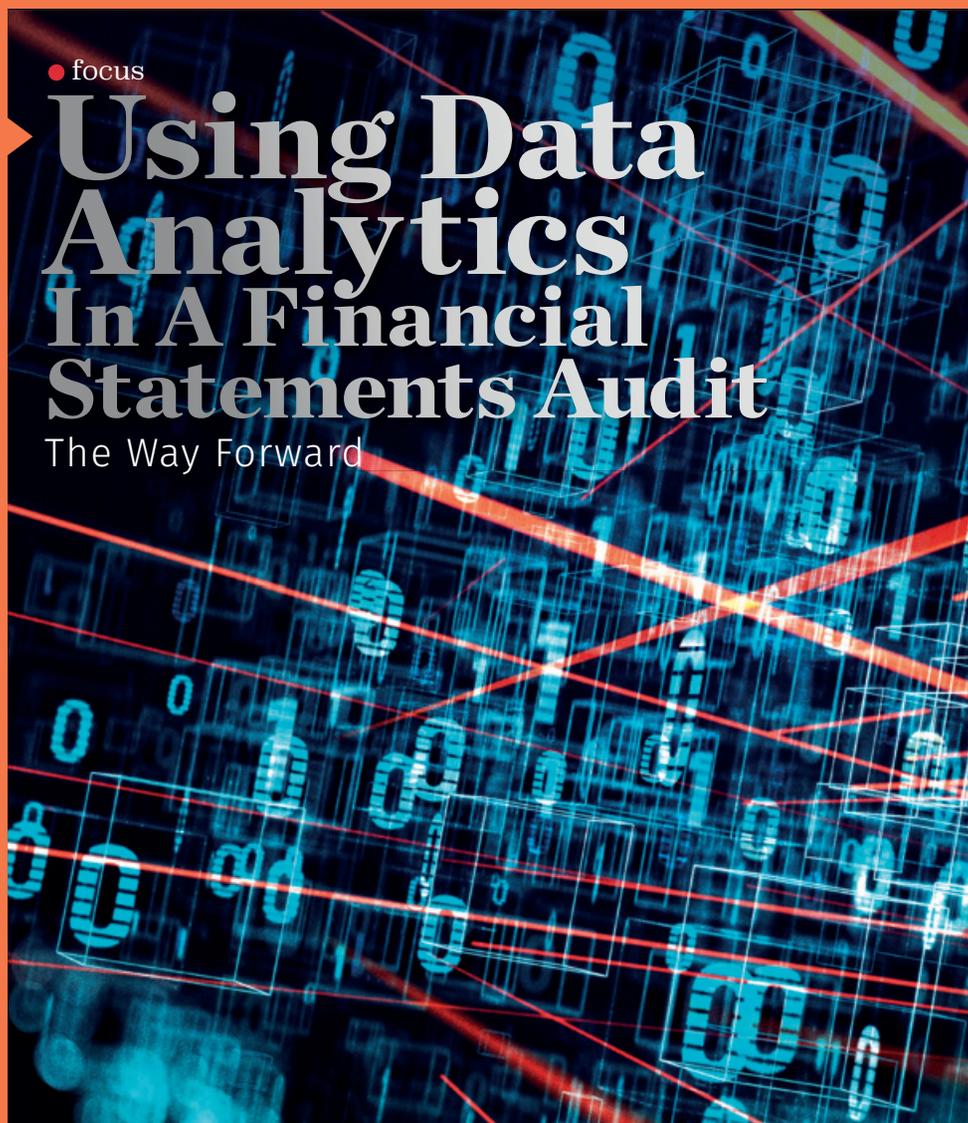


# IS Chartered Accountant Journal

OCTOBER 2020



● focus

## Using Data Analytics In A Financial Statements Audit

The Way Forward

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## We Have Done It!

*IS Chartered Accountant Journal* clinches the Grand Award – the highest accolade – at the prestigious 32nd Annual Awards for Publication Excellence (APEX 2020)!

Dear members,

**INCREASINGLY, THE TERM “THE NEW NORMAL”** is being bandied around as Covid-19 continues to wreak havoc on life as we know it. Worldwide, governments are taking steps to curb the spread of the virus, and people are grappling with the disruptions in the way they live, work and play.

It was against this challenging backdrop that the Institute held its flagship ISCA PAIB Conference on August 25. The event focused on the most current issues facing businesses and the profession. To survive the crisis brought about by the pandemic, companies and workers alike must innovate and reinvent themselves, and the way to do this is through technology, accompanied by a mindset change.

At the management level, a mindset change may entail a reconsideration of how the organisation does things, from its culture to the role of finance vis-à-vis other functions, technology adoption and work processes. At the individual level, a mindset change requires the finance professional to be adaptable, with a willingness to reskill and upskill in order to keep up with a business landscape transformed by technology. We have the highlights of the PAIB Conference in the article, “Gearing Up To Reboot In A New World”.

Clearly, technology is here to stay. And those who disregard its ubiquitous presence or do not upgrade their skills in tandem will find themselves stuck in the proverbial hamster wheel – working hard, running furiously, but actually going nowhere.

Covid-19 has accelerated the pace of digitalisation, which is already occurring in almost every business sector as a result of technological advancements and disruption. Finance functions, too, will be altered. In the article, “Technological

Impact On Finance Functions And Job Redesign”, we share the findings of a study that examines the changing job roles in finance functions in Singapore, and how they can be redesigned to respond to technological changes in the next three to five years. The study, a collaboration by ISCA, Lee Kuan Yew Centre for Innovative Cities at Singapore University of Technology and Design, and Ernst & Young Advisory Pte Ltd, was launched at the PAIB Conference.

The research project, named “Redefining The Finance Function With Job Redesign”, aims to enhance business leaders’ understanding of the role of technology as an enabler in job redesign, and also helps other finance and accountancy professionals navigate the impending changes to their job roles and changing demands in skill sets. The joint study is another example of how the Institute supports our members in a complex and dynamic business world; it is also relevant in smoothing the way from the hamster wheel to the MRT, the latter being a fast train that brings people places.

The cover story, “Using Data Analytics In A Financial Statements Audit”, is a discussion of how technology can benefit the audit industry. For some time now, data analytics has been touted as a potential game-changer for audit as it enables auditors to focus on outliers and exceptions, identifying the riskiest areas of the audit. Also, data analytics techniques can analyse entire populations of transactions instead of just a sample, thus contributing to audit quality. However, there are setbacks to over-reliance on the information obtained and other implications. Find out how

data analytics can add value to audits and the considerations surrounding its use.

Ethics is the cornerstone of the accountancy profession. In conjunction with Global Ethics Day on October 21, our Member Profile column features FCA (Singapore) Caroline Lee, Singapore’s sole representative at the International Ethics Standards Board for Accountants. Get her take on how being on the Board has broadened her perspectives, and why everyone should live by a code of ethics both in and outside their professional lives.

Pick the MRT over the hamster wheel, and have a good read!



**Kon Yin Tong**  
FCA (Singapore)  
president@isca.org.sg

## The MRT And The Hamster Wheel: Which Is Your Preferred Ride?

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**20 Gearing Up To Reboot In A New World**  
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Caroline Lee, FCA (Singapore), Member, International Ethics Standards Board for Accountants, explains why it is important for people to live by a code of ethics in both their professional and personal lives.

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# Singapore Retains Top Spot As Asia's Most Innovative Nation

**SINGAPORE HAS RETAINED ITS OVERALL TOP RANKING AS ASIA'S MOST INNOVATIVE NATION** in the latest Global Innovation Index (GII) released by the World Intellectual Property Organisation (WIPO), Cornell University and INSEAD. It has held this position since 2014.

The GII ranks world economies according to their innovation capabilities. Consisting of roughly 80 indicators, grouped into innovation inputs and outputs, the GII aims to capture the multidimensional facets of innovation. Typically, around 130 nations around the world are surveyed.

**Innovation for sustainability**  
As the world grapples with the effects of Covid-19, more than ever, innovation is needed to address the resultant economic and social implications. With growing attention on innovation as the way to build a sustainable and inclusive

future, now is a particularly relevant time for the theme of this year's GII, which is, "Who Will Finance Innovation?"

One of the challenges facing innovators worldwide is the mobilisation of stable and accessible financing mechanisms, which are needed at all stages of the innovation cycle from ideation to commercialisation, expansion and eventually, long-term business sustainability. According to the report, "a range of new actors, such as sovereign wealth funds, and not-for-profit organisations has been supporting innovation". Innovative mechanisms, such as corporate venturing, intellectual property (IP) marketplaces, crowdfunding, and fintech solutions, which were present before the crisis, "will not vanish". At the same time, public support schemes remain essential vehicles of innovation financing.

**Singapore's rankings**  
Singapore continued to top the Innovation Input sub-index, which gauges elements



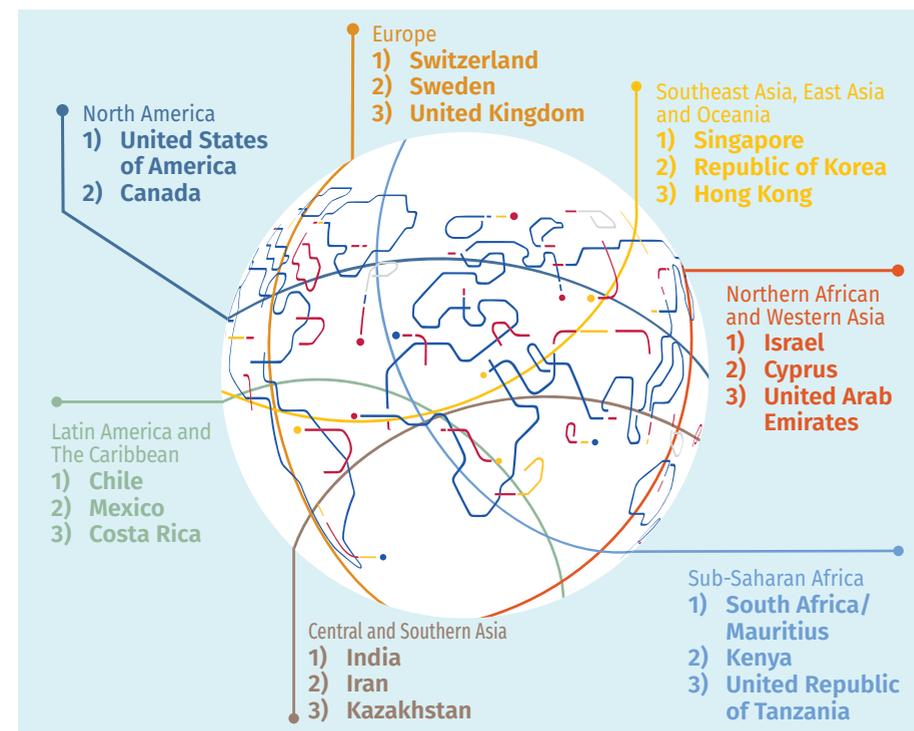
of the national economy which embody innovative activities. The city-state also maintained its 15th position in the Innovation Output sub-index, which captures actual evidence of innovation results.

Singapore took top spot (was 36th last year) for the "Knowledge workers – females employed with advanced degrees" indicator for the first time. This indicator measures the proportion of female employees with advanced degrees, out of the total number employed.

A new indicator, "Global brand value", was added to the GII for the first time, to better recognise the commercial importance of brands in the marketplace. This indicator looks at the total value of a country's brands in Brand Finance's top 5,000 global brand database, as a proportion of GDP. Singapore was ranked 13th.

In the "Creative output" pillar, Singapore saw a jump in its ranking to 18th place (34th last year). The report also highlighted improvements in IP-related output indicators such as "Patents by origin" (up one spot to 32rd) and "Patent Cooperation Treaty (PCT) patents by origin" (up one spot to 19th).

## Top three innovation economies by region



Singapore continued to perform well (ranked first globally) in the traditionally strong indicators of "Political and operational stability", "Government effectiveness", "Tertiary education" and "High-tech manufacturing". Ranked second globally in "Government's online service", "Regulatory environment", "Investment" and "Knowledge-intensive" employment, the continued good performance in these indicators are a nod to the country's efforts to build a strong and active IP regime. Singapore also improved on the "Mobile app creation" indicator, moving up three places to seventh globally.

Singapore's rankings reflect the country's ongoing innovation journey and aligns with the national digital transformation roadmap and Smart Nation thrust.

Globally, Singapore has maintained its position as the eighth most innovative country among high-income economies, standing alongside traditional powerhouses Switzerland, Sweden, United States of America, United Kingdom, Netherlands, Denmark and Finland.

## High-income economies (49 in total)



# Small Businesses In Singapore Most Satisfied With Government-led Covid-19 Measures Among ASEAN Peers: Survey

**SMALL BUSINESSES IN SINGAPORE ARE THE MOST SATISFIED**, among its ASEAN peers, with the relief measures provided by the government to cushion the impact of Covid-19 (Figure 1). Close to three in four (72%) Singapore-based firms surveyed expressed this sentiment, higher than the ASEAN average of 58%, according to a recent survey conducted by United Overseas Bank, Accenture and Dun & Bradstreet.<sup>1</sup>

Given that one in two small businesses across ASEAN are facing cashflow challenges (48%) as a result of the pandemic, the majority of respondents indicated a preference for cashflow-related support from their governments (Figure 2). In Singapore, small businesses felt that wage assistance was the most important government measure (48%) to help them tide over the Covid-19 situation. Next on their list was support for business transformation initiatives (44%), followed by loan assistance (36%). Within ASEAN, small businesses preferred measures that deferred the payment of income tax (50%) and provided loan (46%) and wage assistance (36%).

## Small businesses want more digital infrastructure to support their innovation efforts

To support their efforts to strengthen their capabilities, particularly in the area of digitalisation, small businesses in Singapore said more investment

<sup>1</sup> The survey was conducted among 1,000 small businesses with annual turnover of \$20 million and below before and during the Covid-19 pandemic, in the third quarter of 2019 and May 2020 respectively. Small businesses across five ASEAN markets – Indonesia, Malaysia, Singapore, Thailand and Vietnam – were surveyed.

Figure 1 Singapore small businesses are the most satisfied with government-led Covid-19 relief measures as compared to their ASEAN peers

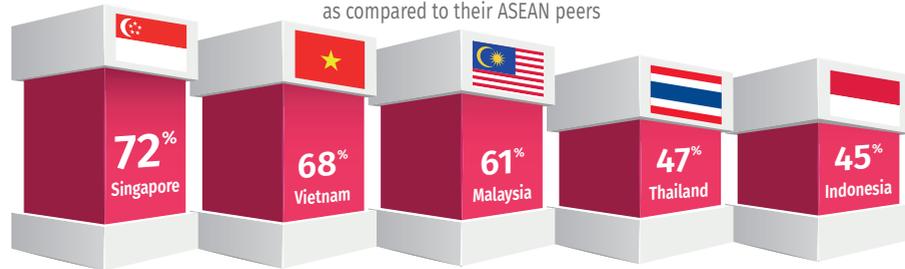
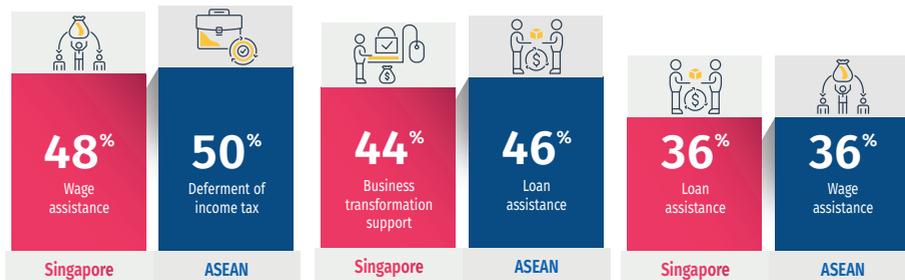


Figure 2 Top three relief measures small businesses want



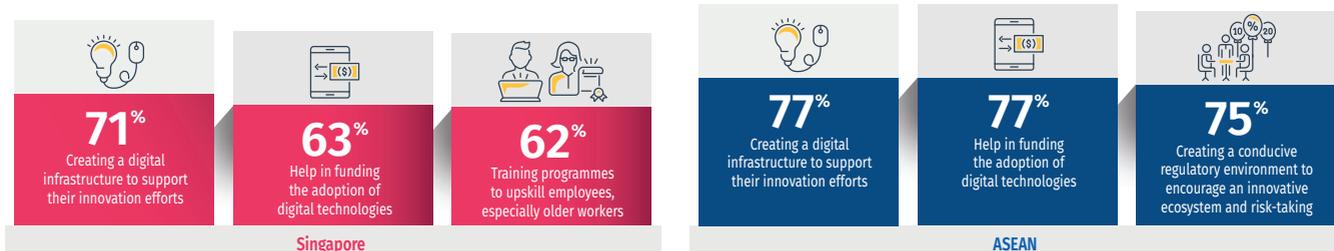
in digital infrastructure to support innovation is vital (71%). Examples of digital infrastructure include national business databases for electronic know-your-customer processes and nationwide networks for electronic invoicing processes. The need for more digital infrastructure was also ranked as the top area of support needed among small businesses across ASEAN (77%). Other government initiatives that Singapore-based small businesses said would help in the current business environment include funding support (63%), and more education and training programmes to upskill employees, especially older workers (62%) (Figure 3).

“While majority of the current government support measures are aimed at

helping businesses with their immediate cashflow challenges amid Covid-19, the desire for non-cashflow support by small businesses across ASEAN highlights the increasing importance that they place in adapting to the new normal. Firms that use technology to strengthen their capabilities and resiliency will be able to seize business opportunities as they arise, whether during or post-Covid-19,” says Audrey Chia, Chief Executive Officer, Dun & Bradstreet Singapore.

The “ASEAN SME Transformation Study 2020” aims to help ASEAN small businesses understand how they can transform their businesses to adapt to the changes ahead and to participate in the region’s long-term growth.

Figure 3 Top three areas where governments can provide more support for digital transformation journeys



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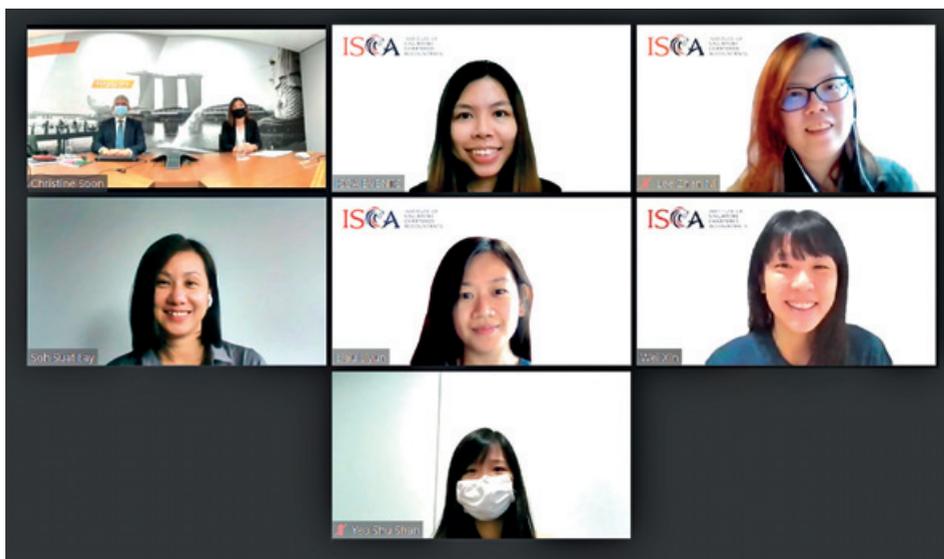


● isca breakfast talk

# Evolving Fraud Risk Landscape: Prepare, Respond And Emerge Stronger

**FRAUD AND ECONOMIC CRIME IMPACT COMPANIES IN MORE DIVERSE WAYS THAN BEFORE**, especially in times of downturns and crises. The Covid-19 pandemic has not only resulted in profound shifts in business operations, it has reshaped consumer demands. As businesses focus on staying afloat, organisations should prepare and respond effectively to fraud incidents, in order to eventually emerge stronger from the crisis.

Dmitry Kosarev, Director, and Christine Soon, Senior Manager, both from Forensic Services, PwC South East Asia Consulting (as seen in screenshot, top left), shared with participants the changing fraud risk landscape and what organisations can do to deal with fraud risks. The online event took place on 12 August 2020.



## Findings from PwC's Global Economic Crime and Fraud Survey 2020

Mr Kosarev kicked off the ISCA Breakfast Talk session by sharing the size and scale of PwC's "Global Economic Crime and Fraud Survey 2020". According to the survey, prior to Covid-19, economic crime and fraud had already hit a record high in Singapore. Although Singapore has a traditionally safe domestic environment, 42% of Singapore-based companies experienced economic crime over the last 24 months. Exposure to global and regional risks, challenges in the economic environment, and better detection due to increased vigilance contributed to the

rise of economic crime and fraud reported by Singapore-based companies.

Companies based in India and China reported the highest incidence of economic crime and fraud. Hence, organisations that are considering expanding or are operating in these geographical regions ought to be aware of the higher instances of reported incidents.

Miss Soon explained that organisations invested in a proactive approach in detecting fraud incidents, for instance, using fraud risk management

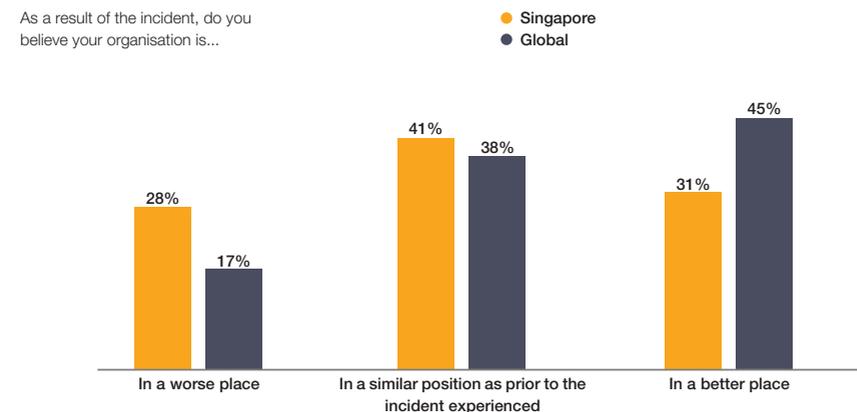
programmes and suspicious activity monitoring tools. The survey also found that companies that invested in fraud prevention programmes incurred lower costs when dealing with fraud incidents. Nearly three out of four Singapore-based participants upgraded the technology used to combat fraud, corruption and economic crime over the past two years. Miss Soon emphasised that it is imperative that organisations customise the available technological solutions to the specific risks that they face.

Only 51% of survey respondents in Singapore indicated that they conducted investigation after an incident occurred. Miss Soon shared that having a fraud response plan is important so that organisations can formulate appropriate measures and strengthen existing controls to minimise the risk of recurrence of fraud incidents.

## Keeping an eye on evolving fraud risk landscape

More recently, many businesses continue to face operational, financial and liquidity challenges as a result of the Covid-19 crisis, making the environment more favourable for a further increase in

Figure 2 A higher proportion of Singapore-based companies feel that they are in a worse position after experiencing and remediating fraud



Source: PwC's "Global Economic Crime and Fraud Survey 2020 Report"

Figure 1 The cost of fraud and economic crime is high



Source: PwC's "Global Economic Crime and Fraud Survey 2020 Report"

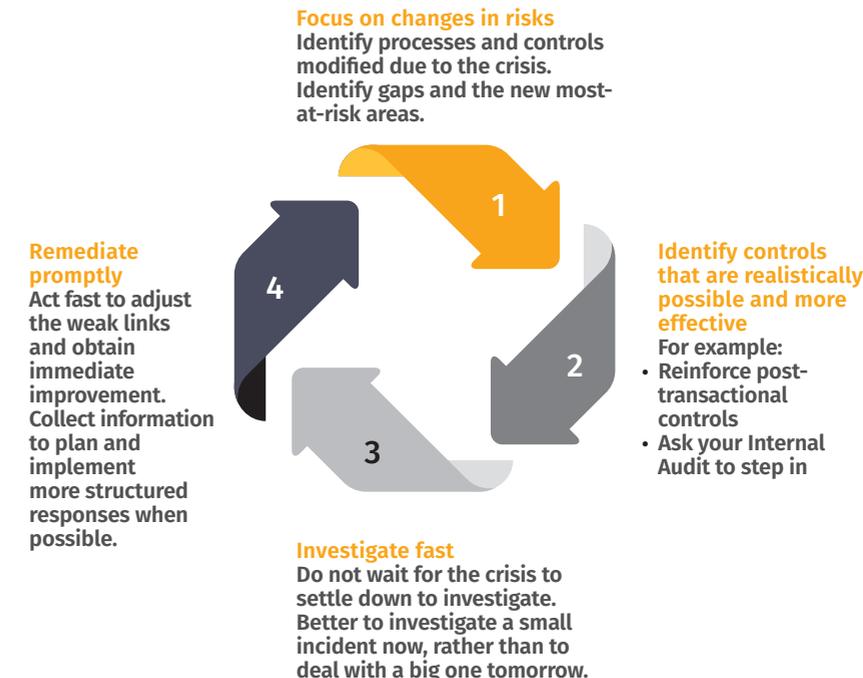
fraud situations. Cybercrime, supply chain challenges, evolving financial crime and internal fraud can surge in this business climate. Furthermore, the Covid-19 pandemic not only exacerbates the pressure on some employees to commit fraud and economic crime, it impacts employees' perceptions of their organisations. Mr Kosarev highlighted that new opportunities for fraudsters can arise as the current priority focus for businesses is not on controls, and existing controls have to be adjusted to align to the changing business environment and risks.

Mr Kosarev listed a few actions that can be embedded in organisations' day-to-day control framework:

- **Raise** the awareness of new risks to all relevant stakeholders;
- **Remind** all relevant stakeholders of incident reporting protocols;
- **Adapt** due diligence to the heightening third-party risks;
- **Keep** audit trails for post-transactional reviews.

Concluding the session, Mr Kosarev reiterated that it is important to have a structured approach to identify, reduce and remediate fraud risks as part of an organisation's Covid-19 response.

Figure 3 A day-to-day framework to reduce fraud risks quickly



Source: PwC's "Covid-19: Keeping an Eye on Evolving Fraud Risk"



## ISChartered Accountant Journal

**PREFERRED TOPICS**

- Mergers and acquisitions (e.g. valuation methods)
- Climate change and sustainability reporting
- Data protection and privacy
- Risk management and the use of technology
- Technology-related articles (e.g. artificial intelligence, cybersecurity, data analytics, natural language processing, etc)
- Impact of global development on the economy (e.g. trade tensions between US and China, protests in Hong Kong, Brexit, US Elections 2020, etc)
- Issues related to small and medium-sized enterprises (e.g. Impact of Free Trade Agreements on business strategies, internationalisation, digitalisation, etc)
- Diversity and inclusivity of the labour force in areas such as gender and ethnicity

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- 1) All articles must be the author's original work and must not have been published before in another medium of any kind.
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- 3) All articles should be submitted in electronic form using Microsoft Word.
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- 5) All sources referenced must be cited using proper footnotes.

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## Disciplinary Findings

**UPON FINDING THAT MR WONG KIAN KOK, FCA (Singapore) and Public Accountant, had contravened Rule 64.4 of the Institute (Membership and Fees) read with Section 130.1(b), of the Code of Professional Conduct and Ethics under the Third Schedule of the Institute (Membership & Fees) Rules in that he had not acted diligently in accordance with applicable technical and professional standards, that is, Singapore Standard on Auditing (SSA) 200 paragraph 15 and SSA 240 paragraphs 12 to 14, when performing professional activities or providing professional services.**

It is hereby ordered:

- That pursuant to Rule 137.1.4 of the Institute (Membership and Fees) Rules, he be censured.
- That pursuant to Rule 167 of the Institute (Membership and Fees) Rules, he shall pay to the Institute the sum of S\$10,761.78 (inclusive of 7% GST), being the costs and expenses incurred by the Institute in connection with the investigation and disciplinary proceedings undertaken against him within 28 days from the date of this order.

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# 20 OCT

### Unleash the Potential of Creative Thinking (Live Webinar)

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This workshop helps participants enhance skills to find sustainable solutions and learn new ways to approach problem solving to reach win-win decisions.

# 22 OCT

### ISCA Practitioners Conference 2020

As the world navigates through the challenges of the pandemic and march towards an uncertain 2021, audit practices need to embrace new perspectives, transform and build resilience into their operations and workforce. Firms must be ready to poise themselves for unexpected risks and opportunities.



Practitioners Conference 2020 brings issues of sustainability to the forefront, in addition to pertinent topics such as quality management and ethics. Join us in our first virtual Practitioners Conference and the final instalment of the Singapore Accountancy and Audit Convention (SAAC) Series.

# 24 OCT

### Accounting Considerations under COVID-19 (Live Webinar) NEW!

The COVID-19 outbreak has significantly impacted entities, disrupting their operations, financials, risk management and internal control systems. This has caused unprecedented challenges globally for various industries including the accounting profession, and there is no certainty on when this pandemic will end.



This course aims to explore the various accounting implications arising from the effects of COVID-19 pandemic using examples and case studies that are applicable in Singapore's context.

# 11 NOV

### Tapping on Government Support Measures to Emerge Stronger from Covid-19 (Live Webinar) NEW!

The Singapore government has introduced new measures and enhanced many existing schemes over the past couple of months to help local enterprises cope with immediate concerns, and stay viable and afloat during the Covid-19 pandemic. It is also pertinent for Singapore to prepare itself for a post-Covid-19 future, and digital and business transformation remains a key driver in helping businesses to recover and calibrate to tackle the Covid-10 pandemic.



This webinar will serve to highlight the schemes available for companies to tap on to recover, calibrate and emerge stronger.

# 22 OCT

### Business Analytics and Reporting (BAR) (Live Webinar)

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BY LIM JU MAY, TERENCE LAM AND WANG ZHUMEI

# USING DATA ANALYTICS IN A FINANCIAL STATEMENTS AUDIT

## The Way Forward

**TECHNOLOGY LEVERAGE HAS BEEN ALL THE RAGE IN RECENT TIMES AS BUSINESSES**, and even entire industries, seek to fend off disruptors and/or chase growth. For the audit industry, data analytics has been touted as a potential game-changer as the profession seeks to innovate its way to more effective audits in the face of mounting expectations, business complexity and volume of transactions.

Despite having been around for a few years now, the use of data analytics, while on the rise, is not as yet a standard feature in audit engagements. While the benefits and potential of the application of data analytics in audits of financial statements are well-documented, so are some of the roadblocks.

In the International Auditing and Assurance Standards Board (IAASB)'s Feedback Statement, Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics, which was issued in January 2018, the IAASB noted, among others:

- Concerns over how audit evidence provided by data analytics is demonstrated within the existing audit model;
- Feedback on the need to exercise professional scepticism when using data analytics – to understand the benefit and limitations of data analytics in view of its intended use in the audit;
- The importance of the source and quality of the data used and challenges in considering the relevance and reliability of both internal and external data.

IAASB also found that, while most respondents believe that the principles in the auditing standards are still appropriate and can accommodate the use of data analytics, there is overwhelming request for practical non-authoritative guidance on the use of data analytics technology. This is with recognition that any changes to the auditing standards will have to undergo thorough due process to ensure that the standards remain principles-based and flexible enough to accommodate the rapid pace of technological change.

Against this backdrop, ISCA, through its Auditing and Assurance Standards Committee (AASC) and the AASC Data Analytics Sub-Committee, embarked on the development of an Audit Guidance Statement (AGS) to guide auditors on the key principles of applying data analytics in the audit of financial statements, with practical examples on how data analytics may be applied in different phases of an audit.

**Data analytics can be used in performing risk assessment procedures and further audit procedures such as test of controls and substantive procedures.**



PHOTO: SHUTTERSTOCK



**The implementation of appropriate policies and procedures in relation to data security is ... imperative to the effective deployment of data analytics in financial statement audit.**

#### What is data analytics?

For the purpose of this article, data analytics, when used to obtain audit evidence in a financial statement audit, is defined as the science and art of discovering and analysing patterns, deviations and inconsistencies, and extracting other useful information in the data underlying or related to the subject matter of an audit through analysis, modelling and visualisation, for the purpose of planning or performing the audit.

#### Types of data analytics

Data analytics can be used in performing risk assessment procedures and further audit procedures such as test of controls and substantive procedures. In general, the types of data analytics that are widely used in audits of financial statements include:

- **descriptive analytics** an examination of data to answer the question, “What happened?”, and is often characterised by traditional business intelligence and visualisations such as pie charts, bar charts, line graphs, tables, or generated narratives, and
- **diagnostic analytics** a form of advanced analytics which examines data or content to answer the question, “Why did it happen?”, and is characterised by techniques such

as drill-down, data discovery, data mining and correlations.

When deciding which type of analytics would be more relevant, the auditor should consider the objective of the analytics and which phase of the audit the data analytics is being applied to. For example, descriptive analytics is commonly used when performing a risk assessment procedure to aid auditors in understanding what has transpired during the period in order to identify and assess risks of material misstatements.

#### CONSIDERATIONS PRIOR TO USE OF DATA ANALYTICS

It should be noted that the inappropriate use of technological resources may increase the risk of over-reliance on the information produced for decision purposes, or may create threats to complying with relevant ethical requirements. Accordingly, policies and procedures have to be in place to ensure that such technological resources are used appropriately.

#### Quality management

At the firm level, when implementing an IT application, there should be policies and procedures in place to determine if the IT application operates and is used appropriately. Some factors that should be

considered include whether there is internal review conducted to ensure that the IT application is operating as designed and achieves the purpose for which it is intended, and whether there are guidelines on how engagement teams should use the IT application and related backend support.

#### Data security and confidentiality

When data analytics is employed, it is natural for audited entities to have concerns over data security breaches which may result in loss of confidentiality (or for some types of data, privacy) when auditors have imported the entities' data into the auditor's systems. Audited entities need to have confidence that their data will be held and processed securely, so that they can fulfil their own legal and regulatory obligations by making the data available to auditors. The implementation of appropriate policies and procedures in relation to data security is therefore imperative to the effective deployment of data analytics in financial statement audit.

#### Human resources

There is currently a perceived skills gap in data analytics among

auditors and a possible way to address this is to have skilled, centralised resources supporting the engagement teams. In the meantime, time and investment in training should focus on changing the auditor's mindset from solely relying on conventional auditing procedures to incorporating the use of data analytics techniques in obtaining quality audit evidence.

Auditors will also require basic understanding of IT (such as understanding of databases, table structure and data types) to be able to come up with relevant and effective audit procedures using data analytics.

#### Preparing data for use

Engagement teams should ascertain at an early stage whether the quality of the data that the entity's management can provide is sufficient to support the envisaged analytics. One of the challenges that management and auditors face is obtaining accurate data in a usable format following a repeatable process. Globally, while there are ongoing efforts to standardise the format for fields and files commonly requested for audit, such standards are voluntary at the moment, and until such time when these standards are mandated, auditors will need to undertake the



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process of transforming the data from various systems to a usable format in a scalable way.

Examples of situations which may warrant certain data transformation include where the date format from different systems in an organisation varies, for example "yyyy-mm-dd" versus "dd-mm-yyyy", or where leading and trailing zeroes of an inventory item code may need to be removed to ensure proper comparison to another data source that may not have such leading and trailing zeroes.

#### Considering relevance and reliability of data

With the limitless possibilities around data analytics, the relevance of data in relation to the audit procedure responding to the assertion is an important consideration. One example where relevance is in question is where the data analytics provide interesting insights to management but produces no audit evidence.

The majority of data utilised in data analytics is information produced by the entity (IPE), and when using IPE, the auditor is required to evaluate whether the information is sufficiently reliable for the auditor's purposes, including obtaining audit evidence about the accuracy and completeness of the information and evaluating whether the information is sufficiently precise and detailed for the auditor's purposes. This can be achieved through a direct testing approach (selecting samples to test) or testing the controls over the accuracy and completeness of the information.

#### USING DATA ANALYTICS IN AUDIT

Data analytics techniques may be used to perform risk assessment

**Using data analytics techniques, entire populations of transactions can be analysed, as opposed to the conventional audit approach where auditors' coverage might be limited to a sample of these populations.**



**It should be noted, however, that the ability to test or analyse 100% of a population through data analytics does not imply that the auditor is able to provide something more than a reasonable assurance opinion or that the meaning of “reasonable assurance” changes.**

procedures or further audit procedures if they are able to provide sufficient appropriate audit evidence that a risk of material misstatement has been addressed. The factors to consider in making the determination of whether data analytics may be used to perform risk assessment procedures or further audit procedures may include:

- **The purpose of the procedure** whether data analytics is directly responsive to the identified risk of material misstatement, and
- **The level of precision in the procedure**, for example, whether the expectation is sufficiently precise to identify a misstatement.

One of the main benefits of employing data analytics in an audit is that it enables auditors to focus on outliers and exceptions, identifying the riskiest areas of the audit. Using data analytics techniques, entire populations of transactions can be analysed, as opposed to the conventional audit approach where auditors’ coverage might be limited to a sample of these populations.

Although data analytics techniques may not entirely substitute the conventional audit procedures and techniques, they can be powerful enablers which allow auditors to perform procedures and analysis which were not traditionally possible.

A case in point is the three-way match, which is one of the most basic concepts in audit. Traditionally, auditors perform this procedure by way of sample testing as it is typically not realistic nor expected for auditors to vouch all transaction documents. Data analytics techniques now provide auditors the ability to analyse all the transactions which have been recorded. For example, auditors can potentially filter and identify a specific class of transactions with unmatched items. Data analytics tools can also allow auditors to trace revenue transactions to debtors and the subsequent cash received.

It should be noted, however, that the ability to test or analyse 100% of a population through data analytics does not imply that the auditor is able to provide something more than a reasonable assurance opinion or that the meaning of “reasonable

assurance” changes. It is also important to understand that even where the auditor tests or analyses 100% of transactions in a specific area through data analytics, the data might not be 100% correct.

As with traditional audit procedures, it is imperative for auditors to clearly set out the objective of the data analytics techniques employed and understand what they can achieve and what they cannot do, and exercise professional scepticism throughout the audit.

#### Identification of exceptions

The use of data analytics in performing substantive procedures may result in the identification of a large number of exceptions. Where applicable, the auditor can group and filter the exceptions into sub-populations. Further analysis and additional procedures should then be performed to determine if these exceptions are:

- a) False positives;
- b) Possible misstatements that are clearly inconsequential for which no further investigation is required, or
- c) Possible misstatements that are not clearly inconsequential for which further investigation is required.

ISCA’s Exposure Draft of the AGS on Data Analytics in a Financial Statement Audit is expected to be issued for public consultation in the coming months and we welcome comments and feedback. **ISCA**

Lim Ju May is Deputy Director, Terence Lam is Senior Manager and Wang Zhumei is Manager, Technical, Institute of Singapore Chartered Accountants.

# GEARING UP TO REBOOT IN A NEW WORLD

## ISCA PAIB Virtual Conference

BY THERESA TAN

THESE UNPRECEDENTED TIMES CALL FOR INNOVATIVE WAYS TO UPKEEP TRADITIONS, and ISCA endeavoured to provide a complete and rewarding experience for the more-than-1,000 registered attendees of its very first virtual PAIB Conference.

The five-hour ISCA PAIB Conference on August 25 featured 13 speakers, who shared their expert views on overcoming the challenges faced by finance

professionals that Covid-19 has brought about. The conference was conducted live via a virtual conference platform.

ISCA President Kon Yin Tong introduced the theme, “Gearing Up To Reboot In A New World”, in his welcome address. He emphasised the importance of upskilling and reskilling in order to adapt to these volatile times. Through the conference, the Institute sought to support accountants in navigating the challenging environment, and work towards a post-pandemic recovery.

### A TIME OF OPPORTUNITY

“Our world has been upended by Covid-19,” said Ms Indraneel Rajah, Minister in the Prime Minister’s Office and Second Minister of Finance and National Development in her keynote address. And while the road to recovery looks to be long and tough, she stressed that new opportunities await the proactive and the agile.

ISCA President Kon Yin Tong giving the welcome address



ISCA PAIB Conference went virtual for the first time. Looking on were Mr Kon (left) and Stuart Chaplin (right), who would go on to speak after Minister Indraneel



In her speech, Minister Indraneel outlined the roadmap to recovery, which is to be ready to seize new opportunities that arise out of crisis. She cited examples such as Alibaba, which learned during the 2003 SARS epidemic to transform its business model from B2B to B2C — a move that turned it into one of the world’s biggest companies today. In today’s challenging climate, Minister Indraneel said she was encouraged by the many instances of businesses innovating in response to Covid-19, such as accountancy firms that have introduced robotic process automation (RPA) to streamline and speed up their

audit processes. She encouraged accountants to reskill and upskill in order to “chart a new path” in their careers, citing the example of an accountancy-trained homemaker who decided to leverage the Professional Conversion Programme for Internal Auditors, and eventually joined wealth management company Portcullis Pte Ltd.

Two qualities are needed to get ahead on the road to recovery, said Minister Indraneel, who identified these as adaptability and partnership management. Digital adoption by consumers and businesses has been fast-forwarded five years due to the pandemic, estimates management consulting firm

Minister in the Prime Minister’s Office and Second Minister of Finance and National Development Indraneel Rajah spoke about seizing new opportunities to pave the way for recovery

McKinsey. “Competitive advantage in tomorrow’s business environment will be determined by one’s use of digital assets,” she noted, adding that accountants need to be aware of this and to evolve to continue providing value to businesses. The second quality is the increased need for more cross-functional partnerships and collaborations, and even cross-sectoral partnerships, because of new opportunities in adjacencies between sectors. For example, some legal service firms have been expanding their suite of services to cover intellectual property and environmental and social governance.

The Minister ended by encouraging accountants to look to the refreshed Skills Framework for Accountancy to acquire new skills for the new needs that will arise in the industry, and to leverage the Professional Conversion Programmes for Management Accountants and Internal Auditors to upskill, reskill and position themselves to seize exciting new opportunities.

**“It is imperative that you stay adaptable in order to provide value to businesses. This means three things. One, keeping your skills primed and your knowledge up-to-date with the latest changes in the markets. Two, becoming ‘business translators’, meaning people who understand innovation and who can inform businesses on ‘the benefits of automation and find ways to foster growth while minimising disruption’. And three, keeping the accountancy function up-to-date with the latest technologies in the market, for example, by using artificial intelligence to supplement business judgements in financial forecasting.”**

Ms Indraneel Rajah, Minister in the Prime Minister’s Office, Second Minister of Finance and National Development



## NAVIGATING A NEW WORLD

Post-Covid-19 recovery begins now, not later. That is the mindset lauded by Stuart Chaplin as he painted what the future looks like for accountants. Mr Chaplin is Deputy Chair of International Federation of Accountants (IFAC) Professional Accountants in Business Advisory Group.

Mr Chaplin shared that the thought processes for this evolution began more than a year ago within IFAC, and these processes were subsequently captured in a series titled "Future Fit". Although they were set out pre-Covid-19, they are proving relevant in these current times. They centre on:

- Connectivity between the finance function, and the needs of internal and external stakeholders and partners need to increase: finance functions need to be less siloed and more connected with customers and external stakeholders;
- Digitalisation of business and finance processes: how will it transform business? How will the role of the accountant change? What skills are required for the future?
- A growth and change mindset: how to go from being inward-looking to embracing change and uncertainty;
- Talent management and the acquisition of relevant skills: what skills does one have? How to continually reskill and reinvent oneself?

Mr Chaplin then involved his audience in a live poll that asked the question, "How well do you think your finance and accounting teams are doing in meeting the needs of your organisation today?" Only 1.8% of the respondents felt they were doing extremely well, while 26% said they were doing a good job. The majority of 37% fell into "somewhat well" and 26% were "neutral", while around 10% felt they were not meeting these

## "Reinvent, reinvent, reinvent. You cannot rest on your laurels in the future."

**Stuart Chaplin, Deputy Chair, International Federation of Accountants (IFAC) Professional Accountants in Business Advisory Group**

needs at all. "That shows you we have a long way to go (and) I think that is a good representation of how finance functions generally feel," he said. "This is the opportunity (to) reinvent the profession. We can accelerate and build on the strengths that we have, to position ourselves for the future. It's not an option, it's an obligation – we have to do it."

He went on to detail the four areas of change needed for any accountant and finance organisation to be future-ready:

- 1) It must be outward-looking and responsive to customers' expectation and need;
- 2) It must partner with the business to embrace digitisation and maximise the value and protection of data;
- 3) It must establish a culture that encourages behaviours and actions to embrace growth, change and innovation, and
- 4) It must employ talent management and development to deliver value-added activities and fulfil new roles.

In closing, Mr Chaplin issued this thought-provoking challenge, "How are you reinventing yourself? Because what has made you successful in your career is probably not going to be enough to make you successful in the future."

Deputy Chair of IFAC Professional Accountants in Business Advisory Group Stuart Chaplin urged participants to embark on post-pandemic recovery now



(From left) Partner of Ernst & Young Advisory and EY ASEAN Workforce Advisory Leader Singapore Samir Bedi, and Director of Lee Kuan Yew Centre for Innovative Cities at the Singapore University of Technology and Design Poon King Wang, presented the findings of a collaborative research study on job redesign for the finance function

## JOB REDESIGN: WHY, WHAT, WHO, HOW

The topic of job redesign made up a large part of the conference agenda. Samir Bedi, Partner, Ernst & Young Advisory, EY ASEAN Workforce Advisory Leader Singapore, and Poon King Wang, Director of the Lee Kuan Yew Centre for Innovative Cities at the Singapore University of Technology and Design, co-presented the findings of a study, "Redefining The Finance Function With Job Redesign". This was followed by a panel discussion on "Job Redesign – The New Work Order".

Mr Bedi commenced the presentation by noting that the world is changing rapidly, which underlies the aim of the study to look at the level of technology transformation required in financial accounting and management accounting jobs of the future. In particular, the research examines how job roles in finance functions could be redesigned due to technology and potential job mobility, the skills gap to be bridged, and emerging skills which accountancy and finance professionals need to be equipped with to meet changing job requirements.

**"The world is changing very fast yet... this pace of change is likely going to continue and going to accelerate at a faster pace. As financial accounting and management accounting professionals, we have the opportunity to challenge ourselves and transform even faster than this pace of change."**

**Samir Bedi, Partner, Ernst & Young Advisory, EY ASEAN Workforce Advisory Leader Singapore**

**"Successful job redesign requires both hard skills and soft skills. It's multifaceted, you need to plan ahead."**

**Poon King Wang, Director, Lee Kuan Yew Centre for Innovative Cities, Singapore University of Technology and Design**

He explained that "redesigning jobs" is really a move towards protecting jobs and saving livelihoods, and that was the purpose of this report. He delved into the impact of technology on 11 job roles, condensed from over 100 genres, in the study. The four digital enablers studied were RPA, blockchain, big data and artificial intelligence (AI).

The study covered three degrees of change in jobs: a high degree meant that the individual's role was likely to be converged with another role or displaced by automation within three to five years. The medium impact group faced exposure to data analytics and automation and would have to take on additional duties in time. The last group are those that have to change incrementally but surely. Illustrating his points, Mr Bedi showed how, for example, an accounts executive who faced the risk of displacement would have to reskill for a problem-solving and sense-making role. The probability of current finance functions merging or being totally replaced would be a key concern for finance leaders.

Mr Poon followed up with what the study revealed about lateral transition in increasingly complex environments. "Jobs are being changed task by task," he explained. "We should get a very good idea how to make the target interventions to make your company and your employees more resilient and robust." By breaking down each job by task, Mr Poon showed that by identifying the risk profile of each task – and reskilling according to task – accountants can build on new skills and capabilities and remain relevant to the evolved needs of a company.

Mr Bedi and Mr Poon's presentations were followed by a panel discussion facilitated by the latter on "Job Redesign – The New Work Order". Panellists Max Loh, Managing Partner of Ernst & Young, Singapore and Brunei; Judy Ng, Managing Director of DBS Bank, and Shia Yew Peck, Chief Financial Officer of YCH Group Pte Ltd, engaged in a lively discourse about the journey that each of their organisations has taken to effect the four digital enablers.

**"If we all have the common aspiration that we really would prefer to be going home to our families (than working late), then how can technology enable that? That could be a different narrative than saying, 'Please upgrade otherwise you lose your job.' I think that's more empowering."**

Shia Yew Peck, Chief Financial Officer, YCH Group Pte Ltd

**"In DBS, we have a saying: business equals technology and technology equals business. Today, in doing business, technology is no longer just an enabler – it's at the forefront. (But it's also) about the talent and the organisational knowledge: you can have the best of technology but if you don't understand the organisational data, you can't really be effective."**

Judy Ng, Managing Director, DBS Bank

Ms Ng explained how DBS has, in the last seven years, given its staff room to experiment with using technology to automate tasks. Some failed, such as using RPA to automate routine tasks like extraction – they came up against firewalls; others proved very successful, such as using a data visualisation tool to distribute data to 1,000 employees, removing the tedium of churning out reports, and transforming their roles to discussing and explaining what the data reveals.



At Ernst and Young, intelligent automation is the focus, although these are still early days. "The hope is that one day, with machine learning and also with artificial intelligence, Finance will really have what they call a real-time control centre for finance operations, which will identify issues and flag risks," explained Mr Loh, adding that Finance can then go from being reactive to being proactive.

Mr Shia shared how, from the time he was studying Information Systems in university, he had gone from organisation to organisation, each time expanding his understanding and knowledge of data transformation. He explained that data sitting in the system doesn't offer any information. Instead, data should be brought out, processed using tools like Tableau, and it will provide great insight. "You'll find that you can do a lot with data," he added.

The panellists took questions from the conference participants, who submitted questions electronically. One attendee asked for recommendations on how to get staff to move out of their comfort zones and embrace job redesign. Mr Loh pointed out that change should not be the prerogative of employees; rather, organisations need to catalyse change. Ms Ng added that change begins with the right mindset – the willingness to try new things and the ability to overcome fear and inertia. She shared how DBS encouraged "standups" – short, casual meetings between staff of different departments – where people can ask questions and benefit from peer-to-peer learning.

Another salient question posed revolved around the feasibility of instituting protected time for staff to learn. Mr Loh shared how Ernst & Young encourages learning through the deployment of "Digital Badges" that staff can collect, which then leads to accreditation and ultimately even a "Tech MBA".

The robust discussion revealed the overall push towards automation and big data in finance functions, and how current roles and mindsets will need to change in order to meet the new skill sets required for digital transformation in the work environment.

**"Our people need to be at the forefront of things because if not, we cease to be relevant. If you look at practical recommendations, the first point is, you shouldn't just look at job redesign or change per se, but view it as part of an overall agile business or digital transformation; I think that that's the most important thing. Because if you ask people to change the way they do things, but your own processes are not revamped, what will happen is that you've got trained and redesigned workers going back and doing exactly the same thing."**

Max Loh, Managing Partner, Ernst & Young, Singapore and Brunei

(From left) Moderator Mr Poon, with panellists Managing Partner of Ernst & Young, Singapore and Brunei Max Loh; Managing Director of DBS Bank Judy Ng, and CFO of YCH Group Shia Yew Peck, led a lively discussion on "Job Redesign – The New Work Order"



Chairman of ISCA Ethics Committee Tan Seng Choon provided salient updates on the latest revisions to EP 100

**"The new Code of Ethics... is essentially a set of moral principles that professional accountants are expected to follow. This is an opportune time to remind professional accountants in business what this new code entails as we are in very trying times, and this code would lend some guidance and expectations of how we should behave."**

Tan Seng Choon, Chairman, ISCA Ethics Committee

### THE NEW CODE OF ETHICS

Tan Seng Choon, Chairman of the ISCA Ethics Committee, provided key updates to the Ethics Pronouncement (EP) 100 *Code of Professional Conduct and Ethics* revised on 14 August 2020. They include an enhanced conceptual framework, new and revised sections dedicated to PAIBs relating to preparing and presenting information, pressure to breach the fundamental principles, and strengthened provisions pertaining to offering or accepting of inducements, including gifts and hospitality.

He explained that applying the three-step approach to the enhanced conceptual framework would entail the following:

- 1) Identify threats to compliance with fundamental principles;
- 2) Evaluate whether identified threats are at an acceptable level using the reasonable and informed third party (RITP) test, and
- 3) Address threats that are not at an acceptable level through one of three ways: eliminating circumstances creating the threats, applying safeguards, or declining/ending the professional activity.

He followed on with a segment on inducements as he reinforced what constitutes bribery and corruption, highlighting that a small \$1 inducement to promote improper behaviour is still a bribe, and it might constitute an offence.

Mr Tan then provided an overview of *Responding to Non-Compliance with Laws and Regulations* (NOCLAR), which guides professional accountants in dealing with situations involving NOCLAR and in deciding how best to act in the public interest. He ended his presentation with an illustration of NOCLAR application and sharing some resources that ISCA has developed.



▲ Managing Director of Project Finance at DBS Bank Kelvin Wong expressed confidence that energy infrastructure financing can lead in the post-pandemic economic recovery

## RENEWABLE ENERGY FINANCING, RISK AND CHALLENGES

The second half of the conference offered attendees important updates on both opportunities and challenges that have arisen during Covid-19.

Kelvin Wong, Managing Director, Project Finance, DBS Bank, presented a study on the growth of renewable energy financing in Asia, primarily referencing wind energy offshore farms in Taiwan. He expressed confidence that energy infrastructure financing could lead economic recovery after the pandemic. While Covid-19 has hit many industries hard, renewable energy appears to be attracting investments, due in part to more companies committing to use renewable energy in the face of climate change as a long-term issue. DBS has been appointed Joint Financial Advisor in a multibank financing arrangement for Taipower, described as “the world’s largest floating solar project deployed in such conditions”; it is scheduled for completion at the end of 2020.

**“At the height of our circuit breaker in Singapore, we actually closed the financing (for) the largest floating solar project in Taiwan. The impact of a global lockdown is currently being felt: manufacturing activities and supply chains are severely affected. Travel restrictions have also impacted construction and project development, and will mean delays in projects and so on. However, in Taiwan, because of the excellent work done by the Taiwanese authorities, combined with the fact that its supply chain is not disrupted, construction is ongoing. And what we have seen is Singaporean companies including DBS actually participating in, say, a market like Taiwan.”**

**Kelvin Wong, Managing Director, Project Finance, DBS Bank**

Covid-19 has impacted a host of processes including risk management and governance. In her presentation, Cheryl Lim, Executive Director of Risk Advisory, Deloitte Singapore, stated that the “next normal” involved trends that have accelerated due to the pandemic, such as working from home and digitalisation. She pointed out that many vulnerabilities have been exposed during this period, but the upside to this is that organisations are forced to make improvements to their productivity, performance and resilience for the future. The downside includes a rise in cybersecurity incidents and fraud, which may include pressure to falsify financial figures to hide the full impact of Covid-19.

Ms Lim emphasised that there is no going back – organisations must journey through this difficult period and recover. Her recommendation is for the triple bottom line of people, planet and profit to be factored into every organisation’s thinking for the steps ahead. Mindsets must shift now, led by management and the board, so that the changes necessary for recovery – digital transformation, managing stakeholder expectation, etc – can take place.

**“Organisations should not take their foot off the ‘corporate governance and enterprise risk management agenda’ pedal, which has to be modified for the Covid world. The organisation should continuously identify, monitor and address new or heightened risk.”**

**Cheryl Lim, Executive Director, Risk Advisory, Deloitte Singapore**



▲ Executive Director of Risk Advisory at Deloitte Singapore Cheryl Lim emphasised that the “next normal” would involve trends that had accelerated due to the pandemic



▲ Co-Chairman of the ISCA Covid-19 Working Group and Chairman of ISCA Financial Reporting Committee Reinhard Klemmer shared insights into financial reporting, in light of the relief measures from the government and assessing for impairment

Covid-19’s impact on the accountancy profession is being felt on many levels. Reinhard Klemmer, Co-Chairman, ISCA Covid-19 Working Group and Chairman, ISCA Financial Reporting Committee, spoke on the challenges and implications for financial reporting, taking into account relief measures from the government and looking at how to assess impairment for financial reporting for this year. The Financial Reporting Committee and Audit Assurance Committee, in collaboration with ACRA, had formed the ISCA Covid-19 Working Group to react swiftly to the challenges faced by practitioners with the aim to maintain consistency in accounting practice across industries.

Mr Klemmer paved the way for Hans Koopmans, Co-Chairman of the ISCA Covid-19 Working Group and Chairman of the ISCA Auditing and Assurance Standards Committee. Mr Koopmans closed the conference with a roundup of the Technical FAQs available on the ISCA Covid microsite which cover the areas impacted by Covid-19, such as property valuation reports and going concern assessments.

**“We live in a new world where past data may not be a good prediction of future developments, where historic experience may not be relevant going forward. The way I speak to you now (virtually), past experience is no longer relevant; how I deal with a live audience is no longer relevant. And the same applies to a lot of reporting issues that preparers and auditors are facing.”**

**Reinhard Klemmer, Co-Chairman, ISCA Covid-19 Working Group and Chairman, ISCA Financial Reporting Committee**



▲ Co-Chairman of the ISCA Covid-19 Working Group and Chairman of ISCA Auditing and Assurance Standards Committee Hans Koopmans urged participants to refer to the ISCA Covid microsite, where many resources are available

**“I’m afraid that uncertainty will continue for some time to come. But I’m also mindful that working together in our respective roles as accountants and auditors, we are able to deal with these significant professional challenges, and ultimately able to produce high-quality financial information, which is what is expected by your shareholders and our regulators and, indeed, other interested parties.”**

**Hans Koopmans, Co-Chairman, ISCA Covid-19 Working Group and Chairman, ISCA Auditing and Assurance Standards Committee**

He encouraged PAIBs to look at the auditing FAQs on the microsite and see what might affect them, think about the changes in their working environment and how they impact the way controls are executed, and how to be prepared for the effort required to support the going concern assumption in financial statements. Mr Koopmans emphasised that the “new normal” has caused changes in processes and working arrangements, and that PAIBs need to watch for risks arising from changes in the control environment. Going concern – and even viability – have to be key considerations for management, he said.

The ISCA PAIB Conference 2020 presented PAIBs a basket of solutions, practical and cautionary measures, and a hope for the future where quality financial information is produced and upheld in a technology-driven environment. As Minister Indranee said, “I urge accountants to leverage on the (government and industry) support and stay committed to this journey of transformation... We must use this time to prepare for recovery. Press on with innovation and growth. Use this crisis to spark transformation and renewal. Plan well for the future, and position yourselves to seize the opportunities that are already there, and the many more to come.” ISCA

Theresa Tan is a contributing writer.

# TECHNOLOGICAL IMPACT ON FINANCE FUNCTIONS AND JOB REDESIGN

Staying Ahead In The New Normal



PHOTO SHUTTERSTOCK

BY ISCA, LKYCIC SUTD AND EY

**T**HE COVID-19 PANDEMIC HAS ACCELERATED THE PACE OF DIGITALISATION, which is already occurring in almost every business sector as a result of technological advancements and disruption. In Singapore, the government has increased the projected spend on information and communications technology (ICT) procurement in financial year 2020 by 30% from the previous year.

The current economic fallout has caused much uncertainty for companies all over the world. To thrive in the “new normal”, companies need to accelerate their business transformation efforts to enhance their competitive capabilities as well as capture and deliver greater value. This will involve undertaking job redesign to better align roles with the changing business environment; at the same time, the workforce must also adapt quickly to stay competitive.

Finance functions, too, will change. Accountancy and finance professionals must acquire relevant skills to seize new opportunities, and not be fearful of or be resistant to technology-driven changes.

The study, titled “Redefining the Finance Function with Job Redesign”, aims to support accountancy and finance professionals to navigate potential changes to job roles. It also addresses the growing urgency of finance leaders to understand how their finance teams can be optimised with technology. Through job redesign, finance functions can better harness the benefits of technologies like robotic process automation (RPA), artificial intelligence (AI), advanced analytics/big data and blockchain that

will greatly enhance decision-making and effectiveness.

This study, which was launched at the annual ISCA Professional Accountants in Business Virtual Conference 2020 on August 25, illustrates how job roles in finance functions in Singapore can be redesigned to respond to technological changes in the next three to five years. The study also recommends pathways for job transitions and identifies emerging skill sets that employees should have, to meet changing job requirements, as well as skills gaps that need to be bridged in job transitions.

This study is a collaboration by the Institute of Singapore Chartered Accountants (ISCA), Lee Kuan Yew Centre for Innovative Cities (LKYCIC) at Singapore University of Technology and Design, and Ernst & Young Advisory Pte Ltd (EY).

Lee Fook Chiew, ISCA’s Chief Executive Officer, said, “With this study, we aim to support employees in steering through impending changes to their job roles and changing demands in skill sets. We hope that this study can also enhance business leaders’ understanding of the role

of technology as an enabler in job redesign and spur enterprises to adopt new technologies.”

“Technologies such as AI and advanced analytics/big data can enable faster decision-making and process optimisation, which can sharpen a company’s competitive edge and heighten its business performance. With digital tools such as robotic process automation, finance processes can be redesigned to achieve greater efficiency and productivity, enabling the finance function to focus on business-critical processes,” Mr Lee added.

Apart from helping businesses cope with the new normal, technology adoption can potentially raise the value-add of finance functions to the business. By displacing manual and time-consuming tasks, accountancy and finance professionals can perform higher-value tasks, which in turn addresses the growing demand among the younger workforce for higher-skilled job roles. This can elevate the quality of finance functions in Singapore and build a workforce that is more resilient to technology disruption.

**“Technologies such as AI and advanced analytics/ big data can enable faster decision-making and process optimisation, which can sharpen a company’s competitive edge and heighten its business performance. With digital tools such as robotic process automation, finance processes can be redesigned to achieve greater efficiency and productivity, enabling the finance function to focus on business-critical processes.”**

LEE FOOK CHIEW, Chief Executive Officer, ISCA

<sup>1</sup>GovTech Singapore. (9 June 2020). “30% Increase In FY 2020 ICT Spend To Accelerate Digitalisation & Support Businesses”.



The FA Accounts Executive/Accounts Assistant role can explore transitions such as Clinical Data Manager, Business Intelligence Analyst or Customer Service Representative (Figure 4). For the MA Accounting Executive, three options are similarly displayed – Quality Control System Manager, Logistics Manager or Compliance Manager (Figure 5). These transitions are recommended based on the maximum

overlap in tasks, resilience to automation as well as future demand as they are in high-growth sectors. These options are not meant to be exhaustive but are possible creative options. The task-based approach is utilised here, which identifies similar tasks between the current and new role, and new tasks that the worker needs to be trained in. This helps increase clarity and confidence for workers undergoing transition.

Figure 4 Inter-sector transition pathways (FA – Accounts Executive/Account Assistant)

Job Role	FA - Accounts Executive/Accounts Assistant					
Suggested inter-sector transition	Clinical Data Manager		Business Intelligence Analyst		Customer Service Representative	
Task transition diagram	Similar tasks 	Tasks to train 	Similar tasks 	Tasks to train 	Similar tasks 	Tasks to train 
Type	Emerging role		Emerging role		Adjacent role	
Role Description	The role of the Clinical Data Manager is to apply knowledge of healthcare and database management to analyse clinical data, and to identify and report trends.		The role of the Business Intelligence Analyst is to produce financial and market intelligence by querying data repositories and generating periodic reports. He/she also devises methods for identifying data patterns and trends in available information sources.		The role of the Customer Service Representative is to interact with customers to provide information in response to inquiries about products and services, and also handle and resolve complaints.	

Figure 5 Inter-sector transition pathways (MA – Accounting Executive)

Job Role	MA - Accounting Executive					
Suggested inter-sector transition	Quality Control Systems Manager		Logistics Manager		Compliance Manager	
Task transition diagram	Similar tasks 	Tasks to train 	Similar tasks 	Tasks to train 	Similar tasks 	Tasks to train 
Type	Adjacent role		Emerging role		Emerging role	
Role Description	The role of the Quality Control Systems Manager is to plan, direct and/or coordinate quality assurance programmes. He/She has to formulate quality control policies and also control the quality of laboratory and production efforts.		The role of the Logistic Manager is to plan, direct and/or coordinate purchasing, warehousing, distribution, forecasting, customer service, and/or planning services. He/She has to manage logistics personnel and logistics systems, and direct daily operations.		The role of the Compliance Manager is to plan, direct and/or coordinate activities of an organisation to ensure compliance with ethical and/or regulatory standards.	

### CHANGES TO MID- AND SENIOR-LEVEL ROLES MORE MEASURED

Mid-level roles such as Management Accountant, Finance Manager and Treasury Manager are likely to undergo a less extensive transformation than the junior roles. Their roles will be redesigned and they should focus on upskilling. Their roles will shift to focus more on tasks that complement digital outputs, such as engaging in problem-solving, identifying strategic insights and conveying them across the organisation. Also, they will need to manage digital systems, troubleshoot, validate outputs, and ensure compliance with internal policies and controls.

Senior-level roles such as Financial Controller and Chief Financial Officer can expect changes in job scopes but they will be incremental. There will be growing expectations to provide insights on-demand rather than periodically and to respond with greater agility to the fast-changing business environment. It will be vital for them to know about digital tools and possible use cases for the business.

Overall, accountancy and finance professionals will need to engage in broad upskilling beyond their existing domain expertise. They need a range of hard and soft skills including learning to work with new technologies, understanding cybersecurity issues and developing strong business acumen, among others.

### TRANSITION TO NEW ROLES IN EMERGING FIELDS

Emerging new fields such as data protection and new regulations on data governance could lead to the creation of new roles such as Data Protection Officer. To maximise employee retention, organisations can explore redeploying existing workers to take on these roles.

Figure 6 Transition to new Data Protection Officer role

New role	Data Protection Officer			
Suggested current role	MA - Management Accountant/Financial Planning and Analysis Analyst/Business Analyst		FA - Accountant/Senior Accounts Executive	
Task transition diagram	Similar Tasks 	Tasks to Train 	Similar Tasks 	Tasks to Train 

In the study, the task-based approach was utilised to explore the feasibility of redeploying current employees in the finance function to the new Data Protection Officer role (Figure 6). Findings show that mid-level roles of MA Management Accountant/Financial Planning and Analysis Analyst/Business Analyst and FA Accountant/Senior Accounts Executive were most feasible to be transitioned, out of the 11 finance function roles. Similarly, specific new tasks are identified for employees to be trained in.

### FINANCE AND BUSINESS LEADERS CAN OPTIMISE FINANCE TEAMS THROUGH JOB REDESIGN AND SUPPORT EMPLOYEES THROUGH TRANSITIONS

On the digitalisation journey, small and medium-sized enterprises (SMEs) are likely to face hurdles such as lack of funding and inability to justify the return-on-investment. To address this, the government has rolled out various monetary assistance schemes to help SMEs.

The study further seeks to lower the barrier to transformation for SMEs by introducing the task-based approach. This involves specifying the exact tasks that workers are already equipped to perform, and the new tasks and corresponding skills they must be trained in. This will enable both SMEs and larger companies to be more efficient and effective in their transformation efforts.

Poon King Wang, Director of LKYCIC, said, “Our task research complements

and expands the value of the investments in skills that companies and governments are making. Tasks target the concrete steps leaders and employees can take together to reskill and upskill. This is especially crucial now as leaders and employees expand beyond their conventional expertise to tackle growing business complexity, and to become more versatile and resilient against crisis and disruption.”

In line with shifts in work tasks, employers will need to rethink their strategies regarding recruitment and talent development. In addition, the younger workforce increasingly seeks higher-skilled and meaningful work, flexible working environments and opportunities for development. Employers need to recognise and incorporate these considerations when they redesign roles and manage transitions.

A successful job redesign also entails a mindset change. Finance leaders must manage changes in their workforce arising from job redesign with tact and sensitivity so that they are not incorrectly perceived as a demotion or loss of status. Employers can empower employees – support them in exploring transition pathways, identify specific tasks they need training in, and provide time and financial support for training. It is important to acknowledge that some employees may find it difficult to upskill. The task-based approach can help identify relatively easier transitions that maximise similar tasks and transferable skills to cater to such employees.

There is also growing support for employees to be exposed to a variety of roles when they are in more junior positions such as through job rotations across departments. This can equip employees with a better understanding of how the whole organisation works, thus strengthening their ability to communicate across a variety of disciplines; they will also acquire a broader base of skills.

### CONCLUSION

Successful job redesign is multifaceted. It is crucial to consider a myriad of factors impacting workers and the business, and to balance these priorities. Our study provides a useful reference point for companies in different stages of their job redesign journey. At the same time, companies must consider the nuances that vary by industry, company size and level of digital readiness so that they can develop the most appropriate strategies for their respective businesses.

To read the full report in greater detail, please visit <https://isca.org.sg/jobredesignfinance>. ISCA

#### FOR FURTHER INFORMATION

**ISCA**  
For queries regarding the content of the report, please contact ISCA's Insights & Publications team at [insightsandpublications@isca.org.sg](mailto:insightsandpublications@isca.org.sg).

**LKYCIC**  
For queries regarding the research methodologies employed by LKYCIC, including the task-based framework and inter-sector occupation transitions, please contact: [digitalsocieties@sutd.edu.sg](mailto:digitalsocieties@sutd.edu.sg) (team members: Goh ZI An Galvyn, Radha Vinod, Norakmal Hakim and Darion Hotan).

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For queries regarding the content of the report, please contact Samir Bedi, Partner, People Advisory Services and ASEAN Workforce Advisory Leader at [samir.bedi@sg.ey.com](mailto:samir.bedi@sg.ey.com).

This article was written by the Institute of Singapore Chartered Accountants, Lee Kuan Yew Centre for Innovative Cities at Singapore University of Technology and Design, and Ernst & Young Advisory Pte Ltd.

# ALL THE RIGHT MOVES

*As Singapore's representative in International Ethics Standards Board for Accountants (IESBA), Ms Caroline Lee is a bastion of ethics for the profession. In conjunction with Global Ethics Day on October 21, she talks about the importance of upholding ethics and values.*

**The smarter you are, the more you need to be ethical**, because it's easier for you to rationalise and make something bad look good. This applies to any profession, not just accountants but doctors and lawyers too," says Caroline Lee, member and Singapore's representative at IESBA and a member of its Planning Committee. She is also Partner at KPMG LLP and Asia Pacific Head of Quality and Risk Management.

She highlights recent cases in the UK and Europe. "What happens in the UK doesn't just impact the UK," Ms Lee explains. "If the accounting firm loses a case, its insurance premium and public trust will be impacted. But it doesn't end there; other accountancy firms will also find their insurance premium and level of public trust affected because of the case." When companies experience corporate failure, the finger is automatically pointed at the auditor. "The questions people ask here would be, 'What was the auditors' role

in this? Were they doing their job?'" says Ms Lee. "When the public sees an issue, they look towards the auditor. They don't really differentiate who the auditor is, but they see the profession as one."

Ironically, the issues that keep Ms Lee awake at night are the very things that motivate her. She is passionate about upholding the ethical standards of the profession, which boil down to two basic things: professional competence and strength of character, values and ethics.

The IESBA Code covers five fundamental principles that serve as the ethical anchor for every accountant: integrity (one cannot be bribed), objectivity (not allowing one's judgement to be influenced), confidentiality (keeping information confidential), professional competence and due care (delivering good quality work and exercising scepticism as an auditor) and professional behaviour (not acting in any manner that discredits the profession).

**Caroline Lee**, FCA (Singapore),  
Member, International Ethics  
Standards Board For Accountants

**"The smarter you are, the more you need to be ethical, because it's easier for you to rationalise and make something bad look good. This applies to any profession, not just accountants but doctors and lawyers too."**





### CAREER HIGHLIGHTS

**1987 to 1994**  
Audit, KPMG in Singapore

**1995 to 2001**  
Professional Practice, KPMG in Singapore

**2001 to 2015**  
Risk Management, KPMG in Singapore

**2015 to current**  
Quality & Risk Management, KPMG Asia Pacific

**January 2017 to current**  
Board member, International Ethics Standards Board for Accountants

**April 2019 to current**  
Member, Public Accountants Oversight Committee's Ethics Sub-Committee



**“Ethics are really important, professionally and personally. Everyone should live by a code of ethics – it shouldn’t stop just because it’s our non-professional life.”**

#### THE RIGHT WAY OF DOING THINGS

Ethics is something that every public accountant should exhibit and, if you have it, it’s something to be proud of, opines Ms Lee. Can a person be trained to have strong ethics? In her view, what is more important is to get people to buy in that this is the right way to do things. “We have to constantly communicate – messaging is important. If we point out when something is not right, it becomes a learning moment. If you have a live scenario, regardless of whether it’s a positive or negative one, the lesson sticks better.”

Ms Lee emphasises that professional accountants have a responsibility to speak up if they encounter behaviour or practices that are in breach of the IESBA Code of Ethics for Professional Accountants NOCLAR (Non-Compliance with Laws and Regulations) provisions, which Singapore has adopted. She shares a scenario, “If I’m a junior accountant and I see someone submitting an expense claim using other people’s receipts, or they are not for valid expenses, I have a responsibility to raise it to my supervisor. As the CFO or senior accountant, it’s my responsibility to set up ways for people to report such cases, and to look into each reported case fairly and without retaliation.” But what if it’s the CEO who is committing such acts? “It becomes difficult,” admits Ms Lee.

“But the owners of the company are the shareholders, and there is also a responsibility to the government and tax authorities.”

Doing the right thing takes courage and conviction. Whistleblowing is not for the faint-hearted, but the NOCLAR framework creates protection for those who report wrongdoings. “We do have a responsibility to go beyond protecting our jobs or our supervisors,” Ms Lee asserts. “If you close one eye or let it slide, I believe it will come back and cause you to worry at night. If someone in leadership can lie or cheat with expense claims, what other wrongdoings are they capable of?”

“No amount of money is worth your reputation, and we should do the right thing,” she declares.

#### ETHICS ACROSS CULTURES

Being on the IESBA Board has broadened Ms Lee’s outlook as she works with diverse cultures, races and age groups, and learns how not to discriminate but be open to various perspectives. This is especially important in terms of how different cultures perceive ethics. She cites the example of being invited to the wedding of a client’s child and giving the customary red packet. “When I discuss this with my colleagues from the west, it’s something very foreign to them as it’s viewed as going beyond business relations.” When faced with such situations, her solution is to “stick to the five fundamental

principles, because those are the same regardless of where you are”. Her place on the IESBA Board has also allowed her to bring back that level of thinking to ISCA, and that has led to her being on the Public Accountants Oversight Committee’s Ethics Sub-Committee, “contributing back to Singapore society,” she says.

As a member of IESBA’s Board, Ms Lee is in a unique position to help develop global standards on ethics together with representatives from other countries. “It’s sometimes challenging to put forward views that show we are equally competent and objective, even though we come from a little red dot,” she notes with a smile. “It helps others understand the challenges we face in Singapore.”

#### WHAT IS SUCCESS?

Ms Lee has had a passion for mathematics since she was a child. Her interest was fuelled by her father and it led to her becoming Class Treasurer, entering the Commerce stream and studying Accountancy at the university. “My work is my hobby,” confesses Ms Lee, who is married and has a son. To her, success is “having the public trust in us,” she says. “Warren Buffett said, ‘It takes 20 years to build a reputation and five minutes to destroy it.’ That public trust is something to aim for – we have to act like stewards; we have to protect what previous generations have built.”

In that vein, Ms Lee shares that she has taught her son, 16, values and kindness, and the importance of doing the right thing. “Ethics are really important, professionally and personally. Everyone should live by a code of ethics; behaving ethically shouldn’t stop just because we’re not at work.” ISCA



BY PHILIP CHONG AND MAURYA VELPULA

# DATA PROTECTION AND PRIVACY IN COVID-19 TIMES

How Safe Is Your Personal Information?



**GOVERNMENTS AROUND THE WORLD HAVE MADE (OR ARE MAKING) GREAT EFFORT TO BUILD THEIR CAPABILITIES, ESPECIALLY TO SPEED UP CONTACT TRACING.** With the rise of new waves of infection, the impetus to perform contact tracing is much stronger as countries continue the fight to keep the Covid-19 spread under control.

In the initial days of the spread, contact tracing was manual. Health authorities interviewed infected/suspected patients to identify the places they visited and their close contacts. This process relies entirely on an individual's memory, which may not be accurate and practical when public healthcare systems are under strain or running against the clock.

Accurate data can help speed up this process and contact tracing apps/

solutions promise to deliver exactly that. However, their efficiency depends on the effectiveness of their technology and uptake of the solutions by the population. Resistance from the public due to concerns on data privacy, security, lack of trust in the government and the popular belief that the government may be trying to establish widespread monitoring of its citizens affect the uptake of such solutions.

## WHAT HAS BEEN DONE TO AID CONTACT TRACING IN SINGAPORE?

Singapore entered Phase 2 of its post-circuit breaker reopening on 19 June 2020 where small group gatherings, dining-in at restaurants, retail shopping, exercising in gyms and returning to work are a possibility. It is a "new normal" where all

individuals and establishments have to adhere to safe management measures. In addition to physical distancing measures, everyone is required to log in and out of all the commercial places they visit.

The Singapore government introduced SafeEntry – a national digital check-in system, TraceTogether – a community-driven contact tracing app, and TraceTogether Token – a physical device. These solutions are part of its efforts to cover as much ground as possible. Figure 1 provides more details of Singapore's Covid-19 contact tracing solutions.

## WHAT ARE THE SAFEGUARDS PUT IN PLACE?

While the solutions look promising in aiding contact tracing, the key questions are whether they are safe for use and whether the citizens' concerns on privacy are valid.

According to the Personal Data Protection Commission (PDPC)'s advisory on contact tracing<sup>1</sup>, the personal data of visitors/employees (including NRIC/FIN/Passport numbers) can be collected and used for the purposes of contact tracing and other responses in the event of an emergency that threatens the life, health or safety of other individuals. Organisations must comply with the Personal Data Protection Act (PDPA) and make reasonable security arrangements to protect the personal data from unauthorised access or disclosure, and ensure that the personal data is not used for other purposes without consent or authorisation under the law.

That said, the contact tracing solutions implemented by the Singapore government are exempt from PDPA. However, this does not mean that these solutions need not follow the key principles of data privacy and protection. Public sector agencies have to comply with Government Instruction Manuals and the Public Sector (Governance) Act (PSGA). Collectively, these provide comparable, if not higher, standards of data protection compared to the PDPA<sup>2</sup>, and similar investigations and enforcement actions are taken against data security breaches.

Figure 1 Singapore's Covid-19 contact tracing solutions

	SafeEntry	TraceTogether	TraceTogether Token
<b>What is this?</b>	A national digital check-in system to register entry/exit on premise.	A mobile application that enables community-driven contact tracing.	A physical device which aims to extend the protection provided by digital contact tracing tools to those who may not own or prefer not to use a mobile phone for contact tracing.
<b>How does it help?</b>	SafeEntry centres on the principle that the virus can be transmitted through surfaces. It logs in the details of any visitor entering a premise. In the event of any confirmed case, health authorities can be informed of individuals who were at the premise at the same time (within 1 hour) as the identified individual(s). This helps authorities in contact tracing and identification of COVID-19 clusters.	TraceTogether centres on the close proximity aspect of how the virus is transmitted. It also covers interactions in open spaces/outdoors where SafeEntry does not have coverage. It exchanges Bluetooth signals with other nearby phones or tokens, thereby allowing the identification of people who were in close proximity to an infected person using the proximity data collected. This is especially useful in cases where the infected persons do not know everyone they might have come across.	
<b>Where is it installed?</b>	Hotspots, workplaces, restaurants, taxis and public venues.	On users' smart mobile devices.	A wearable physical token to be carried by individuals.
<b>Is it mandatory?</b>	Yes – it is a common system used by all establishments so that data can be easily available to health authorities.	No, this is voluntary. With 2,300,000 users, the uptake is approximately 38% of Singapore's population.	No, this is voluntary. The government has prioritised distributing the first batch to senior citizens.
<b>What data is collected/stored?</b>	NRIC/FINs and mobile numbers.	At the point of registration, mobile number and NRIC/FINs are collected and a User ID is created. During the Bluetooth exchange, only a Temporary ID is registered. This is generated by encrypting the User ID with a private key held by the Ministry of Health.	
<b>How is data collected?</b>	Scanning of QR code or ID card, or through SingPass app.	Bluetooth technology (BlueTrace).	
<b>What are the cons?</b>	More false positives as a person may not be in close proximity with everyone at a location, but will still be alerted when a confirmed case is detected. Check-in/out might cause long queues at the entrances/exits. It does not cover open spaces.	Efficiency is dependent on the effectiveness of the technology in registering proximity accurately. Users face technical challenges/ battery drain on Apple devices as it needs to be active in the foreground, resulting in low take-up by iPhone users.	Efficiency is dependent on the effectiveness of the technology in registering proximity accurately. Also, the individual must remember to carry it everywhere and it is more prone to be misplaced.

<sup>1</sup> Advisories on Collection of Personal Data for Covid-19 Contact Tracing and Use of SafeEntry (2020). Personal Data Protection Commission Singapore

<sup>2</sup> Felicia Choo. "Parliament: Public agencies not governed by PDPA because of fundamental differences in how they operate" (1 April 2019). *The Straits Times*

Figure 2 shows the safety measures put in place and how they measure up to the requirements of Singapore's PDPA, solely based on a review performed on their privacy notices and FAQs.

The measures stated earlier allow us to safely conclude that these solutions are not intrusive. Nonetheless, there are points that are still unclear:

**+** The extent to which there may be disclosure to a range of government agencies outside of the Ministry of Health and overseas

The TraceTogether app and SafeEntry system were developed by the Government Technology Agency (GovTech). Data collected via these solutions are stored in a government server and the government is the custodian of the data. For contact tracing and Covid-19 control measures, various departments might work together and hence, data might be disclosed internally. While this is still within government boundaries and each department is subject to the same stringent measures, protecting the data shared needs to be done by all the departments involved to be effective.

Also, if contact tracing identifies individuals who are no longer in the country, it is not clear if the overseas authorities will be informed. When disclosing information overseas, the data should be protected to avoid unintended leakage during transfer, and efforts should be made (which might be difficult to enforce in the first place) such that the overseas authorities do not use the data for any other purposes, particularly if it is a Singaporean who has gone overseas.

**+** If there was a privacy impact assessment (PIA) and or a privacy by design analysis (PbD) conducted

A PIA helps identify and assess the privacy risks inherent in a process, system or initiative. As best practice, a PIA is recommended before system implementation so that adequate measures can be taken to address the privacy risks identified. In the spirit of transparency and accountability, PIAs should be conducted for contact tracing solutions given that the processing is likely to result in a high risk to the rights and freedom of individuals. Both Australia and New Zealand have published their PIAs for COVIDSafe and NZ COVID Tracer apps on their Ministry of Health websites respectively. These

Figure 2 Safety measures compared against Singapore's PDPA requirements

	SafeEntry	TraceTogether	TraceTogether Token
<b>1. CONSENT</b> Only collect, use or disclose personal data when an individual has given his/her consent.	Consent is deemed given as it allows entry into a premise.  Also, collection, use or disclosure of data is allowed as per the PDPA advisory for the purpose of contact tracing or emergency response.	Consent is given by the user upon download and registration of the app, or upon registration for the token.  Users may request for their identification data to be deleted on government servers, unless their proximity data has already been uploaded as a confirmed case.	
<b>2. PURPOSE LIMITATION</b> Collect, use or disclose personal data about an individual only for the purpose for which he/she has given consent.	Only for contact tracing.		
<b>3. NOTIFICATION</b> Notify individuals of the purposes for which you intend to collect, use or disclose their personal data.	Notice provided at the entries/exits.	Notice provided while downloading the app.	Notice provided while registering for the token.
<b>4. ACCESS &amp; CORRECTION</b> Upon request, provide to an individual their personal data and information on how it may have been used in past year.	Only NRIC/FINs and mobile numbers are collected.  Daily entry/exit logs cannot be shared and it is not classified as personal data.	Only NRIC/FINs and mobile numbers are collected.	
<b>5. ACCURACY</b> Ensure that personal data collected by, or on behalf of, your organisation is reasonably accurate and complete.	Accuracy is maintained through the QR code or scanning of ID or SingPass.	Accuracy is maintained through the Bluetooth technology, which automatically logs information.	
<b>6. PROTECTION</b> Make security arrangements to protect the personal data that you possess to prevent unauthorised access, collection, use, etc.	Only used by authorised personnel, and measures are in place to safeguard the data in accordance with the Government's data security standards.  Only authorised public officers will have access to the data. Under the PSGA, public officers who recklessly or intentionally disclose the data without authorisation, misuse the data for a gain, or re-identify anonymised data may be found guilty of an offence and subject to a fine of up to S\$5,000 or imprisonment of up to 2 years, or both.	Mobile number and NRIC/FINs are stored on a secure server. Does not collect data on GPS location, WiFi or mobile network.  Temporary ID can only be decrypted by the Ministry of Health (MOH), and does not reveal the user identity or the other person's identity. Data of phones near the user is stored securely on the user's phone, and will only be shared with MOH if the user is tested positive for COVID-19, for the sole purpose of contact tracing. Collects anonymised data about the device and app (e.g. device model, app version) to help improve the app and provide a better user experience.	Does not collect data about GPS location or WiFi or mobile network.  Temporary ID can only be decrypted by MOH, and does not reveal the user identity or the other person's identity. Data of phones/tokens near the user is stored securely on the token, and will only be shared with MOH if the user is tested positive for COVID-19, for the sole purpose of contact tracing.
<b>7. RETENTION LIMITATION</b> Cease retention of personal data or disassociate it with individuals once it no longer serves business or legal purposes.	The data collected through SafeEntry is retained for 25 days.	The anonymised Bluetooth data stored in the phone/token is automatically deleted after 25 days.	
<b>8. TRANSFER LIMITATION</b> Transfer personal data to another country only in compliance with regulatory requirements of both nations.	Disclosure is only limited to government agencies/authorised entities for the purposes of contact tracing and responding to emergencies. Unclear about international transfer.		
<b>9. ACCOUNTABILITY</b> Make information about your data protection policies, practices and complaints process available on request.	The Privacy Statement and FAQs are available on the SafeEntry website.	The Privacy Statement and FAQs are available on the TraceTogether website.	

PIAs provide more details on information collection, data flows, security, governance and data access and hence, there is more transparency.

PbD is also a best practice; it recommends building privacy aspects proactively into the design, operations and management of a given system or

process. Using this framework, privacy requirements are built into the system from the design stage itself instead of being incorporated as an afterthought. A PbD analysis will give additional comfort that the contact tracing solutions have been built taking into consideration the privacy aspects.

**+** Timing of when the data will be deleted from the central server if pulled from the mobile app/token for contact tracing is unknown

While it is clear that the contact tracing solutions will be discontinued after contact tracing ceases, it is unclear how long the data, which was already uploaded into the server, will be kept. Even though it may be difficult to determine at this point, a reasonable retention period should be decided on – would it be to delete the data of infected individuals after they fully recover, once contact tracing ceases, wait till Covid-19 is totally eradicated or any other reasonable timeline? At the end of this period, the information should be safely discarded to avoid any future use/misuse and accidental disclosure.

**HOW DO THE SINGAPORE CONTACT TRACING SOLUTIONS COMPARE AGAINST THE REST OF THE WORLD?**

According to a research by Linklaters<sup>3</sup>, as of April 2020, 28 countries have launched official contact tracing solutions and a further 11 more are developing one.

The types of solutions/apps (Figure 3) that are available in these countries can be classified according to whether:

- they use GPS location or Bluetooth proximity data;
- the data is centrally stored or decentralised, and
- the data is uploaded in real time or as necessary.

While these solutions are government-funded/developed, their security has also come into question. A major security vulnerability was identified in Qatar's Ehteraz app, exposing sensitive personal data of over a million people. This is disturbing news especially considering that this app was mandatory. Another example is an app developed by North Dakota, which failed to abide by its own policy. It shared user location with Foursquare, which is a geolocation-advertising service. In a race to combat Covid-19, governments and organisations might launch solutions/apps without enough protection to safeguard them.

<sup>3</sup> "38 countries race to launch official Covid-19 tracking apps to reduce the spread of the virus" (16 April 2020). Linklaters

The different contact tracing solutions used also show the varying methods governments have undertaken to monitor and trace movements. While invasive mass surveillance methods are the most effective, they bring up burning questions around violating privacy and human rights. This extensive data also needs to be heavily safeguarded (for example, through encryption, anonymisation, etc) to avoid misuse.

On the other hand, non-invasive and voluntary solutions/apps have yet to show their effectiveness due to the low uptake and technical issues. However, they are far better in terms of protecting privacy as they are lawful, proportionate to the needs, limited in scope, time bound and anonymised, thereby posing a lower risk of marginalising and discriminating individuals. Efforts to allay fears and garner support for these solutions/apps are currently insufficient and should be ramped up by governments to increase uptake. One recommendation is to make these solutions mandatory for a fixed period of time, maybe till the end of 2020, and ensure all the security measures are in place to protect the user data from exposure or misuse.

We are in unprecedented times. How far can organisations and governments go in trying to prevent the spread of Covid-19? When it comes to a matter of public health and survival, where should we draw the big red line? Unfortunately, there is no right answer, and it depends on trust – in the government and in the people. ISCA

**Tips: What can you do to safeguard your data?**

- Most importantly, ensure that your mobile device is secured as it now contains a lot of data.
- When using phone cameras to scan the QR code, ensure that they are directing to the SafeEntry website (that is, gov.sg domain) and avoid scanning malicious QR codes.
- Alternatively, use the SingPass Mobile application; this is recommended as it does not require manual data to be entered and hence, has fewer chances of keylogging.
- If a particular premises is using its own check-in interface (for example, the check-in system at some malls/retailers that incorporates both loyalty membership requirements and the SafeEntry system), ensure that you clearly understand the terms and conditions, and the purposes for which the data might be used, which may extend beyond contact tracing.

Philip Chong is Risk Advisory Executive Director, and Maurya Velpula is Director, Deloitte Southeast Asia.

Figure 3 Contact tracing solutions around the world

Considered most invasive - Mass surveillance	Considered less invasive - decentralised GPS tracking	Considered least invasive - decentralised Bluetooth tracking
Bahrain (BeAware Bahrain), Kuwait (Slonik) and Norway (Smittestopp) contact tracing apps are considered the most invasive as per a review conducted by Amnesty International in June 2020.  These systems actively carry out live or near-live tracking of users' locations by frequently uploading GPS coordinates to a central server. Norway has since paused its app.  Bahrain, in particular, used contact information collected from the app for a television show "Are you at home?" where 10 randomly selected numbers were called during the show every day to check if they are at home and given a prize if they were. Participation was initially mandatory which was later made optional.  China also has mass surveillance on its citizens. Mobile phone roaming, GPS data, identity verification system at subways/movie theatres, traffic, rail and flight information was collated/used to keep track of people movement/gauge exposure to the suspected/confirmed case.  Tech giants such as WeChat and payment platform Alipay released colour based QR codes to label "how safe a person is". Using a composite of voluntarily surrendered personal data and city municipal data, a three-colour code is generated: green for "safe", yellow requiring a seven-day quarantine and red for a 14-day quarantine.  South Korea has also undertaken mass surveillance. Information methods typically collected/used by law enforcement agencies are repurposed for public health use. Credit and debit card transactions, phone logs and facial recognition from extensive network of surveillance cameras was used to trace movement of people prior to being tested positive.	Qatar's (Ehteraz) app is capable of optionally activating live location tracking of all users or specific individuals.  The tracing app from Iceland (Rakning C-19) uses a centralised model as well, but location data is uploaded only when the user voluntarily reports themselves as symptomatic or upon request by the authorities.	Tracing apps from Singapore (TraceTogether), Malaysia (MyTrace), France (StopCovid), and United Arab Emirates (TraceCovid) use a centralised model as well, but Bluetooth data on the contact is uploaded only when the user is tested positive.  While these apps are least invasive, they have been riddled with technical issues. They do not operate in the background and drain battery life. Bluetooth technology is also being debated as being imprecise or unstable. Hence, the uptake has been insufficient to be effective (less than 60% of the population).





BY KEVIN KOH AND LAU CHEW KING

DON'S COLUMN

# DIVERSITY AND INCLUSION FOR BUSINESSES AND ACCOUNTANCY PROFESSION

A Strategic Priority During The Covid-19 Pandemic

**DIVERSITY AND INCLUSION AT THE WORKPLACE** have always been important issues with critical implications for businesses, but there is a very real risk that diversity and inclusion practices may now be relegated to the back seat as a strategic priority as businesses confront unprecedented disruptions as a result of Covid-19. This may be due to the unintentional consequences of companies figuring out how to respond to the pandemic crisis as they address their most basic needs to survive, such as managing the finances, adapting to new business models, consolidating workforce capacity, and ensuring the safety of their employees and stakeholders. However, we caution that companies which deprioritise the diversity and inclusion practices may place themselves at a disadvantageous position for future growth and subsequent renewal after the pandemic. The benefits of team diversity in processing relevant information and reconciling conflicting viewpoints in a complex environment is even more critical as companies navigate through unprecedented disruption and uncertainty in this ongoing crisis.

## WORKPLACE DIVERSITY AND INCLUSION PRACTICES IN SINGAPORE

Even before the Covid-19 pandemic, Singapore has not performed well in the world in terms of workplace diversity and inclusion practices. In September 2019, consulting firm Kantar released its

inaugural Kantar Inclusion Index that polled employees in 14 countries; Singapore emerged the second-worst performing country in terms of workplace diversity and inclusion practices. Around the same time, Singtel was listed as the only Singaporean company to make the top 100 most diverse and inclusive organisations in the world in a different poll by Refinitiv, a financial data market company. The Refinitiv D&I Index looked at 400 environmental, social and governance (ESG) data points to determine the relative performance of over 7,000 publicly listed companies across the globe, scoring organisations on the four main pillars of diversity, inclusion, people development and controversies. Singtel ranked 79th, and was among 23 Asia-Pacific companies that made the top 100 list. Earlier in March this year, Singapore's Council for Board Diversity announced that the

largest 100 primary-listed companies on the Singapore Exchange (SGX) achieved 16.2% women's participation on boards as at end-2019. While progress has been made, albeit an improvement of one percentage point from the previous year, it raises concerns whether the council's intermediate target of hitting 20% women's participation on boards can be achieved by the end of 2020.

## WORKPLACE DIVERSITY AND INCLUSION PRACTICES IN THE ACCOUNTANCY PROFESSION

Worldwide, the diversity and inclusion practices in the audit and accountancy profession also require further positive action. In its 2019 report on the trends in the accountancy profession in the United Kingdom (UK), the Financial Reporting Council (FRC) highlighted that the audit and accountancy profession is lagging behind other businesses for the diversity

**The benefits of team diversity in processing relevant information and reconciling conflicting viewpoints in a complex environment is even more critical as companies navigate through unprecedented disruption and uncertainty in this ongoing crisis.**



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... the positive effects of audit partner diversity on audit quality are even more pronounced if the audit partners are more experienced and have been working together as a team for a longer period of time.

of senior management. The statistics revealed that while women make up 46% of manager-level roles at audit and accountancy firms, only 17% of women achieve partner-level positions in the UK. This contrasts significantly with diversity levels in the FTSE 350 companies in which women filled 30% of the executive board positions. The FRC noted the irony that many of these audit and accountancy firms advise their clients on diversity and inclusion practices, and yet performed worse than their clients in general. Even more concerning is the fact that one third of the UK audit and accountancy firms do not even collect diversity data for their workforce. In particular, the FRC called for the UK firms to do more to improve the pipeline of future talent and promote women, ethnic minority groups and disabled people to the top levels of management.

#### BUSINESS CASE FOR DIVERSITY IN THE ACCOUNTANCY PROFESSION

The relationship between work group diversity and performance has been extensively studied in the field of organisation behaviour. There are two viewpoints of how group diversity affects performance, namely, the information perspective and the social categorisation perspective.

The information perspective suggests that diverse groups possess a broader range of task-relevant knowledge, skills and abilities that are distinct and non-redundant, which enable these groups to outperform homogeneous groups that may suffer from group think.

<sup>1</sup> Hardies, K., Breesch, D. and Branson, J. (2015). "The Female Audit Fee Premium". *Auditing: A Journal of Practice & Theory* 34(4), 171-195

<sup>2</sup> Cameran, M., Ditillo, A. and Pettinicchio, A. (2018). "Audit Team Attributes Matter: How Diversity Affects Audit Quality". *European Accounting Review* 27(4), 595-621

<sup>3</sup> Koh, K., Li, L., Liu, X. and Wang, C. (2020). "The Effect Of Audit Partner Diversity On Audit Quality: Evidence From China". *Working Paper*, Nanyang Technological University, University of International Business and Economics, and Central University of Finance and Economics

The social categorisation perspective, however, proposes that team diversity may induce within-team conflicts and negatively affect team performance. This is because individuals use similarities and differences as a basis to categorise themselves and others into their own in-group or out-group. However, research studies have yielded mixed results, suggesting that the relationship between team diversity and performance is also dependent on the task setting.

Academic research on how team composition and diversity affect performance in audit firms are scant due to the limited availability of detailed data on team composition in audit engagements. A study finds that in Belgium, client firms pay higher audit fees to female audit partners.<sup>1</sup> The authors conclude that the audit fee premium commanded by female engagement partners may be due to client firms perceiving female partners as delivering higher audit quality compared to their male counterparts. Another study which examines Italian Big Four firms also find that an audit team with a greater diversity of educational background among team members and a higher proportion of women in senior positions of the engagement team improve audit quality.<sup>2</sup>

Diversity within the engagement team is important, but diversity between the leading partners in an audit engagement is also crucial to audit quality. Using available data from CPA firms in China, a recent study conducted by one of the authors finds that the diversity between the signing partner and review partner enhances audit quality.<sup>3</sup> In particular, diversity in audit partner teams' educational background, gender and generational cohort all positively affect audit quality. In addition, the positive effects of audit partner diversity on audit quality are even more pronounced if the audit partners are more experienced and have

been working together as a team for a longer period of time. These findings suggest that in a complex task setting such as auditing, the diversity between the signing partner and review partner will enable them to possess different opinions and perspectives on audit engagement. This helps reduce the judgement biases that each partner has when interpreting, implementing and enforcing the accounting and auditing standards for their client firms. Furthermore, the need to reconcile conflicting viewpoints may require the leading partners to process relevant information more thoroughly during the audit engagement, thus resulting in higher audit quality.

In the same study, CPA firms in China were surveyed and the findings revealed that although CPA firms consider the diversity of audit partners in client assignments, most firms only consider diversity in work-related experience (for example, types of industry specialisation) for each client assignment. Thus, audit firms are less likely to be aware of the positive impact from audit partner team diversity embedded in educational background, gender and generational cohort on audit quality. The study highlights the importance yet possibly overlooked team characteristics that should be considered in practice during team assembling for client assignment.

#### CONCLUSION

The Covid-19 pandemic has caused unprecedented disruption to the business environment and caused disproportionate social impact on minority groups. Companies, in their focus to survive, are likely to deprioritise diversity and inclusion practices. To ride through this crisis and prepare for future growth after the pandemic, we caution that the companies, including accounting firms, should not lose focus on diversity and inclusion practices as a strategic priority. Companies should not only focus on middle management but also continue to improve the pipeline of future talent and promote employees in the minority groups to top management. The benefits of team diversity in processing relevant information and reconciling conflicting viewpoints in a complex environment is even more critical during these challenging times for companies to survive and prosper in the new normal. ISCA

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# TECHNICAL HIGHLIGHTS



## ETHICS

### ISCA RESPONDS TO SGX REGCO ON ENHANCEMENTS TO ENFORCEMENT AND WHISTLEBLOWING FRAMEWORKS

Whistleblowing policies and practices are critical elements of issuers' internal control system and corporate governance. ISCA agreed that issuers should disclose how they have complied with best practices on whistleblowing. We highlighted the need for more guidance surrounding the design of the whistleblower mechanism to ensure effectiveness.

We also proposed two additional best practices:

- (1) Reporting channel for whistleblower to report anonymously, and
- (2) Disclosure commitment to timely investigations and more transparent reporting.

In the area of anonymous reporting, we shared that current technology allows for both anonymous reporting and two-way communication. Hence, SGX RegCo can consider requiring issuers to provide an option for whistleblowers to report anonymously as long as two-way communication is enabled for the whistleblower to provide further information for investigation.

For more information, please visit

[https://isca.org.sg/media/2824998/isca-cl-sgx-cp\\_-whistleblowing-submission.pdf](https://isca.org.sg/media/2824998/isca-cl-sgx-cp_-whistleblowing-submission.pdf)

### ISCA ISSUES EP 100 (REVISED ON 14 AUGUST 2020) TO ADOPT IESBA'S RESTRUCTURED CODE AND INDUCEMENT PROVISIONS

New additions include an enhanced conceptual framework, more robust safeguards provisions to address threats to fundamental principles, strengthened provisions pertaining to offering or accepting of inducements and application guidance on professional judgement and professional scepticism. EP 100 (Revised on 14 August 2020) is expected to be effective as of 1 March 2021.

For more information, please visit

<https://isca.org.sg/ethics/ethics-pronouncements-and-implementation-guidances/>

## FINANCIAL REPORTING

### ISCA ISSUES REVISED FRB 6 ON ACCOUNTING OF JSS GRANT

FRB 6 (Revised Sep 2020), issued on 25 September 2020, provides accounting guidance and key considerations on how to account for payouts receivable by employers under the Jobs Support Scheme (JSS).

FRB 6 (Revised Sep 2020) has been updated from FRB 6 (Revised) (issued on 15 July 2020) for the following developments:

- extension of JSS by up to seven months (but at lower support levels) to cover wages paid from September 2020 to March 2021, and
- adjustment of the base tiers of JSS support for September 2020 to March 2021 for all sectors.

There is no change to the views and guidance from those shared in FRB 6 (Revised) as a result of the above developments.

For more information, please visit

<https://isca.org.sg/tkc/fr/financial-reporting-bulletins/>

### ASC ISSUES ANNUAL IMPROVEMENTS TO SFRS(I)S AND FRS STANDARDS

The ASC has issued Annual Improvements to SFRS(I)s 2018-2020 and Annual Improvements to FRSs 2018-2020, effective for annual reporting periods beginning on or after 1 January 2022.

For more information, please visit

<https://www.asc.gov.sg/current-news>

### IASB ARTICLE: REVIEW OF THE IFRS FOR SMES STANDARD – WHAT DOES ALIGNMENT MEAN?

IASB has published a Request for Information as part of the second comprehensive review of IFRS for SMEs Standard. The objective is to seek views on whether and how aligning the IFRS for SMEs Standard with full IFRS Standards could better serve users of financial statements without causing undue cost and effort for SMEs. In this article, IASB Board member Darrel Scott provides additional context for discussions on the alignment and shares his views.

For more information, please visit

<https://www.ifrs.org/news-and-events/2020/08/review-of-the-ifrs-for-smes-standard-what-does-alignment-mean/>



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BY NG ENG JUAN

## DON'S COLUMN

# SIA'S MANDATORY CONVERTIBLE BONDS

From The Investors' Perspective

**SINGAPORE AIRLINES LIMITED (SIA)** has recently issued S\$3.5 billion of mandatory convertible bonds (MCB), together with S\$5.3 billion of ordinary shares under its Rights Issue. While the rights shares were over-subscribed, the rights MCB were under-subscribed by more than 40% and were ultimately taken up by Temasek, the controlling shareholder.

This article discusses the risks and returns from investments in the MCB, and how these returns are to be accounted for in the investors' financial statements.

Firstly, here are some important features of the MCB, from the investors' perspective:

- The MCB were issued in the denomination of S\$1 each, at par, to SIA's existing shareholders, on the basis of 295 MCB for every 100 existing shares held;
- Before the maturity date, SIA has the option to redeem the MCB, in whole or in part, based on the accreted principal amount (which is calculated to give the MCB holders an annualised yield of 4%, semi-annually compounded, during the first four years, 5% during the fifth to seventh year, and 6% during the eighth to 10th year, with the changes in yield effected retrospectively);
- Upon maturity (which is 10 years from

the issue date of 5 June 2020), SIA will convert the MCB into its ordinary shares on the ratio of 0.373 ordinary shares for each MCB (calculated as the "final accredited principal amount" of S\$1.806 divided by the "conversion price" of S\$4.84), or 2.68 of MCB for every ordinary share, and

- No interest or dividend is payable on the MCB.

## THE EXPECTED RISKS AND RETURNS

For the investors, the best-case scenario is either (1) SIA redeems the MCB in the 10th year, or (2) SIA converts the MCB into SIA shares at the maturity date and the market price of SIA shares at that date is not lower than S\$4.84 per share. Under each of these circumstances, investors will earn an annualised yield of 6%, compounded semi-annually, for 10 years.

If SIA redeems the MCB before the maturity date, the investors' yield will depend on the timing of the redemption.

- If it is during the first four years, investors will earn an annualised yield of 4%, compounded semi-annually;
- If it is during the fifth and the seventh year, the yield will increase to 5%, and
- If it is during the eighth and the 10th year, the yield will be 6%.

The maximum yield from MCB is an annualised yield of 6%, compounded semi-annually. However, the yield could very well be less than 6% or even be negative.

## The yield from MCB investment will be the mark-to-market gain/loss at each year-end, and these gains/losses may be recognised either as “profit or loss” or as “other comprehensive income”.

If SIA does not redeem the MCB, it has to convert the MCB into shares on the maturity date. Then, the investors' yield will depend on the market price of SIA shares at the date of conversion (after factoring in the effects of the conversion of the MCB).

- + If the market price is S\$4.84 per share, investors will earn an annualised yield of 6%, compounded semi-annually;
- + If the market price is less than S\$4.84 but more than S\$2.68 per share, investors will still earn a positive yield of between 0% and 6% depending on the prevailing share price;
- + If the market price is exactly S\$2.68 per share, the yield will be zero, and
- + If the market price is less than S\$2.68 per share, the yield will be negative.

Purely from a finance perspective, if the market price of SIA shares is more than S\$4.84 per share at the maturity date, SIA will not convert the MCB into shares, because it would be more advantageous for SIA to issue new shares and use the proceeds therefrom to redeem the MCB. However, it is possible that SIA might still choose to convert the MCB into shares to allow its MCB holders to benefit from the price appreciation of its ordinary shares.

The above yields are calculated based on the cost of investment at S\$1 per MCB at the issue date (without taking into account the cost of the MCB rights, which is in fact quite negligible as they have been traded at less than one cent per right).

How about other risks? Like in all investments, the MCB investors will face credit risk and liquidity risk.

As both the Singapore government and Temasek have pledged their support for SIA, the credit risk may therefore be considered negligible, unless there is a devastating structural change in the aviation industry.

As for liquidity risk, one positive

point is that the MCB will be traded on the Singapore Exchange. However, given the less-than-enthusiastic response to the subscription for the rights MCB, there is no assurance that there will be an active market for the MCB investors to cash out. Further, it may be noted that, from the viewpoint of cash management, it is not likely that SIA will redeem the MCB. Redemption of the MCB will involve cash outflow, whereas conversion of the MCB into shares will not affect cashflows. A possible scenario where SIA may redeem the MCB is where SIA is able to borrow a large sum of funds at a very low cost and/or SIA shares are expected to trade at a very high market price.

### ACCOUNTING FOR THE RETURNS FROM MCB

The accounting standard that governs investment in financial assets is International Financial Reporting Standard 9 (IFRS 9) *Financial Instruments*, issued by the International Accounting Standards Board. This has been adopted in Singapore as SFRS(I) 9 *Financial Instruments* for listed companies, and as FRS 109 *Financial Instruments* for non-listed companies.

For purposes of accounting, IFRS 9 requires financial assets to be categorised into two classes depending on whether the contract terms of the financial assets give rise to cashflows that are solely payments of principal and interest. If they do, the financial assets are classified as “SPPI” (for “solely payments of principal and interest”); otherwise, the financial assets are classified as “Non-SPPI”.

The MCB are Non-SPPI, because the contract terms of the MCB provide for no interest payments and no principal repayment.

For Non-SPPI, IFRS 9 requires the use of the “fair value through profit or loss (FVPL)” method of accounting. Under the FVPL method,



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the investments have to be fair-valued at each year-end and the gain/loss arising therefrom recognised as profit or loss in the income statement.

However, for Non-SPPI that are instruments (as the MCB are) and are intended to be held for the long term, IFRS 9 allows the investors to make an irrevocable election to apply the “fair value through other comprehensive income (FVOCI)” method of accounting. Under the FVOCI method, the investments have to be fair-valued at each year-end and the gain/loss arising therefrom recognised as “other comprehensive income”.

Thus, for recognition of the yearly returns from investment in the MCB, the investors will have to fair-value (or mark-to-market) the MCB at each year-end and recognise the gain/loss arising therefrom as “profit or loss” or as “other comprehensive income”.

At maturity date, when the MCB are converted to shares, investors will just change the account from “Investment in MCB” to “Investment in shares”. No gain/loss will arise on conversion, as the MCB will have to be marked-to-market immediately before they are converted.

Should the MCB be redeemed during its term, investors will just change the account from “Investment in MCB” to “Cash”. Again, no gain/loss will arise on redemption, as the MCB will have to be marked-to-market immediately before they are redeemed.

### CONCLUSION

The maximum yield from MCB is an annualised yield of 6%, compounded semi-annually. However, the yield could very well be less than 6% or even be negative. The investors' yield is restricted mainly because the redemption and conversion options are only exercisable by SIA (not by the MCB holders). In a sense, the MCB holders are the writers and SIA is the holder of the options.

The yield from MCB investment will be the mark-to-market gain/loss at each year-end, and these gains/losses may be recognised either as “profit or loss” or as “other comprehensive income”. No gain/loss will be recognised upon redemption or conversion of the MCB. ISCA

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BY FELIX WONG AND ANGELINA TAN

## GET PRACTICAL WITH GST

Reverse Charge And Cashflow Improvement Opportunities For GST

### 2020 HAS BEEN AN EXTRAORDINARY YEAR OF CHANGES FOR BUSINESSES.

The year also saw Singapore's Goods and Services Tax (GST) marking a milestone with the implementation of the reverse charge (RC) mechanism on 1 January 2020.

Then Covid-19 hit Singapore, and GST is again in the spotlight. "Cashflow is the lifeblood of a business. In a downturn, GST could be leveraged for its cashflow improvement opportunities to potentially alleviate business pressure and ease cashflow crunch during these challenging times," shared Accredited Tax Advisor (GST) Danny Koh, Indirect Tax Partner, Deloitte & Touche LLP. He was speaking at a webinar organised by the Singapore Chartered Tax Professionals where he highlighted important issues businesses should look into in these key areas.

### REVERSE CHARGE: AN OVERVIEW

Since 1 January 2020, recipients of business-to-business (B2B) imported services are responsible to account for GST on the value of the services acquired from outside Singapore under the new RC regime.

Specifically, a GST-registered person who is not entitled to full input tax credit (or belongs in a GST group that is not entitled to full input tax credit) and procures services from outside Singapore must account for GST on the value of its imported services as if it were the supplier



**Accredited Tax Advisor (GST) Danny Koh, Indirect Tax Partner, Deloitte and Touche LLP, shared his insights on the reverse charge mechanism and cashflow improvement opportunities for GST**

(to the extent that these imported services fall within the scope of RC).

### Persons subject to RC

It is important to note that RC does not affect GST-registered persons who are entitled to full input tax credits, or that belong to a GST group that is entitled to full input tax credits.

Businesses that could be affected by RC include, but are not limited to, partially exempt businesses (such as developers of mixed-use properties and banks), fully taxable businesses that are GST group registered with partially exempt members, and investment holding companies that derive only dividend income (as they do not make any taxable supplies).

Non-GST registered persons who procure imported services (within the scope of RC) exceeding S\$1 million in a 12-month period (either under retrospective or prospective basis), and would not be entitled to full input tax credit if GST-registered, are liable for GST registration under the RC mechanism.



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### Scope of imported services

RC is applicable to all imported services unless they are exempt, zero-rated, provided by the government of a jurisdiction outside Singapore, or directly attributable to taxable supplies (for persons subject to RC (RC Business) that are not prescribed a fixed input tax recovery rate or on special input tax recovery formula to be applied on all input tax claims).

It should be noted that when a supply of imported services has been subject to Singapore GST previously, an RC Business is not required to account for GST on the imported services to the extent that the supply has been taxed in Singapore.

### Time and value of supply

The general time of supply rule for RC is the earlier of when an invoice in respect of the supply is issued and when payment is made. For RC Businesses that have elected to apply RC at the end of the longer period, the time of supply would be the day immediately after the last day of the longer period.

There are situations where RC Businesses must track the Basic Tax Point (that is, the time the imported services were performed). These are when the RC Business needs to determine, for example:

- (i) whether an imported service that straddles GST registration date is subject to RC,
- (ii) whether an imported service that straddles deregistration date is subject to RC, and
- (iii) the time of supply for a supply of imported services procured from a connected party when no invoice has been issued and no payment has been received.

If there are transfer pricing (TP) adjustments to be made to a previous supply of imported services subject to RC, GST adjustments should be made on the RC transaction in the current accounting period when the TP adjustment is made, based on the earlier of when the invoice or credit note in respect of the TP adjustment was issued, and when payment in respect of the TP adjustment was made.

In terms of the value of imported supply, where an RC Business pays the overseas supplier for the imported services wholly in money, the value would be equal to the consideration



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Businesses that could be affected by RC include, but are not limited to, partially exempt businesses (such as developers of mixed-use properties and banks), fully taxable businesses that are GST group registered with partially exempt members, and investment holding companies that derive only dividend income (as they do not make any taxable supplies).

paid for the services, and GST has to be accounted for on the consideration paid. If the transaction were not in money or not wholly in money, GST would be accounted for on the Open Market Value (OMV) instead.

### Filing and record-keeping requirements

A new field (Box 14) has been added in the GST returns to report the value of imported services subject to RC. In addition, the value of output tax accounted for under RC should be reported as the value of output tax (Box 6 of the GST return), and the corresponding value of input tax claimable on the imported services should be reported as the value of input tax (Box 7 of the GST return).

To substantiate the RC transactions and the corresponding input tax claims made in the GST returns, businesses must ensure that documents (such as invoices issued by overseas suppliers and transactional listings for RC purchases) are properly retained.

### POTENTIAL RISK AREAS OF REVERSE CHARGE

#### Determine the requirement for GST registration

Businesses that are not currently liable for GST registration may be caught under RC rules for GST registration. It is thus crucial for non-GST registered businesses to take active steps to determine whether they are required to register under the RC regime.

Non-GST registered businesses should identify and segregate overseas vendors from vendors' listing and determine whether imported services are within the scope of RC. The value of in-scope imported services should then be aggregated to determine whether GST registration is required, subject to specific exemption rules. Depending on whether exemption applies, the relevant documentation required for exemption application or GST registration application should then be prepared accordingly.

### Inter-branch and intra-GST group transactions are not disregarded

Under normal GST rules, any supply made between the head office and its branches are disregarded for GST purposes as they are considered as a single legal entity. Likewise, supplies made between members of the same GST group are disregarded for GST purposes.

For the purpose of RC, however, inter-branch and intra-GST group transactions are not disregarded. This means that RC will apply when a local branch (or local head office) procures services from its overseas head office (or overseas branch), or when a local member of a GST group procures services from its overseas member within the same GST group. Supplies between local and overseas partnership businesses with the same composition of partners will similarly not be disregarded.

### CASHFLOW IMPROVEMENT OPPORTUNITIES

To alleviate business pressure and ease cashflow crunch, businesses are encouraged to review their current GST compliance set-up for potential cashflow improvement opportunities. Some of these opportunities are illustrated below.

#### Paying GST via instalments

Businesses facing financial hardships and are unable to make their GST payments in full can consider applying for extended instalments via the "Apply for Payment Plan" e-Service at IRAS' myTax Portal. IRAS will review each application on a case-by-case basis. In practice, IRAS may ask for the company's bank statement and projected cashflow to ascertain whether the company is genuinely having issues in paying its GST liability.

As a side note, companies may also opt for a GIRO plan for GST payment to defer payment for an additional 15 days, as GIRO deductions are made on the 15th day of the month after the payment due date.

#### Changing the GST filing frequency

Businesses that are usually in a significant net GST refundable position may consider changing their GST filing frequency from quarterly to monthly to accelerate the receipt of GST refunds from IRAS. To illustrate, where a business is on the quarterly filing cycle, the GST incurred in January 2020 (for the period ended 31 March 2020) can only be recovered in April 2020 after the Q1 GST return is filed. However, if the business is on a monthly filing cycle, the GST incurred in January 2020 could be recovered in February 2020 after the business filed its GST return for the period ended 31 January 2020.

#### Applying for special schemes

Businesses that import goods of significant value into Singapore may consider applying for a suitable trade facilitation scheme (such as the Major Exporter Scheme and Import GST Deferment Scheme). These schemes allow the suspension of upfront import GST payments and help alleviate cashflow disadvantages faced by businesses when importing goods into Singapore.



## Businesses that are usually in a significant net GST refundable position may consider changing their GST filing frequency from quarterly to monthly to accelerate the receipt of GST refunds from IRAS.

#### Applying for GST group registration

GST group registration allows several related companies to report GST as a group instead of reporting individually, thereby reducing the GST administrative burden on these companies. As sales and purchases made between members of a GST group are disregarded for GST purposes (unless they are subject to RC), GST group registration can improve the GST cashflow of group members (since one member is not required to charge GST to another member, who subsequently recovers

the GST). This is particularly useful if intra-GST group transactions are substantial.

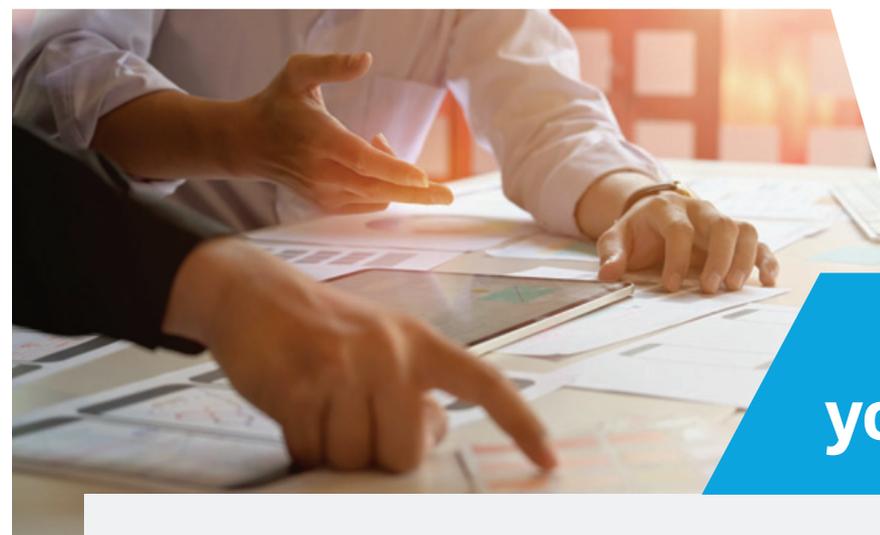
Change is often the only constant in the tax world (in this case, the GST world). Businesses that best adapt to the changes and grab the opportunities will always be the ones that will come up on top. ISCA

Felix Wong is Head of Tax, and Angelina Tan is Technical Specialist, Singapore Chartered Tax Professionals (formerly Singapore Institute of Accredited Tax Professionals).

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A Stone Forest Company



Paying employees **on time matters**

Regulatory compliance **is a must**

HR data security **is a key priority**

## You focus on your core business

## We manage your PAYROLL & HR



Managed Payroll



Managed Leave



Managed Claims



HR Services



Work Pass Management



Compliance Review

### Delighting clients for over 30 years



#### Booking.com

Irene Kamphuis,  
Payroll Controller

PayrollServe has proven to be **reliable, flexible and extremely service-oriented**. This is why we trust them so much and would highly recommend their services.



#### SingGas

Mr Weerayuth,  
General Manager

With PayrollServe's Payroll Outsourcing services, we got more than just a payroll and HR solution. We also gained **peace of mind in knowing that our payroll and HR processes are in good hands**.



#### BYND ARTISAN

Winnie Chan,  
CEO and Founder

PayrollServe's payroll outsourcing services have allowed us to focus on our core business, **easily stay compliant with payroll legislation and enjoy cost savings at the same time**.



#### FRAGOMEN

Sheryl Zhang,  
Senior HR Coordinator

PayrollServe is **responsive and prompt in delivering the necessary payroll reports** for our business. Data integrity is important to us, especially when we're dealing with confidential and sensitive payroll information.

Better Assurance in Protecting Your HR/Payroll Data





MOVE  
TOWARDS YOUR  
FUTURE WITH  
CONFIDENCE

## ARE YOU SAVVY ENOUGH TO NAVIGATE THROUGH THE NEW NORMAL?

As the national accountancy body, ISCA helps develop the capabilities and confidence that ISCA Youth Associates need to enhance their CV and achieve their career aspirations.

Even during these unprecedented times, ISCA continues to support all our student members by curating relevant webinars and online workshops. These resources are designed to transform student members into agile, resilient, and curious learners who can position themselves ahead of the curve.

Take the first step to hone your skill sets and prepare for your future career.

**Learn more at [isca.org.sg/YouthAssociate](https://isca.org.sg/YouthAssociate)**

*Membership fees will be waived for a limited time period.*



Scan here to sign up as  
a Youth Associate now