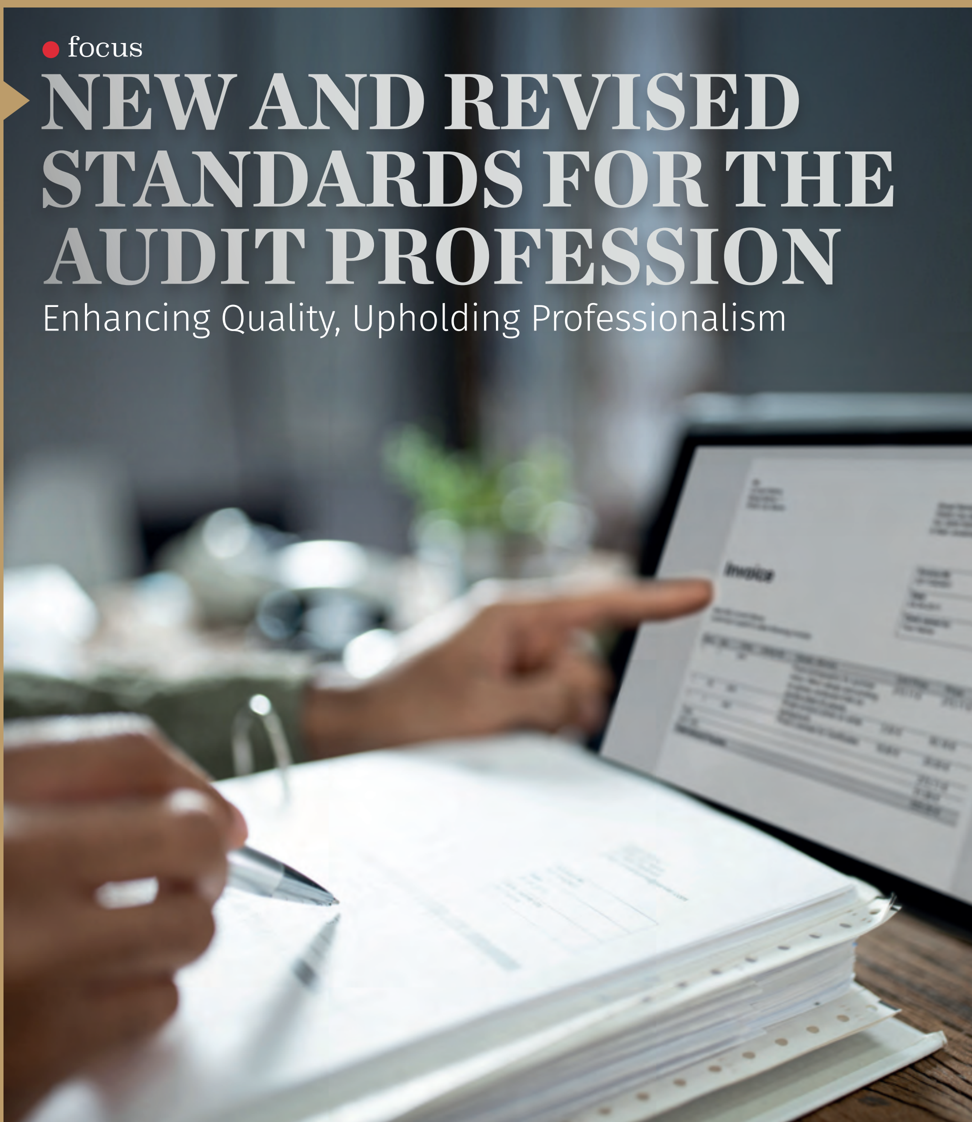
IS Chartered Accountant Journal

MAY 2021



● focus

NEW AND REVISED STANDARDS FOR THE AUDIT PROFESSION

Enhancing Quality, Upholding Professionalism

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

IS Chartered Accountant Journal

MAY 2021

Quality Is King, And We, The Committed Subjects

Dear members,

QUALITY MATTERS. This short phrase is of utmost importance to the audit profession. With public interest at stake, auditors are expected to produce high-quality work at all times. As demands for greater confidence and trust in reported financial information continue to grow, it is equally crucial that the auditing standards which the profession has to adhere to are robust and of high quality. Hence, it is necessary for these standards to be subject to continuous scrutiny and enhancements to remain fit for purpose in an increasingly complex business environment.

Whenever there are changes to the international auditing standards, ISCA, as the national accountancy body, will take the lead to adapt the standards for local use. Typically, this means issuing exposure drafts of the proposed standards – aligned for local use – for public consultation, and inviting comments on all matters addressed in the exposure drafts. Garnering a range of diverse perspectives will contribute to better regulatory standards, which can in turn contribute to better quality in audits. The cover story, "New And Revised Standards For The Audit Profession", shines the spotlight on several proposed new and revised standards which may have a profound impact on the profession in Singapore. Two current public consultations are also featured in the article, and I encourage members to share your views so that together, we can elevate the standard of the audit profession.

Quality and accountancy are inextricably linked, and for ISCA member Ang Zanyu, it is his accountancy training and professional knowledge that have sharpened the quality of his financial assessment skills, and enabled him to develop solutions to overcome business challenges. Zanyu, who is featured in this month's Member Profile column, is Co-Founder of TalentKraft, with an interesting story to tell.

Upon graduating with an accountancy degree, he was with a Big Four firm for two years before he left to join a startup, expressly to gain first-hand experience in building a business, before striking out on his own. That was in 2018, when he was just 27 years of age. In his words, "I use my understanding of finance and operations to get things going. This professional knowledge which I have was especially helpful during the early stages, when we had to ensure the company's financial sustainability despite limited cashflow." Being an ISCA member and a chartered accountant also helped him gain credibility when he was building the company's, and his, reputation. His is a story of resilience, self-motivation and commitment, and you can read about it in "Harnessing Your Own Human Capital".

Beyond audit, quality is important in different aspects of life. When the Institute set up ISCA Cares in 2015, one of the key objectives is to provide promising students from financially vulnerable families with access to quality accountancy education. To this end, the ISCA Cares Bursary contributes to improving the beneficiaries' quality of life by subsidising their tuition fees and basic living expenses. To ensure that ISCA Cares continues to help in-need youths, the Institute organised a charity golf event which took place on March 19 and 26. The event raised $421,000, which will be a big help to the beneficiaries. Recall the best moments of your golf game in the article, "ISCA Cares Raises Over $421,000 Through Charity Golf Event".

On behalf of the organising committee and ISCA Cares, I extend my sincere thanks to all the donors and sponsors for supporting this meaningful cause.

But don't stop there. Commit to do good and continue to donate generously or volunteer your skills. Find out how you can lend a helping hand, at the ISCA Cares portal. Your contributions will make a difference to the quality of life, and to the future of accountancy.

Have a good read!

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

contents

2020 APEX® AWARDS FOR PUBLICATION EXCELLENCE

WINNER / GRAND AWARD, APEX 2020

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

COUNCIL MEMBERS
President Kon Yin Tong
Vice President Yvonne Chan Mei Chuen
Treasurer Roger Tay Puay Cheng
Secretary Kelvin Tan Wee Peng
Members Shariq Barmaky, Chan Yoke Kai, Cheng Qiang, Dennis Chia Choon Hwee, Choo Teck Min, Balasubramaniam Janamanchi, Lai Chin Yee, Marcus Lam Hock Choon, Lelaina Lim Siew Li, Judy Ng May Lian, Tan Kuang Hui, Darren Tan Siew Peng, Henry Tan Song Kok, Belinda Teo Hui, Don Wee Boon Hong, Christopher Wong Mun Yick, Yiong Yim Ming

ADVISORS
Teo Ser Luck, Gerard Ee

PRINCIPAL OFFICERS
Chief Executive Officer
Lee Fook Chiew
Director (Marketing Communications, Insights & Publications)
Jennifer Toh
Director (Professional Development & Learning)
Soh Suat Lay
Director (Finance, International Relations & Strategy)
Joyce Tang
Director (Member Support & Services)
Fann Kor
Director (Practice Monitoring & Corporate Services)
Ang Pei Fen
Deputy Director (Technical)
Lim Ju May

EDITORIAL ADVISORY PANEL
Chairman Kon Yin Tong
Deputy Chairman Paul Lee Seng Meng
Members Foo See Liang, Edmund Keung Ching Tung, Koh Wei Chern, Lee Kin Wai, Luke Lim, Kevin Ow Yong Keng, Phua Yung Keat, Vincent Toong

EDITORIAL TEAM
Editor Jennifer Toh
Email: editor@isca.org.sg
Deputy Editor Kang Wai Geat
Assistant Editor Jazreel Lim
Members Fua Qiu Lin, Koh Soo Hoon, Lee Zhen Ni, Felicia Tay, Wang Zhumei, Ellen Wong, Melissa Wu, Zoey Xie

PUBLISHER
Institute of Singapore Chartered Accountants
60 Cecil Street, ISCA House, Singapore 049709
Tel: (65) 6749-8060 **Fax:** (65) 6749-8061
Email: isca@isca.org.sg **Website:** www.isca.org.sg

PUBLISHING & DESIGN CONSULTANT
mediacorp
MCI (P) 048/03/2021
PPS 709/09/2012 (022807)
ISSN 2010-1864

ADVERTISING
Bold Ink Magazines Pte Ltd
Jacqueline Wong
Tel: 6223-4258
Hp: 9790-0905
Email: jacqueline@boldink.com.sg

PRINTING COMPANY
KHL Printing Co Pte Ltd

First Unified Cybersecurity Guide For Boards of Directors

PHOTO SHUTTERSTOCK

THE BOARD OF DIRECTORS needs to play a more active role in protecting the organisation from cyber risks, according to a recent study released by the World Economic Forum (WEF). Cybersecurity failure is a "clear and present danger" and critical global threat, yet responses from board directors have been fragmented, risks not fully understood and collaboration between industries limited.

The report, "Principles for Board Governance of Cyber Risk", provides a solution to this fragmentation and it is backed by leaders in digital risk and cybersecurity. Created by WEF, National Association of Corporate Directors (NACD), Internet Security Alliance (ISA) and PwC, the report is the result of a year-long collaboration to find a cohesive, global and cross-border approach to cyber risk.

The expert-led team found that there are six principles that apply to a wider audience of boards and management teams. The report shows how directors can increase their understanding of cyber risks and act quickly, incorporating cyber-risk planning into overall company strategy.

"These principles provide much needed foundations for directors in any industry or geography. Cybersecurity is not just a technology problem, it is an economic and strategy issue crucial for boards to address, given the current environment," says Daniel Dobrygowski, Head of Governance and Trust at WEF's Centre for Cybersecurity.

The six principles highlighted in the report are:

- Cybersecurity is a strategic business enabler;
- Understand the economic drivers and impact of cyber risk;
- Align cyber-risk management with business needs;
- Ensure organisational design supports cybersecurity;
- Incorporate cybersecurity expertise into board governance;
- Encourage systemic resilience and collaboration.

These practices and approaches were further validated by members of the boards of some of the most advanced companies in the world.

"Digital transformation is a business imperative," says Larry Clinton, President, ISA. "Organisations can't compete unless they leverage modern cyber tools. But, the downside of digital transformation is increased cyber risk." Acknowledging that balancing the need to use modern technological tools while managing cyber risk is one of the most difficult issues a modern board faces, he asserts that the consensus principles can "provide the guidance boards need to properly supervise and direct their management teams".

While boards have made gains in the last few years in recognising cyber as an enterprise risk, the challenges posed by rapidly changing cybersecurity threats require every company and every board to ensure the resilience of their cybersecurity programmes, according to Peter R. Gleason, Chief Executive Officer, NACD. "This new resource, drawing on NACD and ISA guidance, offers corporate directors across the globe an effective blueprint to advance their cyber-risk oversight."

Business Sentiment Among Singapore SMEs Improves

THE BUSINESS SENTIMENT among small and medium-sized enterprises (SMEs) in Singapore showed the highest reading (49.92) since the start of the Covid-19 pandemic in the first quarter of 2020 (1Q20). This is according to the SBF-Experian SME Index, a joint initiative of the Singapore Business Federation (SBF) and Experian, which measures the business sentiment of SMEs across six key sectors[1] in Singapore for the next six months (April to September 2021).

Based on a survey conducted between 18 January to 26 February 2021 of more than 2,100 local SMEs, the Index for 2Q21–3Q21 registered an overall reading of 49.92, up from the 48.2 reading in the previous quarter.[2]

Economic activities worldwide have resumed largely after the contraction seen in 2020, with the IMF forecasting a global growth rate of 5.5% for 2021, boosted by expectations of stronger policy support as well as vaccination campaigns. In Singapore, the Ministry of Trade and Industry (MTI) has maintained a growth outlook of 4% to 6% for 2021.

Rising business sentiment amid signs of economic recovery

Following a record low business outlook in 2020, SMEs across all six sectors registered an improvement in business sentiments. The most significant gains were for internal-facing sectors such as Construction/Engineering (up 6.8% to 51.8) and Business Services (up 4.2% to 50). This is likely due to the easing of Covid-19 restrictions, which has enabled the resumption of business activities on a broader scale.

SMEs also registered improvements across all seven qualitative indicators[3]. Most significantly, SMEs are expecting an easing of their Access to Financing (up 11.59% to 5.49) for the first time since 2Q19–3Q19F. With the easing of business restrictions, most SMEs are anticipating a rebound in sales over the next six months. Turnover expectations have improved by 8.59% to 4.93. Five out of the six sectors surveyed showed improvements in this indicator. This could be attributed to the steady resumption of business activities as safe management measures ease.

SMEs look towards new growth opportunities

SMEs have benefitted from the government's slew of support measures in 2020. Support is expected to continue into 2021 with an S$11-billion Covid-19 Resilience Package, while S$24 billion have been earmarked over the next three years to help businesses adapt post-pandemic.

"Following an unprecedented contraction of the Singapore economy in 2020, this year is poised to be characterised by promising signs of a partial and gradual recovery," says James Gothard, General Manager, Credit Services & Strategy, Southeast Asia, Experian. "While SMEs remain cautious in the near term, many are keeping an eye on future business opportunities." This is evidenced by the improved but still contractionary expectations surrounding Turnover and Profitability, while sentiments around Business Expansion, Hiring and Capital Investment have turned slightly positive. "Overall, SMEs appear to be gradually relaxing the wait-and-see approach they had previously adopted as the uncertainty dominating preceding quarters begin to recede."

The World Bank has sounded a cautionary note that economic recovery remains at risk of being derailed by a resurgence of Covid-19 infections or any delays in vaccination campaigns, which in turn will impact business confidence and trade activity. It is thus important for SMEs to continue to "build resilience" in order to address unexpected shocks in the future. "They will also need to explore and invest in aspects such as manpower upskilling and digitalisation, both of which could help firms remain competitive and relevant in the long term," adds Mr Gothard.

[1] The six key sectors are Commerce/Trading, Construction/Engineering, Manufacturing, Retail/F&B, Business Services, and Transport/Storage.

[2] An Index reading of 50 is neutral. A reading above 50 would indicate that the overall outlook for the next six months is positive, the level of business activities is expected to be expansionary, and business sustainability of the SMEs is expected to be promising. An Index reading below 50 would indicate that the overall outlook for the next six months is negative, the level of business activities is expected to be contractionary, and business sustainability of the SMEs is expected to be poor.

[3] The Index comprises inputs from SMEs on their expectations in seven key areas, namely, Turnover, Profitability, Business Expansion, Capital Investment, Hiring, Capacity Utilisation, and Access to Financing.

Figure 1 Updated Outlook for 2Q21–3Q21F (April 2021 to September 2021)
(Survey period: 18 January 2021 to 26 February 2021)

Overall Index (out of 100)/ Forecast periods (F)/ Sectors	2Q19-3Q19F	3Q19-4Q19F	4Q19-1Q20F	1Q20-2Q20F	2Q20-3Q20F	3Q20-4Q20F*	4Q20-1Q21F	1Q21-2Q21F	2Q21-3Q21F	Change (%) by Sector from preceding period
Commerce/Trading	50.4	50.2	50.0	49.3	48.0	-	45.6	49.1	49.8	▲ 1.4
Construction/Engineering	50.2	50.5	50.6	50.5	49.4	-	46.4	48.5	51.8	▲ 6.8
Manufacturing	49.7	50.1	49.7	49.9	48.6	-	46.9	49.2	49.9	▲ 1.4
Retail/F&B	50.3	51.0	50.1	49.8	46.3	-	44.6	45.8	47.2	▲ 3.1
Business Services	50.5	51.3	51.1	50.8	49.3	-	47.3	48.0	50.0	▲ 4.2
Transport/Storage	50.6	50.9	50.7	50.8	48.0	-	46.7	48.4	49.9	▲ 3.1
Overall	**50.4**	**50.8**	**50.6**	**50.4**	**48.3**	**-**	**46.3**	**48.2**	**49.9**	
Change (%) from preceding period	▼ 0.6	▲ 0.8	▼ 0.4	▼ 0.4	▼ 4.2	- -	▼ 4.1	▲ 4.1	▲ 3.6	

*3Q20-4Q20F data collection paused due to circuit breaker

PHOTOS SHUTTERSTOCK

Digitalisation Efforts Pay Off For Singapore SMEs

WITH COVID-19 BATTERING BUSINESSES IN 2020, a UOB study on small and medium-sized enterprises (SMEs) found that two in five SMEs (41%) that had implemented digitalisation initiatives in 2020 experienced stronger revenue growth than non-adopters. Significantly, those that had digitalised their entire business or multiple areas reported better revenue growth than those that digitalised only one area. In contrast, six in 10 SMEs that did not adopt any digital tools saw a decline in their 2020 net revenue as compared with 2019.

According to the "UOB SME Outlook 2021" study, SMEs that have digitalised are also more optimistic about the road ahead in 2021. Three in five (58%) SMEs that have digitalised said they are expecting revenue to grow this year, compared with just 32% of SMEs among non-digital adopters. Seven in 10 SMEs that have adopted digital tools also feel more prepared for a post-Covid-19 business recovery, compared with four in 10 SMEs among those that have not yet digitalised their business.

"Digitalisation offers businesses many opportunities, from improving their processes and reaching out to new customers to having a direct and measurable impact on their revenue," says Lawrence Loh, Head of Group Business Banking, UOB.

Digitalisation boosts productivity and efficiency

Boosting productivity has been a top priority for SMEs looking to achieve business objectives in 2020, even before the pandemic. The continued slowdown in global demand, the impact of US-China trade tensions and the strengthening of the Singapore dollar, were all issues that SMEs worried would impact their competitiveness.

Hence, it is notable that by the end of last year, productivity and efficiency gains emerged as the most significant benefit of digitalisation. SMEs in the business services, manufacturing and engineering, community and personal services, technology, media and telecoms as well as consumer goods sectors saw the highest percentage increase in productivity gains (Figure 1).

In 2020, SMEs said they needed to ensure they had a more sustainable business model for the long term. Six in 10 prioritised technology investments to overcome the impact of the Covid-19 pandemic on their operations. Correspondingly, aside from higher productivity and efficiencies, the top five benefits of digitalisation were improved customer experience, increased coordination across departments, enabling remote working and driving business performance. This was especially important with the Covid-19 lockdowns and border closures.

Figure 1 Productivity and efficiency gains by sector

Sector	Year-on-year percentage increase in productivity and efficiency (%)
Business Services	49
Manufacturing and Engineering	46
Community and Personal Services	44
Consumer Goods	42
Technology, Media and Telecoms	42
Construction and Infrastructure	37
Wholesale Trade	32
Professional Services	27
Real Estate and Hospitality	22

Other survey highlights

- Small businesses lag behind their larger peers in digital transformation: 72% of all SMEs that have not embarked on digitalistion are the smaller businesses.
- Marketing and inventory management are among the top five priorities of SMEs for digitalisation in the near future, along with payroll, accounting and sales.
- SMEs that place greater emphasis on the need to use digital tools for marketing are in sectors such as consumer goods, professional services and real estate/hospitality.

Welcoming More Trained Professionals Into Asia's Burgeoning Infrastructure Development Space

INFRASTRUCTURE PROJECTS WILL CONTINUE TO BE PART OF ASIA'S POST-PANDEMIC DEVELOPMENT JOURNEY, by supporting economic recovery and improving connectivity in the areas of both transport and telecommunications.

Even before the global pandemic struck, the infrastructure development space was expecting a boost – Asian Development Bank (ADB) had projected that Asia needs an infrastructure investment of US$1.7 trillion every year until 2030 – and a corresponding demand for infrastructure and project finance professionals.

To complement the sector's training needs, ISCA launched the ISCA Infrastructure & Project Finance Qualification (ISCA IPFQ) in July 2019. Supported by Infrastructure Asia, the Qualification was developed by ISCA in collaboration with EY Singapore.

Upon completion of the Qualification and fulfilling at least three years of recent and relevant work experience in infrastructure and project finance-related fields, graduates can be conferred the ISCA Infrastructure & Project Finance Professional (ISCA IPFP) Credential. The Credential is a testament of one's expertise and experience in the project finance field.

The Qualification covers content relevant to key areas of work across the infrastructure value chain, including public-private-partnership contracts, project development and procurement, project financing, risks analysis and mitigation, and financial modelling. Each module comprises practical workshops delivered by EY Singapore's Infrastructure Advisory team and an assessment. Candidates also gain hands-on experience on financial modelling for infrastructure projects through a take-home assignment.

ISCA would like to extend our heartiest congratulations to our pioneer batch of ISCA IPFQ graduates in February 2021. We look forward to building a pipeline of trained infrastructure finance professionals to support the growing industry.

For more information on the ISCA IPFQ, please visit ISCA's website at www.isca.org.sg/ipfq. You can also email us at qualifications@isca.org.sg or call 6597-5533 for further enquiries.

HEAR FROM SOME OF OUR PIONEER GRADUATES:

"I took up the ISCA IPFQ as I felt it would complement my work advising on infrastructure projects. The programme was intensive and provided well-rounded insights into the many facets of project financing. This helped me to develop a better understanding of the multiple stakeholders and how to collaborate well with them on projects."

CHUA JIAN ZHI, Legal role in a digital infrastructure company.
Top Module Award winner for Module 1: Project Lifecycle (Calendar year 2019), Top Module Award winner of Module 2: Project Risks and Financing and Module 3: Contracts and Modelling (Calendar year 2020)

"I signed up for the ISCA IPFQ to acquire industry-relevant knowledge which would enable me to pivot into the field. The programme is comprehensive as we learnt about the infrastructure financing lifecycle and acquired practical skills required to do the job. In addition, the trainers are industry experts who brought theory to life via case studies and sharing of their real-world experiences."

ESMOND LEE, Credit Analyst, Norinchukin Bank, Singapore Branch

"I could directly apply the knowledge gained from ISCA IPFQ to my work, for example, the commercial principles and cost benefit analysis employed in project development. The course coordinators had done well in curating the reading materials, which were very comprehensive and relevant."

WALTER ONG, ISCA IPFQ graduate (February 2021)

MARK YOUR CALENDAR

27 & 28 MAY — Managing Asset Valuation under IFRS/FRS (Live Webinar)

This seminar takes a holistic approach towards accounting for the measurement of all assets and aims to enhance participants' understanding in various methods and options that are permitted for managing value of assets under accounting standards and more.

28 MAY — Crisis Management & Business Continuity Management

This programme equips the participant with the necessary foundation to understand the basis for crisis management and the primary concepts and processes employed to prepare for a crisis.

28 MAY — NEW! Avoiding Cyber Loss: How to Quantify, Analyze and Manage Cyber Risks? (Live Webinar)

What is the likelihood that your organization will experience a material cyber event in the next 12 months? And how to calculate the risks? The training helps in understanding cyber risk quantification, risk transfer as well as best practices to manage cyber risk.

02 JUN — Conflict Resolution Skills (Live Webinar)

Conflict is natural and inevitable when people work together. When conflict is handled poorly, it undermines team morale and effectiveness.

Learn how to manage and resolve conflict to increase the positive effects and reduce the negative effects.

04 JUN — Ethical and Legal Considerations in Tax Avoidance, Evasion and Fraud (Live Webinar)

To examine the legal and ethical issues involved in cases of honest and dishonest tax reduction methods including aspects of the criminal law.

11 JUN — Audit Quality Control, SSQC 1 for SMPs

This seminar discusses the common SSQC 1 implementation issues faced by SMPs and the possible practical solutions for various issues and scenarios via case studies, which will help SMPs reflect on and review their existing quality control policies and procedures, and to evaluate the need for further improvement in developing and documenting their quality control policies and procedures.

To prepare for the challenges of tomorrow, the Institute encourages you to keep your professional development continuous through our flexi-learning package – with flexibility to choose your preferred learning modes.

At only **$650 (before GST) for ISCA members** and **$900 (before GST) for non-members**, you will get **18 hours of training** organised in a single purchase. There are more than *380 courses for you to choose from! Attend our classes or access our live webinars and e-learning modules at any location at the ease of your fingertips.

ISCA members may utilise the $100 CPE credit voucher to offset part of the package fee.

**Seats are available on a first-come-first-served basis.*

Visit: **https://isca.org.sg/learn-connect/guide-to-find-courses promotion-and-packages/flexi-learning-package**

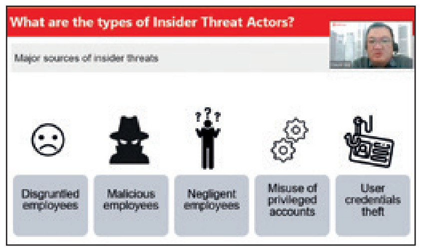
Dates and events are subjected to change without prior notice.
For more details, visit www.isca.org.sg

isca breakfast talk

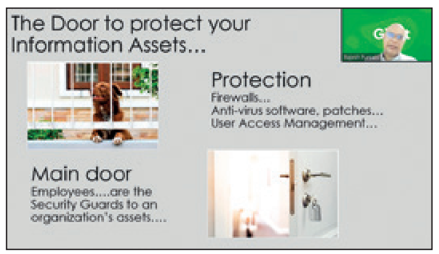
Case Studies On Cybersecurity: The Human Factor

MORE COMPANIES HAVE FOUND themselves embarking on or hastening their digitalisation journeys over 2020. With more processes moving onto the cloud and remote working becoming more popular among employees[1], risk management strategies and policies that focus on cybersecurity must evolve to keep pace.

The term "cybersecurity" tends to invoke thoughts of training employees to guard against phishing emails aimed at obtaining privileged credentials and defending against sophisticated attacks from external sources. While these are credible threats that need to be mitigated, organisations also need to look within and consider the human factor in cybersecurity. At the ISCA Breakfast Talk webinar on March 10, David Ng Chee Wai, Head, Group Technology Information Security Office, OCBC, and Punjabi Rajesh Hiranand, Head of Internal Audit, Dairy Farm Singapore, discussed case studies where human factors revealed weaknesses in otherwise robust cybersecurity measures.



Mr Ng explained that with more business processes being outsourced, insider threats have become more prevalent. These potential inside actors include employees, business partners, contractors and malware. Their actions, malicious or otherwise, could result in unwanted attention from regulators and authorities. For example, if personal data were to be exfiltrated from a bank's records, this would attract the attention of the regulators and authorities. Mr Ng detailed, through real-life examples, how different types of internal threats such as employee negligence and misuse of credentials resulted in financial and reputational loss for their respective organisations. He also examined various categories of activities that may be indicative of ongoing malicious actions, such as employee access anomalies, anomalous network activity and spikes in outbound email traffic, along with mitigation controls for insider threat defence.



Mr Punjabi highlighted that the most important asset in an organisation's cybersecurity plans is its employees. He likened employees to security guards of an organisation's assets, detailing an example of how an employee's reaction to a spoofed email resulted in financial loss to the organisation. In a separate real-life example, another organisation suffered financial losses when an employee circumvented controls by abusing the user access rights of a colleague who had resigned. Mr Punjabi also shared that many attacks were becoming more sophisticated. Organisations would therefore need to establish appropriate information security guidelines along with penalties for violations of these guidelines.

The speakers further emphasised that even with robust cybersecurity defences, organisations should also look inwards and examine their internal controls, particularly where employees are concerned. Reinforcement of information security protocols such as penetration testing and simulated phishing emails must occur regularly to strengthen the human factor within cybersecurity policies.

[1] Lai, Lynette. "8 in 10 in Singapore want to work from home or have more flexibility". The Straits Times. 12 Oct 2020.

mingles

Resume Writing And Interview Tips

THE FIRST MINGLES SESSION IN 2021 TOOK PLACE VIRTUALLY ON APRIL 8, bringing together close to 300 members from three accountancy bodies, namely, ISCA, Chartered Accountants Australia and New Zealand, and The Institute of Chartered Accountants in England and Wales. The quarterly session creates a conducive platform for networking and interaction, albeit virtually this time, with the aim to establish professional networks that could widen the sphere of opportunities beyond direct contacts while picking up a tip or two from the presenters.

The session kicked off with a topic befitting these unprecedented times – how to get your foot through the door of your desired organisation and ace your interviews, while navigating through the challenges of Covid-19.

Mike Durkin, Manager from Page Personnel, and Caroline Neo, Consultant from Michael Page, shared valuable and insightful tips on resume writing, increasing your online presence through your LinkedIn profile, and how to better succeed in both virtual and face-to-face interviews.

The participants learnt about resume frameworks and formatting tips designed to enhance their resume structure and minimise common errors, as a well-structured resume has a higher possibility of being selected. Useful pointers included:

- Be specific about your past working experiences; use this opportunity to highlight your relevant experience to attract the hiring manager's attention;
- Describe your level of competency on technical skills and tailor it to the job descriptions;
- Choose a font that is professional and legible, and be consistent in font sizes and formatting;
- Proofread your resume – always check for spelling and grammatical errors, and accuracy of dates.

Mr Durkin shared how LinkedIn can be effectively utilised as a tool to search for job opportunities and expand your professional network, which could in turn land you your desired job. He illustrated how the following actions can help a candidate maximise the potential of his/her LinkedIn profile:

- Always keep your profile up to date;
- Be concise but comprehensive on your relevant skills and objectives;
- Highlight your recent experience which is applicable to the requirements;
- Make your headline attractive; be specific.

With the uptrend of businesses using digital tools extensively, coupled with Covid-19 and safe management measures, virtual interviews have become a norm as traditional face-to-face interviews are minimised. To this end, Ms Neo emphasised the dos and don'ts of a video interview, and elaborated on how a S.T.A.R. framework can guide a candidate during the interview:

- **S**ituation: Describe a relevant work situation/context;
- **T**ask: Describe your responsibilities/what you had to accomplish;
- **A**ction: What you did/initiated;
- **R**esult: What outcome was achieved.

The Mingles event concluded with a Q&A session helmed by the two speakers.

ISCA Cares Raises Over $421,000 Through Charity Golf Event

A beautiful night view for a meaningful event

Soh Kok Leong continuing his game after the sun sets

Showing the way with his drive was Evan Law, Chief Executive, Singapore Accountancy Commission

The team from Ernst & Young ready to start their game

ISCA CARES RAISED OVER $421,000 THROUGH ITS INAUGURAL CHARITY GOLF EVENT, including matching funds from Tote Board. Held on March 19 and 26 at Orchid Country Club, golfers played their hearts out at the beautifully lush and manicured Dendro and Aranda courses.

Originally scheduled for March 27 last year, the event was met with overwhelming response from sponsors and donors, with the 35 flights fully sold out. Unfortunately, the event had to be postponed due to the Covid-19 restrictions.

With improvements to the local Covid-19 situation, the event was held over two evenings in a modified form this year. Adhering to measures to prevent crowding, participants teed off according to their allocated timeslots. Other safe management measures were also strictly observed, including safe entry check-in, safe distancing among participants, and individually packed dinners.

Speaking on behalf of the Organising Committee, Kelvin Tan was thankful for the donors' unwavering support despite the initial postponement and subsequent scaled-down event. "The health advisories were issued just prior to the event and there was much uncertainty whether we could proceed. We are truly grateful for everyone's understanding and commitment to pledge their donations." Despite the challenges faced in organising this charity golf event this year, Mr Tan was heartened by the enthusiasm shown by the golfers and the compassion members of the profession have for the charitable cause. Lucky participants walked away with prizes including hotel staycations, shopping and dining vouchers, and wellness hampers.

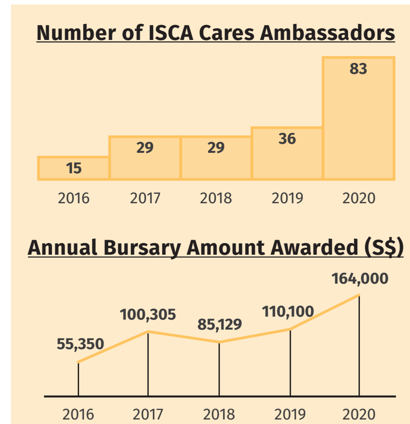
ISCA Cares Chairman Max Loh (in white) giving his full support for the event

Stepping up financial support

ISCA Cares is a charity set up by ISCA in 2015. Its vision is to build a compassionate and caring accountancy community that actively contributes towards the betterment of society. One of the key objectives of the charity is to provide promising students from financially vulnerable families with access to quality accounting education.

In view of the difficult economic climate arising from Covid-19, ISCA Cares significantly increased the number of bursary recipients (known as ISCA Cares Ambassadors) in 2020. A record $164,000 was awarded to 83 Ambassadors, which was more than double the number of recipients in 2019, where $110,100 was awarded to 36 Ambassadors.

ISCA Cares Chairman Max Loh asserts that the charity will continue to provide financial assistance to more students in this time of need. "The lower-income households would be hardest hit by Covid-19's long economic fallout. ISCA Cares is committed to support more needy students in 2021. The funds raised through the Charity Golf event will go a long way towards this end."



Avid supporters Willie Cheng and Boh Tai See heading to the greens

Lending a helping hand

ISCA Cares would like to extend its heartfelt appreciation to the Charity Golf Organising Committee, who made the event a reality. They are:

- Henry Tan Song Kok;
- Kelvin Tan Wee Peng;
- Marcus Lam Hock Choon;
- Roger Tay Puay Cheng.

On behalf of the ISCA Cares Ambassadors, ISCA Cares would also like to say a big thank you to all donors, sponsors and Tote Board for their support. The platinum sponsors and key donors of the event are:

- BDO LLP;
- Crowe Horwath First Trust LLP;
- Hong Leong Foundation;
- KPMG LLP;
- The PwC Singapore Foundation.

BY LIM JU MAY AND TERENCE LAM

NEW AND REVISED STANDARDS FOR THE AUDIT PROFESSION

Enhancing Quality, Upholding Professionalism

"THERE IS NOTHING PERMANENT EXCEPT CHANGE" is one proverb which members of the audit profession can truly understand. After all, the profession is experiencing multiple reforms and tweaks in its pursuit to keep pace with changing stakeholder needs and business dynamics.

As demands for greater confidence and trust in reported financial information continue to grow, it is crucial that the standards the profession adheres to are robust and of high quality. Hence, it is necessary for these standards to be subject to continuous scrutiny and enhancements to remain fit for purpose, in an increasingly complex business environment.

This article highlights several new and revised standards which may have a profound impact on the profession.

(1) PROPOSED SINGAPORE QUALITY MANAGEMENT STANDARDS

In a major step to raise the bar for quality management across the profession, the following proposed interrelated standards are being introduced.

- Singapore Standard on Quality Management (SSQM) 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*;
- SSQM 2 *Engagement Quality Reviews*, and
- Singapore Standard on Auditing (SSA) 220 (Revised) *Quality Management for an Audit of Financial Statements*.

These proposed standards bring important changes to the way professional accountancy firms are expected to manage quality, in the areas of audits, reviews and other assurance and related services engagements.

The proposed standards include a new proactive risk-based approach that are intended to improve engagement quality through:

- Modernising the standards for an evolving and increasingly complex environment, including addressing the impact of technology, networks, and use of external service providers;
- Increasing firm leadership responsibilities and accountability, and improving firm governance;
- More rigorous monitoring of quality management systems and remediating deficiencies;
- Enhancing the engagement partner's responsibility for audit engagement leadership and audit quality, and
- Addressing the robustness of engagement quality reviews, including engagement selection, documentation, and performance.

As demands for greater confidence and trust in reported financial information continue to grow, it is crucial that the standards the (audit) profession adheres to are robust and of high quality. Hence, it is necessary for these standards to be subject to continuous scrutiny and enhancements to remain fit for purpose, in an increasingly complex business environment.

PHOTO GETTY IMAGES

KEY CHANGES[1]

SSQM 1

The proposed SSQM 1 will replace the Singapore Standard on Quality Control (SSQC) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements.*

The proposed SSQM 1 deals with the firm's responsibility through having a system of quality management. Firms will be required to design a system of quality management to manage the quality of engagements performed.

The proposed SSQM 1 consists of eight components that operate in an iterative and integrated manner (Figure 1):

a) *Firm's risk assessment process*
Introduction of a risk-based approach which requires firms to establish quality objectives, identify and assess quality risks, and design and implement responses that address those quality risks.

b) *Governance and leadership*
The environment that supports the system of quality management includes the firm's commitment to quality through its culture. This component also covers the responsibilities and accountability of firm leadership for quality.

c) *Relevant ethical requirements*
Requires establishment of quality objectives which address the fulfilment of responsibilities in accordance with relevant ethical requirements.

d) *Acceptance and continuance of client relationships and specific engagements*
Requires establishment of quality objectives which address considerations by the firm in accepting or continuing a client relationship or engagement, including ensuring that financial (such as fees) and operational priorities do not lead to inappropriate judgements in acceptance/continuance considerations.

Figure 1 Eight components of the proposed SSQM 1

e) *Engagement performance*
Requires establishment of quality objectives that address the performance of quality engagements.

f) *Resources*
Requires establishment of quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner. These include human resources, technological resources and intellectual resources needed to operate the system of quality management and perform engagements.

g) *Information and communication*
Requires establishment of quality objectives that address obtaining, generating and using of information regarding the firm's system of quality management and communicating those information within the firm and to external parties in a timely manner.

h) *Monitoring and remediation process*
Firms are required to monitor the system of quality management in its entirety to provide relevant, reliable and timely information about the design, implementation and operation of the system. This includes a requirement for inspection of completed engagements.

In applying a risk-based approach, the firm is required to take into account the nature and circumstances of the firm and its engagements, and exercise professional judgement in designing, implementing and operating the system of quality management.

(The) proposed standards bring important changes to the way professional accountancy firms are expected to manage quality, in the areas of audits, reviews and other assurance and related services engagements.

SSQM 2

The proposed SSQM 2 is a new standard which deals with the eligibility, performance and documentation of the engagement quality reviewer. While certain elements were relocated from SSQC 1 and extant SSA 220, there are enhancements to the standard, including:

a) Introduction of a two-year cooling-off period before an engagement partner can assume the role of engagement quality reviewer;
b) Performance of the engagement quality review at appropriate points in time during the engagement, and
c) A "stand-back" requirement to determine whether the performance requirements in SSQM 2 have been fulfilled.

SSA 220 (Revised)

The proposed SSA 220 (Revised) applies to audits of financial statements and addresses how quality is managed at the audit engagement level by the engagement partner. It provides clarification that the engagement partner is responsible for:

- Managing and achieving quality at the engagement level;
- Determining that there are sufficient and appropriate resources assigned and made available on a timely basis, and
- Determining the nature, timing and extent of direction, supervision and review.

The proposed standard also introduces a "stand-back" provision that requires the engagement partner to determine if they have done enough to take overall responsibility for managing and achieving quality in the audit engagement and whether their involvement has been sufficient and appropriate.

These proposed quality management standards signify a significant shift for the profession and the level of commitment and efforts required by professional accountancy firms should not be underestimated.

The proposed SSQM 1 and SSQM 2 will be effective as of 15 December 2022, and the proposed SSA 220 (Revised) will be effective for audits of financial statements for periods beginning on or after 15 December 2022.


PHOTO **SHUTTERSTOCK**

Public Consultation

ISCA has issued the exposure drafts for the proposed SSQM 1, SSQM 2 and SSA 220 (Revised) for public consultation in April 2021. ISCA welcomes comments on all matters addressed in these exposure drafts. In particular, we wish to obtain views on the following:

The proposed effective date for the Singapore Quality Management Standards of 15 December 2022 is based on the effective date of the International Quality Management Standards[2] issued by IAASB.

Do you agree with the proposed effective date of 15 December 2022? If you do not agree, what would be a reasonable implementation period and why?

Comments on the exposure drafts and the questions above are requested to be submitted to technical@isca.org.sg by 16 June 2021.

[1] Reference materials can be found at: https://www.ifac.org/knowledge-gateway/supporting-international-standards/discussion/getting-started-new-iaasb-quality-management-standards-overview

[2] International Standard on Quality Management (ISQM) 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; ISQM 2 *Engagement Quality Reviews*, and International Standard on Auditing (ISA) 220 (Revised) *Quality Management for an Audit of Financial Statements*

(2) UPCOMING REVISION OF SSRS 4400 *ENGAGEMENTS TO PERFORM AGREED-UPON PROCEDURES REGARDING FINANCIAL INFORMATION*

In many jurisdictions, including Singapore, agreed-upon procedures (AUP) reports are commonly used by government agencies as part of their process in evaluating grant disbursements/compliance. AUP engagements are also carried out by practitioners when the engaging parties seek to evaluate compliance with contractual arrangements, such as royalty agreements or tenancy agreements.

Recognising the growing demand for AUP engagements, particularly in relation to the need for increased accountability around funding and grants, and the fact that International Standard on Related Services (ISRS) 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* was developed over 20 years ago, the International Auditing and Assurance Standards Board (IAASB) has issued ISRS 4400 (Revised), its revised standard for performing AUP engagements.

Some of the significant enhancements to the revised standard are included in Figure 2.

Figure 2 Some significant enhancements to ISRS 4400 (Revised)

Public interest issue	Key changes to revised standard
Responding to the needs of stakeholders	• Broadening the scope of ISRS 4400 (Revised) to include both financial and non-financial subject matters. • Clarification on circumstances in which the practitioner is required to comply with independence requirements. • New requirements and application material to address the use of the work of a practitioner's expert in an AUP engagement.
Providing clarity in the AUP report, by enhancing the report for clearer and more consistent language, thereby reducing confusion that may arise in practice	• New requirements and application materials to promote the use of terminology that is clear, not misleading, and not subject to varying interpretations. • Enhanced transparency on, among others: ▪ the responsibilities of the various parties involved in an AUP engagement ▪ whether or not the practitioner is required to comply with independence requirements and if so, a statement that the practitioner has complied with the relevant independence requirements.
Reducing inconsistency in the performance of AUP engagements	• New requirement for the practitioner to exercise professional judgement throughout the AUP engagement, including in accepting, conducting and reporting on the AUP engagement. • New conditions in relation to engagement acceptance and continuance. The practitioner shall not accept or continue the engagement if the practitioner is aware of facts or circumstances that the procedures are inappropriate for the purposes of an AUP engagement. Among other conditions, the practitioner shall accept or continue an AUP engagement only when: ▪ the practitioner expects to be able to obtain the information necessary to perform the AUP ▪ the AUP and related findings can be described objectively, in terms that are clear, not misleading and not subject to varying interpretations. • New documentation requirements and application material.

PHOTO SHUTTERSTOCK

With the new requirements on acceptance and continuance under the revised standard, the practitioner will likely need to spend more time upfront prior to agreeing the terms of an AUP engagement. In certain situations, practitioners may even find that an AUP engagement is no longer suitable based on the needs of the engaging party, and another framework, such as an assurance engagement, may be more appropriate.

The revised standard, once localised and approved in Singapore, will be effective for AUP engagements for which the terms of engagement are agreed on or after 1 January 2022.

The exposure draft for the localised ISRS 4400 (Revised) will be issued for public consultation in May 2020.

(3) PROPOSED SSA 315 (REVISED 2021) *IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT*

SSA 315 (Revised) has been revised to include a more robust and consistent risk identification and assessment. The revised standard sets out clarified and enhanced requirements and enhanced application material to support the auditor's risk assessment process, and is intended to support more focused responses to the auditor's risk assessment in accordance with SSA 330 *The Auditor's Responses to Assessed Risks*.

To ensure that SSAs continue to form the basis for high-quality, valuable and relevant global audits, SSA 315 (Revised 2021) includes more robust requirements and improved guidance to:

- Drive consistent and effective identification and assessment of risks of material misstatement;
- Modernise SSA 315 to meet evolving business needs including information technology (IT), and how auditors use automated tools and techniques including data analytics, to perform audit procedures;
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities, and
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

To ensure that SSAs continue to form the basis for high-quality, valuable and relevant global audits, SSA 315 (Revised 2021) includes more robust requirements and improved guidance.

KEY CHANGES

The enhancements to the revised standard include:

- Enhancing considerations in relation to the entity's use of IT, for example, a requirement to understand the entity's information processing activities including its data and information, the resources to be used in such activities and related policies.
- Enhancing the application of professional scepticism in audits:
  - ▪ Introducing requirement to design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.
  - ▪ Introducing requirement to "stand back" and evaluate all audit evidence obtained from risk assessment procedures, whether corroborative or contradictory.
- Clarifying the nature and extent of work to be performed when obtaining an understanding of the components of the entity's system of internal control.
- New concepts and definitions used in identifying and assessing risks of material misstatement:
  - ▪ Introducing the concept of a spectrum of inherent risk and clarifying how significant risk is to be applied to it.
  - ▪ Clarifying the link between the identification and assessment of risks of material misstatement and responses to the assessed risks.
- Enhancing and clarifying the need for auditors to understand the entity's organisational structure, ownership and governance, business model and business risks.

The public consultation for the exposure draft for SSA 315 (Revised 2021) ends on 7 May 2021. Once adopted, SSA 315 (Revised 2021) will be effective for audits of financial statements for periods beginning on or after 15 December 2021.

Exposure Draft of Audit Guidance Statement 13 *Data Analytics in a Financial Statements Audit* (AGS 13)

Further to the article "Using Data Analytics In A Financial Statements Audit", published in the October 2020 edition of ***IS Chartered Accountant** Journal*, ISCA has issued the exposure draft of AGS 13 for public consultation.

Public Consultation

AGS 13 provides guidance on the key principles of the application of data analytics in the audit of financial statements.

The Statement provides guidance for auditors on considerations prior to the use of data analytics, preparing data for use, relevance and reliability of data, use of data analytics, evaluation of results and other relevant considerations.

This Statement also provides practical examples on how data analytics may be effectively used in different phases of the audit, such as in risk assessment procedures, substantive analytical procedures and tests of details.

The public consultation period for the exposure draft on AGS 13 ends on 31 May 2021. Comments on the AGS are requested to be submitted to technical@isca.org.sg.

The public consultation documents mentioned above can be found at the ISCA website (https://isca.org.sg/standards-guidance/audit-assurance/open-for-comment/public-consultation). ISCA

Lim Ju May is Deputy Director and Terence Lam is Senior Manager, Technical, ISCA.


BY JEAN MARC MICKELER AND SHARIQ BARMAKY

AUDIT AND AN EVOLVING FINANCIAL REPORTING ECOSYSTEM

Relevant Information To Serve The Public Interest

THE DEBATE ABOUT RESPONSIBLE REPORTING HAS NOT BEEN SIDELINED BY THE COVID-19 PANDEMIC. In fact, the future of audit, and how it should adapt to changing stakeholder demands, has only grown in importance as financial reporting ecosystem participants consider how to deliver reporting that provides insights for businesses and investors to recover and thrive.

To inform this debate, Deloitte Global surveyed 351 C-suite, finance and audit committee executives, investors, shareholders, and board members across nine countries from a broad spectrum of company sizes (revenues ranging from US$500 million to US$10 billion or more) in April and May 2020, to better understand the value they place on financial statement audits. The results show that even within the economic turmoil of the pandemic, market participants place great value on audits and the assurance that they provide.

In addition, the results unveil some of the most pressing Covid-19 concerns, many of which are still relevant today, as well as executives' changing perceptions about the role of auditors in approaching these challenges.

The survey respondents view audit as essential. Nearly all respondents agree that an audit of a company's financial statements allows them to trust and rely on the financial statements.

PHOTO SHUTTERSTOCK

AUDIT REMAINS ESSENTIAL

The survey results underscore the fact that audit is an integral part of the financial reporting ecosystem, providing one perspective on a business's health. This ecosystem includes management, boards and those charged with governance, regulators, standard setters, auditors, and investors, with each having an important role to play.

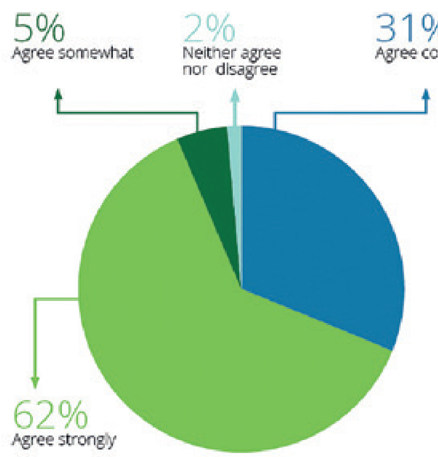
The survey respondents view audit as essential. Nearly all respondents agree that an audit of a company's financial statements allows them to trust and rely on the financial statements.

Users of financial statements indicated that an audit enhances their confidence in a company's financial information. However, there continues to be differing views about the perceived scope and purpose of audit. Today's complex business environment requires the audit to be dynamic, multidimensional, and insightful in order to meet changing needs and expectations. Over the past few years, there has been a growing demand for audits to evolve and provide real-time, relevant information, and companies expect audits to keep pace as they innovate their businesses and processes. Many auditing firms are responding to these demands by investing in enhanced or new processes and technologies, and by equipping their audit professionals with the tools and knowledge to modernise the audit. These advancements seem to have made an impact, as 94% of respondents said that they are more confident in their financial statement audit process than they were five years ago, with nearly one-third (32%) answering that they are much more confident. Although great progress has been made, with increasing complexity, risk and expectations, there is more still to do.

Figure 1

Audit is essential

Respondents were asked how strongly they agree or disagree with the statement: An audit of your company's financial statements allows you and other users of the financial statements to trust and rely upon the financial statements.



Nearly all respondents agree that audits allow users to trust and rely upon financial statements, with close to a third completely agreeing

Respondents from smaller companies (by size) were the most neutral, with 5% saying they neither agree nor disagree with the statement.

Source: Deloitte Global Audit Value Pulse Survey 2020 Data Summary

Figure 2

Audit process improvements

Confidence in the audit process is improving. Compared to 5 years ago, 94% of respondents are more confident in their financial statement audit process, with nearly a third (32%) much more confident.

Compared to 5 years ago, how has your confidence in the financial statement audit process changed, if at all?

32%	62%	1%	0%	5%
Much more confident than 5 years ago	Somewhat more confident than 5 years ago	Somewhat less confident than 5 years ago	Much less confident than 5 years ago	My confidence has not changed

What has driven your increase in confidence? (Select all that apply)

54%	51%	46%	46%	43%	43%
Improvements in internal controls within your financial reporting processes	Increased use of technology within your company	Increased business insight provided by your auditors	More experience by your external auditors in auditing your company	Increased use of technology by your auditors	Changes in legislation and regulatory requirements

Source: Deloitte Global Audit Value Pulse Survey 2020 Data Summary

EXPANDING AUDIT

The traditional approach to financial reporting – providing a historical view of financial information – has continued to come under scrutiny, as many would like to see it expand and include forward-looking elements that also cover a broader scope of topics.

The survey polled respondents about the insights they would like to receive from their audits. Ninety-two per cent of respondents seek a more holistic view of the direction their organisation is heading from their audits. When asked which business areas beyond their financial statement audits they would like to include in the future, they were equally split among the following areas – corporate culture, sustainability practices, ethical standards and practices, social responsibility practices, corporate purpose, and cyber risk.

When asked specifically about financial statement audits, 95% of those surveyed said that a financial statement audit should provide additional value beyond providing an independent auditor's report on the historical financial information. These findings suggest that there is a growing desire that a financial statement audit should inform as well as assure, extending its scope to areas of broader public interest and not solely historic financial statements.

Figure 3

Insights received from audit

The vast majority of respondents surveyed want to see the audit expanded to include additional direction and insights. When asked which areas they would like to include, they were equally split among numerous options.

We require a more holistic view of the direction our organization is heading from our audit

Agree	Neither agree nor disagree	Disagree
92%	7%	1%

Which business areas would you like to include?

31% Corporate purpose	31% Cyber risk
32% Ethical standards and practices	32% Social responsibility practices
33% Corporate culture	32% Sustainability practices

Source: Deloitte Global Audit Value Pulse Survey 2020 Data Summary

Nearly three-quarters of respondents (73%) believe financial statement audits are designed to provide assurance that any fraud will be detected by the auditors, but the remaining 27% disagree. However, current professional standards and regulations require reasonable assurances rather than absolute assurances, indicating there are different expectations about what an audit is designed to do. The auditor's responsibilities in relation to detecting fraud is an area of continued focus in adapting the scope of the audit and requires the constructive, integrated evolution of standards.

Financial statement audits are designed to provide assurance that any fraud will be detected by the auditors:

- 73% agree
- 27% disagree

When asked which business areas beyond their financial statement audits they would like to include in the future, they were equally split among the following areas – corporate culture, sustainability practices, ethical standards and practices, social responsibility practices, corporate purpose, and cyber risk.

Fraud risk is not new, nor are the responsibilities of management and the board to have proper controls and processes in place to prevent and detect it, but recent corporate failures have increased focus on the topic, along with the responsibilities of the management, boards, regulators and auditors. The Covid-19 pandemic has resulted in significant operational and financial pressures on many companies and may have led to changes or weaknesses in their internal controls. As a result, audit firms are continuing to focus on the controls environment within the companies they audit, the messaging from leadership and tone at the top of those entities as well as exercising professional scepticism, ongoing assessment of risks, and the nature of audit evidence.

TRANSPARENCY EXPECTATIONS

Technological disruption, rapid market changes, and recent events have also highlighted the desire for greater transparency and breadth in reporting. A majority (65%) of executives surveyed cited the greater visibility and transparency around the process and outcomes of the audit as a way to address these expectations.

Further, there has been an increased focus on sustainability by a range of stakeholders. Over the past years, issues such as ESG (environmental, social and governance) performance have moved from being a fringe interest to a key factor in investment decisions.

ESG performance is a key factor in investment decisions

Audit firms continue to actively engage with policymakers on the expanded scope of the audit. It is important to take a critical look at the auditor's role within the financial reporting ecosystem and how more visible challenge and greater transparency can drive more meaningful financial reporting.

THE IMPORTANCE OF ASSESSING RISK

The survey reveals that respondents were seeking insights that could help them assess the risk presented by Covid-19 or similar disruptive events. In fact, 90% of executives felt that management could benefit by taking a page from the auditor's playbook in assessing risks from such events. For

Figure 4

COVID-19 concerns

The largest concerns focused on business model, accounting and financial reporting, financial resilience, customer relations and future demand

Source: Deloitte Global Audit Value COVID-19 Pulse Survey 2020 Data Summary

example, adhering to sound internal control principles and practices, employing robust systems of quality control, and entrenching a culture of ethics and integrity can go a long way in helping an organisation remain resilient in times of crisis.

Build resilience with:

- **Sound internal control principles and practices**
- **Robust systems of quality control**
- **Strong culture of ethics and integrity**

Businesses that seek to understand the long-term impacts of the crisis on their operating models are more likely to find new ways to quickly adapt to the post-Covid-19 world as well as use their experiences to prepare for future events.

ADDRESSING RESILIENCY CONCERNS

While the pandemic has exposed weaknesses in the ways some businesses operate, it has also ushered in a new reality of virtual working. This has created an even greater reliance on digital technology and collaboration tools, which is one of the factors leaving executives concerned about the long-term efficacy of their pre-Covid-19 business strategies. When asked about the resilience of their companies during Covid-19, the two largest concerns for respondents were viability of their business models (57%) and accounting and financial reporting issues (54%).

When viewed by geography, respondent concerns shifted somewhat. Brazil, France, India and the US rated business model concerns the highest. European respondents in general rated the health and well-being of their employees highest (49%), while Asia-Pacific respondents prioritised customer relationships and future demand (49%).

The pandemic has impacted industries in different ways and the results reflected these differences in executives' concern by sector. For example, consumer products companies cited financial resilience (capital stability and liquidity) as their top concern (64%), while companies in the financial services industry were most concerned with the brand and reputation of their businesses (55%).

Top concerns:

- **Consumer products companies: financial resilience**
- **Financial services companies: brand and reputation**

The economic and health crisis resulting from the pandemic has also caused the process of financial reporting to be far more challenging than before. Professionals must now deal with travel restrictions which prevent routine in-person meetings and activities, market volatility that impacts estimates and valuations, challenges of cross-border data sharing, and complex tax implications of work-from-home mandates. It is therefore unsurprising that 54% of executives shared that navigating accounting and financial reporting issues was a top concern – this was an especially common concern among investors. They are seeking objective insights into systems of control and quality that inform guidance in difficult decisions relating to forecasts, estimates, and other judgements related to valuations and complex accounting treatments.

When asked what actions their businesses were planning to take to respond to Covid-19 challenges, 63% of executives said they were focusing on communications with investors and stakeholders on business challenges and impacts. This response amplifies the positive potential impact that constructive engagement throughout the financial reporting ecosystem could have on markets.

Many regulators have acknowledged the uncertainties created by Covid-19 and emphasised the need for high-quality reporting that includes the transparent disclosure of new risks and assumptions made. These comments have provided some assurance for reporters and users of financial statements alike, and more regulator input could go a long way in reinforcing trust and reliability.

... there is a growing desire that a financial statement audit should inform as well as assure, extending its scope to areas of broader public interest and not solely historic financial statements.

A need for high-quality reporting that includes the transparent disclosure of new risks and assumptions made

Access to timely, transparent, meaningful data and insights to inform financial reporting and associated disclosures remains critical. It enables stakeholders – investors, employees, suppliers, governments, and regulators – to identify which companies have so far mitigated the disruptive effects of the pandemic.

A FINANCIAL REPORTING ECOSYSTEM FIT FOR THE FUTURE

As expectations evolve, it is clear that the entire financial reporting ecosystem will need to continue to adapt as an integrated whole. All players across the ecosystem have a collective responsibility to serve the public interest. More forward-looking reporting, covering both financial and non-financial matters such as climate and ethics, is an important step in this evolution. Ultimately, any changes implemented need to drive responsible business behaviours, improve clarity and transparency of relevant reporting, and provide stakeholders with more meaningful information to equip them to make informed decisions.

The auditor is critical, but only one part of the financial reporting ecosystem – continued constructive collaboration – is needed to drive further change. Audit firms have a significant opportunity and responsibility to drive more value-added reporting and continue to challenge ourselves on how we can adapt for the future. ISCA

Jean-Marc Mickeler is Deloitte Global Audit & Assurance Business Leader, and Shariq Barmaky is Deloitte Southeast Asia Audit & Assurance Regional Managing Partner. For queries on the survey, contact Deloitte Global Audit & Assurance Brand, Communications & Marketing (globalauditbrand@deloitte.com), or Deloitte Southeast Asia Enquiries (enquiries@deloitte.com).

HARNESSING YOUR OWN HUMAN CAPITAL

Ang Zanyu, CA (Singapore), Co-Founder, TalentKraft Pte Ltd

GROW NOT JUST AS A PROFESSIONAL, BUT AS A PERSON – this was a realisation that came to Ang Zanyu even before he joined the workforce. Then an accountancy student at Nanyang Technological University, Zanyu was on an overseas study exchange at Tsinghua University in Beijing when he noticed that the students there were not the typical bookworms that one would expect. "Tsinghua is a top-tier university in China, and these students were among the top 0.05% of the millions of candidates competing for a spot. Yet, they didn't have their noses in their books all day," he shares. "While intensely committed to their studies, they were also very active in building their profiles, be it through internships, networking or their personal passions such as sports. It gave me a more holistic view on how to stand out in a competitive market."

Zanyu certainly took that lesson to heart, and it was not that big a leap for him as he was an all-rounder even as a teenager. As the Main Committee member of National Junior College's hockey team, he didn't just play the sport but also took charge of sourcing for sponsors for the team during national competitions. Having always had an entrepreneurial streak, he also started making money from buying and selling things online even before the age of eBay and Carousell. "Such hobbies helped show a different side of me to potential employers," says Zanyu. "People outside of accountancy always think of us as prim and proper rule-followers, but we are all unique!"

Today, as Co-Founder of TalentKraft Pte Ltd – a consultancy firm that helps companies improve their human resource (HR) processes and adopt the right technologies to increase the value-add from HR – he continues to advocate for fresh graduates and young professionals to differentiate themselves from the competition in a holistic manner. "Indeed, there are companies that use screening software that will look for key words. But beyond that, it's all a matter of how you stand out from the crowd and not be just another job applicant. Beyond honours and accolades, internship experiences and even hobbies count too. We have shortlisted people because of their interests. For example, if we see that a candidate is an avid baker and had started a small baking business during the circuit breaker, it tells us that this person has an entrepreneurial spirit with high adaptability and resourcefulness," he reveals. "It is about putting yourself out there as a person, rather than just a set of qualifications and skills."

> "Beyond honours and accolades, internship experiences and even hobbies count too... It is about putting yourself out there as a person, rather than just a set of qualifications and skills."

FROM GROWING WEALTH TO GROWING A CAREER

Zanyu's personal journey really gained momentum during his National Service days. "The common thought of a person who doesn't have a lot of money is to spend less. But I was thinking about how I could earn more! So I started dipping my toe into investments, and realised that I lacked a lot of knowledge," he recalls. This was also what made him decide to explore accountancy as a career to understand how businesses work, as he believed accountancy is the language of all business operations. Upon graduation, he joined KPMG. As a senior associate, he was exposed to a wide range of industries and businesses from small and medium-sized enterprises to multinational corporations. "Compared to those who went straight into a big corporation and became part of its inhouse team, I think I gained a much broader scope of vision," he reflects.

While the learning journey as an auditor was fruitful, the entrepreneurial spirit in him ached for a different experience. In 2017, he

joined a local startup to get first-hand experience in building a business before starting his own. It was there that he met his current business partner, and by age 27, Zanyu had become the co-founder of his own business, TalentKraft Pte Ltd. "It was quite serendipitous really," he notes. "To start a business, you need credibility and the right network – all these need time to establish. My business partner, who was a strategy consultant from the management consulting firm Boston Consulting Group, is about 13, 14 years older than me, with a lot more experience. So while he gives the high-level direction, I use my understanding of finance and operations to get things going. This professional knowledge which I have was especially helpful during the early stages, when we had to ensure the company's financial sustainability despite limited cashflow." Such skills, he feels, are crucial in any organisation. "People often overlook the importance of accountancy. It's not just a reporting necessity; having that overarching knowledge allows you to assess financial risks and how to mitigate them. Junior accountants might not see the importance of their work, or the potential value they can add to a company's decision-making process. But such knowledge, especially at a senior level, can help to steer a company in the right direction."

Yet, there were many other challenges he faced as a first-time entrepreneur. "It wasn't just the long hours – there was the company's reputation to build and my own reputation as well." Therefore, to establish their name, the company partnered government agencies to offer research papers and other consulting work. Zanyu and his team also actively promoted the company through social media channels to build brand recognition. Most importantly, he kept up with industry trends and continuously deepened his knowledge to convince industry veterans to work with him. "Being an ISCA member and a chartered accountant certainly helped me gain credibility, especially in the early stages. Also, ISCA offers a lot of events that helped me extend my network."

Beyond the technical knowhow, building a business takes grit. "You definitely need thick skin to be an entrepreneur," he shares with a laugh. "But more than that, you need resilience. There will be rejections and failures. You cannot expect things to always go the way you want them to. Besides bouncing back stronger, you have to learn fast and learn to move forward. Being self-motivated and driven is also important when you strike out on your own because there are no milestones to hit, no investors, no boss breathing down your neck and no staff to be responsible for. You have to push yourself."

Over time, TalentKraft's good track record won it recognition and the company has been enjoying steady growth. "The challenge now is to be responsible for those I work with," shares Zanyu. "I now have a team of about 20, so I can't just pack up and go as people would lose their jobs. It was not something that I foresaw when I first started. The ideal scenario always is that you start a business and it runs by itself, then you just sit back and reap the profits. However, the real world does not work like that!"

CAREER HIGHLIGHTS

2014 to 2016
Senior Associate,
KPMG Singapore

2017 to 2018
Account Manager,
Freeboh Innovations

2018 to Present
Co-Founder,
TalentKraft Pte Ltd

> **"People often overlook the importance of accountancy. It's not just a reporting necessity; having that overarching knowledge allows you to assess financial risks and how to mitigate them… such knowledge, especially at a senior level, can help to steer a company in the right direction."**

LEARNING FAST AND LEARNING TO MOVE FORWARD

Life is a perpetual learning journey for the keen student, and Zanyu certainly doesn't let slip any opportunities to expand his horizons. As such, he joined the ISCA Mentoring Programme as a mentee in 2021. "While I have met a lot of more senior and experienced people in strategy, consulting and technology-related fields, I would like to have a mentor from the finance space. While I may have left the finance and accountancy-related fields, I think it is still important to keep in touch and know what is going on, especially as I still do my own accounting." He doesn't just take business wisdom from seasoned veterans either. "I have met those who are only 26 years of age but have been running their business for six years!" exclaims the 30-year-old. "I interact with them a lot but I would not say that I am a mentor to them. Rather, we learn from each other. The challenges they face are even tougher and the kind of ingenuity they need is of a different level."

It is this open mindset and eagerness to improve that allows Zanyu to rise to new challenges. And he feels that this same mindset is critical for companies that want to emerge from a gloomy economy impacted by the global pandemic. "I observe two kinds of companies – ones that can't wait to go back to 'normalcy', with everybody back in the office, and others that would want to keep to the 'new normal'. When the pandemic started, some companies saw this as something to tide through, while others sensed an opportunity to change the way of doing things. The thing is, the way we work was already changing, even before the pandemic. How do you adjust your mindset and leverage the opportunity to become more cost- and time-efficient in terms of operations? Having that open mindset is important. It might be more difficult for bigger companies with more moving parts to pivot, but smaller firms with 50 to 100 staff can leverage this as an opportunity to implement change and emerge stronger." Zanyu also urges companies to make decisions for the long haul. "The pandemic has created an employers' market with more candidates than positions available. However, companies need to think long term to retain talent. Young people are quite picky about where they want to work these days, and smaller firms need to differentiate themselves from the larger corporations."

Having run his own company for the last three years, Zanyu has gained new perspectives on what success is. "Some see success in monetary terms. While wealth can translate to a level of comfort, after a certain point, it's no longer about accumulating wealth," he reflects. "For example, when we first started the company, it was about hitting revenue targets. But as we progressed, hitting those goals no longer became the core focus as we were always busy with new challenges that allow us to grow, and every hurdle that we overcame became a motivation for us to move forward." And despite being a go-getter, Zanyu does not characterise himself as someone who constantly has his eye on the prize. "I am not an ambitious person, and I wouldn't say that there's a 10-year goal that I am working towards. It's the small wins that motivate me. At this point, I would like to be able to get to a stage where I can have a good balance between life and work. That, to me, would mean success." ISCA

BY BELINDA TAN

THE RISE OF FEMALE LEADERS IN SINGAPORE

Intentional, Deliberate Actions To Encourage Gender Diversity

DESPITE THE ADVERSE IMPACTS OF THE GLOBAL PANDEMIC, the overall number of women in leadership positions in mid-sized businesses in Singapore has risen to 33% in 2021, according to Grant Thornton's annual "Women in Business" report; this is a 2% increase year-on-year. Globally, the percentage of women in senior leadership positions in mid-sized businesses has passed the critical 30% threshold, which research shows is the minimum representation needed to change decision-making processes.

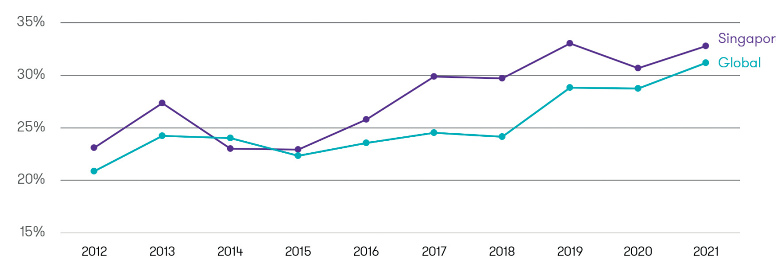
Breaking the 30% barrier of women in senior roles globally certainly does represent progress – having grown from 19% when Grant Thornton first started tracking this 17 years ago – but these gains can easily be lost. It is important for businesses to continue driving initiatives that aim to achieve gender diversity in their firms.

Since 2017, when only a quarter of senior positions were filled by women, improvement has been seen, although it has been slow and sporadic. Last year, we reported a levelling out, with the overall number static at the 29% mark. In 2021, however, there is cause for optimism as the global figure has hit 31% (Figure 1). This indicates that, in short order, a third of all senior management positions are likely to be held by women.

This article looks to outline the progress made so far in Singapore to achieve gender diversity, explore the effects of a changing working environment on women, as well as discuss what more can be done by businesses to increase the number of women in senior management.

Figure 1

Change in proportion of women in senior management in Singapore (ten-year view)



Source: Grant Thornton

A FOCUS ON WOMEN

It is encouraging to see an increase in the number of women in overall leadership positions in Singapore over the last year. This is a collective effort throughout society, with the government officially declaring 2021 as the "Year of Celebrating SG Women."

Back in September 2020, the Singapore government had announced a comprehensive review of matters affecting gender inequality that will conclude in a white paper to be delivered in Parliament in the second half of this year. The initiative aims to change mindsets on values such as gender equality and respect for women. Furthermore, the Council for Board Diversity found that, as of 31 December 2019, the largest

Some 70% of Singapore respondents stated that in their organisations, new working practices have enabled women to perform greater leadership roles, showing that women in Singapore have clearly risen to the challenge through adaptability, resilience, and innovation.

100 companies listed on the Singapore Exchange had achieved 16.2% of female board participation – a slight improvement on the 15% recorded at the end of 2018. However, Prime Minister Lee Hsien Loong, in his Facebook post on January 30, recognised that creating an equitable society for women is an ongoing process in Singapore, especially amid the ongoing pandemic which has severely disrupted people's livelihoods, wellbeing and everyday life, as well as forced many people to adapt to a new digitalised way of working.

IMPACT OF COVID-19 ON WOMEN EXECUTIVES

Covid-19 has led to a fundamental shift in working practices. The business landscape is undergoing permanent changes, with a more flexible, "hybrid" working environment coming to the fore. It seems a more digital landscape has removed many of the traditional obstacles to women's careers, with empathy, people engagement, and a deliberate culture of inclusion all shown to be key during this time.

Over two-thirds (72%) of Singapore respondents agree that in their organisations, new working practices such as remote working will benefit women's career trajectories in the long term. The overall view is that Covid-19 has driven a change in the way people work that will have a lasting effect on the ability of women to pursue ambitious career paths.

However, prior to the pandemic, women who take on multiple roles in life (mother, wife, daughter) were able to shut the figurative and literal door when they left home in the morning to begin their other – equally important – role of business leader. Now, as they move to another room in their home to start the day, it may be trickier to establish that fine line between roles, made even harder with a barking dog or a crying child within earshot.

How to delineate different roles when working from home?

It is important, despite the restrictions of working from home, to continue to find ways to connect with clients through other means. Some 70% of Singapore respondents state that in their organisations, new working practices have enabled women to perform greater leadership roles, showing that women in Singapore have clearly risen to the challenge through adaptability, resilience, and innovation.

Women in leadership roles are
- **Adaptable**
- **Resilient**
- **Innovative**

For a number of years, Grant Thornton's research has shown flexible working to be high on the agenda of businesses looking to promote more women to senior management roles, and it is the fourth most common action taken to increase gender parity in 2021. While the proportion of businesses globally enabling more flexible working practices has remained steady between 2020 and 2021 at 31%, it is clear that there has been a seismic shift during the pandemic in attitudes and approaches to, and awareness of, the potential and challenges of flexible working. In fact, 58% of organisations surveyed in Singapore said that they have adapted existing learning and development programmes to the changing environment by making them virtual, and 54% said that they have instilled new working practices as a result of the pandemic, to better engage all employees.

Flexible working is not without its challenges, and one of them is ensuring that people are not lost due to being out of the regular routine of the office, or simply being out of sight. Managers need to communicate with staff, keep them connected and provide guidelines so that people are clear on their responsibilities when they are not physically in the office.

A NEW STYLE OF MANAGEMENT

The changes in the business landscape over the last 12 months present an opportunity for organisations to create a more inclusive, innovative culture in which all the employees are engaged. In order to take advantage of this unique moment in time, leaders are required to demonstrate particular skill sets.

A core attribute was flagged in our research that wasn't previously featured: the importance of empathy. The ability to connect with and understand different perspectives has risen to the forefront during the ongoing crisis. Engagement with staff, a greater understanding of people's personal needs and circumstances, and support for mental and emotional health are now more vital than ever before. As these "softer" management styles have proven their worth, a greater appreciation of, and a greater need for, diverse leadership has emerged.

Attributes such as empathy have traditionally been associated with female leaders, although this is starting to change. Being an empathetic leader is about how you listen and act. Everyone has that quality but for various reasons, women are perceived to have had more practice. Recognition of the importance of empathy, among other skills, is now creating opportunities for women to advance. This shift is significant and creates an expectation that, post-pandemic, a new style of leadership will be emphasised. Our research indicates that softer skill sets will characterise management styles in the new normal.

In terms of gender diversity, men and women are inherently different and therefore bring different values to the table with their range of perspectives. This not only challenges us, it offers us insights and even helps with some of the blind spots. In my career as a forensic accountant, when I first started out, it was in an extremely male-dominated arena. It was only in recent years that there are more female forensic accountants.

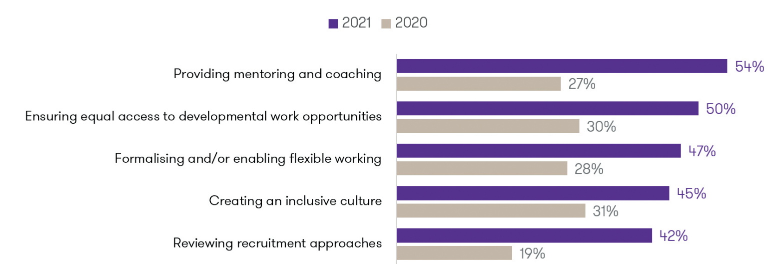
There are many skills in forensic accounting which women can excel at. For example, women are wired to recall more details, such as what someone said in a conversation, while men generally remember the gist of it. Such capabilities are important to the work of a forensic accountant as we need to sift through documents to connect the dots and lay out the evidence needed for a situation. In addition, to gather evidence for white-collar crime, the aptitude to actively listen and draw out information could come easier to women. This is not to say that men are unable to do these things or do not have other skills which they excel in, but some of the characteristics that are demanded of a forensic accountant come more naturally to women.

CONCLUSION

Now more than ever, businesses need to stay focused on what is enabling women to progress to leadership positions, so that women can move forward rather than backward as a result of the global pandemic. Indeed, the survey found that many businesses in Singapore are actively looking to achieve gender balance (Figure 2), with initiatives such as providing mentoring and coaching (54%), ensuring equal access to developmental work opportunities (50%), enabling flexible working (47%), creating an inclusive culture (45%), and reviewing recruitment approaches (42%) all increasing, which is promising to see.

Figure 2

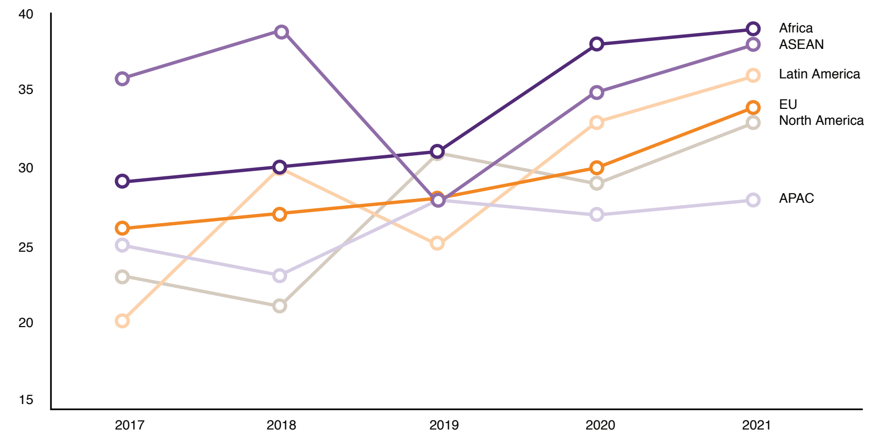
Companies in Singapore are taking action to improve the gender balance of their leadership teams



Source: Grant Thornton

Figure 3

Change in the proportion of women in senior management across regions(five-year view)



Source: Grant Thornton

Although Singapore has seen a progression towards achieving gender balance at the country level, there is a comparative lag across the region, with Asia Pacific (28%) being the only region surveyed to not have surpassed the 30% milestone (Figure 3). A surprisingly high 16% of businesses across Asia Pacific are currently not taking any action to increase gender balance, compared to only 3% in Singapore. Reasons for this could be that some countries across the region are naturally more developed than others, with varying cultural beliefs and value systems which can affect the overall gender diversity level.

However, it's not all doom and gloom. If we look at Asia Pacific's three-year moving average for women in senior management, it has been improving year-on-year from 25% in 2019 to 26% in 2020, and 27% in 2021. And while the region may lag behind in some areas, we see that it is very comparable in other areas – 25% of business CEOs in Asia Pacific are women, which is comparable with 26% globally. In addition, 37% of the businesses surveyed in Asia Pacific have female CFOs, compared to 36% globally. If we look at this data, we can take comfort from the fact that Asia Pacific is taking promising steps in the right direction and will, hopefully, hit the critical 30% milestone soon.

Returning to home base, it is heartening to see that the Singapore government is actively taking steps to try to increase the number of women in senior management roles. These include the government's adoption of a gender perspective in the 2019 revision of the Code of Corporate Governance requiring listed companies to publicly disclose their board diversity policy in their annual reports, and describe their progress in attaining the targets. From a workplace perspective, it is a collaborative effort – intentional, deliberate action is still the most important strategy in increasing the proportion of women in senior leadership.

Businesses must continue to be proactive in encouraging people to go for those senior roles, and also create a conducive environment where diversity is truly recognised and encouraged. Our efforts should be centred on facilitating women, as well as building and fostering a dynamic team. At the end of the day, the position should always go to the person who has the right credentials and is best suited for the job – whether a man or a woman. ISCA

Belinda Tan is Partner and Head of Forensic Advisory, Grant Thornton Singapore.

BY GUILLAUME ROELS

PUTTING PEOPLE AT THE CENTRE OF OPERATIONS

Tapping On Data To Develop More Effective Processes

OPERATIONS MANAGEMENT (OM), which is often associated with processing widgets and information, has permeated the workplace to such a degree that the HR function at companies like Google is now known as "People Operations".

As the nature of work has changed over the past generation, becoming more service-oriented, knowledge-intensive, and rapidly changing, a growing stream of OM research has shifted away from manufacturing to managing people – individuals, teams and organisations.

People affect processes and processes affect people. These linkages between people and processes impact performance. People-centric operations (PCO) is how people affect the performance of operational processes; it has always been part of OM but was not previously explicitly defined. In a recent paper[1], Bradley R. Staats and I clarify how this part of OM encompasses several research strands that have been, until recently, marginalised. To shed light on the multiple facets of people-centric operations, we have co-edited an upcoming special issue on the topic in *Manufacturing & Service Operations Management* (M&SOM) journal.

WHAT IS PCO?

Unlike the field of organisational behaviour, PCO doesn't study behaviour solely for its own sake but rather, it studies how behaviour changes the performance of operational processes. The fundamental principles of PCO are:

- People, not organisations, are self-optimising. It is people within the organisation who make choices.
- People are unique. They have different goals, beliefs, skills, strategies and approaches to learning.
- People change with time. They are never "finished": People add skills with experience and need training to maintain their skills.
- People have discretion. The implications of individual choice are vast.

The elements of PCO are embedded in the roots of operational management, specifically, scientific management (how people affect the performance of operational processes), and lean production (reliance on people for continuous operational change). Toyota's lean management demonstrated how understanding the way people affect and possibly improve operational processes could lead to success even though the firm was up against automakers with many more resources.

Yet, over the last 40 to 50 years, OM was primarily based in operations research, where everything tends to be modelled mathematically. Modelling typically reduces human beings to variables in equations, at the risk of ignoring relevant dimensions. As the field developed, it somewhat lost that connection with the human nature of operators and customers. For instance, inventory models typically assume that demand is exogenous and random. Customers themselves aren't modelled; they are random variables. This leaves out their desires, choice, agency, etc. Similarly, queueing systems model customers as widgets joining a queue at random times, with random requests. There is no understanding of why they arrive at these times. The randomness is taken as a given and then inventory levels or staffing levels are optimised.

The whole environment is basically a randomiser. PCO-focused research goes deeper and posits that customers and other humans make decisions. They could make decisions to maximise some utility, or because they have biases, or because they like to connect with a person from the company. Similarly, the servers or the decision makers have their own biases, their own objectives and their own discretion.

PCO-focused research posits that people are not random variables

It's time to re-associate people with operations

People affect processes and processes affect people. These linkages between people and processes impact performance.

PHOTO SHUTTERSTOCK

[1] Roels, Guillaume and Staats, Bradley R. "People-Centric Operations: Achievements and Future Research Directions". Last revised 22 Jan 2021. INSEAD Working Paper No. 2020/51/TOM.

PHOTO SHUTTERSTOCK

People have always been at the centre of operations, going back to scientific management, but somehow, the field has wandered away from the role of people on processes. It's time to bring it back.

Although part of the mainstream work of OM, PCO lacks a central theme, and more importantly, a comprehensive community. So, we set out to find the commonalities across certain fields.

WHAT TYPE OF RESEARCH?

We reviewed abstracts of M&SOM from its inception in 2000 to 2020 to capture PCO research at the core of OM by reviewing all the article abstracts. Then we made a deeper dive into 98 research articles out of a pool of 679 in total. Using these articles, we uncovered key clusters of PCO research:

- Is the research descriptive (the "what") or prescriptive (the "how")?
- Is the individual, the team or the organisation the focus of study?

All articles were based on one of five themes: utility theory, strategic behaviour, behavioural biases, learning and productivity, and coordination and trust.

With two larger subfields – prescriptive research on strategic behaviour/utility theory at the level of the market and descriptive research on individual behavioural biases – there are other people/process subjects that are included in PCO articles. Among the questions addressed are: Which team performs better? Does it depend on the nature of the task? The familiarity with the team members? The level of experience? What are the best learning processes? How do we coordinate teams?

There are many subfields and through our analysis, we've realised that although these fields were quite separate, there could be opportunities to connect. Using clustering analysis by natural language processing tools, we noticed that certain researchers would benefit from learning from each other. These researchers used virtually the same language, even though they used different methodologies. It could lead to interesting bridges between sub-communities and we hope that this special issue dedicated to PCO will encourage people to bridge those communities.

SHIFTING TO THE SERVICE ECONOMY

Going back to operations management pioneers, they achieved incredible productivity gains in manufacturing and agriculture, which were the dominant sectors of activity and OM study before the 1950s. Until the early 2000s, the service sector, plagued with very low productivity, was the neglected child in terms of research. Consider the classic example of a hairdresser. We still cut hair in the same way in the 21st century as we did in the 15th century – the whole process of wetting the hair, cutting with scissors, etc., hasn't been optimised. Perhaps because there was less room for optimisation in processes like this or because people were unable to see any room for it, the service sector was left a bit to the side.

In this century, however, because of the revolution of information and communication technologies, research has shifted to accept that the service sector can also be industrialised. Moreover, behaviours have started to be sufficiently well understood to be an integral part of the industrialisation process. In services with strong information components, dramatic improvements in their productivity are possible. Customer-obsessed Amazon is an example of dramatic improvements in a service.

The wealth of data generated in certain segments of the service sector has the potential to supercharge PCO research. Traditionally, one of the most time-consuming operations at Amazon was the picking process as pickers walked down the aisles to fulfil orders. The first layer of optimisation was to adapt the pickers' routes to reduce their walking time. Pickers wearing RFID chips were tracked in real time and received signals if they passed an item for an order. Over time, Amazon realised that the task was too demanding and repetitive. It has now been automated, marking a definite transition towards robotisation.

PCO research can be supercharged with the wealth of data available

But there are many other labour-intensive tasks for people to do in a warehouse, like packing, for example. "As technology has reshaped its workforce, Amazon has set aside US$700 million to retrain about a third of its US employees for roles with new demands", according to an article about Jeff Bezos' master plan for the company. Efficiency for its own sake is not the firm's goal. The use of vast amounts of data available in service industries is shaping OM.

THE KEY IS ACCEPTANCE

Data's granularity and accessibility creates a new opportunity for people-centric operations. We can study how human beings affect process performance, or how the process affects human behaviour. Like Amazon employees, customers can also wear RFID chips to provide tracking in exchange for services or other benefits. Acceptance is key – a firm must be transparent with how the customer or employee data will be used.

Customers are very willing to share information about their movement at Disney theme parks, for example. Park "guests" used to wear devices known as MagicBands to unlock hotel room doors, make purchases or attend exclusive events. The park tracked their movement and managed the flow of customers accordingly. Customer acceptance has been quite high because people reap the benefits. Now, the parks have shifted to an app.

Using data like this to optimise processes can be done across fields. In addition to my own research on customer ownership (utility models), coproduction (team coordination) and practice processes (learning and productivity), other INSEAD faculty have conceived important research on PCO. They include Ludo Van der Heyden on fair processes (team coordination), Jürgen Mihm and Manuel Sosa on team creativity (learning and productivity) or Sameer Hasija on Parkinson's Law (individual biases).

THE FUTURE OF PCO

As the world continues to change at breakneck speed, it has become even more important to study people and processes, and the data to do so are increasingly available. People have always been at the centre of operations, going back to scientific management, but somehow, the field has wandered away from the role of people on processes. It's time to bring it back.

In practice, we need to re-associate people with operations, like Google has. We heavily rely on people in teams to run businesses, so we need research to continue to unveil the impact of people on processes and how processes may change people. ISCA

Guillaume Roels is Timken Chaired Professor of Global Technology and Innovation and Professor of Technology and Operations Management at INSEAD.

PHOTO SHUTTERSTOCK

BY ARIF PERDANA AND KEVIN OW YONG

DON'S COLUMN

INTELLIGENT AUTOMATION

Business Process Management And Technology

ENTERPRISES, IN THEIR ENDEAVOURS TO ACCELERATE DIGITAL TRANSFORMATION, have been increasingly adopting smart automation technologies to enhance business performance and process efficiency, and also to reduce costs. Automation is gaining momentum to help industries accelerate digital transformation. Within a short span of time, automation has shifted from a native approach to multiplatform. One key challenge to the native approach is that different software may not be able to interact with each other. For example, a company's enterprise software output may not be able to seamlessly link to its tax application. To solve this issue, companies may use an application programming interface (API) to connect the different software. However, its implementation is optimal if it involves only two applications. If multiple software need to be connected to generate the intended output, then robotic process automation (RPA) is more effective than an API.

RPA WITH INTELLIGENT AUTOMATION

RPA can be used to automate and optimise several business processes. It can help save time, effort and money while producing quick, accurate and consistent results. The advantage of using RPA is the ease of deployment compared to developing dedicated automation tools from scratch. It also requires fewer programming skills, so the finance professionals can be involved in RPA and simultaneously keep themselves in the control loop of automation. RPA can also work with companies' legacy systems as it links these systems to the new enterprise systems, analytics software, and office application suites. Other than connecting different software, RPA is also evolving into intelligent automation (IA) as its capability is enhanced by the Internet of Things, artificial intelligence (AI), and machine learning. It helps to automate repetitive and mundane tasks, and also helps facilitate pattern identification, document understanding, and predictive modelling. While traditional RPA is procedural in nature, IA combines both procedural and data-driven processing. This means that when IA works with data, the more data that are supplied to the IA, the smarter the IA is in generating the intended output.

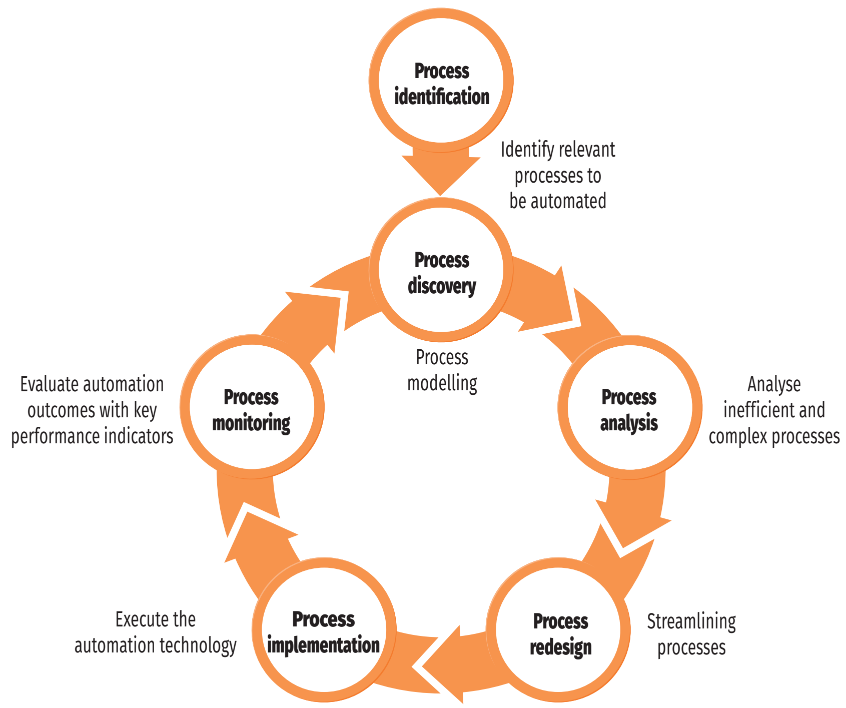
While IA is likely to benefit organisations, it is not a panacea that can cure every business problem. As the late Bill Gates once said, "Automation applied to an inefficient operation will magnify the inefficiency." Prior to the IA implementation, firms need to ensure that their business processes are well organised and properly documented. Automation implementation is, therefore, not only about the sophistication of automation technology but also its managerial processes. Understanding and awareness of the business processes is critical in IA implementation. Organisations can use the business process management (BPM) cycle to help them comprehend their business processes and make their business processes more efficient.

While traditional RPA is procedural in nature, IA combines both procedural and data-driven processing. This means that when IA works with data, the more data that are supplied to the IA, the smarter the IA is in generating the intended output.

BUSINESS PROCESS MANAGEMENT CYCLE

The BPM lifecycle includes process identification, process discovery, process analysis, process redesign, process implementation, and process monitoring (Figure 1).

Figure 1 Business process management cycle



a) Process identification

In process identification, organisations must identify how the processes are done and how they are linked to other processes. At this stage, organisations must also evaluate whether the processes have achieved the intended goals (for example, operational efficiency, economic benefits, and customer satisfaction). All these goals must be measurable.

b) Process discovery

This is needed to document the business process scenarios and help identify both unnecessary and essential details.

c) Process analysis

Process analysis identifies the existing processes to determine whether or not they are inefficient or complex. Routine and mundane tasks should be addressed by automation technology.

d) Process redesign

The logic and workflow of the processes must be streamlined through process redesign before automation kicks in to facilitate the automation implementation. The processes also need to be extracted into identifiable tasks. Subsequently, firms must evaluate which tasks they need to automate because not all tasks will benefit from automation. Table 1 recommends three essential task characteristics that are relevant for automation.

e) Process implementation

After identifying the relevant tasks to be automated, organisations need to appoint automation champions and establish the appropriate policies for process implementation. Automation champions ensure that automation solutions are properly planned, developed and implemented. They also need to promote IA use to the entire organisation. Additionally, automation policy is critical to guide organisations to undergo proper change management during the implementation. Strong automation champions are required to support the IA system in the long term. While IA reduces numerous manual tasks, IA cannot substitute the full workforce by taking over all the tasks. Automation champions must be aware of the strengths and limitations of the automation solutions.

Table 1 Relevant tasks to be automated

Task characteristics	Description
Transactional	Transactional tasks normally do not require professional judgement. These tasks are also rules-based, repetitive, and measurable. They also require low-level exception handling. To get the optimal results from the automation, these tasks must also be of high volume, otherwise, automation would not impact on cost efficiency.
Digitalised	The tasks that will be automated must have digitalised input. Consequently, the output will be in digital format as well. This might be a challenge for some companies that traditionally store their documents physically.
Stable	The nature of the tasks must be stable. This means that how to get the tasks done should be well understood in the organisations. The tasks are mature and will not be changed frequently.

Role of automation champions:

- Provide IA recommendations to senior management
- Estimate economic benefits of IA implementation
- Get the buy-in from employees
- Establish enterprise-wide IA governance infrastructure
- Work with departments to optimise IA opportunities and returns

Automation champions provide recommendations to senior management regarding the feasibility of automation implementation, for example, by considering the firm's size, nature, financial and human resources. Automation is costly, particularly for small businesses; costs may involve development and maintenance costs. Automation champions, therefore, must cautiously estimate the economic benefits resulting from automation implementation.

In addition to being responsible for designing the solutions, automation champions also need to educate employees and enhance their understanding of automation solutions before and after the solutions' development and deployment. Regardless of an enterprise-wide or business processes IA implementation, employees may perceive automation as a threat as they fear that automation may disrupt their work or worse, take over their jobs.

To alleviate this concern, automation champions should strategically align the learning and development function, and establish an enterprise-wide IA governance framework. The champions should also understand employees' behaviour, for example, how they will react to the transformation. This strategic alignment requires constant communication between senior management and its workforce to create a strong organisational culture that supports a successful automation implementation. Implementation of IA across the entire organisation can only be successful with close cooperation within and between departments. Each department needs to work very closely with the automation champions, regularly communicating their needs, and providing suggestions and recommendations to maximise the benefits of IA.

In today's ever-evolving world, change is a necessity. However, many companies are hesitant to make that leap to implement IA. As IA is relatively new to most employees, there is a need to get employees to understand that there will be a massive shift in the skills that will be needed at the workplace. This shift in skills can be presented as an excellent opportunity for them to upskill themselves, instead of a challenge or a threat. The company can then start developing employees with the new and appropriate skills for the job.

f) Process monitoring

Once the automation solutions have been implemented, automation champions must monitor whether the solutions help their organisations achieve the intended goals formulated in the process identification. This process monitoring evaluates the output of automation based on the available metrics, such as whether or not the automation can speed up the processes. The metric that is relevant for this evaluation is the percentage of lead time before and after automation. If automation is intended to achieve economic benefits, automation champions must justify the percentage of sales increase or the quantum of operational cost decline due to the automation solutions.

Keeping track:

- Metrics
- Percentage of sales increase
- Quantum of operational cost decline
- Improvement in customer satisfaction

Each department needs to work very closely with the automation champions, regularly communicating their needs, and providing suggestions and recommendations to maximise the benefits of IA.

Another possible outcome assessment is how much automation has improved customer satisfaction. Has it, for example, reduced the number of errors/faults made when serving the customers? Or has automation decreased the percentage of complaints from total customer feedback? The relevant metrics can be obtained via a customer satisfaction survey. Automation champions need to re-evaluate the business processes and automation technology if the automation solutions did not provide favourable outcomes during the monitoring process.

CONCLUSION

Instilling a technology mindset among employees in an organisation is not an easy feat. Moreover, installing technological solutions takes time and effort, costs money, and also requires senior management approval to support the initiatives.

As part of the Singapore government's initiative to provide support in this area, the Accountancy Industry Digital Plan (IDP) was launched to digitally transform the accountancy sector. The Accountancy IDP was developed by Singapore Accountancy Commission (SAC), Institute of Singapore Chartered Accountants (ISCA) and Infocomm Media Development Authority (IMDA). It is part of IMDA's SMEs Go Digital Programme to help small and medium-sized practices (SMPs) embark on their digital transformation journey.

The SMP Centre and Accounting Technology & Innovation Centre (AccTech Centre) work closely together and with SMPs in their digital initiatives. The SMP Centre is a dedicated, one-stop repository of information, tools and services designed to help SMPs build productive and competitive businesses. The AccTech Centre, a joint initiative between Singapore Institute of Technology (SIT) and SAC, serves as a resource centre to facilitate collaboration, catalysing technology and business innovation in the accountancy sector. Through AccTech Centre, SMPs will have the opportunity to work with SIT faculty, technology partners, and government agencies to innovate processes, service delivery, products and business models in implementing feasible technological solutions that involve RPA, data analytics and AI initiatives. ISCA

Arif Perdana is Assistant Professor, Singapore Institute of Technology (SIT), and Kevin Ow Yong is Associate Professor, SIT, and Head, Accounting Technology & Innovation Centre.

BY GARRY CARNEGIE, LEE PARKER, EVA TSAHURIDU

REDEFINING ACCOUNTING FOR TOMORROW

Reflecting The Multi-Faceted Conception Of Accounting Practice

HOW WE DEFINE ACCOUNTING TODAY AND WHAT DEFINES ACCOUNTING TOMORROW ARE FUNDAMENTAL TO THE PURPOSE, value and identity of the accountancy profession. In a recent article, we review current definitions of accounting and propose a dialogue to develop a definition that is representative of accounting today and fit for purpose. We are following other calls to define the accountant of tomorrow[1] and propose that accounting can play a major role in answering the planet's "big questions" and solving its "wicked problems". We argue this is crucial to the future of our profession.

WHY IS A DEFINITION NECESSARY?

A good definition is concise, coherent and complete. It conveys the fundamental meaning or state of something. A definition is a formal statement expressing the essential nature of something, as are the definitions of accounting, auditing and financial reporting. The application of authoritative pronouncements of the independent standard-setting boards related to the accountancy profession (IASB, IAASB, IPSASB and IESBA) for instance, depends fundamentally on the definitions provided for the common and clear use of words or terms in accounting, such as the definition of assets, liabilities, income, expenses, substance over form, professional judgement, scepticism and post-balance-date events.

The absence of meaningful, accurate and accepted definitions would have unfavourable implications for the effective application of accounting, auditing, ethical and accounting education pronouncements globally. Accounting students of today, and the future professional accountants, are educated in the fundamental facets of accounting as a professional discipline with strong reliance on suitable meaningful definitions that are appropriate and current.

WHAT IS ACCOUNTING TODAY?

We searched for common definitions of accounting developed by accounting educators and professional accountancy organisations (Carnegie et al, 2020).[2] Our objective was to evaluate existing definitions and consider their appropriateness. We found that they do not reflect the essential nature of accounting. We proposed discussion and debate in order to develop a meaningful and suitable definition of accounting for the 21st century and suggested a working definition to start the process. We did not set out to define the "practice of accounting", such as in terms of what professional accountants actually *do*, an endeavour that has been pursued by others. Like the Institute of Management Accountants[3], we suggest that the behaviours of professional accountants and their evaluation should be based on the definition of accounting.

Underpinning most of the key definitions of accounting is that delivered long ago by the American Institute of Accountants (now the American Institute of Certified Public Accountants), defining accounting as "... the art of recording, classifying, and summarising in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof" (American Institute of Accountants, 1953, p.9).

Another longstanding definition of accounting by the American Accounting Association (1966) is premised on the notion of "decision usefulness" of the accounting process: "Accounting is the process of identifying, measuring and communicating economic information to permit informed judgements and decisions by users of information".

Today, the definition of accounting on Wikipedia is "the measurement, processing, and communication of financial and non-financial information about economic entities such as businesses and corporations".[4] This definition also focuses attention on the use and reporting of non-financial information primarily for "businesses and corporations".

Specialist institutes of management accountants, such as the IMA and Chartered Institute of Management Accountants (CIMA), have focused on defining management accounting. The IMA, for example, defines management accounting as "a profession that involves partnering in management decision making, devising planning and

At accounting's core, ethics should be reflected in the definition of accounting. Accounting shapes and affects lives and is exercised by moral agents. It is an ethical and social practice.

PHOTO SHUTTERSTOCK

[1] Prinsloo, Alta. "What Defines the Accountant of Tomorrow?". 26 Aug 2020. Knowledge Gateway, IFAC; last accessed 3 Jan 2021.

[2] Carnegie, Garry; Parker, Lee, and Tsahuridu, Eva. "It's 2020: What is Accounting Today?". Wiley Online Library; last accessed 4 Feb 2021.

[3] "Definition of Management Accounting". 2008. Institute of Management Accountants (IMA); last accessed 19 Feb 2021.

[4] Definition of "Accounting". Wikipedia; last accessed 4 Feb 2021.

performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organisation's strategy."[5] However, given management accounting is a key part of the accountancy profession, its definition should also be aligned with its overall purpose and objectives.

We are long overdue for a review and revision of the definition of accounting to answer the question, "What defines accounting of tomorrow?". Like Prinsloo (2020), we agree that the accountancy profession can "build on its strong foundations (and its long history), evolve the skills of its members and become even more central to a high-functioning society" (third para). Compared to the typical definitions of accounting, the profession needs to understand and present accounting as much more than mere technical practice.[6] Accounting is more than the "means of accounting" or "the doing of accounting", these already being "hyper-developed" (Carnegie, Parker and Tsahuridu, 2020).

KEY CONCEPTIONS OF ACCOUNTING

Conceptions of accounting have broadened as its impacts and implications have been addressed by contemporary and historical accounting researchers since the 1980s. In addition to the abovementioned technical practice definitions, accounting is now recognised as a "social practice" (that is, what does accounting do?) and a "moral practice" (that is, what should accounting do?) (see, for instance, Tsahuridu and Carnegie, 2018, Carnegie and Tsahuridu, 2019[7] and Carnegie et al 2020). A technical practice (that is, how to do accounting?) approach to defining and perceiving accounting fails to recognise accounting's impacts on organisational and social functioning and sustainable development.

[5] IMA (2008); last accessed 19 Feb 2021.

[6] Tsahuridu and Carnegie. "Accounting as a Social and Moral Practice". 30 Jul 2018. Knowledge Gateway, IFAC; last accessed 4 Feb 2021.

[7] Carnegie and Tsahuridu. "Key Performance Indicators and Organizational Culture: A New Proposition". 5 Dec 2019. Knowledge Gateway, IFAC; last accessed 4 Feb 2021.

[8] Bakker, Peter. "Accountants Will Save the World". 5 Mar 2013. Harvard Business Review; last accessed 4 Feb 2021.

Accounting is a technical, social and moral practice concerned with the sustainable utilisation of resources and proper accountability to stakeholders to enable the flourishing of organisations, people and nature.

At accounting's core, ethics should be reflected in the definition of accounting. Accounting shapes and affects lives and is exercised by moral agents. It is an ethical and social practice. While few within or outside the profession appear to disagree, the definition of accounting has not shifted to reflect this proposition. Our proposition follows.

WHAT DEFINES ACCOUNTING OF THE FUTURE?

Current or new definitions of accounting, in our perspective, need to recognise and reflect the multi-faceted conception of accounting as a technical, social and moral practice more proactively. We agree that this is a key starting point if accounting is to help shape and create a better world for all forms of life on planet earth. Importantly, this step will also support attempts to depict "what defines the accountant of tomorrow?" (Prinsloo, 2020). Therefore, our position is consistent with that of Prinsloo's.

We have endeavoured to focus the proposed definition of accounting on its place in the world and broaden its boundaries to reflect its responsibilities and influence, including sustainability and sustainable development, and all stakeholders, including the natural environment, rather than a prime or sole focus on shareholders.

For discussion and debate, we propose a potential definition of accounting for consideration: Accounting is a technical, social and moral practice concerned with the sustainable utilisation of resources and proper accountability to stakeholders to enable the flourishing of organisations, people and nature (Carnegie et al, 2020).

While other proposed definitions in future may also prove suitable, we put forward a definition of accounting that takes us beyond historical limitations, brings us into the 21st century, includes nature and the environment among stakeholders, and engages with the full dimensions of accounting as an enabling, disenabling and pervasive practice as has emerged in recent decades and reflects the discipline's growing interdisciplinary orientation.

We look forward to this topic gathering more attention and thought leadership contributions during the remainder of 2021 and building on the example set by Prinsloo (2020). Such contributions can only assist in focusing attention on ensuring that "today's accountant will be ready to lead tomorrow" and for the profession to help create a better world, or being even more ambitious, for our profession to help save the world.[8] Definitions are important. It is only right that we get this sorted for the future of the accountancy profession and its professionals. Tolerating tired or outdated technicist definitions of accounting does not project a vibrant, forward-looking profession operating in the difficult early 2020s global conditions. ISCA

Garry Carnegie is Emeritus Professor of RMIT University; Lee Parker is Research Professor of Accounting, Glasgow University Scotland and Distinguished Professor of Accounting, RMIT University, Melbourne, and Dr Eva Tsahuridu is a business ethicist who has been researching, teaching and advising on business and professional ethics for over two decades. This article was first published in Knowledge Gateway, IFAC.

TECHNICAL HIGHLIGHTS

AUDITING AND ASSURANCE

ISCA INVITES COMMENTS ON NEW AND REVISED QUALITY MANAGEMENT STANDARDS

ISCA seeks comments on three quality management standards:

(i) Singapore Standard on Quality Management (SSQM) 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements;*

(ii) SSQM 2 *Engagement Quality Reviews;*

(iii) SSA 220 (Revised) *Quality Management for an Audit of Financial Statements.*

The proposed standards include a new proactive risk-based approach to effective quality management.

Please send your comments to technical@isca.org.sg by 16 June 2021. In particular, we would like to hear your comments on the proposed effective date of these standards.

For more information, please visit https://isca.org.sg/content-item?id=6624973c-d781-4d58-ab4d-931630eb38bc

ETHICS

IESBA RELEASES ADDITIONAL GUIDANCE ON ITS PROPOSED DEFINITION OF A PUBLIC INTEREST ENTITY

IESBA has released a staff publication providing additional context to its recently proposed revisions to the definition of a public interest entity (PIE). This publication will assist local regulators, national standard setters or other relevant local bodies in considering and planning adoption of the revised PIE definition when finalised and issued by IESBA.

For more information, please visit https://www.ethicsboard.org/news-events/2021-03/iesba-releases-additional-guidance-its-proposed-definition-public-interest-entity

IFAC AND ICAEW RELEASE SIXTH INSTALMENT OF ANTI-MONEY LAUNDERING EDUCATIONAL SERIES

This publication looks at businesses experiencing financial difficulties and the increased risk a professional accountant may face to inadvertently facilitate money laundering.

For more information, please visit https://www.ifac.org/news-events/2021-03/ifac-and-icaew-release-sixth-installment-anti-money-laundering-educational-series

FINANCIAL REPORTING

ISCA ISSUES FINANCIAL REPORTING GUIDANCE (FRG) 3 PREPARATION OF INTERIM FINANCIAL STATEMENTS UNDER SFRS(I) 1-34 INTERIM FINANCIAL REPORTING (IN COMPLIANCE WITH THE SGX LISTING RULE 705(3A)

SGX Listing Rule 705(3A) requires issuers reporting under SFRS(I) to apply SFRS(I) 1-34 *Interim Financial Reporting* in their interim financial statements. Cognisant of the need to enhance the quality and comparability of interim financial statements internationally, ISCA issued FRG 3 to assist issuers:

- Understand the implications of SGX Listing Rule 705(3A) to their interim financial statements, and
- Highlight key focus areas in the application of the requirements in SFRS(I) 1-34 for the preparation of interim financial statements.

A one-month public consultation was conducted in March 2021 to solicit feedback from our members and the community.

Accompanying FRG 3, ISCA issued two sets of illustrative condensed interim financial statements prepared in accordance with SFRS(I) 1-34. This serves as an illustration of how certain key requirements of SFRS(I) 1-34 and SGX Listing Rule Appendix 7.2 could be met concurrently in the interim financial statements.

The above SGX requirement will take effect for issuers' financial statements for any interim financial period ending on or after 30 June 2021.

For more information, please visit https://isca.org.sg/standards-guidance/financial-reporting/technical-guidance-issued-by-isca-technical-division/technical-guidance-issued-under-codification-framework/financial-reporting-guidances

ISCA COMMENTS ON IASB'S ED ON LEASE LIABILITY IN A SALE AND LEASEBACK

We support IASB's proposed new Illustrative Example 25 (IE 25) to address the scenario of a sale and leaseback transaction with variable payments. However, we disagree with classifying the liability arising from such a transaction as a "lease liability" in IE 25. The inclusion of variable lease payments solely for the purpose of computing the liability arising from a sale and leaseback transaction may confuse the marketplace as it contradicts the existing measurement requirement of a lease liability.

In our view, this liability is a "financial liability" under IFRS 9 because this liability relates to the portion of the asset that is not "sold" to the buyer-lessor and is, in substance, a loan obtained from the buyer-lessor. This is consistent with the concept in BC266 of IFRS 16 that economically, the retained interest in the underlying asset is not considered as an asset sale and leaseback by the seller-lessee. Accordingly, the seller-lessee has no "lease liability" under a lease but a normal finance liability relating to an advance received.

For more information, please visit https://isca.org.sg/docs/default-source/fr-eds-and-comment-letters/isca-comment-letter-on-iasb's-ed-on-lease-liability-in-a-sale-or-leasebackdf19c2c3ee994990aa103163e937237b.pdf?sfvrsn=808b28_2

PHOTO SHUTTERSTOCK


BY PATRICIA TAN MUI SIANG AND KOH WEI CHERN

DON'S COLUMN

CAPITAL MANAGEMENT

A Call for Better Quantitative Disclosures In Practice

CAPITAL STRUCTURE IS THE WAY ENTITIES FINANCE THEIR ASSETS USING A MIX OF EQUITY, debt and hybrid securities. According to a McKinsey (2020) article, firms face the "constant challenge of achieving a funding mix that reflects the company's strategy at a particular moment in time while maintaining financial flexibility and keeping the weighted cost of capital at a reasonable level"[1].

In this period of Covid-19 uncertainty, investors are especially concerned with the risk profile of an entity and will rationally seek to invest in entities that pursue value creation opportunities and have strong balance sheets. Information on how entities manage their capital structure and what entities consider as equity and debt may be even more important in these turbulent economic times, and as hybrid securities become more prevalent.

The Singapore equivalent of IAS 1, SFRS(I) 1-1 *Presentation of Financial Statements*, paragraph 134, requires entities "to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital". Paragraph 135 provides the compliance guidelines, that is, the entity should disclose (a) qualitative information and (b) summary quantitative data about what the entity manages as capital.

The article, "Capital Disclosures as Required by SFRS(I) 1-1", published in the June 2019 issue of this ***IS Chartered Accountant*** *Journal*, examines the types of qualitative capital management disclosures and the presence/absence of quantitative capital management disclosures in a sample of Singapore Exchange-listed entities and concluded that there are significant opportunities for improvement in capital management disclosures. In this article, we extend the earlier study by focusing on the state of quantitative disclosures in practice.

Paragraph 135(b) notes that capital may include some financial liabilities or exclude some components of equity. IAS 1 paragraph BC91 states that this capital disclosure is intended to give entities the opportunity to describe how they view the components of capital they manage, if this is different from what IFRSs define as equity.

One of the conditions for an instrument to be classified as an equity under IAS 32 paragraph 16 is where the instrument includes no contractual obligation (i) to deliver cash or another financial asset to another entity, or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer. IAS 32 paragraph 18 further adds, "The substance of a financial instrument, rather than its legal form, governs its classification in the entity's statement of financial position." The use of the "substance over form" argument provides leeway for judgement in practice. For example, the $500 million in perpetual securities (perps) with fixed coupon payments issued by Hyflux in May 2016 are perpetual in nature, do not have a fixed redemption date and are redeemable at the option of Hyflux. Hyflux has argued that, since in substance, there is no obligation to repay the principal amount, this issuance is classified as equity.

Capital management disclosures including disclosures on how entities view the different components of capital are important to users when assessing the risk profile of entities and their ability to withstand unexpected adverse events[2], and this is especially so for those entities that issue financial instruments with characteristics of both debt and equity. Investors need to have their eyes on the right metrics, and proper capital management disclosures communicate essential information on the entity's capital strategy. Paragraph 135(b) does not provide details on the required disclosures. Nevertheless, the capital management disclosures in the SFRS(I) 1-1 Implementation Guidance (IG) and the 2020 illustrative financial statements of the Big Four firms provide good examples of how compliance with SFRS(I) 1-1 on capital management disclosures can be achieved. We compare the disclosure practices on capital management for a sample of entities[3] listed on the Singapore Exchange against the illustrations in the IG and the Big Four firms' illustrative financial statements.

> Capital management disclosures including disclosures on how entities view the different components of capital are important to users when assessing the risk profile of entities and their ability to withstand unexpected adverse events, and this is especially so for those entities that issue financial instruments with characteristics of both debt and equity.

[1] "The Secret to Unlocking Hidden Value in the Balance Sheet", McKinsey & Co, March 2020.

[2] Basis for conclusions on IAS 1 *Presentation of Financial Statements*

[3] Financial institutions and REITS/Trusts are excluded as they are subjected to externally imposed capital requirements.

QUANTITATIVE DISCLOSURES IN IG AND BIG FOUR FIRMS' ILLUSTRATIONS

An examination of the capital management disclosures in the IG and the 2020 illustrative financial statements of the Big Four firms yield the following observations:

1) All use gearing ratio to monitor the capital structure. Gearing ratio is defined as either net debt/equity or net debt/(equity+net debt).
2) Four (including IG) state the range of gearing ratio the entity seeks to maintain, while one states the maximum gearing ratio the entity works with. One also states the target return on capital it seeks to achieve, and shows the return on capital for the financial year compared to the weighted average interest rate.
3) All provide quantitative disclosures showing how the numerator and denominator of the gearing ratio are determined, and the resultant gearing ratio for the year and the comparative period. The following are observations of the adjustments made:
   a) All five illustrations use net debt which is debt less cash and cash equivalents. However, the definitions of debt vary. All include interest-bearing liabilities, but the treatment of trade and other payables, and other non-interest-bearing liabilities vary across the illustrations.
   b) Two illustrations (including IG) use adjusted equity, where adjusted equity is defined as including all components of equity other than amounts recognised in equity related to cashflow hedges. Four (including IG) of the illustrations include non-controlling interest (NCI) in equity, while one does not. One (Big Four firm) includes convertible preference shares in the illustration. Convertible preference shares are excluded from debt and included in the denominator of the gearing ratio together with equity. One (IG) includes subordinated debt in the illustration. Subordinated debt is included in the denominator of the gearing ratio together with equity. None of the illustrations include perps.

PHOTO SHUTTERSTOCK

QUANTITATIVE DISCLOSURES IN SAMPLE

We analysed a final sample of 26 entities with financial year ending between 31 August 2020 and 30 September 2020, both dates inclusive.[4] This period was chosen as it falls within the period of Covid-19 uncertainty. Of the 26 entities, 15 entities state as an objective of managing capital that they seek an optimal capital structure or debt/equity balance, two entities state that they seek an appropriate/healthy capital structure, and another two entities seek to strengthen their risk management capabilities. Further analyses yield the following observations:

1) Fourteen entities indicate that they use the gearing ratio to monitor the capital structure. Three entities use the return on capital/shareholders' funds. Two entities monitor the cost of capital. The remaining seven entities do not state how they monitor the capital structure.

> Hybrid securities are part of the financing structure of the entities and should be included as either debt or equity capital. Investors should be concerned about how the entity is managing its capital structure if such hybrids are excluded from both debt and equity capital.

2) Only two entities state the maximum gearing ratio as part of the capital structure monitoring policy. None of the entities discuss the range of gearing ratio that the entities seek to maintain.
3) Fourteen entities that use gearing ratio to monitor the capital structure provide quantitative disclosures on how the numerator and denominator of the gearing ratio are computed.
   a) Twelve entities use net debt which is debt less cash and cash equivalents, while two use gross debt. All include loans and borrowings, while only some include lease liabilities, and trade and other payables.
   b) As for equity, one entity excludes fair value adjustment reserve. Three entities exclude NCI. Five entities do not have NCI. Three entities have perps of which two use gearing ratio to monitor capital structure, with one including perps as part of equity, while the other does not include perps in either equity or debt. The third entity uses return on shareholders' fund with both numerator and denominator excluding the interests of perps.

AREAS OF IMPROVEMENT

The findings in this article show that there exist significant opportunities for improvement in the quantitative disclosures on capital management. Entities can improve on the following:

1) State what ratios are used to monitor the capital structure;
2) State the maximum or the range of gearing ratios entities seek to work with;
3) Provide clear quantitative disclosures showing how the ratios (including the numerator and the denominator) are computed. The IG and the Big Four firms' four illustrations show that there can be many ways of calculating the numerator and denominator of the gearing ratio. Thus, it is critical that the definitions of these terms are provided and the computations clearly shown to facilitate users in their trend and cross-sectional analysis of the capital structure of the entities. For example, when entities issue hybrid securities, there should be clarity on how such hybrids are considered in the capital structure. Hybrid securities are part of the financing structure of the entities and should be included as either debt or equity capital. Investors should be concerned about how the entity is managing its capital structure if such hybrids are excluded from both debt and equity capital.

CONCLUSIONS

Determining the debt-equity mix to fund operations and grow businesses is no easy feat, especially in this period of economic uncertainty. As entities evolve, innovate and transform, and firms seek to raise funds to finance these activities, it becomes even more critical for investors to understand the policy and process that entities adopt to manage capital. Clear and transparent capital management disclosures convey to the readers that there is a coherent policy guiding financial decisions. Lack of disclosures may instead convey a sense of randomness in such financial decisions. Investors would be concerned if the entity does not work with a benchmark capital structure as it runs the risk of leaving significant value on the table due to excessive conservatism (thus holding excessive cash) or taking on too much risk and leaving little room for growth due to excessive debt. Investors in entities with hybrid securities should be particularly interested in how the entities position the hybrid securities, and accordingly, how to interpret the debt-equity ratio.[5] ISCA

Patricia Tan Mui Siang is Associate Professor of Accounting, Nanyang Business School, Nanyang Technological University, and Koh Wei Chern is Associate Professor, Accountancy Programme, School of Business, Singapore University of Social Sciences.

[4] Two entities were excluded because their 2020 annual reports were not available as of the date of data collection (28 Jan 2021).

[5] Hyflux is an example of an entity that engaged in overly aggressive expansion plans using both debt and perps, and has disclosure gaps on the use of perps. "Hyflux saga demands better debt disclosure rules", The Business Times, 2 Apr 2019.

PHOTO SHUTTERSTOCK

BY FELIX WONG AND ANGELINA TAN

A TALE OF TWO TRANSFER PRICING REGIMES

Grasping The Essentials Of Singapore's And Malaysia's TP Regime

SINCE THE OECD'S BASE EROSION AND PROFIT SHIFTING (BEPS) PROJECT, transfer pricing (TP) rules and regulations worldwide have continued to grow in number and complexity. At the same time, TP audits are intensifying as tax authorities step up scrutiny of intercompany transactions and adopt increasingly assertive stances to protect their respective tax bases. Companies are left to navigate the evolving TP landscape, and failure to comply with their TP obligations can lead to double taxation and hefty penalties.

In this article, we focus on Singapore's and Malaysia's TP regimes and compliance requirements. Sharing their professional insights were Accredited Tax Advisor (Income Tax) See Jee Chang, Senior Transfer Pricing Leader, Deloitte Singapore, and Theresa Goh, Senior Transfer Pricing Partner, Deloitte Kuala Lumpur, Malaysia, at a recent webinar organised by the Singapore Chartered Tax Professionals.

Accredited Tax Advisor (Income Tax) See Jee Chang, Senior Transfer Pricing Leader, Deloitte Singapore, and Theresa Goh, Senior Transfer Pricing Partner, Deloitte Kuala Lumpur, Malaysia, discussed and compared the TP regimes in Singapore and Malaysia in practice.

BACKGROUND OF SINGAPORE'S AND MALAYSIA'S TP REGIMES

Singapore

Inland Revenue Authority of Singapore (IRAS) issued its first set of TP guidelines in 2006, and has continued to regularly update its TP guidelines to clarify IRAS' positions amid ongoing international developments. However, it was not until February 2018, when the Income Tax (Transfer Pricing Documentation) Rules 2018 were gazetted, that the country's TP documentation (TPD) requirements were codified into the Income Tax Act.

Malaysia

TP requirements were first introduced in Malaysia in 2003. Since then, there have been numerous developments in Malaysia's TP regime, including the introduction of Income Tax (TP) Rules 2012 and Income Tax (Advance Pricing Arrangement) Rules 2012 in May 2012, the new disclosure requirement in the tax return in YA 2014, the release of Income Tax (Advance Pricing Arrangement) (Amendment) Rules 2017 and the corresponding update of TP Guidelines in 2017, as well as the recent introduction of new provisions in the Finance Act 2020 that aim to strengthen the enforcement for TP compliance in Malaysia.

TPD REQUIREMENT

Singapore

From YA 2019, companies must prepare TPD under Section 34F of the Singapore Income Tax Act if the gross revenue derived from their trade or business for the basis period exceeds S$10 million, or if they were

It is critical to note that the period to furnish TPD to IRB has been drastically reduced (from 30 days to 14 days) for TP audit cases commencing on or after 1 January 2021. With the reduced timeframe, it is more important than ever for taxpayers to stay disciplined and ensure the timely preparation of contemporaneous TPD.

required to prepare TP documentation in the previous basis period, unless exemption applies.

Taxpayers are required to prepare TPD on a contemporaneous basis. IRAS generally accepts TPD as contemporaneous when it has been prepared no later than the filing due date for the YA corresponding to the financial year in which the transaction takes place. Taxpayers are not required to submit their TPD to IRAS when filing their tax returns, but need to do so within 30 days upon IRAS' request. In practice, it is noted that IRAS has been strict in enforcing the 30-day timeline.

Malaysia

Under the Malaysian TP guidelines, taxpayers that enter into domestic and international controlled transactions (that is, related party transactions) are required to prepare contemporaneous TPD. TPD is regarded as contemporaneous in Malaysia if it is prepared at the time a person is developing or implementing any controlled transaction, or prior to the due date for filing of tax return for a particular YA.

In Malaysia, a company is required to prepare a full TPD if its annual gross income exceeds RM25 million and total related party transactions exceed RM15 million per annum, or if the provision of financial assistance exceeds RM50 million for non-financial institutions.

It is important to note that companies falling below the thresholds are still required to prepare a limited TPD to comply with their Malaysian TP requirements.

Local TPD must be updated whenever there are material changes (such as changes in shareholding, business model and structure, or TP policies) that would impact the functional analysis or TP analysis of tested party. Financial data and suitability of existing comparables are expected to be reviewed and updated annually, while comparable searches should be conducted every three years to update the local file (assuming the operating conditions remain unchanged).

Similar to Singapore, taxpayers in Malaysia are not required to submit TPD at the time of submission of their tax returns. Instead, they are required to disclose in their tax returns whether TPD had been prepared for the relevant YA, and to furnish to Inland Revenue Board of Malaysia (IRB) their TPD within the stipulated period upon request.

It is critical to note that the period to furnish TPD to IRB has been drastically reduced (from 30 days to 14 days) for TP audit cases commencing on or after 1 January 2021. With the reduced timeframe, it is more important than ever for taxpayers to stay disciplined and ensure the timely preparation of contemporaneous TPD.

PENALTIES FOR NON-COMPLIANCE WITH TPD REQUIREMENTS

Singapore

Prior to YA 2019, there was no specific penalty for non-compliance with TPD requirement in Singapore. However, from YA 2019, a fine not exceeding S$10,000 shall be imposed on conviction for offences relating to non-compliance with TPD requirement (such as the failure to prepare TPD by the time for the making of the tax return, or the failure to submit TPD within 30 days upon request by IRAS).

Malaysia

Taxpayers that failed to furnish TPD were not subjected to any specific penalty in Malaysia before the introduction of the new Section 113B to the Malaysian Income Tax Act. Starting from 1 January 2021, however, taxpayers who fail to prepare contemporaneous TPD and furnish it upon request by IRB within the given timeframe

PHOTO SHUTTERSTOCK

will be liable, upon conviction, to a fine of RM20,000 to RM100,000 or to imprisonment for a term not exceeding six months, or both.

SURCHARGE FOR NON-COMPLIANCE WITH ARM'S LENGTH PRINCIPLE

Singapore

In the course of TP audit or review by IRAS, IRAS may make TP adjustments to increase a taxpayer's income or reduce its deduction or loss if the taxpayer has understated its profits due to non-arm's length related party transactions. From YA 2019 onwards, where a TP adjustment is made by IRAS, a surcharge of 5% on the amount of TP adjustment will also be imposed, regardless of whether the taxpayer is in a tax-paying position.

Malaysia

Effective 1 January 2021, a surcharge of not more than 5% will be imposed on TP adjustment arising from substitution of a transaction price to reflect an arm's length price, or to disregard any structure adopted in entering into a transaction.

The surcharge applies to all taxpayers with controlled transactions, irrespective of whether or not they have any tax attributes (for example, incentives, capital allowances, or business losses). This means that non-taxable companies (such as companies on a 100% tax holiday) would also be subject to the surcharge and accordingly, would need to prepare TP documentation to defend their TP positions.

POWER TO RECHARACTERISE CONTROLLED TRANSACTIONS

Singapore

Section 34D of the Singapore Income Tax Act provides the Comptroller of Income Tax with the power to recharacterise controlled transactions to those consistent with arm's length transactions, if it is found that unrelated parties would have entered into substantially different arrangements or would not have entered into similar arrangements.

Malaysia

The insertions of Sections 140A(3A) and 140A(3B) into the Malaysian Income Tax Act fortifies the power of the Director General of Inland Revenue to disregard the structure in a controlled transaction, as well as make adjustments to the structure as he deems fit. This is provided that the economic substance of the controlled transaction differs from its form, or

the controlled transaction differs from commercially acceptable transactions undertaken by independent parties.

The new sections may lead to increased scrutiny of controlled transactions involving, among others, intragroup interest-free financial assistance arrangements and aggressive tax planning structures. Accordingly, to mitigate the risk of recharacterisation, companies should ensure that their controlled transactions are accurately delineated through contemporaneous TPD and the actual conduct is aligned with intercompany agreements.

Unlike IRAS, it is noted that IRB has a preference for local comparables. The use of foreign comparables is generally avoided unless the taxpayer is able to provide persuasive evidence to demonstrate the lack of relevant local comparables to IRB.

COMPARABLES IN BENCHMARKING ANALYSES

Singapore

In practice, both local and regional comparables are generally accepted by IRAS. External comparables are typically obtained through commercial databases and other publicly available information.

The use of three- or five-year weighted average comparable data is generally acceptable for Singapore TP purposes.

Malaysia

Unlike IRAS, it is noted that IRB has a preference for local comparables. The use of foreign comparables is generally avoided unless the taxpayer is able to provide persuasive evidence to demonstrate the lack of relevant local comparables to IRB.

External comparables are typically obtained through local trade directories or Companies' Commission of Malaysia (CCM)'s database. Separately, it is noted that year-on-year data of comparable companies are generally preferred by IRB during TP audit.

ACCEPTABLE ARM'S LENGTH PRICE/RANGE

Singapore

In a comparative analysis, taxpayers could apply the interquartile range to determine the arm's length remuneration. In the case of Comparable Uncontrolled Price (CUP) analysis, the taxpayer may even apply the full range if it is able to demonstrate that all observations in the full range are equally reliable.

Malaysia

In Malaysia, there is a preference to use median instead of range for comparative analysis.

With the evolving TP landscape, companies with cross-border related party arrangements should keep abreast of global TP developments to determine their TP exposures, if any, in each country. Failure to address TP exposures may result in unwarranted penalties and negative financial impact on the group. ISCA

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

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

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

Membership fees will be waived for a limited time period.

Scan here to sign up as a Youth Associate now

Global Mindset, Asian Insights