IS Chartered Accountant Journal

JANUARY 2022

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focus

2022

What Lies On The Horizon

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

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Dear members,

I HOPE YOU HAD A GREAT START TO THE NEW YEAR AND ARE LOOKING FORWARD TO WHAT 2022 WILL BRING.

The last two years have been eventful and fraught with uncertainties. Due to the pandemic, businesses have had to accelerate their rate of technology adoption, transform their business models and operate in an increasingly dynamic and complex business environment. Simultaneously, organisations had to find ways to manage the wave of change brought about by mega trends such as sustainability and climate change. For the Institute, it is important to remain nimble and adaptable so that we can respond quickly to what is happening around us, and continue to provide timely, relevant support to our members so that they can excel in their careers.

A new year deserves a fresh start, and members can step forth with confidence as ISCA will be walking with them every step of the way, providing support by equipping them with the relevant skills to navigate the new normal. With the Institute's forward-looking initiatives, the profession can pursue innovative solutions which will in turn increase our resilience and enable us to quickly bounce back from any setbacks.

Among the many ISCA initiatives in the pipeline this year, I would like to touch on two of them here – elevating our service deliveries to members, and preparing members for the green economy. To enhance members' experience and engagement, the Institute will tap on digital technology tools to cater to the differentiated needs of our various member segments. For example, members can expect to receive customised sets of content such as business and accountancy news, career support, courses and events, and even member privileges, based on their profiles and preferences. Also, our social media platforms will feature content that is prioritised to optimise their value to members. Internally, we will speed up our digital transformation, which includes building a data lake for analytics, so that we can better understand our members' needs and design appropriate programmes to fulfil those needs.

To help members step forth with confidence in the relatively new areas of sustainability and climate change, the Institute will spearhead initiatives to prepare members to drive sustainability efforts in their organisations. As climate reporting will be made mandatory for certain industries from the financial year commencing 2022, ISCA will be launching a series of climate-related disclosure guides to help issuers meet the requirements of the disclosure information. In addition, given the growing role of green finance, the Institute will be developing a roadmap to encourage the consideration of green and sustainable finance by accountants, as well as a best practice guidance on how businesses can disclose their green finance policies and initiatives. Discover other upcoming member programmes and what to expect in the year ahead in the cover story, "2022: What Lies On The Horizon".

CA (Singapore) Kenneth Tan is an entrepreneur who constantly steps forth with confidence when he meets his customers. This is because "when they see that I'm an ISCA member, they hold me in higher regard and trust me," says the Chief Executive Officer & Co-Founder of Dasht. Kenneth, who is featured in this month's Member Profile column, recognised the value of an ISCA membership early on – he had become an ISCA Associate Member right after graduation, and qualified as a chartered accountant four years later. This year, as he begins fundraising for his startup, he is assured that his CA (Singapore) credential will stand him in good stead among the investors.

Being able to deliver excellent professional services stems in large part from having the right domain knowledge and the relevant experience. At the ISCA Practitioners Conference last October, auditors shored up their professional knowhow and also learnt about exciting emerging opportunities. The article, "ISCA Practitioners Conference", has the event highlights and how auditors can step up with confidence, as they take the lead to effect change in their organisations.

As always, this issue is packed with resources that are directly relevant to your work. Have a good read!

Kon Yin Tong
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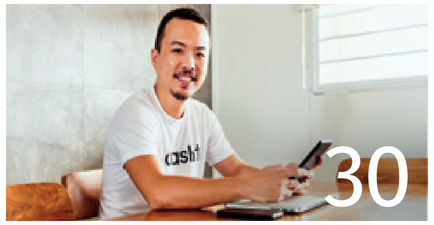
A New Year, A New Start; Stepping Forth With Confidence

contents

focus



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SGX Mandates Climate And Board Diversity Disclosures

PHOTO SHUTTERSTOCK

SINGAPORE EXCHANGE (SGX) UNVEILED ITS ROADMAP FOR ISSUERS TO PROVIDE CLIMATE-RELATED DISCLOSURES, based on recommendations of the Task Force on Climate-related Financial Disclosures. The new requirements were announced in mid-December 2021.

All issuers must provide climate reporting on a "comply or explain" basis in their sustainability reports from the financial year (FY) commencing 2022. Climate reporting will subsequently be mandatory for issuers in the (i) financial, (ii) agriculture, food and forest products, and (iii) energy industries from FY2023. The (iv) materials and buildings, and (v) transportation industries must do the same from FY2024. Other key changes effective 1 January 2022 include requiring:

- issuers to subject sustainability reporting processes to internal review;
- all directors to undergo a one-time training on sustainability;
- sustainability reports to be issued together with annual reports unless issuers have conducted external assurance, and
- issuers to set a board diversity policy that addresses gender, skill and experience, and other relevant aspects of diversity. Issuers must also describe the board diversity policy and details such as diversity targets, plans, timelines and progress in their annual reports.

The requirements follow a public consultation on both sustainability reporting and board diversity disclosures which received broad support. "The market recognises that climate reporting is important as a first step towards efforts to mitigate the effects of climate change," said Tan Boon Gin, CEO of SGX RegCo. "Decision-makers also want climate information when they allocate assets, extend financing, and price risks. These factors make climate reporting most urgent for industries with the biggest impact."

"We are also mandating specific disclosures around board diversity. Recent uncertainties have posed financial and governance challenges for boards. Having a broad set of perspectives will better enable companies to anticipate and face these challenges. It is therefore crucial that boards are diverse and have the necessary skills and experiences to deal with the complexities of today's operating environment," he added.

ESG metrics and portal

A separate public consultation on 27 proposed core environmental, social and governance (ESG) metrics and a portal for issuers to input ESG data also received strong support. Though not mandated, the metrics will be a starting point for what companies can disclose in their sustainability reports. Issuers should still conduct a materiality assessment to ensure the relevance and completeness of their reported metrics. According to SGX, respondents noted that an ESG data portal will not only make information more accessible and comparable, it will also save costs, make data more transparent, and simplify decision making for investors.

SGX expects the portal to house ESG information beyond the core ESG metrics. Information recorded in the portal may include material ESG factors, commentaries and explanations for reported metrics, and discussions on strategies, processes, board statements and targets relating to ESG matters.

Priority Skills For The Local Workforce

PHOTO SHUTTERSTOCK

PRIORITY SKILLS FOR THE SINGAPORE WORKFORCE IN THE NEXT THREE YEARS lie in the economic growth areas of the digital economy, green economy and care economy. The finding was highlighted in the inaugural "Skills Demand For The Future Economy Report" by SkillsFuture Singapore.

Launched in December 2021, the national skills report also identified corresponding job opportunities and a directory of courses which individuals and enterprises can reference to pick up priority skills in these high-growth areas. The insights are intended to guide their skills development journey so that they can capitalise on the opportunities available.

Digital economy

Given that digitalisation is a key driver of growth across all industries, the digital economy is likely to sustain and build on its gains during the pandemic. Demand for tech workforce in the ICT sector will stay strong. Many job roles in other sectors will require a level of familiarity and mastery of certain digital skills, says the report.

Job roles in the digital economy may be "tech-lite" or "tech-heavy", says the report. Tech-lite job roles require workers to apply digital technologies to some extent and generally do not need specialised and advanced IT skills. They can be found in sectors such as financial services, air transport and sea transport. Examples of priority skills in tech-lite roles include technology application, data analytics and market research. Tech-heavy roles, on the other hand, require priority skills such as technology development, data engineering, and Internet of Things management. They are in sectors such as ICT and media, aerospace and land transport.

Green economy

The report also spotlights the green economy, which revolves around the development and provision of products and services that will achieve positive environmental outcomes. With increasing focus on decarbonisation, alternative energy use, and waste reduction, many enterprises will be ramping up their greening efforts by adopting greener technologies and processes. Along with this will come the increased demand for green jobs and skills.

Demand for priority skills related to the green economy can be found across multiple sectors, which include manufacturing, built environment, ICT and financial services. While there are priority skills that are relevant to specific sectors, such as green buildings and facilities management, and solar photovoltaic systems design, there are also priority skills that are more transferable across sectors. These include green process design, carbon footprint management and sustainability management.

Care economy

The care economy refers to the professional cluster of jobs and skills that provides care, wellness and learning services for different segments of the population. Sectors in the care economy include healthcare, community care, social services, early childhood, general education, and training and adult education. Globally, these are fast expanding due to the COVID-19 pandemic and ageing populations around the world as the average lifespan increases.

Jobs and skills in the care economy will evolve with the emergence of new care models and technological innovations. Priority skills which are transferable across sectors include stakeholder management, and professional conduct and ethics, while priority skills which are more sector-specific include safety management, infection control, and healthcare/social policy design. As with many other sectors, digital skills are increasingly needed in the care economy, given the growing use of technology to drive better outcomes.

The Modern Workplace

The traditional work model is no match for the onslaught of globalisation, technological developments, automation, economic changes and, most recently, COVID-19. As Gen Z enters the workforce, the centennials bring with them a unique set of values and expectations. Gen Z now accounts for up to 40% of the global workforce[1] and in Asia Pacific, by 2025, it will make up a quarter of the population[2].

Workforce demographies, shifts in worker mindsets and external factors are contributing to shape the modern workplace. Organisations looking to optimise the productivity of their people need to be aware of the trends, and ensure that they put in place the appropriate strategies.

Workplace trends

1	Increased adoption of a hybrid work model: flexible work arrangements, remote working
2	More fluid organisations: flatter, non-hierarchical structures; more project-based style of work
3	Mental health support services at the workplace
4	Gen Z enters the workforce
5	Workplace diversity and inclusion
6	Social purpose becomes a corporate priority: companies must show that they "care"
7	Rise of the gig economy
8	Employee upskilling remains a priority
9	Machines augment human productivity
10	A focus on soft skills

Sources: FinancesOnline, Workstars, Korn Ferry

[1] Connecteam. (October 2020). "Everything you need to know about generation Z in the workplace in 2021". https://connecteam.com/generation-z-in-the-workplace/

[2] McKinsey & Company. (June 2020). "What makes Asia-Pacific's generation Z different?". https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/what-makes-asia-pacifics-generation-z-different

Essential Skills For Work

According to the World Economic Forum (WEF)'s "Future Of Jobs Report", 50% of all employees will need reskilling by 2025 due to the double disruption from the economic impacts of COVID-19, and increasing automation transforming jobs. But the very technological disruption that is transforming jobs can also provide the key to creating them – and help workers learn new skills.

"We have the tools at our disposal," said WEF Founder and Executive Chairman Professor Klaus Schwab. "The bounty of technological innovation which defines our current era can be leveraged to unleash human potential." WEF estimates that by 2025, 85 million jobs may be displaced by a shift in the division of labour between humans and machines. But even more jobs – 97 million – may emerge that are more adapted to the new division of labour between humans, machines and algorithms.

Top 10 competencies for 2025

1	Analytical thinking and innovation
2	Active learning and learning strategies
3	Complex problem solving
4	Critical thinking and analysis
5	Creativity, originality and initiative
6	Leadership and social influence
7	Technology use, monitoring and control
8	Technology design and programming
9	Resilience, stress tolerance and flexibility
10	Reasoning, problem solving and ideation

Source: "Future of Jobs Report 2020", World Economic Forum

Greater adoption of technology will mean in-demand skills across jobs will change over the next five years, and skills gaps will continue to be high. For workers remaining in their roles, the share of core skills that will change by 2025 is 40%, and 50% of all employees will need reskilling (up 4% from the 2018 report). Critical thinking and problem solving top the list of skills that employers believe will grow in prominence in the next five years. These have been consistent since the first report in 2016. But newly emerging in this latest biennial report are skills in self management, such as active learning, resilience, stress tolerance and flexibility.

ISCA Cares Annual Bursary Awards Ceremony

A ISCA Cares Chairman Max Loh delivering the welcome address, with ISCA Cares Board members – (seated, front row from left) then-ISCA CEO-designate Fann Kor, John Teo, Noor Quek and ISCA President Kon Yin Tong – and guests listening on

A TOTAL BURSARY AMOUNT OF $133,000 WAS AWARDED TO 40 BURSARY RECIPIENTS (known as ISCA Cares Ambassadors) at the sixth annual ISCA Cares Bursary Awards Ceremony on December 2 last year.

The hybrid awards ceremony, which was held at EY Wavespace, was attended by close to 80 guests in person and virtually, including family members of the student beneficiaries, donors, representatives from government agencies and institutes of higher learning, ISCA Council members and ISCA Cares Board members.

ISCA Cares, ISCA's charity arm, is a collective effort of the accountancy profession to give back to society. The ISCA Cares Bursary goes towards subsidising tuition fees and basic living expenses of the ISCA Cares Ambassadors. It is part of the ISCA Cares Education Programme, which aims to provide needy youths with access to quality accountancy education at the local polytechnics and universities.

In his welcome address at the ceremony, ISCA Cares Chairman Max Loh thanked the donors and supporters. "I am heartened that ISCA Cares continues to receive warm and generous support in this difficult climate. Even as businesses and individuals continue to be challenged by current circumstances, our donors and supporters have remained committed to helping promising accountancy students from low-income households who are in need. This spirit of selfless giving and unwavering support within the accountancy community is commendable." He also expressed his appreciation for the ISCA members who had volunteered to mentor the Ambassadors and offered them valuable internship opportunities, as well as the charity golf organising committee, which made the ISCA Cares inaugural golf event possible.

Here, we share four stories of our inspiring ISCA Cares Ambassadors who continue to excel in life despite the challenges they face. We hope that these meaningful stories will encourage our youths to not give up but strive to be the best that they can be despite the trying times. For our sponsors and donors, these stories encapsulate the real difference that your generosity has made possible.

HU SUE TENG

Second-year accountancy student, Singapore Management University

Since Sue Teng's father lost his vision, her family had been relying on her mother's income as a part-time housekeeper and her various bursaries to get by. To help alleviate her mother's burden, Sue Teng works as a part-time Math tutor during the weekdays, on top of her heavy workload at the Singapore Management University (SMU). Despite that, Sue Teng, who is very passionate about education, still finds time to volunteer as a Math tutor at the CDAC Youth Can Share programme every Saturday afternoon. She also conducts virtual tuition sessions for the Riverlife Community Services tuition programme. Sue Teng hopes that needy youths can have access to learning opportunities, as she firmly believes that education can transform lives.

Apart from awarding bursaries, ISCA Cares runs a mentorship programme where ISCA Cares Ambassadors are mentored by experienced accountancy professionals for a year. ISCA Cares also connects them to internship programmes at the offices of corporate donors, where they can gain valuable accountancy work experience.

As a recipient of the ISCA Cares bursary since 2019, Sue Teng has been mentored by Jasmine Tan, Audit Senior Manager from Deloitte, and Maria Teo, Associate Director from Nexia's Risk Advisory department. Her mentors shared their firsthand experiences about their roles, which helped to broaden Sue Teng's perspectives on the career options for an accountancy graduate. Sue Teng hopes to pursue a career in forensics audit and aspires to join the Corrupt Practices Investigation Bureau.

Sue Teng was featured in a *Lianhe Zaobao* article "饮水思源回馈社会" (https://www.zaobao.com.sg/news/singapore/story20211207-1220593) for her volunteerism on 7 December 2021.

SHAHRUL KHAN BIN MEHBOOB KHAN

First-year accountancy student, Singapore University of Social Sciences

ISCA President Kon Yin Tong presenting the bursary award to new ISCA Cares Ambassador Shahrul Khan bin Mehboob Khan

During the COVID-19 pandemic, the income of Shahrul's parents from their canteen stall at a primary school was badly affected. Recently, Shahrul's father underwent a spine surgery; he himself also underwent a hip surgery to treat his slipped capital femoral epiphysis in early 2021.

Despite mobility issues while recovering from his surgery, Shahrul has been working part time at Geylang Serai Community Centre's vaccination centre as an usher since May. A daily shift at the vaccination centre spans 7am to 10pm, and Shahrul tries to work as much as he can while juggling school, despite the pain and fatigue he experienced post-surgery. He maintains a positive outlook and views these challenges as a small sacrifice as long as he can help his family out. After working three months at the vaccination centre, Shahrul was promoted to team in-charge, managing 30 ushers in various administrative duties to accommodate an average of 2,400 daily patients during the peak period when Singapore was ramping up its vaccination rates.

Being very passionate about hockey, Shahrul had been in Millenia Institute's Hockey Club and participated competitively in tournaments. However, he was told by his doctor that he might not be able to play competitive sport anymore, post-surgery. Nevertheless, Shahrul is persevering through his physiotherapy sessions in hopes that the situation might change. He is also working towards becoming a chartered accountant after graduation. The bursary would go a long way to help him focus on his recovery and studies.

LIM PEI YING

Second-year accountancy student, Nanyang Technological University

Despite being 58 years of age, Pei Ying's father works six days a week as a delivery driver of furniture and house fittings. She sometimes tags along with her father to help him out, and it pains her to see her father engaging in such intensive physical labour at his age. Her mother's work as a cleaner at a gym was greatly affected when the gyms were closed due to COVID-19.

To help alleviate her family's financial burden, Pei Ying works part time in jobs such as warehouse packing, sales and telemarketing, and at events ranging from IT fairs to promotional roadshows. Despite juggling part-time jobs and schoolwork, Pei Ying remains active in her co-curricular activities (CCAs) at Nanyang Technological University (NTU). In her role as Director of Operations of NTU Business Solutions Case Club, she was involved in organising the Asian Business Case Competition – a regional student-led case competition with a focus on sustainability. Pei Ying is also the Events Director of Nanyang Audit and Assurance Team. The bursary would allow her to take some time off her part-time jobs to enjoy her CCAs like other students.

Pei Ying is especially excited about the mentorship programme and is interested to find out more about auditing and consultancy roles. In spite of the challenges she is facing, she wants to remind youths that facing setbacks head-on will help them bounce back stronger.

"JACOB"

Second-year accountancy student, Ngee Ann Polytechnic

"Jacob" (not his real name) comes from a single-parent family and his mother's job as a Zumba instructor was badly affected by COVID-19. Striving to be self-sufficient, Jacob works two to three days a week during the school term as a part-time waiter, and increases this to four days a week during the school holidays. The bursary would help to reduce his burden and allow him to work fewer hours so that he can be more active in his CCA – Outdoor Activities Club – where he organises events for members as part of the main Committee of the club. While COVID-19 has restricted outdoor activities, the club has converted to holding virtual events, such as online lessons to teach members how to read maps and the compass, which Jacob finds equally meaningful.

Jacob is also passionate about volunteering and has volunteered at the Lions Home for the Elders (Bishan). He fondly recalls his encounter with an elderly uncle who had a rough parting with his family and was left at the home. Despite not being able to speak fluent Chinese, Jacob bonded with him over Chinese chess. Jacob hopes that he can continue to spend more time on his volunteer activities.

While times are tough, Jacob copes by looking on the bright side and finding joy in the little things in life, such as going grocery shopping and eating together with his family. He hopes to join one of the accounting firms after graduation and is excited by the prospect of meeting new people at his future job. He also has dreams of opening his own restaurant one day as he loves to cook.

ISCA Cares is raising funds to support more students via our fundraising campaign "Recover Together, Singapore!" on Giving.sg (https://www.giving.sg/isca-cares/isca_cares_x_greatsingaporegive_givingweeksg). This campaign is part of the Great Singapore Give movement by SG Cares.

ISCA YPAC Career Pathways Talk 2021: Accountants In Tech

Ⓐ Sharing their perspectives were panellists (from left) Daryl Aw, Lecturer in Accountancy, Singapore Polytechnic; Cecelia Koh, Executive Director, Finance & Accounting and Healthcare Life Sciences, Kerry Consulting, and Kwek You-Cheer, CFO Asia Pacific, Infrastructure Solutions Group (ISG) Lenovo

Ⓐ (From left) Terence Cheng, Jean Chong, Teo Eng Siong, Cecelia Koh, Daryl Aw, Belinda Teo and Kwek You-Cheer

TECHNOLOGY HAS PERVADED ALL ASPECTS OF LIFE FROM AUTOMATING PROCESSES AT WORK TO SAFEENTRY CHECK-INS AT THE SHOPPING MALLS. As technology continues to advance, how can young accountants ride on this trend and continue to adapt and stay relevant?

ISCA's Young Professionals Advisory Committee (YPAC) addressed this, and many other burning questions, during the highly anticipated Career Pathways Talk on 24 November 2021, beamed live from ISCA House via Zoom. Started in 2016, the Career Pathways Talk series has been providing young aspiring accountants insights into the potential career trajectories of accountants, with a focus on different areas each year.

The event saw a record-breaking 400 attendees joining the session. To share their views on the tech industry, why it is important for accountants to leverage technological tools and how we can better embrace technology were three esteemed panellists, all ISCA members:

- Kwek You-Cheer, CFO Asia Pacific, Infrastructure Solutions Group (ISG) Lenovo;
- Cecelia Koh, Executive Director, Finance & Accounting and Healthcare Life Sciences, Kerry Consulting Pte Ltd, and
- Daryl Aw, Lecturer in Accountancy, Singapore Polytechnic.

The session was hosted by Jean Chong, Senior Manager, PwC, and moderated by Teo Eng Siong, Investigator, PayPal – both YPAC members. After an inspiring opening by YPAC Chairperson Belinda Teo, Assurance Senior Manager, Ernst & Young LLP, the panellists dove into the hot-button topics.

Evolution of the tech industry

The tech industry has been evolving and changing rapidly in the past years and the panellists shared their views on how it has changed and where it will be headed. The rate of change and disruption in the tech industry is much faster than in most traditional industries. Given how quickly products are monetised and the frequency of updates to current solutions, a lot of time and effort is required to keep up with the changes.

You-Cheer shared that as companies are now more open to embracing technology, with COVID-19 helping to speed up the process, common tech skills such as Python and SQL will become a basic requirement. Knowledge in technologies like quantum computing, blockchain and non-fungible tokens (NFTs) will differentiate one candidate from another.

Daryl added that technology adoption, besides becoming faster, will get easier as there are more no-code platforms sprouting up, allowing people to start automating processes without having actual programming skills.

Role of finance in the tech industry

How can accountants remain relevant and thrive in the tech industry? This is a question many accountants ask today and Cecelia provided valuable insights. She mentioned that while traditional roles will still be required, the activities performed by such roles will move away from mundane tasks that can be easily automated to more analytics-focused tasks that can add significant value to businesses. Roles such as data analytics, financial planning and analysis (FP&A) will remain relevant while skills such as robotic process automation (RPA) and artificial intelligence (AI) will become more important. There's also a growing demand for roles involving capex finance or project finance as well as sustainability reporting and environmental, social and governance (ESG) considerations due to regulatory requirements and reporting standards.

Daryl highlighted that finance professionals are able to provide a different point of view compared to the software engineers. For example, accountants involved in overseeing and executing business processes would be better placed to identify potential areas for automation, and the resultant impact on the company's efficiency and performance.

Thriving in tech

Besides understanding how the roles of accountants will change in the tech industry, we also learned from the panellists the skills required to do well in the tech industry. You-Cheer shared that as CFO in a tech company, soft skills such as teamwork, self-directed learning and a growth mindset are important traits he looks out for. In an environment where change happens at an unprecedented pace, the ability to adapt and think out of the box will also differentiate an employee from the rest of the team.

Daryl pointed out that technical skills such as coding and data visualisations are important in the tech industry, but fundamentally, the key is to understand how these skills can be applied to real-life business needs.

Conclusion

The tech industry is one of the fastest growing industries and will provide more opportunities for many accountants to take on new and diverse roles in the future. In order to stay relevant and ahead of the curve, we should keep up to date on the happenings in the industry and adopt a growth mindset.

If you are keen to join us for our next instalment of the ISCA Career Pathways Talk series, please register your interest with us at YPAC (ypac@isca.org.sg). Follow us on the ISCA YPAC Instagram account (@isca_ypac) to receive first-hand updates on the latest YPAC happenings. ISCA

This article was contributed by YPAC members Ang Zan Yu, Terence Cheng, Jean Chong, Katherine Ang, and Teo Eng Siong.

isca breakfast talk

Investigations: The Next Generation

ACCORDING TO THE ACFE REPORT RELEASED IN DECEMBER 2020[1], fraud incidences have increased in the wake of COVID-19. As of November 2020, 79% of participants responded that they observed an increase in the overall level of fraud, compared to 77% in August 2020, and 68% in May 2020. A 90% increase was anticipated in the overall level of fraud for 2021. The way specific fraud risks affect organisations also continued to evolve in the wake of COVID-19, and it has become increasingly difficult to fight fraud incidents.

In an effort to combat potential fraud incidents, regulators are promoting – and even making it mandatory in some countries – the use of technology such as data analytics and artificial intelligence to support investigations and enhance the investigation processes. The increasing data sizes and wider acceptance of the use of these technology-driven approaches by regulators are steering an evolution in investigations (Figure 1).

In its most basic form, data analytics is the review of information. This review transcends the form of information and encompasses human as well as computer-based processes. Advanced analytics incorporates the autonomous or semi-autonomous

examination of data or content using sophisticated techniques and tools. More than before, using advanced analytics has become vital to prevent and/or combat frauds by discovering deeper insights, making predictions, or generating valuable recommendations.

Augmented investigation is the marriage of topical expertise, traditional analytics and data science to incorporate an array of analytical methods and supporting technologies whose foundations are squarely set in computer-aided math. It is also an exciting and evolutionary step in the ability of technology to elevate expertise.

Challenges and considerations in augmented investigations

The implementation of augmented investigation comes with a few key challenges and considerations, which are outlined in Figure 2.

Augmented investigations are not a call for abandoning traditional approaches. Instead, new tools and discovery methods complement existing approaches and help to elevate the expertise of practitioners by allowing them to efficiently and effectively find insights in their data for further exploration.

[1] Association of Certified Fraud Examiners (ACFE). (Dec 2020). Fraud in the wake of COVID-19: Benchmarking report. https://www.acfe.com/uploadedFiles/ACFE_Website/Content/covid19/Covid-19%20Benchmarking%20Report%20December%20Edition.pdf

Figure 1

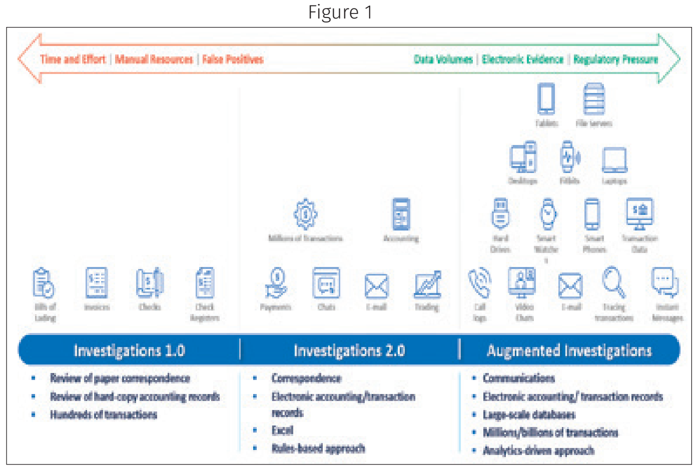

Figure 2

	KEY CHALLENGES	CONSIDERATIONS
Data Volumes	• Exponential growth in data volumes from an expanding variety of sources • Collecting, processing, storing and analysing vast amounts of data may be a complex procedure	Focus on prioritising data that is relevant to the investigation, but also consider the potential for the initial investigation to expand
Disparate Data Sources	• Data relevant to the investigation may exist in different systems, geographies and departments, as well as external to the organisation • Information silos may hinder investigations as correlations and potential patterns may not be uncovered	Rigorous use of data science methods such as principal component analysis to ensure appropriate data sources are selected
Available and Accurate Data	• Data relevant for an investigation, both current and historical, may not be adequately captured and stored • The quality of the results from any analysis is only as good as the quality of the data and inputs that feed that analysis	Engage relevant resources when planning data collection, and ensure available data is complete and accurate
Data Protection and Privacy Regulations	• PDPA applies to organisations collecting, using or disclosing personal data in Singapore • In cross-border investigations, laws in one jurisdiction may not comply with disclosure regulations in other jurisdictions	Judicious use of simulated data and on-premise solutioning
AI Ethics	• Singapore has established an "Advisory Council on the Ethical Use of AI and Data" • Ethical concerns that arise from the use of AI and data may impact consumer expectations and acceptance, and adoption by different industries	Ethical considerations must be taken into account throughout the design, build and implementation of AI

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09 FEB

ISCA Breakfast Talk - Environmental and Social Risks and Impacts in Infrastructure Projects

Environmental and social sustainability is a fundamental aspect of infrastructure development. It is important to finance the right projects in a right manner. In this session, Chee Wee, Senior Environmental and Social Specialist form AIIB will share (i) key components of an Environmental and Social Management System (ESMS) and (ii) common environmental and social risks and impacts in selected infrastructure projects.

20 JAN

Embedding Sustainability Reporting into Enterprise Risk Management

This programme employs a variety of interactive methods to illustrate tools, concepts and techniques which will help professionals to better understand the requirements of Enterprise Risk Management and Sustainability Reporting (SR).

More importantly, delegates will also learn how to develop effective risk management and sustainability strategies for the business/company.

16 & 17 FEB

Robotic Process Automation (RPA) for Accountants and Finance Professionals

This course aims to equip participants with the skills to easily create simple and useful RPA scripts to identify such processes and implement automation on accounting and finance processes.

Participants will be able to automate their own manual and repetitive processes, freeing up time for more value added tasks.

24 JAN

Interactive Dashboard: Designing Visually Appealing Reports (Live Webinar)

With the use of advanced business techniques, dashboard can enhance decision making process through building of powerful charts. In this programme, gain an understanding why data visualization is becoming more important within business intelligence (BI) and analytics.

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

BY KON YIN TONG

2022
What Lies On The Horizon

AS 2021 DRAWS TO A CLOSE, we are now almost two years into the COVID-19 pandemic. Time really flies and the global economy is reopening, albeit cautiously. As I reflect on the things happening around us, I see that the world is in a much better state than it was at the start of the outbreak. With national vaccination programmes in place, we are now able to resume more activities, interact with one another face-to-face and embrace COVID-19 as an endemic.

While uncertainty still surrounds the future of the endemic and there is no appreciable end in sight to the mutated variants and restrictions, the Institute must move forward, spurred by our spirit of organisational resilience. In the last two years, the Institute has pivoted our business processes, operations and work environment in response to the COVID-19 situation. Operating on the premise of business-as-usual was not tenable and it became necessary for us to undertake closer scrutiny of the changing business and environmental trends facing the Institute. In this regard, let me share how ISCA will be taking steps to be a sustainable organisation and how you can look forward to our enhanced service deliveries.

CHANGING BUSINESS AND ENVIRONMENTAL TRENDS

a. Technology/Digital adoption

COVID-19 accelerated the need for technological adoption and digital transformation for many organisations, including ISCA. It changed the way we support, serve and engage our members, and required the Institute to leverage digital platforms and online communication tools for service delivery. As an example, the go-to modes of communication nowadays are online platforms and apps, prompting us to transition our physical events to virtual ones, and move member services to online and phone channels. Classroom events have been displaced by hybrid ones, and are conducted with limited physical attendance only when safe management measures allow. Additionally, the advent of technology also presents ISCA with the opportunity to introduce technology-related seminars and digital solutions to members, to keep them abreast of the latest tools to digitalise their practice or finance functions.

While uncertainty still surrounds the future of the endemic and there is no appreciable end in sight to the mutated variants and restrictions, the Institute must move forward, spurred by our spirit of organisational resilience.

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b. Sustainability and climate change

Climate change is an existential threat at many levels. In February 2021, the Singapore government unveiled the Singapore Green Plan 2030 to advance the national agenda on sustainable development. The Green Plan charts ambitious targets over the next 10 years in positioning Singapore to achieve the Plan's long-term net-zero emissions aspirations as soon as viable. The trend for businesses to adopt sustainability practices grows globally, and accountants will be expected to go beyond balancing the books as they play a pivotal role in helping their companies assess and mitigate climate change-related risks. In this regard, ISCA sees tremendous opportunity to spearhead initiatives to prepare our members in their roles to drive sustainability efforts within their companies.

ISCA'S FOCUS AREAS AND WORK PLANS FOR 2022

Guided by the Institute's refreshed Vision and Mission statements, the Institute will continue to entrench itself as an influencer and active contributor in the global profession and ecosystem and, at the same time, serve its public interest role well while continuing to deliver value to our members through quality initiatives and services. This will drive the Institute's growth towards becoming a world-class accountancy body of trusted professionals, contributing towards an innovative and sustainable economy. In order to achieve this long-term goal, the Institute has taken steps to identify new key focus areas to be addressed on the horizon to drive growth, as well as gear towards member centricity.

Bearing in mind the above-mentioned business and environmental trends, I would like to highlight the Institute's immediate key focus areas here:

(1) Enhance engagement with members

The Institute will look into the needs of different member segments to enhance our members' experience and engagement, through better use of digital technology tools. With member centricity in mind, contents and initiatives will be customised according to the needs of varied member segments. Some of these initiatives include:

a. *A new EDM (electronic direct mail) model*
ISCA will adopt a segmented approach to deliver targeted contents to various member demographics. Moving forward, you will periodically receive customised sets of ISCA content such as business and accountancy news, career support, courses/events, member privileges and technical updates.

b. *Enhanced social media engagement*
To better engage our members on ISCA's social media platforms, the updated content mix will steer towards prioritising content that offers value to members (for example, reports, guidance) and showcasing ISCA's efforts to advance the profession and advocacy (for example, technical focus groups, dialogue sessions, ISCA's presence at regional and global events/meetings). Do keep a lookout for updates on issues that matter to the profession on our social media platforms.

c. *Special interest groups*
To enhance member engagement through informal settings, the Institute will be setting up special interest groups (SIGs) for sports enthusiasts, sustainability advocates, etc, to name a few. If you wish to sign up or volunteer to champion a specific area of interest, please write in to ISCA Events at events@isca.org.sg.


PHOTO GETTY IMAGES

Guided by the Institute's refreshed Vision and Mission statements, the Institute will continue to entrench itself as an influencer and active contributor in the global profession and ecosystem...

d. *Building ISCA's competencies and capacity*
The Institute will also look into building our competencies and capacity to gain productivity so that we can design more useful and relevant initiatives for members. For example, we will accelerate our digital transformation plan, which includes implementing robotic process automation for our internal processes and building a data lake for analytics to better understand members' needs.

(2) Deliver an experience that delights members

The bedrock of ISCA as a professional body is our members, and your delightful experience with the Institute is vital for ISCA's success. Apart from existing emails and phone channels, there will be other new platforms which you can use to communicate with us.

a. *The ISCA mobile app* will complement our website by offering our service offerings and information resources on a mobile platform. With this app, our members will have easy and instant access to useful contents and perform essential transactions on-the-go. For instance, members can enrol for a CPD course, renew membership, access technical guidance materials or read daily curated business and accountancy news via their mobile phones. The mobile app is also equipped with "push" notifications so that members will be notified of ISCA's latest offerings as soon as they are available.

b. *WhatsApp* is the world's most popular messaging app, used by 1.6 billion people in over 180 countries. ISCA will be using this app, alongside other tools, to communicate with members as this app is commonly used in Singapore. A self-service channel option will be included, where members can find out more about the Institute's service offerings at any time of the day.

c. Last but not least, ISCA will utilise *Telegram* to engage younger members, especially students, as the app is an effective outreach channel for younger users.

(3) New CPD model to cater to the interest of our members

To deal with challenges with our current learning model, the mode and nature in which CPD contents are currently offered will be altered to cater to changing expectations of learning. With this new approach, ISCA hopes to relieve the current challenges members face, including high cost, limited time, lack of exposure to global content, and the saturated classroom-training market.

You can look forward to more bite-size e-learning modules and a series of thematic mini conferences and lunch talks covering a broad range of topics relevant to finance and accounting professionals.

I know many members have since enjoyed virtual learning and gotten used to "on-demand" content. While most of our classes have moved online, I am pleased to share that the Institute will continue to provide physical classes that are fun and interactive for members who yearn for human interaction.

(4) Technical excellence

Amid the ever-changing business environment, ISCA continues to work closely with international standard-setters, regulators and the industry to uphold technical excellence and raise professional standards. To help busy members keep abreast of emerging issues, the Institute will continue to issue technical guidances in the areas of ethics, financial reporting and audit.

a. *Ethics*

In recent years, the provision of non-assurance services (NAS) by audit firms to their audit clients has emerged as an issue that is perceived to affect auditor independence. ISCA had set up a working group under the Ethics Committee to formulate recommended practices that will strengthen auditor independence in relation to the provision of NAS. ISCA's publication on 22 October 2020 – *Auditor Independence When Providing Non-Assurance Services* – captured findings from a survey of audit committee members in March 2020 regarding matters which might impact auditor independence when offering NAS, as well as recommendations which would help address the potential issues.

In 2022, ISCA would be issuing a revised Ethics Pronouncement (EP) 100 *Code of Professional Conduct and Ethics* to adopt the International Ethics Standards Board for Accountants' NAS & Fees final pronouncements and take in recommendations arising from the aforementioned survey. The effective date proposed for the revised EP 100 is expected to be 15 December 2022. The revised EP 100 would help the audit profession uphold their independence when providing NAS.

b. *Financial reporting*

Real properties such as land and buildings are often significant assets of entities. It is therefore pertinent for the valuation process of such assets to be efficient and effective for financial reporting purposes. ISCA Financial Reporting Guidance (FRG) 1 *Real Property Valuation for Financial Reporting – Best practices when engaging valuers: Considerations for Scope of Work and Valuation Report* was issued in November 2019 to facilitate the valuation process. Recently, ISCA received feedback that stakeholders continued to face challenges in the valuation process. In 2022, ISCA will be engaging the stakeholders to better understand the issues faced and consider issuing additional guidance in this area.

In line with the global shift away from the Interbank Offered Rate and towards alternative risk-free rates, Singapore will transition from the Singapore-dollar Swap Offer Rate (SOR) and Singapore Interbank Offered Rate (SIBOR) to a new interest rate benchmark – Singapore Overnight Rate Average (SORA) by 2024. ISCA Financial Reporting Bulletin (FRB) 9 *Accounting Implications of the Interest Rate Benchmark Reform* (IBOR Reform) in Singapore was issued in October 2021 to provide guidance on accounting issues arising from the IBOR Reform in Singapore. In 2022, ISCA will continue to monitor the market and issue updates or revisions to FRB 9 to address new complex accounting issues in this area to provide guidance to the accountancy profession.

Lastly, in recent years, Special Purpose Acquisition Companies (SPACs) have gained popularity as an alternative vehicle for private companies to be listed on stock exchanges without executing their own initial public offerings (IPOs). A SPAC is a shell entity which raises capital from investors in an IPO for the sole purpose of acquiring an existing company in the future. After the acquisition by the SPAC, that existing company becomes a public company. In Singapore, the Singapore Exchange introduced a new regulatory framework for the listing of SPACs on its Mainboard in September 2021 to attract and promote investment opportunities in SPACs. Although the listing process via a SPAC is faster than that of a traditional IPO, the accounting of a SPAC transaction could be more complex. ISCA is currently monitoring the market developments and engaging with the relevant stakeholders on this topic. Once accounting issues have been identified, ISCA will issue technical guidances to address the problem areas.

PHOTO GETTY IMAGES

ISCA will embark on research projects to highlight career prospects and the necessary skill sets should accountants and auditors desire a career in sustainability, and how small and medium-sized accounting practices can better support small and medium-sized enterprises on their sustainability journey.

c. *Audit and assurance*

The new Quality Management standards, and in particular, the Singapore Standard on Quality Management (SSQM) 1, represent a paradigm shift on quality control for audit firms. The standards require the firms to take a proactive approach toward quality management in pursuit of consistent engagement quality. An effective quality management system will require a holistic review and strong tone from the top. If successfully implemented, the reward will be well worth the effort.

In 2021, ISCA carried out several outreach initiatives and conducted workshops to help prepare the profession for this suite of standards. In 2022, ISCA will be issuing a toolkit to help the audit profession in their implementation of the standards.

In addition, ISCA will be issuing a new series of publications in 2022 titled "Audit Bulletins" to highlight pertinent topical issues to auditors. The non-authoritative Audit Bulletins will provide useful educational information which draws the attention of auditors to practical issues they may face in their engagements. The first two Audit Bulletins slated for issue in January 2022 will cover the recently revised SSRS 4400 *Agreed-Upon Procedures Engagements*, and bank confirmations obtained through digital platforms. Two other topics in the pipeline for the Audit Bulletins are: reliance on information disclosed in bank confirmations, and quality management.

(5) Be an influencer in the sustainability space within the accountancy ecosystem, and drive sustainable practice within ISCA

Globally, we are seeing mega trends on sustainability and ISCA will do our part to advance the sustainable development agenda and be an influencer in this space within the accountancy ecosystem. This includes raising awareness and building capabilities within the accountancy profession, and driving sustainability practices in ISCA. The Institute is in the process of developing a sustainability strategy which will encompass three major pillars:

1) *Engender corporate citizenship:* Involves promoting responsible stewardship of environmental and social resources as well as advocating sustainability reporting in businesses and adoption of sustainability practices within the accountancy profession;

2) *Build capability and raise awareness* via technical guidances, research publications, CPD training and events such as conferences;

3) Collaborate with like-minded organisations to identify and address common needs/areas that would help to set out how the accountancy profession can contribute and progress on sustainability matters.

Some of the initiatives in the pipeline include:

a. Climate-related disclosure guides
There is increasing demand for climate-related disclosures from lenders, investors and other stakeholders. As a result, Singapore Exchange Regulation (SGX RegCo) has proposed a roadmap towards mandatory climate-related disclosures for listed issuers. ISCA will develop a series of climate-related disclosure guides to help prepare issuers to meet the requirements for such climate-related disclosure information.

b. Green and sustainable finance guidelines
Green finance has been identified by the government as an important enabler for sustainability efforts. It has been the centre of key national initiatives such as the Monetary Authority of Singapore's Green and Sustainability-Linked Loans Grant Scheme. In relation to capital and funding, green finance is closely relevant to business strategy and the role of accountants in organisations. The Institute will develop a roadmap to encourage the consideration of green and sustainable finance by accountants as well as a best practice guidance on how businesses can disclose their green finance policies and initiatives.

c. Research publications on sustainability
The formation of the International Sustainability Standards Board (ISSB) reinforces how accountants and auditors can make a difference in the area of sustainability. ISCA will embark on research projects to highlight career prospects and the necessary skill sets should accountants and auditors desire a career in sustainability, and how small and medium-sized accounting practices can better support small and medium-sized enterprises on their sustainability journey.

The abovementioned technical guidances and publications will be housed under a dedicated section on sustainability on the ISCA website so that members will be able to identify and access the resources relevant to them, at a glance.

d. Courses and seminars on sustainability
The Institute will continue to embed sustainability content in our CPD courses, seminars, events and programmes to raise awareness of sustainability and climate change.

e. ISCA's sustainability practices
The Institute will reduce its carbon footprint and drive sustainability practices within ISCA by inculcating a sustainability mindset within all the relevant business functions and operations. In addition, ISCA will develop a roadmap for commitments to the Singapore Green Plan 2030 and United Nations Sustainable Development Goals (UNSDGs), and establish a mechanism to measure, track and report sustainability targets.

(6) Contributing and caring for the community

Contributing back to the community is at the heart of ISCA and ISCA Cares. I am heartened by our members' strong support in our various giving initiatives. The online "Counting on You" Giving Bazaar organised by ISCA and various accounting firms, and the ISCA Cares "Recover Together, Singapore!" fundraising campaign held in conjunction with SG Cares Giving Week garnered big-hearted contributions from the accounting community. This will enable ISCA Cares

PHOTO: SHUTTERSTOCK

The pandemic has brought forth unprecedented challenges and opportunities for accountants to help businesses and get economies moving again. Hence, the need for accountants to offer strategic assistance and advice to business has become more critical than ever.

to continue its mission to help youths from humble families both financially and in other aspects through its multiple programmes and initiatives.

Our members have also been contributing to the community by providing pro bono consultation to charities and non-profits on accounting and finance-related matters under the partnership between Ministry of Culture, Community and Youth – Singapore Cares Office and ISCA to grow skills-based volunteerism. This year, we will also see members sharing their expertise with charities as well as the wider community through talks, webinars and financial literacy workshops.

Just as members care for the community, ISCA, too, cares for the mental wellbeing of our members. While mental health has traditionally been a taboo topic that was not often talked about, the pandemic has changed all that. There are now many ongoing discussions and conversations recognising the issues on mental health and wellness. Members can look to ISCA for resources and information on mental health as well as mental wellness initiatives which we will continue to curate in 2022.

CONCLUSION

April 2022 will be my last month in office as ISCA President. The past four years have been nothing but an exceptionally fulfilling journey, though it is a pity that I could not meet more of you in person. Little did I expect that I would journey with the Institute during the world's worst economic downturn since the Great Depression.

We have navigated uncharted seas, fought vigorous undercurrents during the pandemic and remained seaworthy as of this time of writing (end-December). The pandemic has brought forth unprecedented challenges and opportunities for accountants to help businesses and get economies moving again. Hence, the need for accountants to offer strategic assistance and advice to business has become more critical than ever. I hope you have benefitted from ISCA's assistance packages such as the ISCA Support Fund, and made full use of ISCA's wide array of offerings, be it the CPD courses and programmes, guidances and publications or career support initiatives, just to name a few, to upskill and maintain employability.

One thing I have learnt from this pandemic is that life is not all doom and gloom. We must always keep our spirits high, remain optimistic and build resilience – which was what ISCA had been focusing on these last two years. This has enabled the Institute to walk hand in hand with our members through this challenging period. That said, we must be nimble and prepare for more twists and turns as we learn how to cope with what we now call an "endemic". With ISCA's forward-looking initiatives, I hope that the profession can continue to be innovative and increase our preparedness so that we are able to quickly bounce back with agility in the event of the next outbreak! I am also confident that ISCA executives will deliver with Fann at the helm.

I wish you the best of health, success and a very Happy New Year! ISCA

Kon Yin Tong is President, Institute of Singapore Chartered Accountants.

ISCA PRACTITIONERS CONFERENCE 2021

At The Lead Of Change

AS WE STEPPED INTO THE SECOND YEAR OF THE PANDEMIC, what we had initially thought would be a short-term virus situation has dragged on and evolved a new normal that countries all over the world are gradually learning to adjust to and transit into. With the changes that have etched their permanence in our lives, and with greater uncertainty expected ahead, it is imperative for the audit profession to step up and seize opportunities to be leaders of change. Aptly themed "At The Lead Of Change", the ISCA Practitioners Conference, the final instalment of the Institute's signature Singapore Accountancy and Audit Convention Series which took place on 28 October 2021, saw more than 800 practitioners and audit professionals in attendance. Held virtually for the second consecutive year, the event was supported by ISCA's strategic partners, Accounting and Corporate Regulatory Authority (ACRA) and Singapore Accountancy Commission, with supporting partner ASEAN Federation of Accountants.

ISCA President Kon Yin Tong kicked off the Conference with a sneak peek into the event highlights, and an overview of the global challenges and threats that impact the audit profession. He urged firms to rise to the occasion to capitalise on the opportunities that lie amid these challenges, to make a positive difference and assume a key role in businesses' change agenda. He highlighted ISCA's efforts in supporting the profession through the changes with the ISCA Support Fund, and called on audit professionals to leverage their repertoire of skills and expertise to create positive change.

ISCA President Kon Yin Tong introducing the theme of the ISCA Practitioners Conference

ADAPTING TO AND LEADING CHANGE

Guest-of-Honour Tan Ching Yee, Permanent Secretary for Finance, called on the accountancy profession and industry to rise up to the challenge to lead change in the evolving corporate landscape

In the face of COVID-19 and climate change, Guest-of-Honour Tan Ching Yee, Permanent Secretary for Finance, highlighted how auditors can take the lead in boosting a country's "trust premium" by ensuring high audit quality, and in providing investors with reliable information by ensuring credibility of sustainability disclosures.

Delivering the keynote address was Permanent Secretary for Finance Tan Ching Yee, who outlined how our auditors are well positioned to be at the forefront in the midst of adversity and challenges. In the face of COVID-19 and climate change, she highlighted how auditors can take the lead in boosting a country's "trust premium" by ensuring high audit quality, and in providing investors with reliable information by ensuring credibility of sustainability disclosures. She urged participants to work together to uplift audit quality both at the system and individual practitioner levels, embrace the key trends of technology and sustainability, and keep pace with the developments to shape a future high-growth practice area, step up to the challenge, and take the lead in the face of change.

AT THE LEAD OF CHANGE

The panel discussion featured (from left) Lee Eng Kian, Managing Partner, PKF-CAP LLP (moderator); Kuldip Gill, Assistant Chief Executive, Accounting& Compliance Group, ACRA; Marcus Lam, Executive Chairman, PwC Singapore; June Sim, Senior Vice President and Head, Listing Compliance, Singapore Exchange Regulation, and KG Tan, Managing Director, Precursor Assurance PAC

The first panel discussion carried the Conference theme, "At The Lead Of Change". Participants heard different perspectives from the panel moderated by Lee Eng Kian, Managing Partner, PKF-CAP LLP, and featured panellists Kuldip Gill, Assistant Chief Executive, Accounting & Compliance Group, ACRA; Marcus Lam, Executive Chairman, PwC Singapore; June Sim, Senior Vice President and Head, Listing Compliance, Singapore Exchange Regulation, and KG Tan, Managing Director, Precursor Assurance PAC. To be able to lead change, one would need to know what the pertinent changes are; digitalisation and climate change emerged as two major trends that panellists felt would impact the profession in the short term, as the profession continues to grapple with a manpower crunch.

They urged firms to embark on digital transformation and continue building their skills and infrastructure that will be a critical determinant of business viability and sustainability.

They urged firms to embark on digital transformation and continue building their skills and infrastructure that will be a critical determinant of business viability and sustainability. While hardware is fundamental to transformation, panellists also highlighted the need to ensure that human capital is adequately taken care of, for both to contribute effectively to business success.

Being a change leader also means having the ability to turn challenges into opportunities, as panellists demonstrated their firm belief in the role that the profession, even the small and medium-sized practices (SMPs), can play in the environmental, social and governance (ESG) space, particularly given the pressing need for credibility in disclosures and reporting. Firms need to develop talent and invest in technology in this nascent area, or collaborate with other firms on initiatives to support businesses' ESG agenda.

In the concluding segment of the discussion, participants were polled on whether the profession has what it takes to rise up as leaders in the face of change. The results were encouraging, with 90% either fully or somewhat agreed with the statement. Panellists were confident that the profession is strong and has adapted well, and encouraged participants to continue forging ahead through the recruitment and development of new blood to the sector. With the enablement of the right technology and tools and a measured amount of agility, they are convinced that a bright future lies ahead for the profession.

QUALITY MANAGEMENT IN THE NEW NORM

ACRA's Ms Gill was a panellist for the "At The Lead Of Change" session, and a speaker for "Quality Management in the New Norm"

ACRA's Ms Gill presented key proposed amendments to the Accountants Act as well as highlighted areas of improvement for audit quality.

The overarching objective to raise audit quality – to drive trust and confidence in the financial markets and protect the public interest – is not the sole responsibility of the audit profession as it also includes other stakeholders in the financial reporting ecosystem. Ms Gill spoke on how the acceleration of technology adoption has necessitated changes that are in tandem with the move away from compliance-based quality control standards. She urged SMPs to start deploying technology in their audits and to upskill and reskill their digital competencies to become a future-proof audit workforce.

As the pace of change continues to pick up, she called on the audit profession to stay ahead of the curve, to be better equipped to build the resilience and future-proof oneself.

EMERGING RISKS AND CONSIDERATIONS FROM INFRASTRUCTURE SECTOR GROWTH

It is estimated that Southeast Asia will need US$184 billion per annum from 2016 to 2030 for infrastructure development. To put these massive figures in perspective, Brendon Joyce, Associate Partner, Infrastructure Advisory from EY Corporate Advisors Pte Ltd, compared this to building 187 Singapore Sports Hub in a year. He affirmed that the global pandemic has not changed how crucial infrastructure development is for economic growth, even though it has affected supply chains and employment, and disrupted many sectors and enterprises. He provided an overview of the emerging risks for the infrastructure sector arising from the rapid sector growth, such as competitive risks and supply chain disruptions, as well as the implications of these risks on the audit of infrastructure development companies.

For practitioners looking to tap on the opportunities in this industry, Mr Joyce highlighted that on top of core accounting skills, they should possess skill sets centred around financial analysis, and have an understanding of the commercial principles underlying contracts. Given the multidisciplinary nature of infrastructure projects, he advised auditors of such projects that, while there is a real need to rely on other professionals, they should never substitute their own judgement.

Brendon Joyce, Associate Partner, Infrastructure Advisory, EY Corporate Advisors Pte Ltd, highlighted the implications of emerging risks on the audit of infrastructure development companies during this period of rapid growth

UNLOCKING THE VALUE OF AUDITS

Dr Themin Suwardy, Associate Professor, Singapore Management University, shared insights into a followup of ACRA's 2014 study on the nature and extent of proposed audit adjustments for Singapore-listed companies

Dr Themin Suwardy, Associate Professor, Singapore Management University, provided an update of the followup study to ACRA's 2014 study on audit adjustments for Singapore-listed companies. With the vast changes that have occurred in the intervening years in the business operating environment, especially with the onset of the pandemic since 2020, this was a timely review that not only examined audit adjustments over a three-year period (from 2018 to 2020), it assessed how these adjustments could be linked to the effectiveness of companies' finance functions. While the followup study was still a work-in-progress, Dr Suwardy shared highlights from the preliminary analysis of the audit adjustments data collected, as well as some insights into the nature and extent of audit adjustments and potential areas of improvement in financial reporting. More information will be available in the final report, which will be issued in January 2022.

DATA ANALYTICS: THE FUTURE OF AUDIT

Sanjay Gordhan Panjabi, Chairman of ISCA Auditing and Assurance Standards Committee Data Analytics Sub-Committee, shared how data analytics can contribute to highly effective audits. He highlighted that recent events, such as COVID-19, have heightened concerns over operational and financial risks, which in turn have translated into greater scrutiny on whether sufficient attention has been spent on key risk areas in the audits of financial statements. These further compounded the challenges brought about by the exponential growth in business transactions and data volume. He added that data analytics allows auditors to more effectively deal with large volumes of data for a deeper understanding of an entity's business, providing insights into its business activities and related risks, which in turn lead to more effective risk assessment.

Mr Panjabi also took the opportunity to remind attendees that while applying data analytics, auditors are still required to comply with the existing principles of Singapore Standards on Auditing. He then shared how auditors can leverage Audit Guidance Statement (AGS) 13 *Data Analytics in Audits of Financial Statements*, which was issued by ISCA in collaboration with ACRA. He ended his presentation by inviting the audience to ISCA's complimentary webinar on the application of AGS 13 on 19 November 2021.

... data analytics allows auditors to more effectively deal with large volumes of data for a deeper understanding of an entity's business, providing insights into its business activities and related risks, which in turn lead to more effective risk assessment.

Sanjay Gordhan Panjabi, Chairman, ISCA Auditing and Assurance Standards Committee Data Analytics Sub-Committee; Deloitte Singapore Audit & Assurance Partner & Audit Innovation Leader, and Deloitte Southeast Asia Audit Analytics Leader, shared how auditors can leverage data analytics for more effective auditse

ETHICS AND INDEPENDENCE IN A DYNAMIC WORLD

Caroline Lee, Chairperson of Public Accountants Oversight Committee's Ethics Sub-Committee, ACRA, and Deputy Chairperson of International Ethics Standards Board for Accountants (IESBA), shared on the role that the Ethics Code plays in helping auditors meet the public interest responsibility. The role and mindset provisions contained in EP 100 (Revised on 7 July 2021) are effective 31 December 2021 and emphasise the importance of having an inquiring mind and strength of character to act appropriately, being aware of bias and promoting a firm culture rooted in ethics.

Caroline Lee, Chairperson of ACRA Public Accountants Oversight Committee's Ethics Sub-Committee and Deputy Chairperson of IESBA, presented on the role of auditors as ethical leaders

"Ethics is crucial especially during challenging times. Expectations of ethical behaviour, judgement and decision making have heightened, and we have to live up and meet those expectations."

She also shared that IESBA has issued new provisions on non-assurance services (NAS) and fees in April 2021 that will be effective 15 December 2022. In Singapore, ISCA has issued an exposure draft on NAS and fees for public consultation in October 2021. Ms Lee urged the importance of understanding the new requirements for NAS and fees, which would significantly strengthen the guardrails around auditor independence, especially for public interest entity audit clients. The enhanced requirements include disclosure to those charged with governance and the public on NAS and fee-related information.

In conclusion, Ms Lee said, "Ethics is crucial especially during challenging times. Expectations of ethical behaviour, judgement and decision making have heightened, and we have to live up and meet those expectations."

RAISING THE BAR FOR QUALITY MANAGEMENT IN AUDIT FIRMS

The panel discussion featured (from left) Ng Kian Hui, Audit Partner, Head of Audit & Assurance, BDO LLP (moderator); Lee Tze Shiong, Director – Transformation and Quality/Assurance, Nexia TS PAC; Ng Meow Ling, Director and Chief Inspector, Practice Monitoring Department, ACRA, and Tan Bee Nah, Partner, Assurance Standards and Technology Leader, PwC Singapore

The final segment of the Conference saw a lively panel discussion on the new and revised quality management standards, which will become effective 15 December 2022. Ng Kian Hui, Head of Audit & Assurance, BDO LLP, the moderator, provided the delegates with an overview of the impending changes arising from these standards.

There was general consensus among them that the new quality management standards are designed in a holistic manner, with a clear emphasis on the importance of the tone from the top in driving audit quality.

Mr Ng was joined by panellists Lee Tze Shiong, Director – Transformation and Quality/Assurance, Nexia TS PAC; Ng Meow Ling, Director and Chief Inspector, Practice Monitoring Department, ACRA, and Tan Bee Nah, Partner, Assurance Standards and Technology Leader, PwC Singapore. There was general consensus among them that the new quality management standards are designed in a holistic manner, with a clear emphasis on the importance of the tone from the top in driving audit quality. They also shared how resource constraints can be managed through the adoption of technology, open and timely communications and sharing of knowledge within firms.

The Conference, which highlighted the newly emerged challenges from a prolonged pandemic that has precipitated a new audit and business landscape, carried a strong call to action for the audit profession to embrace change and take active steps in transforming their business models, processes and most importantly, their teams, to keep pace and become leaders of change. ISCA

FINDING HIS INNER ENTREPRENEUR

THE COMING YEAR IS SET TO BE A BIG ONE FOR KENNETH TAN – he will start launching his first-ever tech startup, Dasht, in the United States (US) and Singapore; Dasht aims to be an all-in-one business management platform to launch and manage small businesses. "Right now, we've managed to scale our business through our own investment, and we're looking to grow the business further," the 31-year-old says. This is something he never thought he would say, as up to three years ago, he had no plans to ever start a business. "In the past, my standard response was, 'I'm good at operating a business, but I don't think I can start my own business'." What changed? In a nutshell, Mr Tan found the perfect product.

"During my time as a regional managing director at a multinational software company, I learnt that many small businesses, especially those in Southeast Asia, couldn't afford to spend big sums on expensive software, although these were essential to their operations," he recalls. "A business owner even told me he needed time till the end of the year when his cashflow improved, before he could commit to a software purchase." Having been an auditor before, Mr Tan immediately understood the businessman's challenge and decided to address it with Dasht. He also instinctively knew how accessible the software had to be, so that companies could maximise their value and adoption of their software. As he candidly puts it, "Businesses don't need a thousand different software to operate, so we were determined that Dasht should be that one solution they needed to run their businesses."

Mr Tan hopes that through Dasht, he can help small businesses around the world take off. "Through the pandemic, we've realised that there are more and more people wanting to set up companies or starting side hustles. But the tech needed for a new business can be a bit daunting. Even the thought of setting up a website or starting a newsletter can be intimidating. We hope to ease that process with Dasht." This simplicity and affordability has won Dasht fans the world over – its early users include a dumpling manufacturer in Belgium and an events organiser in the US.

Kenneth Tan, CA (Singapore), Chief Executive Officer & Co-Founder, Dasht

> "Today's customers are very savvy, so they do check up on you before committing to your business. And when they see that I'm an ISCA member, they hold me in higher regard and trust"

Now, more than ever, is the time to think global. This mindset applies whether you're looking for talents, markets or resources. "COVID-19 has dramatically reduced the cost of doing cross-border business," he shares, "so it's definitely the right time to think beyond Singapore, and go international."

But as a startup, everything is lean – from resources to manpower and even capital.

How does he circumvent the obstacles? "We prioritise what we want to get done – building a good product, meeting the needs of our customers and finally, getting the Dasht brand out there in the market." He admits that an optimistic attitude also helps when the going gets tough. "So when everything is lean, we look at the positives of this. For example, we can make decisions much quicker, be they about new features, marketing campaigns or customer markets. That's an advantage of being lean."

A TRUSTED BUSINESS PARTNER

Closing the deal with customers has been made easier, thanks to Mr Tan's ISCA credentials. "Today's customers are very savvy, so they do check up on you before committing to your business. And when they see that I'm an ISCA member, they hold me in higher regard and trust me," explains Mr Tan, who became an Associate Member of the national accountancy body right after graduation.

CAREER HIGHLIGHTS

2014 to 2016
Audit Associate,
KPMG

2016 to 2017
Audit Senior Associate,
KPMG

2017 to 2018
Consultant,
LucaNet (ASEAN) Pte Ltd

2018 to 2019
Senior Consultant,
LucaNet (ASEAN) Pte Ltd

2019 to 2020
Regional Head of Sales,
LucaNet (ASEAN) Pte Ltd

2020 to 2021
Regional Managing Director,
LucaNet (ASEAN) Pte Ltd

2020 to Present
CEO & Co-Founder,
Dasht

Four years later, he became a chartered accountant. He expects that this professional qualification will also put Dasht in good stead in its fundraising efforts later this year. "It lends credibility. These days, there's a lot of talk about chartered accountants being trusted finance partners, and that stems from their ability to support the business. We can even analyse marketing numbers and make recommendations. Those insights and experiences are invaluable, whether you're running your own business or growing somebody else's (as an employee or advisor)."

Mr Tan isn't alone on his startup journey as he is joined by Co-Founder Hassan Jahan, whom he describes as a "champion of small businesses", who has built his own businesses as well as helped many grow and succeed over the years. The two have complementary experiences and skills – with his own financial and accounting knowledge and business experience and Mr Jahan's tech background, the two understand the main drivers of their business and are better able to plan their budget and cashflow.

FROM AUDITOR TO FOUNDER

Mr Tan began his career as an auditor, which he likens to a "family" business. "Both my father and sister had studied accountancy and were in audit, so studying it was really a no-brainer," he quips. He looks back on his time at a Big Four firm with gratitude, saying, "It was a very interesting and exciting stint, because I got to grow a lot as a professional. In fact, I was lucky enough to spend the majority of my stint in Jakarta, Indonesia, because one of my clients was based there." That overseas experience was truly valuable, he adds.

After three years at the accountancy firm, he moved to a software consulting role in an international software company. He recalls that he was the firm's first local hire in Singapore, which gave him an insight into the establishment and running of a new company – a perspective that helped him a lot when he started Dasht. He gradually pivoted within the software firm to take on more sales roles and subsequently, overall management of the region. But taking the plunge to start a business was the riskiest thing he has ever done. "There were a lot of discussions with everybody, from my wife to my co-founder. And a lot of finetuning of our business idea." The process continues till this day as today's customers demand that their products continue to add value, instead of staying stagnant. So Mr Tan and his team are always on the move, with nifty new features like a website builder and a no-code tool to configure a business's own operations software.

What advice does he have for people looking to embark on an entrepreneurial journey? "Talk to your customers, because they're the ones parting with their money for your product or service. By talking to them, you can validate or invalidate your idea," he advises. "This ensures that you won't end up in a situation where you've poured precious time, money and resources into a product that doesn't have a viable market." He also recommends using "customer personas", which can help to map and anticipate future needs. "We have generic profiles like 'Jack in Hong Kong' and 'Jeff in the US'. We then ask ourselves how Jack and Jeff are currently doing things, and what they may need next. By focusing on our end-users, we can remain of value to them." This commitment to customers and shared values is something Mr Tan admires in other tech companies. He lists Airbnb as his inspiration for remaining true to itself and its value of "belonging anywhere", despite becoming one of the biggest tech companies around.

RECHARGE AND RESET

But as any startup founder will tell you, having the perfect product is just half the battle won. There are other aspects of the company that require constant attention, and these range from customer service to branding and marketing; plus, everything is urgent. "It's not very different from audit season," he jokes. But he adds that he isn't trying to sort it all out at once. "There was a time when I used to take pride in how hard I worked or how little I slept. But that's not sustainable, is it? So I remind myself that it's better to be a highly efficient person than a hardworking one. Setting aside time for myself means that I can give my all in other aspects of my life. It's my mantra and it's what keeps me going."

For Mr Tan, "me" time means recharging with a book. On his bookshelf are a good mix of business growth and fiction titles, which he rotates between. He also sets aside at least 30 minutes a day to walk his two-year-old Yorkshire poodle. His daily activities aren't always that relaxing though. Mr Tan is serious about endurance sports and has plans to return to Germany for an endurance race later this year. This is also why one of his 2022 resolutions is to increase his exercise regime to six times a week, up from the usual four.

Another thing that keeps him going is the time he spends in his kitchen. "My grandparents were fishmongers, so we became adept at selecting quality seafood from a very young age," he explains. These days, he puts that knowledge and his well-honed culinary skills to good use by cooking up a storm for his loved ones. During the circuit-breaker period in 2020, for example, he had prepared boxes of crab *bee hoon* and sent them to his family and friends. "It's my way of showing that I care," he says, simply. ISCA

A lesson he has learnt: **"Resilience. It goes without saying that startup founders face innumerable uncertainties and pressures every day, and weathering these builds a certain perseverance and resilience in you."**

RCEP BENEFITS FOR SINGAPORE BUSINESSES

(PART 3)

Intellectual Property

PARTS 1 AND 2 OF THIS ARTICLE PROVIDE, respectively, overviews of how Singapore businesses can benefit from the Regional Comprehensive Economic Partnership (RCEP) in the areas of trade in goods and rules of origin, and in services, investment and e-commerce. This article explores the key points in relation to intellectual property (IP).

The 10 ASEAN Member States and five ASEAN FTA Partners of the RCEP collectively account for 30% of the world's population and 30% of global GDP. Thus, the RCEP is the world's largest trade bloc to date. RCEP countries are a major source of IP. In 2019, out of over three million patent applications, over 75% came from RCEP countries. The top three RCEP countries for patent applications in 2019 were China (1,417,231 patents); Japan (307,969), and the Republic of Korea (218, 975). Australia was fourth (29,758) and Singapore was fifth (14,136).

INTELLECTUAL PROPERTY

The World Intellectual Property Organization (WIPO) broadly defines IP as creations of the mind. Essentially, IP is the idea behind a product, process, or creative work. Well-defined and strongly-enforced IP rights allow enterprises to protect their branding, products, ideas and, ultimately, their profits. Conversely, failure to protect business ideas or IP would allow others to quickly copy and market innovations that make businesses unique and provide value to their customers, thus eroding competitive edge and possibly leading to the proliferation of unsafe illegal or counterfeit products.

Businesses operating in the ASEAN region stand to benefit from improved and standardised rules on IP protection. As ASEAN countries are a major originator of IP, having effective regional cooperation and shared levels of protection and enforcement between RCEP countries is essential.

TYPES OF IP

1) Copyright and Related Rights

Copyright grants creators control over their creative works. Copyright is usually granted for a period of time plus 50 to 70 years after death.

2) Patents

A patent grants exclusive legal right to make, use, or sell an invention for a set period of time. Businesses must apply for patents, and must prove that the invention, process, or production method is sufficiently innovative to qualify for a patent.

3) Trademarks

A registered trademark (indicated by the ® symbol) grants exclusive rights over the elements – like the branding, logo, or taste of a product – that make a product distinct, for a set period of time. Trademarks can be renewed.

4) Designs

This type of IP protects products with a distinctive and recognisable look, that is, its aesthetic features. The functional aspects of a product fall under the scope of a patent.

5) Geographical Indications

A Geographical Indication (GI) is a symbol or certification indicating the product originates from a specific geographic area and possesses qualities or a reputation that depends on the place of origin.

6) Plant Varieties

Grant of Protection for a Plant Variety protects newly developed plant varieties. This prevents unauthorised parties from producing, selling, importing or exporting the plant variety.

7) Trade Secrets and Confidential Information

A Trade Secret is secret information that has commercial value like a recipe or manufacturing process. Confidential Information includes information that is not in the public domain, like a company's financial statements. There is no registration process for Trade Secrets and Confidential Information, but those with access to this information are obliged to keep the information secret under law.

8) Layout Designs of Integrated Circuits

The Layout Design of an Integrated Circuit is eligible for protection when judged to be sufficiently new and the result of the creators' intellectual efforts.

The RCEP is the first ASEAN agreement with an IP Chapter that will raise standards of IP protection and enforcement across all RCEP countries, by standardising IP rules across signatory countries...

PHOTO SHUTTERSTOCK

CURRENT IP REGIMES IN RCEP COUNTRIES

1) Singapore

The Intellectual Property Office of Singapore (IPOS) (www.ipos.sg) is the national authority that registers and is responsible for the administration of IP rights in Singapore. Under the Intellectual Property Dispute Resolution Act, the High Court in Singapore has exclusive jurisdiction over IP disputes.

2) ASEAN

ASEAN Member States (except for Myanmar) collaborate on IP issues through the ASEAN Working Group on Intellectual Property Working Group, composed of IP offices from all 10 ASEAN members. While enforcement is undertaken by the individual countries, ASEAN does act in an advisory capacity. The ASEAN IP Portal maintains the ASEAN Patent Examination Cooperation (ASPEC) platform (https://www.aseanip.org/Services/ASEAN-Patent-Examination-Co-operation-ASPEC/What-is-ASPEC), which allows for information on patents to be shared between participating IP offices.

3) Australia

Intellectual Property Australia (IPA) (https://www.ipaustralia.gov.au/) is the government body responsible for the administration of IP rights in the country and maintaining an online database of protected patents, trademarks, and other forms of IP. Resolution for violation of IP rights can include mediation and arbitration, or through proceedings in the legal system.

4) China

The China National Intellectual Property Administration (CNIPA) (https://english.cnipa.gov.cn/) manages registration of trademarks and granting of patents. The Copyright Protection Center of China (CPCC) (http://www.ccopyright.com/en/mobile/) manages copyright protection. IP rights enforcement in China can take the form of both administrative actions and civil or criminal litigation.

5) Japan

Japan's IP regime is administered by the Japan Patent Office (JPO). Those seeking to protect their IP must submit applications through JPO's Digital Access Service and may refer to the J-PlatPat online database (https://www.jpo.go.jp/e/) of protected IP in Japan. Civil and criminal procedures related to IP rights violations are undertaken by the Intellectual Property High Court.

PHOTO SHUTTERSTOCK

6) South Korea

The Korean Intellectual Property Office (KIPO) is responsible for administering patents and trademarks in South Korea and maintaining an online patent and trademark database called the Korea Intellectual Property Rights Service (https://www.kipo.go.kr/en/). The Korea Copyright Commission (https://www.copyright.or.kr/eng) is responsible for copyright registration and

7) New Zealand

The Intellectual Property Office of New Zealand (IPONZ) (https://www.iponz.govt.nz/) is responsible for managing the country's IP regime. The enforcement of IP rights may include arbitration, mediation, or civil and criminal litigation.

CHANGES TO IP RIGHTS UNDER RCEP

The RCEP is the first ASEAN agreement with an IP Chapter that will raise standards of IP protection and enforcement across all RCEP countries, by standardising IP rules across signatory countries and ensuring that all 15 RCEP countries have ratified or acceded to the key multilateral agreements on IP protection, enforcement, and international cooperation. This allows businesses operating in RCEP countries easier navigation of IP regimes.

The changes that the RCEP will bring to the protection of IP rights are summarised below.

Joining multilateral IP agreements

The RCEP stipulates that member countries must ratify most of seven multilateral treaties for achieving mandatory IP protection for member countries. These treaties are as follows:

- The Paris Convention for the Protection of Industrial Property;
- The Berne Convention for the Protection of Literary and Artistic Works;
- The Patent Cooperation Treaty;
- The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks;
- The WIPO Copyright Treaty;
- The WIPO Performances and Phonograms Treaty, and
- The Marrakesh Treaty to Facilitate Access to Published Works for Persons Who are Blind, Visually Impaired, or Otherwise Print Disabled.

The RCEP also lays out concrete timelines by which countries must ratify or accede to the treaties on a case-by-case basis. Singapore has already ratified or acceded to all multilateral agreements required by RCEP.

Digital access to information

The RCEP Agreement stipulates that every member country must construct or have available publicly accessible online databases containing information on trademark applications and registrations. These IP databases will help businesses make more informed decisions and reduce market access barriers for micro, small and medium-sized enterprises.

Digital platforms to register IP

RCEP requires that countries make available digital platforms to apply for patents, trademarks and industrial designs. Any refusals to grant applications must be accompanied by a written reasoning and a mechanism to appeal against the decision.

Protection of domain names

The RCEP requires that countries have a procedure for settling disputes over Internet domain names with dispute resolution mechanisms that are fair and time-efficient.

The RCEP also lays out concrete timelines by which countries must ratify or accede to the treaties on a case-by-case basis. Singapore has already ratified or acceded to all multilateral agreements required by RCEP.

Renewed efforts against piracy and counterfeiting

The RCEP requires that countries provide for civil remedies and criminal prosecution where bad actors seek to make a profit from violating copyright or trademark counterfeiting. Under RCEP, a copyright owner may initiate civil procedures and request criminal prosecution for commercial-scale IP violations.

Enhanced border measures

RCEP requires that countries have procedures in place to allow for IP rights-holders to request that authorities seize suspected counterfeit or pirated goods at the point of entry into the country. The goods may either be released if no infringement is found or ordered to be destroyed by the competent authorities.

ENFORCEMENT OF IP RIGHTS AFTER RCEP

RCEP enhances IP protection by ensuring that rights-holders have the option to request authorities to take action against IP infringers. The agreement requires that all member countries make civil and criminal judicial procedures available to rights-holders who request them.

Possible civil remedies under the RCEP include damages, payment of court fees, and destruction of infringing materials (without compensation). Possible criminal remedies under the RCEP include the abovementioned and also punitive fines and prison sentences.

The following should be noted:

- Enforcement is not automatic: it is contingent on businesses to initiate enforcement.
- Cambodia and Myanmar both have a 10-year transition period while they build up their respective enforcement capacities.

How RCEP enhances IP for Singapore businesses

- *Increased digitalisation:* The RCEP requires member countries to construct digital databases on IP information and online platforms for IP registration, benefitting businesses that may not be able to navigate complex IP regimes.
- *Protection of digital assets:* The RCEP makes increased efforts to protect digital assets, including domain names, copyrighted works and software.
- *Commitment to enforcement actions:* The RCEP agreement sets acceptable minimum standards for the enforcement of IP rights. This means participating countries must establish the legislative framework for civil and criminal litigation where IP rights are infringed.

PROTECTING YOUR IP IN SINGAPORE

Except for copyright, IP is not automatically protected in Singapore. It is advised to file for protection of IP as soon as possible. The process in Singapore starts with IPOS, the national authority that registers and is responsible for the administration of IP rights in Singapore. Those seeking to protect their IP must use the IP2SG e-platform, which allows users to file applications for trademarks, patents, Geographical Indications and industrial designs. ISCA

For more information on the RCEP Intellectual Property Chapter, visit https://go.gov.sg/ip-booklet or scan the QR code below:

BY SIMON POH

PROPERTY STAMP DUTIES AND INHERITANCE TAXES

Could Wealth Taxes In Singapore Come From These?

WEALTH TAX HAS BEEN A HOT DISCUSSION TOPIC IN SINGAPORE LATELY. Should the government shift its reliance on revenue from income tax and GST to wealth tax?

Maybe that 2% GST hike won't be needed if we can find new ways of collecting wealth taxes to generate a sustainable source of significant tax revenue, some have argued.

Few will dispute that wealth taxes conceptually contribute to a more progressive and fairer society. With growing consciousness over inequality, it is no surprise the idea of taxing the rich more is gaining traction worldwide, with Singapore no different.

While recent interest in the topic has been ignited by Finance Minister Lawrence Wong's clear message at the 35th Singapore Economic Roundtable last Friday (15 October 2021) that the government will study the options to expand our system of wealth taxes, his clarification that this will be done in ways that "add to our revenue resilience without undermining our overall competitiveness" outlines useful tradeoffs worth stewing over.

This public debate is expected to heat up in the run up to Budget 2022, as public feedback is solicited.

A PUSH FOR WEALTH TAXES IN SINGAPORE

Some basic principles will continue to undergird Singapore's review of taxes. We know the Ministry of Finance (MOF) studies Singapore's overall tax system on an ongoing basis to ensure that it stays competitive and business-friendly yet remains fair, progressive, sustainable and hard to avoid.

When property taxes and stamp duty rates were raised to cool the residential market and rein in speculation in the past decade, more expensive properties commanded higher rates while commercial and industrial properties were spared to preserve the private sector's competitiveness.

Wealth taxes, first raised in recent memory at Budget 2021 by Deputy Prime Minister Heng Swee Keat, have the potential to shore up Singapore's fiscal position for the long term as the country continues to seize international opportunities and rebounds from the pandemic.

Singapore has primarily relied on taxing wealth through property-related taxes such as property taxes and stamp duties – which make up a hefty chunk of government revenue.

Still, for efficiency and ease of administration, leveraging existing taxes like stamp duties and property taxes to increase rates for higher thresholds is preferred, compared to creating a new confusing class of tax.

The Inland Revenue Authority of Singapore's latest annual report for the fiscal year 2020/2021 shows 14% of the S$50 billion in taxes collected came from total stamp duties (8%) and property taxes (6%). Such takings from wealth taxes could generate significant government revenue, fourth only to corporate income tax (33%), personal income tax (26%) and GST (21%), if we leave out net investment returns contributions from the reserves.

HIGHER PROPERTY TAXES?

Considering the residential property market has been surprisingly resilient despite the pandemic, an increase in taxes on residential properties may be palatable. This has the additional benefit of setting the property market on a stronger foundation for sustainable growth.

The widening wealth gap across the world has been driven by property investments mostly, with the substantial value appreciation less available to those with lower incomes, Monetary Authority of Singapore Chief Ravi Menon said in his Institute of Policy Studies lecture in July. "If price increases in private housing consistently outstrip that in public housing, wealth inequality will worsen over time, even if not to the same extent as in many other countries," he said.

AVOID HURTING THE SANDWICHED MIDDLE CLASS

But could such wealth taxes applied bluntly impact the sandwiched middle class?

Consider a home housing a big family with many dependents funded by a loan of 75% of the house value. Buyers will not only have to pay stamp duties, of 1% to 4%, with higher rates after the purchase price exceeds S$180,000, but also annual property taxes which level progressive rates after the first S$55,000 annual value. Compared to if dependents – including retired, elderly parents – lived separately in smaller HDB homes, such multigenerational households not only bear a higher property tax burden but also may not be eligible for means-tested benefits like GST vouchers. Both taxes are collected in full even though the net wealth of the owner is effectively only a portion of the home value at the time of purchase. Similarly, where vehicles have been seen as the second asset class wealth taxes can be levied on, a driver buying a car to ferry young children and seniors around on maximum hire purchase terms has to bear high additional registration fees.

Any progressivity in such taxes may be some consolation but this example serves to underscore how moves to derive government revenues based on indirect proxies of real wealth may be tricky.

The devil will be in the details. Levelling higher tax rates above a certain purchase threshold on more expensive cars or homes may resolve this conundrum – to include large residential properties like good class bungalows above S$20 million and luxury vehicles like vintage cars above S$500,000.

WHAT ABOUT BRINGING BACK ESTATE DUTIES?

Mooted most recently also by MAS chief Ravi Menon, there have been calls to bring back estate duty, where taxes are levied on inheritances, which may appear to be progressive and fair. In fact, estate duties have been described globally as "the most moral of taxes". The trouble was its collection.

In Singapore, it narrowly covered only the top 3% of estates paying taxes, with collection of only about S$70 million each year – a drop in the ocean compared to the S$7 billion generated by property taxes and stamp duties. The middle- and upper-middle-income groups were impacted disproportionately compared to higher-income groups which had access to creative tax planning and ingenuous new schemes, leading the government to abolish it in 2008.

While the issue may enjoy renewed and heated discussion, have the fundamentals changed for Singapore to revive estate duty? It doesn't seem so. In fact, many jurisdictions have similarly abolished such classes of taxes, including Australia, Hong Kong, Malaysia and New Zealand, to encourage overseas investors to hold assets in these places and promote their locations as attractive trust and

Modest wealth taxes will not likely lead the ultra-wealthy individuals to relocate. After all, let's not forget we have many favourable non-tax factors attracting foreign investors to relocate here, and Singapore residents to stay put.

asset management centres. Likewise, after Singapore removed it, our economy and society benefitted as both Singaporeans and foreigners were encouraged to invest and build up wealth and retain it in Singapore.

WHAT DOES A "PURE" WEALTH TAX LOOK LIKE?

In its purest form, a wealth tax should be a tax on the net wealth of an individual, looking at the combined value of his or her assets – cash, properties, shares, luxury items and anything with a monetary value, less any liabilities such as housing and car loans.

It is, however, challenging and administratively tedious to design such a means-tested system, given that an individual's assets and liabilities may fluctuate over time and it may be hard to assess their fair market values. The fact that most assets – jewelleries, antiques, cash – are mobile and can be easily moved to another location will further complicate the mechanism to determine the tax base.

Countries that have successfully implemented taxes on taxpayers' net wealth include Switzerland and Norway. But the rates are modest – not exceeding 1% for Switzerland and 0.8% in Norway.

Still, for efficiency and ease of administration, leveraging existing taxes like stamp duties and property taxes to increase rates for higher thresholds is preferred, compared to creating a new confusing class of tax.

TREADING CAREFULLY AROUND HIGH NET-WORTH INDIVIDUALS

Whichever route we take, calibrating the tax rates will be key to avoid impacting the attractiveness of Singapore's wealth management industry – the biggest part of our financial service sector that has shifted towards catering to high net-worth individuals who also generate knock-on benefits for the Singapore economy.

There are at least 200 family offices managing around US$20 billion as of October 2020, after a five-fold increase between 2017 and 2019. They generate an entire ecosystem of jobs and demand in portfolio management, compliance, accountancy and other concierge services. With Singapore's bid to be investment-friendly, we have attracted the likes of billionaire Ray Dalio and Haidilao founder Shu Ping to set up shop here.

In reviewing and expanding our system of wealth taxes, we must be clear about the objectives of raising a wealth tax. DPM Heng was quite clear in Budget 2021 in putting to bed the idea that raising wealth taxes can override the need to raise GST specifically to bolster reserves, and the intent for a "one-off tax" like Argentina, to shore up Singapore's post-COVID-19 fiscal position.

So is it to address wealth disparity like what Mr Menon suggested in his Institute of Policy Studies lecture in July? Mr Wong's words about the "rich paying their fair share" suggests moral principles are behind the taxes may be instructive. But perhaps it would be useful for MOF to clarify where these new sources of government revenues will be going so the rich, too, can see how paying more taxes benefits society, and what other programmes have been made possible with wealth taxes.

Whatever form it takes, wealth taxes must not be set too punitively high nor thresholds too low such that the sandwiched class of taxpayers are affected disproportionately.

A parting shot is this: Modest wealth taxes will not likely lead the ultra-wealthy individuals to relocate. After all, let's not forget we have many favourable non-tax factors attracting foreign investors to relocate here, and Singapore residents to stay put. These include an excellent education system, a safe country with low crime rates, a respected rule of law, a strategic location free from natural disasters such as floods, earthquakes and typhoons, as well as political stability, to name a few. ISCA

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BY NATALIA KARELAIA

WHEN AUTHENTICITY MEANS CONFLICT:

Towards A Truly Inclusive Organisation

AUTHENTIC BEHAVIOUR, or behaving in a way that aligns with personal values[1] and understanding, enhances employees' happiness at work as they act in accordance with their values and principles. Unfortunately, organisations are rarely seen as allowing individuals to be fully authentic. A 2021 Gartner survey[2], for example, shows that 82% of employees believe it's important for their organisation to view them as a whole person, but only 45% believe their employer views them as more than an employee. Why is it difficult to be ourselves at work?

Perhaps part of the answer is how authentic behaviour can lead to interpersonal conflict. In a recent article in *Human Relations*, Laura Guillén, Hannes Leroy and I found the consequences of behaving authentically depend on how closely individuals identify with the social environment they are in. When an employee feels socially similar to their colleagues, that person can be themselves freely. If, on the other hand, an employee doesn't feel as socially connected to their fellow workers, authentic behaviour may lead to conflict.

Our reasoning was that authentic behaviour allows other group members to clearly understand the employee's values, attitudes and goals. Consequently, it reveals either alignment (when values match) or misalignment (when values mismatch) with the social context. In the face of misalignment, authentic behaviour may be considered conflictual. In a team where punctuality is considered the norm, the employee who consistently arrives late will annoy the others, regardless of performance.

We thus hypothesised that for authentic behaviour to be appreciated by others in a group, it should be aligned with the values and norms of the social context, like the team or organisation.

AUTHENTIC BEHAVIOUR AND CONFLICT

We specifically considered interpersonal conflicts – how much relational conflict individuals behaving authentically have with others in their social context – in two studies. We used *social identification* to operationalise the perceived alignment between organisational and individual values and identity.

When individuals identify with their organisations, authentic behaviour is naturally consistent with the beliefs, interests, and values of other organisational members. In other words, for those who are closely aligned, authentic behaviour shows how similar the individual is to other members of the organisation. Similar colleagues affirm one's way of thinking, being and doing, giving rise to a kind of mutual attraction and a sense of social connectedness. Similarity in values, attitudes and beliefs, in particular, reduces dysfunctional relationship conflict.[3]

Thus, we predicted that social identification moderates the effect of authentic behaviour on relationship conflict – authentic behaviour reduces relationship conflict when social identification is high, or when individuals are more aligned with the group. In contrast, it increases this conflict when social identification is low.

In our first study, at a large Spanish tech organisation, we used multi-source, time-lag data from professional work teams collected at two points in time. In a survey, employees reported the extent to which they behaved authentically at work and to which extent they identified with their organisation. Supervisors later evaluated participants on relationship conflict and task performance. Authentic behaviour reduced relationship conflict for those highly identified with their organisation (that is, those with high alignment with the social context), but increased it for low identifiers (that is, those misaligned with the social context).

Task performance was a final outcome variable we measured. Vast research shows that in the context of teams, task performance suffers when interpersonal tensions and conflicts arise between team members. So, we measured team performance to see if authentic behaviour had any effect on team performance, via relationship conflict. We found that authentic behaviour impacted task performance in a positive way, except when there was social/value misalignment between the individual and the organisation.

In the second study, we looked at data based on student teams at a Dutch university. At the start of the project, participants were asked to report the extent to which they behaved authentically in their team and how much they identified with their teams. Two weeks later, participants were rated on relationship conflict by their fellow team members.

Unlike in the first study, the students' data didn't show any negative effect of authentic behaviour. In the educational context, authentic behaviour reduced

... authentic behaviour impacted task performance in a positive way, except when there was social/value misalignment between the individual and the organisation.

PHOTO SHUTTERSTOCK

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[3] Jenh, K. A., Northcraft, G. B. & Neale, M. A. (1999). Why differences make a difference: A field study of diversity, conflict, and performance in workgroups. *Administrative Science Quarterly 44*(4), 741–763. https://doi.org/10.2307/2667054

relationship conflict for students who highly identified with their team members, like in Study 1. But for students who didn't identify with their teams in the same way, behaving authentically did not result in any social penalty from their teams.

Thus, while the advice "be yourself" must be prescribed with care in professional work contexts given its possible side effects, we found no evidence that the social cost of adhering to it should be a concern in an educational context.

This discrepancy of results between the two studies begs for an explanation to better understand when and why authentic behaviour has meaningful – and especially negative – social consequences. The difference in contexts, namely experienced employees at a tech company in Study 1 and recently formed teams of students in Study 2, provides two potential explanations:

- First, the self-selection and longer period of socialisation might have produced a stronger overall identification and interpersonal similarity in the established work teams than for the recently formed student teams. It is possible that in more homogeneous social contexts, where authenticity is more likely to be manifested in similar ways across individuals, any display of authentic dissimilarity appears more prominent and thus was more likely to be penalised.
- Second, students plausibly represented a situation with fewer structured roles and more limited external control over behaviours than the professional team members. So, the divergent results between the two contexts may imply that whether authentic behaviour reveals social alignment (or not) depends on the situation "strength". In weak situations, where the range of acceptable behaviours is broader, the social consequences of behaving authentically may be lessened. When social norms, rules and roles are more ambiguous, behaviour isn't as strictly defined, allowing for more diverse expressions of authentic behaviour.

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ALIGNMENT VS THE "FIT" TRAP

At first glance, an organisation could perhaps attempt to ensure that a worker's true self aligns with their colleagues by hiring individuals who resemble current organisational members. But this isn't productive. Indeed, this path reduces the quality of decision making and creativity; amongst other reasons, some task conflict is necessary for teams to do well.

Organisations can instead strive to foster both a sense of identification and authenticity. This could be achieved by signalling appreciation of the diverse personal identities of employees, for example, while at the same time making explicit the similarities among individual and organisational fundamental values. While we may hold different individual beliefs, acceptance of fundamental values like freedom, equality and justice connects us to society as a whole. Encourage colleagues to see what unites them, rather than what separates them.

A first step is to assess if any organisational or team values might be too narrow, limiting potential identification for diverse employees. Organisations should naturally ensure that their culture emphasises both diversity and inclusiveness so that all its members feel included and valued for who they are. This satisfies the needs for both distinctiveness and belonging[4], ultimately benefitting organisations through novel ideas[5]. And the considerations of fairness and attention to employees' engagement and wellbeing as they relate to authentic self-expression must be acknowledged.

To quantify employee social identification, managers can conduct anonymous surveys to understand how employees perceive the values they believe the organisation is explicitly or implicitly embracing. Another question may be regarding the extent to which employees share these values.

If your organisation's culture seems to limit your authentic behaviour, consider how aligned your fundamental values are with the organisation's culture. When the gap is too wide, it might be worth looking for another place where you can be truly yourself.

SELF-EXPRESSION BENEFITS ALL

Self-expression at work has the potential to benefit both individuals and organisations. Nevertheless, being authentic or "being true to yourself" should never be equated with careless disregard for others; acting in an inconsiderate manner goes against fundamental human values.

On a personal basis, your colleagues will appreciate your authentic self-expression at work, and this is especially true when you feel your values match those of others around you. When you feel "you're in the wrong place", being authentic is still beneficial to your wellbeing, but you need to remember that your authentic self-expression may trigger some interpersonal conflict; this is especially likely to be true in closed homogeneous cultures, with rigid and narrow prescribed behavioural norms.

Importantly, you may still decide that being true to yourself is fundamentally important, despite (or because of) the manifested dissimilarity with others that such behaviour may imply. If your organisation's culture seems to limit your authentic behaviour, consider how aligned your fundamental values are with the organisation's culture. When the gap is too wide, it might be worth looking for another place where you can be truly yourself.

Organisations, on the other hand, can benefit from authenticity by both encouraging employees to behave authentically at work and facilitating a sense of inclusion. When individuals feel they can be their "authentic self" at work, their work engagement, intrinsic motivation and wellbeing all increase. However, for this to work, individuals should feel included and appreciated despite their dissimilarity with others.

Discovering "hidden similarities" can help too. In particular, organisations can hugely benefit from explicit and candid discussions of their fundamental collective values: What do we truly value and stand for, as individuals and as a collective? What are we striving for? Why? This discussion allows not only for a better understanding of the meaning given to tasks and missions, but also helps individuals determine what fundamental human – and hopefully humanistic – values bring them together in their collective missions.

Deep down, we all embrace many similar fundamental values, so such discussions aid the discovery of these shared values and similarities, without taking away from individual authentic expression. Such candid reflections and discussion may also shape – and modify – organisational strategic goals, if a moment of clarity unveils the core of "why are we doing what we are doing".

Perhaps one path to the ideal, and idyllic, point of communality while embracing diverse personalities is to realise that, as John F. Kennedy famously said, "For, in the final analysis, our most basic common link is that we all inhabit this small planet. We all breathe the same air. We all cherish our children's future. And we are all mortal." ISCA

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[4] Brewer, M. B. (1 Oct 1992). The social self: on being the same and different at the same time. *Personality and Social Psychology Bulletin*. https://journals.sagepub.com/doi/10.1177/0146167291175001

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TECHNICAL HIGHLIGHTS

ETHICS

ACRA ISSUES CHANGES TO ACRA CODE AND EFFECTIVE DATE OF EP 100 (REVISED ON 7 JULY 2021)

ACRA has issued changes to the ACRA Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities to adopt two IESBA's Final Pronouncements relating to the Revisions to Part 4B and Role & Mindset provisions. The changes took effect from 31 December 2021.

These changes mirror ISCA's EP 100 (revised on 7 July 2021) which was also effective 31 December 2021.

For more information, please visit https://isca.org.sg/content-item?id=e58a3a12-7c57-4351-b4ee-308b5e7c86f3

FINANCIAL REPORTING

ISCA INVITES COMMENTS ON IASB'S EXPOSURE DRAFTS

ISCA is seeking views on the following IASB's Exposure Drafts (ED):

- Non-current Liabilities with Covenants (Proposed amendments to IAS 1);
- Supplier Finance Arrangements (Proposed amendments to IAS 7 and IFRS 7).

Please send comments to Professional Standards (professionalstandards@isca.org.sg) by 28 January 2022.

For more information, please visit https://isca.org.sg/standards-guidance/financial-reporting/open-for-comment/iasb-eds-dps

IASB PROPOSES NARROW-SCOPE AMENDMENTS TO IAS 1 TO IMPROVE INFORMATION ABOUT LONG-TERM DEBT WITH COVENANTS

IASB has proposed amendments to IAS 1 *Presentation of Financial Statements* to improve the information companies provide about long-term debt with covenants. The comment period will end on 21 March 2022.

For more information, please visit https://www.ifrs.org/news-and-events/news/2021/11/iasb-proposes-narrow-scope-amendments-to-ias-1/

IASB PROPOSES DISCLOSURE REQUIREMENTS TO ENHANCE THE TRANSPARENCY OF SUPPLIER FINANCE ARRANGEMENTS

IASB has published for public comment proposed changes in disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities and cash flows. The deadline for submission of comments is 28 March 2022.

For more information, please visit https://www.ifrs.org/news-and-events/news/2021/11/iasb-proposes-disclosure-requirements-to-enhance-transparency-of-supplier-finance-arrangements/

IASB WEBCASTS ON THE PROPOSED IFRS STANDARD FOR SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY

The three webcasts explain the proposals set out in the ED Subsidiaries without Public Accountability: Disclosures. They explore the objectives and scope of the project, proposed disclosure requirements, and structure and application of the draft Standard.

For more information, please visit https://www.ifrs.org/projects/work-plan/subsidiaries-smes/webcasts-proposed-ifrs-standard-for-subsidiaries-without-public-accountability/

NOVEMBER 2021 IASB UPDATE AND UPDATED WORK PLAN AVAILABLE

This Update highlights IASB's discussions on topics such as Dynamic Risk Management, Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, Rate-regulated Activities, and Goodwill and Impairment. The IASB work plan has also been updated.

For more information, please visit https://www.ifrs.org/news-and-events/updates/iasb/2021/iasb-update-november-2021/

NOVEMBER 2021 IFRS INTERPRETATIONS COMMITTEE AGENDA AND MEETING PAPERS AVAILABLE

For this IFRS Interpretations Committee meeting, topics discussed included Principal versus Agent: Software Reseller under IFRS 15, Economic Benefits from Use of a Windfarm under IFRS 16, Negative Low Emission Vehicle Credits under IAS 37 and TLTRO III Transactions under IFRS 9 and IAS 20.

For more information, please visit https://www.ifrs.org/news-and-events/calendar/2021/november/ifrs-interpretations-committee/

SUSTAINABILITY & CLIMATE CHANGE

IFAC PUBLICATION HIGHLIGHTS OPPORTUNITIES IN SUSTAINABILITY INFORMATION FOR SMALL BUSINESSES AND THEIR ADVISERS

The publication *Sustainability Information for Small Businesses: The Opportunity for Practitioners* outlines some of the benefits for small and medium-sized enterprises using and reporting on sustainability information. It also highlights the range of services practitioners can provide, including advisory, reporting, agreed-upon procedures engagements and assurance.

For more information, please visit https://www.ifac.org/news-events/2021-11/ifac-publication-highlights-opportunities-sustainability-information-small-businesses-and-their

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BY ANGELINA TAN

THE WHYS, WHATS AND HOWS OF TAX GOVERNANCE

Enhancing Business Efficiencies And Transparency

TAX GOVERNANCE IN RECENT YEARS HAS SHOT UP IN PROMINENCE AND CONTINUES TO GAIN TRACTION IN THE WAKE OF GLOBAL TAX TRANSPARENCY TRENDS. In addition to the growing list of mandatory disclosure requirements implemented by tax authorities worldwide, there has also been a proliferation of voluntary transparency measures introduced, such as the release of the first global standard for tax transparency by the Global Reporting Initiative at the end of 2019.

Combined with rapid advances in technology and increased information sharing among tax authorities, the world of tax is more transparent than ever. It is increasingly important to not only pay the right amount of tax but also be in a position to demonstrate it to the stakeholders (which include tax authorities, shareholders, customers, employees and others). Having an effective tax governance is therefore key to gaining stakeholders' confidence that the company's tax affairs are in order.

Accredited Tax Advisor (Income Tax & GST) Sharon Tan, Partner, and Andreas Kirsch, Tax Director, both from Deloitte Singapore, and Rakhim Mirzayev, Tax Director from Deloitte Australia, shared their insights on the importance of an effective tax governance framework in this new era of transparency

Fundamentally, tax governance entails putting in place clear controls and processes that consistently provide accurate information for companies. These allow the companies to make informed tax decisions and manage tax risks, and ultimately arrive at sensible tax outcomes in a sustainable and stable manner. A recent Singapore Chartered Tax Professionals webinar featuring an international team from Deloitte explored this topic against the backdrop of today's complex business landscape.

Companies that have a strong tax governance framework and practices are typically susceptible to a much lower level of tax authority audit intensity and scrutiny than similar companies with a weaker tax governance structure and practices. Increasingly, the tax risk profile that the tax authorities assign to a taxpayer is driven and informed by the tax governance practices of the organisation as well as technical tax risks.

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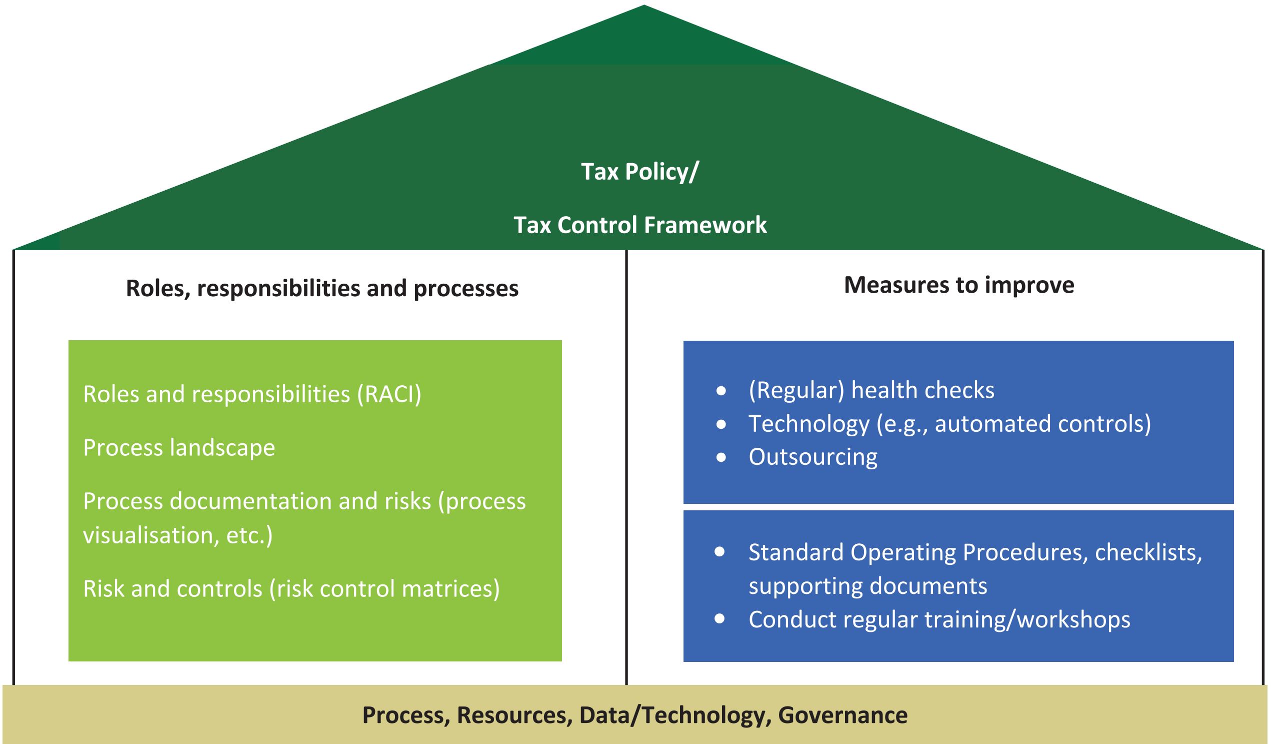
Figure 1 The house of tax governance



WHY TAX GOVERNANCE? – IMPETUS DRIVING TAX GOVERNANCE

The emergence of various global developments has advocated the need for companies to be responsible taxpayers and pay the right amount of tax. This, coupled with increased calls for tax transparency, board accountability, adoption of technology by tax administrators and the complexity of legislative changes (particularly when supply chains operate in the international arena), emphasises the urgency to have an overarching and robust tax structure in place.

What's more, tax authorities today are continuously reviewing and updating their audit methodologies and processes, and increasingly focusing on the integrity and accuracy of taxpayers' tax data and systems. This has resulted in a progressive move towards a risk-based assessment system where taxpayers are segmented according to different risk profiles, which in turn determines the level of scrutiny they would be subject to.

Companies that have a strong tax governance framework and practices are typically susceptible to a much lower level of tax authority audit intensity and scrutiny than similar companies with a weaker tax governance structure and practices. Increasingly, the tax risk profile that the tax authorities assign to a taxpayer is driven and informed by the tax governance practices of the organisation as well as technical tax risks. Knowing this, it would be prudent to allocate resources to re-evaluate their tax governance framework and ensure that controls and processes are in order.

"It is no longer acceptable to assume that the source information provided by the finance team is accurate. Tax authorities are increasingly expecting the local tax team to be accountable for and be able to explain the information flows reported in the tax returns, even if these data sources are based overseas," highlighted Rakhim Mirzayev, Tax Director at Deloitte Australia. "It is thus critical for the tax team to be able to articulate such needs to the management so that it can obtain the necessary support to optimise tax operations and ensure tax considerations are accounted for," he added.

WHAT IS TAX GOVERNANCE? – THREE PILLARS IN THE HOUSE OF TAX GOVERNANCE

Effective tax governance means getting one's "house of governance" in order. Broadly, an effective "house of governance" encompasses a tax governance policy or framework documented and endorsed at the "top of the house" and communicated to all relevant stakeholders (Figure 1). It is supported by three key pillars – people, processes and technology.

People

The human resource aspect of tax governance focuses on the who, when and how on the strategic and operational levels. The roles and responsibilities of the board, management and employees must be clearly defined and understood in terms of accountability for tax administration and decision making. Appropriate levels of training and communication should also be in place to help each stakeholder understand what is expected of him.

Processes

The processes aspect of tax governance focuses on the control framework. Regardless of whether a tax function is performed inhouse, outsourced, or co-sourced, it is imperative that once the roles and responsibilities are mapped out, the processes are defined and documented within all functional areas, including tax compliance, reporting, controversy, and planning as well as including those processes taking place outside the tax function (for example, potentially relevant to tax such as company's sales and purchases processes). Relevant controls should also be implemented to support the performance of tax functions and obligations, including identifying and mitigating commercial and tax risks.

Technology

The use of technology cannot be further emphasised in tax governance. With tax authorities investing in technology adoption and integrating data for more sophisticated analytics, companies need to take heed and invest in technology to get a grip on its position and to stay ahead.

Companies should consider the need to put in place a tax technology strategy and roadmap, and use tools to move towards real-time tax reporting and management of tax risks. Whether it is automation, analytics, or the use of artificial intelligence, leveraging technology is increasingly no longer a good-to-have but a must-have.

THE HOWS OF TAX GOVERNANCE – THREE-STEP APPROACH

"An effective way to start on tax governance is to look at it in a three-step approach binding everything together, starting with the strategic first step." Explaining the details, Andreas Kirsch, Tax Director at Deloitte Singapore said, "At the strategic level, it is mainly about the overall governance, tax risk appetite and key objectives. The next step is the compliance level, which involves mapping out the possible tax risks for each tax type, ensuring tax obligations are complied with, and that corresponding processes are in order – from posting of data to lodgement of returns. Stepping into the heart of tax governance is the last step – management. This involves tax administration, such as ensuring returns are filed on a timely basis and that right documentation is maintained to support tax positions taken." (Figure 2)

How to manage tax risks?

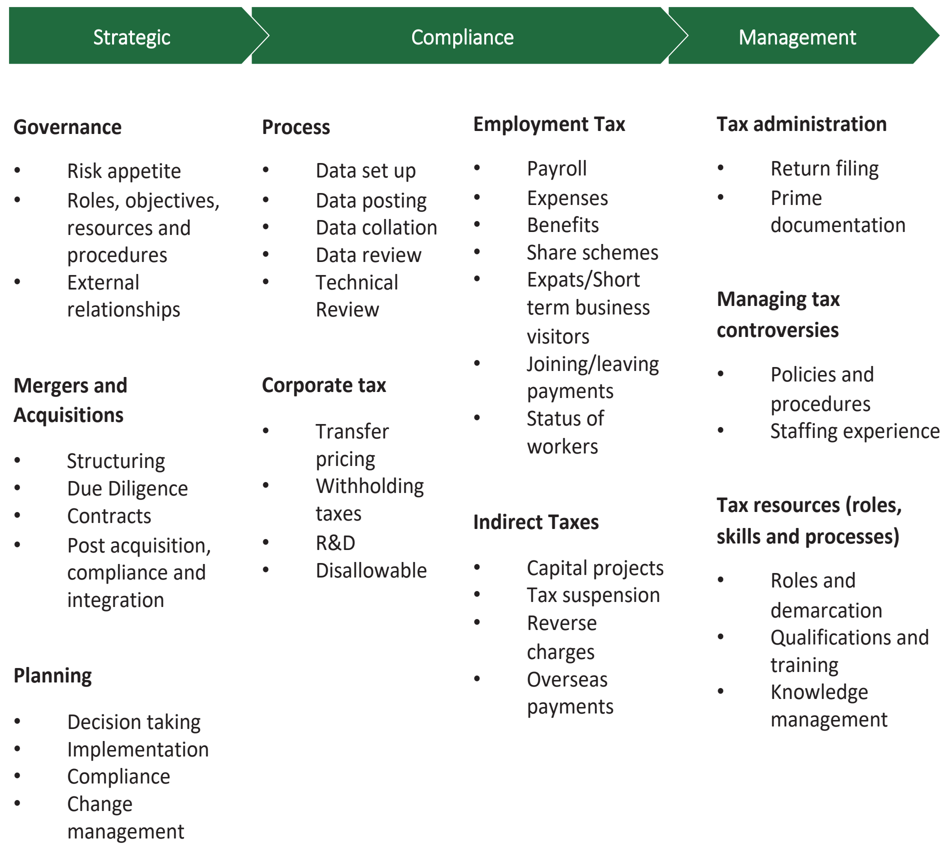
To facilitate a robust tax governance framework of identifying, escalating, and mitigating tax risks, a "three lines of defence" approach may be adopted:

1) The first line of defence is provided by functions that own and manage risks, such as employees who have the necessary skills and knowledge to identify and manage risks as part of their accountability for achieving objectives.
2) The second line of defence is provided by functions that oversee or who specialise in compliance or the management of risks, where they have the oversight, tools and advice necessary to support the first line.
3) The third line of defence is provided by functions that provide independent assurance and whose main role is to ensure that the first two lines are operating effectively.

Putting the above into context in the case of the preparation of an indirect tax return, the first line of defence would be the finance team that collects the data, analyses them and drafts the return. The second line of defence would be the tax director who undertakes a review of the final draft of the return, while the third line of defence would be the independent internal audit team that validates the work done by the finance team and the tax director on a regular basis.

Bringing them all together, Accredited Tax Advisor (Income Tax & GST) Sharon Tan, International Tax Partner at Deloitte Singapore, commented, "An effective tax governance (together with automation and outsourcing) is key to enabling companies to achieve the 5Cs" – Cost efficiencies, Compliance processes with accurate tax return outcomes, Controversy risk management, Controls that are robust, and Credibility with regulators. Indeed, with tax reputation at stake, a sound tax governance framework would provide the credibility that the company's numbers can be relied upon for decision making and risk management. It also allows companies to properly allocate or redeploy limited resources in terms of effort, monies, and time towards higher priority focus areas. At the same time, it ensures tax compliance with the relevant laws and that risks are managed by highlighting the outliers and waylayers." ISCA

Figure 2 The three-step approach to implementing tax governance



Angelina Tan is Technical Specialist, Singapore Chartered Tax Professionals.


BY CHAN-NG AI LIN AND KEVIN KOH

DON'S COLUMN

FINANCIAL STATEMENT DISAGGREGATION

Business Case For More Subtotals And Line Items

ALTHOUGH THE INTERNATIONAL ACCOUNTING STANDARD (IAS) 1 PROVIDES THE FRAMEWORK AND GUIDANCE FOR PRESENTATION OF FINANCIAL STATEMENTS, companies continue to have wide discretion in presenting disaggregated items on income statements, balance sheets and footnotes. When reporting its observations of International Financial Reporting Standards (IFRS) in practice[1], the US Securities and Exchange Commission highlighted that companies interpreted and applied IAS 1 differently, resulting in substantial variation in the form, content, and presentation of financial statements across industries and countries.

CURRENT INITIATIVES BY STANDARD-SETTERS

The International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) are currently engaged in initiatives on financial statement presentation. One aspect of these initiatives proposes a uniform format that presents more disaggregated items and subtotals in financial statements under an initial joint project between IASB and FASB; both standard-setters seem to hold the view that greater financial statement disaggregation can lead to more relevant and useful information for financial statement users.[2] Although the joint project is discontinued[3], both standard-setters continue to pursue their separative initiatives in the disaggregation of financial statements. In particular, IASB issued an Exposure Draft (ED/2019/7) on

[1] US Securities and Exchange Commission. (2011). Work plan for the consideration of incorporating International Financial Reporting Standards: An analysis of IFRS in practice. (A Securities and Exchange Commission Staff Paper November 16, 2011.) https://www.sec.gov/spotlight/globalaccountingstandards/ifrs-work-plan-paper-111611-practice.pdf

[2] Financial Accounting Standards Board. (2010). Staff draft of an exposure draft on financial statement presentation. https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176156966501&acceptedDisclaimer=true

[3] IAS Plus. IAS financial statement presentation – Comprehensive project. https://www.iasplus.com/en/projects/completed/fs/fsp

> The evidence suggests that disaggregated information from operating and financing activities augments the valuation role of financial statements, that is, they better help users of financial statements in assessing the companies' prospect for future net cash flows.

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General Presentation and Disclosures in 2019[4] that sets out the principles for the aggregation and disaggregation of information in financial statements. Similarly, FASB also initiated a project in 2018[5] that seeks to enhance the usefulness of performance measures by increasing the level of disaggregation in income statements.

Underlying the standard-setters' push towards greater financial statement disaggregation is their concern that the lack of precise standards for disaggregation and classification appears to have adverse effects on comparability of companies' financial statements and thus, limits the usefulness of financial statements to users. To encourage companies to present more subtotals and individual financial items in their income statements and balance sheets, we summarise the academic research that demonstrates the business case for companies to present more subtotals and individual financial items in their financial statements.

DISAGGREGATED INFORMATION ENHANCES USEFULNESS OF FINANCIAL STATEMENTS

Users of financial statements find disaggregated accounting information to be useful because disaggregated information leads to finer information that yields higher quality of information. An early study[6] finds that investors can improve their one-year ahead Return on Equity forecasts of companies by using the disaggregated line items on the income statement. Besides separating extraordinary items and discontinued operations from the bottom line, there is incremental predictive content from further disaggregating income from operations into (i) operating income, (ii) non-operating income and taxes, and (iii) special items. A subsequent study[7] similarly demonstrates that investors can make more accurate forecasts of the companies' future profitability using disaggregated information from operating and financing activities. The evidence suggests that disaggregated information from operating and financing activities augments the valuation role of financial statements, that is, they better help users of financial statements in assessing the companies' prospect for future net cash flows. This is consistent with IASB's proposed requirement in ED/2019/7 for companies to present new subtotals in the statement of profit or loss to tease out profit numbers related to operating, investing and financing activities accordingly. Figure 1 presents an extract from ED/2019/7 illustrating a summary of a statement of profit and loss prepared by a company applying the proposed changes.

[4] IASB & IFRS. (2019). General presentation and disclosures. IFRS Exposure Draft ED/2019/7. https://cdn.ifrs.org/content/dam/ifrs/project/primary-financial-statements/exposure-draft/ed-general-presentation-disclosures.pdf

[5] FASB. Financial performance reporting - Disaggregation of performance Information. (Project update). https://www.fasb.org/jsp/FASB/FASBContent_C/ProjectUpdateExpandPage&cid=1176170640702

[6] Fairfield, P.M., Sweeney, R.J. & Yohn T.L. (1996). Accounting classification and the predictive content of earnings. *The Accounting Review*, 71 (3): 337-355. http://www.jstor.org/stable/248292

[7] Esplin, A., Hewitt, M., Plumlee, M. & Yohn, T.L. (2014). Disaggregating operating and financial activities: Implications for forecasts of profitability. *Review of Accounting Studies*, 19 (1): 328-362. https://doi.org/10.1007/s11142-013-9256-5

Figure 1 Summary Of A Statement Of Profit Or Loss
(Extracted from IASB Exposure Draft (ED/2019/7) on general presentation and disclosure)

Revenue	X	Operating
Operating expenses	(X)	
Operating profit or loss	**X**	
Share of profit or loss of integral associates and joint ventures	X	Integral associates and joint ventures
Operating profit or loss and income and expenses from integral associates and joint ventures	**X**	
Share of profit or loss of non-integral associates and joint ventures	X	Investing
Income from Investments	X	
Profit or loss before financing and income tax	**X**	
Interest revenue from cash and cash equivalents	X	Financing
Expenses from financing activities	(X)	
Unwinding of discount on pension liabilities and provisions	(X)	
Profit or loss before tax	**X**	

> A recent study conducted by one of the authors finds that in 41 countries including Singapore, companies that provide greater disaggregated information, particularly on their balance sheets, enjoy more favourable loan terms in the global syndicated loan markets.

The disclosure of disaggregated accounting information also enhances the stewardship role of financial statements, that is, to better help users of financial statements in assessing the management's stewardship of companies' economic resources. A study[8] demonstrates that by reporting more line items, managers are constrained in their ability to manipulate earnings as the disaggregation of accounting information helps users of financial statements to identify potential biases and errors more easily, especially for line items related to the company's performance. By disclosing accounting items that are fundamentally tightly proportional to each other (for example, sales and cost of sales to derive gross profit margin), any substantial irregularities in their fundamental relationship would potentially indicate financial reporting manipulation. Another study[9] documents that experienced auditors permit less misstatement in the disaggregated numbers because they believe regulators will increase the scrutiny of uncorrected financial statement errors in the disaggregated numbers. This has also resulted in higher auditor effort, as documented by a recent study.[10] As such, auditors put in more effort and require correction of smaller errors in disaggregated numbers, which increases the overall reliability of financial statements.

COMPANIES ENJOY LOWER COST OF CAPITAL AND FAVOURABLE LOAN TERMS

Although extant academic studies have demonstrated that users of financial statements find disaggregated information to be useful in their decision making, some companies may doubt the tangible benefits that arise from disclosing more line items in their financial statements. We highlight the following economic benefits that are documented for companies that provide greater disaggregation of financial statements. A study[11] finds that analysts are more accurate in forecasting earnings of US companies that disclose more line items in their financial statements and such companies enjoy a lower bid-ask spread and a lower cost of equity capital. A recent study[12] conducted by one of the authors finds that in 41 countries including Singapore, companies that provide greater disaggregated information, particularly on their balance sheets, enjoy more favourable loan terms in the global syndicated loan markets.

Besides charging lower interest rates, lenders also provide larger quantum and longer tenured loans to these companies. In addition, there are less restrictive financial covenants being stipulated in the loan contracts, especially if the borrowing companies are located in countries that provide creditors with robust legal protection, such as Singapore.

CONCLUSIONS

With the concerns that financial statements in the current form lack comparability across different companies, IASB is proposing a new standard on general presentation and disclosures in financial statements. We summarise extant academic research that supports IASB's premise that disaggregated accounting numbers enhance the usefulness of financial statements to users. We highlight that companies that disclose more disaggregated line items in their financial statements enjoy lower costs of equity capital and obtain more favourable loan terms in the global syndicated loan markets. Finally, we caution that there are potential costs for companies to disclose more disaggregated accounting information. Another study[13] by one of the co-authors finds that US companies that disaggregate more accounting line items incur higher litigation risks if they misstate their financial statements. However, such occurrences may possibly not occur in countries that have a low litigious environment, such as Singapore. ISCA

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PHOTO SHUTTERSTOCK

[8] Amir, E., Einhorn, E. & Kama, I. (2014). The role of accounting disaggregation in detecting and mitigating earnings management. *Review of Accounting Studies*, 19 (1): 43–68. https://doi.org/10.1007/s11142-012-9220-9

[9] Libby, R. & Brown, T. (2013). Financial statement disaggregation decisions and auditors' tolerance for misstatement. *The Accounting Review*, 88 (2): 641–665. https://ssrn.com/abstract=1907839

[10] Beck, M., Glendening M. & Hogan, C.E. (2021). Financial statement disaggregation and auditor effort. *Auditing: A Journal of Practice & Theory* (forthcoming). https://doi.org/10.2308/AJPT-19-019

[11] Chen, S., Miao, B. & Shevlin, T. (2015). A new measure of disclosure quality: The level of disaggregation of accounting data in annual reports. *Journal of Accounting Research*, 53(5), 1017-1054. https://ssrn.com/abstract=2475624

[12] Chan, A. C-L, Chen, V. & Koh, K. (2021). Financial statement disaggregation and syndicated loan terms: International evidence. (Working paper). National Chengchi University and Nanyang Technological University. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3976122

[13] Koh, K., Tong, Y.H. & Zhu, Z. (2021). The effects of financial statement disaggregation on audit pricing. *International Journal of Auditing* (forthcoming). https://doi.org/10.1111/ijau.12253

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