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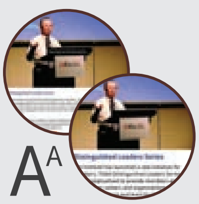

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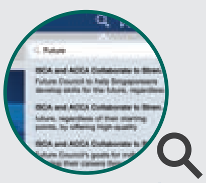

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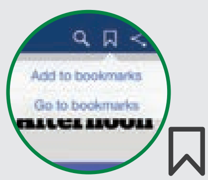

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Quickglance for overview of articles

ISCA'S VUCA: VALUE-ADDING, UNRELENTING COMMITMENT, ACTION

Dear members,

VUCA (volatile, uncertain, complex, ambiguous) has become a trendy executive buzzword to describe the fast-evolving business landscape. As the national accountancy body, the Institute is aware of the many challenges arising from the rapid pace of change and has rolled out many initiatives to equip our members with the skills to manage these changes. With sufficient lead time for preparation, a receptive mindset and commitment to advancement, transitions can be smooth and hassle-free. In this respect, I would say the Institute practises its own "VUCA" with regard to members – through **v**alue-adding, **u**nrelenting **c**ommitment and **a**ction – so that our members can stand a head above the rest.

ISCA held its AGM in April, and I was very happy to see the strong show of support from our members. As ISCA makes significant strides towards our 2020 vision, it is important for us to know that we are continuing to bring value to our members, the profession and the wider community. The AGM saw the election of five new members and three re-elected members to the ISCA Council; together, the Council members provide strategic direction and counsel to the Institute.

Over the last few years, ISCA's key initiatives, achievements and business performance have been closely aligned with the Institute's definition of VUCA. As you know, the Institute has been steadily raising its international profile. In June 2015, ISCA became the first Associate member of Chartered Accountants Worldwide, a group of globally-recognised Chartered Accountancy bodies that are committed to enhancing the value of the Chartered Accountant brand. This membership paved the way for us to deepen relations and explore partnership opportunities with other member bodies, which creates value for our members.

Already, the *CA (Singapore)* designation is gaining recognition as a mark of excellence, as evidenced by the recent agreements with the Institute of Chartered Accountants in England and Wales (ICAEW) and Institute of Chartered Accountants of Scotland (ICAS). Eligible ISCA members can apply *directly* for ICAEW or ICAS membership – without having to fulfil additional professional or educational qualifications. The *CA (Singapore)* designation also qualifies members for an accelerated pathway to specialist qualifications including the *Certified Internal Auditor* and *Chartered Global Management Accountant.* Beyond Singapore's shores, the ASEAN Mutual Recognition Arrangement Framework on Accountancy Services avail to *CA (Singapore)* members international career opportunities and a broad range of resources and professional development options.

As ISCA continues to bring value to our members, we are also committed to raising the collective standard of the profession in ASEAN, which in turn opens doors for our members. In this respect, we are looking to bring the CA (Qualification) Foundation programme overseas, thus sharing our core technical knowledge and skills. The Institute stays true to our definition of VUCA in different ways to benefit our members, the profession and the wider community. Read about our actions and achievements in the past 12 months, in our June cover story.

Technology has made the world a smaller place. As such, it is important to keep in tune with what is happening outside Singapore as it will impact us. An ICAEW report provides an update of ASEAN's performance in the first quarter, and forecasts how various countries will fare this year.

Tax is a big part of any business operation and falling foul of the tax authorities can bring untold problems. Additionally, with new tax rules, greater public scrutiny and the media's headline reports of unfair tax practices, tax issues are moving up the boardroom agenda. Within these pages are articles on tax that can provide direction and clarity to MNCs and potential investors in India.

Elsewhere in this issue are other resources that add value to your work. Sustainability reporting, which the Singapore Exchange introduced on a "comply or explain" basis, effective on or after 31 December 2017, gets another airing – the fourth in a series of articles aimed at preparing our members early. This is just one more example of how ISCA is serving our members through **v**alue-adding, **u**nrelenting **c**ommitment and **a**ction (VUCA).

Have a good read.

Gerard Ee
FCA (Singapore)
president@isca.org.sg

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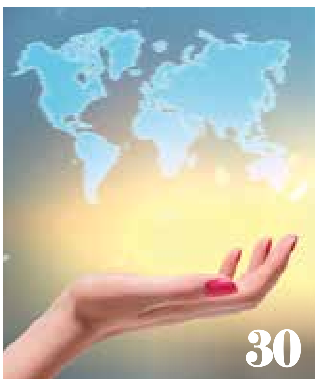

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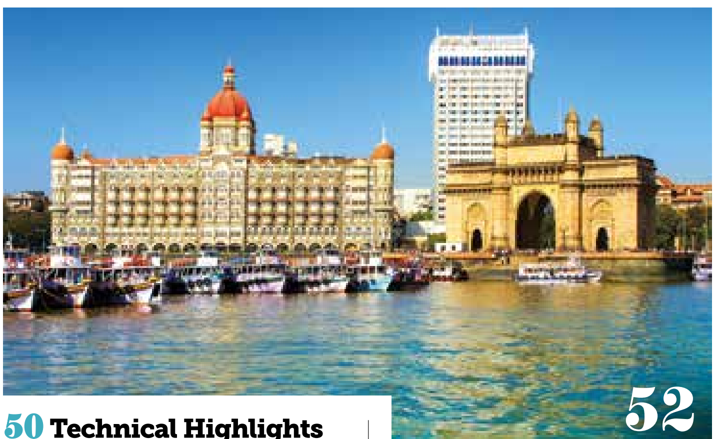

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IN TUNE

INDUSTRY NEWS

More CEOs Forced Out of Office for Ethical Lapses: PwC's Strategy&

The share of CEOs forced out of office for ethical lapses has been on the rise, according to the 2016 "CEO Success" study by Strategy&, PwC's strategy consulting business. The study, which analysed CEO successions at the world's largest 2,500 public companies over the past 10 years, reports that forced turnovers due to ethical lapses rose from 3.9% of all successions in 2007–2011, to 5.3% in in 2012–2016 – the 36% increase due in large part to increased public scrutiny and accountability of executives.

The increase was more dramatic at companies in the US and Canada, where forced turnovers for ethical lapses increased from 1.6% of all successions in 2007–2011 to 3.3% in 2012–2016, or a 102% jump. In Western Europe, the share of CEOs forced out for ethical lapses increased to 5.9% from 4.2%, and in the BRIC countries, to 8.8% from 3.6%.

"Our data cannot show – and perhaps no data could – whether there's more wrongdoing at large corporations today than in the past. However, we doubt that's the case, based on our own experience working with hundreds of companies over many years," says Per-Ola Karlsson, partner and leader of Strategy&'s organisation and leadership practice for PwC Middle East. "Over the last 15 years, five trends have resulted in boards of directors, investors, governments, customers, and the media holding CEOs to a far higher level of accountability for ethical lapses than in the past."

FIVE TRENDS SHAPING CEO ACCOUNTABILITY

According to the study, the five trends shaping CEO accountability are:

- **Public opinion** Since the financial crisis of 2007–08 and the Great Recession that it ignited, confidence and trust in large corporations and CEOs has been declining; the public has become more suspicious, more critical, and less forgiving of corporate misbehaviour;
- **Governance and regulation** The rise of public criticism of executives and corporations has translated directly into regulatory and legislative action, and companies in the US and many other countries have moved to a zero-tolerance approach toward bad behaviour in the C-suite;
- **Business operating environment** Companies increasingly are (1) pursuing growth in emerging markets where ethical risks, such as the possibility of bribery and corruption, are heightened, and (2) relying on extended global supply chains that increase counterparty risks;
- **Digital communications** The use of email, text messaging, and social media has created new risks for ethical lapses. A company's digital communications can provide irrefutable evidence of misconduct, and their existence increases the likelihood that a CEO will be held accountable, and
- **The 24/7 news cycle** Unlike in the mid- to late-20th century, when most executives and companies could maintain a low public profile, today's lightning-fast flow of web-based financial news and data ensures that negative information travels quickly and widely.

Despite the global increase in forced turnovers for ethical lapses, companies in the US and Canada have the lowest incidence of such dismissals – 3.3% in 2012–2016 compared to 5.9% in Western Europe and 8.8% in the BRIC countries. More stringent governance regulation is one likely reason. Both the legislative requirements for codes of conduct and anti-bribery statutes have been tightened significantly in the US.

The study found that at the largest companies (those in the top quartile by market capitalisation) in the US and Canada and Western Europe, the overall share of CEOs forced out of office was significantly greater than the share forced out in the other market-cap quartiles. This is likely because the largest companies are most affected by the five trends and are subject to the greatest scrutiny.

PHOTO SHUTTERSTOCK

IN TUNE

INDUSTRY NEWS

ASEAN to Attract Strong Trade and Investment Interest: EY Report

Global and regional investors remain vested in ASEAN despite wider challenging economic externalities, according to a new EY report, "Rediscover ASEAN: A growth story of 10 countries". Among emerging markets, ASEAN has, in the recent decade, become a focal point of global investor interest, with total trade having increased steadily by a compound annual growth rate (CAGR) of 6.4% to US$2.3 trillion in 2015.

"ASEAN's trade linkages are well-entrenched with over 230 markets globally. With the ASEAN Economic Community policy thrusts encouraging regional economic integration, there is even higher upside for intra-ASEAN trade growth. In the longer term, the Regional Comprehensive Economic Partnership involving ASEAN, Australia, China, India, New Zealand, Japan and South Korea will help to drive further regional trade growth," according to Max Loh, EY ASEAN and Singapore Managing Partner.

The relatively stable economies in ASEAN underpin investor interest. ASEAN's member countries are expected to post healthy gross domestic product (GDP) growth rates of 3% to 8% over the next five years, and enjoy a CAGR of 5.1% from 2017 to 2021 collectively. The emerging markets – Cambodia, Laos and Myanmar – are expected to grow above 7%, while the developing markets of Indonesia, Malaysia, Philippines and Vietnam are projected to generate a steady CAGR of 5% to 6%.

Another strength of ASEAN is its "prized eco system of certainty, consistent and resilient economic growth" amid the volatility seen in other parts of the world, explains Dato' Abdul Rauf Rashid, EY ASEAN Assurance Leader. "The region is well-positioned to be a growth nucleus in Asia, even as China and India continue to power ahead."

DYNAMIC PERFORMANCE AND OUTLOOK FOR FDI AND DEAL ACTIVITY

Foreign direct investment (FDI) inflow into the region achieved double-digit CAGR of 11.5% in the past decade up to 2015. While extra-regional investments accounted for over 80% of total FDI, it is noteworthy that the growth rate of intra-regional investment was almost double that of extra-regional FDI.

Nearly two-thirds of the foreign investments were in the services sector, predominantly the financial and insurance segments. The key extra-regional FDI contributors were from the US, Europe and Japan, and these investors and regional titans are expected to remain keen on the region.

Over two-thirds (68%) of the M&A deals in ASEAN from 2010 to 2016 were either intra-ASEAN or inter-Asia Pacific, reflecting the strong appetite in the region. The most active sectors were consumer, energy and financial services.

"ASEAN is one of the few regions that still has robust fundamentals, and it has three stages of economic development – advanced, developing and emerging – which excite investors. Businesses should hold a long-term view of their prospects in the region and have a selective country or category strategy to win, given that the market typically rewards the largest two to three players," adds Vikram Chakravarty, EY ASEAN Transaction Advisory Services Leader.

GROWING INFRASTRUCTURE INVESTMENTS

ASEAN's rapid economic transformation continues to fuel appetite for infrastructure development. Significant infrastructure investments are estimated at US$110 billion per annum until 2025. The key areas of infrastructure investment include multimodal transport connectivity to improve logistics efficiency, utilities infrastructure and infocomm and technology projects.

Infocomm and technology infrastructure development, as part of building a trusted, secure and resilient digital eco system, is vital to improving ASEAN's economic competitiveness and enabling businesses to transform in the rapidly-expanding digital economy. The region's relatively young and diverse multilingual talent pool, burgeoning middle-class and strong investment pipeline of infrastructure development projects also present wide opportunities for investors to participate in economic development.

Developed in conjunction with ASEAN's 50th anniversary this year, the "Rediscover ASEAN: A growth story of 10 countries" report looks at the region's performance and potential opportunities in economic growth and investments, as well as infrastructure developments.

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IN TUNE

ISCA NEWS

SMP DIALOGUE

A Snapshot at Achieving EP 200 Compliance

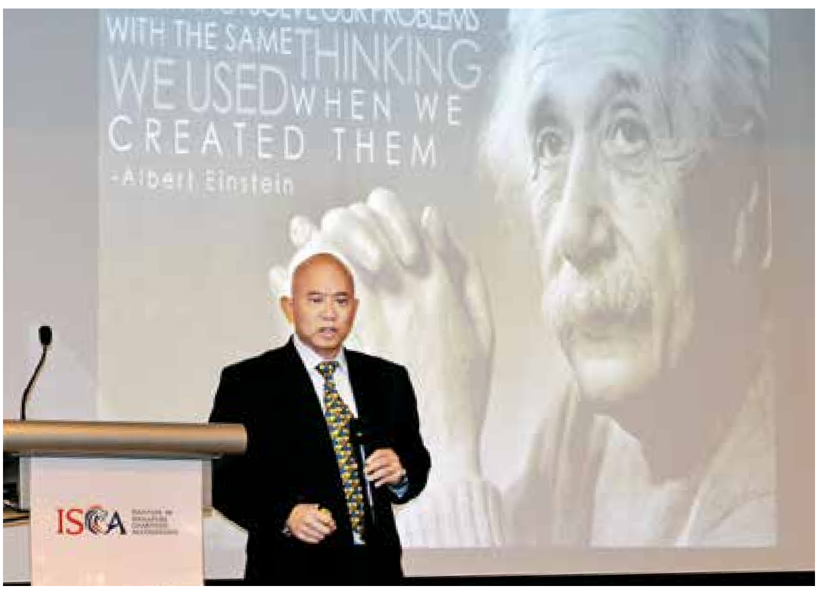
In a volatile, uncertain, complex and ambiguous (VUCA) world where disruptive technologies drive evolving business models, it is imperative for small and medium-sized practices (SMPs) to remain nimble and adapt to the changing business landscape. With limited resources, SMPs may face constraints in overcoming these challenges, especially in managing regulatory changes and updates. To navigate their way, SMPs can look to ISCA for practical guidance and implementation support.

The ISCA 6th SMP Dialogue, titled "Managing Risks in a VUCA World", was held on April 20 at Novotel Clarke Quay. During the event, Accounting and Corporate Regulatory Authority (ACRA) shared on the key EP 200 inspection areas which it is focusing on, and the support mechanism SMPs can tap into to overcome the challenges.

ISCA Council member Michael Chin, who is also Chairman of ISCA's Public Accounting Practice Committee (PAPC) and Managing Partner, PKF-CAP LLP, began the session by addressing and updating fellow practitioners on the results of the latest IFAC Global SMP Survey 2016[1], drawing comparisons with the Singapore results. In the survey, the top primary

▲ (From left) Panellists Jason Lee, Director, CA.SG PAC; Lim Chong Huat, Partner, Milant & Associates LLP; Vivienne Chiang, Managing Partner, K Y Chiang & Co; Charles Parulian, Partner, Premier Trust Partners, with moderator Lim Yeong Seng, Managing Partner, Kong, Lim & Partners LLP

▼ ISCA Council member Michael Chin, PAPC Chairman and Managing Partner, PKF-CAP LLP, encouraging fellow practitioners to change their mindset



▼ **Chionh Chye Kit, Managing Director and Co-Founder, Cynopsis Solutions, sharing the finer points of how to avoid being inadvertently implicated in money-laundering schemes**

challenges facing accountancy practices centred on:

- "Attracting new clients" (a high or very high challenge for 46% worldwide, 63% in Singapore);
- "Keeping up with new regulations and standards" (41% worldwide, 38% in Singapore);
- "Experiencing pressure to lower fees" (41% worldwide, 50% in Singapore);
- "Differentiating from competition" (39% worldwide, 38% in Singapore), and
- "Rising business costs" (39% worldwide, 50% in Singapore).

The regulatory environment continued to be viewed as the most impactful to practices in the next five years, with 56% respondents worldwide and 58% in Singapore anticipating that it will have a high or very high impact. As such, Mr Chin left fellow practitioners with a quote from Albert Einstein, urging them to shift their mindsets in preparation for the future – "We cannot solve our problems with the same thinking we used when we created them."

With the inspection regime expanded to include EP 200 inspection for firms auditing non-public-listed entities (non-PIE) in Singapore with effect from 1 January 2017, Janice Poon, Senior Lead Inspector of ACRA, walked practitioners through the flow of a typical EP 200 inspection as well as highlighted some ACRA's expectations for EP 200.

Following Ms Poon's presentation, a Question and Answer (Q&A) segment was conducted. Joining Ms Poon on the Q&A panel was Quek Siew Eng, Chief Inspector and Director of Practice Monitoring Department, ACRA; the segment was moderated by Fann Kor, Director of Quality Assurance and Industry Support, ISCA.

Many participants asked if it is required to perform Customer Due

[1] The results of the 2016 IFAC Global SMP Survey, published by IFAC in March 2017, was used by ISCA with the permission of IFAC.

▲ **(From left) Janice Poon, Senior Lead Inspector, ACRA; Quek Siew Eng, Chief Inspector and Director of Practice Monitoring Department, ACRA, with moderator Fann Kor, Director, Quality Assurance and Industry Support, ISCA, at the pigeonhole Q&A**

Diligence (CDD) procedures for their existing long-time clients. ACRA clarified that CDD measures apply not only to new clients but also to existing clients in the first year of EP 200 implementation. Subsequently, professional firms are required to monitor the business relations with their existing clients on an ongoing basis. Documents, data or information collected under the CDD process should be kept up-to-date and relevant by undertaking reviews of existing records, particularly for higher-risk categories of clients. ACRA also expressed that, with the various inspections that are being carried out, the agency would attempt to streamline the inspections (example, Corporate Service Providers (CSP), Practice Monitoring Programme (PMP) and EP 200) whenever possible, to minimise inconvenience to SMPs.

Chionh Chye Kit, Managing Director and Co-Founder, Cynopsis Solutions Pte Ltd, presented on the ways to overcome implementation challenges of Anti-Money Laundering and Countering Financing of Terrorism Act (AML/CFT). He emphasised that the Internal Policies, Procedures and Controls (IPPC) is an important document that details a firm's approach, procedures and steps to be taken to address money laundering and terrorist financing concerns. He went on to elaborate on a few key areas, namely (i) Implementing a risk-based approach; (ii) Records-keeping requirements, and (iii) CDD procedures that form part of the IPPC.

To help practitioners cope with the practical challenges in implementing EP 200, ISCA's Quality Assurance team has rolled out initiatives to support the implementation of EP 200 for firms. Sharon Tan Chiu Ping, Senior Manager, Quality Assurance, ISCA, shared that ISCA would be able to provide support in the following areas:

(i) Issue Illustrative IPPC for complimentary use by SMPs;
(ii) Conduct firm-level review to assess the adequacy of the firm's IPPC in compliance with EP 200, and
(iii) Conduct customised in-house training tailored to the respective firm's requirements.

▼ **The event attracted a capacity crowd of 130**

Closing the session was a panel discussion by OneSMP Peer Review Group titled "Collaborating to Improve Audit Quality for SMPs", moderated by Lim Yeong Seng, Managing Partner, Kong, Lim & Partners LLP. Panellists Vivienne Chiang, Managing Partner, K Y Chiang & Co; Jason Lee, Director, CA.SG PAC; Lim Chong Huat, Partner, Milant & Associates LLP, and Charles Parulian, Partner, Premier Trust Partners, shared the benefits of the Peer Review Group as a self-help mechanism for practitioners, particularly sole proprietors, to fulfil the requirement of independent quality assurance review. In the past, when the practitioners encountered a complex situation, they would have to mull over the issue on their own or randomly consult one or two peers. With this arrangement, they can now consult a regular group of practitioners and receive a broader base of opinions for them to derive their judgement. The panellists unanimously agreed that over time, this active exchange of knowledge in a group setting will help them improve their audit quality. For the OneSMP group to overcome confidentiality concerns, it had established an MoU at inception, laying the safeguards against staff poaching and client confidentiality.

The bi-annual SMP Dialogue was very well received by practitioners, as reflected by the full attendance of over 130 participants.

For more information on ISCA's QA initiatives to help your practice, please email us at qualityassurance@isca.org.sg.

David Padgett, Regional VP–APAC, Anaplan, showed how cloud planning has delivered tangible results

▲ Participants at the "Next Generation Finance" session

ISCA BREAKFAST TALK

Next Generation Finance – Integrated Business Planning

It was an eventful morning at the ISCA Breakfast Talk on May 16, with over 80 people attending the session on "Next Generation Finance - Integrated Business Planning". Participants heard from the expert on several relevant subjects such as connected planning and how it provides benefits for finance professionals, advantages of zero-based budgeting, as well as benefits of planning clouds and interdisciplinary integration of data.

Conducted by David Padgett, Regional VP–APAC, Anaplan, the talk introduced the concept of Planning, Budgeting and Financing (PBF) as the crux of the discussion, and how challenges pertaining to PBF - such as volatility, digital disruption and increased government regulations - can be overcome through the use of planning clouds. Mr Padgett also shared the three key ingredients of connected planning, namely, date, people and plans.

The session was highly interactive and included practical examples on how planning clouds have helped companies achieve tangible results. Participants took away useful insights and ideas on how to improve finance processes and transform their roles to add more value to their own organisations.

SIATP Pieces Together TP Documentation

Transfer Pricing (TP) has emerged as a key issue in recent years for both tax authorities and businesses worldwide. A crucial aspect in TP is TP documentation. This was reinforced in a recent *Tax Excellence Decoded* session by the Singapore Institute of Accredited Tax Professionals.

Facilitated by Luis Coronado, Partner and ASEAN International Tax, and Transfer Pricing Leader, Ernst & Young Solutions LLP, the second part of the TP series of technical sessions was designed to provide participants with a helicopter view of the recent developments with respect to TP documentation across Asia Pacific.

Besides gaining an overview of TP documentation developments and requirements, participants also got a better understanding of TP dispute resolution trends in view of the increase in TP controversies.

To find out about SIATP's next *Tax Excellence Decoded* session, please email enquiry@siatp.org.sg.

▲ ***Tax Excellence Decoded*** **session facilitator, Luis Coronado, provided a snapshot of regional TP developments**

▶ **Mr Coronado addressing participants' queries after the session ended**

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Just like how the ***IS C**hartered **A**ccountant* journal has gone digital, you can be part of the effort to care for our environment. Watch this space as we unveil something exciting, applelicious and rewarding in the July issue!

2017 ISCA-SAC Mentoring Programme

▲ **Trainer Patrick O'Brien getting the mentors to think about the way they mentor, manage, counsel and coach**

The first run of the ISCA-SAC Mentoring Programme was rolled out in January 2016, and since then, it has grown to become an established platform for accounting and finance professionals to acquire invaluable skills and insights from C-suite executives. This collaboration between ISCA and the Singapore Accountancy Commission (SAC) enables both organisations to pool mentors and mentees from various sectors and industries. A total of over 50 mentors and mentees signed up for this year's programme.

To prepare both mentors and mentees for the nine-month mentoring journey, a preparatory workshop was conducted on April 28, where trainer Patrick O'Brien, Managing Director of Amanuenses Network, separately engaged mentors and mentees on the intricacies of creating a successful mentor-mentee relationship and experience. There was also a networking lunch where some mentors and their mentees met and interacted with one another for the first time – forging that all-important initial relationship.

The day began with a morning Preparatory Workshop for Mentors, where Mr O'Brien brought the mentors through several essential aspects needed to develop meaningful and engaging relationships with their mentees. These concepts included firstly, understanding what being a mentor involves and the skills required. Following that, he initiated several brainstorming sessions, allowing mentors to discover the key differences among managing, mentoring, counselling and coaching. The mentors also engaged in several interactive activities and group discussions to share their views and experiences with one another.

continues on page 18

▶ **Mentors engaging in interactive games that facilitated collaborative learning**

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Through the workshop, the mentors learnt the importance of establishing a collaborative and reciprocal learning experience with their mentees, as well as the need for a strong connection in a good mentor-mentee relationship. This would necessitate the development of skills such as active listening, open questioning and adopting an appropriate mindset when faced with issues.

Following the lunch session where some mentors met their mentees for the first time, the mentees began their session to learn more about themselves, manage their expectations and needs, and acquire the skill sets they need to get the most out of the mentoring relationship. As mentees, it is important to possess well-developed communication skills in order to convey ideas, problems and concerns to their mentors. As such, they were

▲ **Interactive activities for mentees to encourage communication**

placed in small groups and given the opportunity to work together, brainstorm issues and present their ideas to the rest of the class. Mr O'Brien ensured that each mentee was given a chance to present in class and hone their communication skills. Apart from that, mentees were also encouraged to converse with other members in the group. These exercises helped encourage conversation among mentees, and prompted them to venture out of their comfort zone.

As the day ended, there was a reflection session to consolidate all the new skills learnt. The workshops were well received by both mentors and mentees as they learnt how to build and maintain effective mentoring relationships. ISCA would like to wish all participants a fruitful mentoring experience and a memorable journey ahead.

▼ **Mentees taking notes as Mr O'Brien explained the differences among mentoring, managing, counselling and coaching**

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▲ Real estate developers focus group including participants from CapitaLand Singapore, City Developments, Frasers Centrepoint, GuocoLand (Singapore) and Keppel Land International, with ISCA's Revenue Working Group members and subject matter experts from accounting firms

▲ Reinhard Klemmer, Chairman of ISCA's Revenue Working Group, sharing his experience on FRS 115 implementation with real estate developers

ISCA's Industry Focus Groups for New Revenue Standard

Industry focus group sessions were conducted by ISCA in the months of April and May 2017 for companies involved in contract manufacturing, ship/rig building and real estate developments in Singapore. Focusing on the application of the new revenue standard, FRS 115: Revenue from Contracts with Customers to these industries, these focus group sessions were facilitated by members of ISCA's Revenue Working Group, namely, Shirley Wong, Partner, Ernst & Young LLP; Mohammed Rashid Ghamazy, Partner, Deloitte & Touche LLP, and Reinhard Klemmer, Chairman of the Revenue Working Group and Partner, KPMG Singapore. In addition to the facilitators, each focus group session comprised five to nine subject matter experts from various accounting firms.

For the April focus group sessions held with contract manufacturers and ship/rig builders, participants from Hi-P, Natsteel, Baker Technology, Otto Marine and others shared their business practices within their industries and were engaged in lively discussions on how the application of FRS 115 might change the way revenue and related costs are currently accounted for. For instance, revenue recognition by contract manufacturers under FRS 115 is highly dependent on contracts with customers that create enforceable rights and obligations. Such contracts can be written, oral or implied by an entity's customary business practices.

During the focus group session for the real estate developers on May 8, representatives from Keppel Land, Frasers Centrepoint, City Developments and other developers had a robust three-hour discussion on the challenges faced in the application of FRS 115, considering the current market climate and business practices. Interesting areas of discussion included the sharing of variations in business practices for property developments across jurisdictions in Asia and how the application of the standard would differ for these jurisdictions.

We would like to thank all facilitators and participants who made time to join us for these focus group sessions. The next focus group session will be held on 12 July 2017 for the transportation and logistics industry.

▲ Ship/Rig building focus group including participants from Baker Technology, Keppel Offshore & Marine and Otto Marine, with ISCA's Revenue Working Group members and subject matter experts from accounting firms

ISCA CALENDAR OF EVENTS 2017

JUNE

Wednesday 14
ISCA Breakfast Talk
The Road Ahead – Market Outlook and Managing Risk in H2-2017

Thursday 22
An Introduction to Food Photography
Creative food photography with Nikon

Wednesday 28
ISCA Ethics Seminar
Do the Right Things - Get In Tune with the Latest Ethics Standards

UPCOMING

July 12
ISCA Breakfast Talk
Stay tuned for more details!

August 16
ISCA Breakfast Talk
Stay tuned for more details!

August 30
ISCA Mingles
Celebrating ISCA Toastmasters 30th Anniversary

SAVE THE DATE

September 28
ISCA Financial Forensic Conference
Fortifying Your Business
www.iscaffc.sg

October 03
Singapore Accountancy and Audit Convention
Gearing Up for the Accountancy Futurescape
Jointly organised by ACRA, ISCA and SAC
www.saac2017.sg

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

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IN TUNE & IN SYNC

ISCA Annual General Meeting 2016/2017 Highlights

In tune with Singapore's vision to become a global accountancy hub, ISCA has been making important strides towards international recognition, bringing value to our members, the profession and the wider community.

That was the message shared by ISCA President Gerard Ee with more than 500 members who attended ISCA's Annual General Meeting at Marina Mandarin Singapore hotel on April 22. The well-attended event provided a good networking platform and for members to be apprised of developments in the Institute and the profession.

The AGM saw the election of five new members to the ISCA Council. They are Yvonne Chan Mei Chuen, Chief Financial Officer and Director (Corporate Development), Maritime and Port Authority of Singapore; Balasubramaniam Janamanchi, Managing Partner/Director, JBS Practice PAC; Darren Tan Siew Peng, Chief Financial Officer, OCBC Bank; Kelvin Tan Wee Peng, Independent Director and Chairman Audit Committee, Viking Offshore & Marine Ltd, IREIT Global, Transcorp Holdings Ltd, and UnUsUal Ltd, and Roger Tay Puay Cheng, Head of Audit, KPMG LLP. This is part of the Institute's leadership renewal process to inject new perspectives in spearheading the Institute's efforts towards being

▲ **ISCA President Gerard Ee provided an overview of the key achievements and initiatives that took place over the past year**

a globally recognised professional accountancy body.

Rejoining the Institute's leadership team for another two-year term are three re-elected Council members – Paul Lee Seng Meng, Managing Partner, RSM Chio Lim LLP; Lee Wai Fai, Group Chief Financial Officer, United Overseas Bank Ltd, and Max Loh Khum Whai, EY ASEAN and Singapore Managing Partner, Ernst & Young LLP.

As Council members, they will provide strategic direction and counsel to ISCA as it pursues its vision to be a globally recognised accountancy body, bringing value to our members, the profession and the wider community.

At the AGM, Mr Ee shared insights about the Institute's key initiatives, achievements and business performance over the past 12 months. For members who could not join us that day, here is an excerpt from his AGM address.

EXCERPT FROM PRESIDENT GERARD EE'S AGM SPEECH

RECAP OF ACHIEVEMENTS IN 2016/2017

ENHANCING VALUE OF MEMBERSHIP

RMAs with ICAEW and ICAS

"Earlier this month on April 4, we signed separate Reciprocal Membership Agreements (RMAs) with the Institute of Chartered Accountants in England and Wales (ICAEW) and Institute of Chartered Accountants of Scotland (ICAS). With the RMAs, ISCA members who are *Chartered Accountants of Singapore* and have completed the Singapore CA Qualification can now apply to be members of ICAEW and ICAS, without having to fulfil additional professional or educational requirements.

The RMAs with ICAEW and ICAS represent a significant endorsement of ISCA's professional and ethical standards. The RMAs also mean that we have made major strides towards our vision to be a globally recognised professional accountancy body, bringing value to our members, the profession and the wider community. This spells enhanced professional recognition for our members, enabling eligible members to go beyond Singapore's shores and pursue international career opportunities.

MoUs with ICAEW and ICAS

We also signed Memoranda of Understanding (MoU) with ICAEW and ICAS respectively. The MoUs aim to explore further collaboration on members' activities and professional development for members. These include granting members mutual access to each institute's events and continuous professional education (CPE) courses. This means that, as ISCA members, you can attend courses and events by ICAEW and ICAS at their members' rates. You can now enjoy a wider range of resources, networking events and professional development courses, and expand your professional network beyond Singapore.

ASEAN MRAA

Under the ASEAN Mutual Recognition Arrangement Framework on Accountancy Services (MRAA), an ISCA member who is a national of an ASEAN member-state can now apply to be an *ASEAN Chartered Professional Accountant* (*ACPA*) through ISCA's membership portal. To encourage sign-ups, ISCA will waive registration fees for the first year.

The framework will expand market access to the rest of ASEAN, presenting new opportunities to our members. Under the MRAA, *ACPA* members can provide accountancy services in other ASEAN markets, excluding audit and domestically-regulated accountancy services. I encourage you, especially our young members, to be adventurous and take this opportunity to explore the ASEAN region, where the growth potential is immense.

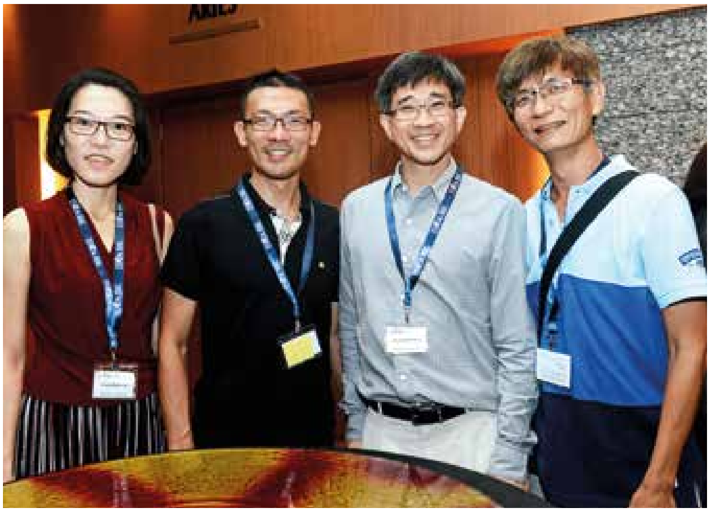
REGIONALISING THE BRAND

Bringing Singapore CA (Qualification) Foundation Programme Overseas

As more pathways to the profession are created, the accountancy talent pipeline will expand in breadth and depth. We will be exploring opportunities with the Singapore Accountancy Commission to bring the Singapore CA Qualification (Foundation) programme to selected ASEAN countries, thereby exporting our core technical knowledge and skills. ASEAN nationals who have completed the programme can go on to take the Singapore CA Qualification. This provides them a pathway to become a *Chartered Accountant of Singapore*. With this, we aim to build and strengthen the accountancy profession in these developing countries.

Having skilled accounting talent is crucial to a country's economic development. At ISCA, we have many experienced members who can impart their skills and knowledge to the next generation. This is a rare opportunity to impact many lives and make a


Members perusing the annual report



Members interacting and catching up with one another

meaningful difference. I encourage you to consider signing up as trainers to help develop the profession in these developing countries when the programme is ready.

Micro-Accounting Model

To help developing ASEAN countries transition to accrual accounting, we also developed the Micro-Accounting Model. This intuitive framework contains significant simplifications that will help small businesses in developing countries transit to accrual accounting and eventually adopt international accounting standards. This has generated keen interest among the developing ASEAN countries.

MoU with LCPAA

Within ASEAN, we have signed an MoU with the Lao Chamber of Professional Accountants and Auditors (LCPAA) to explore opportunities for both countries to co-develop the accountancy profession in Laos. Initiatives include the training of accounting professionals, continual professional development and exchange of expertise, experiences and best practices among accountancy firms from both countries.

The first training programme we conducted was a five-day course on "Audit of Key Financial Statements Assets", and there will be more following. Again, we need experienced and skilled accountants to be trainers. If you are interested to be a trainer, please get in touch with us. This provides an avenue for those who are interested to explore professional opportunities in Laos to have a better understanding of the market and build their network there.

There will be other initiatives paving the way for our members and firms to pursue opportunities in a high-growth and rapidly-developing market such as Laos.

PATHWAYS AND SKILLS

"Our Future Together" Series

With technology changing our world at an exponential pace, the profession has to constantly learn, unlearn and relearn. To equip members to be future-ready, we collaborated with ICAEW for the second time on the "Our Future Together" series of research initiatives. The report resulting from the research, entitled "Industry Perspectives: Future of Professional Learning and Entrepreneurship", looks at how education, training and professional learning can be redefined to develop and prepare professional accountants for the future economy.

We shared the findings this April at the "Our Future Together: Future of Professional Learning and Entrepreneurship" event, co-organised by ISCA and ICAEW and supported by

Chartered Accountants Worldwide. We had also shared the findings with the Committee for the Future Economy, convened by the Singapore government to develop economic strategies for the next decade.

Like many other professions, accountancy is being impacted by technology and is undergoing what many call the Fourth Industrial Revolution. As the national accountancy body, ISCA is playing our role to equip the profession for the future economy and ensure that our members are future-ready. This report aims to provide some answers to how the profession can acquire the skills and capabilities to stay nimble and relevant in an increasingly complex and fast-changing world.

It was also at the event that we signed the RMAs and MoUs with ICAEW and ICAS. The event was officiated by Senior Minister of State for Law and Finance Indranee Rajah, who also shared her views on the future economy in a dialogue session.

Extensive Range of CPE

To prepare our members for the future economy, we will continue to explore different ways to support the profession's development in terms of skills, capabilities and qualifications, expanding and updating our extensive range of courses and training programmes. Last year, we rolled out two ISCA certificate programmes – Advanced Certificate in Business Analytics and Reporting, and Certificate in SME Accounting: Fundamental Skills & Judgement in Applying FRSs. In November last year, we also developed five new webinars as part of our suite of e-learning programmes. This year, we will be working on a certificate in risk management, a skill set that has been identified as pertinent for the future economy.

Increasing Pathways to Recognition

To allow our members to deepen their expertise and qualifications in niche and high-growth areas, we continue to develop specialisation pathways. Last year, we worked with the Institute of Internal Auditors to provide a one-time opportunity for qualified members of ISCA to be conferred the *Certified Internal Auditor* (*CIA*) designation via an accelerated pathway. Close to 200 members attained the *CIA* title via this route. We continue to offer the ISCA-CIMA

▲ **The annual AGM was attended by over 500 members**

(Chartered Institute of Management Accountants) pathway, enabling eligible members to become CIMA members and be conferred the *Chartered Global Management Accountant* (*CGMA*). To date, more than 30 members have taken up the offer.

ISCA Financial Forensic Accounting Certificate Programme

More specialisation pathways will be developed. I am pleased to share that we are currently working to develop the ISCA Financial Forensic Accounting certificate programme. To be launched in early 2018, the programme caters to accountants who would like to pursue a career specialising in financial forensics as well as existing financial forensic professionals who wish to deepen their skills. Provisions will also be made for a pathway to be created at the post-graduate level to admit those with an equivalent accountancy and finance degree to take up this certificate programme. Those who have completed the certificate programme can attain the ISCA membership.

More details will be shared at our inaugural Regional White-Collar Crime Investigation Conference, to be held in September this year. For the first time, we are bringing together professional accountants, law enforcement agents, financial crime investigators and specialists in financial forensics across the region to discuss the topic of white-collar crime investigation. Forensic accountants play an important role in combating white-collar crime and maintaining Singapore's reputation as a global financial centre, and we are pleased to do our part to strengthen the profession's capabilities in this area.

SPEARHEADING THE PROFESSION

LEAD Programme Funding

Apart from developing specialisation pathways, we are also developing the profession in other areas. We are working with SPRING Singapore to drive industry transformation in the accountancy sector. With over $2 million in funding from SPRING, ISCA will spearhead efforts to help firms, especially SMPs, adopt technology, build capabilities and skills in high-growth practices and regionalise for growth over the next three years. Our industry transformation efforts will focus on:

- encouraging adoption of audit software by firms to digitalise and automate internal processes;
- developing e-learning courseware and workshops for accountancy professionals in high-growth practice areas, and
- supporting firms to pursue overseas revenue growth through market access trips to countries such as Vietnam and Thailand.

ISCA Audit Manual for Standalone Entities

Last year, we also issued the new "ISCA Audit Manual for Standalone Entities". The manual features improved design and layout, with enhanced audit programmes to guide the auditing profession, especially SMPs, in performing audits on standalone entities.

FRS 116: Leases

One of our roles as the national accountancy body is to promote and uphold technical excellence, by ensuring that our members are updated on the latest in accounting standards and financial reporting.

To equip our members with the knowledge and expertise to address the potential implementation challenges of FRS 116: Leases, we discussed the subject extensively in three articles in the ***IS** Chartered Accountant* journal. We also held a panel discussion on the new leases standard at the Singapore Accountancy Convention in August 2016.

Sustainability Reporting

To raise awareness of sustainability reporting (SR), we established the Corporate Reporting Committee, which works with various stakeholders including the Singapore Exchange, which requires listed companies to adopt SR on a comply-or-explain basis. The committee is developing a roadmap for companies to implement SR. We also organised a Sustainability Reporting Forum as well as technical sessions on the topic, and published a series of articles in our journal.

New eServices Portal and CRM

To meet members' needs, we are constantly working to enhance the member experience. You may have noticed that you now have a more user-friendly membership portal that brings all your membership needs under one single portal interface. With the new eServices Portal, you can apply for and renew your membership, update your profile and set subscription preferences to customise the content you wish to receive, manage your CPE courses and track CPE hours, in addition to other services.

You can now access these online services conveniently anytime, anywhere, and on any electronic devices, which was not feasible with the old CRM system.

RE-ELECTED COUNCIL MEMBERS

PAUL LEE SENG MENG, *FCA (Singapore)*
Managing Partner,
RSM Chio Lim LLP

LEE WAI FAI, *FCA (Singapore)*
Group Chief Financial Officer,
United Overseas Bank Limited

MAX LOH KHUM WHAI, *FCA (Singapore)*
EY ASEAN and Singapore Managing Partner,
Ernst & Young LLP

NEW COUNCIL MEMBERS

YVONNE CHAN MEI CHUEN, *CA (Singapore)*
Chief Financial Officer and Director (Corporate Development),
Maritime and Port Authority of Singapore

Ms Chan is a *Chartered Accountant of Singapore* and serves as the chairperson of the newly-formed ISCA Continuing Professional Education Committee.

She is currently the Chief Financial Officer and Director (Corporate Development) at the Maritime and Port Authority of Singapore, a position she has held since 2008. She oversees six departments in MPA comprising General Accounting, Financial Planning and Analysis, Procurement and Administration, Facilities Management, Service Quality and Organisational Excellence. During her tenure with MPA, Ms Chan has been appointed as Quality Service Manager, Chief Data Officer and Agency Change Leader to ensure consistent delivery of quality services to its stakeholders and is also the primary liaison for cross-agency data-sharing and Whole of Government Public Sector Transformation for MPA. Prior to MPA, Ms Chan was in the private sector, spending most time in the oil and gas industry.

Ms Chan completed the UCLA-NUS Executive Master of Business Administration under the MPA post-graduate programme and Ministry of Transport Beacon scholarship.

BALASUBRAMANIAM JANAMANCHI, *CA (Singapore)*
Managing Partner/Director,
JBS Practice PAC

Mr Janamanchi is a *Chartered Accountant of Singapore* and serves as a member of the ISCA Public Accounting Practice Committee and Audit and Assurance Standards Committee.

He has more than 20 years of comprehensive multi-industry experience in external and internal audit. His professional duties cover a wide range of services including the provision of auditing, accounting, financial advisory and management consultancy services to a wide diversity of clients.

Mr Janamanchi holds a Bachelor of Commerce, Accounting & Finance degree. Since 2013, he has been serving as the chairman of the Jalan Besar Kitchener Lavender Neighbourhood Committee.

GIVING BACK TO THE COMMUNITY: ISCA CARES

Collectively as a profession, we accountants have a vital role in upholding public interest, and vast potential for creating positive societal impact. In 2015, we started ISCA Cares to provide a platform for the profession to give back to society by supporting worthy causes. Last year, the first batch of 15 needy students received bursaries under the ISCA Cares Education Programme, enabling them to further their education in accountancy. We hope that we can help even more disadvantaged youths, with your support and contributions.

On behalf of the Institute, I thank you for your continued support. I also thank you for the many contributions you have made in various ways. With your support, we will continue to work in tune with members' needs and in sync with Singapore's aspirations to be a global accountancy hub." ISCA

NEW COUNCIL MEMBERS

DARREN TAN SIEW PENG,
FCA (Singapore)
Chief Financial Officer, OCBC Bank

Mr Tan is a *Fellow Chartered Accountant of Singapore*. As Chief Financial Officer of OCBC, he oversees financial, regulatory and management accounting, tax, treasury financial control, corporate treasury, funding and capital management, corporate planning and development and investor relations. He joined OCBC Bank in March 2007 as Head of Asset Liability Management in Global Treasury and assumed the role of Deputy CFO in May 2011. Prior to joining OCBC, Mr Tan worked for 13 years at the Government of Singapore Investment Corporation with his last position in GIC as Head of Money Markets.

Mr Tan graduated with First Class Honours in Accountancy from Nanyang Technological University. He also attended the Executive Program at Stanford Business School in 2005 and is currently an Adjunct Professor with the Nanyang Business School at NTU. Mr Tan was awarded the Best CFO 2016 by *FinanceAsia*, a publication that covers investment banking, capital markets and strategic corporate finance in Asia Pacific.

KELVIN TAN WEE PENG,
FCA (Singapore)
Independent Director, Chairman Audit Committee, Viking Offshore & Marine Ltd, IREIT Global, Transcorp Holdings Ltd, and UnUsUal Ltd

Mr Tan is a *Fellow Chartered Accountant of Singapore* and has been serving as a member of the ISCA Investigation & Disciplinary Panel since 2013.

Mr Tan has more than 30 years of professional experience and has held senior management positions at AETOS Security Management, PSA International, and Temasek Holdings. He was a consultant advising companies investing in China and also served with the Singapore Police Force.

A Local Merit Scholar (Police Service), Mr Tan holds a Bachelor in Accountancy (First Class Honours) and a Master in Business Administration from the National University of Singapore. He also attended the Programme for Management Development at Harvard Business School.

Mr Tan currently holds directorship appointments and advisory positions with numerous private and public-listed companies. He is an investment director with Makara Capital Partners and an Adjunct Associate Professor with the NUS Business School. He is also a member of the Singapore Institute of Directors.

ROGER TAY PUAY CHENG,
FCA (Singapore)
Head of Audit, KPMG LLP

Mr Tay is a *Fellow Chartered Accountant of Singapore* and has been serving as the chairman of the ISCA Corporate Finance Committee since 2014.

Mr Tay has amassed over 23 years of experience in the provision of audit services, servicing multinational and public-listed companies across a wide range of industries. He has also acted as reporting accountant for companies undertaking Initial Public Offering and Reverse Takeover exercises. Leveraging his extensive experience in serving public and private companies, Mr Tay has led numerous corporate structuring work involving the repositioning of the corporate structure and the implementation of the group structuring plan. In addition, he acts as liquidator, judicial manager, and receiver and manager for several high-profile insolvency engagements.

Mr Tay holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore. He is also an Associate of the Insolvency Practitioners of Singapore Limited, as well as an Accredited Mediator with the Singapore Mediation Centre where he has been admitted into the principal panel of mediators.

FOCUS
TAX FOR MNCS

THE COMPLEX FUTURE TAX LANDSCAPE FOR MNCS PART 1

Practical Considerations around BEPS in a Multinational Group

BY
MIKKEL LARSEN AND AARON LEE

A plethora of new tax rules, driven by base erosion and profit shifting (BEPS) and combined with significantly increased public interest, has brought tax to the forefront of the MNC Board's attention. Reporting requirements like Country-by-Country Reporting (CbCR) make multinational companies' (MNCs') tax position much more transparent leading to further scrutiny. This naturally increases the risk of "getting it wrong" in the eyes of tax authorities or society-at-large. In this three-part series, we explain the seriousness of the issue, key areas of focus, and how adequately-resourced tax functions can add significant value to their companies.

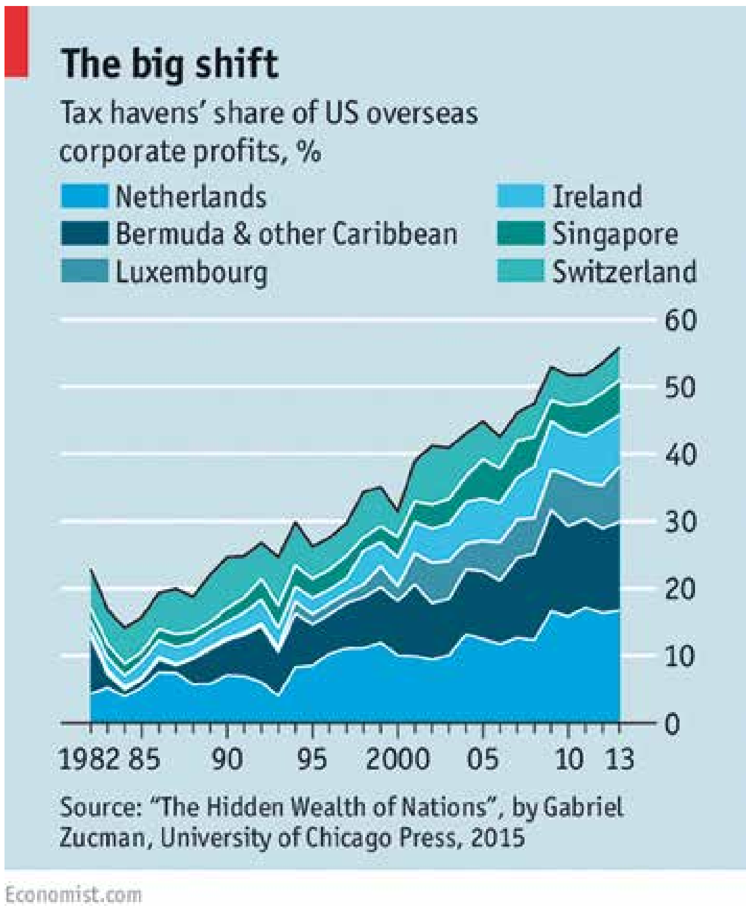
WHAT IS BEPS?

The BEPS project is headed by the Organisation for Economic Co-operation and Development (OECD) Centre for Tax Policy and Administration, and is targeted at tax avoidance strategies used by MNCs where profits are shifted from jurisdictions that have high taxes to jurisdictions that have low (or no) taxes. The BEPS project is an attempt by countries to rewrite the rules on corporate taxation and address the perception that corporations do not pay their fair share of taxes.

The BEPS project culminated in 15 BEPS "Actions" covering a range of proposed adjustments to tax legislation, international tax treaties, and OECD guidance. These 15 BEPS Actions can be categorised based on their expected in-country adoption. While some

PHOTO SHUTTERSTOCK

Figure 1 Share of US overseas corporate profits in *perceived* tax havens



Even for taxpayers whose arrangements meet the updated rules, additional reporting requirements will arise. These would come in the form of additional TP documentation (example, elements of the TP Masterfile/Local File documents), or due to the need to prepare the CbCR.

countries will adopt all actions, many countries have signed up to be BEPS Associates, meaning they commit to a core set of Actions. BEPS Associates can also optionally choose to implement other Actions.

The prospect for profit shifting is crudely illustrated by an American-centric analysis seen in *The Economist*, outlining the share of US overseas corporate profits in *perceived* so-called "tax havens" (Figure 1).

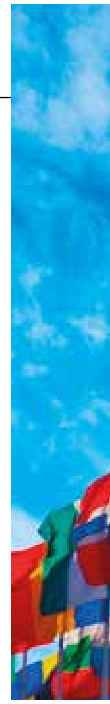


Table 1 BEPS Actions categorised by topic

Minimum Standards signed up by BEPS Associates	Actions which Reinforce Existing Standards	Actions setting out Best Practice and Common Approaches
Action 5: Harmful Tax Practices Action 6: Treaty Abuse Action 13: Transfer Pricing Documentation + Country-by-country Reporting Action 14: Dispute resolution	Action 8 – 10: Transfer Pricing Action 2: Hybrid Mismatch Arrangements Action 7: Permanent Establishment Status	Action 1: Digital Economy Action 3: CFC Rules Action 4: Interest Deductions and other Financial Payments Action 11: Measuring BEPS Action 12: Mandatory Disclosure Rules Action 15: Multilateral Instrument

Source: EY at Singapore Accountancy Convention 2016

In Singapore, the government has signed up to be a BEPS Associate (minimum standards), and has also issued updated Transfer Pricing (TP) guidance in line with the OECD recommendations. Other Actions reinforcing existing standards or adapting Singapore legislation to best practice may also be announced in future. Table 1 sets out the different categories within which the 15 Actions fall.

When will all these new tax rules become effective?

The BEPS Actions are effected in two ways – via local legislative changes or through tax treaty re-negotiation. Therefore, adoption timing would vary by country. In general, certain key rules requiring substantial taxpayer effort (such as increased TP documentation and CbCR requirements), are being implemented by most countries for an FY 2016/FY 2017 start.

In Singapore, TP documents in line with the updated standards are expected from FY 2016, and CbCR should be prepared for FY 2017.

We have always been conservative with regard to tax; why should we care?

Tax authorities' views on cross-border arrangements are anticipated to evolve off the back of these rules. With such an evolution, authorities seek to revisit practices which have historically been considered common tax practice.

In keeping up with these changes, inhouse tax practitioners must consider their existing arrangements in light of these developments and be mindful of the potential reputational repercussions on taxpaying Groups.

Even for taxpayers whose arrangements meet the updated rules, additional reporting requirements will arise. These would come in the form of additional TP documentation (example, elements of the TP Masterfile/Local File documents), or due to the need to prepare the CbCR.

What are all the recent tax issues reported in the news about? How might they impact me?

In this age of social media, there has been a rise in so-called "tax shaming", where companies come under fire for legal arrangements which are not seen as being "fair" to the taxpayer. Increasingly, senior executives are finding themselves in the unenviable position of presenting on tax avoidance in front of Senate Committees (as seen in the US), Parliamentary Public Accounts Committees (United Kingdom) or publicly shamed in the mainstream media.

Through public opinion and pressure (brand boycotts, bad reputational impact), companies have been forced to adjust their approach. It is no longer only the tax authority that can force a company to pay additional tax, and this has materialised itself in some recent "headline" cases:

- **Starbucks** Under public pressure, Starbucks agreed to waive certain tax deductions and pay £20 million in voluntary corporation taxes;
- **Apple** Tax case where the European Commission has ruled that tax deals given by the Irish government to Apple were illegal under EU state aid rules;
- **Google** Disputes with multiple tax authorities around the treatment of Intellectual Property (IP) arrangements booked through Ireland and Bermuda.

TAX DISPUTES AND MUTUAL AGREEMENT PROCEDURES

Our local entity has become subject to a TP audit; what do I do?

MNCs, especially those operating in emerging markets, may have experienced local tax authorities becoming increasingly more aggressive in their tax assessments during tax and TP audits. It is not uncommon for regulators to compare the allocated amount of tax with other foreign peers as a benchmark for what the MNC should pay.

The problem at times is that the subsidiary is located far away in an emerging market where the MNC does not have a strong pool of local tax experts, and where the relationship with the tax authority is very limited. Engaging in an extended tax negotiation with the local tax authority can seem daunting and the prospect of significant costs and an uncertain outcome further exacerbates the temptation to succumb to the demands of that tax authority. To add to this, local tax authorities may add draconian interest and penalty charges on the amount deemed as the (new) taxable income[1].

[1] As an example, Korea imposes interest of 10.95% annually on late payment of tax and a penalty charge of 10% on underpayment of tax. India imposes a penalty charge of 100%-300% of the underpaid tax, and interest of 12% annually on late payment of tax.

PHOTO SHUTTERSTOCK

The BEPS Actions are effected in two ways – via local legislative changes or through tax treaty re-negotiation. Therefore, adoption timing would vary by country. In general, certain key rules requiring substantial taxpayer effort (such as increased TP documentation and CbCR requirements), are being implemented by most countries for an FY 2016/ FY 2017 start.

But settling may come at a price as it inevitably risks undermining the MNC's tax principles, making it harder to explain to the opposing tax authorities later on.

MNCs should remember that a higher allocation of profit to an entity in one tax jurisdiction means a smaller allocation to another (unless the MNC chooses to suffer double taxation by paying tax on the same profit to both tax authorities). This is clearly not an ideal situation, and here, BEPS Action Point 14 (Dispute Resolution) can be helpful.

Faced with such a difficult choice, MNCs may be best advised by credible local advisors with international experience handling both tax authorities. In deciding on this, the MNC may wish to consider things like:

1) The technical strength of its TP policy;
2) Whether the company's policy is out of line with local peers';
3) Whether previous similar cases have been successfully defended;
4) The prospect of a Mutual Agreement Procedure (MAP) between Singapore and that country;
5) The sentiments and approach of local tax authorities.

A tax assessment should ideally be based on its merits, and thus, the sentiment of tax authorities should not matter. Our experience is that real life is not so ideal. Local tax authorities have very different expectations in terms of an "acceptable tax payment", the requirements for documentation, and the willingness to undertake MAP procedures. Insight and experience dealing with the local tax authorities may be invaluable.

How do I provide in my financial statements for the risk of tax audit outcomes and beyond?

IFRS clearly requires that companies must provide for liabilities insofar as they are likely to occur. In an extended TP audit of an MNC Group, with many issues under audit, local management may conclude that some adjustment to its tax return is likely to take place (notwithstanding MAP procedures can subsequently be undertaken).

In such cases, it would seem an accounting provision in the local financial statements would be required. However, MNC Groups in such situations raise valid concerns about the risk of "self-incrimination" if a provision is made. Such a provision could be used by local tax authorities as indication that the subsidiary accepts the tax authority's claim.

These concerns are valid, yet it does not abolish the need for the local financial statements to be "true and fair". Ideally therefore, the taxpaying subsidiary should be able to explain to the tax authority that the provision is based on an assessment of what the local management expect *will happen*, not what it believes *should happen*. In other words, the provision does not imply an agreement with the tax authority's position but is simply an expected outcome of the tax audit.

CONCLUDING REMARKS

There is little doubt that the implementation of BEPS will have a significant impact on MNCs. Firstly, MNCs will have to secure sufficiently qualified tax professionals to prepare and maintain the required material in a consistent manner.

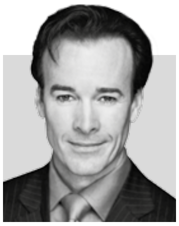
As a tax professional, this may sound very daunting. However, the upside is the opportunity to bring tax to the attention of senior management and add value to the MNC.

In Part 2 of this series, we examine the significant BEPS actions which are likely to impact a wide range of MNC entities, and key considerations tax professionals should be thinking of. ISCA

Mikkel Larsen is Managing Director and Group Head of Tax and Accounting Policy, and Aaron Lee is Vice President and a Transfer Pricing Specialist at Tax and Accounting Policy, DBS Group. All opinions published in this article are the writers', and all materials and references are provided by them to support the article.

DATA ANALYTICS AND ACCOUNTING

What Does It Mean for You?



BY
JAMES LARMER, TAN BOON SENG AND LOKE HOE YEONG

New and emerging technologies are transforming and disrupting industries, often improving the way we do business but also surprising those who are unprepared. As the digital agenda becomes mainstream, new threats and opportunities arise, and big data analytics is increasingly one aspect that is impacting the accounting profession.

A recent article by Tschakert, Kokina, Kozlowski and Vasarhelyi[1] in the *Journal of Accountancy* argues that in an increasingly data-driven world, accountants often find themselves performing tasks that require skills in data analytics. Advances in artificial intelligence (AI) may mean that many of those tasks may soon be performed by artificial agents.[2]

Over the last few years, digitalisation has driven a big data boom. Technologies such as RFID (radio frequency identification) and smartphones, as well as the increasing use of social media, are resulting in a rapid rise in data volumes. At the same time, advances are happening in technological areas at never-before-seen speeds – in computing power, software, cloud computing and AI – all of which are now even more available and accessible to businesses.

The key is to harness these advances to drive better decision-making. In PwC's recent "Big Decisions" study[3], executives across industries and professions say they want greater speed and sophistication in their decision-making, but two-thirds say their organisations are not ready.

The accounting and audit professions are in the centre of the data explosion and are poised to become ever more vital stakeholders in enabling data and insight-driven enterprises. As professionals, we are surrounded by information that exists quietly in disparate systems, often unused until it is pulled for an audit or a tax return. Where only samples were being selected and verified in an audit previously, data analytics is now being used by internal and external auditors to analyse the entire business, 24/7.

Professionals involved in financial planning and analysis are helping their companies navigate through the

> ★
> **Where only samples were being selected and verified in an audit previously, data analytics is now being used by internal and external auditors to analyse the entire business, 24/7.**

[1] http://www.journalofaccountancy.com/issues/2016/aug/data-analytics-skills.html

[2] https://www.pwc.co.uk/services/economics-policy/insights/uk-economic-outlook.html

[3] https://www.pwc.com/BigDecisions

PHOTO **SHUTTERSTOCK**

best course of action. Their findings are contributing towards a better understanding of the risk and return preferences of customers, for instance, enabling better financial forecasting and risk management, as well as the development of more profitable and better targeted products.

To discern patterns in customer behaviour and market trends in order to drive company strategy, Chief Financial Officers (CFOs) and finance leaders are embracing "Big Data" and new analytical techniques. The predictive power of big data can enable CFOs to make financial decisions based not on what happened in the past, but on what is likely to happen in the future.

FOUR TYPES OF ANALYTICS, AND A DISJOINT

It is customary to divide data analytics into four types, with increasing levels of both difficulty and value to the organisation that uses them:

1 Descriptive analytics is used to answer the question "What has happened?". Most accountants are already familiar with using spreadsheets to generate reports, using functions such as counts, sums, averages and percentage changes of accounting values. Occasionally, we also delve into other parts of the descriptive statistics such as variation (example, standard deviation, variance), correlation (example, covariance) and shape of the distribution (example, skew and kurtosis).

2 Diagnostic analytics is used to answer the question "Why has it happened?", with the intention of investigating an unusual situation or anomalies, such as money-laundering activities in the context of bank transactions. Most accountants are already familiar with variance analysis for budgeting, which can be said to be a form of diagnostic analytics. There are also specialised data visualisation tools such as PwC's Halo for journal[4], used for detecting high-risk transactions.

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The predictive power of big data can enable CFOs to make financial decisions based not on what happened in the past, but on what is likely to happen in the future.

3 Predictive analytics is used for building forecasting models to answer the question "What can happen?". Model building uses statistical tools to help us understand a business phenomenon. Building a practical model requires a theoretical foundation – that is, the rationale as to what variables affect the outcome – and using existing data and statistical tools to confirm the theory. If the theoretical basis remains unchanged, forecasts and predictions can then be made.

4 Prescriptive analytics is the use of optimisation and simulation to answer the question "What should we do?". It goes beyond providing recommendations to actually executing the actions or taking the decisions that are right for a particular situation. Prescriptive analytics provides answers to the question "What steps or interventions need to be taken to achieve the desired outcomes?". Building on the foundation of a tested theory allows us to venture into decision-making using additional tools, for instance, linear programming for optimisation.

Descriptive and diagnostic analytics usually rely on analytic tools that can handle manipulation of large sets of data, or that help visualise and interact with summarised information. Examples include SQL, Oracle DB, Hadoop/Spark, Tableau, QlikView, Microsoft Access, SAS, R, and Python.

Predictive and prescriptive analytics have traditionally relied on analytic tools that have significant mathematical modelling capabilities or scenario planning or simulation capabilities. Examples of these tools include SAS, R, Python; optimisation tools like Garrobi, RiverLogic; simulation tools like AnyLogic; machine learning and deep learning tools, like TensorFlow and Theano, and natural language processing tools like Natural Language Toolkit (NLTK) or OpenNLP.

PHOTO SHUTTERSTOCK

Figure 1 Four types of analytics

Types of Analytics	Question Answered
Descriptive Analytics	What has happened?
Diagnostic Analytics	Why has it happened?
Predictive Analytics	What can happen?
Prescriptive Analytics	What should we do?

There is currently a disjoint between the usage of the first two types of analytics – the two "D"s (descriptive and diagnostic), and the two "P"s (predictive and prescriptive).

Most accountants are already using some form of descriptive and diagnostic analytics and are fairly competent with the use of Excel functions (for instance, pivot table, lookup and reference functions, macro and scripting, and so on). However, the profession would benefit from further embracing of the power of the tools mentioned earlier, under predictive and prescriptive analytics.

Predictive and prescriptive analytics require knowledge about the business problem and collaboration between different functional teams in a company to frame the analytical problem. This often requires more than accounting data. For example, developing a model to predict an account receivable collection may require collaboration between the

accounting and sales divisions of a company, to identify the variables – one of which is the receivable age – for the model. It would also mean that accountants should develop multidisciplinary skills and knowledge as they prepare for the future of their profession. The report on the “Future of Professional Learning and Entrepreneurship”, recently launched by ISCA in conjunction with the Institute of Chartered Accountants in England and Wales, highlighted that having such multidisciplinary skills and knowledge and a commercial mindset, as well as applying a strategic approach to problem-solving, are needed in today’s volatile, uncertain, complex and ambiguous (VUCA) environment.

Crossing this disjoint would increase the accountant’s value to support evidence-based, hypothesis-driven decision-making. However, this domain is not exclusive to accountants – marketing analysts, operation research specialists, and others, are already working on important business problems.

THE BIG DATA QUESTION

Accounting data is structured and remains so, no matter how massive the volume of accounting transaction gets. The structured nature allows accounting data to be captured in databases, easily accessed by accounting software, and from which automated analyses and reports can be generated.

Nonfinancial information may or may not be structured. Technological advances in recent decades have generated an even greater sea of data – just think of social media or the use of sensors, and location services on smart devices.

This sea of data – structured accounting data combined with unstructured data such as from social media platforms – may be harnessed for analytical purposes. Much of the data generated by customers and enterprises is unstructured and has the characteristics of being *voluminous*, of being rapidly and continuously generated (*velocity*), of arising from multiple sources such as text, audio and video (*variety*), and containing noise, bias and inaccuracy (*veracity*). These characteristics are otherwise known as the four “V”s of big data.[5]

While these characteristics pose significant challenges for analytics, the use of big data can also open up unprecedented opportunities for insights on business processes. Big data will also form the basis for new technologies such as the use of AI and machine learning, to develop intelligent systems. Importantly for the accounting profession, big data is giving rise to new forms of business value and enterprise risk that will have an impact on our rules, standards and practices.

THE FUTURE OF ACCOUNTING AND DATA ANALYTICS: TWO SCHOOLS OF THOUGHT

Given concerns on data veracity and rapid technological advancement, the debate on the usefulness of big data for the future is divided into two schools of thought.[6] An appreciation of these opinions would help us understand the challenges while capitalising on the opportunities of big data.

The realist would recognise the usefulness of using nonfinancial data (including unstructured data) in making business decisions, but would point out that concerns on data veracity directly contradict the basis of accounting data (structured data) being reliable. The realist would point out that it is better to keep such data separate.

The optimist would point out that decades ago, the accounting profession may have underestimated how much digitisation would impact accounting practice. They would argue that a new wave of technological advancement will transform accounting, and that cost (managerial) accounting would lead the way, followed by financial and tax accounting.

The value of applying big data to decision-making is clear, but its application to accounting is still open to the opportunities and challenges discussed earlier. In any case, many applications for big data – such as text and video analysis, machine learning, data mining and advanced regression (for instance, nonlinear regressions) – may in fact require specialist training to use.

What all this means for accountants is that there is very promising scope for them to expand their skills in order to add further value to the work they currently do. At the fundamental level, the value of the professional accountant is in being a qualified team member, who is well-equipped to contribute towards solving complex business issues by virtue of their rigorous accounting training. If they do acquire working knowledge of big data and data analytics, it would complement their training well in preparing them for greater opportunities of the future. ISCA

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[4] http://halo.pwc.com/

[5] The 4Vs are currently the most common known characterisation although there are more additions. For example see https://www.coursera.org/learn/big-data-introduction/lecture/zyghZ/getting-started-characteristics-of-big-data

[6] The article http://ww2.cfo.com/management-accounting/2014/03/accountings-big-data-problem/ attracted thought-provoking debate

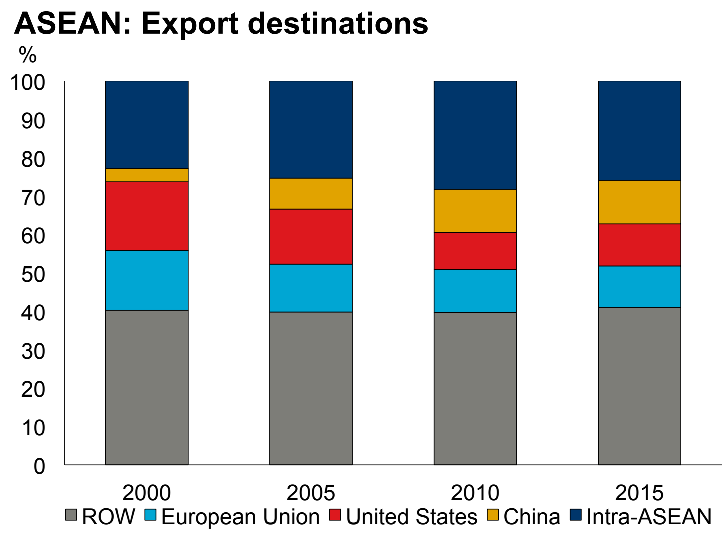
FIRST QUARTER REPORT ON SOUTHEAST ASIA

Region Faces Uncertain Year Ahead

FROM *ECONOMIC INSIGHT*

This year started on a positive note, with both the US and China displaying steady growth momentum and Asian exports continuing to recover. Going forward, we expect a resurgent US and resilient China to prop up global economic growth and trade in 2017. This bodes well for Asia – especially East Asia, or "factory Asia" – which relies more on trade to drive growth.

Given US President Trump's apparent plans for a more protectionist global policy, it is unclear the extent to which the region will benefit from a stronger US economy. Furthermore, the anticipated rise in US interest rates and appreciation of the US dollar are expected to put pressure on Asian FX markets, possibly leading to a tightening of monetary conditions and capital outflows. Implications of such moves will be greater on economies with emerging market characteristics of current account deficit and/or a high proportion of foreign bond holdings (example, Malaysia, Indonesia).



Credit: CEIC

We forecast Asian export volumes to grow by 2.7% year-on-year in 2017, compared to a mere 1.4% in 2016. By boosting sentiment and encouraging investments, exports are expected to support GDP growth both directly and indirectly.

Kuala Lumpur, Malaysia

PHOTO SHUTTERSTOCK

Yangon, Myanmar

These factors could constrain the ongoing recovery in global and Asian trade. However, we do not expect recovery to derail, especially for Asian economies whose competitive exchange rates might aid fringe export recovery.

We forecast Asian export volumes to grow by 2.7% year-on-year in 2017, compared to a mere 1.4% in 2016. By boosting sentiment and encouraging investments, exports are expected to support GDP growth both directly and indirectly.

The expected pace of export growth in 2017 will be well below Asia's long-term average export growth (around 7%). The contribution of net exports to growth might fall slightly, as import growth is likely to outpace export growth amid a rise in domestic demand. Continuing with the trend since 2011, the bulk of growth in Asia will be driven by domestic demand.

In summary, we expect contribution of domestic demand to growth in Asia to rise to 4.2% from 4.1% in 2016, with overall GDP growth remaining stable at 4.4%. The Philippines will still be the fastest-growing economy, albeit with a moderate growth momentum. We also forecast a modest pick-up in the small open economies, example, Singapore and Malaysia.

SINGAPORE: IMPROVEMENT OF GROWTH PROSPECTS

GDP growth for 4Q2016 was revised to 12.3% quarter-on-quarter SAAR (seasonally adjusted annualised rate) from the advance estimate of 9.1%. This brings GDP growth for the full year to 2%, a slight increase from 2015's 1.9%. Considering both trend and positive momentum gained so far, growth forecast for 2017 is raised to 2.4%.

On the external front, monthly trade data indicates the continued recovery of exports, with PMI manufacturing and electronic surveys above 50 (the line between expansion and contraction) for six consecutive months. However, given the uncertain global backdrop, we are cautious in our expectations and therefore expect an unstable recovery in external trade. The heavily export-dependent Singapore would be subject to significant knock-on effects in the case of increased protectionism even if it were not the direct target of increased tariffs.

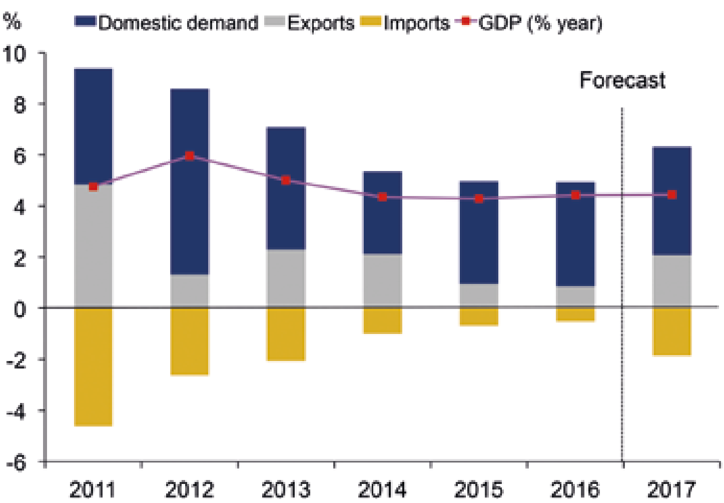
Tentative signs also point towards recovering business investment. Possible rate hikes in the US and consequently an increase in domestic interest rates could snuff out recovery in business investment. However, investment is still likely to be a milder drag on growth as government spending increases. Fiscal spending is forecast to be mildly stimulatory with infrastructure projects.

The recent easing in housing restrictions should also aid the struggling housing sector, even as it takes some time for the large oversupply to unwind. The current correction in the housing market is still expected to dampen growth this year. Lastly, a combination of negative wealth effects (associated with falling house prices) and a weaker labour market have taken a toll on household spending.

The unemployment rate rose to 2.2% in 4Q2016 – the highest since 2010 – with employment slowing to only 1% in 2016, and rate of layoffs up to 23.5% this year.

Professionals, managers, executives and technicians (PMETs) have been particularly affected, prompting government measures to help retrenched PMETs find new work. We expect employment conditions to improve in 2017 as the drag from sharp retrenchment in affected sectors eases. Growth in private consumption is still forecast to remain relatively subdued, with slower wage growth and higher inflation weighing on real earnings.

Southeast Asia: GDP contribution



Credit: CEIC

MALAYSIA: WEAK CURRENCY SUPPORTS EXPORTS

The Malaysian economy continues to face a number of risks. Adding to the possibility that the recent improvement in global trade and commodity prices falters, domestic political uncertainty could also potentially flare up ahead of the

PHOTO SHUTTERSTOCK

The lifting of the US's 20-year economic sanctions on the country and Myanmar's inclusion in the Generalised System of Preferences (GSP) programme should provide a sufficient boost to reverse recent trends.

elections (expected before August 2018), thus weighing on consumer and business spending. Government spending might also accelerate ahead of the elections, leading to potential overstep of the 3% fiscal deficit target.

Nonetheless, a slight pick-up in growth in 2017 to 4.4% is expected, on the back of a weaker, export-supporting ringgit. MYR is forecast to hover around 4.4-4.5 against the US dollar for most of 2017. We believe that Bank Negara Malaysia (BNM) will tolerate the weak MYR, provided it does not fall much beyond 4.5. Pressure for an interest rate rise will mount through 2017 as higher fuel and import costs are likely to result in inflation rising above 3% in 2H2017. US Fed is also forecast to tighten its monetary policy thrice this year.

All this is likely to weigh on investment. Private investment grew 4.9% year-on-year in 4Q2016 despite a decline in business confidence in the quarter and a surge increased interest rates. While government bond yields might have fallen since November/December, the overall rise in yields and therefore corporate loan rates, has wiped out the positive impact from last July's cut in the policy rate. As US policy rates rise further, corporate lending rates will trend even higher. With increased financing costs and considerable uncertainty over the state of external demand, we expect business investment to be relatively sluggish for several months before an improvement in global conditions supports a modest recovery in late 2017.

Household spending is forecast to remain firm, with the government likely to propose more cash hand-outs ahead of the elections. However, households are now more vulnerable to higher interest rates following the large debt increase from the global financial crisis. Some households might experience financial stress.

MYANMAR: UNCERTAIN BUT HOPEFUL ECONOMIC OUTLOOK

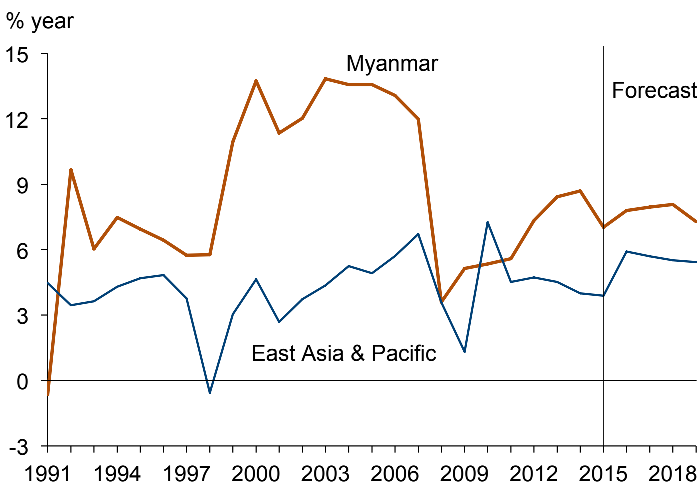
The peaceful ascension of the country's first democratically-elected government in April 2016 brought with it optimism. However, growth over the past year has been disappointing. Exports (particularly commodities and agricultural products) performed poorly – trade was lacklustre as goods exports in 1H2016 declined 11.6%. With imports witnessing a fall of 6.7%, albeit smaller, the current account gap widened further. Moreover, foreign investments stalled largely due to the confusion associated with the authority to approve them. (The Myanmar Investment Commission (MIC) – the authority for investments approval, was disbanded in 2016.)

Fortunately, a stronger second half is expected due to improved construction activity in Yangon and a better outlook for trade. The lifting of the US's 20-year economic sanctions on the country and Myanmar's inclusion in the Generalised System of Preferences (GSP) programme should provide a sufficient boost to reverse recent trends. A resurgence of Foreign Direct Investment (FDI) inflows is also expected when the MIC resumes operations.

Meanwhile, after months of steady depreciation, the kyat regained some ground against the US dollar in 1H2016, but not before losing part of those gains in Q3. Despite inflation hitting double digits in 1H2016, inflationary pressures eventually eased, with inflation dropping below 10% in July and easing to 6.3% in August. Inflation is expected to average 9.6% in 2016 and 8.1% in 2017.

There remain downside risks, that is, potential lower oil prices dampening exports, rebalancing of the Chinese economy, concerns over policy clarity, and vulnerability to natural disasters. Overall, expectations and investor confidence will hopefully regain with the government's newly-implemented 12 economic principles; they outline the country's overarching targets of which include improving public financial management and enhancing budget transparency. ISCA

Myanmar: Real GDP growth



Credit: CEIC

This is an excerpt from ICAEW's latest "Economic Insight: Southeast Asia" report. The full report is available at www.icaew.com/en/technical/economy/economic-insight/economic-insight-south-east-asia.

SUSTAINABILITY REPORTING PART 4

A Compelling Case

BY
K. SADASHIV

In June 2016, the Singapore Exchange (SGX) joined other leading stock exchanges in requiring listed companies to issue a sustainability report annually. This move by the SGX recognises that sustainability has become a critical success factor for companies' long-term value creation, and the growing investor demand for transparency on environmental, social and governance (ESG) practices.

Understandably, companies that are new to sustainability reporting (SR) may view this as an added compliance burden. Many of them may be looking to put in just enough effort to meet the basic requirements.

The 2017 EY report, "Is your nonfinancial performance revealing the true value of your business to investors?" should convince businesses otherwise. The report found that investors have developed a greater appreciation for the value of ESG factors, as 68% said that nonfinancial information have played a pivotal role in their investment decision-making.

In that light, companies that seek to do the minimal for compliance sake may miss out on the benefits that SR delivers.

IMPROVE OPERATIONAL EXCELLENCE

SR requires organisations to gather information about processes or impacts that they may not have measured before. This new data can provide companies the necessary knowledge to improve their operational performance.

For example, through identifying stakeholder concerns, companies have a better overview of their ESG issues. They can then better monitor key parameters and performance metrics to align processes and allocation of resources to achieve the expected outcomes and targets for each ESG issue (Figure 1).

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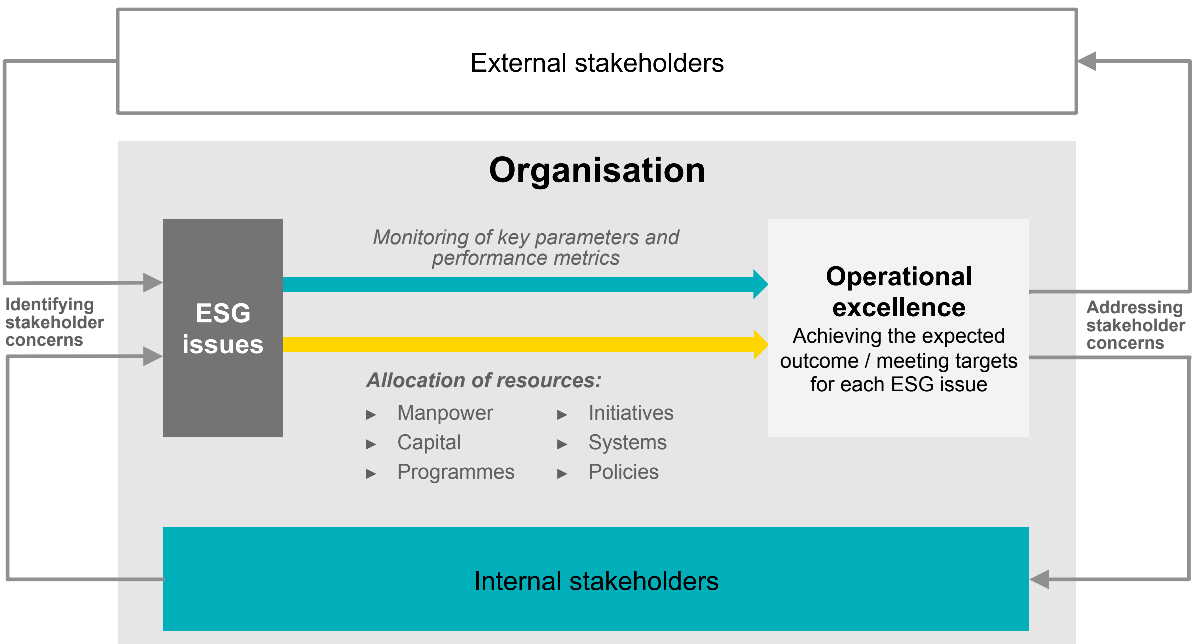
Sustainability reporting requires organisations to gather information about processes or impacts that they may not have measured before. This new data can provide companies the necessary knowledge to improve their operational performance.

Figure 1 SR provides good overview of a company's ESG issues



HELP INVESTORS MAKE INVESTMENT DECISIONS

Traditionally, investors have relied on financial information to gain insights into a company's performance, profitability and investment-worthiness. While financial information continues to be critical, it only tells part of the company's story.

With the Paris Agreement (COP21) entered in force in November 2016 and other stewardship codes being introduced, the pressure on companies from investors to report more consistent and verifiable ESG information is going to increase. Investors are seeking information that provides the confidence that management and the boards of their investees are thinking long term.

The heightened awareness of the impact of social and environmental practices makes the management of these aspects even more critical (Figure 2).

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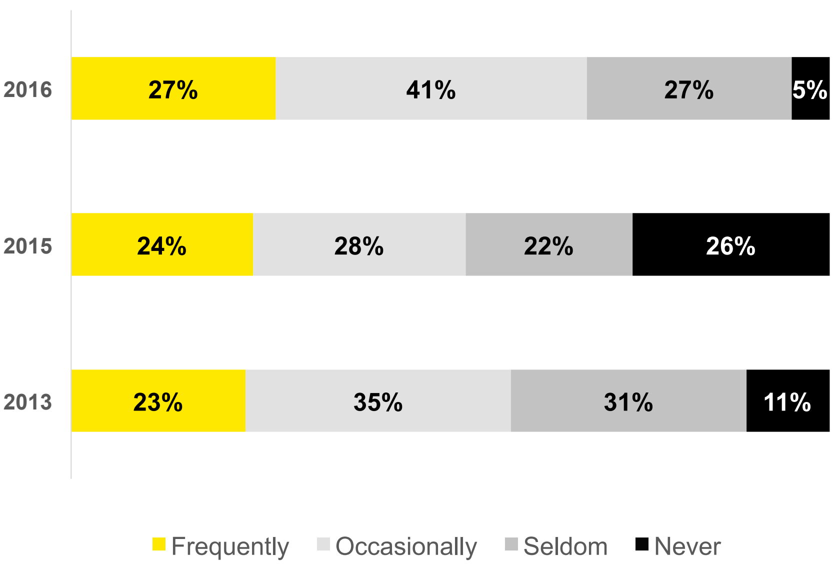
A transparent approach towards disclosure of nonfinancial and ESG information will provide confidence to investors that the management of the business is astute and aware of the changing business environment and consumer demands.

ACCESS SUSTAINABILITY-FOCUSED FUNDS

The introduction of the SR requirement by SGX can be seen as a proactive initiative to prepare listed companies for an emerging trend – responsible investing. Responsible investing incorporates ESG considerations into investment decision-making. In the US, ESG assets have almost doubled from US$4.8 trillion in 2014 to US$8.1 trillion in 2016.

Figure 2 **SR focuses management/board attention on ESG practices**

In the past 12 months, how frequently has a company's nonfinancial performance played a pivotal role in your investment decision-making?



Through a sustainability report, companies have a platform to demonstrate their ESG credentials and attract investments from these funds. For example, in Singapore, City Developments Limited (CDL), which has been issuing an annual sustainability report since 2009, made its first foray into accessing these funds by launching Singapore's first green bond earlier this year.

ATTRACT TALENT AND REDUCE STAFF TURNOVER

Commitment to sustainability can also have a profound effect on the engagement and productivity levels of a company's employees. A good sustainability report that discloses employee welfare and development-related information is likely to be more attractive to talents in a competitive job market.

Research has shown that morale and loyalty at companies with effective ESG programmes are significantly

higher than those without or with inadequate ones. Those committed to sustainability observe a reduction between 25%–50% in turnover rates over time. In addition to lower turnover rates, responsible companies attract talents who are aligned with the company's motivations, which lead to a 3%–3.5% decrease in annual resignation rates.

BUILD CORPORATE REPUTATION

Three-quarters of the surveyed companies for the abovementioned EY report shared that corporate reputation was the top motivation for its nonfinancial and ESG reporting.

A consumer study by The Regeneration Roadmap, a collaborative and multifaceted initiative by GlobeScan and SustainAbility, found that two-thirds of the surveyed consumers in six countries, namely Brazil, China, India, Germany, the UK and the US, feel a sense of responsibility to the environment and society and would make their statements through their buying decisions.

A transparent approach towards disclosure of nonfinancial and ESG information will provide confidence to investors that the management of the business is astute and aware of the changing business environment and consumer demands.

ACHIEVE POTENTIAL INCREASE IN SHARE PRICE

Institutional investors surveyed by EY shared that they enjoy the recognition that comes when their firms are named in lists of ESG leaders or ESG-focused indices. Hence, these investors may be willing to pay a premium for stocks that are recognised for their ESG performance or practices. A 2012 study by the Harvard Business School also found that high-sustainability companies outperform their low-sustainability peers on return-on-assets and return-on-equity.

REPORTING QUALITY MATTERS

It is clear that SR is here to stay. Governments around the world have shown public commitment to sustainability through initiatives such as the United Nations Climate Change Conference, pushing ESG concerns to the fore of the global and national agendas.

For example, in Singapore, the government has committed to reducing greenhouse gas emissions intensity by 36% from its 2005 levels by 2030. This year, the Singapore government has also announced the introduction of a carbon taxation scheme, which will come into effect in 2019.

The current reporting requirements by the SGX builds a strong basis for disclosure, and provides recommendations on globally acceptable approaches to SR, as well as a practical reporting framework. In fact, the Small and Medium Capitalisation Companies Association has said that the reporting requirements are not too overwhelming, and give sufficient flexibility to companies in determining how they would prepare the report.

Having said that, companies must go beyond preparing disclosures solely with compliance in mind. The quality of SR is what will make a difference. SR can be a competitive differentiator but only if it is objective and transparent, and strives to address the material aspects that most concern stakeholders.

To that end, a quality sustainability report will require the commitment of the management and appropriate allocation of resources that cascade through all levels of business operations. SR is not a moment-in-time process; it is a journey and constant quest to move from good to great. ISCA

This is the fourth article in the ISCA Corporate Reporting Committee's series of articles on sustainability reporting to raise awareness and quality of sustainability reporting in Singapore. The first three articles were published in the October, November and December 2016 issues of this journal.

K. Sadashiv is Managing Director, Climate Change and Sustainability Services, Ernst & Young LLP.

FOUR PILLARS TO INTERNATIONAL BUSINESS SUCCESS

A Guide to Business Sustainability

BY
SOVANN GIANG, NG SHI QIAN, CLAIRE NIE

What does it take for business units to operate effectively and succeed in new markets? What do failed business expansions have in common? In a volatile and diverse economy, how should top business executives redefine the relationship between the head office and business units to drive future growth?

The answer lies in building robust, well-coordinated and integrated corporate oversight to supervise, support, control and monitor business operations on an enterprise-wide level. With a unifying and shared corporate culture, effective corporate oversight could instil good governance and supercharge business performance and strategy formulation.

A CASE STUDY ON WEAK CORPORATE OVERSIGHT: HANJIN SHIPPING'S TRAGIC COLLAPSE

South Korea's Hanjin Group was founded by Mr Cho Choong Hoon in 1945. The Hanjin empire was divided into four business units after the patriarch's passing and handed over to the four brothers according to family seniority. The eldest son inherited Korean Air, the second son received Hanjin Heavy Industries & Construction, the third son got Hanjin Shipping, and the fourth son was given the smaller pie of the finance and insurance business. The perceived unfairness and favouritism towards the eldest son soured family ties. Consequently, the animosity among the four brothers certainly destroyed any synergy and mutual support left among the business units.

However, the underlying root cause for the tragic collapse of South Korea's largest shipping company stems from

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With a unifying and shared corporate culture, effective corporate oversight could instil good governance and supercharge business performance and strategy formulation.

PHOTO SHUTTERSTOCK

more than just a long-standing Korean family feud. When the patriarch of Hanjin Group divided his empire, he did not foresee the risks of letting his four sons run their own shows and relinquishing group-level control. Debt-laden Hanjin Shipping's collapse was due to a multitude of factors such as lack of head office support for strategic direction, management capability, financial resources and risk management. In retrospect, the demise of Hanjin Shipping might have been prevented if strong corporate oversight was established to provide adequate supervision, support, control and monitoring from the head office.

Effective enterprise-wide oversight allows detection and rectification of early signs of strategic errors, incompetent management, operational weaknesses, as well as poor governance and risk management practices. It allows a disciplined and proactive approach towards managing business units and lays the foundation for instilling good governance, which promotes transparency, accountability and business sustainability.

DO YOU HAVE THE FOUR PILLARS OF EFFECTIVE CORPORATE OVERSIGHT?

To assist the Board at the group level in exercising good governance over its business units, RSM has synthesised the multiple roles of an effective head office into the Four Pillars (4Ps) of effective corporate oversight (Figure 1) – Supervise, Support, Control, and Monitor – to ensure business sustainability and good corporate governance.

Supervise

Supervision is a process of managing and overseeing business unit performance in executing strategic, operational as well as financial plans and targets. A business unit without supervision runs the risk of failing to achieve its strategic objectives. It is not enough to design a good game plan for the business unit without putting in place a disciplined supervisory plan to make it really happen.

Supervision from the head office is operationalised through line management. The head office assigns line managers with direct control and accountability for results of business units to drive performance and delivery.

Support

With a whole spectrum of business challenges and market diversity, a newly-formed overseas unit is often too thinly resourced to handle them alone. It therefore requires a period of hand-holding from the parent to tap into its financial, human capital, operational, technical and innovation resources.

To optimise resource allocation, key executives first require a deep understanding of business units' goals and constraints. This gap analysis helps the head office to deploy the right expertise and capital to address the business unit's major concerns. Support could come in two forms: shared services and separate support.

Shared services arrangements consolidate core functions that are more cost-efficient to perform at the head office. Separate and targeted support is rendered to high-priority projects based on circumstantial factors such as time and capital requirements. The head office could assign senior leaders to each new business unit, forming a "virtual head office" there to help establish its presence in the foreign market in an organised and disciplined manner.

★

Controllership guided by formal policies will ensure consistency in areas such as risk management practices, internal controls, ethics, technical standards, operational quality and IT processes.

The head office should aspire to forge a customer-supplier relationship with business units, providing them with the needed resources and helping them "stand on their own feet" and navigate through the new terrain.

The collapse of Hanjin Shipping highlights the critical role of leadership support and succession planning by the head office. With the head office hollowed out from the group's management structure following the split of family assets among the four brothers, Choi Eun-young was forced to switch her role overnight from a housewife to the CEO of Hanjing Shipping upon the passing of her husband. To better cope with external shocks, the head office needs to identify and groom a

Figure 1 RSM's Four Pillars (4Ps) of effective corporate oversight

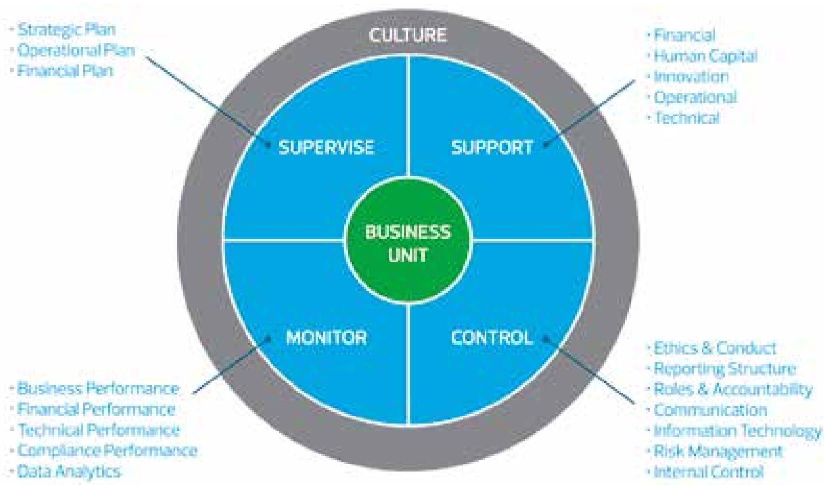

PHOTO SHUTTERSTOCK

pipeline of qualified leaders who are able to take over the helm and ensure sustainability of the subsidiary.

Control

A new business unit is bound to struggle with risks such as operational lapses, regulatory breaches, IT failure and possible financial fraud, which could make or break the new establishment in its infancy stage.

Good corporate controllership ensures that business units stay compliant with internal company rules as well as external regulations. Policies and procedures should be formalised at the head office and subsequently localised for subsidiary operations. A clear reporting structure and accountability matrix with proper segregation of duties should be implemented to prevent miscommunication and avoid over-reliance on any single individual. Controllership guided by formal policies will ensure consistency in areas such as risk management practices, internal controls, ethics, technical standards, operational quality and IT processes.

Monitor

Ongoing monitoring enables the head office to assess business, financial, technical and compliance performance of the respective business units. A whole universe of key performance indicators could be consolidated to form an information dashboard or scorecard, enabling corporate leaders to assess business performance accurately and in a timely manner.

Such regular insights better equip top management to make informed strategic decisions. Continuous monitoring therefore introduces greater clarity, visibility and predictability of business performance, and enables top management to steer the company towards the right strategic direction.

In the age of digital disruption, information gathered from market trends could be aggregated and synthesised by business information analysts, generating a unique data repository for the company. Such a data analytics process serves the head office function beyond monitoring of performance; it allows proactive management of company strategies and offers predictive insights for the management.

CULTURE

A strong group culture cements the foundation critical to supporting the four pillars and binding them together. When a company ventures overseas, its culture – the collective values and mindset instilled in its employees – should also cascade down to all business units. Culture influences subconscious behaviours and permeates every aspect of the business. No amount of strategic planning or policy-setting will work if the doers lack the discipline, accountability and integrity to follow through and do the right thing.

Ultimately, companies need to empower and inspire employees with the right culture to sustain growth across business segments. While the cultural foundation is hard to construct, successful business leaders start by setting the right tone at the top and tenaciously communicating it to the rest of the organisation.

A CASE STUDY ON GOOD CORPORATE OVERSIGHT: GE'S INTEGRATED MODEL

General Electric (GE) – a conglomerate whose operational and financial impact reaches almost every corner of the world – has created a parallel system that turned its sheer scale of operations into an advantage to drive strategic growth and performance.

Through GE's Operating System, regional C-suite executives set annual strategic plans and financial targets that guide and reprioritise resource allocation to support business segments. This system forms the Supervise and Support Pillars of effective corporate oversight. Running in parallel with the Operating System is the Controllership Initiative, which taps into the knowledge of staff functional teams to track, analyse and synthesise key performance indicators. The GE Controllership Initiative forms the Control and Monitor Pillars of effective corporate oversight. Embedded in the two systems is GE's culture of commitment and integrity, which is consistently cultivated and practised across all business units worldwide.

Despite geopolitical changes and digital disruptions, Singapore companies remain sanguine about economic conditions and strive towards internationalising operations to tap into bigger markets. To drive future success, it is now time to redefine the role of the head office as a long-term partner of business units and how corporate oversight could become a source of growth and value. ISCA

Sovann Giang is Senior Director, and Ng Shi Qian and Claire Nie are Consultants, Risk Advisory division, RSM. This article was first published on the RSM website on 5 April 2017 (http://www.rsmsingapore.sg/ideas-insights/column-1/our-expert-insights/255-four-pillars-of-effective-corporate-oversight). Reproduced with permission.

TECHNICAL HIGHLIGHTS

FINANCIAL REPORTING

ISCA DEVELOPS THE ASEAN MICRO ACCOUNTING MODEL

The Micro Accounting Model (MAM) is a self-contained financial reporting framework developed for small companies (micro entities). The MAM contains significant simplifications to a number of areas, including accounting for financial instruments. At the same time, it keeps within the confines of pervasive principles derived from the IASB's conceptual framework and full IFRSs, and also lays out the principles that encourage the use of judgement in the particular circumstances of a transaction or event. The MAM includes a set of illustrative financial statements and reconciliations to IFRS and IFRS for SMEs.

For more information, please visit
http://isca.org.sg/tkc/fr/micro-accounting-model-mam/

IASB CONSULTS ON PROPOSED IMPROVEMENTS TO IFRS 8

The proposed amendments follow on from a Post-implementation Review (PIR) of IFRS 8 that was carried out to assess whether the standard works as intended. The PIR confirmed that the standard generally functions well but identified some areas that could benefit from improvements.

The Board has also proposed to amend IAS 34: Interim Financial Reporting to require companies that change their segments to provide restated segment information for prior interim periods earlier than they currently do. Comments are due to IASB on 31 July 2017.

For more information, please visit
www.ifrs.org/Alerts/ProjectUpdate/Pages/IASB-consults-on-proposed-improvements-to-IFRS-8-Operating-Segments-.aspx

AUDITING AND ASSURANCE

NEW INVESTORS' GUIDE ON ENHANCED AUDITOR'S REPORT

Jointly produced by ACRA, ISCA and SIAS, the Guide focuses on key audit matters that auditors are now required to provide in their reports, and includes examples of questions that investors could raise during AGMs.

For more information, please visit
http://isca.org.sg/tkc/aa/resources/articles-publications/auditor-reporting/2017/march/new-investors-guide-on-the-enhanced-auditor-s-report/

IAASB PROPOSES MODERNISATION OF FINANCIAL ESTIMATE AUDITS IN SUPPORT OF AQ

The proposed standard enhances requirements for risk assessment procedures to include specific factors related to accounting estimates and sets a more detailed expectation for the auditor's response to identified risks. It is open for public comment until 1 August 2017.

For more information, please visit
www.ifac.org/news-events/2017-04/iaasb-proposes-modernization-financial-estimate-audits-support-audit-quality

ETHICS

ISCA COMMENTS ON IESBA EDS ON APPLICABILITY OF PART C AND SAFEGUARDS

Among other comments, ISCA suggests enhancing the example of professional accountants in public practice pressured to under-report chargeable hours by also including pressure to over-report. ISCA also requests more clarity in relation to prohibitions on recruiting services for audit clients.

For comment letter on Applicability ED, please visit
http://isca.org.sg/media/2237880/comment-letter-on-applicability-of-part-c-of-the-code.pdf

For comment letter on Safeguards ED, please visit
http://isca.org.sg/media/2237881/comment-letter-on-safeguards-phase-2.pdf

REGULATORY

ACRA'S AUDIT PRACTICE BULLETIN NO. 1 OF 2017

This APB highlights some of the situations where a person may inadvertently practise or hold himself out as a Public Accountant when he is not registered with ACRA, thereby contravening section 56(1) of the Accountants Act.

For more information, please visit
http://isca.org.sg/tkc/aa/resources/practical-guidances/other-guidances/2017/march/acra-s-audit-practice-bulletin-no-1-of-2017/

PHOTO SHUTTERSTOCK

Stone Forest IT

Globally Connected
RSM

Facilitating Compliance through Greater Visibility

CHALLENGE

A leader in Singapore's property and environmental engineering sector, the client has to keep well-organised records that are compliant with audit and statutory requirements. However, monitoring compliance of the company's many diverse businesses was a huge challenge due to inadequate visibility of organisational actions and transactions. Seeking a solution, the client approached Stone Forest IT (SFIT) for assistance in improving internal controls to facilitate compliance management and improve decision making.

SOLUTION

After assessing the client's audit and statutory requirements, SFIT introduced a tool called "Audit Logger" for its Sage 300 accounting system. Audit Logger records organisational actions and transactions in real time and allows the captured information to be easily retrieved for management review if necessary. Its capabilities include:

- Log all user actions, security alterations and data modifications performed against each specific task, field or system view
- Register information such as values and processing view of all user actions, which can be analysed and reported on at a later date for review purposes
- Record the authenticated Windows user name, login domain and IP address of the workstation where the change occurred
- Capture other user actions performed in Sage 300 such as changes in security settings, batch posting and history clearing
- Capture both before and after information relating to the audited fields

RESULTS

After deployment of the solution, the client realised several benefits:

- Ability to easily monitor compliance with audit and statutory requirements
- Improved decision making and accountability due to comprehensive and timely visibility of organisational activities

The successful implementation is a result of SFIT's extensive experience in providing solutions for Sage 300 to match organisations' business needs.

HIGHLIGHTS

Industry:
Property & Environmental Engineering

Location:
Singapore

Solution:
"Audit Logger" tool

Results:

- Ability to monitor compliance with ease
- Improved decision making & accountability

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sage Premier Partner

INSIGHTS ON INDIA TAXATION

Explore Tax Implications for Businesses Investing in India

BY
FELIX WONG

India is set to remain as one of the bright spots of the uncertain world economy. The country's gross domestic product is expected to grow by 7.1%[1] in 2017, beating previous forecasts.

As foreign enterprises consider tapping into the huge Indian market, it is key to first understand the focus and mindset behind the wave of developments in order to benefit from the vast opportunities in the world's second most populated country. This was the overarching tip Accredited Tax Advisor (Income Tax) Rohan Solapurkar, Tax Partner, Deloitte Singapore, highlighted at a recent *Tax Excellence Decoded* session organised by the Singapore Institute of Accredited Tax Professionals (SIATP).

Infrastructure and manufacturing were two key focus areas in this year's India Budget. Foreign investments (FIs) in infrastructure, particularly in affordable housing, modernisation of transportation networks especially in rail and air transport, and high-speed broadband connectivity, are encouraged. To facilitate FIs, it was, for example, proposed that affordable

PHOTO SHUTTERSTOCK

[1] Archana Chaudhary and Shruti Srivastava (2017) "India GDP to Slow Less Than Estimated as Cash Returns to Economy" (28 February 2017), Bloomberg; https://www.bloomberg.com/news/articles/2017-02-28/india-to-grow-faster-than-estimated-as-cash-returns-to-economy

Mumbai, India

Accredited Tax Advisor (Income Tax) Rohan Solapurkar, Tax Partner, Deloitte Singapore, shared his insights on the Indian tax system and recent updates

housing be given infrastructure status. This would allow investors to gain easier access to credit, hence lowering the costs of borrowing for affordable housing projects. Other significant Budget proposals included the further liberalisation of the foreign direct investment (FDI) policy and the provision for INR100 billion (approximately S$2.18 billion) for recapitalisation of banks.

FORMS OF BUSINESS PRESENCE IN INDIA

Foreign investors can set up a business presence in India using unincorporated entities (such as project office, liaison office or branch office), incorporated entities (such as subsidiary or joint venture) or limited liability partnerships (LLP). Of the six types of

The India-Singapore DTA has been amended such that India will now have the right to tax capital gains arising from the sale of shares in an Indian company.

India is expected to introduce the long-awaited Goods & Services Tax in 2017.

PHOTO SHUTTERSTOCK

entities, Singapore investors may be less familiar with project office and liaison office.

In India, a project office can execute a specific project after its foreign parent has secured a contract from an Indian company. Upon completion of the project in India, the income generated by the project office will be taxed in India before the project office is closed down.

A liaison office, on the other hand, is a representative office and is not allowed to undertake any business activity or earn any income in India. It is in fact India's version of Singapore's representative office and acts as a channel of communication between its foreign Head Office and parties in India.

OVERVIEW OF INDIAN TAXES

Corporate income tax

The effective corporate income tax rate for an Indian company with turnover of less than INR500 million has reduced from 34.61% to 28.84% since financial year (FY) 2015-16, while the effective rate for an Indian company with turnover of at least INR500 million and that for an LLP remains at 34.61%.

Unlike an Indian company or LLP, a foreign company with a taxable presence in India through a branch office, project or permanent establishments (PE) will continue to be subject to a tax rate of 43.26%.

Capital gains tax

Profits and gains derived from the disposition of capital assets other than those held for business purposes are taxed in India as capital gains. Starting from FY 2017-18, the minimum holding period to qualify as a long-term asset (which is generally subject to a lower tax rate) has been reduced from 36 months to 24 months for immovable property (being land or building or both).

General anti-avoidance rule

The general anti-avoidance rule (GAAR) provisions will be effective from FY 2017-18. Essentially, the objective of GAAR is to deny tax benefits to any arrangement which has been entered into with the main purpose of obtaining tax benefits and which lacks commercial substance.

It has been clarified that if the law allows the taxpayer to select between two alternatives of implementing a transaction, GAAR cannot be invoked by the tax authorities to challenge the taxpayer's choice. It is also clarified that GAAR will not be invoked merely because the taxpayer is located in a tax-efficient jurisdiction.

Incentives for manufacturing

Foreign investors looking to set up manufacturing facilities in India should consider the plethora of tax and non-tax incentives offered by

Delhi, India

the Indian federal as well as state governments to set up and grow their business in India.

For example, the federal government allows enhanced tax deduction on additional wages paid to workmen, research and development expenses, investment in plant and machinery, etc, to incentivise the setting-up of manufacturing facilities. Separately, the state governments may (depending on the specific state) offer stamp duty exemption on transactions, tax incentives on value-added tax or even lower utility charges. Special economic zones with a myriad of incentives have also been set up in various states, attracting investments from different clusters of business sectors.

RECENT UPDATES

Amendment to the DTA between India and Singapore

Following the amendment to the Avoidance of Double Taxation Agreement (DTA) between India and Mauritius to give India the taxing rights to capital gains arising from the sale of shares, the India-Singapore DTA has also been amended such that India will now have the right to tax capital gains arising from the sale of shares in an Indian company (if such shares have been acquired on or after 1 April 2017). As a transitional measure, a lower tax rate (at 50% of the capital gains tax rate) will apply for shares acquired on or after 1 April 2017 if such shares are sold before 1 April 2019. Full capital gains tax rate will apply for shares sold after 1 April 2019.

Separately, the India-Singapore DTA introduced an article which allows taxpayers to settle transfer pricing disputes through Mutual Agreement Procedure (MAP) or Bilateral Advance Pricing Agreement (APA). The new avenues for dispute resolutions will surely be welcomed by Singapore companies investing in India.

Move towards GST

India is expected to introduce the long-awaited Goods & Services Tax (GST) in 2017. Various indirect taxes currently levied on goods and services by the central and state governments (such as excise duty, service tax, sales tax, value-added tax and entry tax) will be subsumed into the GST.

A dual GST model will be adopted where the central and state governments will concurrently levy the Central GST and State GST respectively on each transaction of supply of goods and services. It is expected that there will be four GST rates ranging from 5% to 28%. The lower rates are for essential items and the highest rate is for luxury and demerits goods (such as tobacco).

While the move towards GST will no doubt reduce the complexity of indirect tax compliance in the long run, the magnitude of this change will mean that companies operating in India will have to invest significant time and money now to overhaul their existing accounting and sales systems to ensure compliance.

Recent tax ruling

In a recent Indian tax case, the issue before the Court was whether a US company, which has a liaison office in India, has a PE in India. While a liaison office should strictly not create a PE for its foreign parent (as they are not allowed to undertake any business activity or earn any income in India), the Indian tax authorities discovered that in this case, the employees of the liaison office had full control over the US company's sales activities in India. Accordingly, the Court held that the US company had a PE in India and the income attributable to the PE should be subject to tax in India.

This case highlights the importance for multinationals to monitor the actual activities carried out by their overseas entities. This is to ensure that the overseas entities do not inadvertently create a taxable presence for the multinationals in foreign jurisdictions.

As the Indian economy continues to shine, it may be difficult for investors to ignore its allure for long. The Indian government has continued to keep tax predictability and the ease of doing business in India as its key focus. As you get ready to set foot in India, think carefully and plan thoroughly. Seize the right opportunities and you may just be part of India's success story. **ISCA**

Felix Wong is Head of Tax, SIATP. This article is based on SIATP's *Tax Excellence Decoded* session facilitated by Accredited Tax Advisor (Income Tax) Rohan Solapurkar, Tax Partner, Deloitte Singapore. For more tax insights, please visit www.siatp.org.sg.

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Fraud Examination Casebook With Documents

William H. Beecken,
Clark A. Beecken
ISBN: 978-1-119-34999-0
S$74.85 including GST

There is a gap between "knowing" a concept and "applying" it, and oftentimes, knowing just isn't enough. This book is a practical guide for new and aspiring fraud examiners. Packed with expert guidance at every step, it provides the much-needed practice for examiners to polish their skills. Featuring five cases and over 100 pages of documentation, it helps put conceptual knowledge to work as examiners conduct full-length Fraud Examinations from predication through to report.

More Than Money

Michael A. Cole
ISBN: 978-1-119-26470-5
S$59.87 including GST

The wealth management sphere tends to focus on taxes, investments, banking, and estate planning, but little thought is given to the people themselves - this overlooks the fact that individual family members are the most critical factor in multigenerational wealth management, and fails to provide solutions. The book merges traditional strategies with family dynamics, communication, governance, and preparation to help preserve resources for generations to come.

Real-Time Risk

Irene Aldridge,
Steven Krawciw
ISBN: 978-1-119-31896-5
S$59.87 including GST

The fintech revolution has brought massive changes to the way investing is done. Trading happens in microsecond time frames, and while risks are emerging faster and in greater volume than ever before, traditional risk management approaches are too slow to be relevant. This book describes market microstructure and modern risks, and presents a new way of thinking about risk management in today's high-speed world.

CONGRATULATIONS

MAY QUIZ WINNERS:

Kenneth Chin	**Woon Wee Min**	**Herry Husodo**
Sxxxx511-C	Sxxxx838-J	Sxxxx351-I

Answers for May quiz: (1) A, (2) A, (3) A

3 Prizes Up for Grabs

Stand to win the book of your choice! Simply email your answers to the quiz questions to journal@isca.org.sg by 27 June 2017. Please provide your full name, NRIC number, mailing address, contact number and the book you're interested in.

QUIZ

1 In "The Complex Future of Tax Landscape for MNCs", as Singapore is not a BEPS signatory, it is not obliged to follow any BEPS Actions or Transfer Pricing guidance aligned to OECD recommendations.

A True
B False

2 In "Sustainability Reporting" (SR), SMEs have a very important part to play in building a sustainable future through responsible business practices and there is a clear business case for SMEs to be part of this great SR initiative.

A True
B False

3 In "Insights on India Taxation", the India-Singapore DTA has been amended such that India will no longer have the right to tax capital gains arising from the sale of shares in an Indian company.

A True
B False