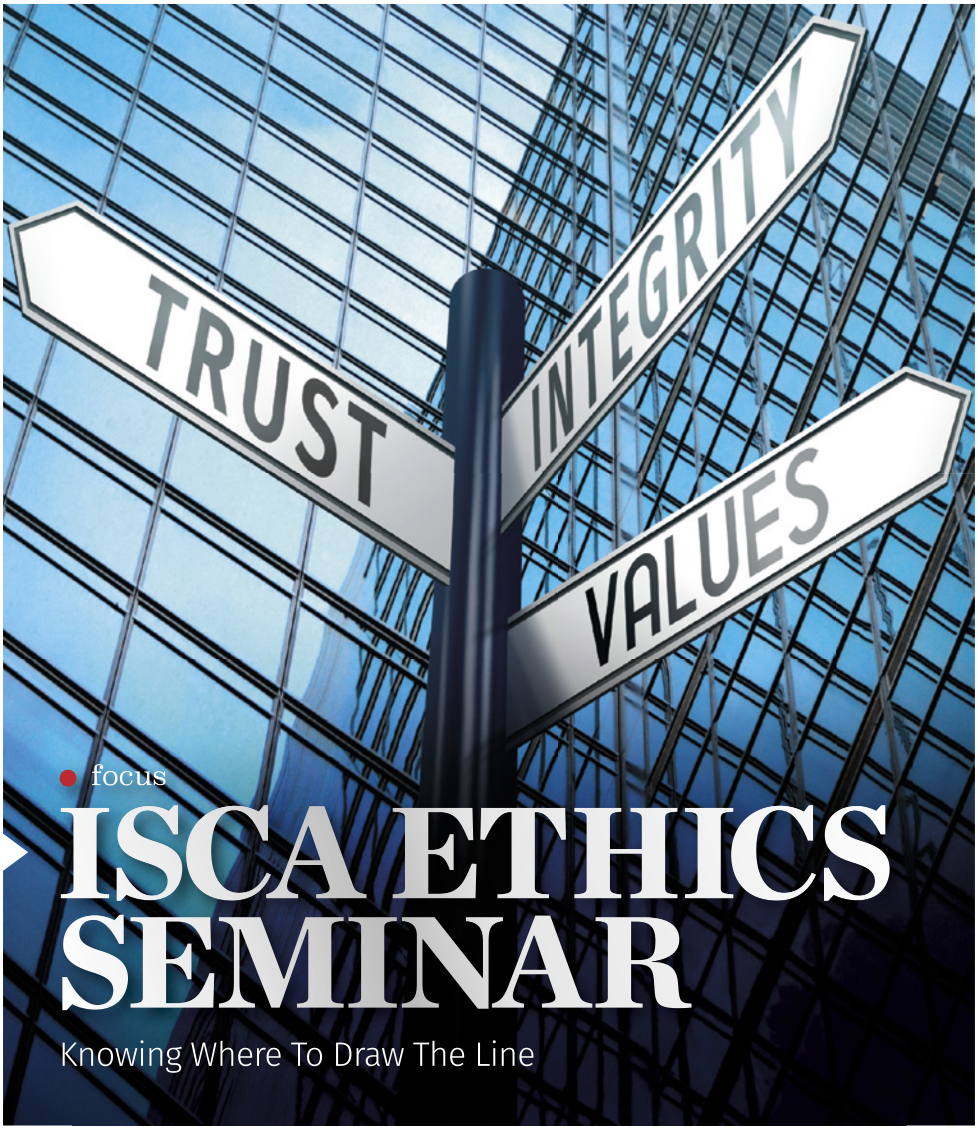
JULY 2018

IS Chartered Accountant Journal



focus

ISCA ETHICS SEMINAR

Knowing Where To Draw The Line

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

A Trusted Mark Of Excellence; Grounded, Competent, Adaptable

Dear members,

THE 2018 ISCA ETHICS SEMINAR, which took place in April, saw more than 200 participants. This shows that our members are committed to continuous learning and being the best they can be – keeping themselves in the loop and learning from the experts. With a strong grounding in knowledge, like the new standards and their requirements, ISCA members can enhance their competencies and confidence to adapt and provide the best value to businesses.

The event, organised by the ISCA Ethics Committee, discussed the new developments in ethics and ethical standards in Singapore. In the cover story, we bring you the salient points on some of the topics covered at the seminar. These included the Accounting and Corporate Regulatory Authority (ACRA)'s Audit Practice Bulletin No. 2 which provides guidance on EP 200 and sets out ACRA's expectations of firms' implementation of their internal policies, procedures and controls. In addition, the key changes to EP 100 on Long Association Provisions and the need for these changes were discussed extensively. An upcoming article will also feature some of the highlights vis-à-vis what inducements are, and when an inducement might be considered corruption or bribery.

The Institute is keenly aware that building trust with the public is vital, and how the accountancy profession facilitates trust in society will shape the profession. It is a given that as accounting professionals, we possess the expertise, skills and knowledge to add value to businesses. What is more important is that we use the expertise and knowledge responsibly. This is where ISCA plays a crucial role in establishing its standing as a well-regarded, reputable accountancy Institute and in supporting our members.

As we make steady progress towards our 2020 vision, the ISCA membership today represents a trusted mark of excellence, opening doors to different career opportunities for members. Our members are well regarded as having the highest standards in ethics and professionalism and they must comply with the ISCA Code of Professional Conduct and Ethics (ISCA Code). The ISCA Code mandates that members should conduct themselves in a manner "consistent with the good reputation of the accountancy profession", and that they should not do anything that is likely to discredit the profession or themselves. Members must also adhere to the Ethics Pronouncements (EPs) and their revisions – the latest of which are featured in the cover story.

ISCA supports the accounting profession by providing guidance in implementing the requirements, such as those stipulated in EP 200. There is also an Ethics one-stop centre – a platform on the ISCA corporate website for professional accountants who wish to know more about ethics. Other resources include the most recent updates on local and international developments in ethics, the latest ethics codes, case studies and ISCA's perspectives on international proposals, to name a few.

The Member Profile also underscores the importance of operating within the legal and accounting regulatory frameworks. In this issue, we hear from Victor Lai, Regional Managing Director of Boardroom Limited and its Singapore subsidiary, Boardroom Corporate & Advisory Services Pte Ltd – a leading provider of corporate secretarial and share registry services for existing and aspiring listed companies in Singapore. His 13-year stint at a Big Four firm gave him a solid grounding in audit and broad experience in other professional accounting services, and also honed his soft skills. His current work, which he says involves "everything except the audit", continues to tap on his accounting background. Significantly, honesty and integrity remain vital to what he does, as investors trust what is reported. Being a member of ISCA helps him stay updated on the latest developments to meet industry needs.

ISCA members are making their mark across industries and geographic boundaries. In March, we launched a new column called Doing Business ABCs (Actions, Behaviours, Cultures), to focus on the "soft" side of doing business, which has proven to be popular with our readers. In this issue, we feature Benjamin Yap, CEO for the Andhra Pradesh (Amaravati) Project at Ascendas-Singbridge, who has been based in India since 2010. He shares his experiences and observations about the finer points of doing business in India, explaining why broad-stroke strategies may not yield the desired outcomes. With India's ascension to the top five economies in the coming years, there will be many opportunities for companies seeking to capture value from the market.

From working in India to having fun in India, wine aficionados will appreciate the up-and-coming new wine regions such as Nashik, which is located about four hours northeast of Mumbai. Nashik has a rapidly-expanding wine industry that is attracting both domestic and international visitors. In fact, some people are even calling it the Napa Valley of India. We know our members work hard and play hard, so maybe Nashik, or the other new wine regions mentioned in "New Gems On The Wine Map", could soon feature on your travel itinerary. Cheers!

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

contents

2017 APEX® AWARDS FOR PUBLICATION EXCELLENCE

focus

in tune

viewpoint

technical excellence

first look

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

EDITORIAL TEAM
Editor Jennifer Toh
Email: editor@isca.org.sg
Deputy Editor Pauline Chee
Assistant Editor Chia Suat Ning
Members Ang Soon Lii, Kang Wai Geat, Koh Soo Hoon, Koh Wee Meng, Lee Zhen Ni, Loke Hoe Yeong, Ellen Wong, Zoey Xie, Yap Lu Ling

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

PUBLISHING & DESIGN CONSULTANT
mediacorp
MCI (P) 162/03/2018
PPS 709/09/2012 (022807)
ISSN 2010-1864

ADVERTISING
Multinine Corporation Pte Ltd
Trevor Teh
Hp: 9829-6905
Email: trevor@multi9.com.sg

PRINTING COMPANY
Times Printers Private Limited

Singapore CEOs Optimistic About Growth But Reality Beckons: KPMG Report

PHOTO SHUTTERSTOCK

KPMG'S GLOBAL CEO OUTLOOK 2018 REVEALS THAT IN SINGAPORE, 77% of Chief Executive Officers (CEOs) are confident about the global economy, and 92% about their company prospects. Some 88% see disruption as an opportunity, and 42% consider cybersecurity as their biggest threat to growth.

The report indicates that globally, 67% of CEOs are bullish about the global economy (up 2% from 2017), and 90% about their company prospects. Tempering this optimism is a sense of realism that the world faces many global economic uncertainties. While 55% of CEOs globally expect under 2% in top-line growth over the next three years, 73% of Singapore CEOs have similar expectations.

"Never before in the history of commerce have CEOs faced challenges on so many fronts – from economic malaise to geopolitics, digital disruption to cyber threats," says Ong Pang Thye, Managing Partner, KPMG in Singapore. "Driving growth in an uncertain world will require constant innovation, investing in ecosystems as well as keeping an eye open for unexpected threats."

Investing in ecosystems and a digital workforce for growth

Globally and across ASEAN, driving growth through strategic alliances was the preferred option. Unlike their global peers, more Singapore CEOs ranked organic growth above forming strategic alliances, and 42% did not think organic growth would hinder prospects.

However, where Singapore CEOs are leading their global peers is in undertaking a number of actions relating to innovation and collaboration to drive growth. Three-quarters (73%) intend to collaborate with innovative start-ups and 62% will increase investment in disruption detection and innovation processes.

Singapore CEOs are largely consistent with their regional peers when looking at the importance of workforce capabilities to support growth. Six in 10 (58%) see cybersecurity as important. A similar proportion cited sustainability (climate change) expertise. Other high-priority capabilities are emerging technology specialists (54%) and digital transformation managers (54%).

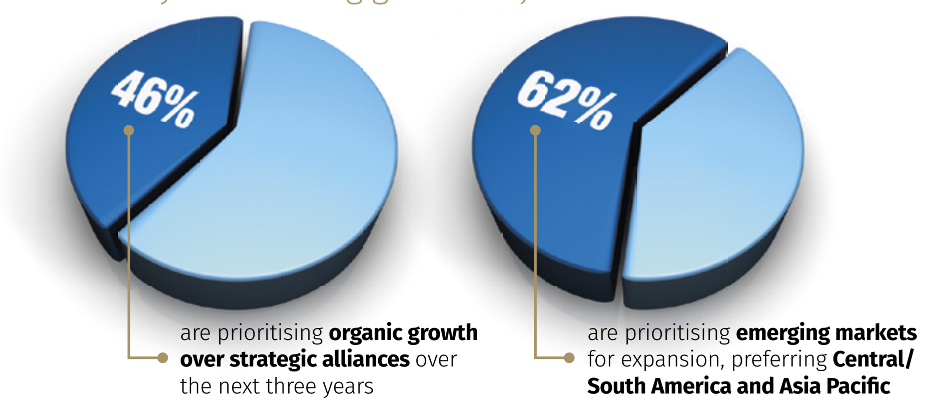
Making digital transformation a personal crusade

CEOs are embracing the digital agenda like never before, taking personal ownership for driving digital transformation. Singapore CEOs (58%) expressed their confidence about their personal ability to lead business transformation, although more CEOs globally (72%) felt the same. Yet, few Singapore CEOs (38%) were confident that their existing leadership team was adequately equipped (44% globally). Half of the respondents also believed that their company boards had very demanding expectations of investment returns on digital transformation.

Proportionately, more Singapore than global CEOs (62% vs 30% respectively) struggled with concurrently transforming both the digital and non-digital aspects of their business. Only 50% of Singapore CEOs were confident of understanding expected returns from technology investments, in contrast to global CEOs (79%).

Priorities for growth

Strengthening innovation and collaboration are key to achieving growth objectives



Data analytics makes slow progress in driving decision-making

Despite advances in data analytics, 54% of Singapore CEOs (49% globally) do not expect to increase the use of predictive models over the next three years. Confidence in data analytics is lacking, shared 46% of Singapore CEOs. However, as artificial intelligence advances, 54% believe that it could improve the capabilities of their data analytics.

About 58% of CEOs admitted that over the last three years, they sometimes ignored the insights of their data analysis models, preferring to rely on their own experience or intuition. This trend is pervasive, with 67% of CEOs globally saying the same.

Data sources that CEOs trust for strategic decisions have also shifted, with 85% saying that they trust information from their own social networks (social media) over other sources. As a data source, social media also ranked highest among ASEAN and global CEOs. Independent information providers (77%) came in as the second most-trusted source in Singapore, with traditional media trailing at 69%, followed by open-data from government agencies (65%), and government-commissioned research (50%).

"While data analytics is hugely important, many struggle with data collection and making sense of these data to create insights and value. With CEOs having to make big decisions, their experience and intuition are still valuable," says Mr Ong.

Other highlights from the survey

Among Singapore CEOs:

- The top risks cited this year stemmed from cybersecurity, operational risk, environmental, territorialism (protectionism), regulatory and talent risk.

> CEOs are embracing the digital agenda like never before, taking personal ownership for driving digital transformation.

- 50% believed that becoming a victim of a cyber attack is imminent. While 50% of them say they are "well" or "very well" prepared for a cyber attack, only 31% are confident of identifying such an attack.
- 62% prioritised expanding into emerging markets, with the Asia Pacific and Central/South America being the likely focus.
- 88% saw disruption more as an opportunity than a threat. However, 58% cite significant challenges in transforming their business and 50% are overwhelmed by the time available to make progress.
- 50% struggled to link their growth strategy to the wider societal purpose for their organisation, which is higher than CEOs across ASEAN (28%) and globally (37%).

"Singaporean CEOs lead their peers in driving innovation and collaboration, yet many prefer organic growth. They believe in digital transformation, but struggle with confidence in predictive analytics, feeling confident in their cybersecurity or managing its impact," says Mr Ong. While "growing pains" aptly describes the challenges faced by Singapore CEOs searching for growth, "staying agile" is most important in a dynamic business environment.

The report surveyed 1,300 CEOs this year, who provided their insights into the expectations of CEOs to business growth, challenges and strategies for the next three years.

Job Seekers In Singapore Go Mobile: Hays

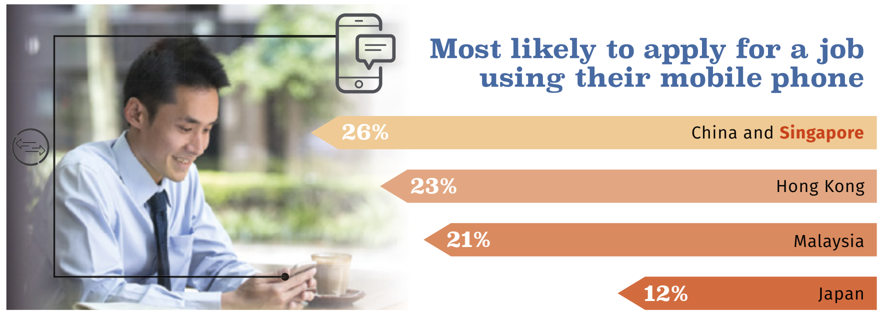
MOST CANDIDATES IN SINGAPORE USE THEIR MOBILE PHONE TO LOOK FOR A NEW ROLE, but prefer more conventional methods to then apply for the job they are interested in, according to recent research from recruitment firm Hays. The Hays web poll, conducted between February and May 2018, had asked candidates in five key Asian markets how they use their mobile phone in the job-seeking process.

Job seekers in Japan were the most likely to use their mobile phone to find a new role (69%), followed by Malaysia (65%), China (59%), and Singapore and Hong Kong (both 58%).

While candidates in Singapore are "comfortable" searching for jobs using their mobile phone, only 26% will apply for a job using their mobile phone, according to Grant Torrens, Business Director of Hays Singapore.

Given the rapid pace of change in Singapore's employment market, candidates need to be "nimble" and responsive in order to make the most of opportunities. "Receiving job alerts on your mobile phone is an easy way to get the jump on your competition," he says. Being able to "respond quickly" on spotting the right job is also important, and this means having an up-to-date resume handy to attach and send via a mobile phone, with the relevant application.

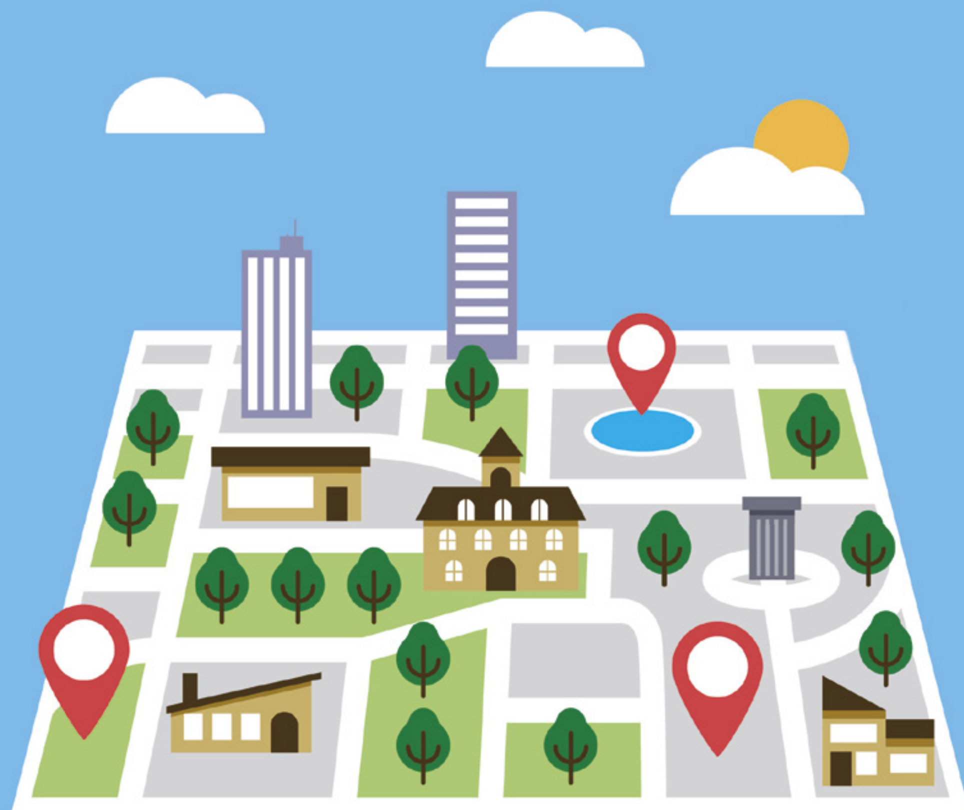
On their part, employers who wish to reach out to tech-savvy candidates in a talent-scarce market will have to ensure that their advertisements and application process are mobile-friendly.



IS Chartered Accountant Journal

READ & REAP

A NEW INTERACTIVE GAME COMING SOON!



DID YOU KNOW?

Reading regularly helps you to stay mentally stimulated and strengthens your analytical skills.

READING IS REWARDING!

Taking on a brand new format, the First Look Quiz of the ***IS*** **C**hartered **A**ccountant **J**ournal will be replaced with an interactive game. Stay tuned to the August issue as we unveil the Read & Reap Game that will make your reading experiences more rewarding!

Image created by Freepik

isca digital marketing workshop

Incorporating A Digital Marketing Strategy In Your Practice

Ⓐ Rebecca Siccardi, Strategic Partner, Google, sharing on digital acceleration and growth opportunities for professional services firms

➋ Practitioner receiving a pre-scheduled diagnostic assessment of his firm's website performance

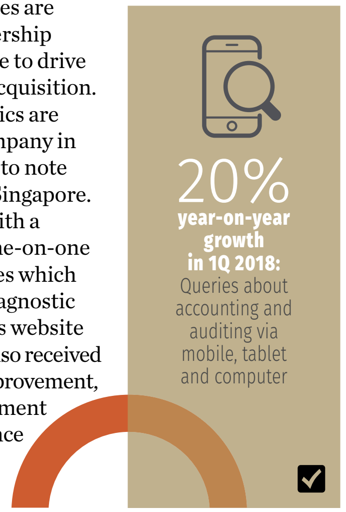
WITH THE AIM TO GET SMALL AND MEDIUM-SIZED PRACTICES GAIN EXPOSURE to new ways of branding and marketing their practices, the ISCA Digital Marketing Workshop for accounting firms, supported by Xero Singapore and Webnatics Pte Ltd, took place at the Google Singapore office on April 26.

Rebecca Siccardi, Strategic Partner of Google, outlined the growing digital marketing trends among business consumers in the consumption of professional services. Queries about accounting and auditing via mobile, tablet and computer grew 20% year-on-year in the first quarter of 2018, with 31% of all searches made on mobile. This trend signifies the need for practices to move away from the traditional mode of client acquisition purely by word-of-mouth referral; instead, practices need to evolve including latching on to the digital marketing wave, particularly mobile marketing.

Frieda Lee, General Manager of Webnatics Pte Ltd, elaborated on maximising the mileage in digital marketing spend. Using the illustration of an advertisement on a bus plying a single commercial route, over a period of three months, which would typically cost $20,000[1], Ms Lee said the same amount spent on digital marketing would achieve twice the outreach[2]. This represented a gap in media consumption and media spend, thus resulting in firms not optimising their marketing budget. With a plethora of digital marketing tools readily available, identifying what is suitable for a practice is no easy feat. Her suggestion is for the audience to dive deeper into defining the end goal of a digital marketing campaign before jumping into one.

In closing, Shermin Oh, Partner Marketing Lead-Asia of Xero, provided valuable insights on how accountants can grow and increase the firm's revenue through online marketing. For a marketing campaign to be successful, the practice needs to map out the client's journey to understand things from the client's perspective. Ms Oh also shared that increasingly, practices are publishing thought leadership articles with the objective to drive client engagement and acquisition. Some of these article topics are how to incorporate a company in Singapore, and 10 things to note when doing business in Singapore.

The session ended with a series of pre-arranged one-on-one digital clinics for practices which were keen to receive a diagnostic assessment of their firm's website performance. The firms also received recommendations for improvement, focusing on how to implement a digital strategy to enhance online prominence for practice growth.



[1] Cost of bus advertising may vary for different routes, creative formats and period of advertising.
[2] Results are dependent on amount of investment, targeted methods and targeted audience on Google Adwords.

ISCA Business Study Mission's Largest-Ever SMP Delegation Heads To The UK

THE LATEST ISCA BUSINESS STUDY MISSION saw a delegation of 21 small and medium-sized practices (SMPs) visit the United Kingdom (UK) from May 20 to 24, to study the best practices of large accounting firms in London. The trip was led by Fann Kor, Director, Audit Quality & Standards Development, Continuing Professional Education and Industry Support, ISCA.

As ISCA continues our efforts to encourage SMPs to embrace technology to enhance productivity and practice efficiency, the five-day programme included a visit to the UK's largest accounting tradeshow – Accountex UK 2018.

A myriad of accounting and finance solutions were on display at ExCel London exhibition centre. The delegates took the opportunity to attend technology and practice management theatres to gain insights into emerging accounting trends and practice areas. They were interested primarily in solutions related to practice management, advisory tools and data analytics. Although some of these solutions were customised to the UK regulatory landscape, the tradeshow provided a platform for our practitioners to expand their horizon on how certain processes have been automated, and also exposed them to solutions which are not yet available in Singapore.

The official programme started with a much-anticipated visit to the Institute of Chartered Accountants in England and Wales (ICAEW) to learn how the UK SMPs are evolving to cope with the changing business landscape as a result of audit exemption. The delegation was welcomed by ICAEW Chief Executive, Michael Izza, who expressed strong support to enhance collaboration between ISCA and ICAEW. He shared a brief overview of the UK accountancy sector, which has about 15,000 accounting firms. In the journey of technology adoption, Mr Izza opined that ICAEW has adopted an approach to promote available audit software in the market; it has not reinvented the wheel by developing a proprietary system as this would be highly resource-intensive. ICAEW is working closely with solution providers like MindBridge and Inflo to integrate artificial intelligence (AI) and analytics into the audit workflow systems for audit firms. The visit to ICAEW ended with an interesting tour of the beautiful and historical Chartered Accountants Hall – ICAEW's London headquarters, which was built between 1890 and 1893.

ICAEW CE Michael Izza welcoming the Singapore delegates

At the meeting with the UK Department of International Trade (DIT), the delegates gathered more information on the professional services sector and the various trade incentives in the UK. The UK Financial Reporting Council, which is the regulatory body for the auditing profession, also presented an overview of the regulatory framework.

A pre-scheduled business-matching session, supported by the UK DIT, created business opportunities between Singapore SMPs and UK professional services firms. BPP Professional Education also shared the latest trends in professional development in accounting firms and carried out a live demonstration of interactive learning through an online platform.

Meeting with ICAEW at the Chartered Accountants Hall

Business-matching session between Singapore delegates and UK accounting and legal firms

The Singapore delegation at Accountex UK

Singapore delegates on a technology "shopping spree" at Accountex UK

Checking out a practice management theatre at Accountex UK

Visiting BDO UK to find out how technology is deployed to provide solutions to clients

Sharing of CBW's M&A journey by Peter Winter, CBW Managing Partner

Martin Muirhead, Senior Partner of Kingston Smith, presenting an overview and business case for deploying technologies in practice

Against a backdrop of a shrinking audit revenue pie following the raise in audit exemption threshold, Singapore practitioners increasingly see a need to consolidate and scale up. With this goal in mind, the itinerary included a session with UK firm Carter Back Winter LLP (CBW), which had undergone 12 mergers and acquisitions (M&As) within two decades. CBW Managing Partner, Peter Winter, highlighted that there is no merger of equal footing, and there would always be a more dominant party for an M&A deal to be successful. Jon Cross, whose two-partner firm joined CBW a few years ago as part of a merger, shared his experience from the other side of the fence, such as the decision-making process he had gone through, key areas for consideration and lessons learnt. The Singapore delegates left the CBW sharing session with valuable insights about M&As, and also the importance of having a succession plan in place.

Visits to two of the UK's top 20 firms, BDO UK and Kingston Smith, provided opportunities for the delegates to delve deeper into how technology solutions are being deployed in accounting firms. The BDO Drive team shared how it deploys Xero for its clients via a suite of add-on solutions such as ReceiptBank, ApprovalMax, Expensify, Futrli, Spotlight Reporting and payment systems. Kingston Smith shared its IT technology roadmap and how MindBridge is deployed to leverage AI to alleviate the heavy lifting of financial data (such as journal entry testing) and allow auditors to add value to clients.

The trip to the UK marks the eighth business study mission organised by ISCA. Supported by Enterprise Singapore, ISCA will continue to assist our members in their internationalisation foray with future mission trips.

isca leadership development workshop

Moving SMPs From Farming To Hunting

Participants gave the thumbs up in affirmation of the workshop

A GROUP OF 21 PARTICIPANTS embarked on ISCA's maiden Leadership Development Workshop aimed at helping small and medium-sized practices (SMPs) move up the value chain to offer business advisory services. Mark Holton helmed the two-day workshop, which took place from April 27 to 28 at Bintan Lagoon Resort, Indonesia.

Even though it was the peak audit season, some SMPs sent more than one member, showing their serious intent in diversifying into business advisory services. Participants unanimously agreed that audit and assurance skills provided the foundation for business advisory, but to move auditors from farming to hunting, communication, strategic thinking and business development skills are necessary to drive the transformation journey.

Trainer Mark Holton kicked off the inaugural SMP Leadership Development Workshop to help SMPs move into business advisory

As a former practitioner in a mid-sized accounting practice in Australia who subsequently became a business advisor, Mr Holton drew lessons from his own experience and developed a structured programme to guide SMPs develop an action plan. The five key steps to increase revenue and profit are:

1) Investigate where you are – understand the key issues and barriers to growth;
2) Set your strategy;
3) Get the right people in the right roles to build capacity;
4) Infrastructure (offer/product/technology);
5) Client engagement and delivery model.

A common bugbear, which hinders practitioners in making business advisory a sustainable business line, is the lack of commitment and time. As one who had previously faced this problem, Mr Holton shared how he freed up his time to focus on higher value-added work.

Advisory tools can also be leveraged to support the practitioners' foray into providing advisory services. Mr Holton recommended the use of solutions such as Cashflow Story and MYP to start conversations with clients, and further engage them in advisory services.

The second day of the workshop provided some "real-life" practice as participants took part in an interactive case study session. In groups, they took turns to "pitch" advisory projects based on real client data. Mr Holton was on hand to provide useful pointers on the key focus areas when practitioners communicate with clients.

SMPs looking at moving up the value chain by providing advisory services could start by developing an effective client engagement and delivery framework to guide and provide direction for the engagement team. To this end, the practitioners at the workshop have attained the salient skills and tool kits to assist them.

Following the April workshop, ISCA is heartened to know that a few SMPs have met with prospective clients and put their learning into action. As our members take small steps towards achieving their goals, the Institute stands ready to continue to support our members in their professional pursuits.

Practitioners who are keen to find out more about the next run of this workshop can email us at smp@isca.org.sg.

Punitha and Gokki from Geetha A Associates preparing their client report

Koh Wee Kwang of CA Trust PAC presenting his pitch

WHAT PARTICIPANTS SAY...

"Mark has shared practical knowledge which is invaluable."

KOH WEE KWANG, Director, CA Trust PAC

"Mark Holton is really engaging! Lots of learning moments, and the case study made the whole session lively. I felt very motivated and had the urge to make the change (including the mindset of the audit firm and our clients). Looking forward to more sessions by ISCA. Having the session out of Singapore definitely helped! Thank you, ISCA!"

PUNITHA D/O AMMAIYAPPAN, Senior Audit Manager, Geetha A Associates

Membership Privileges

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

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

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

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

BMW

ISCA members enjoy (not available for i3, i8 and Shuttle Programme):

- BMW Service Inclusive and extended warranty for up to 5 years/200,000km
- Exlusive deals and invitations to prestigious events, driving adventures and a top-of-its class automotive serving experience

Please email to jessica.ng@isca.org.sg for the member verification letter

Savio Staff Travel by Asiatravel.com

ISCA members enjoy:

- Exclusive prices for ISCA members all year round; not restricted to sales periods
- Up to 50% off for individual travel products (hotels, flights, tours, attractions, transport)
- Up to 35% off when you purchase as a package
- Local attractions / staycations at preferential rates
- Group family travel arrangement at preferential rates

For enquiries, please contact 9624 9151 / 6732 6773 ext 312 or email ops@saviost.com / elle.chen@saviost.com

Kordel's

ISCA members enjoy:

- 25% off all Kordel's products on Lazada. Quote ISCAKD2018 when ordering.

Terms and Conditions:
- Offer excludes promotion packs and nett items
- Offer is not applicable with any other ongoing Lazada promotions
- Delivery charges apply

isca breakfast talk

Unlocking Cash Flow In Your Working Capital

A Dr Marvin Tan, Executive Director, Nufin Data, sharing the benefits of AP automation

IN THE ISCA BREAKFAST TALK SESSION ON JUNE 13, Dr Marvin Tan, Executive Director of Nufin Data, shared the strategies for SMEs to unlock working capital. He cited a survey finding that the key reason many SMEs struggle with their operational cash flow is delayed payments from customers. To address the challenge, he proposed two key tools for SMEs to potentially free up cash flow in their working capital – Accounts Payable (AP) automation, and Reverse Factoring. AP automation increases the speed and reduces the cost of internal financial operations through digitising the AP processing workflow by using e-invoicing, automating the two- or three-way matching process and digitalising workflow approvals. Enterprises can then capture the maximum early payment discounts from their suppliers.

Reverse Factoring is a win-win form of supply chain financing. In this arrangement, a large corporate buyer will ask for extended payment terms from their SME suppliers while allowing them to leverage on their stronger credit standing to borrow at a lower interest rate. Both buyers and suppliers are then able to improve their own working capital.

Dr Tan explained that with today's technology platforms, there are increasing options to unlock working capital for growth. Can your internal invoice processing be improved through automation? Or will offering early payment discounts to your buyer shorten your collection time? If so, don't hesitate to seize the opportunity, and give your working capital a boost.

Disciplinary Findings

UPON FINDING that Mr Lam Leng Hung, CA (Singapore), has contravened Rule 64.1 read with Rule 65.2, of the Institute (Membership and Fees) Rules, in that he has been convicted by the State Courts of the Republic of Singapore of three charges of abetting the commission of criminal breach of trust pursuant to Section 409 read with Section 109 of the Penal Code (Cap. 224) on 21 October 2015 and sentenced on 20 November 2015, and his sentence was subsequently revised to one year and six months on appeal to the High Court on 7 April 2017. The Disciplinary Committee ordered:

1) That pursuant to Rule 137.1.1 of the Institute (Membership and Fees) Rules, his name be removed from the register and that he shall cease to be a Member of the Institute with immediate effect from 9 April 2018.

2) That pursuant to Rule 167 of the Institute (Membership and Fees) Rules, he shall pay to the Institute the sum of SGD1,351.81 (inclusive of 7% GST), being the costs and expenses incurred by the Institute in connection with the investigation and disciplinary proceedings undertaken against him within 28 days from the date on which this order is served on him.

UPON FINDING that Ms Serina Wee Gek Yin, CA (Singapore), has contravened Rule 64.1 read with Rule 65.2, of the Institute (Membership and Fees) Rules, in that she has been convicted by the State Courts of the Republic of Singapore of six charges of abetting the commission of criminal breach of trust pursuant to Section 409 read with Section 109 of the Penal Code (Cap. 224); and four charges of abetting the falsification of accounts pursuant to Section 477A read with Section 109 of the Penal Code on 21 October 2015 and sentenced on 20 November 2015, and her sentence was subsequently revised to two years and six months' imprisonment on appeal to the High Court on 7 April 2017. The Disciplinary Committee ordered:

1) That pursuant to Rule 137.1.1 of the Institute (Membership and Fees) Rules, her name be removed from the register and that she shall cease to be a Member of the Institute with immediate effect from 9 April 2018.

2) That pursuant to Rule 167 of the Institute (Membership and Fees) Rules, she shall pay to the Institute the sum of SGD1,352.20 (inclusive of 7% GST), being the costs and expenses incurred by the Institute in connection with the investigation and disciplinary proceedings undertaken against her within 28 days from the date on which this order is served on her.

MARK YOUR CALENDAR

25 JUL

ISCA Practitioner's Tech Lab 04/2018 – Key Auditing Issues Arising from Adoption of FRS 115

FRS 115 is effective for annual reporting periods beginning on or after 1 January 2018. By now, your clients should have identified and evaluated the impact of FRS 115 on their businesses and adapted their financial reporting and business processes in response to the requirements of the new revenue standard.

In this Tech Lab session, we will discuss the key auditing issues arising from adoption of FRS 115 for companies in certain industries audited by SMPs and how auditors can tackle these issues.

Asia Tax 2018 Programmes

Join us at our Asia Tax seminars where we bring in key industry experts from Asia to provide you with insights on key tax policy issues and developments.

06 AUG

Young Professionals Symposium

Gearing up today's millennials to become tomorrow's leaders, the Institute will host our inaugural Young Professionals Symposium to pave the way for the millennials in this transformative age. Organised for young professionals by young professionals, the symposium aims to empower them with the knowledge and skills to boost their careers and be future-ready.

What are you waiting for? Join us at this inaugural symposium to learn, network and grow!

30 AUG

TechCountx

Despite the hunger to tap into technologies, the availability of customised solutions is lacking due to the small size of the Singapore market.

To expose our Singapore and regional accounting profession to more technology solutions, we bring to the profession, an inaugural TechCountx, a technology conference to delve deeper into the latest technologies available in the market.

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

Classic TP Hits And Contemporaries

WITH SO MUCH HAPPENING IN THE TRANSFER PRICING (TP) SCENE, the Singapore Institute of Accredited Tax Professionals (SIATP) specially designed a series of technical tax sessions that comprises both classic fundamentals as well as topics-of-the-year such as TP documentation (TPD).

Kicking off the TP collection, an SIATP *Tax Excellence Decoded* (TED) session on the finer points of one of the essential areas of TP – functional analysis – was held. Helmed by an experienced TP specialist, Adriana Calderon, Director at Transfer Pricing Solutions Asia, she captivated the tax professionals present with her use of practical case studies and illustrations, providing them with a better appreciation of the application of functional analysis.

Adriana Calderon, Director at Transfer Pricing Solutions Asia, provided insights into functional analysis in TP

Accredited Tax Advisors Lou Wai Ling (left) and Tang Yam Soon dived into the robust Q&A session with participants

With the revised e-Tax guide published, SIATP also jointly organised a session with the Inland Revenue Authority of Singapore on possibly the topic that has been the talk-of-the-year for both tax professionals and business executives – TPD. The TED session not only covered the common errors and issues faced by companies in getting their TPD in order, it also covered essential tips on how to avoid and resolve TP disputes through Mutual Agreement Procedure and Advance Pricing Arrangement.

Email enquiry@siatp.org.sg to get in on the latest tax hits and classics.

ISCA Run 2018: Gather. Bond. Run.


ISCA President Kon Yin Tong welcoming the participants


Runners with their finisher t-shirts

FROM A FOUR-YEAR-OLD TAKING ON THE 150M FAMILY FUN DASH TO A 72-YEAR-OLD GEARING UP FOR THE 5KM ROUTE, enthusiastic and excited runners gathered bright and early at the annual ISCA Run 2018. Held at OCBC Square on May 26, this year's run saw a turnout of 1,400 participants.

In tandem with the theme "Gather. Bond. Run.", ISCA Run 2018 attracted runners from among Professional Accountants in Practice and Professional Accountants in Business, as well as the public. In addition, the run also raised funds for ISCA Cares, which aims to provide needy Singapore youths with access to a quality education in accountancy.

All decked out in their sports attires, participants and supporters began streaming into the venue at 6am. By 7am, OCBC Square was filled with runners who were ready and raring to go. After the mass warm-up session, ISCA President Kon Yin Tong thanked those present for taking time out to participate in the run; he then announced the opening of ISCA Games 2018. Mr Kon said, "This year, 15 companies including representation from the Commerce section will be participating across 28 different games to compete for the overall championship." Held annually, the Games serves as a good platform for accounting professionals to bond and foster camaraderie.

ISCA Advisor Teo Ser Luck and ISCA President Mr Kon flagged off the 10km race while the 5km run was flagged off by Mr Kon, ISCA Vice President Yvonne Chan and ISCA Secretary Kelvin Tan. While the runners were sweating it out, many parents and children were eagerly waiting for the 150m Family Fun Dash flag-off at 8.30am. A switch from the usual Kids' Dash, this year's Family Fun Dash featured a three-legged race to engage both parents and children in a healthy dose of fun.

After completing their race, runners refuelled with bananas and energy drinks while singing along to songs performed by the KPMG Band. Amid the hyped-up atmosphere, participants and supporters mingled and had fun catching up with one another. At the photo booth, many were seen snapping away and uploading pictures as part of the #ISCARun Photo Contest.

Rounding off the exhilarating morning, ISCA CEO Lee Fook Chiew presented the medals and prizes to the top three podium finishers from the 5km and 10km runs, as well as the 150m Family Fun Dash.

More photos of the ISCA Run 2018 are available at the ISCA Facebook page. ISCA would like to thank all participants for their support towards ISCA Cares, and their continuous participation which made ISCA Run 2018 a huge success.


Runners were treated to the scenic views along the route


The KPMG Band entertained with the latest hits and perennial favourites


Participants snapping fun shots at the ISCA photobooth


Nimseh Gurung, 1st, 10km (Men)


Esther Khoo, 1st, 10km (Ladies)


Parents and their children had fun at the 150m Family Fun Dash


Podium winners: (From left) Rajandran Arvind (3rd, 5km (Men)); Melvin Wong (2nd, 10km (Men)); Brandon Ng (2nd, 5km (Men)); J. Lossini (1st, 5km (Ladies)); Esther Khoo (1st, 10km (Ladies))


J. Lossini, 1st, 5km (Ladies)

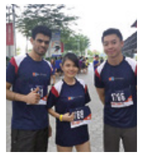

Mark Addy, 1st, 5km (Men)

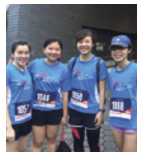

Top finishers of the 150m Family Fun Dash


10km (Men) podium winners: (From left) Nimseh Gurung, Melvin Wong and Soh Hua Qun


Excited runners warming up before the run

WHAT PARTICIPANTS SAY...


"My company organises regular sporting activities such as volleyball matches, but taking part in ISCA Run is a first for me. ISCA Run is indeed a great way to bond with our friends and colleagues."
ADAM ISMAIL, Mazars


"My colleagues and I came together to represent the Finance department from HDB. One important tip to prepare yourself for the run is to rest early the night before!"
MARY NG, HDB


"As we have a large department, it is difficult to come together and participate in events. Thus, ISCA Run became a good platform for us to spend time together and have fun at the same time."
AGNES LIM, JLL Singapore


"To prepare myself for ISCA Run, I went for cardio workouts and 5km runs several days before the actual day. Some of us even gathered together to train for this event!"
FRANCIS IRVIN VILAGA, Boardroom Limited


"I have been running for several years but taking part in the Family Dash is a first for my daughter. She was really eager to take part in this event despite having to report at 7am."
EDMUND AND DAPHNE NG, 6, participants of the 150m Family Fun Dash


"I did not have to drag my boys out of bed this morning, they excitedly jumped out of bed! The Family Fun Dash is definitely a great way to spend time with the kids."
ERIC LAM WITH AMOS AND ARON, 7 and 9 respectively, participants of the 150m Family Fun Dash

SOCIAL MEDIA CONTEST

In conjunction with ISCA Run, ISCA held a social media contest on Facebook and Instagram for ISCA members to celebrate the theme of "Gather. Bond. Run.", which ended on May 29. Members with the highest number of Likes on their ISCA Run photos shared on Facebook or Instagram stand to win CapitaLand Mall vouchers. Winners will be announced on the ISCA Facebook page and on the ISCA website.

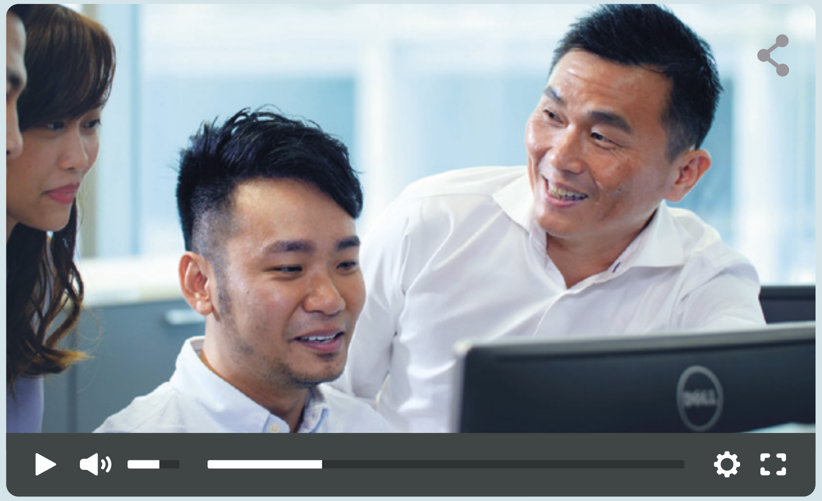
ISCA Launches Video Series Featuring Members' Career Journeys

ISCA HAS UNVEILED "FUTURE-READY TALENT" – a video series showcasing the career trajectories of five members and how ISCA supports them through changes in the business environment. The video campaign, while highlighting the value of the ISCA membership, also showcases how Chartered Accountants, with their expertise and professionalism, add value to diverse businesses.

The series comprises five videos, each telling the story of an ISCA member's professional journey, including the career-changing decisions and defining moments.

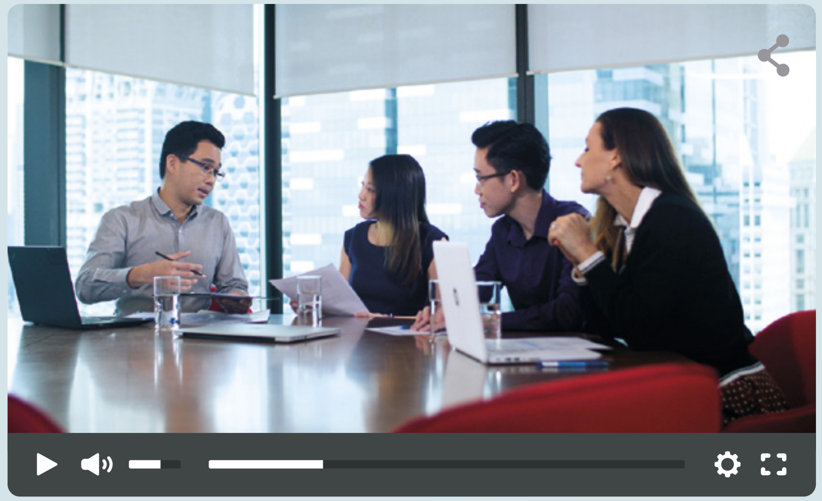
The videos will be screened at lift lobbies in over 500 commercial buildings island-wide and on large outdoor LED billboards at Chevron House and South Beach Tower from July 2 to August 5, as well as on various digital and social media platforms from July to October this year.

The first video shows Ong Wee Gee, Vice-President, Finance and Administration at Equinix Asia Pacific, recounting a key moment in his career when he made the move from a large MNC to a tech start-up, which today has grown into a leading global data-centre service provider. He shares how ISCA's thought leadership initiatives provide him insights on the future of accountancy. This enables him to lead his team through disruptive changes in the business landscape.



In another video, Belinda Tan, ISCA FFP, Partner, Fraud Investigation & Dispute Services at Ernst & Young Advisory, shares how she got into forensic accounting – a field that was almost unheard of in the early days. This turned out to be a great decision as the job suited her inquisitive nature well. In her career, she has worked on exciting projects such as shareholder disputes, asset misappropriation and even uncovered a decade-long white-collar crime. She then shares how ISCA's Financial Forensic Accounting qualification provides financial forensic professionals with the skills and recognition to further their careers.

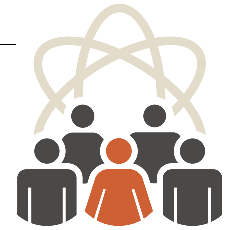
ISCA member Chew Chang Ching left a Big Four firm to join his father's SMP in 2013. In the video, he shares how with ISCA's support, he has taken part in overseas business missions to expand his professional network and engaged his firm in a pilot testing of audit software to digitalise his firm's audit workflow. These initiatives have bolstered his determination to grow their public accounting practice as he takes over the reins from his father.



Sebastian Widodo shares how he transforms risk into opportunities in his role as Assistant Manager, Risk Assurance at PwC Singapore. Being an ISCA member and graduate of the Singapore CA Qualification programme, he can access global career opportunities through ISCA's Reciprocal Membership Agreements with other international accountancy bodies.

Paul Tan grew his public accounting firm from one employee to 84 staff members. Today, CA Trust PAC serves clients ranging from SMEs to MNCs. As companies expand in the region, having the ASEAN Chartered Professional Accountant (CPA) designation enables him to better support his clients as they expand in the region. Those with the ASEAN CPA title can provide non-regulated accountancy services in ASEAN without having to go through extensive re-training and re-qualification procedures. This positions his company to seize opportunities in the high-growth ASEAN market.


BY LIM JU MAY AND ANG SOON LII



ISCA ETHICS SEMINAR

Knowing Where To Draw The Line

THE ISCA ETHICS COMMITTEE (EC) ORGANISED THE 2018 ETHICS SEMINAR to highlight new developments in ethics and ethical standards. Taking place on April 13 at Carlton Hotel, the event saw a capacity crowd of over 200 members. On audit partner rotation, enhanced "fresh look" requirements will soon be introduced to strengthen the independence of auditors, both in mind and in appearance. The Seminar touched on what inducements are, and when an inducement might be considered corruption or bribery. Updates were also given on ethical standards developments at the International Ethics Standards Board for Accountants (IESBA).

Four speakers took to the stage to share their expertise. In this first of two articles, we provide the highlights of two presentations.

AUDIT PRACTICE BULLETIN (APB) NO. 2 OF 2017

During his presentation on APB No. 2 of 2017, Kwok Wui San, immediate-past Chairman[1] of ISCA EC, noted that the APB provides guidance and sets out the Accounting and Corporate Regulatory Authority (ACRA)'s expectations of firms' implementation of their internal policies, procedures and controls (IPPC) to address money laundering and terrorist financing risks. APB 2 was issued by ACRA in December 2017 and is currently effective.

[1] Kwok Wui San served as Chairman of the ISCA EC from July 2014 to April 2018; Tan Seng Choon succeeded him as Chairman from April 2018.

Learning about the latest developments in ethics and ethical standards

(From left) Kwok Wui San, immediate-past Chairman, ISCA Ethics Committee; Tan Seng Choon, Chairman, ISCA Ethics Committee; ISCA President Kon Yin Tong; Hamidul Haq, Partner, Rajah and Tann LLP, and Caroline Lee, Board Member, International Ethics Standards Board for Accountants

Kwok Wui San, immediate-past Chairman, ISCA Ethics Committee

Mr Kwok highlighted that EP 200 requires professional accountants in public practice (PAIPPs) to have IPPCs, whether or not the PAIPPs provide professional services stipulated in paragraph 1.5[2] of EP 200. Therefore, a firm's IPPCs must include all of the following:

a) Risk assessment and management (that is, a risk-based approach);
b) Group policy (if a group exists);
c) Customer due diligence (including enhanced customer due diligence);
d) Records keeping;
e) Reporting procedures;
f) On-going training;
g) Compliance management and appointment of compliance officer;
h) Hiring, and
i) Independent audit function.

EP 200 adopts a risk-based approach with regard to the implementation of IPPCs. For example, PAIPPs providing the services stipulated in paragraph 1.5 of EP 200 would need to comply with some specified requirements in EP 200 for their IPPCs, such as specified requirements on customer due diligence and record-keeping measures.

During the Q&A, a question was raised on whether the expectations in the APB 2 are higher than those in EP 200, especially for PAIPPs who do not provide services stipulated in paragraph 1.5 of EP 200. Mr Kwok pointed out that the APB 2 did clarify that a risk-based approach is intended. He explained that the APB 2 provides additional guidance, to be adopted on a risk-based basis, when firms implement IPPCs in compliance with EP 200.

Mr Kwok further noted that ACRA takes a serious view of non-compliance with the requirements in EP 200. Disciplinary actions, such as warning letters, financial penalties or even suspension/termination of licences, could be taken in cases of non-compliance.

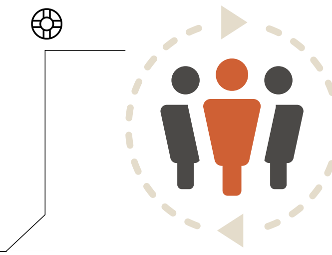
EP 200 can be accessed at https://isca.org.sg/ethics/ethics-pronouncements-and-implementation-guidances/.

[2] **Paragraph 1.5 of EP 200 states:**
When professional accountants in public practice and professional firms which prepare for or carry out transactions for their clients concerning the following situations, there are specific measures on customer due diligence and records keeping under the FATF Recommendations which they have to follow, which are set out in Section 4:

a) Buying and selling of real estate;
b) Managing of client money, securities or other assets;
c) Management of bank, savings or securities accounts;
d) Organisation of contributions for the creation, operation or management of companies;
e) Creation, operation or management of legal persons or arrangements, and buying and selling of business entities.

"Ethics is fundamental to our profession. Without it, people will lose trust in what we do."

KWOK WUI SAN
immediate past-Chairman,
ISCA Ethics Committee



PROPOSED CHANGES TO EP 100 ON LONG ASSOCIATION PROVISIONS

In March 2018, ISCA issued the Exposure Draft (ED) on the revised Long Association Provisions. The revised Long Association Provisions would be adopted into the EP 100: Code of Professional Conduct and Ethics in due course. The expectation is for the new requirements to be effective for financial periods commencing 15 December 2018, allowing PAIPPs six months to undertake the appropriate remedial actions, such as compliance with new "cooling-off" requirements. The revisions would ensure that the Long Association Provisions continue to provide robust and appropriate safeguards to deal with familiarity and self-interest threats created when a firm uses the same senior personnel on an audit or assurance engagement over a long period of time.

Tan Seng Choon, Chairman[1] of the ISCA EC, provided participants with an in-depth diagnosis on the revised Long Association Provisions. Here are some salient snippets from his presentation.

What is the issue? Why the need for change?

It is in the public interest that members of audit and assurance teams and firms be independent, both in mind and in appearance, of their audit and assurance clients. Long association of personnel on an audit or assurance engagement client can adversely impact objectivity and professional scepticism, which are important contributors to audit quality.

Using the same personnel on an audit or assurance engagement over a long period of time may create familiarity and self-interest threats that may impact, or be seen to impact, an individual's independence. ISCA recognises that independence, objectivity and professional scepticism are critical to stakeholder confidence in the audit profession. Concerns have been raised on the robustness of the existing Long Association Provisions to address threats to independence, particularly in relation to the audit of a client that is a Public Interest Entity (PIE).

What are the key changes?

The General Provisions requirements have been expanded and strengthened. The expanded General Provisions require a more robust evaluation of the significance of the familiarity and self-interest threats, and stipulates in more detail the factors required to be considered, which include the overall length of the individual's relationship with the client. The General Provisions have also been expanded to state that if the threats are so significant that rotation of an individual is a necessary safeguard, the firm shall determine the appropriate period for the individual to be "away" from the audit engagement such that the familiarity and self-interest threats to independence are eliminated or reduced to an acceptable level.

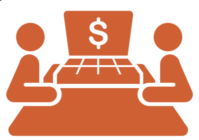
For audits of PIEs, the cooling-off period will be increased from two years to five years for the Engagement Partner (EP), and from two years to three years for the Engagement Quality Control Reviewer (EQCR). However, the time-on period for an EP of a company listed on the Singapore Exchange (SGX) would likely be increased from five years under existing SGX Listing Rules to seven years. Please see the illustration on the facing page on how the revised Long Association provisions are applied for listed entities for further details.

Additional restrictions are also placed on former Key Audit Partners (KAPs) during the cooling-off period. They are prohibited from leading or coordinating the firm's professional services to the audit client or overseeing the firm's relationship with the audit client. Former KAPs are also prohibited, during the cooling-off period, from undertaking any other role, including provision of non-assurance services, that would result in significant or frequent interaction with senior management or those charged with governance. Mr Tan cautioned that "significant or frequent interaction" requires the application of professional judgement.

A question was raised as to whether the former EP could attend meals with the former audit client together with the current EP during the cooling-off period. According to Mr Tan, much would depend on how significant or frequent those meals are. If the meals are frequent (example, monthly), the former EP would likely be perceived to be in breach of the new cooling-off requirements. It could be less of an issue if it were a once-off "handover meal" whereby the former EP sat in to brief the current EP on matters such as client expectations. Mr Tan further shared that in such cases, the former EP should document the matters discussed at the lunch as part of the risk management process.

"Perception does matter... long relationship with a client may give rise to threats on how the public perceives you to be independent."

TAN SENG CHOON
Chairman, ISCA Ethics Committee



[3] IESBA's final revised Long Association provisions include a transitional provision which is effective for audits of financial statements for periods beginning prior to 15 December 2023. In instances where a legislative body or regulator (or organisation authorised or recognised by such legislative body or regulator) has established a cooling-off period for an engagement partner of less than five consecutive years, the higher of that period or three years may be substituted for the cooling-off period of five consecutive years specified in paragraphs 290.155, 290.158 and 290.160(a) of the Long Association ED, provided that the applicable time-on period does not exceed seven years.

Tan Seng Choon, Chairman, ISCA Ethics Committee

For an SMP with no Listed Client, do the Long Association Provisions still matter?

The Long Association Provisions affect PIEs. The definition of PIE is wider than listed company. Paragraph 290.25 of EP 100 defines PIE as all listed entities and any entity:

(i) defined as PIE by law or regulation, or
(ii) for which the audit is required to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator.

Mr Tan shared that the scope of PIEs in Singapore covers a wide range of entities. Beyond entities listed on the SGX, large charities and institutions of public character (IPCs) and financial institutions are also defined as PIEs.

Also, there are certain situations whereby the auditor of a non-PIE audit client in Singapore is required to comply with the Long Association provisions. An example is when his audit firm is part of a global network which requires its members to comply with the requirements in the IESBA Code or when the group engagement team instructs component auditors (such as the Singapore auditor) to comply with the IESBA requirements.

Mr Tan further shared that ISCA has issued, in February 2018, EP 100 Implementation Guidance 2 (EP 100 IG 2): Frequently Asked Questions on Key Audit Partners, to provide clarification on the definition, identification and determination of KAPs.

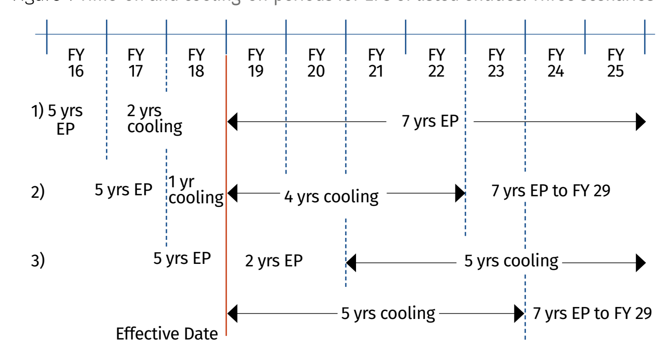
EP 100 IG 2 can be downloaded at https://isca.org.sg/ethics/ethics-pronouncements-and-implementation-guidances/.

Illustration on how the revised Long Association Provisions are applied for listed entities

Mr Tan shared three scenarios on how the revised Long Association provisions would result in a change in the cooling-off periods for the EPs of listed entities in Singapore (if there are no transitional provisions[3]).

Due to current SGX listing requirements, EPs of listed audit clients have a time-on period of five years instead of the seven years as required under EP 100. ISCA is currently in the process of reaching out to SGX to align the SGX listing requirements with the revised Long Association provisions in EP 100.

Figure 1 Time-on and cooling-off periods for EPs of listed entities: Three scenarios



The scenarios here do not take into account transitional provisions (if any) and assume that the new SGX listing requirements are aligned to the revised Long Association provisions in EP 100 and are effective for financial period commencing 15 December 2018. The listed entity illustrated here has a 31 December financial year (FY) end.

In the first scenario, the EP started his cooling-off in the FY beginning 1 January 2017 after serving as EP for five years. As he has cooled-off for the two years as required under the current Long Association provisions when the revised Long Association provisions take effect in the FY beginning 1 January 2019, he would be able to serve as EP for the full seven years from the FY beginning 1 January 2019 to the FY beginning 1 January 2025.

In the second scenario, the EP started his cooling-off in the FY beginning 1 January 2018 after serving as EP for five years. He has cooled-off for one out of the two years as required under the current Long Association provisions when the revised Long Association provisions take effect in the FY beginning 1 January 2019. Once the revised Long Association provisions take effect, he would need to cool-off for four more years instead of one more year. Thus, he can only return as EP for the full seven years from the FY beginning 1 January 2023 and serve to the end of the FY beginning 1 January 2029.

In the third scenario, the EP has served as EP for five years as at 31 December 2018. As the new SGX listing requirements mandating a time-on period of seven years is effective from 1 January 2019, the EP could remain as EP for two more years, such that the five-year cooling-off begins on 1 January 2021. Alternatively, he could commence the five-year cooling-off from 1 January 2019.

IN CONCLUSION

Summing up the Ethics Seminar, Mr Kwok had the following message for the participants, "Ethics is fundamental to the accountancy profession. Without it, people will lose trust in what we do. We play a unique role. We are relevant because some things are required to be done by a trusted professional, such as independent audits. If people no longer trust us, we will eventually lose our relevance. It won't matter then that the work we produce is of the highest quality."

The participants gained interesting and useful insights from presentations by Hamidul Haq, Partner, Rajah and Tann LLP, and Caroline Lee, Board Member, IESBA. The Ethics Seminar concluded with a Q&A session, with all four speakers addressing questions from the floor. ISCA

(From left) Kwok Wui San, immediate-past Chairman, ISCA Ethics Committee; Tan Seng Choon, Chairman, ISCA Ethics Committee; Hamidul Haq, Partner, Rajah and Tann LLP, and Caroline Lee, Board Member, International Ethics Standards Board for Accountants

In the second article, we will provide highlights from the presentations by Mr Haq and Ms Lee on corruption and inducement, the Restructured Code, revised safeguards provisions and enhanced conceptual framework. Do stay tuned.

Lim Ju May is Deputy Director, and Ang Soon Lii is Manager, Corporate Reporting & Ethics, ISCA.

MEMBER PROFILE

HITTING THE BOARDS

BY WANDA TAN

Victor Lai, CA (Singapore), Regional Managing Director, Boardroom Limited

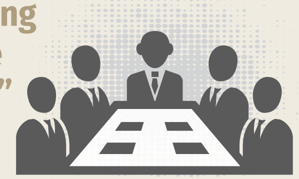
THE UNRELENTING ROLLOUT OF DISRUPTIVE TECHNOLOGIES is shaking up businesses and industries everywhere, leaving almost no stone unturned. Mobile working solutions are giving employees the flexibility and connectivity to work remotely, and saving companies money in terms of reduced office space. The adoption of paperless processing, digital signatures, and software enabling "live" capture and sharing of information is also gathering steam. While some people may be resistant to these changes, Victor Lai, 40, is not one of them. In fact, his excitement about the technology transformation is downright infectious.

Mr Lai is the Regional Managing Director of Boardroom Limited as well as the Managing Director of its Singapore subsidiary, Boardroom Corporate & Advisory Services Pte Ltd, a leading provider of corporate secretarial and share registry services for existing and aspiring listed companies in Singapore. His line of work includes the provision of polling and registration services at shareholders' meetings, where physical proxy forms are used by many investors to authorise third parties to cast votes on their behalf. For Mr Lai, the appeal of automating this human-intensive task is obvious.

"Moving to paperless processing of proxy forms would cut costs. But to do that, we need to incentivise shareholders of companies to also go paperless, so we are exploring new ideas on how to get this moving," he reveals. Technology can also serve as a source of innovative business ideas, adds Mr Lai. "We recently launched a web-based service that allows companies to administer their employee share plans. Using our digital platform, employees of a company who have been issued share options or performance shares are able to enjoy a full-suite service from share custody to trading to settlement."

A trained professional accountant, Mr Lai is somewhat of an expert on the latter subject, thanks to his previous tenure at PwC Singapore. "While at PwC, I served in its Accounting Consulting Services practice for a few years. One accounting standard I was responsible for was IFRS 2: Share-based Payment," he says. This would not be the only complementarity between his former and current job roles either.

> "Accountancy introduces you to the world of finance. It is a vital skill in all aspects of business development, including raising equity capital and structuring trade finance transactions."



CROSSING OVER

Mr Lai joined PwC in 2002, having obtained a Bachelor of Accountancy degree from Nanyang Technological University (NTU) prior to that. He describes his 13 years at PwC as "exciting and fulfilling". Career highlights included being selected in 2009 to take part in Genesis Park, PwC's global leadership development programme for high-performing staff, gaining valuable experience in both audit and advisory services, and also serving as audit engagement leader, which helped him hone his people management and project management skills.

"At a Big Four firm, the scope of accounting is very wide. Working at PwC gave me the opportunity to do different things and explore other services besides audit, such as accounting consulting and advisory," says Mr Lai. "I also became familiar with engaging C-suite executives and board directors on complex accounting issues, as well as analysing historical information and providing opinions on financial statements." Armed with a versatile skill set, his eventual transition from PwC to Boardroom in 2015 was a smooth one.

Headquartered and listed in Singapore, Boardroom Limited is a regional corporate services firm that has an established presence in the Asia-Pacific region. The group's portfolio of services spans corporate secretarial, share registry and business solutions (including accounting), and its client base consists mainly of companies heading for IPOs and existing listed entities. For Mr Lai, running Boardroom Limited's corporate secretarial and share registry services in Singapore – and since March this year, in Hong Kong as well – has allowed him to "do everything except the audit".

In his present capacity, Mr Lai still deals with C-suite executives and board directors – but from a different angle. "Compared to my previous audit work, I am now involved in shareholder engagement matters pertaining to corporate secretarial and share registry services. I help management and boards organise and run meetings, comply with day-to-day reporting and listing requirements,

CAREER MILESTONES

2002
Joined PwC Singapore

2014
Director, PwC Singapore

2015
Director, Boardroom Limited

2015 to Present
Member, Accounting Technicians Learning and Development Board, ISCA

Jan 2017 to Present
Managing Director, Boardroom Corporate & Advisory Services Pte Ltd

Mar 2018 to Present
Regional Managing Director, Boardroom Limited

> "Being an accountant means having the ability to analyse the financial results of a company, so as to tell a story about the journey that the company is taking and where it is headed. From there, you can obtain insights, anticipate challenges and create value for businesses."

and operate within the interplay of current legal and accounting regulatory frameworks," says Mr Lai, who splits his time between Singapore and Hong Kong.

Working in the capital market environment, though more urgent and time-sensitive than in public accounting, admittedly entails more processing or "menial" tasks. But as Mr Lai explains, "It is about making sense out of the menial work. We are helping our clients grow, stay compliant and obtain relevant business insights."

He is also appreciative of the opportunities afforded by his accounting background to take on different parts of a professional services firm's value chain. "Accountancy introduces you to the world of finance. It is a vital skill in all aspects of business development, including raising equity capital and structuring trade finance transactions."

PATIENCE IS A VIRTUE

"As a professional accountant, you want to be trusted to advise in the corporate finance space and deal-brokering. That is why, even though I don't audit financial statements anymore, I am still registered as a public accountant with ACRA and continue to be a practising member of ISCA," says Mr Lai. "Being involved with ISCA and ACRA helps me stay updated with the latest developments to meet industry needs."

Mr Lai has stepped up his involvement with ISCA since leaving PwC, primarily as a member of ISCA's Accounting Technicians Learning and Development Board. The committee collaborated with the Association of Accounting Technicians (AAT) to conceptualise, design and develop a new qualification programme, ISCA Accredited Accounting Technician (ISCA-AAT) Qualification, which was launched last year.

By pursuing the ISCA-AAT Qualification, accounting technicians can acquire the practical skills to perform a wide range of accounting and finance roles, from basic bookkeeping practices to higher-level tasks like managing budgets. It can be completed in one to two years, after which individuals who attain the accreditation are eligible for Affiliate (ISCA) membership and full AAT membership with relevant work experiences. "The course aims to help accounting technicians develop their soft skills, as well as their analytical skills beyond debits and credits, so that they can upskill themselves and add value," explains Mr Lai. He thus views his ISCA contributions as a way of tapping on his accumulated experience and skills to further develop Singapore's accounting industry.

Addressing the accountancy profession as a whole, and not just the accounting technician segment, Mr Lai argues that patience is the most important trait one should have.

"Certainly, the industry is in need of innovative thinking, and there are a lot of developments that will unfold in the next five to 10 years. But no matter what, in-depth knowledge is still required. There will always be some aspects of the work that require you to look at the mundane, nitty-gritty details."

"Being an accountant means having the ability to analyse the financial results of a company, so as to tell a story about the journey that the company is taking and where it is headed. From there, you can obtain insights, anticipate challenges and create value for businesses. In the interest of fast-tracking your career, make sure you don't overlook the value of grinding things out – the very aspects that make you an insightful, analytical professional," advises Mr Lai.

A Mr Lai with singer Jacky Cheung, during the singer's "A Classic Tour" in Singapore

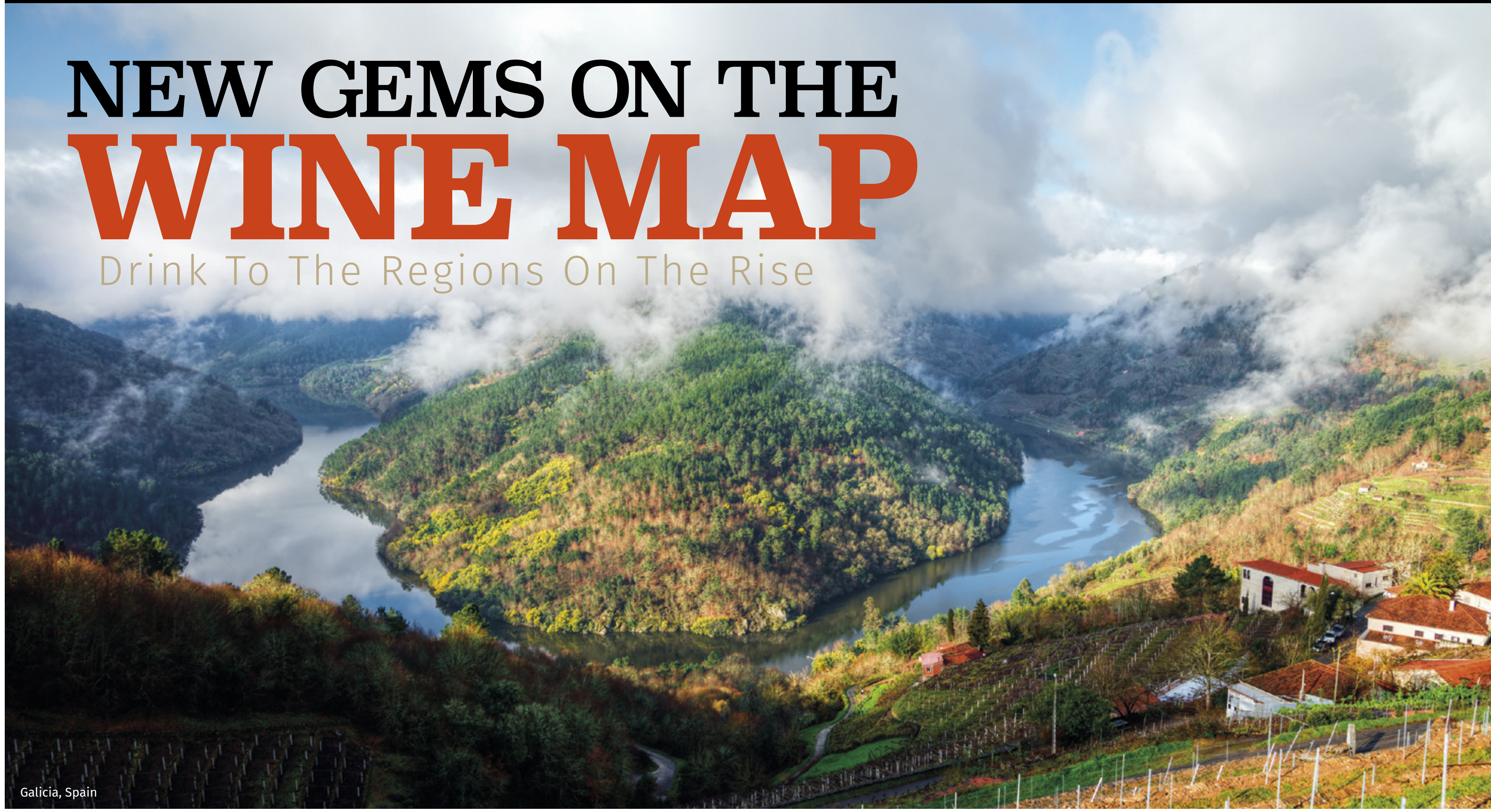
JUST JAMMING

Outside of work, music is Mr Lai's prevailing passion. It has been since he started playing in his secondary school band and taking private music lessons as a teenager. These days, the multi-instrumentalist – who confesses to "playing music full-time and studying part-time" at NTU, as the President of NTU's Cultural Activities Club Jam Band – enjoys reinterpreting existing songs in his specially-built home studio, and freelances on music projects of interest. Mr Lai is also involved in a business that supplies music wares for local commercial trade, including Hong Kong singer Jacky Cheung's concert shows in Singapore this past February. ISCA

Wanda Tan is a contributing writer.

NEW GEMS ON THE WINE MAP

Drink To The Regions On The Rise


Galicia, Spain

WHETHER OR NOT YOU ARE AN OENOPHILE, it is likely that you would have already heard of celebrated wine regions such as Bordeaux, Languedoc, Margaret River and Napa Valley. Thanks to shifts in climatic, cultural and geographical conditions over the decades, new wine regions are constantly being discovered – and holding their own against the tried-and-tested. Here are four which will redefine your wine map of the world.

GALICIA, SPAIN

Home to the magnificent Cathedral of Santiago de Compostela and best known for Christian pilgrimages, Galicia has lain low as a wine region until very recently, even though its wine-making history actually dates back 2,000 years. Its rise from obscurity began after Galician farmers started perfecting its Albariño wine grapes when the Rías Baixas Denominación de Origen (DO) (a grouping nomenclature for all the wines produced in a single region, along the lines of "Bordeaux" or "Napa Valley"), was established in 1988. All five of its sub-regions, namely, Ribeira do Ulla, Val do Salnés, Soutomaior, Condado do Tea, and O Rosal, are worth a visit, for each retains characteristics of the signature grape while exhibiting subtleties due to their varied climates. Tipples from lesser-known indigenous grapes such as the Mencia and Godello are also worth a try; the former ranges from exuberantly juicy to delicious and dark, while the latter is very much like the love child of a chardonnay and a white bordeaux. Beyond its wines, Galicia's incredible seafood offerings and charming beaches are also big draws.

PHOTOS SHUTTERSTOCK

NASHIK, INDIA

Just four hours northeast of Mumbai, a rapidly-expanding wine industry is burgeoning into what is now dubbed by some as the Napa Valley of India. While Indians used to flock to Italy, France and California for wine-tasting, now both domestic and international travellers are starting to pay attention to the near-50 vineyards peppered around the Nashik region, primed for success due to its favourable climate, fertile soil and extensive grape-growing history. Today, more than 25 grape varieties can be found in the region, including chardonnay, chenin blanc, malbec, zinfandel and riesling. While the industry is still very much in its infancy, a handful of its vineyards is already world-class by most measures. Among these, Sula Vineyards is a must-visit. It is the first vineyard in Nashik and currently holds more than 70% of the market share in India. Look out for its best-selling oak-aged Shiraz which is equal parts smoky and spicy, and the medium Satori Merlot Malbec blend with hints of black cherries and ripe red fruit. Both wines pair beautifully with a platter of *khakhra* (a thin cracker) and *biryani* (a spicy mixed rice dish).


Nashik, India

SAY WHAT?

Wine tasting can be intimidating and confusing for newbies. Beyond swirling and smelling, what do you look for and how do you say it?

1) The shape of water
Anything from a mason jar to a beer mug goes if you are drinking wine for the inebriation, but if you are intending to taste, the shape of the glass matters. This has to do with the way the wine moves, breathes and bubbles, which is all part and parcel of the experience. In general, bubblies go into flutes, white wine goes into slightly tapered bowls, and red wines into full and rounded glasses. Some specialty wine glasses include the Port glass, which is relatively small with a very narrow mouth to hinder evaporation due to the high alcohol content of the wine.

2) See, swirl and smell
To start, pour enough wine to fill just a third of your glass so there is enough room for swirling. Next, tip the glass slightly against a white background (if possible), to check the colour of the wine. Descriptors like "deep garnet" or "pale straw" are commonly acceptable. If you are tasting a bubbly, take a moment to admire the effervescence – the more superior the champagne is, the smaller its bubbles. Now smell, swirl and smell again to release the aromas. Pro tip: Swirling your glass is easiest with its base on a flat surface. When discerning aromas, resist the temptation to read the labels first! Develop your palate by picking out some familiar scents like chocolate, herbs or berries.

3) Sip, not chug
Wine is meant to be sipped. If you are having it with food, try this – have a little sip, take a bite of your food, then have another sip. The wine should enhance the flavour instead of wash down your food. If you are merely tasting it, sip about a large teaspoonful, work it around your mouth, then swallow or spit. You can then retaste and note its balance, lengths and concentration. Is it fruity or tart? Can you feel the tannins? Are they silky and velvety, or harsh and drying? Let the flavours combine with your previous "smell" test. If this is a good wine, it should smell good and taste even better.

Michigan, United States

MICHIGAN, UNITED STATES

As the climate warms, Michigan is growing beyond its famed rieslings and ice wines and sees wine sales and grape plantings increasing multi-fold over the years, according to its Grape and Wine Industry Council. With five regions housing some 121 wineries, Michigan now bottles more than 2.3-million gallons of wine every year, a feat which ranks the state 10th in the country's overall wine production. Its environmental factors such as moderate temperatures are similar to the famed wine regions in France – grapes are known to grow within a 40-kilometre radius of its eponymous lake, which tempers the effect of snow from the vines in winter, retards bud break in spring, and even extends growing season up to a month. The variety of grapes in the region is also nothing short of diverse – ranging from cross-continental hybrids like Cayuga and Traminette to more resilient varieties such as the Frontenac, resulting in fascinating offerings across the region. Reach for their quality dry whites like the pinot grigio, sauvignon blanc and vinho verde, which are crisp, refreshing and value for money.

PHOTOS **SHUTTERSTOCK**

Sussex, England

SOUTH ENGLAND

English wines are best known for their fizz, and in the past decade, considerable effort has been committed to produce serious sparklers of the highest quality year after year. A bulk of the massive success could be serendipitous, for even though the region has long shared the French Champagne's characteristically chalky terroir, it was only the recent climate changes which evolved its weather conditions to resemble that of the Champagne region. With these alignments, it is little surprise to most wine connoisseurs that they are now hearing much more about English wines. In fact, both Tattinger and Vranken-Pommery Monopole both inked their investments in the region to develop their own vineyards just these few years. First-time wine tourists should head to the southeastern counties of East and West Sussex and Kent for the best of what the country has to offer. Few vineyards will attempt red wines in the brisk English climate, so brace yourselves instead for creamy and sturdy Brit bubblies made from chardonnay, pinot noir and pinot meunier. In between picturesque lush hills and rolling valleys, it is well worth the trip just to give these English wines a shot... or two. **ISCA**

Kent, England

BY BENJAMIN YAP

DOING BUSINESS ABCS
(ACTIONS, BEHAVIOURS, CULTURES)

DOING BUSINESS IN INDIA

Have A Clear And Committed Strategy

INDIA IS OFTEN DESCRIBED IN DIFFERENT WAYS, a fitting reflection of its complexity and colour and summed up perfectly in its prescient tourism slogan, Incredible India. Indeed, in the news, India is scribed in extremes, ranging from its record-breaking space satellite launches to some of the saddest human tragedies. As the second most populous country in the world, I think India is more effectively described by numbers – a 5,000-year-old civilisation dating back to 3,000 BCE (Indus Valley Civilisation), and a population of 1.3 billion people growing annually at 1.2%, placing it as the most populated country in the world by 2022, according to UN estimates. Economically, India's GDP is ranked seventh globally at US$2.2 trillion; it is expected to advance to fifth place, overtaking France and the UK. Looking eastward, India's economic linkages with Asia are significant and growing, reporting a total trade value of US$71 billion for India-ASEAN and US$84 billion for China, India's largest trading partner.

When asked to share my thoughts about doing business in India, I felt that I was to be one more voice among the swell of literature and anecdotal accounts on India. But like the parable of the blind man and the elephant, this personal perspective may make all the difference to a reader in search of this view. So, I shall attempt to make three points for such a reader, based on my personal experiences and observations from having worked in Mumbai and New Delhi in India since 2010.

... a practical way to implement organisational processes would be to begin with a set of rules and adjust the rules based on feedback as they are being implemented.

PHOTO SHUTTERSTOCK

Mumbai, India

COMMITTED MANAGEMENT UNDERGIRDS STRATEGY

There are no shortcuts to doing business in India. Having a clear and committed strategy for the market is critical to success. While this may be said to be true for many markets, it is emphatically so for India. Over the years, I find that many professionals and business leaders often talk about India as a "strategic market" with broad points made as to how it is deemed strategic. In such instances, market strategy has a tendency for being broad-brush, leaving out small but potentially adverse and harmful details which need to be addressed from the onset.

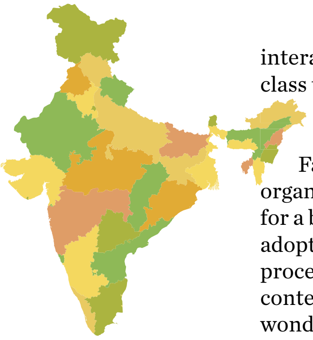
This happens predictably often when new entrants to India make errors of setting a business strategy for India with fairly high-level goals, and expecting minimal deviation. In my observation, these assumptions are often fuelled by over-simplification to the analysis coupled with simplistic or wry generalisations on how to overcome obstacles along the lines of "prepare to double the time and cost" or "be thankful if you get half the expected returns".

While the market opportunities are many, it is crucial to establish a strong foundation when doing business in India. Here, I think that the larger companies tend to have a better handle on this and would serve as good examples. Such companies invariably have a committed strategy to adopt a long-term view of India, gaining depth and scale as they grow while seeking stable returns over a more sustained period. An often-quoted example is the TATA group, a US$100-billion conglomerate often cited as one of India's leading business houses, with a widely-known reputation for getting things done right.

What does it mean then to "get it right"? I have found that getting things done right often requires detailed discussions and securing a good understanding of the fundamentals of existing regulations, regulatory framework and policy intent of any specific domains relating to the business *before* decisions are made. Such discussions tend to yield meaningful outcomes when they involve a clear strategy backed by committed management in taking a keen interest to explore the interstices and intricacies to seek the best possible solutions. Without such commitment and a strong dose of patience, the lack of clarity and nuanced market understanding can derail efforts significantly. Companies seeking to do business in India must therefore be careful to maintain sufficient bench strength within the business to commit to the business cause.

BLENDING PEOPLE AND PROCESSES

Perhaps one of the most challenging areas of doing business in India would be that of talent management and organisation. The workplace is often a dynamic blend of people and processes shaped by both formal and informal patterns of



interaction. Adding demography, gender, caste and class to the mix, you find yourself managing the microcosm of a full-fledged democracy, much like the country itself.

Faced with such conditions, I observe that organisational processes often have to be designed for a broad cross section for it to be effectively adopted. To set up and implement systems and processes with little sensitivity to the cultural context is perhaps why many companies often wonder why organisational systems fail to deliver intended results for the business, despite them being so "well defined" and "rational".

... getting things done right often requires detailed discussions and securing a good understanding of the fundamentals of existing regulations, regulatory framework and policy intent of any specific domains relating to the business before decisions are made.

I have found that a practical way to implement organisational processes would be to begin with a set of rules and adjust the rules based on feedback as they are being implemented. This often leads to an evolved outcome, which on the ground works better than a fancy management theory. I have found in some instances that the result of following such a method is refreshingly more efficient than originally planned.

Recalling an instance that happened several years ago, I had instructed my HR manager to place a staff attendance register at the reception desk of the office, thinking that it would be the first place that all staff would stop to sign in for the day. A few months later, I noticed that the register was no longer at the reception but instead had been shifted to somewhere in the middle of the office floor. When asked about it, my HR manager responded that she received feedback from staff that they preferred to place their bags down at their desks before signing in and by general consensus, many felt that it would be both best and "fair" if placed in the middle of the office. While the impact of this outcome was small, it was in some way analogous to how rules and processes can take shape in India. In sum, the reflexive nature of the people-process dynamic requires an entrepreneurial approach for establishing highly functional and effective teams.

PHOTOS SHUTTERSTOCK

Mumbai, India

New Delhi, India

STRUCTURE FOLLOWS STRATEGY

In my earlier point, I touched on the need to have committed management to undergird strategy, focusing on addressing strategy down to its last details while supporting the setup of a robust foundation for the business to deliver as it develops both depth and scale. I then turned my attention to the dynamics of blending people and processes into effective teams, which should be allowed to evolve reflexively, resulting in higher levels of adoption and ownership.

My third point relates to implementation. Here, my point is perhaps best encapsulated by the theory of business historian Alfred Chandler, when he postulated that *structure follows strategy*. Chandler's theory, which advocated that business structure is a consequence of business strategy, is very much relevant to the India context. From my observations, some businesses (and business advisors) advocate structuring around cost or tax-consideration efficiency to the extent that it becomes a primary concern, sometimes becoming a strategy in itself. While the case for that may be arguable, excessive focus on the bottom line could come at the cost of losing sight of the strategy plot. Over the years, India has seen a number of businesses seek transactional gains along tax incentives and structures which change as regulations change. Special Economic Zones, Accelerated Depreciation for Renewable Energy investments and more recently, Limited Liability Partnership structures are such examples.

From a strategy perspective, the question of where and how value is captured, how the business will be financed, and how profits will be retained or distributed should be carefully weighed against short- and long-term objectives. Here, I notice that businesses that grow well in India have a high tendency to focus on growing top line aggressively while keeping the business structures operating well within regulatory boundaries. And so the answer to structure when thinking about India fundamentally begins with the classic question, "What business are we in?"

IN SUMMARY

India's ascension to the top five economies in the coming years will create many opportunities for companies seeking to develop and capture value from the market. It is vital that businesses approach the market with well-clarified strategies and a committed management, and focus on building highly-functional and effective teams as a foundation for establishing and doing business in India. ISCA

Based in India, Benjamin Yap is CEO for the Andhra Pradesh (Amaravati) Project at Ascendas-Singbridge.

BY YVES DOZ

SPANNING THE BOUNDARIES THAT LIMIT ORGANISATIONAL INNOVATIVENESS

Bridge Diversity To Gain Unique Competitive Advantage

BY THEIR VERY NATURE, MULTINATIONAL CORPORATIONS (MNCS) STRADDLE MANY BOUNDARIES, most obviously national, cultural, economic, institutional and organisational. Adding to the challenge is the fact that these boundaries span both the external and internal contexts in which the firm's units operate. As such, they can become a source of conflict as organisations try to reconcile the search for efficient global integration with the need to compete in diverse local environments.

External boundaries range from tangible ones such as accounting practices, reporting standards or labour laws, to more subtle ones such as customers' cultural preferences or channel practices. Internal boundaries include cognition and modes of action across geographies and cultures, as well as functional and knowledge domains. As many managers will be aware, mergers and alliances can add further layers of professional and organisational boundaries which are difficult to erase. For example, even though they merged in 2004, Air France and KLM still retain distinct cultures, attitudes and behaviours. And years after the merger that led to the creation of Novartis, staff continued to identify themselves as either Ciba-Geigy or Sandoz employees.

Boundaries are also constantly shifting, adding a further element of challenge. External conditions can strengthen or weaken boundaries. Political sentiment, for example, whether towards globalisation and open trade or centring on the nation-state, will obviously have an impact on the nature of a firm's boundaries. As subsidiaries or business units leverage local knowledge and skills to create value, each is likely to become more embedded locally, resulting in deeper boundaries in the internal network of an MNC. And, as mentioned, mergers, acquisitions and alliances have a tendency to bolster boundaries as groups and individuals struggle to retain their identity. If they are to avoid undermining the very raison d'être for being a global company, managers need to find ways to span the myriad boundaries present in the environment in which the MNC operates. Yet, bridging these divides requires a balancing act of retaining enough diversity and local uniqueness to add value while integrating multiple contributions to create products, processes, services or business models that local competitors or centralised global firms will find difficult to copy.

As I detailed in my paper, "Boundary Spanning in Global Organizations" in the *Journal of Management Studies*, for boundary spanning to be effective, it is imperative that both organisational and individual capabilities are developed to bridge different contexts, cultures, structures and geographies. The paper's co-authors are Andreas Schotter, Ram Mudambi and Ajai Gaur.

Leaders can navigate boundaries using 3Ts: "tolerance" for diversity, "transparency", especially in decision-making, "trust" that arises from the practice of tolerance and transparency.

... global firms function best when the firm has a strategy on how to capitalise on both internal and external differences, namely, how and where to deploy its resources, how to encourage and nurture communication, and how to foster collaboration around global innovation projects.

PHOTO SHUTTERSTOCK

OVERCOMING ORGANISATIONAL BOUNDARIES

At the organisational level, there is a number of processes, tools and systems that can be employed to enable MNCs to harness the diversity across multiple locations. Key among them are those which enhance the quality of communication across functional, cultural and geographic boundaries. The goal here is to replicate as much as possible the richness of communication found in co-located environments. For this to happen, not only are shared systems and practices vital, there needs to be a common language in terms of tools, protocols, project design and metrics to provide a common foundation across the entire organisation.

At the organisational level, there is a number of processes, tools and systems that can be employed to enable MNCs to harness the diversity across multiple locations. **Key among them are those which enhance the quality of communication across functional, cultural and geographic boundaries.**

Communication technologies obviously play a role by connecting people. However, they do have limitations and so need to be supplemented by face-to-face team meetings and secondments that will help foster trust and mutual understanding as well as support the sharing and integration of complex knowledge across different domains.

Collaboration is an obvious route to boundary spanning, and this can be designed into the workflow via global projects".[1] These not only create the mechanism to integrate dispersed knowledge and skills into new products and services but when designed well, also provide the means to drive culture change towards a more open, cross-functional and cross-national, collaborative way of working.

The wider organisational structure will also help determine the ability of a firm to span boundaries in structures that promote internal competition for resources, for example, collaborating with an internal "competitor" makes little sense in terms of rewards and culture. Similarly, multi-domestic structures which support strong local entities may lack the linkages to recognise the opportunity for internal collaboration. At the other end of the spectrum, radically different structures, such as self-organising, decentralised ones, tend to encourage much stronger collaboration as their design is based on agility and flexibility.

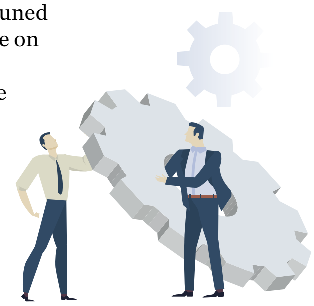
[1] "10 Rules for Managing Global Innovation" by Keeley Wilson and Yves Doz, Harvard Business Review, Oct 2012

[2] "Managing Global Innovation: Frameworks for Integrating Capabilities around the World" by Yves Doz and Keeley Wilson, Harvard Business Review, 2012

[3] "World Trade Boom Sails Into 2018 as Trump Threatens Barriers", Bloomberg News, 1 Dec 2017

PHOTOS SHUTTERSTOCK

DEVELOPING INDIVIDUAL BOUNDARY SPANNERS

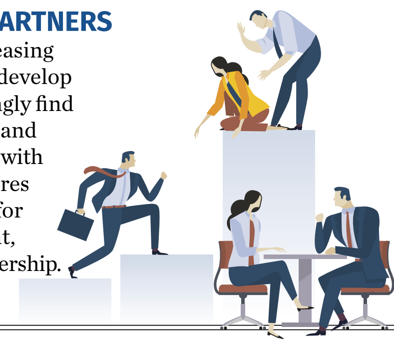


Although most individuals are not naturally attuned to working in boundary-spanning roles, practice on small non-critical projects can help build trust with distant colleagues and equip them with the skills and confidence to use collaboration tools and processes. Leaders can navigate boundaries more successfully by using what I call the 3Ts. First is "tolerance" for diversity. Second, "transparency", especially in decision-making. And third is the "trust" that arises from the practice of tolerance and transparency.

There are, however, some people who are natural boundary spanners, namely, multicultural people. Having been brought up in more than one culture, they understand the subtleties of different social norms, behaviours and beliefs. Due to their ability to switch cultural frames, these people not only work well in dispersed teams, they have a greater ability to absorb, interpret and utilise new knowledge. At L'Oréal, for example, multicultural people play a vital role in global product development teams, bridging different markets and cultures to help develop and market new products.

BOUNDARIES WITH EXTERNAL PARTNERS

With industry convergence and the increasing importance of ecosystems as a means to develop and deliver innovations, MNCs increasingly find themselves having to overcome external and internal boundaries as the need to partner with other firms becomes the norm. This requires an extension to the set of skills required for internal collaboration, as well as a patient, careful approach to the design of the partnership.



Under the prudent leadership of Carlos Ghosn, the Renault-Nissan Alliance (which now includes Mitsubishi) provides a good example of building an alliance that spans multiple boundary layers. The two partners spent time building bridges between their organisations, involving middle managers in designing the content of the alliance and seconding staff between Japan and France to learn about each other, their processes and working methods. Only once senior managers were confident that boundaries had been bridged between the two firms did they begin to integrate operations and reap major synergy benefits from their collaboration.

Whether the capacity to span boundaries is at the individual manager level or the organisational level, global firms function best[2] when the firm has a strategy on how to capitalise on both internal and external differences, namely, how and where to deploy its resources, how to encourage and nurture communication, and how to foster collaboration around global innovation projects.

LOCALLY EMBEDDED, GLOBALLY INTEGRATED, OR BOTH?

Conventional wisdom would have us believe that to be a truly global enterprise, organisations need to "think global and act local". This is deeply mistaken. The more successful global companies turn this old maxim on its head. Executives in these firms "think local", that is, how can the various locations in which they operate offer distinct knowledge, nurture strong distinctive local skills and benefit from those in other subsidiaries, and "act global" to share and integrate dispersed new learning and skills of value to other units.

To "think local and act global" calls for much stronger boundary spanning internally and externally at both the organisational and individual levels. For this purpose, boundary spanning can be thought of as a flexible coordination process to reconcile and integrate different tasks and value-creating processes that have both local and global features. Like a rubber band which holds things together (a metaphor we developed in the special issue of the *Journal of Management Studies* I co-edited and mentioned earlier), it can stretch and twist within limits to let a company avail itself of both global and local sources of advantage.

Despite globalisation's detractors, global trade in goods and services was projected[3] to grow by over 4% in 2017 (up from 2.4% in 2016). It seems more likely than not that the trend towards the MNC as a globally-integrated entity will strengthen rather than weaken over the coming years. It is therefore crucial that managers understand the nature of the boundaries they face, and how to overcome these to compete successfully. ISCA

Yves Doz is INSEAD Emeritus Professor of Strategic Management and the Solvay Chaired Professor of Technological Innovation, Emeritus. This article was first published by INSEAD Knowledge. Reproduced with permission.

FROM STRATEGICRISK

HUMAN FAILINGS CAN LEAD TO DISASTER

The Weak Links In Cybersecurity

MORE THAN 90% OF ALL CYBERSECURITY BREACHES STEM FROM HUMAN ERROR. So, are organisations doing enough to train and educate their staff?

Employees who unwittingly give away their system ID and access credentials to hackers are an organisation's weakest link. From the list of potential cyber threats in our survey, social engineering ranked fourth, showing just how concerned risk managers are.

The most common, easy, low-cost way to gain access to systems and data is via a phishing attack. As the criminals become more sophisticated, such attacks are increasingly targeting specific individuals.

"If you get an email and it appears that the grammar is a bit iffy, most people would think that it is suspect," says Eamonn Cunningham, former Chief Risk Officer at Scentre Group. "Well, guess what? These days, the phishers have identified this as a weakness and their product is a little bit more perfect. Therefore, you need to improve your education regime, because the threat is evolving."

According to Verizon's Data Breach Investigations Report, one out of every 14 users were tricked into following a link or opening an attachment. Of these, a quarter went on to be duped again. Once phishing scams have found a way in, malware can be put to work to capture and export data – or even to take control of systems.

It is not always enough to educate employees on how to spot a spoof email. Increasingly, organisations are opting to carry out simulated phishing attacks to see how staff respond. "The thing that we do with clients, and that works extremely well, is to inoculate your employees against the risk," says David Imison, partner at cybersecurity firm Schillings. "I use the idea of inoculation because it's a bit like being given a small amount of the virus so that you can build up the antibody," he explains. "If you routinely and regularly phish your employees

PHOTO SHUTTERSTOCK

"**If you routinely and regularly phish your employees** and test their ability to withstand these types of social engineering attacks, that is a very good way to build up resistance over time."

DAVID IMISON, Partner, Schillings

2017 TOP SCAMS

WannaCry shuts down businesses in 180 countries

In what might go down as one of the worst cyber attacks in history, the WannaCry ransomware attack is thought to have affected more than 230,000 people in 150 countries. While debate still rages as to whether or not email phishing was the primary attack vector, researchers believe phishing was probably one of the vectors used.

Google Docs hacked

Work came to a halt for three million people worldwide in May last year, when phishers were caught sending fraudulent email invitations to edit Google Docs. On opening the invitation, users were taken to a malicious third-party app, which allowed the criminals to access people's Gmail accounts.

Google & Facebook taken for $100 million each

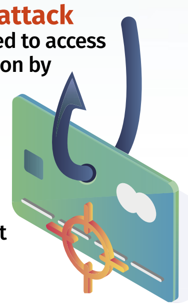
After months of uncertainty, the US Department of Justice announced the arrest of a Lithuanian man for allegedly stealing $100 million from two US-based tech companies. The targeted attack used a phishing email that persuaded employees to wire the money to overseas bank accounts under his control.

Ukrainian accounting firm exposes world to Petya

By the time December had rolled around, this phishing attack might rank as one of that year's most damaging. When a Ukrainian fintech company, MeDoc, was breached in June 2017, its systems were injected with malware. Through a Microsoft vulnerability, the malware then spread across the globe, impacting hundreds of organisations in Russia, Europe, India and the US.

Amazon ransomware attack

In January, hackers attempted to access sensitive payment information by creating deals that looked "legitimate". When buyers attempted to purchase discounted items, the transaction would appear as no longer available, prompting shoppers to input information that was later used against them.



and test their ability to withstand these types of social engineering attacks, that is a very good way to build up resistance over time."

Employee error doesn't just happen lower down in an organisation. Mistakes by senior executives, such as emailing information to a personal account or losing a laptop or other device that contains sensitive information, have caused numerous breaches and data losses.

A ROGUE IN YOUR MIDST

Organisations should also be on the alert for disgruntled or radicalised employees in their midst. Training and education can minimise human error, but deliberate attempts to compromise systems and data require a different approach. Staff-vetting procedures should keep tabs on who has access to which systems and how they are being used.

"Employee vetting as part of the onboarding process has become even more critical today, because of the increasing interdependency on IT and interaction between systems, than it was 15 years ago," says Scentre Group's Cunningham. "And because the consequence of a breach or weakness is more profound, you need to ramp up your efforts."

Background checks are also important when it comes to third parties and suppliers. "Third parties are a huge area of risk," says Schillings' Imison. "I was chatting to some people at UCL recently about insider employee risk, and they had some really clever employee-engagement tools that can spot what they call the 'dark triad', which is a mixture of personality traits including sociopathy, Machiavellianism and narcissism, all of which are more common than you might think. This all has to be done in a very open manner because you are also duty-bound to respect the privacy of your employees."


PHOTO SHUTTERSTOCK

> "**At its highest level, cybersecurity responsibility rests with the CEO and with the board.** They are the ones that are held to account for breaches and that sort of thing. However, that responsibility should then permeate through the rest of the organisation."
>
> **CRAIG SEARLE,** Founder, Hivint

The buddy system, where one employee is teamed up with another to approve certain actions and decisions, offers an important line of defence if a member of staff is behaving suspiciously. It is an effective way of monitoring individuals with access to sensitive data or key infrastructure, acting as a check for approvals and cyber access and encouraging colleagues to observe and intervene if necessary.

"There may be no golden panacea," says Peter Hacker, cybersecurity and insurtech opinion leader, but there is a growing appreciation that when it comes to effective cybersecurity, it is no longer simply the responsibility of the IT department or the Chief Technology or Chief Information Officer. "This is not just an IT security matter," he adds. "Top management cannot just delegate those responsibilities to their IT security. They need to be aware of what the data regulations are in their respective countries, and what their obligations are as a director to act with duty, care and control. Cybersecurity needs to be top down and led by the board."

Over the next few years, says Hacker, the rapid advance of disruptive technology will present growing challenges for countries, organisations, corporations, regulators, legal systems and the broader financial services industry. To ensure all employees understand their obligations in such an environment, risk managers will need to work holistically.

"At its highest level, cybersecurity responsibility rests with the CEO and with the board," says Craig Searle, founder of cybersecurity firm Hivint. "They are the ones that are held to account for breaches and that sort of thing. However, that responsibility should then permeate through the rest of the organisation."

"Certainly, there is an expectation that all staff have a part to play in keeping sensitive data, whether it be corporative information, customer information or personally identifiable information," explains Searle. "It's no longer acceptable for staff members to say, 'That is not part of my role.' The expectation that should come from senior risk managers is that everyone has a part to play in keeping data safe." ISCA

This article was first published by StrategicRISK. Reproduced with permission.

TECHNICAL HIGHLIGHTS

FINANCIAL REPORTING

ACCOMPANYING DOCUMENT TO IASB'S ED ON ACCOUNTING POLICY CHANGES PUBLISHED

The Accompanying Document provides an overview of the proposed amendments to IAS 8 and its intended application in practice. It also includes responses to some FAQs on the proposed amendments.

For more information, please visit https://www.ifrs.org/news-and-events/2018/05/new-materials-an-overview-of-exposure-draft-accounting-policy-changes/

AUDITING AND ASSURANCE

ISCA ISSUES GUIDANCE ON CYBERSECURITY RISK CONSIDERATIONS

Produced by ISCA with contributions from PwC Singapore, this publication demonstrates how cybersecurity risk and cyber attacks can impact an entity's financial statements and its related audit. It also provides guidance on how cybersecurity risk considerations can be incorporated as part of risk assessment during audit planning, as well as the appropriate audit responses to the cybersecurity risk identified and cyber incidents that have occurred.

For more information, please visit https://isca.org.sg/tkc/aa/resources/practical-guidances/other-guidances/2018/june/cybersecurity-risk-considerations-in-a-financial-statements-audit/

ENHANCED AUDITOR REPORTING: NEW FAQS ADDED

New FAQs have been added to this June 2018 version of the publication. ISCA will continue to understand the practical challenges faced in the implementation of the new and revised auditor reporting standards and provide relevant guidance.

For more information, please visit https://isca.org.sg/tkc/aa/resources/practical-guidances/other-guidances/2018/june/enhanced-auditor-reporting-implementation-of-new-and-revised-standards-faqs-updated/

GLOBAL ETHICS & AUDIT STANDARDS ACHIEVING WORLDWIDE ADOPTION

This study report by IFAC details the high rates of adoption of international standards around the world. It also presents positive results in several key areas and provides examples of success and tools for continued progress.

For more information, please visit http://www.ifac.org/news-events/2018-04/global-accounting-ethics-audit-standards-achieving-worldwide-adoption

REGULATORY

SECTION 121 OF THE COMPANIES (AMENDMENT) ACT 2014

Section 121 of the Companies (Amendment) Act 2014, which introduces new sections 202A and 202B of the Companies Act, took effect on 20 April 2018. Section 202A of the Act allows directors of a company to voluntarily revise their defective financial statements without the need to obtain a court order, when it appears to the directors that the financial statements do not comply with the requirements of the Act (including compliance with the Accounting Standards).

For more information, please visit https://www.acra.gov.sg/components/templates/newsDetails.aspx?id=f3741c8c-e8dc-4cb7-8057-b0cb50c02912

BY FELIX WONG AND ANGELINA TAN

FRS 115 TAX TREATMENT

Understanding The Implications

FINANCIAL REPORTING STANDARD (FRS) 115: REVENUE FROM CONTRACTS WITH CUSTOMERS will apply to all entities reporting under FRS for annual periods beginning on or after 1 January 2018. Unless an entity opts for early adoption of FRS 115, year of assessment (YA) 2019 (for entities with December financial year-ends) or YA 2020 (for entities with non-December financial year-ends) will be the initial YA that FRS 115 tax treatment would apply.

Shedding light on the new standard at a recent *Tax Excellence Decoded* session organised by the Singapore Institute of Accredited Tax Professionals (SIATP), Partners from KPMG in Singapore, Chan Yen San and Accredited Tax Advisor (Income Tax) Pauline Koh, summarised the accounting changes under FRS 115 and highlighted the underlying principles and implications of FRS 115 from a tax perspective respectively.

ACCOUNTING OVERVIEW

Under FRS 115, an entity has to recognise revenue depicting the transfer of promised goods or services to customers in an amount reflective of the consideration to which the entity expects to be entitled in exchange for those goods or services, by applying the following five-step model for revenue recognition:

Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract, and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

> The FRS 115 tax treatment will, in most cases, align with the accounting treatment.

PHOTO SHUTTERSTOCK

Accredited Tax Advisor (Income Tax) Pauline Koh, Tax Partner, and Chan Yen San, Partner, KPMG in Singapore, shared their insights on the intricacies of FRS 115

Among the numerous changes from current requirements, FRS 115 provides specific criteria to determine when a performance obligation is satisfied over time, as well as specific guidance on identifying performance obligations in a contract. Significant financing components are also recognised for contracts with either upfront payments or deferred payments, with some exceptions.

As the accounting profit serves as the starting point for the computation of tax liabilities, the accounting changes arising from FRS 115 will be relevant for tax purposes. There is currently no option for taxpayers to opt out of FRS 115 tax treatment.

FRS 115 TAX TREATMENT

On 12 January 2018, the Inland Revenue Authority of Singapore (IRAS) published an e-Tax guide on "Income Tax Treatment Arising from Adoption of FRS 115: Revenue from Contracts with Customers", to provide guidance on the tax treatment for entities adopting FRS 115.

Under the FRS 115 tax treatment, the accounting revenue as determined in accordance with FRS 115 will generally be accepted as the revenue for tax purposes to minimise complexities in tax rules and compliance burden for taxpayers. This means that the FRS 115 tax treatment will, in most cases, align with the accounting treatment, unless specific tax treatment has been established through case law or is provided under the law, or where the accounting treatment deviates significantly from tax principles (in the case of contracts with significant financing components).

Exceptions to FRS 115 Tax Treatment

i) Specific tax treatment established through case law

An example where the tax treatment will deviate from FRS 115 tax treatment would be in the case of property developers. Under the existing tax treatment for property developers (which is in line with *MPD Pte Ltd v Comptroller of Income Tax* [1998] MSTC 5249), profits are recognised for tax purposes when a property development project is substantially completed (or when the Temporary Occupation Permit is granted), regardless of the revenue recognition method adopted for accounting purposes. As the existing tax treatment is established through case law, it will prevail over the FRS 115 tax treatment.

ii) Specific tax treatment provided under the law

Section 10F of the Income Tax Act (ITA) on the "Ascertainment of income from certain public-private partnership arrangements" specifically provides that where a contract is entered into under a public-private partnership arrangement and is (or contains) a finance lease, subject to conditions, the part of the lease payment under that finance lease that is attributable to repayment of principal is not taxable. In such cases where the tax treatment is specifically provided for by the law (as in the case of Section 10F), the specific tax treatment will prevail regardless of how revenue is recognised for accounting purposes.

iii) Accounting treatment deviates significantly from tax principles (in the case of contracts with significant financing components)

Under FRS 115, subject to certain exceptions, an entity is required to adjust the promised amount of consideration for the effects of the time value of money, if the timing of payments as agreed to by the parties to a contract provides a significant benefit of financing the transfer of the goods or services either to the customer or to the entity.

While the effect of financing (interest income or expense) is required to be presented for accounting purposes, such interest income or expense is but notional adjustments made due to the accounting requirements and must be disregarded for tax purposes. In the case of contracts with significant financing components, entities are required to make tax adjustments to their tax computations to adjust for notional interest income or expense (reflected in their Profit and Loss Statements). In addition, as the amount of revenue recognised for accounting purposes would differ from the contractual amount due to the significant financing component, tax adjustment has to be made to bring the contractual revenue to tax when the revenue is recognised. The information relating to these adjustments from significant financing components have to be clearly disclosed in the tax computations. It is therefore good practice for entities to ensure that significant financing component of long-term contracts (with upfront payment or deferred payment) are separately identified and tracked for tax purposes.

It should be noted that notional interest expenses are not within the scope of Sections 12(6) and 45(1) of the ITA, as they are neither incurred for tax purposes nor is there any actual interest payment made to a non-resident. Hence, withholding tax is not applicable on such notional interest expenses.

> Entities should consider whether their accounting systems need to be enhanced to allow proper and accurate extraction of financial data to effect the necessary tax adjustments.

PHOTO SHUTTERSTOCK

TRANSITION TO FRS 115

Transitional Tax Adjustments

When an entity adopts FRS 115, it has to apply FRS 115 either retrospectively to each prior reporting period, or retrospectively with the cumulative effect of initially applying FRS 115 recognised at the date of initial application. This will in turn result in an over-recognition or under-recognition of income attributable to prior YAs in the initial YA.[1] Regardless of the transition method adopted for accounting purposes, any upward transitional adjustments arising from the adoption of FRS 115 that are revenue in nature would be assessed to tax, and any downward transitional adjustments would be deducted against exempt income or allowed a tax deduction (as the case may be) in the initial YA.

Specifically, upward transitional adjustments which are revenue in nature (including both trade and non-trade income) will be assessed to tax at the same tax rate applicable to trade income being taxed in the initial YA. An entity will be taxed at the applicable normal tax rate in the year of change if it is not enjoying any incentive on its trade income, and will be taxed at the applicable concessionary tax rate in the year of change if it is enjoying incentive on its trade income. Where the entity is enjoying multiple incentives on its trade income, the upward transitional adjustments will be apportioned to the different applicable tax rates in the year of change based on the respective revenue of that year from the different trade.

It should be noted that the applicable tax rates are based on the tax rates in the year of change, notwithstanding that such transitional adjustments may pertain to a prior YA in which the entity was enjoying incentives. As an example, if an upward transitional adjustment pertains to under-recognition in a YA where the entity was enjoying incentives (and assuming that the entity no longer enjoys any incentives in the year of change), then the upward transitional adjustment would be assessed to tax at the applicable normal tax rate.

In respect of non-trade foreign income, the transitional tax adjustments will apply only to amounts that are remitted or deemed remitted to Singapore. Separately, it should also be noted that entities facing cashflow issues due to the additional tax payable arising from upward transitional adjustments may apply to IRAS for instalment plans on a case-by-case basis.

As entities transition into FRS 115, it is beneficial to perform an early evaluation to obtain a clear understanding of the potential tax impact of FRS 115, particularly on transitional tax adjustments in the initial YA. This would allow entities to address these tax implications early and ease the implementation process. Entities should also consider whether their accounting systems need to be enhanced to allow proper and accurate extraction of financial data to effect the necessary tax adjustments. ISCA

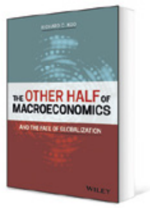
[1] The initial YA refers to the YA relating to the basis period in which the FRS 115 is adopted for the first time.

Felix Wong is Head of Tax, and Angelina Tan is Technical Specialist, SIATP. This article is based on SIATP's *Tax Excellence Decoded* session facilitated by Accredited Tax Advisor (Income Tax) Pauline Koh, Tax Partner, and Chan Yen San, Partner, KPMG in Singapore. For more tax insights, please visit www.siatp.org.sg.

Exclusive Privileges For ISCA Members

Get 30% off these and other titles from 1 July to 31 August 2018. Please quote VBQ11 in the promo code field when you order at www.wiley.com, call customer service hotline at 66438333 or email csd_ord@wiley.com. For more titles, please visit http://isca.org.sg/become-a-member/membership-benefits/membersprivileges/.

THE OTHER HALF OF MACROECONOMICS AND THE FATE OF GLOBALIZATION



Richard C. Koo
ISBN: 978-1-119-48215-4
S$56.66 including GST

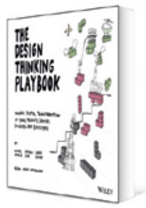
The book elucidates what was missing in economics all along and what changes are needed to make the profession relevant to the economic challenges of today. Once the other half of macroeconomics is understood both as a post-bubble phenomenon and as a phase of post-industrial economies, it should be possible for policymakers to devise appropriate measures to overcome the difficulties that advanced countries are facing today, such as stagnation and income inequality. Although it is targeted at a general audience, it is a must-read for those dealing with macroeconomic issues such as central bankers, investors and academics.

THE INSURTECH BOOK

Sabine L.B. VanderLinden, Shan M. Millie, Nicole Anderson, Susanne Chishti
ISBN: 978-1-119-36221-0
S$59.87 including GST

This book is a valuable aggregate of industry expertise in a single volume. Learn about the key developments in the industry and obtain insights into the success stories of cutting-edge practitioners – whether entrepreneurs, investors or advisors in the analytics, data analysis, data mining and actuarial space. Although it is aimed primarily at entrepreneurs and start-ups who want to be inspired by success stories and learn about the overall market dynamics, the book is also suitable for consulting firms thinking of tapping into the huge customer potential of the insurtech market but lack sufficient knowledge to do so.

THE DESIGN THINKING PLAYBOOK



Michael Lewrick, Patrick Link, Larry Leifer
ISBN: 978-1-119-46747-2
S$52.38 including GST

The book explains new approaches and tools for digital innovation using the design thinking mindset. Leveraging applications of design thinking across industries, it improves common challenges like digital transformation, and connects to agile methods within the management, innovation and start-ups. Approaching things from a strong user orientation, this is an unmatched source of competitive advantage – an actionable guide to the future of business. It helps users set an inspiring framework to foster radical innovations, questions existing mindset to transform organisations and builds highly-motivated teams, all of which contribute to a more resilient and stronger organisation.

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 23 July 2018. Please provide your full name, NRIC number, mailing address, contact number and the book you're interested in.

1. In "FRS 115 Tax Treatment", Financial Reporting Standard (FRS) 115: Revenue from Contracts with Customers will apply to all entities reporting under FRS for annual periods beginning on or after 1 January 2018.
   A: True B: False

2. In "Spanning The Boundaries That Limit Organisational Innovativeness", global firms function best when the firm has a strategy on how to capitalise on both internal and external differences, namely, how and where to deploy its resources, how to encourage and nurture communication, and how to foster collaboration around global innovation projects.
   A: True B: False

3. In "Doing Business In India", a practical way to implement organisational processes would be to begin with a set of rules and adjust the rules based on feedback as they are being implemented.
   A: True B: False

Congratulations

JUNE QUIZ WINNERS:

ANGELA NG
Sxxxx054E

JESSIE CHAN
Sxxxx806J

TEONG HWEE PING
Sxxxx549F

Answers for June quiz:
(1) A, (2) B, (3) A