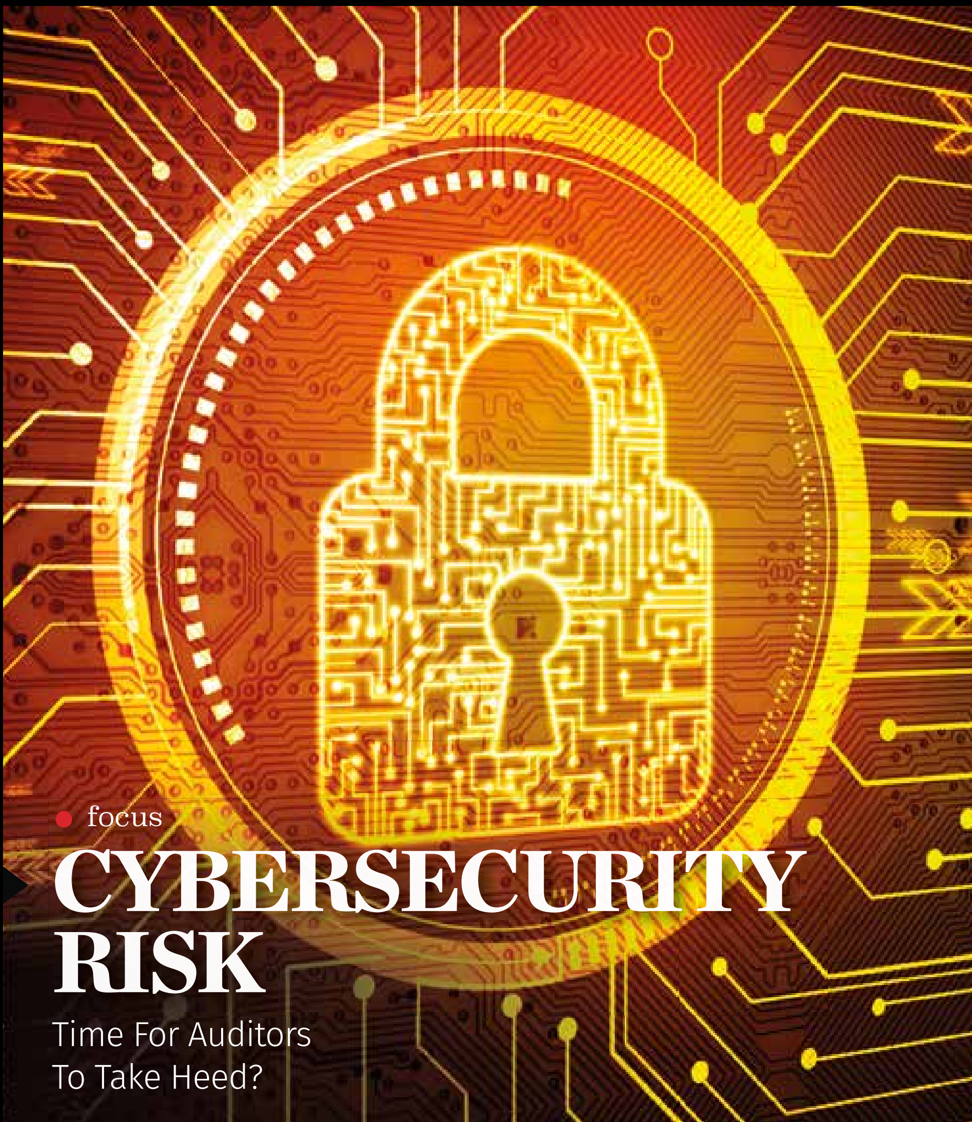
IS Chartered Accountant Journal

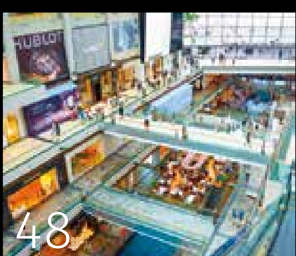
MAY 2018



focus

CYBERSECURITY RISK

Time For Auditors To Take Heed?



ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

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ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS | IS Chartered Accountant Journal

Global Mindset, Asian Insights

Keeping Up, Creating Value; Fulfilling The Demands Of The Profession

Dear members,

ON BEHALF OF THE ISCA COUNCIL, I would like to say thank you to the Council members who stepped down after the recent AGM, especially Dr Gerard Ee, who had served as ISCA President for the last four years. Under his leadership, the Institute had ramped up the pace to advance and promote the accountancy profession and contribute to Singapore's aspiration to be a leading global accountancy hub.

A leading financial and business node requires the support of a dynamic and reputable professional accountancy organisation and a vibrant accountancy sector. To this end, the Institute has worked hard to intensify its global prominence by enhancing its stature and recognition of the CA (Singapore) designation. Arrangements such as Memoranda of Understanding and Reciprocal Membership Agreements with other accountancy bodies also help to elevate ISCA and our members' standing, giving them a "professional passport" that is respected and valued in other jurisdictions.

To equip our members for emerging demands in the accountancy sector, ISCA has introduced specialisation pathways and new courses including the ISCA Financial Forensic Accounting Qualification, ISCA-SUSS Business Analytics Certification Programme and ASEAN CPA. The Project Financing Specialisation Pathway is in the pipeline and the Institute will continue to roll out initiatives to benefit our members.

Cybersecurity is a current business focus as the steady stream of headlines about data infringements has the business community and regulators on high alert. Cybersecurity can cause significant risk to businesses as breaches of information may result in financial and reputational damage, diminished investor confidence and exposure to potential regulatory penalties.

This cover story on "Cybersecurity Risk" is a timely reminder that all players in the financial reporting supply chain have an important role to play to prevent cybersecurity violations. In audit, for example, where cybersecurity risk has been identified as a key risk area that may give rise to material misstatements of the financial statements, auditors should consider involving subject matter experts. Where a cyber incident has occurred, auditors will have to evaluate and understand the causes and determine whether additional audit procedures or an alteration in audit approach is necessary and evaluate the effect and severity of losses involved and the impact to the financial statements. To support members in the area of cybersecurity, ISCA will be publishing a guide on cybersecurity risk considerations for financial statements auditors. This will be shared at the upcoming ISCA Practitioners Conference to be held on June 1.

Cybersecurity risk is one of the many threats that a risk professional has to contend with in the course of his work. As any infringement will affect the whole organisation, it is important that the risk manager can speak the "language of business" as he has to provide advice relative to the business context and, more often than not, he also has to collaborate with other functions. "Driving Effective Risk Management Discussions" proposes four primary ways for a risk manager to direct effective discussions in order to get the buy-in from the people who matter.

The ability to communicate well with others to obtain their support is named as an essential skill for a Chief Financial Officer (CFO), according to ISCA member Song Yeow Chung, himself a CFO. The finance head of Old Chang Kee tells us how technology has upended traditional business models and intensified the competition in the Member Profile column.

On the tax front, tax authorities across the world have placed renewed emphasis on tax transparency. With global initiatives such as Automatic Exchange of Information (AEOI), tax authorities are increasingly working with their counterparts to gather and share taxpayer information. While tax authorities now have greater information-gathering powers and access to broader information on taxpayers, it isn't a case of unfettered, uncontrolled free-for-all. Find out the limitations and controls in "CIT's Widening Powers To Obtain Information". Still on the topic of tax, "A Spotlight On Singapore Tax Cases" highlights some of the key tax cases in 2017, including illustrations on the application of tax law.

This issue is packed with useful resources aimed at helping members fulfil the demands of their jobs. Do share with us what else you would like to see in your journal. Meanwhile, my Council members and I look forward to your continued support, and feedback on how we can serve you better.

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

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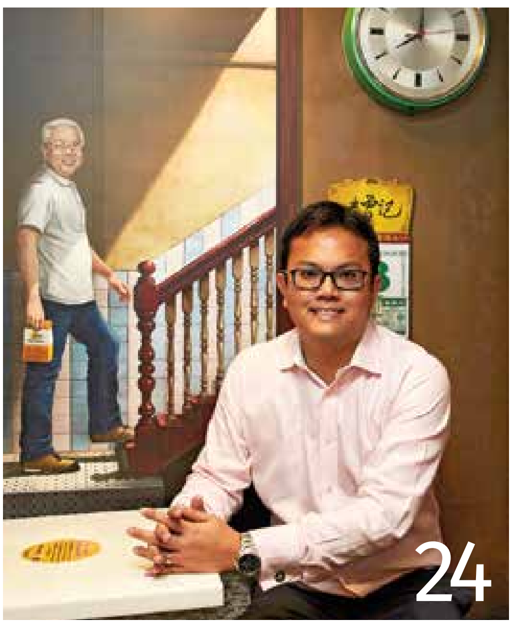
focus



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viewpoint

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first look

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

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Work-Life Balance Improving For Majority Of Financial Services Employees

quick facts

68% of Singaporean CFOs within financial services say the work-life balance of their employees has improved compared to three years ago

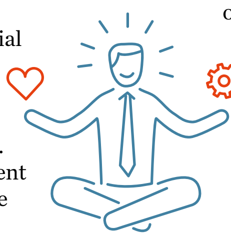
91% say an improved work-life balance among employees has a positive impact on overall workforce performance

97% have initiatives in place to improve the work-life balance of their staff, with additional leave being the most popular method

THE BALANCE BETWEEN THE PROFESSIONAL AND PERSONAL LIVES of Singapore's financial services employees is improving, according to new independent research commissioned by specialised recruiter Robert Half. The study reveals that 68% of Singaporean CFOs within the industry say the work-life balance of employees in their organisation has improved over the past three years. Almost one in three (29%) say their staff's level of work-life balance has remained the same over the same time period, and only 3% say it has decreased.

With more than nine in 10 (91%) CFOs acknowledging the positive impact on performance brought about by work-life balance, financial services employers understand their business stands to benefit from improving the professional and personal balance of their staff.

Given the fast-paced environment of financial services, a better balance not only reduces stress, it can increase job satisfaction, and bring "advantages to companies that go beyond increased productivity. Organisations that prioritise and actively promote work-life balance initiatives have a competitive edge in the war for talent as they frame themselves as an employer of choice," explains Matthieu Imbert-Bouchard, Managing Director, Robert Half, Singapore.



Some 97% of Singapore's financial services employers are actively encouraging a positive work-life balance for their staff, with current initiatives including additional leave/holidays (47%), flexible work hours (41%), company restrictions on use of mobile devices outside of office hours (29%), on-site amenities such as childcare and gyms (27%), and restricting working hours (25%).

"Flexible working arrangements and working from home are great ways for companies to allow their staff to work productively around family and personal commitments," says Mr Imbert-Bouchard. "To continue to promote proper work-life balance, employers should also discourage the 'workaholic' attitude and restrict employee access to the workplace outside of regular office hours. While some overtime may be expected during peak times on the business calendar, financial services workers should not be encouraged to sacrifice their personal and family commitments for the sake of their careers."

The annual study is developed by Robert Half and was conducted in December 2017 by an independent research firm, surveying 75 CFOs and Finance Directors in financial services in Singapore. This survey is part of the international workplace survey, a questionnaire about job trends, talent management and trends in the workplace.

PHOTO SHUTTERSTOCK

Potential Benefits Of AI Outweigh Citizen Concerns About Responsible Use By Government

PHOTO SHUTTERSTOCK

CITIZENS ARE WILLING TO TRY NEW ARTIFICIAL INTELLIGENCE (AI) TOOLS for government services despite their concerns about government use of the technology, according to results of a multi-country survey by global professional services company Accenture.

The survey, comprising responses from more than 6,000 citizens from Australia, France, Germany, Singapore, United States (US) and United Kingdom (UK), found that more than half (54%) of citizens said they are willing to use AI services delivered by government, with even more expressing willingness when presented with the potential benefits derived from AI.

For instance, 74% of respondents said they would be willing to use AI if it would increase pension or retirement income (such as by improving their personal investment strategy and/or pension scheme), and 66% said they would use a chatbot if it would guarantee faster processing of a tax refund or social service benefits.

At the same time, however, the findings highlight citizens' concerns about the use of AI by governments, with 66% of respondents indicating a lack of confidence in government's ethical and responsible use of AI. Specifically, only 34% said they are "confident/very confident" that government would be ethical and responsible in its use of AI; fewer than 29% said they are "not at all confident" in government using AI ethically and responsibly, and slightly more than 37% said they are neutral on the point.

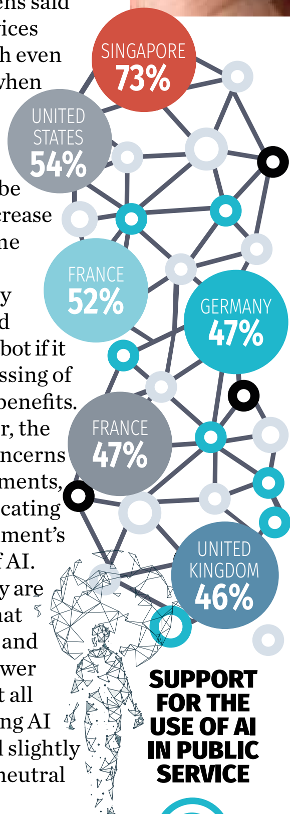
The survey also determined that regardless of where they live, citizens have concerns about the use of AI in government, including in areas of job security and personal data security. For instance, 42% said they think AI takes jobs away from people, and only about 17% believe that AI can better protect their personal information and reduce their chances of getting hacked.

One of the biggest communications challenges for government officials implementing AI projects is explaining AI's benefits to citizens, according to the survey. For instance, 32% of all survey respondents reported not understanding AI's potential benefits well enough to judge whether government should use the technology.

"Citizens are willing to embrace AI-driven solutions that improve the delivery of government services, but they want to be sure that government is taking a leading role in ensuring the safe and ethical use of AI," explains Carl Ward, who leads AI programmes for Accenture's Health & Public Service practice. "These findings should be a wake-up call for government leaders to prioritise effective communications regarding the benefits of AI-related technology in delivering government services that are secure, smart and fast, while also promoting its proper and ethical use."

The survey findings also highlight differences between citizens who work in the public sector and other citizens regarding their views on AI and government, with public-sector respondents being more positive overall. Public-sector respondents were also more likely than other respondents to say they would be comfortable using a chatbot to interact with a government agency (56% vs 38%), and twice as likely to say they believe that using AI such as digital assistants or chatbots for government services is a more secure way to protect personal information (46% vs 23%).

Accenture surveyed citizens aged 18 years and above from Australia, France, Germany, Singapore, US and UK to assess opinions about a variety of public service issues and topics. The survey was conducted online between October and November 2017. Some 21% of the respondents were identified as currently working in the public sector.



PUBLIC-SECTOR EMPLOYEES EMBRACE GOVERNMENT USE OF ARTIFICIAL INTELLIGENCE AT A HIGHER RATE THAN OTHER CITIZENS

ISCA Budget Update Seminar: A Sell-Out Event

The ISCA Budget Update Seminar is the first instalment of the 2018 Singapore Accountancy and Audit Convention (SAAC) series which comprises five events targeting different areas. The others are:

- **ISCA Practitioners Conference, 1 June 2018**
  For public accountants and audit professionals, the Conference will bring to the forefront hot topics and issues in areas such as accounting, auditing, technology and cybersecurity.
- **Technology Conference, August 2018**
  Expect a showcase of the latest innovative solutions impacting the accounting and finance industry.
- **Professional Accountants in Business Conference, September 2018**
  Rounding off the SAAC series, this Conference will be held in conjunction with the Singapore Accountancy Awards. It aims to provide participants with updates on the latest accounting, ethics and technology topics, and is a platform for accountants from different industries to network and exchange ideas.
- **Singapore Accountancy Awards, September 2018**
  The Awards seeks to recognise outstanding practices and individuals in the profession.

Keep a look out for ISCA's emails and check the ISCA website for more updates on these events.

"A LONG-HAUL BUDGET", "a tax budget", "a future-ready budget", among others, were some of the descriptions for Singapore Budget 2018.

It was not surprising that the annual ISCA Budget Update Seminar was once again a sell-out event, attended by over 800 members. Kicking off the morning session was then-ISCA President Dr Gerard Ee, who, in his opening address, described the Budget as strategic and well-calibrated, with measures in place to support economic and digital transformation, build new capabilities in companies, forge strong partnerships locally and abroad, as well as build a smart and sustainable nation. Dr Ee also commented that Budget 2018 reflected the Singapore government's consistent message to its people and businesses to embrace technology and continuously upskill to remain relevant.

The seminar commenced with an informative presentation by Professor Sum Yee Loong, Professor of Accounting (Practice), Singapore Management University and a board member of the Singapore Institute of Accredited Tax Professionals. He highlighted the key measures of Budget 2018 and explained the implications through various illustrations. In his usual engaging style with tongue-in-cheek comments, Prof Sum offered valuable insights and provided useful comparisons of Singapore's position vis-à-vis key regional and international economies.

The ISCA Budget Update Seminar is the first of five instalments of the 2018 Singapore Accountancy and Audit Convention series

SMU'S Prof Sum Yee Loong offered insights on the tax implications of Budget 2018

Prof Sum emphasised that even after taking into consideration the US corporate tax rate cut from 35% to 21%, Singapore's corporate tax regime at 17% remains competitive and comparable with the tax regime of its neighbours. He noted the shift towards a more targeted approach in helping SMEs ease business costs. One example was the enhancement and extension of the Corporate Income Tax (CIT) Rebate, from 20% of tax payable (capped at $10,000) to 40% of tax payable (capped at $15,000) for YA 2018. He also noted the enhancement of tax deduction from 100% to 200% for the first $100,000 of qualifying Intellectual Property (IP) registration costs incurred for each YA starting from YA 2019, to encourage businesses to register and protect their IPs.

Moderated by EY's Chung-Sim Siew Moon, (1st from left), the panellists engaged in a lively discussion

Complementing Prof Sum's presentation was a well-analysed walk-through of the economic outlook and analysis of the Budget by Suan Teck Kin, Head, Global Economics & Markets Research, UOB. Making reference to the shift in the global centre of economic gravity towards Asia, he attributed it mainly to China's Belt and Road Initiative, as well as economic activities in ASEAN.

Referring to Singapore's increasing expenditure, he noted that the nation's total expenditure rose at a much faster pace than the increase in Goods & Services Tax (GST) revenue received. With the shift in Singapore's demographics, the GST is set to increase, as announced in the 2018 Budget.

Moderated by Chung-Sim Siew Moon, Head of Tax, Ernst & Young Solutions LLP, the Seminar concluded with a fruitful and engaging panel discussion. Making up the panel were Prof Sum; Mr Suan; Simon Lim, Group Director, Partnership & Incentives, SPRING Singapore, and Kurt Wee, President, Association of Small & Medium Enterprises (ASME). Some of the topics included the integration of various partnership support measures into one existing scheme, Partnerships for Capability Transformation (PACT), as well as the improvement of Singapore's bond market through the issuance of bonds to fund infrastructure projects.

All in all, the ISCA Budget Update Seminar 2018 delved into an extensive range of topics, from international developments such as the US' far-reaching tax reforms to issues as local as Singapore's low total fertility rate and the symbiotic relationship it has with the taxation regime. The interactive panel also answered pertinent questions members of the public had regarding the new Budget, and Singapore's position as a global financial hub. The Seminar has once again explored the multi-faceted Singapore Budget 2018 and shed light on how it angles Singapore for the future.

Participants checking out the sponsors' booths during the coffee break

Then-ISCA President Dr Gerard Ee (4th from left) with panellists (from left) Kurt Wee, President, ASME; Simon Lim, Group Director, Partnership & Incentives, SPRING Singapore; Chung-Sim Siew Moon, Head of Tax, Ernst & Young Solutions LLP; Prof Sum Yee Loong, Professor of Accounting (Practice), SMU and SIATP board member, and Suan Teck Kin, Head, Global Economics & Markets Research, UOB

ISCA New Members Ceremony: A Celebration Of Members' Achievements

"AS WE SEE IMMENSE CHANGES ON THE HORIZON IN TERMS OF WORK, technologies and skills, the true value proposition for Chartered Accountants is trust, and the ability to analyse and discern," shared then-ISCA President Dr Gerard Ee at the New Members Ceremony at InterContinental Singapore on March 13. In his welcome address, Dr Ee also highlighted that Chartered Accountants need to build on their virtues of commitment to excellence, expertise, resilience and integrity.

The first New Members Ceremony of the year brought together over 250 members and guests, in celebration of the professional achievements of members who have attained the prestigious CA (Singapore) designation. The contributions of Fellow members were also honoured with the presentation of the FCA (Singapore) certificates to members of more than 10 years' standing, holding leadership positions and with a proven career track record.

In addition to the membership presentation ceremony, the ISCA Achievement Award was presented to accountancy undergraduates from the local universities who have demonstrated academic excellence, leadership qualities and community involvement. Top performers of the ISCA Professional Examination and Singapore Chartered Accountant Qualification were also acknowledged for their outstanding accomplishments.

Then-ISCA President Dr Gerard Ee addressing attendees at the start of the event

Invited guest speaker Charles Ng, Finance Director of Club 21, sharing his experiences and the pillars of success with newly-minted CA (Singapore) members

A good turnout to celebrate members' achievements

The value proposition of Chartered Accountants was further elaborated by Charles Ng, Finance Director, Club 21, who was invited to share his experiences with the new members. A Fellow member and an established industry leader, Mr Ng emphasised that there are two important elements professional accountants bring to the table that can never be replaced by disruptions or changes in technology – professionalism to assess issues and offer solutions, and a strong belief value system that will withstand scrutiny. His advice to the young members is to maintain a high level of integrity and professionalism, and reskill and upskill to stay ahead.

Recounting his experiences and valuable lessons learnt in his professional journey, Mr Ng elaborated on the pillars that are key to his success, bringing him to where he is today in his career. He urged the new Chartered Accountants to learn from their mentors, read widely, and embrace learning to build their knowledge base. Past experiences in diverse roles would help them gain different perspectives and add value to their work. Given the nature of an accountant's work, Mr Ng added that it is also important for members to polish their communication skills to articulate their beliefs to stakeholders, and build sustainable relationships with the people they work with.

We would like to thank everyone who took the time to join us at the New Members Ceremony. View the photos of the ceremony at the ISCA Facebook page at http://fb.com/ISCA.Official/photos.

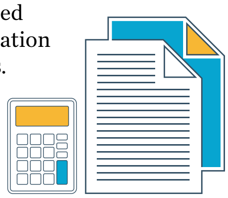
Recognition Of Achievements In Accountancy

WITH THE OBJECTIVE OF RECOGNISING ACADEMIC EXCELLENCE AND ACHIEVEMENTS IN ACCOUNTANCY, a total of 27 awards were given out at the New Members Ceremony on March 13.

Students enrolled in accountancy-related degrees at Nanyang Technological University, National University of Singapore, Singapore Management University, Singapore Institute of Technology and Singapore University of Social Sciences were conferred the ISCA Achievement Awards based on their stellar academic achievements, exceptional leadership qualities and strong community involvement.

Top-performing candidates of the Singapore Chartered Accountant Qualification and ISCA Professional Examination were also accorded awards in the respective programmes.

We would like to congratulate all award winners and we hope that the awards will inspire you to achieve greater heights as an accounting professional.



ISCA Achievement awardees

"Receiving the ISCA Achievement Award will serve as an inspiration to my fellow aspiring accountants and juniors who are currently pursuing their studies to strive hard not only in academics but also in extra-curricular activities. I took part in the Gobi Desert Challenge (a 112-kilometre journey across the Gobi Desert while raising funds) and a service-learning project providing weekly tutoring sessions to the beneficiaries of Pertapis.

Upon graduation, I will be joining the audit sector. I aim to pursue the Singapore Chartered Accountant Qualification to become a qualified accountant. The skill sets I've developed in and outside the classroom setting will put me in good stead in my career, especially in the audit sector where communications and management skills are essential."

AMANDA CHIAM, (photo: 1st from right)
Singapore University of Social Sciences,
ISCA Achievement Award recipient

Singapore Chartered Accountant Qualification awardees

"I am extremely thankful to be recognised with a Top Scorer award from ISCA and appreciative of the support that I have received throughout my Singapore Chartered Accountant Qualification journey.

The road to qualification was tough but fulfilling. It gave me opportunities to deal with different areas of accounting that I would not have dealt with in my work. For me, this award is a validation of the hard work I have put in and is a significant milestone in my journey as a Chartered Accountant of Singapore.

I would encourage those who are on the programme to strive for the best and use it as an opportunity to develop themselves."

MUHAMMAD ASHIQ CHU (photo: 3rd from left),
Top Scorer in Integrative Business Solutions, Singapore CA Qualification, December 2017 examinations

ISCA Professional Examination awardees

"Financial Reporting & Disclosure was my last and toughest paper, so it was a bittersweet ending to be given recognition for it.

I'm happy that it will give my current and future managers greater confidence in my accounting knowledge, and it affirms my belief that I'm on the right track for a fulfilling career."

LEE KOK MUN (photo: 1st from right),
Top Scorer in Financial Reporting and Disclosure,
ISCA Professional Examination 2017

MARK YOUR CALENDAR

09 MAY

ISCA Breakfast Talk - Developing Effective Financial Forecasts

Join us at this session to find out how reporting processes can be made faster, more efficient and more productive for everyone.

22 MAY

Tax Must Knows - Regional Development in GST, Transfer Pricing and Cross Border Tax Issues

Provides an overview of the quarter tax developments across the region covering GST, transfer pricing and cross-border corporate tax.

26 MAY

The ISCA Run is back for the 5th year.

Organised by the national accountancy body, the Institute of Singapore Chartered Accountants (ISCA), the sporting event promotes camaraderie among members of the accountancy profession, as well as healthy living and family bonding.

ISCA Run also aims to give back to the accountancy profession via the event's chosen beneficiary, ISCA Cares.

For more details and registration, please log on to **www.iscarun.sg**

01 JUN

Practitioners Conference 2018: Coming to the Fore - Inspiring Quality, Creating Value

With the theme "Coming to the Fore- Inspiring Quality, Creating Value", the Conference aims to inspire our audit professionals with our prominent line-up of speakers from both the public and private sectors who will show how auditors can create a significant impact in the work they do to deliver both quality and value to stakeholders. Our seasoned experts will cover a vast array of topics from the auditor's perspective, ranging from cybersecurity risks, anti-money laundering, corruption, the new leasing standard FRS 116, and more.

02 &09 JUN

The Art and Science of Asking Questions: Get the Truth in the Shortest Time

Equips participants with holistic interview skills from effective listening and questioning techniques to solicit information that interviewee has reasons to conceal, such as a confession to wrongdoing.

02 JUN

Tax and Transfer Pricing in Supply Chain

This course discusses issues and the impact of the OECD Base Erosion and Profit Shifting.

14 JUN

NEW

Collaborative Practices between External and Internal Auditors

Gain insights on the various opportunities for collaboration between external & internal auditors to harness synergy from the work they perform.

20,21, 22,25 & 26 JUN

Practical Accounting Essentials

Explains the fundamental requirements of the Singapore Financial Reporting Standards ("SFRS"), sufficient to enable the participant to appreciate the thought processes and accounting judgments applied in the preparation of financial.

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

Rising High Above TP Risks

"PROFITS SHOULD BE TAXED WHERE VALUE IS CREATED." This sentence, though understood by many, is wrought with complexities and uncertainties in application, resulting in increased transfer pricing (TP) risks for some companies that are in the dark about such matters.

Bringing light to the many facets of business issues companies face that potentially pose a risk to their overall TP framework were the objectives of the Singapore Institute of Accredited Tax Professionals' *Tax Excellence Decoded* session titled "Don't Be Tripping Over Transfer Pricing Risks".

The session was particularly apt for participants from companies engaged in transactions with related parties across international borders. Participants walked away with practical tips in managing TP as Adriana Calderon, Director at Transfer Pricing Solutions Asia, shared her expertise using practical examples and various scenarios. Summing up, Accredited Tax Advisor (Income Tax & GST) Eddie Lee, Tax Director, Robert Yam & Co. commented, "Adriana is a very knowledgeable and experienced speaker for this topic on transfer pricing."

Email enquiry@siatp.org.sg if you too wish to be enlightened on TP or other tax issues.

Ⓐ Adriana Calderon, Director at Transfer Pricing Solutions Asia, provided global insights into TP with her clear explanations and examples isca breakfast talk

Building Financial Models For Decision Making

Ⓐ Dr Lim Thou Tin, Principal Consultant of Decision Modelling Systems, and a regular trainer at ISCA's CPE courses, kicked off the session with an overview of financial modelling

Ⓑ A capacity crowd of more than 75 members attended the Breakfast Talk on financial modelling

DURING THE BREAKFAST TALK ON APRIL 11, Dr Lim Thou Tin, Principal Consultant of Decision Modelling Systems, and a regular trainer at ISCA's CPE courses, spoke about how financial models can be built to meet business needs and assist in decision making.

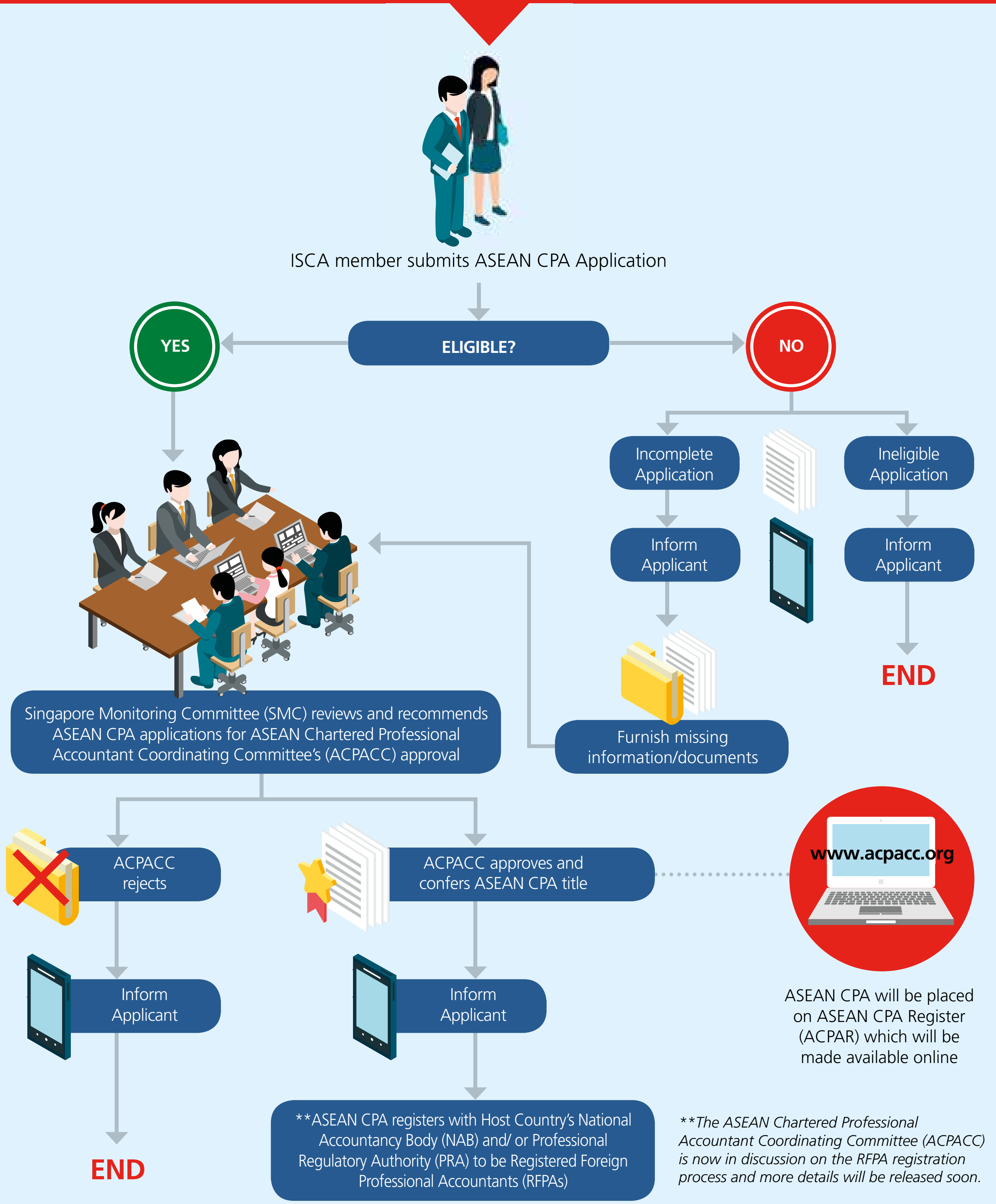
He elaborated on what financial models can do, including how they can be applied in forward-looking planning, backward-looking monitoring, and real-time decision making. In forward planning, users can use financial models to predict trends and most likely future events; forecast short- and long-term financial outcomes, and estimate the impact on financial performance.

In monitoring, users can compare actual results with planned outcomes; evaluate financial performance against benchmarks, and review plans for possible modifications.

Lastly, in real-time decision making, users can use models to deal with non-recurring, non-standardised issues, and rely more on external sources of inputs and variables.

Dr Lim rounded off the session by going through the Dos and Don'ts in building a financial model using Excel, and some of their practical applications such as estimating discount rates from accounting and marketing data, and evaluating economic and financial viability of new investment programmes.

Register to be an ASEAN CPA now!



You can now apply to be an ASEAN Chartered Professional Accountant (ASEAN CPA) if you are a CA (Singapore) or Associate member of ISCA.

As an ASEAN CPA, you will get market access to ASEAN, one of the highest growth economic regions in the world.

ASEAN CPAs are legally allowed to provide accountancy services (except audit and other domestic regulated accountancy services) in ASEAN markets. Registration fee is waived from May 2018 – May 2019.

Download ASEAN CPA application form from ISCA's website: http://isca.org.sg/media/2238091/asean-cpa-application-form.pdf, and submit to **aseanmra@isca.org.sg** now.

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.

Far East Hospitality

ISCA members enjoy:
(Weekend Staycation Rates)
- The Quincy Hotel: Per room night stay from $220 nett
- Oasia Hotel Downtown: Per room night stay from $180 nett
- Oasia Suites Kuala Lumpur: Per room night stay from MYR250 nett

Ark Insurance

ISCA members enjoy:
- Exclusive prices all year round for Motor, Travel, Home and Personal Accident insurance products
- Free shopping voucher for motor insurance products

Wiley

ISCA members enjoy:
- 20% off on selected books

Please refer to the website for the promo code

Young Earth Sanctuary

ISCA members enjoy:
- 15% off natural health food from YES with promo code ISCA15PCT on www.yesanctuary.com

BY FUA QIU LIN

CYBERSECURITY RISK

Time For Auditors To Take Heed?

THE GLOBAL INTEREST IN CYBERSECURITY IS GROWING. As we move into the cyber age, technology has become a huge part of both our everyday lives and today's business environment, as more and more businesses increase their online presence and digital exposure by leveraging technology for almost every aspect of their business.

But just as technology presents opportunities to many businesses, it also presents threats and challenges. Over the years, cyber attacks have continued to occur, escalating in frequency, severity and impact. These incidents have impacted every industry from financial services to retailers, entertainment and healthcare providers. For example, in a biggest known breach of a company's computer network, state-sponsored hackers attacked all three billion user accounts of Yahoo! in 2013, and made off with names, birth dates, phone numbers and passwords of users that were encrypted with security that was easy to crack. Following the disclosure of the cyber attack, Yahoo's Internet business was acquired by Verizon Communications at a substantially-reduced price that was US$350 million lower than the original US$4.8 billion agreed price.

Elsewhere, criminals gained access to certain files in Equifax, a credit rating agency's system, by exploiting a weakness in its website software, resulting in a data breach involving highly sensitive and personal information belonging to 148 million customers. Its Chief Financial Officer said in November 2017 that this had cost the US credit bureau nearly US$90 million, a figure that was set to rise further. Health service organisations in the United Kingdom were hit by the WannaCry ransomware attack in 2017, which scrambled data on computers and demanded payments of US$300 to US$600 to restore access, affecting the delivery of healthcare services.

In Singapore, the WannaCry ransomware attack was on a much smaller basis, and limited only to shopping malls and stores. In 2017, a breach in an Internet-connected system at the Ministry of Defence resulted in the theft of the personal data of 850 national servicemen and employees. Earlier in 2014, the personal data of over 300,000 karaoke company K Box's customers were leaked as a protest against the government's announcement to match Malaysia's toll hikes at the Causeway. K Box was ordered by the Personal Data Protection Commission (PDPC) to pay a fine of S$50,000; PDPC's investigations had shown that the company did not have a sufficiently robust IT system. Undeniably, cyber attacks can have a huge impact on businesses. Given the changes in the business landscape and the hype over cybersecurity, it is worthwhile to explore whether financial statements auditors need to consider the cybersecurity risk of their clients.

Just as auditors would consider an entity's business risks in a financial statements audit, cybersecurity risk is an equally important risk area that cannot be ignored.

PHOTO **GETTYIMAGES**

PHOTO SHUTTERSTOCK

CYBERSECURITY RISK: AN ESSENTIAL AUDIT CONSIDERATION

Perhaps due to its constantly evolving nature, cybersecurity risk remains complex and abstract to many. There may also be a perception that cybersecurity risk is not relevant to small businesses, hence, cybersecurity risk may not have been considered and addressed in all financial statements audits. But let us think about this: risk assessment is a crucial part of audit planning and auditors are required under the auditing standards to obtain an understanding of business risks that may result in risks of material misstatement of the financial statements. Just as auditors would consider an entity's business risks in a financial statements audit, cybersecurity risk is an equally important risk area that cannot be ignored, perhaps even more so, given the broad extent to which cyber attacks can cause fundamental enterprise-wide damage to organisations, and for some attacks, even a huge impact to the financial statements. Cybersecurity risk is hence an essential consideration in any financial statements audit.

Cybersecurity risk can affect many different areas of a business. For financial statements audit, the auditor only needs to consider the risks that could impact the financial statements and the entity's assets. It would not encompass

a comprehensive evaluation of cybersecurity risk and controls across the entity's entire IT environment. For example, an online retailer experienced a cyber attack to its online retail platform, resulting in customers being unable to place online orders for a short period of time. Noting that the retailer has yet to increase protection of its system, the auditor may assess the possibility of another cybersecurity breach as higher. However, this represents a business risk to the retailer, with an opportunity cost of lost revenue when the system is down rather than a direct impact to the financials of the entity. On the other hand, if the online retail system is connected to the entity's system that stores its confidential data and information, an attack like this can also expose the entity to other potential vulnerabilities. This may then require further assessment by the auditor.

CYBERSECURITY RISK IS RELEVANT TO ALMOST EVERY ENTITY

For an entity operating with a traditional business model with no online presence, intuitively, one may think that cybersecurity risk does not apply. But this cannot be further from the truth. Unless the entity runs entirely on manual processes without any technology intervention or Internet connectivity, cybersecurity risk will come into play albeit in varying degrees. A small mom-and-pop provision shop, for instance, could be using a point-of-sales system and technology to monitor its inventories and hence, is also exposed to cybersecurity risk.

While most of the reported cyber attacks affected big businesses, small businesses also suffer from cyber attacks even though these may be less reported. For small businesses, the likelihood of experiencing cyber attacks is just as high if not higher, as their defences are typically less sophisticated and easier to penetrate. In fact, the impact could be more devastating or it may even go undetected. While larger businesses may have the resources to recover from the attacks, the chances of making a full recovery for smaller businesses may be much lower. Potentially, it could even put them out of business. Cybersecurity risk consideration is hence relevant to almost every entity, be it big or small, and with or without an online retail market.

As part of understanding an entity's objectives, strategies, operations and risks, auditors would be able to identify the related business risks that may give rise to risks of material misstatements of the financial statements. Depending on the entity, cybersecurity risk may or may not be one of such risks. In the previous example of the provision shop, cybersecurity risk is unlikely to be a key risk area identified by the auditor as part of risk assessment, unless an actual cyber breach has occurred. In comparison with another example – a corporation adopting new-age digital technologies – cybersecurity risk would likely be one of the key risk areas. Therefore, auditors need to have a good understanding of the entity's business and its IT environment, and determine the relevance of cybersecurity risk to the audit. Whether it is a provision shop or a corporation using the latest technologies in all aspects of its business, it would still be necessary to demonstrate that this has been considered and assessed.

Changes in the risk environment and the ways in which businesses operate also mean that business risks do not remain constant. In one year, cybersecurity risk may not have been identified as a key business risk that may result in risks of material misstatement, but this does not mean that the same goes for the next year. Take the example of a brick-and-mortar retail shop selling clothes which switches to online retail – the extent of exposure to cybersecurity risk would have changed with the change in its business model; it is hence important that cybersecurity risk be assessed from year to year.

Cybersecurity risk consideration is ... relevant to almost every entity, be it big or small, and with or without an online retail market.

EFFECTS OF CYBER ATTACKS: MORE THAN WHAT YOU THINK

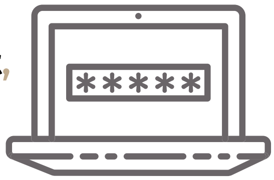
Cybersecurity risks are broad and connected. The impact of cyber incidents may not be isolated or contained within single systems or networks, hence creating potential systemic risks. Pigeon-holing cybersecurity risk as merely IT risks also makes it difficult to recognise the full business impact of security breaches. The potential costs to an entity of a successful cyber attack can include loss of intellectual property, theft of confidential information, breach of customer data privacy, reputational damage, service and business disruption, damage to physical infrastructure (example, corrupted servers), alteration to financial records and transaction logs as well as the huge costs in response to the attack, such as lawsuits and settlements, regulatory inquiries, and more.

While not all the earlier cyber incidents mentioned appear to have a direct impact on the financial statements or the entity's assets, incidents that relate to unauthorised access to financial reporting applications, data and digital assets recorded on the balance sheet clearly would. Even where the cyber incident does not directly impact the financial reporting applications and data, such as the common attacks involving theft of customer data, the auditor would still have to consider, among others:

- Remediation costs that the entity would have to incur, such as costs to repair the system damage, and compensation offered to customers to maintain business relationships;
- Regulatory inquiries and penalties for breaching data privacy;
- Potential lawsuits from affected customers and associated legal fees;

PHOTO GETTYIMAGES

... financial statements auditors should consider and assess cybersecurity risk as part of risk assessment for every audit, as well as the possibility that breaches may have occurred.



- Reputation and brand damage, and its impact to revenue, value of inventories, intangibles (impairment issues);
- Going concern issues.

Hence, when a cyber attack does occur, it is unlikely to be business as usual, either for the entity or the auditor, unless it is clearly insignificant and isolated.

NO CYBERSECURITY RISK IDENTIFIED = NO BREACHES?

Cybersecurity risk may not have been identified as a key risk area by the auditor as part of risk assessment, but this does not necessarily mean that no breach has occurred. Auditors should still maintain their professional scepticism when carrying out their audit as there could be events or conditions that may indicate a possible breach. Some businesses with weak IT programmes and controls may not even realise that they have been the subject of a breach. Auditors should hence conduct their audit with a mindset that recognises the possibility that an actual cyber attack may have happened. Through the performance of the usual audit procedures, it is still possible to identify such cyber incidents.

Let us assume that a traditional manufacturing company has no online presence. The auditor had performed the risk assessment and did not identify cybersecurity risk as a key risk area that might give rise to material misstatements of the financial statements. Accordingly, the auditor obtained an understanding, designed and performed testing over the relevant IT general controls. IT specialists were not engaged to perform additional work on cybersecurity testing. During the course of the audit, while performing testing of the revenue accounts, the auditor noted exceptions to the norm. Upon inquiry and further investigations, the entity then discovered that it had been the subject of a cyber attack which deleted some of its sales transactions. Without appropriate data backups and recovery contingency plans, the entity might not be able to present complete and accurate financial data.

FINANCIAL STATEMENTS AUDITORS DO HAVE A PART TO PLAY

Financial statements auditors are not IT experts who can perform more sophisticated and detailed cybersecurity testing, which requires a special set of skills. However, financial statements auditors should consider and assess cybersecurity risk as part of risk assessment for every audit, as well as the possibility that breaches may have occurred. The conclusion may be that cybersecurity risk is not a key risk area that requires special audit attention, but the assessment is still required nonetheless to make such a determination.

Where cybersecurity risk has been identified as a key risk area that may give rise to material misstatements of the financial statements, the auditor should consider involving subject matter experts. Where a cyber incident has occurred, auditors would have to evaluate and understand the causes and determine whether additional audit procedures or an alteration in audit approach is necessary, evaluate the impact and severity of losses involved and the impact to the financial statements.

LEARN FROM THE EXPERTS

The Institute will be publishing a guidance on cybersecurity risk considerations for financial statements auditors. This will be shared at the upcoming ISCA Practitioners Conference to be held on 1 June 2018. The Conference is the second instalment of the 2018 Singapore Accountancy and Audit Convention Series which comprises five events targeting different areas. (Read about the first event and find out more about the other events in "ISCA Budget Update Seminar", in ISCA News.) It is the Institute's flagship event for public accountants and experienced audit professionals. With the theme "Coming to the Fore – Inspiring Quality, Creating Value", the Conference aims to inspire and demonstrate how auditors can create a significant impact in the work they do to deliver both quality and value to stakeholders. More details can be found at https://eservices.isca.org.sg/courseDetail?courseMasterId=a0g0K000007aCT8QAM. ISCA

Fua Qiu Lin is Senior Manager, Audit Quality & Standards Development, ISCA.

MEMBER PROFILE

"THE INTERNET AFFECTS EVERYTHING, EVEN CURRY PUFFS"

TEXT BY JIMMY YAP

HERE'S A QUESTION WORTH PONDERING: Why would someone like the CFO of a Singapore F&B business specialising in local snacks be concerned about the rise of the e-commerce site Amazon, whose founder, Jeff Bezos, was named the richest person in history earlier this year? Well, it's not because Amazon is currently shipping piping hot curry puffs and fried chicken wings to customers (though never say never). However, the rise of Amazon is reshaping the business landscape so much so that it is even affecting cafes, restaurants and snacks vendors.

According to Mr Song, 40, because people are shopping online more, mall operators are choosing to alter the mix between retail and F&B, opting to increase the number of restaurants and cafes over retail outlets. For Old Chang Kee, this means that it faces more competition in malls because shoppers have so many more options when it comes to grabbing a quick bite.

Dealing with a rapidly-changing environment is one of the many challenges that Mr Song has to deal with in his job. Mr Song, who has been with Old Chang Kee for seven-going-on-eight years, is constantly looking for ways to improve the business. "Purchasing, IT, logistics, production – these are all areas where Finance can have an input," he noted.

ISCA Member **Song Yeow Chung**, CA (Singapore), Chief Financial Officer, Old Chang Kee Ltd

One of the perennial bugbears of businesses in Singapore is the shortage of manpower, and part of Mr Song's job was to work with the management team to convince the "towkay bosses" that automation was the way to solve this problem, especially along the production line. The decision was made easier because Mr Song could point to government grants to help businesses automate; eventually, the company purchased state-of-the-art machinery from Switzerland to handle the curry puff production. Interestingly though, the curry puffs are still crimped by hand. "Curry puffs are niche and no technology exists to crimp them, so even now, they are crimped by hand," he said.

Like C-suite executives all over the world, Song Yeow Chung, CFO of Old Chang Kee, lies awake and worries about Amazon.

Mr Song's job also consists of helping the company analyse potential revenue-drivers, whether these are from new products or from overseas expansion. The popular nasi lemak curry puff is one example of how Old Chang Kee is trying to add retail excitement and increase same-store sales. "The team came up with the idea a year ago. The success of McDonalds, with its nasi lemak burger, made us more determined to improve our original recipe before we eventually launch it." The nasi lemak curry puff was introduced in March this year, and the reaction has been overwhelming. "We had to get our production 'warriors' to double the production output," he said.

While a new hit product sounds like something to celebrate, Mr Song and his team also have to ensure that the nasi lemak curry puff would not be a drag on Old Chang Kee's bottom line. "We have to analyse the cost of the product, and see the response of same-store sales. As it might cannibalise existing products, we need to analyse the net results and see how this will affect margins."

A BIGGER SLICE OF THE PIE

Mr Song is involved in the firm's latest overseas venture – the opening of the flagship Old Chang Kee outlet in

CAREER MILESTONES

2002
Graduated from Nanyang Technological University
Joined Ernst & Young Singapore

2008
Finance Manager, Chartered Semiconductors Manufacturing Pte Ltd

2010
Group Financial Controller, Old Chang Kee Ltd

2018
Chief Financial Officer, Old Chang Kee Ltd

> **"As a CFO, you need to consider the higher, macro level, and you must also be able to see how trends will affect the company and industry."**

London's Covent Gardens in June this year. The outlet has been in the works for over a year, and Mr Song's role was to evaluate the business model and decide on the nature of the business relationship. The London store is a joint venture with a former *The Straits Times* journalist now living in the city. Because it is a joint venture, with both parties sharing revenues and costs, rather than a franchise, Mr Song had to pay extra attention to the commercial terms of the agreement.

While Old Chang Kee outlets can currently be found in Australia, Indonesia and Malaysia, and soon, London, more than 90% of the company's revenue still comes from Singapore. Expanding overseas is thus very important for the company, which was listed on the Singapore Exchange in 2008. "Ultimately, Singapore is a small market," noted Mr Song.

However, the company is cautious about overseas expansion and chooses its partners and markets carefully. "We've met people who were interested in bringing us to a remote part of Central Asia. They wanted to do a joint venture but we had to turn them down because a lot of the money matters would be left in the hands of the JV partner. We wouldn't be able to monitor this easily due to the location."

China is of great interest as a new market. The company had previously tried to expand into China but stepped back due to difficulties in getting good local strategic partners. It has not given up though, and is currently talking to various parties in China about the possibility of opening outlets there.

AN APPETITE FOR NEW IDEAS

Even though the company is in the food industry, it is no slouch when it comes to embracing technology. It moved its enterprise resource planning (ERP) into the cloud four years ago, and is very happy with the move. "You save space and you don't need to invest in a data centre," he noted. The company was also an early mover in e-commerce, having partnered with food delivery company Food Panda five years ago. "We were one of the first food operators to work with Food Panda," he said.

Old Chang Kee is currently looking at e-payments but has decided to wait until the dust has settled and there is a single e-payment platform in Singapore. "A lot of our staff are elderly, so we don't want to keep changing things." The CFO believes that a single e-payment solution will emerge within a year or two, and that would be the time for the company to adopt it.

When Mr Song was studying accountancy at the Nanyang Technological University, he did not imagine that he would one day end up being the CFO of a venerable Singapore icon. Admitting that "nobody dreams of being an accountant when you are young", he said he chose accountancy because of an aptitude for mathematics and economics. He joined Ernst and Young after graduating in 2002 and rose to become Audit Manager by the time he left in 2008. He then joined Chartered Semiconductors Manufacturing as Finance Manager. With two years of commercial experience under his belt, he entered Old Chang Kee as the Group Financial Controller in 2010.

Based on his experience, he believes that curiosity is an important trait for a CFO. He reads widely to keep up with new developments not just in the F&B industry but far outside it. "As a CFO, you need to consider the higher, macro level, and you must also be able to see how trends will affect the company and industry." That is why Old Chang Kee went with cloud computing and Food Panda relatively early, he explained.

The other important quality of a good CFO is his ability to get the buy-in from the team. "You need to have a clear idea of what you want to achieve, and you need to convince them why it is important." For young accountants, who are just starting out and are open to different industries, his advice is to head to an accounting firm such as the Big Four. "Join an accounting firm first, get the experience, and dabble in different industries. After a few years of trying out, you will know which industry you want to focus on, then you can move to the commercial side."

Being an ISCA member gives Mr Song access to the Institute's many events as well as networking opportunities and training sessions. "As accountants, we need training in accounting, ethics, soft skills and technical updates, and ISCA provides them all." **ISCA**

BY JAMES LARMER, MARK JANSEN AND ANDRE TAN

BECOMING A DATA-DRIVEN ORGANISATION

Important Checkpoints In Your Journey

FROM OCTOBER TO DECEMBER 2017, ISCA collaborated with PwC to roll out a three-part ISCA Breakfast Talk series on data & analytics. More than 220 participants benefited from the insights presented by the subject matter experts over the three sessions. Noting that data can be transformed into a very powerful tool, and that more and more organisations are utilising analytics to augment decision-making, it would be beneficial to extend the content of the three sessions to a wider audience so that more can benefit from these timely recommendations and advice. The following article articulates the points organisations should note on their journey towards becoming a data-driven organisation.

As the world drives towards artificial intelligence (AI), there are increased expectations for all organisations to change. Underpinning this is data, which ultimately enables AI. Data is a critical asset, and here, we outline three key considerations for an organisation to reap its value.

1) DATA GOVERNANCE
Laying the foundation for analytics

Data is increasingly becoming an integral part of corporate strategy. Companies are rapidly deploying data-enabled solutions, robotics, machine learning and analytics to drive their business. Data is also coming from multiple sources and increasingly, there is use of unstructured data that is external to the organisation. Key decisions and actions are made on this data at speed; we have less and less time to question the data and therefore, trust is critical.

Trust means answering basic questions such as, "Where is the data coming from?"; "Is the data accurate?"; "How will it be stored and who will have access to it?" and, importantly, "How is my data being used?" Increasingly, these are critical questions as data drives more decisions in the organisation and the risk of bad data materially harming the organisation becomes more acute.

CHARTS PWC, PHOTO SHUTTERSTOCK

Many companies are only just now waking up to the complexity of the aforementioned questions, more often than not as a response to incidents that have resulted in significant losses. In responding, some companies have set up data governance programmes to maintain and update data for selected systems. These progammes are well intended but often tactical as data is not an asset for system – it is a business asset. Fundamentally, a shift is needed within the organisation to view and treat data not in isolation but as a strategic, corporate asset, where ensuring data integrity becomes a shared, enterprise-wide objective.

Data governance is the enablement of a controlled data environment across an organisation in which the full potential of data can be realised and its risks minimised. This includes the establishment of an enterprise-wide governance framework including standards, policies and procedures, assignment of ownership of data, and the creation of new functions and roles within the organisation to manage data.

Fundamentally, good data governance will be the foundation of future enterprises.

CASE STUDY

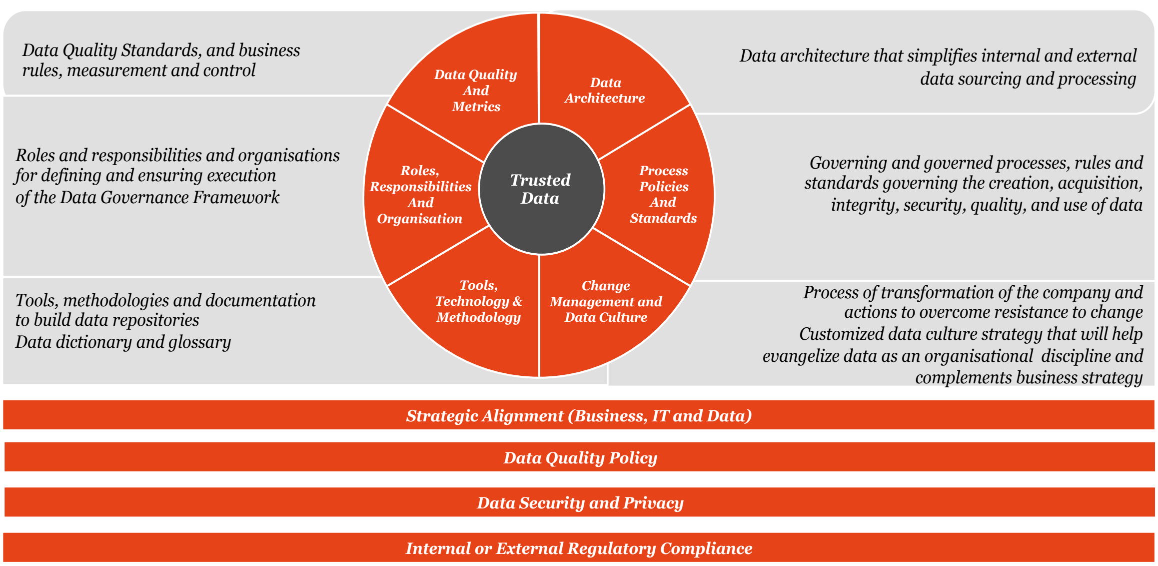
Data quality and standards do not often seem to be at the forefront of an organisation's priorities, but in one extreme case, it caused a NASA spacecraft to get lost in space. Inconsistent data definition led to a navigation team using a metric system of millimetres and metres, while the aircraft designer had used an English system of inches, feet and pounds. The speed of the aircraft inflight was miscalculated, and the vessel was lost.[1]

Down on earth, many commercial organisations face similar challenges of a common definition of data across functions. When different stakeholders in a bank talk about a "balance", some will gravitate towards the opening balance, others to the closing balance, and more may even interpret it as gross balance or net balance.

Proper governance with data standards and glossaries is needed to ensure that data is fit for purpose and ready for analytics.

[1] Source: CNN, 30 September 1999

Figure 1 PwC's data governance framework to embed trust in data



2) APPLICATION OF ANALYTICS ACROSS THE ENTIRE VALUE CHAIN

Be business-led, not tool-focused

Once organisations have begun to put robust procedures in place over governance of their key data assets, another question is what tools to use to benefit from the world of data analytics, big data and AI. No doubt, there is a myriad of technology in the market to generate insights and competitive advantage, but cutting through all various possibilities and budget considerations, one should first take the approach of formulating desired business outcomes, then consider how data analytics can bring you there. An organisation's business value chain can stretch from strategy and growth to marketing and customer experience, and finance function, risk and compliance (Figure 2). Each one of these areas requires decisions to be made at varying levels, from strategic to operational ones.

Enduring questions for businesses such as, "What markets do I enter to achieve 25% growth in three years?" to "How do I better anticipate inventory requirements?" can now be answered quickly and confidently with the use of data analytics.

Shining the spotlight on the finance function, PwC's paper, "Finance Function of the Future", suggests a provocative view of the finance function of 2030 (Figure 3). The focus on four key pillars, powered by data analytics, will define the repositioning of the finance function.

Navigation

The finance function is responsible for creating the conditions to steer the organisation to success. Imagine a function which does not spend time on data-gathering but instead, data is available in real time to all stakeholders, from a robust data source. In addition, financial forecasting is real time and performance decisions are made, facilitated by predictive analytics of business opportunities.

Mediation

External stakeholders are increasingly asking more questions of any organisation, outside of the core financial metrics. Singapore, recently following suit with other countries, requires sustainability reporting for Singapore Exchange-listed companies. In the United Kingdom, many companies by law are required to report on figures relating to gender pay. The ability to collect, analyse, report and mediate such data will broaden the role of Finance, as stakeholder engagement becomes broader and more varied.

Resilience

Continuously monitoring risks on a real-time basis through analytics will make the organisation stronger in defence. Embedding predictive characteristics to this will add greater value and a preventative layer to control, not just detect.

Connectivity

Connecting transactions automatically and seamlessly will add precision and free up time spent on transaction processing. Manual invoice processing will be a thing of the past, and finance functions will focus on connecting processes, departments, the business and customers together through real-time reports, dashboards and a view of what is happening in the present, not the past. Routine processes will be automated, and the finance function will apply emotional intelligence, judgement, and perception to add value.

CASE STUDY

Many internal audit functions are looking to data analytics to analyse 100% of their organisation's transactions, rather than traditional sampling methods. This has resulted in greater levels of assurance, as well as value delivered to a company's management. Increasingly, the analytics scripts are becoming operationalised into management control systems. This allows continuous controls monitoring of transactions in near real-time, and acts as a preventative control mechanism.

Figure 2 Capabilities to support all Business areas

Human capital
- HR effectiveness
- Talent management
- Workforce planning
- Performance management
- Compensation, pension
- Workforce insight

Operations
- Financial planning, forecasting
- Resource planning
- Process optimisation
- Supply chain effectiveness
- Predictive modeling
- Artificial intelligence
- Anomaly detection
- Unified surveillance

Risk
- Data security and privacy
- Risk management
- Fraud detection, prevention
- Regulatory compliance
- Cybersecurity
- Compliance failure, inefficiency

M&A
- Deal strategy and origination
- Target identification
- Portfolio analysis, optimisation
- Buy- and sell-side analytics
- Deal value realisation
- Crisis and restructuring
- Divestiture and Carve Out

Tax
- Tax function effectiveness
- Tax planning
- Tax compliance
- Employee mobility
- Tax outcomes and financial performance

Marketing
- Marketing mix modelling
- Marketing metrics
- Sales analytics
- Web analytics
- Social listening

Sales
- Sales expansion
- Dynamic pricing
- Sales effectiveness
- Pricing optimization
- Data monetization
- Customer segmentation
- Customer churn

Finance
- Corporate strategy
- Finance effectiveness
- Asset security
- Audit transformation

PHOTO SHUTTERSTOCK

Figure 3 A provocative view of the finance function of 2030

CASE STUDY

At GE, the company is repositioning itself from a heavy equipment manufacturer to a solutions provider that adds value to its products through data and analytics.

Finance is partnering with the company's data professionals to identify, quantify, and maximise the value of data. They have approached it both from the use of data & analytics to be a more effective finance function, and further, how to work with the frontline and commercialise the data assets. They aim to use data & analytics to make GE Oil & Gas' finance function a capability-based organisation, complete with shared services, centres of excellence, clear roles for FP&A and the controller's office, and acumen in commercial and supply chain finance, along with deep specialist expertise.

Reference: PwC's finance effectiveness benchmark report 2017

3) TYPICAL CHALLENGES AND HOW TO OVERCOME THEM

The route to successful implementation of advanced analytics tools typically faces the following challenges:

Lack of alignment with strategic goals and direction

Organisations that start with board-level support for digital and data transformation will progress more effectively. Tone from the top, along with a vision and supported by adequate investment funding, will enable a quicker speed of adoption.

Poor integration with business as usual

Using data analytics should not be seen as an add-on. Rather, it should be embedded with current "business-as-usual" processes, adopted in the frontline. Appropriate change management needs to be considered and planned; the softer elements of culture and behaviours can often become a bottleneck in speedy adoption.

Poor data quality and accessibility

Effective data governance procedures need to be in place from the onset, along with data being made available for analysis. Data security is a concern, but a pragmatic, risk-focused approach is required to prevent it from being a barrier to analytics.

CONCLUSION

Here are the next steps towards a data-driven finance function:

1) Set goals and objectives

Making your goals specific and measurable will already be a step towards being data-driven; challenging yourselves to make the KPIs reportable on a real-time basis will force yourself to embed data-driven processes.

2) Start small, think big

Perform pilot projects, prepare for failure, and learn lessons from these to refine your future projects, and achieve success.

3) Focus on business problems, not tools

Embed a mindset to go through a problem-solving process powered by data and technology rather than relying on technical resources without the business knowledge and expertise; the former will automatically upskill your people.

4) Collaborate with the rest of the organisation

Your organisation may be applying data analytics centralised, supported by a data analytics centre of excellence, or de-centralised, with data specialists dotted across domains. Whichever the model, leverage the learnings across the organisations. Often, the same analytical tools and techniques can be used to answer different problem statements.

5) Share success

The culture of change is difficult to tackle. Celebrate success, and also allow it to enthuse others to innovate. ISCA

James Larmer is Head of Data & Analytics, PwC Southeast Asia; Mark Jansen is Technology, Media and Telecommunication Industry Leader and Singapore Data & Analytics Leader, PwC Singapore, and Andre Tan is Director, PwC Academy.

FROM "ECONOMIC INSIGHT"

FIRST QUARTER REPORT ON SOUTHEAST ASIA

Region Will Benefit From Pick-Up in Global Trade

BUOYED BY A RESURGENCE IN GLOBAL TRADE, most Asian economies have registered above-trend GDP growth in 2017. ASEAN's growth rose to 5%, the fastest rate of expansion since 2013. The momentum will extend into this year, underpinned by the same drivers of success.

The Asian economy should benefit from a pick-up in global trade due to its large export-oriented manufacturing base. Despite the external demand, import growth has also accelerated over the last 12 months. As such, the contribution of net exports to aggregate GDP growth in Asia is expected to remain negative.

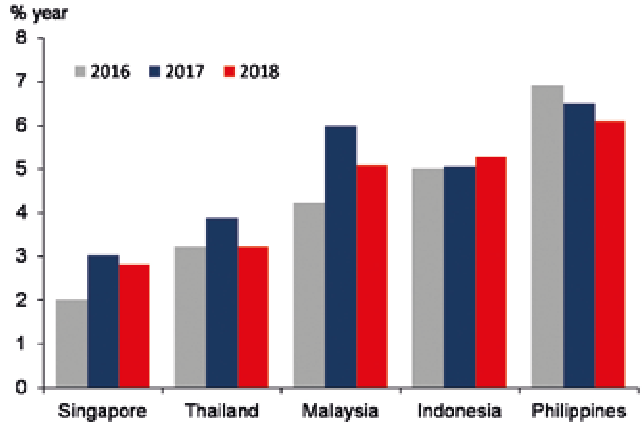
Exports' most important contribution to growth is their indirect impact on domestic demand through spill-over effects on investment and consumption (via employment and wages). Private investment in Asia remains inextricably linked to developments in external demand. Following the pattern of growth in private investment over the first three quarters of 2017, open economies such as South Korea, Malaysia and Thailand are anticipated to experience a notable acceleration in investment expenditure.

In Malaysia and Indonesia, the pick-up in investment is driven by the recovery in commodity prices. In Indonesia for example, domestic direct investment in the primary sector increased by nearly 62% in nominal IDR terms in the first three quarters


Kuala lumpur, Malaysia

PHOTO SHUTTERSTOCK

ASEAN-5: Real GDP Growth



Source: Oxford Economics/Haver Analytics

of 2017, while investment in the secondary sector declined by 3%. Thailand has also experienced solid growth in private investment in 2017.

Singapore is an obvious outlier. The decline in private investment is largely driven by ongoing restructuring in the large oil and gas cluster, which is still reeling from the sharp decline in oil prices in 2014. Nominal Fixed Asset Investment (FAI) in the Transport Engineering Manufacturing sector – which includes marine and offshore engineering – fell by 68% year-on-year in the first three quarters of 2017. Removing this component, FAI increased by 19% year-on-year over the same period.

Fundamentals remain encouraging for continued private sector investment and growth in Asia. Firstly, world trade growth is expected to remain robust, rising by 4.5% in 2018, down from 5% in 2017. Secondly, business sentiment is high and firms are upbeat about the opportunities provided by China's Belt and Road initiative and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP), and finally, owing to a relatively muted outlook for inflation and FX, interest rates are unlikely to rise significantly over the next 12 months. Overall, economic growth is expected to moderate this year and ASEAN economies are still set to experience GDP growth exceeding that of 2012-2016.

Overall, economic growth is expected to moderate this year and ASEAN economies are still set to experience GDP growth exceeding that of 2012-2016.

SINGAPORE Broadening growth and domestic recovery to drive overall economic growth

The government announced an increase in the GST rate from 7% to 9%, but given the current labour market conditions, this will not come into effect until some time between 2021 and 2025. Looking at the other measures, the one-off bonus for Singaporeans of up to SGD300 is not expected to have a large impact on household spending, while the 1% increase in property stamp duty, effective immediately, may dampen buyers' recently invigorated enthusiasm in the short term. As it is only applicable to property valued over SGD1 million, any impact is likely to be minimal.

In 2018, an easing in manufacturing activity is expected to be partly offset by stronger service sector growth. A broadening growth and recovery in more domestic-orientated service sectors is also likely, as residential investment becomes less of a drag on headline GDP in the second half of the year and labour market conditions improve.

Growth in domestically-produced exports and manufacturing activity is expected to remain firm over the coming months, consistent with strong manufacturing and electronics PMI surveys, with the CPTPP boosting optimism. Growing infrastructure needs across the region will continue to support demand for Singapore goods exports and services, but strong exports growth recorded in 2017 are unlikely to be maintained. Global semiconductor book-to-bill and shipping indices have edged lower and a cooling in Chinese import demand will also lead to more moderate growth in exports.

The 6.9% improvement in company profits and a broadening domestic recovery is expected to see business investment over 2018. However, the risk remains that tightening in the US triggers an unexpectedly large rise in global yields, which could derail the forecast recovery in business investment.

Residential investment has been impeding economic growth since 2014, contracting nearly 19% last year. However, housing demand has improved following an easing in some of the house purchase restrictions. Moreover, the increase in stamp duty, on the proportion of the property valued over SGD1 million, will unlikely have a large impact on demand, beyond a possible short-term blip. That said, it will take some time to unwind the market's still-large oversupply. As such, recovery is going to be very gradual and susceptible to setbacks.

In 2018, a more broad-based recovery in services is expected to lead to better employment conditions. This should also support some modest wage growth and, coupled with additional fiscal support, bolster consumer spending.

Overall, Singapore's GDP is forecast to grow by 3.1% in 2018. On the policy front, the Monetary Authority of Singapore (MAS) is likely to keep its policy on hold till October, although this hinges on projections that inflationary pressures will remain benign and that there is only a gradual recovery in the labour market. If either were to pick up faster than anticipated, MAS could likely return to a modest appreciation bias in the Singapore dollar nominal effective exchange rate.

Singapore: In 2018, an easing in manufacturing activity is expected to be partly offset by stronger service sector growth.

PHOTO SHUTTERSTOCK

MALAYSIA Broad-based and resilient growth in Malaysia, backed by domestic demand and healthy investment spending

Malaysia's real GDP growth rebounded to 5.9% in 2017, the fastest pace in three years, supported by a strong pick-up in consumption and investment. Exports also staged an impressive recovery but a greater rise in imports led to a slight drag on

Figure 1 Singapore - Contributions to GDP Growth
Source: Oxford Economics

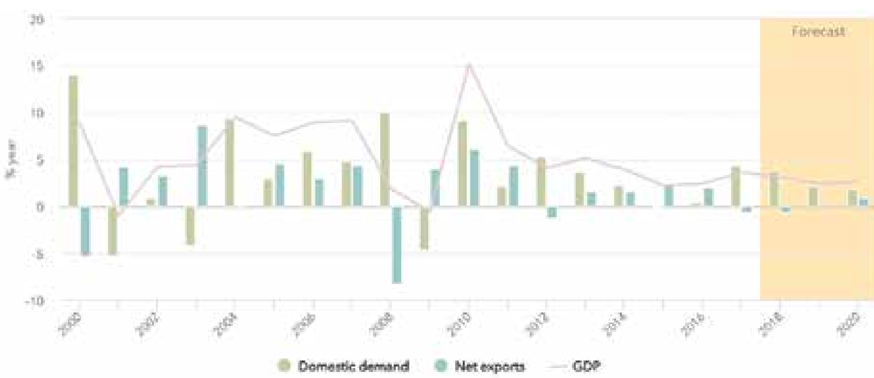
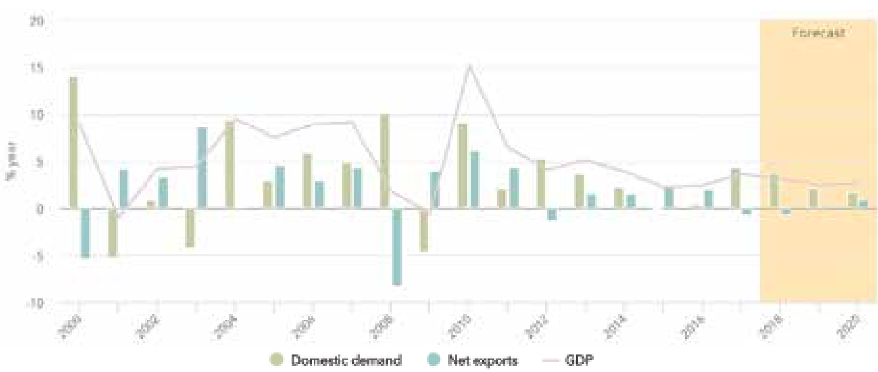


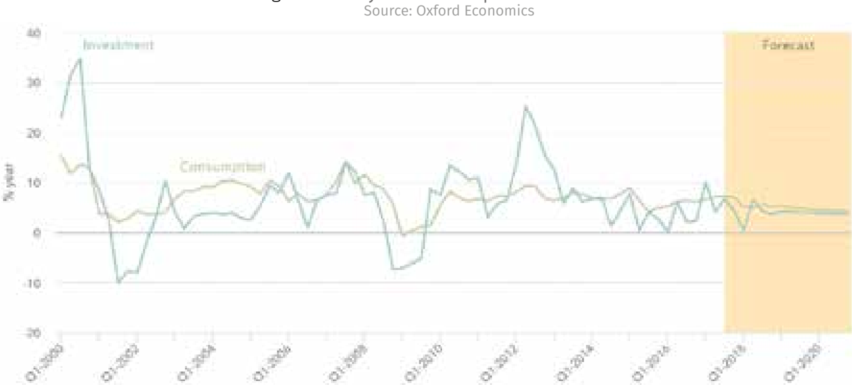
Figure 2 Singapore - Exports & NODX
Source: Oxford Economics



Marina Bay Sands, Singapore

Figure 3 Malaysia - Monetary Conditions
Source: Oxford Economics

Figure 4 Malaysia - Consumption & Investment
Source: Oxford Economics



headline growth from net exports. In particular, private consumption growth in the fourth quarter of 2017 was resilient, even as all other components of GDP slowed.

Domestic demand is expected to remain the mainstay of Malaysia's growth in 2018. Improving labour market conditions, rising manufacturing wages and the many populist measures announced in the 2018 Budget should continue to support household spending this year. However, spending is likely to moderate from the exceptional growth witnessed in 2017, as household debt servicing costs increase with rising domestic borrowing rates and when fiscal support fades after the election.

The outlook for investment spending is also healthy. Surveys show an improvement in business conditions, with some measures of business confidence at their highest levels since 2013. Meanwhile, capacity utilisation rates remain at multi-year highs. Demand for raw materials and a surge in construction applications also suggest that the pick-up in private and government infrastructure investment in 2017 is set to continue this year. The Budget has also earmarked MYR6.5 billion as part of the government's rural infrastructure fund. But with US and domestic interest rates edging up, investment growth is likely to lose some momentum.

Several factors contribute to the exports outlook. The resurrected Trans-Pacific Partnership (now CPTPP) signed by member states in March includes a requirement from Malaysia concerning the preferential treatment of state-owned enterprises in the oil & gas sector, which will provide Malaysian firms with preferential access to 10 markets accounting for 13% of global GDP. Overall, as exports outlook will be determined more by Malaysia's import partners and global trade dynamics, exports growth will likely moderate in 2018, considering EU's plans to ban the use of palm oil in motor fuels in 2021 and the easing Chinese import demand.

In conclusion, Malaysia's growth is forecast to remain resilient at 5.2% in 2018, lower than last year's. This reflects unfavourable base effects, less accommodative domestic and global monetary conditions and moderation in global trade growth. Finally, the risk of faster-than-anticipated rate hikes cannot be ruled out. In line with expectations, Bank Negara Malaysia's policy rate increase in January and the accompanying monetary policy statement struck a more neutral tone compared to the November one, supporting our view of no more rate hikes this year. However, further interest rate rises may be brought forward if a tightening labour market triggers unexpectedly strong wage growth in 2018. ISCA

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

... men have an important role to play in advocating for and enabling the advancement of women. Active male advocacy is considered essential to bring about the kind of radical change that is sorely required today.

PHOTO SHUTTERSTOCK


BY VINIKA D. RAO AND
PADDY PADMANABHAN

TACKLING GENDER INEQUALITY IN ASIA

Tailored Approaches Needed For Gender Balance

THE LACK OF GENDER PARITY IN LEADERSHIP ROLES, pay and conditions is a worldwide phenomenon but particularly pronounced in Asia. As described in a white paper[1] released on the occasion of International Women's Day, our findings from in-depth interviews with 42 men and women across Asia's financial services and technology industries show that 86% of respondents believe gender discrimination is still prevalent in the Asian workforce. Meanwhile, 79% felt that this discrimination is mostly unconscious, that is, without the intent to discriminate. Caused by widespread "second-generation gender bias", such discrimination is particularly dangerous because it is hidden. It is one reason for the number of women managers rapidly tapering off as they ascend the Asian corporate ladder, leaving the higher echelons of management and boards overwhelmingly populated by men.

Gender initiatives to bridge the gap have so far failed to connect. Statistics like female board representation rates[2] demonstrate this. South Korea, with less than 3%, and Japan, with less than 8%, illustrate one extreme of women board representation rates in Asia; Singapore is only at about half of its stated target of 20% by 2020. And while the situation looks better in Australia (27.4%), there is still a long way to go. In many ways, Asia is still catching up with basic initiatives already prevailing in many parts of the world.

[1] **"Gender Equality In Asian Corporate Leadership: Distant Dream Or Achievable Ideal?", INSEAD Emerging Markets Institute, March 2018**

[2] **"2017 CWDI Report on Women Board Directors of Asia-Pacific Companies", CWDI, 18 May 2017**

The good news is that executives we spoke to across the region, both men and women, recognised the need for urgent action. They shared with us a clear picture of what's working, what isn't and what companies need to do more of. We interviewed women in senior leadership positions and mid-level roles, as well as men in senior positions (who were identified as champions of change by their women colleagues). One finding that came through clearly was that men have an important role to play in advocating for and enabling the advancement of women. Active male advocacy is considered essential to bring about the kind of radical change that is sorely required today. Without this, the pace of change will continue but it will be too slow. Because men still make up the bulk of leaders, women's careers can be greatly influenced by their involvement. In fact, all but one of the senior women we interviewed stated that men in influential roles have had a positive impact on their careers. While women-only networks and support groups help, women want men involved even with these activities. Christine Lam, CEO of Citi in China, noted, "We are preaching to the choir if we keep telling each other that we are good enough. Involve men – don't do women-only stuff. You are excluding diversity when you do that."

Flexibility is attractive to all genders and our interviewees urge companies to provide men with the same opportunities. Only when men start to work remotely or on a flexible basis will the hidden penalties and stigma attached to flexible work disappear.

PHOTOS SHUTTERSTOCK

WHAT'S WORKING

There was widespread agreement that technology has had a positive impact on retaining women in more senior roles, largely through the enhanced flexibility of time and location that it has brought to the workplace. Flexibility is attractive to all genders, and our interviewees urge companies to provide men with the same opportunities. Only when men start to work remotely or on a flexible basis will the hidden penalties and stigma attached to flexible work disappear. Most companies have introduced parental leave and other policies that allow working mothers and fathers to manage their personal commitments along with their work. This not only helps women achieve balance but encourages men to do their part in the family as well.

WHAT'S NOT WORKING

But flexible work policies are no silver bullet in the face of unchanged or slowly-changing societal expectations. Our study found that even in fast-growing Asia, certain cultures still assume that if there is a conflict between work and family obligations, a woman's primary responsibility is her family, unlike the expectations of her male colleagues. From our conversations, motherhood emerges as the most crucial development in a woman's personal life that impacts her professional life. Maternity-related discrimination is still disturbingly prevalent due to strong societal expectations in the region. One senior interviewee told us that she had faced open questions about when she planned to have a baby and how that would impact her work. But some encouraging developments are emerging on the male front. Male champions told us that acknowledging the real struggle women in Asia face and providing flexibility in the workplace has helped them retain women. "They are quite aware when they get some help. They acknowledge it with gratitude and remember the people who provided it," said one interviewee.

WHAT MALE ADVOCATES SAID

BORIS LIEDTKE, Distinguished Fellow at the INSEAD Emerging Markets Institute and former CEO of a large asset management firm, noticed that women had a relatively lukewarm initial reception to an offer of an international move with a promotion. He decided to inform managers about what they might encounter. They "conducted a series of ad hoc trainings/discussions with senior managers prior to them engaging in a discussion with one of their staff to sending them abroad. In particular, we wanted to make sure that managers were aware of the different gender approach that we had witnessed when offering a staff member an international opportunity. Women tended to analyse and consider the issues of moving abroad upfront and more diligently than their male counterparts. This frequently leads to a delay in the decision to accept or reject the offer. Managers needed to be aware of this different approach and not simply jump to the conclusion that the person is not interested in the career opportunity".

"It's about ensuring supply, getting more women into the management ranks, developing their qualifications and skill sets, and opening the doors for them to establish their credentials."

NAINESH JAISINGH,
Global Head – Principal Finance,
Standard Chartered Bank

"Hire fairly, pay fairly, promote fairly – this is still where most of the work is required."

SUDIPTO GHATAK,
Deputy Chief Risk Officer – Asia Pacific,
at a major European bank

"Allow flexibility of hours and location and accept some intertwining of personal life with the work life."

PANKAJ NARAYAN,
VP Partners APJ,
Citrix

"Our role is to ensure that we have policies in place and a supportive culture, so that we can accommodate employees however their family situation may change, although it is ultimately up to them to decide what level of flexibility they require to best perform their role and balance family life."

JEREMY BROOME,
HEAD of HR Asia-Pacific,
Deutsche Bank

THE NEXT FRONTIERS

How organisations handle the post-maternity return to work is still seemingly neglected while there are positive developments emerging with regard to childbirth. One is gender-neutral parental leave policies. Twitter, for instance, has a parental leave of 20 weeks. Since 2016, in Asia, Deutsche Bank has been providing parental leave to the primary caregiver, irrespective of whether it is the mother or the father of the child. "Your benefits influence behaviour," said Hari Krishnan, CEO of PropertyGuru. "If your paternity leave is one month, while maternity leave is four months, what are you telling them?"

Women in our survey felt that a potential way of preventing motherhood from possibly derailing their careers was to have pragmatic career planning advice at an early stage of their careers that considered maternity. Identifying specific needs and training accordingly for a maternity absence and re-entry was touted as one possible way of putting the issue front and centre as a reality to be planned for and consciously integrated.

Such tailored solutions expand beyond the individual. We also found that, given the diversity of Asia, 90% of our respondents thought global or regional policies alone are insufficient to address gender disparity in Asia. The majority suggested that global minimums with local customisation would be more useful. Some 31% thought customised, national-level policies would be necessary. This was illustrated in one interview with a CEO who provided uniform remote working policies across the region

93% respondents feel the need for bias-awareness training

31% think customised, national-level diversity policies are needed

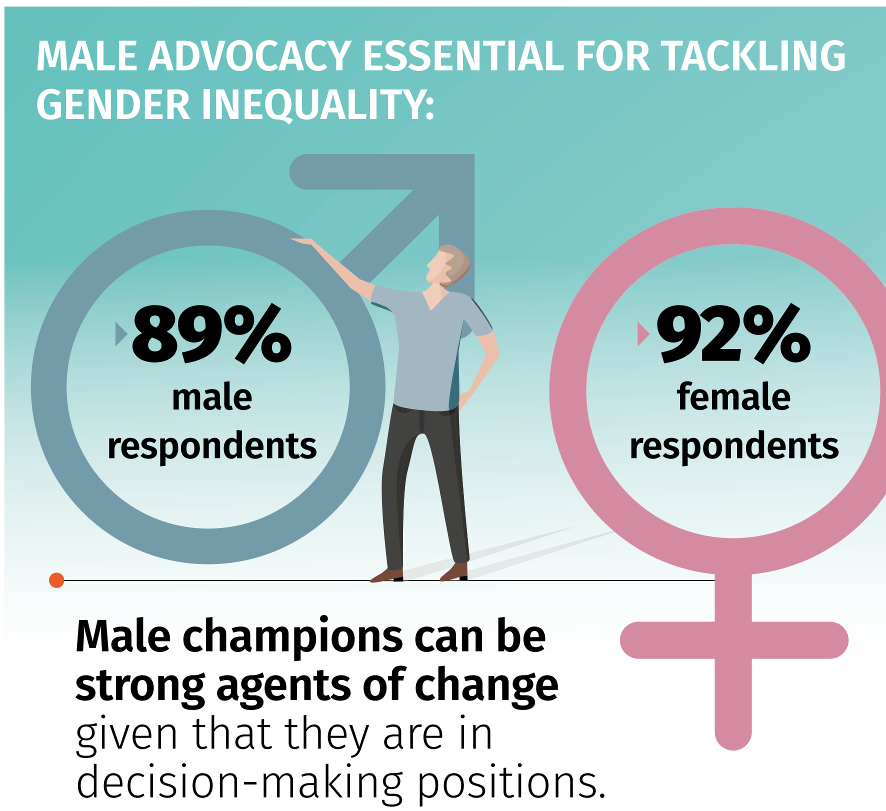


PHOTO SHUTTERSTOCK

and mandated one day of working from home a week to remove any stigma attached to this benefit. This made him very popular in India and Indonesia where travel time can be horrendous, but unpopular in Japan and Hong Kong where homes are small and have limited space to work. Permitting babies in the workplace was important in some countries but less so in others where extended families traditionally care for children.

Given the high degree of unconscious bias and the difficulty both men and women face in tackling it, respondents unanimously agreed on the need for bias-awareness training. For instance, 93% of our respondents believed people could be trained to be more aware, hence mitigating this problem. But they also agreed that it has to be consistent and repeated; a one-time training at the time of on-boarding, for instance, was considered insufficient.

When asked whether bias training should be done in mixed- or single-gender groups, opinions were split. Half of the men felt that single-gender sensitivity training would be useful, as they were keen to increase their self-awareness without the fear of embarrassment. One male IT leader saw men-only programmes as "a must for the sensitisation of males".

MEN, STEP UP

The enthusiasm of the men in our sample to lead the way was encouraging and is a potential game changer in the drive to increase the pace of change. In fact, 92% of female respondents and 89% of male respondents felt that male advocacy was essential for tackling gender inequality. Male champions can be strong agents of change given that they are in decision-making positions. Helping them be more aware of their unconscious biases is one step. But a more impactful strategy companies can apply is through structured programmes of advocacy. One of our interviewees explained that his company has formal programmes to match high-potential women with senior leaders who then guide and support their development. They also have a programme for women who have taken a long career break. Designed to bring in more women managers, high-potential women wishing to return to work can embark on a 12-week internship, at the end of which a job may be offered.

Gender disparity in senior corporate roles is "not a women's issue – it is everyone's issue", according to Fabiano Siufi, CFO at Microsoft Singapore. Across genders and organisational levels, everyone needs to get involved to "press for progress", in keeping with the theme for International Women's Day 2018. **ISCA**

Vinika D. Rao is Executive Director, INSEAD Emerging Markets Institute (EMI). Paddy Padmanabhan is Unilever Chaired Professor of Marketing, INSEAD and Academic Director, EMI. This article was first published by "INSEAD Knowledge". Reproduced with permission.

BY GEOFFREY AU

DRIVING EFFECTIVE RISK MANAGEMENT DISCUSSIONS

What A Risk Manager Can Do

A RISK MANAGER NEEDS TO PROVIDE ADVICE relative to the business context in order to be a trusted partner, which in turn relies on collaboration with other functions in the organisation to understand the business. Without the buy-in and support of the board and CEO, the risk manager's ability to be embedded in the business and provide valued advice will be hampered.

So, how can a risk manager drive effective discussions? I believe there are four primary ways. Firstly, speak the business language instead of risk management jargon. Risk managers might find their jargon easy to understand, but it is the management and board that they are now addressing. By speaking in the business language, risk managers also get a more engaged and interested audience, as the risk highlighted would be discussed in terms of business impact.

Secondly, show an appreciation and understanding of the business and its commercial drivers. This shows to the CEO and management that the risk manager understands the opportunities and challenges the business faces, so they become more open to listening to advice from the risk function.

Thirdly, provide actionable advice that is relevant to the business. This can help answer the "so what" question, and demonstrates the value of risk management by providing mitigation action advice.

Fourthly, understanding the interests and drivers of different stakeholders will enable more effective communication and influencing, as you can phrase risks from their perspectives.

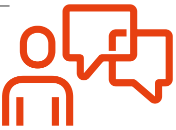
STRUCTURING THE CONVERSATION

A structured way to discuss a risk is to break it down by vulnerability, trigger and consequence. Vulnerability refers to the underlying risk exposure, or what is at risk; trigger is what can cause the risk to manifest, and consequence is the impact of the risk. The advantage of dissecting into these three dimensions is that it enables a structure to understand the risk better and, more importantly, it better facilitates a discussion of mitigation actions.

You can mitigate a risk by removing the vulnerability, preventing the trigger or minimising the consequence. Sometimes, the triggers are outside your control. For example, if you transport goods by air, then your risk triggers can be ash clouds or terrorist attacks, which you cannot control or manage. Dissecting the risk into the various dimensions allows you to focus on mitigating the other aspects of the risk; in this example, it is the vulnerability or consequence. Actions can include using high-speed rail transport instead of air to manage the vulnerability.

In general, removing the vulnerability would be the most effective but it is usually also the most difficult as often, the underlying vulnerability is the business itself. Minimising the consequence is the easiest, but technically, the risk is not mitigated as we are only minimising the impact of the risk.

When presenting to the board or CEO, it is important to cover all the angles in terms of consequences, and that includes financial, strategic, and operational. As an example, when you consider a vendor, the procurement function would want to consider the cheapest option, which takes care of the financial aspect, but how about the risks from a strategic and operational perspective?



By speaking in the business language, **risk managers also get a more engaged and interested audience,** as the risk highlighted would be discussed in terms of business impact.

When presenting to the board or CEO, **it is important to cover all the angles** in terms of consequences, and that includes financial, strategic, and operational.

Risk manager: anticipates questions from stakeholders

prepares answers ahead of meetings

For example, how would the vendor's failure impact your organisation? Does your company understand the business continuity arrangements of these suppliers? Have these prepared before meeting the board so that you can offer the fullest impact possible during the discussions. It is important to not only understand the impact of the risks, but to provide advice on risk mitigation actions.

A risk manager should also anticipate questions from stakeholders and prepare answers ahead of meetings. The board will likely ask, "What does this mean for us?", "How bad can it be?" and "What are other companies doing about it?"

Not all risks are the same when it comes to explaining them to the board. There are some areas and types of risk that risk managers are going to find harder to convince board members and senior decision-makers of their importance. For example, emerging risks with longer-term impact will be the hardest, as the impact of the risk is not yet felt. It will then be important for the risk manager to illustrate how these risks can impact the sustainability of the business.

At the other end of the spectrum, there will be risks where it will be far easier for risk managers to get a positive reply. For instance, risks that have materialised in competitor organisations will be easiest to get sufficient attention from the board and senior management. Risk managers will be well served to have a full understanding of what competitors are doing on this front.

An effective risk manager needs to show he adds value, and having a seat at the table is one of the best performance indicators in this regard. Colleagues will seek the advice of a risk manager if they believe his recommendations add value. If a risk manager can contribute to an organisation's value creation, he can expect a fruitful long-term relationship with the board and CEO. This in turn will improve the overall risk management of the organisation, as well as the standing of the risk manager in the company. ISCA

Geoffrey Au is Head of Risk, Zurich APAC. This article was first published in "The Knowledge", StrategicRisk's Data Insight Series. Reproduced with permission.

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INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

Providing Insights

Our conventions, publications, dialogues and discussions provide insights on key issues impacting the accountancy landscape and create conversations around thought-provoking topics. As the voice of the profession, we solicit and contribute views on key issues impacting the profession, and help bring the profession's interests to the attention of stakeholders.

TECHNICAL HIGHLIGHTS

ETHICS

ISCA ISSUES EP 100 IG 2: FAQS ON KAPS

Ethics Pronouncement 100 Implementation Guidance 2 (EP 100 IG 2) provides clarification on the definition and identification and determination of Key Audit Partners (KAPs).

Matters discussed include “key decisions or judgement” and indicators to identify significant subsidiaries and divisions. In certain situations, an audit partner responsible for the audit of significant subsidiaries or divisions may not be determined to be an “other KAP” of the group audit engagement. Paragraph 1.2 of EP 100 IG 2 highlights the need for the engagement team to document its basis in arriving at this conclusion.

The FAQs in EP 100 IG 2 are meant to provide broad guidance when assessing if a partner is a KAP. They address certain illustrative scenarios and are not meant to be an exhaustive list.

For more information, please visit https://isca.org.sg/ethics/ethics-headlines/ethics-headlines/2018/march/isca-issues-ethics-pronouncement-100-implementation-guidance-2-ep-100-ig-2-frequently-asked-questions-on-key-audit-partners/

FINANCIAL REPORTING

ASC ISSUES ANNUAL IMPROVEMENTS TO SFRS(I)S AND FRSS

The ASC has issued the following amendments to Singapore Financial Reporting Standards (International) (SFRS(I)s) and Financial Reporting Standards (FRSs):

- **Annual Improvements to SFRS(I)s 2015-2017 Cycle**, which sets out a collection of minor amendments to SFRS (I)s made as part of the annual improvements to SFR (I)s. The amendments are effective for annual reporting periods beginning on or after 1 January 2019, and

- **Improvements to FRSs (March 2018)**, which sets out a collection of minor amendments to FRSs made as part of the annual improvements to FRSs. The amendments are effective for annual reporting periods beginning on or after 1 January 2019.

For more information on the Annual Improvements to SFRS (I)s 2015-2017 Cycle, please visit http://www.asc.gov.sg/CEPafter1Jan2018

For more information on the Improvements to FRSs (March 2018), please visit http://www.asc.gov.sg/FRSCEPafter1Jan2018

ASC ISSUES NON-MANDATORY GUIDANCE ON SFRS FOR SMALL ENTITIES

ASC has issued the Singapore Financial Reporting Standard for Small Entities (SFRS for SEs) Q&A Section 12, Issue 1: Accounting for financial guarantee contracts in individual or separate financial statements of issuer. The Q&As provide non-mandatory and timely guidance on specific accounting questions that are being raised in the implementation of the SFRS for SEs.

For more information, please visit http://www.asc.gov.sg/SFRSEffective01Jan2017

Stone Forest IT

Boosting Productivity with Automated Order Data Management

CHALLENGE

A multinational cosmetics and fragrance retailer in Singapore had to manually enter numerous orders in different formats from in-flight services and duty-free stores (collectively called "operators") into its Sage 300 accounting system. New order data was manually recorded on Excel order forms, which had to be submitted to its overseas HQ by a given deadline to enable timely invoicing and stock replenishment. Another challenge was the need to manually reconcile order confirmations from the HQ with the corresponding order entries captured earlier in Sage 300 to prepare invoices. These tedious processes were not only time-consuming, but also presented a high risk of human error in order data entry and invoicing.

SOLUTION

Stone Forest IT (SFIT) assessed the client's pain points and proposed a customised utility for Sage 300 with the following capabilities:

- Automatically convert operators' orders into a format recognised by Sage 300
- Populate the Excel order forms for submission to the client's HQ within minutes
- Instantly reconcile order confirmations from the HQ with corresponding order entries in Sage 300 and update local stock quantity records
- Rapid consolidation of orders into a packing list and invoice generation

RESULTS

After implementation, the client enjoyed the following:

- Greater productivity, with 50% reduction in man-hours required for order data management
- Eliminate risk of human error in order data entry and invoicing
- Facilitate management of manpower cost

SFIT brings together expertise and vast experience in customising Sage 300 solutions to meet the diverse needs of businesses and enhance their productivity.

HIGHLIGHTS

Industry:
F&B, Retail and Consumer Products

Location:
Singapore

Solution:
Customised utility for Sage 300

Results:
- Greater productivity
- Eliminate risk of human error
- Facilitate management of manpower cost

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Premier Partner

BY FELIX WONG

PHOTO SHUTTERSTOCK

A SPOTLIGHT ON SINGAPORE TAX CASES

Get Updated On Key Tax Cases In 2017

A CREATURE OF STATUTE, the Singapore taxation system is construed from tax legislations and domestic case laws, which provide precedents and legal tests used by the Courts to better interpret and apply tax legislations on a going-forward basis. While it is useful for tax practitioners to stay updated on the latest tax cases, it can be time consuming to read extensive judgements and figure out their implications.

Allen Tan, Principal, and Ng Chun Ying, Senior Associate, from Baker & McKenzie.Wong & Leow, eased the process for participants of the recent *Tax Excellence Decoded* session. Organised by the Singapore Institute of Accredited Tax Professionals (SIATP), the session saw them summarising the significant tax decisions that were made in 2017. An extensive array of tax cases spanning different issues was covered, ranging from the interpretation of "beneficial ownership" to the taxation of employment income. Some of these cases are highlighted and discussed in more detail here, to illustrate the application of tax rules in various areas.

While preparatory materials are generally useful in clarifying the purpose of the statute or its provisions, post-enactment materials are often not deemed to have a similar effect.

Allen Tan, Principal, and Ng Chun Ying, Senior Associate, from Baker & McKenzie.Wong & Leow, summarised significant tax decisions in 2017, spanning the interpretation of "beneficial ownership" to the taxation of employment income

1 ABSD INAPPLICABLE FOR CHARITABLE TRUSTS: *ZHAO HUI FANG V COMMISSIONER OF STAMP DUTIES* [2017]

In *Zhao Hui Fang and others v Commissioner of Stamp Duties (CSD)* [2017], the settlor had set up a charitable trust and also made a will before his passing. The will made available his family home to surviving family members (including his wife) for use as their personal residence. The will also provided that if none of the family members wished to use it as such, the property may be leased or disposed of, and any income or proceeds shall be paid to the charitable trust.

The executor of the will subsequently sold the property and bought a replacement property to house the deceased's wife. The dispute centred on the Additional Buyer's Stamp Duty (ABSD) assessed on the purchase of the replacement property by the charitable trust.

Under the Stamp Duties Act, sale of residential property to a "foreigner" or "entity" attracts 15% ABSD. Where the property is transferred to a trustee, the chargeability of ABSD depends on whether the beneficial owner is a "foreigner" or an "entity".

On the basis that there was no active or extant beneficial owner to the property held under a charitable purpose trust, the High Court ruled that ABSD was not chargeable on the purchase of the replacement property.

Key Observations and Comments

Beneficial Ownership of Charitable Trust

On the beneficial ownership of properties held under a charitable purpose trust, the High Court commented that neither the factual beneficiaries of the charitable trust, nor the trustees, nor the public could be said to be the beneficial owners of property held under a charitable purpose trust.

"The beneficial interest in a charitable purpose trust is simply "in suspense" and not extant; there is in such a trust simply no ascertained or ascertainable beneficiary."

> **The High Court upheld the principle that in order to meet the test in section 14(1)(a), there must be a direct link between the money borrowed and the income produced.**

Materials in Aid of Statutory Interpretation

In relation to both parties' reliance on government-issued press statements in their arguments, the High Court remarked that the context of these materials must be considered in deciding the weight to be attributed to them. While preparatory materials are generally useful in clarifying the purpose of the statute or its provisions, post-enactment materials are often not deemed to have a similar effect.

"*Materials post-enactment would in most situations be unhelpful and caution must be exercised to avoid ascribing meaning that arises after enactment, or was not present at all in the minds of those exercising the power of enactment.*"

In addition, greater weight will usually be given to materials that are clearly intended or designed to be used to explain, in a legal sense, the meaning of the statutory provisions. This is in contrast to press statements, which are typically used to explain a specific regime to a layperson in an easy-to-understand manner.

The High Court also commented that e-Tax Guides issued by the Inland Revenue Authority of Singapore (IRAS) should not control or influence the interpretation of statutory provisions, as they tend to be simplified and are meant to guide laypersons in navigating a particular statutory regime. While e-Tax Guides may reflect the guidelines and practices of the tax authorities, they are not necessarily law.

2 DEDUCTIBILITY OF INTEREST ON SHAREHOLDER BONDS: *BML V COMPTROLLER OF INCOME TAX* [2017]

BML v Comptroller of Income Tax (CIT) [2017] concerned a dispute over interest deductibility under section 14(1)(a) of the Income Tax Act (ITA). The taxpayer was a company that owned and operated a shopping mall. It underwent a securitisation exercise where it assigned its rights to rental income from the mall as security for a $520-million loan, of which $170 million was used by the taxpayer to refinance its borrowings and the balance $350 million was lent to its shareholders in interest-bearing loans. The taxpayer's share capital was initially only $10.2 million. The taxpayer went on to increase its share capital to $335.5 million by capitalising its assets revaluation reserve, and subsequently underwent a capital reduction exercise which resulted in a debt of $333 million due and payable to the shareholders. Instead of returning cash to the shareholders, the taxpayer issued interest-bearing bonds of $333 million to the shareholders. These transactions resulted in the shareholders earning interest on the bonds.

Under section 14(1)(a) of the ITA, the underlying debt which resulted in the interest payment must have been "capital employed in acquiring the income" for it to be deductible. The taxpayer argued that the money borrowed on the bonds represented the company's capital which was represented by income-producing assets, and as such, the interest on the bonds must be deductible.

The High Court observed that the mall was already owned by the taxpayer and was generating income prior to the bond issue (and the issuance of bond did not change the fact). It also relied on the director's resolutions showing that the bond issue was part of a capital restructuring plan (and not for financing needs or the desire to generate more rental income). On these facts, the High Court dismissed the taxpayer's appeal as it could not establish a direct link between the bonds and the mall's rental income.

Key Observations and Comments

Direct Link between the Money Borrowed and the Income Produced

The High Court upheld the principle that in order to meet the test in section 14(1)(a), there must be a direct link between the money borrowed and the income produced. This link has to be "*real, tangible, precise and factual*", and would require the consideration of a number of factors, such as whether the money borrowed had an observable effect on income produced, the purpose of borrowing the money, and whether it was necessary to borrow the money.

The Comptroller's Discretion

The High Court also highlighted that while the Courts have powers to overturn the Comptroller's decision (on the basis that the law has been wrongly interpreted or that the discretion is not reasonably exercised), section 14(1)(a) gives the Comptroller wide discretion in deciding which and to what extent

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each factor is relevant in determining whether there is a direct link between the money borrowed and the income produced. The onus is thus on the taxpayer to produce supporting evidence and prove to the satisfaction of the Comptroller that there is indeed a direct link for the interest to be deductible.

3 TAXATION OF EMPLOYMENT INCOME – *GBS V CIT* [2017]

GBS v CIT [2017] (*GBS*) is the first case in Singapore concerning the taxability of a payment to an employee upon termination of his employment. The CIT's administrative position is that severance payments that are made to compensate loss of employment are not taxable as they are capital receipts, but other payments, such as gratuity for past services, are taxable as employment income.

In *GBS*, the taxpayer, a Chief Operating Officer, left employment and received a sum of $510,000 from his company. The CIT assessed this amount to be taxable as a gratuity for past services pursuant to the service agreement. The taxpayer argued that the amount should not be taxable because his position was made redundant, and that the employment contract was not in force as the employer had failed to honour certain terms.

The Income Tax Board of Review (ITBR) dismissed the taxpayer's appeal as the evidence presented (such as the manner of computation of the amount of $510,000 and the timing of the payment on completion of the service agreement) indicated that the amount was intended to be a gratuity payment under the service agreement. The fact that the employer failed to honour certain terms of the service agreement did not affect the validity and force of the service agreement as a whole. The taxpayer also failed to provide evidence to support his assertion that the amount was in fact a redundancy payment.

Key Observations and Comments

Evidence Prevails

In *GBS*, the legal test was not significantly disputed. The case was decided by the evidence presented which indicated the amount to be a gratuity payment, and accordingly taxable as employment income. It should be noted that the label of the payment is not conclusive; the true substance of the payment must be inferred from the evidence presented. ISCA

Felix Wong is Head of Tax, SIATP. This article is based on SIATP's *Tax Excellence Decoded* session facilitated by Accredited Tax Practitioner (Income Tax and GST) Allen Tan, Principal, and Ng Chun Ying, Senior Associate, from Baker & McKenzie.Wong & Leow. For more tax insights, please visit www.siatp.org.sg.

BY FELIX WONG

CIT'S WIDENING POWERS TO OBTAIN INFORMATION

Understand The New Landscape And Know Your Rights

TAX AUTHORITIES ACROSS THE WORLD have placed renewed emphasis on tax transparency. With global initiatives such as Automatic Exchange of Information (AEOI), tax authorities are increasingly collaborating with their counterparts to gather and share taxpayer information. Tax authorities now have greater information-gathering powers and have access to broader information on taxpayers.

S. Sharma, an Accredited Tax Advisor (Income Tax and GST) and a Partner at Malkin & Maxwell LLP, illuminates and clarifies recent developments on the information gathering and exchange between tax authorities

While the power to gain access to taxpayers' information has increased, new measures have also been put in place to prevent foreign tax authorities from gaining excessive information or having access to information merely for exploratory purposes. Useful guidance to taxpayers and tax advisors on managing such matters was shared at a recent *Tax Excellence Decoded* session by the Singapore Institute of Accredited Tax Professionals (SIATP), facilitated by Accredited Tax Advisor (Income Tax and GST) S. Sharma, Partner at Malkin & Maxwell LLP.

CIT'S POWERS TO OBTAIN INFORMATION

The Comptroller of Income Tax (CIT)'s powers to obtain information are enshrined in Part XVI – Returns in the Income Tax Act (ITA). Section 62, for example, empowers the Comptroller to obtain information through prescribed forms which must be completed by the taxpayer, while Section 65A allows the Comptroller to give notice to taxpayers requiring them to furnish financial information such as bank accounts, assets, income and information regarding their tax liabilities.

The Comptroller or authorised officers also have access to buildings, places, documents and computers, as well as the power to inspect, copy and seize documents, computers or devices if necessary, under Section 65B(1). This provision also allows the Comptroller or authorised officers to request documents and question individuals acquainted with facts or circumstances regarding the taxpayer.

Under Section 65D, CIT can compel an individual to provide information or documents protected by Section 47 of the Banking Act or Section 49 of the Trust Companies Act despite the individual's statutory duty of secrecy.

CIT also has the power, under Section 65E, to require recipients of notices issued under Section 65B to keep the notices confidential. Taxpayers may, however, disclose information to an advocate or solicitor for the purpose of seeking legal advice.

For international exchange of information under avoidance of double taxation arrangements and exchange of information arrangements, Part XXA of the ITA empowers CIT or authorised officers to obtain information using Sections 65 through 65E. This Part comprises Sections 105A through 105HA. In addition, Sections 105I through 105Q are under Part XXB which pertains to international

The Singapore courts require specific defendants to be named, to prevent "fishing expeditions".

agreements to improve tax compliance. This applies to international tax compliance agreements such as Foreign Account Tax Compliance Act (FATCA), Common Reporting Standard (CRS) and Country-by-Country Reporting (CbCR).

Developments are ongoing in this area of exchange of information and the requests for information. Just last year, Singapore signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion And Profit Shifting (MLI) together with over 60 jurisdictions. Singapore can now swiftly amend its tax treaties, if it wishes, to align them with recommendations made in accordance with the Action Plan on Base Erosion and Profit Shifting (BEPS).

In addition, Singapore also signed the Multilateral Competent Authority Agreements (MCAAs) on the Automatic Exchange of Financial Account Information under the CRS and the Exchange of CbC Reports. The MCAA, in the case of CbCR, enables Singapore to efficiently establish a wide network of exchange relationships for the automatic exchange of CbC Reports.

DISPUTES ON REQUEST FOR INFORMATION

US v Coinbase, Inc

In November 2016, the United States (US) Internal Revenue Service (IRS) served a summons on Coinbase, Inc., a cryptocurrency exchange and wallet business headquartered in San Francisco, requesting information on all US persons who conducted transactions from 1 January 2013 to 31 December 2015, numbering approximately 480,000 users. The information requested included account registration records, Know-Your-Customer due diligence, transaction and payment logs, correspondences, account statements and invoices, and anti-money laundering system reports.

After motions to intervene filed by Coinbase and anonymous individuals, the IRS narrowed the summons to US users with at least US$20,000 in transactions in a one-year period from 2013 to 2015, and excluded user records for users known to IRS or reported to IRS by Coinbase. Coinbase again refused to comply and the issue was brought to the District Court.

In the court judgement on 28 November 2017, the court used a four-factor test to establish good faith by IRS issuing the summons, through demonstrating that it was issued for a legitimate purpose, the information sought was relevant for that purpose and was not already in IRS' possession, and the summons satisfied all administrative steps in the Internal Revenue Code (ITA-equivalent in US).

The court did not dispute that IRS satisfied the administrative steps in issuing the summons, that the summons was issued for a legitimate purpose, and that the information was not in IRS' possession. However, the court had concluded that the information sought in the summons was broader than necessary, as the information was only necessary if the account holder had a taxable gain and there was doubt on the taxpayer's identity. As such, the court reduced the information to be provided to taxpayer's ID number, name, date of birth, address, transaction logs, account statements and invoices; the remaining information was deemed unnecessary for IRS' purpose. This also reduced the number of affected users to approximately 14,000 users, a significant reduction from the initial 480,000.

ABU v CIT [2015] SGCA 4

In November 2012, the National Tax Agency of Japan (JNTA) requested for bank statements for eight bank accounts of a Japanese national, his child and related entities in a Letter of Request (LoR). As required under the ITA then, CIT applied for a High Court order in April 2013 for the bank information. However, the application was for all bank statements of all bank accounts of the Japanese taxpayer, his child and related entities – far more than what the JNTA had requested.

Although the taxpayer was granted leave to intervene in the proceedings in the High Court, the taxpayer was denied the LoR filed by CIT and therefore was handicapped in establishing that the request by CIT was excessive beyond what JNTA requested. The taxpayer appealed to the Court of Appeal (CA) including a claim that that CIT had acted beyond the terms of the Request. The JNTA's LoR, obtained independently following legal action in Japan, was filed in court and highlighted for CA's attention. The CA ruled, among other things, that based on Section 105J of the ITA (which states that CIT could only apply for a High Court order to comply with a request for information under Section 105D), any application from CIT cannot go beyond the ambit of the request.

CIT v AZP [2012] SGHC 112

Similar to *ABU v CIT*, a request for information was sent by the Indian tax authority to CIT, requesting for records and information relating to two bank accounts in the names of two different companies held with the defendant, a bank in Singapore. This was on the basis of documents seized by the tax authority that indicated the existence of undeclared incomes remitted to overseas bank accounts. CIT applied for a High Court order in 2012, seeking for bank records and information from 1 January 2008 till the date of request.

With more international agreements being signed and greater cooperation between tax authorities, the landscape has been transformed yet again.

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The High Court concluded that the relevant issues to consider in this case were, whether the information requested was "foreseeably relevant" for the administration or enforcement of India's tax laws, and if granting the application was justified in the circumstances of the case and not contrary to public interest.

In this aspect, the application was dismissed as the judge felt that the information requested did not satisfy the criteria of being "foreseeably relevant" due to the inadequacy of supporting documentation provided by the Indian tax authority.

The judge went on to clarify that the requirement of foreseeable relevance required CIT, on behalf of the requesting state, was to show clear and specific evidence connecting the information requested to the enforcement of the requesting state's tax laws. This requirement, in addition to documentary requirements in the Eighth Schedule, were set out to prevent "fishing expeditions" and ensure that requests are specific, detailed and relevant to the tax affairs of the taxpayer.

With more international agreements being signed and greater cooperation between tax authorities, the landscape surrounding the exchange of information, including automatic exchange of information, has been transformed yet again. In this brave new world for taxpayers and tax advisors, it is not only important to keep abreast of these developments but more importantly, know what the rights are for both taxpayers and the CIT in this aspect – just in case the Comptroller comes knocking on your door. ISCA

Felix Wong is Head of Tax, SIATP. This article is based on SIATP's *Tax Excellence Decoded* session facilitated by Accredited Tax Advisor (Income Tax and GST) S. Sharma, Partner at Malkin & Maxwell LLP. For more tax insights, please visit www.siatp.org.sg.

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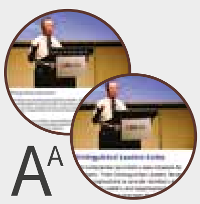

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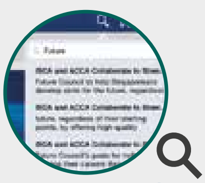

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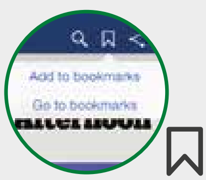

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