


IS Chartered Accountant Journal


OCTOBER 2019



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Stakeholders Share Their Perspectives



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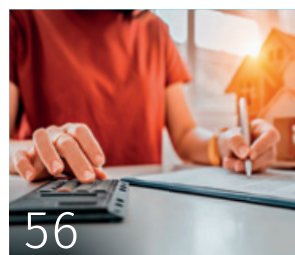
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Learning Is An Ongoing Process; Commit To Your Learning Journey

Dear members,

OCTOBER 5 IS INTERNATIONAL TEACHERS' DAY, when teachers the world over are recognised for playing an important role in shaping people's lives and careers. In this Member Profile column, we profile four ISCA members who are doing their part to mould the next generation of accountancy and finance professionals. In addition to the four featured individuals in "An Ode To Educators", many of our members are also sharing their experience and expertise, including as mentors at work, subject matter specialists at industry events and workshops and informally, during networking sessions or peer discussions. That teachers – a term which broadly encompasses educators, mentors and trainers – have a day dedicated to them underscores the importance of learning.

Continuous learning is essential in a world that is rapidly evolving. As new ways of doing things replace traditional models, and new regulatory standards are introduced, I urge members to keep up with what's happening in the profession so that you can be an asset to your clients and your organisation.

Beyond their corporate pursuits, our members have been doing their part for the community. In the September issue, we highlighted the 44 members who were conferred the Singapore National Day Awards 2019. Here, we showcase the finalists and eventual winner of this year's One Young World Summit competition. These finalists, as well as the other participants, have demonstrated acute awareness of the world outside their professional domains. They have shown admirable knowledge, passion and capacity to do good, and I congratulate them on their willingness to step forward to work towards accelerating social impact on the global stage. The Summit is a once-in-a-lifetime learning and collaborative opportunity, and our past ISCA Ambassadors have called the experience "life-changing", "eye-opening" and "inspiring". We look forward to Maria Teo's account in the December issue of the Journal, after she attends the Summit in October.

The audit profession has been in the spotlight recently, largely because of several high-profile corporate failures in the United Kingdom (UK). The UK government had initiated a review of the audit profession in 2018, and in April 2019, it called for views on the quality and effectiveness of audit as laid out in the landmark Brydon Review. The Brydon Review is intended to take a fresh look at the existing purpose, scope and quality of audit, and how far it can and should evolve to meet the needs of users and to serve the wider public interest. The developments in the UK have an impact on capital markets around the world including Singapore – a global financial centre – where robust, high-quality independent audits are crucial. Against this backdrop, ISCA co-chaired a roundtable to discuss the state of audit in Singapore vis-à-vis the Brydon Review. The roundtable participants affirmed that there is value in the current audit product – auditors are providing an essential service – although the communicative value can be enhanced with additional reporting, better understanding of the audit scope and more interaction between auditors and stakeholders. We share the main points in "The Value And Future Of Audit".

Everything I have mentioned so far reflects the indispensable role that humans play – as educators, change-makers and auditors – which in turn informs our members of their added responsibility to commit to their learning journeys. Even as technology becomes integral to work and life, people – with their mental and emotional capacity – provide the professional judgement and scepticism required for work, and the compassion to contribute to the broader community. "Services 4.0 (Part 4)" demonstrates how the human element remains central to the accountancy sector even as it digitalises. On our part, the Institute is providing constant guidance to members as they upgrade and upskill, with initiatives such as the ISCA PAIB Framework and Learning Roadmap, and ISCA SMP Learning Roadmap, among others.

Companies have amassed vast amounts of data made possible by technology. To ensure that the governance aspects of artificial intelligence (AI) deployment are sound and ethical, the government has released the Model AI Governance Framework for voluntary adoption. Find out the details in "The Governance Framework For AI". Acceptable behaviours and ethics are expected not just in the for-profit sector, they are especially crucial in the not-for-profit sector. In "7 Disciplines For High Performing Charities", the Commissioner of Charities advocates the disciplines that charities need to focus on, so that they can operate effectively and efficiently, and meet the growing expectations of the donors and general public. The charity sector, like accountancy, is powered by its people, and continuous learning is similarly needed to enhance their skill sets.

This Journal is one of the many ways ISCA helps members along their learning journeys, and I encourage you to explore the myriad other resources we have for you.

Kon Yin Tong

FCA (Singapore)
president@isca.org.sg



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APAC Small And Medium-Sized Businesses Hesitant To Embrace Digital Platforms

SMALL AND MEDIUM-SIZED BUSINESSES (SMBs) in some Asia-Pacific countries are hesitant to embrace digital tools, according to “Driving New Growth For APAC SMBs: Realizing The Platform Opportunity”, unveiled by Accenture in August 2019.

Based on a survey of 1,500 executives across SMBs in China, Indonesia and Japan, working in nine industry sectors including financial services, IT services, professional services, retail as well as transportation, it was found that many SMBs do not see the value in online platforms and online tools – even though consumers are active users of online platforms.

Two-thirds (68%) of the respondents do not plan to increase digital spending for sales, marketing, customer service or e-commerce tools; among them, one in six (17%) is actually planning to decrease digital spending in these areas. This is despite the fact that there are more than 500 million active mobile payment users in China, and digital transactions in Indonesia nearly quadrupled between 2014 and 2017, according to the report.

“SMBs are the world’s most powerful growth engine and make up 98% of all businesses in China, Indonesia and Japan,” says James Kim, Managing Director of Accenture’s Software & Platforms industry practice in Asia Pacific. “For platform companies, this presents a potential market opportunity in Asia Pacific. Creating successful outcomes for SMBs will require helping them overcome perceived barriers to adopting digital platforms.”

Nearly half (45%) of all respondents identified privacy and security concerns as a top barrier to adopting digital platforms. Other concerns included lack of customer support for marketing tools (44%), uncertainty with the relevancy of data analytics (38%), and high service charges for payment tools (37%), among others.

When the non-digital SMBs were asked why they hadn’t yet adopted digital platforms, nearly three-quarters (72%) cited uncertainty about whether digital platforms would help their business, two-thirds (65%) cited the expense and difficulty of implementing and maintaining



the platforms, and more than half (55%) cited their lack of skills and experience needed to manage digital platforms.

To that end, the report recommends three steps that platform companies can take to help promote SMBs’ adoption of digital tools:

- Educate SMBs on the value of platform capabilities through early training and onboarding initiatives;
- Provide simpler, more tailored support;
- Champion trust as a competitive advantage.

What’s happening in Singapore

Singapore SMBs, which include small and medium-sized accountancy practices (SMPs) which make up 98% of the about 700 accountancy entities here, have had a headstart in their digital journey. With a holistic government and industry approach from the Smart Nation vision to Industry Transformation Maps (ITMs) and their respective cluster schemes, resources are put into catalysing growth and innovation across all domains and business sectors.

In August 2019, Singapore SMPs received another boost to their digitalisation efforts with the launch of the Accountancy Industry Digital Plan (IDP), and the signing of a Memorandum of Understanding (MOU) between ISCA and Singapore Polytechnic (SP). IDP, which was developed by ISCA, Infocomm Media Development Authority (IMDA) and Singapore Accountancy Commission, will support SMPs to be better prepared for a digital economy.

IDP supports earlier efforts such as the ITMs and Accountancy Sector Roadmap. It is also part of IMDA’s SMEs Go Digital programme and will enable SMPs in the sector to better identify and harness digital technologies. The ISCA-SP MOU aims to enhance the digital capabilities of local SMPs in two main areas, namely, in the development of certification courses in robotic process automation that are customised to local SMPs, and supporting SMPs in the adoption of audit software to automate and streamline their audit workflow.

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Risk And Governance Lessons From Corporate Fiascos

THE HEADLINING OF MULTIPLE CORPORATE SCANDALS in Singapore recently highlighted that there is no totally foolproof system of checks and balances against deliberate dishonesty. In this regard, guarding an organisation against fraud requires the vigilance of multiple stakeholders in the corporate governance ecosystem, each playing their specific role in directing and controlling an organisation's activities so that long-term value is generated.

Companies and professionals should analyse and learn from past cases of corporate misgovernance. This goes beyond mere spectatorship or finger pointing but is intended to prevent history from repeating itself, raise the standards of corporate governance in companies and continue to build trust in Singapore as a leading financial hub.

To this end, ISCA's Corporate Governance and Risk Management Committee organised a panel session to discuss red flags from recent corporate governance failures. More than 80 people attended the "Risk & Governance Lessons from Allied Technologies" sharing event held on July 30 at the Deloitte Singapore office.



▲ The session attracted senior professionals, reflecting their strong desire to better understand how to discharge their duty of care as senior personnel of their companies

Allied Technologies discovered that some S\$33 million of its funds in escrow had gone missing overnight, when the lawyer managing the account allegedly disappeared with the money. While the saga was used as a backdrop, the panel-sharing session drew broader lessons from across recent corporate governance failures.

The multidisciplinary expert panel, which comprised seasoned professionals from the audit, legal and independent directorship community, gave their take on some common red flags of corporate governance failures and engaged in a lively Q&A session with the participants. This article is a summary of the learning points from the session.

Spotting red flags of corporate governance failures

The panel highlighted some common *lagging red flags* of corporate misgovernance. These tell-tale signs of corporate governance failure usually appear at a later stage, when it is too late to try to address them, for example, when the company has incurred significant monetary losses. As the old saying goes, hindsight is 20/20, and it is always easier to identify what should have been done



after something has happened. Other examples of lagging red flags include:

- **Diversification into industries that are seemingly unrelated to the company's or board's core expertise**
This should raise questions about whether it was a possible case of related party transaction, or whether the board and management have the expertise to manage the new business.
- **Acquisitions that are overvalued, or insufficiently backed up with proper due diligence**
This should raise questions as to whether appropriate due diligence work was conducted for the acquisition, and whether the board had adequately discharged its duty of care.
- **High turnover of directors and/or key management [example, Independent Directors (IDs), Chief Executive Officer (CEO), Chief Financial Officer (CFO), etc]**
High turnover of key management or directors has traditionally signalled poor internal governance and/or the existence of lapses. In the case of Allied Technologies, there were four major departures in one particular year, with one CFO leaving the position after two months.

- **Key partners being slow to carry out agreed actions or suddenly becoming unresponsive**
In the case of Allied Technologies, it had sought multiple times to recover the funds from its escrow account from the lawyer who provided repeated assurances but took no action. While companies may not be able to prevent others from committing fraud, they have to be vigilant against it and sound the alarm early when encountering sluggish or unresponsive behaviour.

Compared to lagging red flags, it is more challenging to pinpoint and identify *leading red flags*. Usually, things have not begun to go south, and the real intent behind certain corporate actions are not yet apparent.

Accountancy professionals in board or management positions should exercise their professional scepticism, ask when in doubt and ensure a proper documentation trail in the name of due diligence. It is crucial to be able to spot and address leading red flags early on, because they suggest a propensity for corporate lapses to happen. If spotted and remedied in time, it would make it harder for agents of misgovernance or fraud to perpetrate their crimes in companies. Examples of leading red flags include:

- **Lack of disclosure/transparency**
Boards have to ensure transparency and accountability to key stakeholder groups. As such, the level of transparency of a company would usually be a good gauge of the company's culture and how seriously the board has undertaken its duties.
Disclosure has benefits beyond simply fulfilling compliance requirements. Research shows that companies with fuller disclosure win more trust from investors, as relevant and reliable information means less risk to investors and thus a lower cost of capital.
- **Imbalance of power at the board level**
When there is an absolute wield of power by one individual (for example, when a company founder also holds the position of Chairman and CEO), the independence of other directors serves as an important counterbalance against unilateral or unchallenged decisions.
Independence should not only be in form but also in substance. While there may be regulatory safeguards in place to ensure a certain level of independence in the boards, they can only do so much. Ultimately, directors worth their salt must express their independence of mind to avoid the greater dangers of group think.

▲ (From left) Moderator Seah Gek Choo, Leader, Deloitte SEA and Singapore's Centre for Corporate Governance, and Robson Lee, Partner, Gibson, Dunn & Crutcher LLP (middle), with the panel of ISCA Corporate Governance and Risk Management Committee members comprising Kelvin Tan, Independent Director at various companies; Basil Chan, Managing Director, MBE Corporate Advisory Pte Ltd and Independent Director at various companies, and Dr El'fred Boo, Associate Professor, Nanyang Technological University

The panel also cautioned that if any misgovernance happened on one's watch, resignation would neither resolve the problem nor absolve one of responsibility. Those charged with the duty of care to the company, such as IDs, must ask questions until they feel completely satisfied, challenge assumptions when necessary and ensure a proper documentation trail of the decision-making process.

In conclusion, this article does not list an exhaustive list of red flags. Rather, it aims to share some of the key learning lessons from corporate governance failures. Management and the board have a duty to not just spot but voice their discomfort with any perceived incongruities. This is by no means an easy feat, particularly when the tendency is to keep to the status quo, and avoid rocking the boat.

Be On Top Of The Tax Game

TRANSFER PRICING (TP) CONTINUES TO BE TOP-OF-MIND for tax professionals with the on-going international debate, the varied pace and diversity TP rules by countries and the increased focus by tax authorities. Reflecting this development were the various capacity-filled TP *Tax Excellence Decoded* (TED) sessions organised by the Singapore Institute of Accredited Tax Professionals in August, such as the one on TP documentation.

Helmed by an experienced TP specialist, Adriana Calderon, Director of Transfer Pricing Solutions Asia, the session saw her dissecting the unique requirements of TP documentation across the jurisdictions in the region and in turn, providing participants with practical tips and insights on possible strategies to effectively manage TP challenges in the current international environment.

With the ever-changing international tax landscape, the topic of mergers and acquisitions (M&As) is very much a focus for tax professionals. Established Accredited Tax Advisor (Income Tax) and Barrister Peter Tan, Senior Tax Advisor from Rajah & Tann Singapore, spoke about the various forms of M&As and their processes. He also explored



▲ Accredited Tax Advisor Sam Sim engaged participants interested in TP as a career by sharing his professional TP journey

▲ Adriana Calderon (1st from left), Director at Transfer Pricing Solutions Asia, took on questions regarding TP documentation

▲ Accredited Tax Advisor (Income Tax) and Barrister Peter Tan covered the complex tax and law issues businesses need to consider in merger and acquisition arrangements

the practical key considerations and intricacies of tax and legal issues in pre- and post-M&A deals. The month of August wasn't just about hot tax topics. Over canapes and beverages, SIATP members and undergraduates mingled and got a peek into the niche area of TP at SIATP's complimentary Tax Peek networking session. At the same event, Accredited Tax Advisor (Income Tax) Sam Sim, member of Income Tax Board of Review and Senior Advisor, Vienna University Global Tax Policy Center, gave accredited tax practitioners, provisional members and undergraduates a peek into the life of an Accredited Tax Advisor in TP and digital taxation.

Sharing the differences between being an in-house TP specialist in the financial and technology sectors, Mr Sim also provided insights into his own time management and anecdotes on how to progress into a TP specialist career as well as tips on ascending the TP corporate ladder.

Want to be on top of your game as well? Contact SIATP (enquiry@siatp.org.sg) to find out more.

MARK YOUR CALENDAR

14 OCT **Unleash the Potential of Creative Thinking**
This creative thinking workshop helps to enhance skills to find sustainable solutions and learn new ways to approach problem solving to reach win-win decisions.

17 OCT **Investment Planning & Taxation in Myanmar**
Early Bird Special!
Myanmar is a new, emerging economy with a large population and significant natural resources. The country is undergoing political and economic reforms and there is a burst of business interest in Myanmar since 2011.

This one day workshop will attempt to bridge the knowledge gap for any companies interested to do business in Myanmar. Also to help companies to plan their entry strategies and understand the current tax regime in Myanmar.

23 OCT **Audit of Revenue under the new FRS 115 Regime**
This programme provides audit professionals with guidance on the audit of revenue (including combined contracts, contract modifications, sales discounts and sales returns).

It also covers the key concepts of the new revenue accounting standard, FRS 115, including the 5-step model, identification of performance obligations, allocation of transaction price and principal vs agent.

29 OCT **ISCA Practitioners Conference 2019: New Frontiers for Tomorrow's Practice**
ISCA's flagship event for practitioners and the final instalment of the Singapore Accountancy and Audit Convention (SAAC) series – The Practitioners Conference – is set to challenge your practice's strategy. Join our industry leaders and experts as they define the role of the profession in current dynamic economic climate and create new possibilities for the audit profession. Learn how the profession can and will be evolving amidst the changing landscape. Also hear from our regulator and subject matter experts to strengthen core technical capabilities, and prepare for upcoming audits.
The Practice of Tomorrow cannot be formed in a day. The Practitioners Conference 2019 aims for professionals to rethink your strategy, strengthen core proficiency and bring back new ideas to form your ideal future-ready practice.

15 OCT **Business Valuation Methods and Application**
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Valuing a company is hardly a precise science and can vary depending on the type of business and the reason for coming up with a valuation. There are a wide range of factors that go into the process—from the book value to a host of tangible and intangible elements.

How do you determine the fair market value of a business to put yourself at a competitive advantage while buying or selling?

Learn and relearn the right ways of measuring the value of companies.

21 OCT **IFRS 15 / FRS 115: Revenue from Contracts with Customers - An Overview**
FRS 115 Revenue from Contracts with Customers replaces the existing standards on revenue recognition and is effective for periods beginning 1 January 2018.
This course explains the standard's underlying principles, its requirements and implications for different revenue sources, and its impact on existing accounting practices.

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

● isca breakfast talk

Risk Management In Today’s Evolving Electronic Payments World

AS FINANCE PROFESSIONALS RESPONSIBLE FOR PAYMENT PROCESSING AND IN CUSTODY OF SENSITIVE INFORMATION, what are the risks we should be aware of and how can we manage these risks?

At the ISCA Breakfast Talk session on September 18, two speakers from OCBC Bank illustrated the risks and lapses with real-life cases and shared the best practices in risk management in today’s evolving electronic payments world. They also emphasised the need for individuals to be aware of the risks and comply with the organisation’s internal controls. Otherwise, the best internal controls in place will come to naught, as often, humans are the weakest link. In the wise words of Bruce Schneier, an internationally renowned security technologist, “Security is not a product, but a process.”

Foo Chit Leong, Head of Channels, Global Transaction Banking, OCBC Bank, shared with our members the various types of internal controls. He explained that controls, such as dual control and multi-tier authorisation, provide a high level of security as it is almost impossible for hackers to concurrently compromise multiple users. Hence, this minimises the probability of fraudulent transactions from occurring. He added that determining the right mix and level of internal controls is often a fine balance between convenience and security.

On a related note, every organisation needs a forward-looking plan to address all possible cyber risks in view of the deepening cyber threat landscape and to underpin the safety and soundness of its business and infrastructure. It is not a question of “if” but “when” a cyberattack hits an organisation. In fact, an intruder may already “live” inside the organisation.



▶ Foo Chit Leong, Head of Channels, Global Transaction Banking, OCBC Bank, providing an overview of the various types of internal controls

▼ David Ng, Head of Group Technology Information Security Office, OCBC Bank, sharing the bank’s cybersecurity approach



David Ng, Head of Group Technology Information Security Office, OCBC Bank, continued the session with how he would approach an organisation’s cyber defence roadmap as a risk management journey.

He shared that OCBC Bank’s cybersecurity approach is centred on a group approach which utilises a multi-layered defence across the three broad categories of “protect”, “detect” and “respond”. He highlighted that banks place a lot of focus on data loss prevention, as the cost of recovery is very high and the reputation of the organisation can be severely tarnished.

With the evolving cyber threat landscape, it is increasingly important to ensure that an organisation’s cyber capability is continuously enhanced. Mr Ng emphasised the need for people readiness and the need to invest in such capabilities. Outdated technology and software also create opportunities for infiltration by hackers. The whole organisation has to support and adhere to good cyber practices. He concluded, “It is not how many windows you have closed that counts; it is how many windows you have not closed that matters.”

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BY LIM JU MAY and WANG ZHUMEI

THE VALUE AND FUTURE OF **AUDIT**

Stakeholders Share Their Perspectives

RECENT HIGH-PROFILE CORPORATE FAILURES IN THE UK SUCH AS CARILLION, BHS and Patisserie Valerie have raised concerns about the audit industry, its role, quality and whether it needs to evolve to meet the needs of stakeholders. The UK Business, Energy and Industrial Strategy Committee (BEIS) published a report on “The Future of Audit”¹ on its inquiries into these corporate failures that had raised questions on competition, resilience, conflicts of interest, regulatory weakness and the nature of audit itself which have contributed to a crisis of trust in the UK audit industry.

On 10 April 2019, the UK government called for views on the quality and effectiveness of audit² (Brydon Review) alongside two on-going reviews on the UK regulator, the Financial Reporting Council (FRC) (Kingman Review), and the supply

of statutory audit services in the UK by the Competition and Markets Authority (CMA). The Brydon Review is intended to take a fresh look at the existing purpose, scope and quality of audit, how far it can and should evolve to meet the needs of users and to serve the wider public interest.

The developments in the UK will have influence around the world where capital markets depend on robust and high-quality independent audits. Singapore, being a global financial centre, requires an effective audit industry to underpin confidence in the financial reporting by companies.

To obtain views from Singapore stakeholders, ISCA hosted a roundtable co-chaired by ISCA President Kon Yin Tong, and a Global Public Policy Committee³ (GPPC) representative Julia Tay of EY. Similar roundtables were also held in other key markets. The

Singapore roundtable, which took place on 28 May 2019, was attended by a diverse range of stakeholders including management, directors and audit committee members, auditors, investors, regulators and academics. The roundtable generated robust discussions, of which the key points are summarised here.

THERE IS STILL VALUE IN THE CURRENT AUDIT PRODUCT

Participants affirmed that the current audit product is valued. Audit reports are referred to as a starting point to draw high-level conclusions of companies including any material misstatements in the financial statements. Investors also see the added value from Key Audit Matters (KAMs) that draw their attention to certain risk areas in the company.

However, participants commented that auditors are not communicating their value beyond the audit report. While audit committees are appreciative of the effort and rigour of audit work performed before a true and fair opinion can be rendered, investors are unable to perceive further value beyond the audit opinion.

¹ “The Future of Audit”, 2 April 2019, UK Business, Energy and Industrial Strategy Committee
² “The Independent Review into the Quality and Effectiveness of Audit”, 10 April 2019, Brydon Review
³ The Global Public Policy Committee (GPPC) of the six largest international accounting networks comprises representatives of BDO, Deloitte, EY, Grant Thornton, KPMG and PwC, and focuses on public policy issues for the profession.

Participants affirmed that the current audit product is valued. Audit reports are referred to as a starting point to draw high-level conclusions of companies including any material misstatements in the financial statements.



PHOTO SHUTTERSTOCK



Hence, participants suggested that even without any expansion in audit scope, audit reports could increase its communicative value by including an assessment of the effectiveness of internal controls, risks, early warning signs on going concern, compliance with the Corporate Governance Code (CG Code), and assessment of corporate culture, etc.

Investors also added that the communicative value of the audit report will be enhanced if it were accompanied by greater interaction between auditors and investors. If a company has issues, investors would want to hear from the auditors through platforms such as the annual general meetings.

Recognising the spectrum of stakeholders' needs from an audit, there may inadvertently be a gap between what is expected from an audit, and what an audit actually does. Corporate failures tend to widen this gap when there is undue focus on what the auditors failed to do, vis-à-vis the role of other stakeholders in the corporate reporting ecosystem. Therefore, it is necessary to educate the market on what an audit is and is not, whether through better clarity in the audit report or through other means.

THE QUALITY OF FINANCIAL REPORTS IS A SHARED RESPONSIBILITY OF ALL ECOSYSTEM STAKEHOLDERS

High quality and transparent financial reports are fundamental to building trust in capital markets and in making investment decisions. Participants agreed that auditors are not the sole guardians of public interest and that a robust corporate reporting ecosystem is the shared responsibility of all stakeholders.

Although participants recognised this shared responsibility, they agreed that the accountability framework in the ecosystem is unbalanced and light on other stakeholders vis-à-vis auditors. In Singapore, if the CEO and CFO are not directors of the company, they are essentially unregulated under the Companies Act. Additionally, there are no regulations governing the minimum criteria and responsibilities of the CFO and preparers of financial statements, unlike in some jurisdictions where they are regulated by law and have personal liability.

The participants emphasised that the quality of financial reports is, first and foremost, the responsibility of management. Directors who are entrusted with the stewardship of the company are required to exercise their knowledge of the business and

challenge management's assumptions on judgemental accounting estimates and valuations. Auditors can provide observations and recommendations on the control environment through management letters. But, ultimately, the strength of internal controls stems from within the company and cannot be derived from an external audit, that is, quality and controls cannot be "audited into" the company.

The individual roles and responsibilities of stakeholders in the ecosystem may not have been sufficiently understood by the market. This may have resulted in auditors often being pushed into the spotlight and blamed when things go wrong. Therefore, participants agreed that greater communication to the market is needed to clarify individual roles, specifically the role of auditors in relation to management

and other ecosystem stakeholders. The developments in the UK also served to remind that where there are gaps in the accountability of any stakeholder, self-reform to strengthen the corporate reporting ecosystem would be more desirable than regulatory intervention.

Participants agreed that auditors are not the sole guardians of public interest and that a robust corporate reporting ecosystem is the shared responsibility of all stakeholders.

PHOTO SHUTTERSTOCK

CONSIDERATIONS ON EXPANDING THE SCOPE AND PURPOSE OF AUDIT Fraud

While auditors are not expected to purposefully sniff out all types of fraud, participants unanimously agreed that detecting material fraud in financial reporting is the responsibility of auditors. However, there still exists a misconception that auditors are responsible to detect and report all fraud.

The baseline expectation of the market is that auditors exercise professional scepticism in the audit and report fraud or red flags within the confines of limitations inherent in the nature and complexities of fraud today. The sophistication of well-orchestrated fraud raised the question about auditors' competence and their ability to detect such fraud without the involvement of forensic auditors that will lead to additional costs.

There were strong views for more timely reporting on financial reporting fraud by auditors. However, participants recognised that unlike management who are involved in the daily operations of the company, auditors are less likely able to detect fraud due to the

frequency of the audit. This led to suggestions that with the advent of technology, continuous or real-time audits will increase the chance of detecting fraud and enable more timely reporting. Once again, this translates to additional costs.

Participants also pointed out that the auditing standards⁴ state that management and those charged with governance are primarily responsible for fraud prevention and detection. The participants viewed that management's priorities and attitude towards fraud will, to a large extent, shape the organisation's culture and emphasis placed on having effective internal controls in respect of fraud. Investment in well-defined systems will lead to costs which should not be a deterrence as the costs of not detecting fraud would be higher for the company.

In general, there were no strong objections for an expanded role for auditors regarding fraud outside the financial statements. However, to prevent a widening expectation gap, participants expressed the need for the market to be educated should this be the direction of change. In particular, the market needs to understand that the auditors' role will be to assess the effectiveness of the company's fraud prevention and detection system, against an industry framework, rather than be the primary party responsible for detecting and preventing fraud.

While participants want more to be done, it was also recognised that any expanded scope, more timely reporting and involvement of forensic auditors will lead to higher audit fees and the need for liability caps. Hence, the call for change must go back to the basics of stakeholder needs and match the risk levels of the specific company.



⁴SSA 240 The Auditor's Responsibilities relating to Fraud in an Audit of Financial Statements

Internal controls

Participants suggested that expanding the scope on internal controls may be a catalyst for companies to strengthen their internal controls. However, this may lead to high compliance costs as was the case when US companies implemented requirements under the Sarbanes Oxley Act (US SOX).

Participants generally felt that the auditor's existing scope regarding internal controls over financial reporting (ICFR) was sufficient but lacked articulation to the market. The public may not be aware that a true and fair opinion can still be given when there are ICFR weaknesses due to mitigating factors and alternative procedures performed.⁵

Instead of expanding the auditor's scope, one of the suggestions was to improve communication by embedding in KAMs what the auditor has performed as part of the audit, the auditor's assessment of the control environment, controls which the auditor had relied upon and those that the auditor could not rely on due to weaknesses or other reasons. Such transparency in the auditor's reporting will also provide the market with insights into the companies' tone at the top and company culture in respect of internal controls.

As companies increasingly go digital and use big data, there may be a need to expand the scope of internal controls beyond financial reporting to include assurance over IT-related matters. This comes with increased expectation of auditors' competencies on IT systems and cybersecurity.

Going concern and forward-looking audits

The auditing standards⁶ require auditors to assess the appropriateness

⁵ SSA 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*
⁶ SSA 570 (Revised) *Going Concern*



PHOTO SHUTTERSTOCK

The communicative value of the audit product can be further enhanced with additional reporting, better understanding of the audit scope and increased interaction between auditors and stakeholders.



of management's going concern basis of accounting and the responsibility to highlight any material uncertainty about the company's ability to continue as a going concern. An audit typically looks at historical information and highlights any red flags to the market of the ability of the company to continue operations in the next 12 months.

Stakeholders would like audits to provide early warning signs to avoid surprise corporate failures. However, as an audit takes time to complete, participants commented that by the time going concern issues are reported in the year-end audit report, it is already a foregone conclusion. Similarly, there were suggestions that future technology-enabled continuous or real-time audits could help to improve the timeliness of going concern red flags.

Participants indicated that there is a demand for forward-looking information but concluded that providing assurance over such information would be difficult. They questioned the ability of auditors to provide forward-looking assurance

when such information is often "unauditable" and would be difficult for auditors to provide assurance without reliance on specialists or experts. The alternative to providing assurance would be to perform agreed-upon procedures, which then raised the question whether such procedures would be valuable or useful to stakeholders.

The aforesaid should not cloud management's role in the forecast process that forms the basis of going concern and forward-looking audits. Ultimately, it is management's responsibility to provide reliable and accurate forecasts. Therefore, participants were of the view that management would be in a better position to disclose the inputs to the forecasts and the process involved, and for auditors to opine on the controls over the forecast process.

THE FUTURE OF AUDIT

In summary, participants affirmed that the current audit product is not broken. The communicative value of the audit product can be further enhanced with additional reporting,

better understanding of the audit scope and increased interaction between auditors and stakeholders.

While there were no strong calls to expand the audit product beyond what it currently does, auditors need to be vigilant to the changing needs of users of financial statements, and innovatively evolve the audit product, its scope and the assurance levels required, to meet users' needs.

Although it is easy to demand that auditors do more, participants concluded that any expansion of the audit product must be preceded by clear industry frameworks which set out the professional standards that auditors must meet, and the roles and responsibilities of all stakeholders in the corporate reporting ecosystem. Any scope expansion must also be accompanied by new competencies on the part of the auditor, and balanced accountability frameworks that bind all stakeholders of the corporate reporting ecosystem.

CONCLUDING THOUGHTS

The Brydon Review has been a positive challenge and will likely catalyse an improved audit product. However, this silver lining stands against a backdrop of heavy regulatory intervention that will not only impact the audit profession but also companies, audit committees and the UK regulator. In Singapore, we can take a more proactive approach of self-reform to strengthen the corporate reporting ecosystem and restore trust without costly regulatory intervention. Auditors and all stakeholders should step up and effectively discharge their roles and responsibilities to make Singapore a trusted capital market. ISCA

Lim Ju May is Deputy Director, and Wang Zhumei is Manager, Technical, ISCA.



CHAN-NG AI LIN CA (Singapore)
Senior Lecturer, Accountancy,
Nanyang Business School,
Nanyang Technological University



JAMES LEONG C. FOO FCA (Singapore)
Founder and Master Trainer, Visions.One Consulting;
Inventor, Accounting in a Box®; Certified Speaking
Professional; Adjunct Associate Professor, School
of Law, National University of Singapore



ANGIE LIM CA (Singapore)
Executive Director – Global Finance,
Jones Lang LaSalle



NG ENG JUAN FCA (Singapore)
Professor, Accountancy Programme,
School of Business, Singapore University
of Social Sciences

BY WANDA TAN AND YONG YUNG SHIN

AN ODE TO EDUCATORS

A tribute to four ISCA members whose passion for education is uplifting the profession

OCTOBER 5 IS WORLD (OR INTERNATIONAL) TEACHERS' DAY – the day when people across the globe recognise and honour the teachers in our midst. Educators play an outsize role in shaping people's careers and lives, yet their work often go unheralded. They rarely get the plaudits they deserve, which makes this UNESCO-designated occasion all the more important.

In conjunction with this special day, we highlight the achievements of four ISCA members who have leveraged their industry experience and know-how to carve out successful teaching (or teaching-adjacent) careers. Two are accountancy educators at local universities, one is a Continuing Professional Education trainer, and the fourth is a senior finance leader who acts as a mentor and takes aspiring Chief Financial Officers under her wing.

They each have tread different paths en route to discovering their love for teaching, facing challenges and finding rewards along the way but the outcome is nevertheless the same. Together, the quartet is moulding the next generation of finance professionals and equipping them with the tools of the trade, and of life.



“I am a strong advocate of independent self-learning. I believe that with motivation, one can learn anything. Thus, I focus on getting my students excited and interested in accountancy so that they have the motivation to pursue the knowledge and skills.”

IGNITING AND FUELLING A PASSION

Chan-Ng Ai Lin, CA (Singapore), Senior Lecturer, Accountancy, Nanyang Business School, Nanyang Technological University

IT WAS A SERENDIPITOUS ENCOUNTER

13 YEARS AGO that reconnected Mrs Chan-Ng Ai Lin with her love for teaching. Then a contented finance manager working in a public-listed logistics firm, a chance meeting with a former professor led her to embark on her first stint as a part-time instructor at Nanyang Business School in Nanyang Technological University (NTU). “Back in those days, like many people, teaching was an aspirational career, so I tried it out for one semester, and fell in love with it. There was no turning back. I have spent the last 13 years here and I enjoy every bit of my job,” enthuses Mrs Chan.

In particular, she thrives on the challenge of making the modules interesting for her students, which is done through real-life applications of accountancy principles, among others. “I am a strong advocate of independent self-learning. I believe that with motivation, one can learn anything. Thus, I focus on getting my students excited and interested

in accountancy so that they have the motivation to pursue the knowledge and skills,” she affirms. To add a good dose of reality – and humour – to her classes, Mrs Chan enjoys sharing nuggets of wisdom gathered during her corporate career, including important survival skills in the corporate world as well as the people one can never afford to offend in the office, whom she laughingly gives up as “the pantry ‘aunty’ and the secretary!”

BUILDING LEDGERS FOR LIFE

Mrs Chan, 49, acknowledges candidly that her biggest challenge is teaching students who do not like accountancy. “As both an educator and a parent, I feel the agony of students who are studying accountancy not out of interest but rather, due to a lack of options or because of parental expectations. I try to talk to them, to understand what they are interested in and hopefully, guide them to find their passion. I tell them that in life, we often do not end up doing what we like, so it’s important to learn to like what we are doing.” Her one-on-one sessions were, for many of her students, some of the most treasured memories of their undergraduate journey. “I don’t see my role as just one of imparting knowledge but instead, one of building relationships.” She has even created a Facebook account just to keep in touch with her students.

Her advice to them ranges from academic to life skills and professional development. “I like to tell graduating students, “Your learning journey has just started. Learning at the workplace is a totally different ballgame.”” She also notes that young people seldom see the direct benefits of a professional qualification. “But you will reach a point in life when people expect you, for example, to already be a Chartered Accountant (CA). Although your first few jobs out of university may not require you to be a CA, subsequently, if you become a CFO or take on senior management positions, people may deem your CA designation as indicative of your professionalism.”

For herself, the ISCA membership has been most helpful in keeping her updated on the latest industry news and trends.

The best part about her job are the relationships she builds with her students, so much so that her two children, now 14 and 19, sometimes tease her that they have to fight for her attention with her students, whom she treats more like her godchildren, she reveals with no small degree of pride. “Teaching is about helping others to learn, and in the process, one learns as well. You don’t really have to be a teacher in the conventional sense to teach, anyone can coach or mentor,” she shares.

BALANCE SHEETS, AND A BALANCED LIFE

In the past 10 years, Mrs Chan has also found herself wearing multiple hats, one of which is as a volunteer with Junior Achievement, a non-profit organisation conducting financial literacy courses for primary and secondary schools. “It is important to teach our young ones the value of money and how to save, budget, spend and invest,” she opines. The courses are run like bootcamps, lasting two to three days each, and typically conducted after the examination season has ended. She is also part of the Ministry of Education committee working on curriculum development for Principles of Accounts for the “O”, “N” and “A” levels.

While it sounds like she has a lot on her plate, Mrs Chan finds time to unwind with her family, and especially enjoys watching Korean and Chinese dramas with her daughter. It’s not hard to imagine why Mrs Chan bonds so well with her students. She exudes a very relatable, down-to-earth presence, yet commands attention and respect with a split-second change in her tone of voice.

For Mrs Chan, her relationship with her students is one that goes beyond the classroom. In fact, she is still in contact with many of them except now, they bond over other topics, like parenting. At every chapter of their lives however, one lesson she hopes they will glean from her is to always adopt a positive attitude towards life.

+ CAREER HIGHLIGHTS

- 1992 to 1993**
Cost Analyst, ST Microelectronics Pte Ltd
- 1994 to 1995**
Cost Accountant, Siemens Medical Instruments Pte Ltd
- 1995 to 1997**
Accountant, CWT Limited
- 1997 to 1999**
Senior Accountant, CWT Limited
- 1999 to 2000**
Finance and Administration Manager, CWT Limited
- 2001 to 2002**
Manager, Internal Audit and Financial Projects, CWT Limited
- 2003 to 2004**
Financial and Administration Manager, SPD
- 2004 to 2005**
Group Accounting Manager, CWT Limited
- 2005 to 2006**
Corporate Services Manager, CWT Limited
- 2006 to 2013**
Lecturer, Accountancy, Nanyang Business School, Nanyang Technological University (NTU)
- 2013 to Present**
Senior Lecturer, Accountancy, Nanyang Business School, NTU

A FINANCIAL STORYTELLER

James Leong C. Foo, FCA (Singapore); Founder and Master Trainer, Visions.One Consulting; Inventor, Accounting in a Box®; Certified Speaking Professional

MORE THAN 30 YEARS AGO, James Leong chose to major in accountancy at National University of Singapore (NUS) on the advice of his elder brother, who had said that the profession would enable career flexibility. How prescient those words turned out to be. After getting his start at a Big Four firm, Prof Leong (he is Adjunct Associate Professor, Faculty of Law, NUS), climbed the corporate finance ladder and then moved laterally into the finance education sector. Here, he has excelled for the past two decades as an internationally sought-after professional training consultant for a diverse mix of private- and public-sector clients. A distinguished Toastmaster, Prof Leong, now 55, was also named one of “10 influential professional speakers in Singapore” by *Singapore Business Review* in 2013. “I work with individuals and organisations to help them understand finance so as to make better business decisions,” says Prof Leong of his company, Visions.One Consulting, which provides customised training programmes to meet clients’ needs. “That ‘aha!’ moment every time people ‘get’ finance, and the visible joy and relief on their faces... there is a tremendous amount of satisfaction in knowing I’ve helped them get there. It affirms that I am doing the right thing, and living a purposeful life.”

+ CAREER HIGHLIGHTS

- 1988**
Auditor, KPMG
- 1993**
Deputy Head of Finance, Eurocopter South East Asia
- 1995**
Head of Finance (Asia-Pacific), Fisher Scientific International Inc.
- 1998 to Present**
Founder and Master Trainer, Visions.One Consulting
- 2004 to Present**
Adjunct Associate Professor, Faculty of Law, National University of Singapore
- 2018**
Certified Speaking Professional, Global Speakers Federation

Several factors played a part in his decision to become a financial educator. For one, Prof Leong (now a father of three) wanted to spend more time at home with his then-growing family – a tough task for his travel-heavy job as Asia Pacific Head of Finance at a US-headquartered Fortune 500 company. “At the office, I had coached candidates taking on professional accountancy qualifications and discovered that I really enjoyed the change from my routine financial reporting and budgeting work,” he explained. Finally, Stephen Covey’s book, *The 7 Habits of Highly Effective People*, left a “transformational impact” on him, and inspired him to take the plunge into teaching.

LIKE DRIVING A “CAR”

Switching careers was not without its challenges. Prof Leong had to become well-versed in the principles of andragogy (adult learning), and also improve his communication and influencing skills. “I thought making the transition from coaching professional accountants to teaching non-finance people would be easy, but boy, was I wrong!” As Prof Leong points out, “Knowing something doesn’t necessarily mean you can easily transfer that knowledge to others. As Einstein said, ‘If you can’t explain it simply, you don’t understand it well enough.’”

His teaching philosophy is geared toward creating a safe space where people do not feel anxious about learning new things or making mistakes, promoting active participation by engaging people in conversation, and weaving fun into the lessons to catch people’s attention. Based on this premise, Prof Leong’s training programmes can be summed up by the self-generated “CAR” mnemonic: Comprehension, Application and Retention.

The Accounting in a Box® toolkit – a finance-themed card deck created by Prof Leong for Visions.One’s flagship programme, “Financial Storytelling™”

(a finance workshop for non-finance managers) – incorporates all three elements of CAR. The cards feature illustrative visual aids to make financial concepts like EBITDA more comprehensible to laypeople. Step-by-step models are used so that people can easily apply what they have learnt to real-world situations, such as reading financial statements. By including a storytelling component in each card, the concepts are easier to retain. “Financial statements are essentially stories about a business, written in numbers. Once I tell this to participants, they feel less anxious about learning it,” shares Prof Leong. Instead of simply downloading learning materials, participants are encouraged to discuss and expand the stories shared by Prof Leong. The appealing visuals on the cards also inject more fun into the training programmes, thus turning what could be viewed as dry content into an interesting, lively topic.

CPE IS CRITICAL

While much of Prof Leong’s work involves teaching finance to non-finance people, through ISCA, he also teaches non-financial skills to finance people so as to drive business performance. Coming up soon are two ISCA Continuing Professional Education (CPE) courses he will be conducting. The “Effective Finance Business Partnering” course (October 24) aims to help finance professionals work well alongside other business areas, while



The Accounting in a Box® toolkit is a finance-themed card deck that simplifies finance concepts



“Technical skills and practical financial experience, though important, are just part of being an accountancy professional; the rest of what you will learn is through CPE. To stay relevant, accountancy professionals need to keep learning, acquire new skills, and be students *in* life as well as *of* life.”

“Be A Game Changer With The New Entrepreneurial Mindset” (October 30) aims to train accountants to have an open mindset and explore new possibilities in the digital economy. Given the constant changes in the business landscape, Prof Leong stresses that CPE courses are more critical than ever. “Technical skills and practical financial experience, though important,

are just part of being an accountancy professional; the rest of what you will learn is through CPE. To stay relevant, accountancy professionals need to keep learning, acquire new skills, and be students *in* life as well as *of* life. This will allow you to continue to contribute and add value in providing holistic solutions to businesses. In the process, you will become more whole yourself.”

Prof Leong believes in walking his talk. In 2018, he earned his Certified Speaking Professional (CSP) credential – the speaking profession’s highest credential awarded by the Global Speakers Federation – held by only 12% of the 7,000 professional speaker-members worldwide. Being a Fellow Chartered Accountant of Singapore, or FCA (Singapore), means a lot to Prof Leong. “ISCA is a well-known brand that carries a great deal of trust and credibility. Throughout my career, the ISCA membership has conveyed my professionalism as an accountancy professional in practice as well as in education,” he reflects. With such a strong commitment to professionalism, there will surely be more “aha!” moments in the future for Prof Leong to savour.



... a key component of a good CFO is good partnering skills, and “this comes from developing confidence over time. It also stems from trusted partners in the business who know that when you say something, you mean it, and you mean it for the good of the business”.

FROM DIFFERENT PERSPECTIVES

Angie Lim, CA (Singapore), Executive Director – Global Finance, Jones Lang LaSalle

IT WAS AN INTERIM TEACHING POSITION SHE TOOK ON YEARS AGO that piqued Angie Lim’s interest in mentorship. Since then, the senior finance leader has had no dearth of opportunities to help groom others and develop the next generation of accountancy talents.

After eight years as Chief Financial Officer (CFO) of Asia Pacific at commercial real estate services firm Jones Lang LaSalle, Ms Lim decided to take on different challenges. Currently she drives strategic projects, working with globally based, cross-functional teams. In addition to other finance leadership roles she has held at multinational corporations including Fluor Corporation, Invensys and Bovis Lend Lease, Ms Lim’s job regularly puts her in the position to lead, guide and mentor diverse individuals across the Asia-Pacific region. On a voluntary basis, she serves as a mentor for ISCA’s Mentoring Programme. A nine-month programme designed to provide aspiring CFOs with access to experienced C-suite executives on a one-on-one basis for personal and career development, she has mentored two ISCA mentees to date.

On its part, ISCA pairs up prospective mentors and mentees and engages trainers to prepare both parties for the programme “so that we don’t jump in cold”, shares Ms Lim, who also sits on the CFO Committee at ISCA.

LISTEN, LEARN AND LEAD

What are the responsibilities that she places upon herself as a mentor? “I make sure to set aside quality time for them; I don’t take this lightly at all! There must also be absolute confidentiality, so I work

to build trust with them,” says Ms Lim. What is the most common question asked of her? “Do you think I should change jobs?” she answers with a chuckle. “What I always tell them is this – in any job, if you feel that you’re no longer learning or you dread going to work, ask yourself why that is so. Next, you must have patience and give your manager or company a chance. Reach out to them and provide feedback to see if there are other opportunities to explore within the company. Only when all means have been exhausted should you start looking outside,” she advises.

She makes it clear, however, that her role is not to solve her mentees’ problems or do their jobs for them, but merely to encourage them to look at things from different perspectives. As such, she gets her mentee to prepare self-set goals or objectives before each session. Ms Lim then walks them through the process of defining the problem, identifying possible solutions and crafting an action plan. When asked if there have been instances when a mentor-mentee relationship did not work out, she replies, “Of course,” but those are few and far between, thanks to the initial pairing efforts undertaken by ISCA to ensure mentor-mentee compatibility. There has to be “chemistry... without that, it’s quite difficult,” she says.

Ultimately, Ms Lim hopes to help build up “the next generation of leaders who is not afraid to have a second opinion or challenge the status quo”. In her view, a key component of a good CFO is good partnering skills, and “this comes from developing confidence over time. It also stems from trusted partners in the business who know that when you say something, you mean it, and you mean it for the good of the business,” she adds.

The most rewarding part about being a mentor is when her mentees share their “victories” with her – be they a positive outcome at work or an aspect of personal growth they have achieved. As a testament to the genuine relationships she has built with her mentees, they have even arranged to meet up with her after

the mentoring programme ended. Asked if there is a need for more people to step up and become mentors, Ms Lim replies with a resounding “Yes” while slipping in a piece of advice, “Be prepared to set aside quality time for them, and to develop good listening and observation skills.” But it’s not just a one-way relationship. “You find that you can also learn from your mentees. For me, I learnt more about the different industries, how to handle various emotions and tackle sensitive situations. While your direct reports may not always confide in you, your mentees are more willing to share,” she says.

The lifelong learner, who is 63, credits ISCA with keeping her updated on the latest news and developments in the accountancy industry, adding that in order to stay relevant in a dynamic job market, one needs to “stay open-minded with regard to innovation, technology and data”. She is already looking forward to the start of the next intake for ISCA’s Mentoring Programme but in the meantime, between juggling work and family (she has grown-up children), the avid solo traveller and advanced scuba diver with more than 400 dives under her belt is on the lookout for her next underwater exploration destination.

WHAT HER MENTEES SAY...

“Mentoring provides a great avenue to get quality coaching and career advice from a senior finance manager. Getting unbiased and objective opinions from an elevated viewpoint will provide valuable insights to challenge and widen the mentee’s horizon and offer realistic opportunities to improve.”

“I am thankful that Angie has taken time out of her busy schedule to mentor and share her valuable work experiences with me. It is great to have a mentor like her as she is able to see things from a different perspective and gives good advice. Thanks Angie!”

CAREER HIGHLIGHTS

2002 to 2007
Finance Director (Asia Pacific & North America),
Invensys Process Systems

2007 to Present
Chief Financial Officer Asia Pacific,
Global Account CFO and currently Executive
Director – Global Finance, Jones Lang LaSalle

A LIFELONG CALLING

Ng Eng Juan, FCA (Singapore), Professor, Accountancy Programme, School of Business, Singapore University of Social Sciences

IN A JOVIAL, CAREFREE WAY – WHICH CHARACTERISES HIS OVERALL DEMEANOUR – PROFESSOR NG ENG JUAN, 68,

echoes the sentiments of teachers everywhere when he says that the most rewarding aspect of his job is to “know that your former students are doing very well in their personal and professional lives, and making positive contributions to society”. The veteran educator is currently a full-time professor at Singapore University of Social Sciences (SUSS), formerly known as SIM University. Having graduated from the University of Malaya in 1975, he won a scholarship from the newly established Universiti Kebangsaan Malaysia (UKM or The National University of Malaysia) to further his studies in the United States. Upon graduating with a Master of Business Administration in 1978, Prof Ng joined UKM as a lecturer in accountancy. He would soon realise the necessity and relevance of having industry experience in order to teach accountancy well. So when he completed his four-year contract with UKM, he left for a Big Four public accountancy firm, despite having to take a 50% pay cut. “I learned a lot and enjoyed what I was doing during my four-and-a-half years with the Big Four firm. But deep down, I knew my love was for teaching. So when Nanyang Technological Institute (predecessor of Nanyang Technological University or NTU) advertised to recruit academic staff for its accountancy programme, I applied and was accepted,” recalls Prof Ng.

CAREER HIGHLIGHTS

- 1978 to 1982**
Lecturer, Universiti Kebangsaan Malaysia (UKM)
- 1982 to 1987**
Auditor, Ernst & Whinney Malaysia
- 1987 to 1989**
Lecturer, Accountancy, Nanyang Technological Institute (predecessor of Nanyang Technological University or NTU)
- 1990 to 1998**
Senior Lecturer, Accountancy, Nanyang Business School, NTU
- 1999 to 2016**
Associate Professor, Accountancy, Nanyang Business School, NTU
- 2016 to Present**
Professor, Accountancy Programme, School of Business, Singapore University of Social Sciences

THE LEARNING NEVER STOPS

Time flew quickly by. Prof Ng taught at NTU for almost 30 years until the end of his tenure contract in 2016 and thereafter, joined SUSS, where he is today. When asked how he strikes the right balance between developing a rigorous academic programme and cultivating the joy of learning among students, he clarifies that there is no conflict and explains that in fact, the programme must be rigorous for students to enjoy learning. “With constant changes in the business landscape, it is essential for students to be equipped with lifelong learning skills. Students have to learn how to learn.” Prof Ng walks his talk. In his almost 20 years of service as a member of ISCA’s Financial Reporting Committee (formerly known as Accounting Standards Committee), he had the opportunity to learn from some of the industry’s best. “I enjoyed the camaraderie among the members of ISCA,” he reminisces, adding that his ISCA membership also helps him stay abreast of technical developments in the profession, through conferences and insightful articles in the *IS Chartered Accountant Journal*.

He feels that the greatest challenge today in accountancy education is to keep up with new and revised accountancy standards. “I am lucky in that I have a group of highly knowledgeable contacts whom I can consult. It also helps that I have frequent interactions with practising accountants and auditors from whom I have learnt implementation issues and concerns,” he shares.

Over the years, he has not just been a teacher but a friend to many of his students. “It makes my day whenever former students acknowledge me when we meet, be it at a conference or while trekking at the Bukit Timah Nature Reserve. Somehow, many of them remember the jokes I made in class, but not the technical stuff I taught!” he says with a chuckle.

EXERCISING SCEPTICISM EARLY

On a serious note, Prof Ng observes that accountancy students tend to think that there is only one definite correct answer

to any accountancy issue. “I always try to dismantle this myth. One of the main reasons why an accountancy standard is issued is because there are diverse views and treatments, and often, an accountancy standard is issued with the objective to enforce standardisation of the accountancy treatment. But differences in views and interpretations will not go away. So, the way to study accountancy is not only to remember the rules in the accountancy standards but also to understand the principles, concepts and rationales underpinning those rules,” he explains, drawing a distinction between mere “knowing” and “true understanding”. “Accountants and auditors play a very important role in the economic development of a nation. To play that role effectively, accountants and auditors must be professionally proficient, ethical, and have a heart for the society,” he adds.

For accountancy professionals considering a switch in career path to teaching, Prof Ng advises, “First and foremost, you must have a passion for teaching, as well as the necessary teaching skills. However, given the current emphasis on university rankings and its consequent emphasis on research, I’d advise anyone who wishes to teach in universities to first go for a PhD qualification from a reputable university.” He reminds that top research outputs are important to build up a good career path in universities.

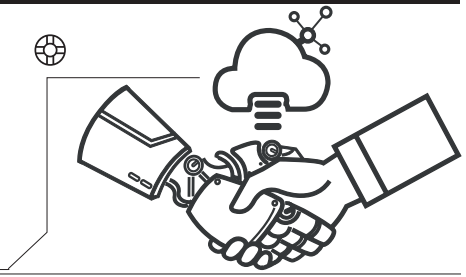
The father of three children – one of whom has followed in his footsteps and graduated with a Bachelor of Accountancy from NTU in 2015 – exudes the level of energy and passion of people half his age, and has no plans to slow down. “I hope every student leaves my class feeling very positive and happy that they have learnt something useful, and that they have enjoyed the process. In fact, I have told my students that I hope when they wake up in the morning, they would think to themselves, ‘Wow, good, there is a consolidated financial statements class today’, and not, ‘Oh no, there is a consolidated financial statements class today’,” he says with a chortle. ISCA

Wanda Tan and Yong Yung Shin are contributing writers.

“With constant changes in the business landscape, it is essential for students to be equipped with lifelong learning skills. Students have to learn how to learn.”



BY IMDA, ISCA AND SAC



SERVICES 4.0

PART 4

Human Element Still Key As Accountancy Sector Digitalises

WITH TECHNOLOGIES TAKING OVER THE WORLD BY STORM, many people have the misconception that robots will eventually take over all our jobs, rendering humans redundant. The reality, however, is very much different as the human element remains critical in the economy, especially in the accountancy sector.

In the previous three articles of this series of four on the digital transformation in the accountancy sector, we explored how companies leveraged emerging technologies and paved the way for Services 4.0, namely, how seamless services can anticipate customer needs; how Services 4.0 has enabled workforce augmentation, and how the Accountancy Industry Digital Plan (IDP), unveiled in August this year, aims to boost the

digitalisation efforts of small and medium-sized practices (SMPs). (Parts 1 to 3 were published in the July, August and September issues of this Journal.)

In this concluding article, we will focus on the human element, which is often the deciding factor in whether an organisation weathers disruption and emerges stronger to face the future. The human element is also the most crucial in an industry where individuals have always been central to the practice, such as the accountancy sector.

While there are ever-changing innovations, such as robotic process automation and artificial intelligence (AI), humans need to keep up with these emerging technologies and adopt new digital tools to effect change. Hence, a mindset change is in order. Individuals have to be open to reskilling and upskilling to stay relevant, and improving their technology literacy should be pivotal in their skills upgrading journey.



The human element is also the most crucial in an industry where individuals have always been central to the practice, such as the accountancy sector.





THE RIGHT COURSES FOR THE RIGHT SKILLS

The good news is, ISCA has developed the ISCA Professional Accountants in Business (PAIB) Framework and Learning Roadmap to help PAIBs better understand the different competencies required to harness the opportunities ahead.

Similarly, for audit professionals working in SMPs, the ISCA SMP Learning Roadmap seeks to fulfil their professional development training needs.

For PAIBs

In 2018, ISCA released the PAIB Framework, outlining the fundamental and distinctive qualities that PAIBs should possess in order to excel and stay ahead in today's volatile economy.

The framework provides an overview of the five key DNAs of a PAIB, serving as a guide on the key competencies required. The five DNAs a PAIB should possess are: Future Finance, Business Acumen, Professional Values and Ethics, Technical Excellence, and Leadership and Personal Empowerment (Figure 1).

Figure 1 ISCA PAIB Framework



In tandem with the PAIB Framework, ISCA has also developed the PAIB Learning Roadmap to map out and recommend relevant training courses and learning opportunities. Spanning four proficiency levels – Foundational, Intermediate, Advanced and Expert – the Roadmap outlines the essential skills and available training programmes at each stage. For more information on the ISCA PAIB Learning Roadmap, please refer to <https://isca.org.sg/id/learning-roadmap/financial-accountants-and-management-accountants-fa-and-ma/paib-learning-roadmap-fa-and-ma/>.

For audit professionals in SMPs

As part of ISCA's ongoing efforts to support SMPs in the rapidly changing business world, the Institute developed the SMP Learning

Roadmap in 2018 for professionals working in the external audit function. Based on the working levels and experiences of audit professionals in SMPs, the Roadmap presented a series of relevant competencies and skill sets.

To better understand your competencies and find out more about the learning opportunities available to upskill and reskill, do check out the SMP Learning Roadmap at <https://isca.org.sg/id/learning-roadmap/smp-lrm/learning-roadmap-smp/>

In addition, digital skills and training courses under the SMP Centre are available to enhance technology literacy. For the list of courses, please check out <https://smpcentre.org.sg/services-training.html>.

For a start, here is a list of interesting and relevant courses that you may wish to consider (Figure 2).

MEASURING A COMPANY'S DIGITAL MATURITY

As Singapore pushes ahead with digitalisation, employees will need to level up their digital skills to meet the expectations of their employers. By the same token, companies which are pushing ahead with digitalisation plans also need to better understand how digitally ready they are and the areas where they need to invest resources in to reap the benefits, such as productivity gains. To address this, Infocomm Media Development Authority conducted a study of companies across various sectors interested in digitalisation. The study measured their digital strengths and weaknesses and evaluated how well they performed against their global peers in digital capabilities.

Apart from the adoption of technology, companies are encouraged to look at various aspects of their digital maturity, including the following:

- Business strategy driven by digital** To look at an organisation's vision, priorities and strategic roadmap;
- Digitise the core** Mainly through go-to-markets, operations and support functions;

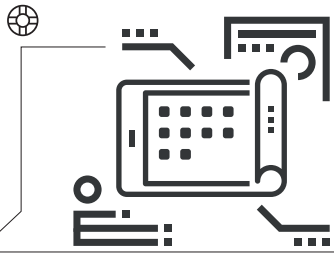


Figure 2 Tech-related courses for audit professionals in SMPs

Blockchain: What Every Accountant & Auditor Should Know (Code: DGT030ET) 16 Oct 2019 (9:00 AM - 5:00 PM)	Building Capabilities of Managing Personal Data Compliance (Code: DGT035) 31 Oct 2019 (9:00 AM - 5:00 PM)	A Hands-On Approach Towards Data Analytics (for Accountants and Analysts) (Code: DGT039) 04 & 05 Nov 2019 (9:00 AM - 5:00 PM)
Introduction to Blockchain Technology for Accounting and Finance Professionals (Code: DGT017) 14 Nov 2019 (9:00 AM - 5:00 PM)	Artificial Intelligence (AI) and the Accountant (Code: DGT031) 15 Nov 2019 (9:00 AM - 5:00 PM)	Cyber Forensics and Cybersecurity for Decision Makers (Code: DGT008) 18 & 19 Nov 2019 (9:00 AM - 5:00 PM)
Business Analytics for Strategic and Organisational Performance (Code: DGT010) 03 Dec 2019 (9:00 AM - 5:00 PM)	Steps to Develop an Effective Cyber Security Strategy (Code: DGT002) 12 Dec 2019 (9:00 AM - 5:00 PM)	Fintech Regulation in ASEAN (Code: DGT028) 13 Dec 2019 (9:00 AM - 12:30 PM)
Members who are interested in the courses can sign up at https://isca.org.sg/cpe-events/ .		

- Changing ways of working** Through corporate culture and governance as well as people improvement policies and training opportunities;
- Leveraging the power of data and technology** Data collection and governance, the use of advances like AI and the Internet of Things, and cybersecurity;
- New digital growth** Areas to consider include internal venture capital and incubator programmes, development of new digital products and services;
- Integrating ecosystems** Primarily in digital-related partnerships, mergers and acquisitions, and joint ventures.

MOVING FORWARD, STAYING AHEAD

Clear roadmaps and guidelines provide an unbiased measure of how prepared a company is to meet the challenges

brought about by digital disruption. They provide a direction for companies to progress as they digitally transform for the new economy.

For many companies in the accountancy sector, such initiatives serve as useful landmarks on an important journey of change – a journey that is likely fraught with uncertainty and doubt. SMPs can count on resources such as the ISCA Learning Roadmaps for a clearer path ahead.

By focusing on enhancing the capabilities of the human element as well as taking a holistic view of digital transformation at the organisational level, the accountancy sector can adopt new practices and adapt for change. ISCA

This article was written by Infocomm Media Development Authority, Institute of Singapore Chartered Accountants and Singapore Accountancy Commission.

BY INDUSTRY SUPPORT, ISCA

ONE YOUNG WORLD SUMMIT 2019 COMPETITION

Exceptional Young Accountant To Represent ISCA

THIS YEAR MARKS THE 10TH YEAR OF THE ONE YOUNG WORLD (OYW) SUMMIT, where the most talented and exceptional young leaders around the world gather to share their knowledge and collaborate on global issues. The Summit convenes the brightest young people from every country and sector, working to accelerate social impact. These youths come from diverse backgrounds ranging from global and national companies to non-governmental organisations, universities and other forward-thinking corporations.

During the Summit, delegates participate in four transformative days of speeches, panels, networking and workshops. Past counsellors of the Summit include influential political, business and humanitarian leaders such as Justin Trudeau, Archbishop Emeritus Desmond Tutu and Meghan Markle, among many other global figures. Delegates engage in debate, formulate and share innovative ideas to help achieve the United Nations Sustainable Development Goals, and present keynote speeches in the presence of the world's media.

This year is extra special as OYW celebrates its 10th anniversary, and the Summit will return to where it first began – London, United Kingdom – from 22 to 25 October 2019. Young leaders around the world are put through a rigorous selection process based on proven leadership ability and impact, and ISCA is no exception.

In our search for an exceptional One Young #CharteredStar to represent ISCA and Chartered Accountants Worldwide, we had a team of esteemed judges consisting of past OYW representatives, ISCA Council members and senior management, as well as ISCA Young Professionals Advisory Committee members. The panel assessed the applicants' responses to adversity and their ability to inspire and influence their peers through social media. The finalists also submitted an essay based on the five plenary themes of #OYW2019, as a gauge of their creativity and insights. At the end of multiple rounds of all-rounded evaluation by the panel, Maria Teo, Associate Director of

Nexia TS Public Accounting Corporation, clinched the winning spot.

Encompassing the virtue of humility, Maria impressed the panel with her intellect and maturity on world issues. On top of carrying out her daily duties as a Chartered Accountant, she is a proactive individual who advocates technology advancements and has led the implementation of such changes in her firm to fruition. She is also very passionate about education and is a strong believer of grooming the next generation for success.

Maria will join other young leaders at the OYW Summit in the United Kingdom as an ambassador of ISCA, and as part of the delegation from Chartered Accountants Worldwide. Once again, we congratulate her on her success.

Do look out for her post-event write-up in the December issue of this *IS Chartered Accountant Journal* as she shares her life-changing experience in London.

In the meantime, meet the six finalists of this year's OYW Summit competition.



OYW SUMMIT 2019 COMPETITION FINALISTS

WINNER
MARIA TEO, 32
CA (Singapore)
Associate Director,
Nexia TS Public Accounting Corporation

Maria has a passion for learning, and she has made that her life motto. She started out as an audit associate in Nexia TS, before expanding her horizon into areas such as Accounting Technical and Quality Control and Audit Operations. After spending a few months at Nexia's headquarters in the UK, she returned to lead the Forensic and Litigation Support team. Besides volunteering with the Kreta Ayer People's Theatre fund, she spends her leisure hours learning Japanese, pottery and Iyengar yoga. To share her love of learning, she is currently a mentor in her firm to her team and other young accountants seeking guidance in their career.

FINALIST
ANGELIQUE TEO, 29
CA (Singapore)
Regional Financial Planning & Analysis Manager,
Danone

Angelique started her career in KPMG audit, before moving to Financial Planning & Analysis (FP&A) in manufacturing, technology and fast-moving consumer goods (FMCG) industries. She is currently an FP&A Manager with Danone and will soon relocate to its headquarters in Paris, as an Internal Audit Manager. Angelique has served on the Executive Committee of Young Women's Leadership Connection. She has conducted career classes for Nanyang Technological University and ISCA, and served as a mentor for Institute of Technical Education (ITE) and university students since 2017. She was also chosen to participate in global conferences like FemParl Canada, and the Ship for Southeast Asian and Japanese Youth Program. These opportunities have increased her knowledge of socio-economic issues and made her even more passionate about giving back to society.



► **FINALIST**
JENNESSA WONG, 31
CA (Singapore)
Senior Financial Analyst,
Procter & Gamble, Singapore

Jennessa began her career in KPMG Singapore, where she primarily served a clientele of publicly-listed companies in the property and media industries. Thriving on the excitement of a fast-paced environment, she moved to Procter & Gamble Singapore, where she has a myriad of experiences working on supply chain, financial analysis and profit forecasting assignments for Asia-Pacific markets, focusing on value creation for the business, consumers and shareholders. Jennessa believes that every individual has the power to make a positive impact on the environment and society, particularly in the area of environmental conservation. As an advocate of alleviating poverty through education, Jennessa has been involved in community projects in Thailand and Vietnam that focus on the education of young children.



► **FINALIST**
TRICIA WONG, 26
CA (Singapore)
Industry Lead, Asia Pacific,
InsureTech Connect

Tricia was awarded the PwC Scholarship 2013 during her university days, and became a part of the PwC Singapore family. She began her career in Assurance before moving to Management Consulting within PwC, where she mainly worked on Finance Transformation, Process Improvement and Robotics Process Automation projects. She has since moved to become the Industry Lead in APAC at InsureTech Connect as part of its new expansion team in Asia. Outside of work, Tricia enjoys travelling and challenges herself to experience new things such as taking part in a DJ competition, where she came in third in 2016. She strongly believes that everyone should step out of their comfort zone once in a while – because they will be pleasantly surprised at what they can achieve.



◀ **FINALIST**
JOANNA CHUNG PEI SHAN, 26
ISCA Associate
Senior Associate,
PwC Singapore / Myanmar

Joanna is currently seconded to PwC Myanmar Risk Assurance. Her job responsibilities include growing the PwC Myanmar practice, covering the areas of Enterprise Risk Management, Internal Audit and Governance Risk Compliance. In addition to the plethora of work experience as a student, she was appointed a career student counsellor to her peers and juniors in Singapore Management University, and also assisted as a peer tutor. Upon graduation, she was the first recipient of the SSA Consulting Group prize for Best Graduating Accountancy Student in Ethics & Social Responsibility. Joanna plays her part as an active member of the Young Women's Leadership Connection and is a firm believer in female empowerment. During her free time, she likes to enjoy a good read at different cafes.



◀ **FINALIST**
ZHAO WEI CHUA, 30
CA (Singapore)
MBA Student,
Columbia Business School

Zhao Wei is currently an MBA candidate at the Columbia Business School, focusing on strategy and general management. He is also a recipient of Columbia Fellow, Columbia Business School's institutional fellowship. Most recently, Zhao Wei was an Assistant Manager in the supply chain finance and capital planning functions of Kellogg Company. He is passionate about integrating sustainability into business strategy and has participated in various organisations' social and environmental initiatives including teaching financial literacy to young adults, natural resource conservation, and hunger alleviation. Outside of work, Zhao Wei enjoys group fitness exercises and travelling. A firm believer in lifelong learning, he also explores the changing world of business analysis through courses in data analytics. ISCA



BY DR ANG HAK SENG

DISCIPLINES ~~7 HABITS~~ FOR HIGH PERFORMING CHARITIES

Helping Charities Focus On Important Aspects Of The Organisation

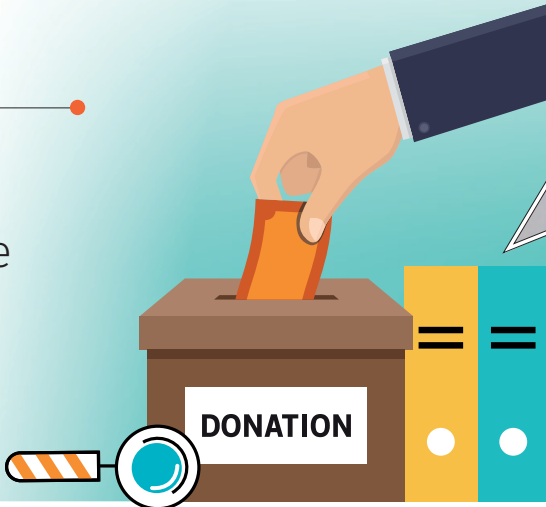
THE COMMISSIONER OF CHARITIES (COC) ANNUAL REPORT for the year ended 31 December 2018 revealed that the charity sector received S\$20.5 billion in receipts in financial year 2017. This is an increase of 24% from the previous year and a testament that trust in the charity sector has strengthened. This is positive news for the sector, and we should leverage on continuous improvement when the going is good. Hence, during the July “In Conversation with the Commissioner” event, the “7 Disciplines for High Performing Charities” was introduced with the aim to help charities focus on the important aspects of the organisation, so that they can operate effectively and efficiently, and meet the growing expectations of the donors and general public. We hope that with this framework in mind, the sector will continue to do good well, and also maximise every dollar to be given back to help the community.

The 7 Disciplines for High Performing Charities are summarised in Figure 1.

Figure 1 7 Disciplines For High Performing Charities

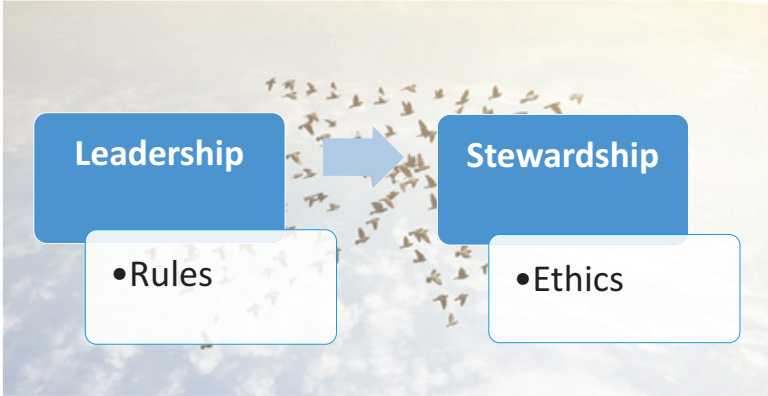
1	Leadership	Stewardship: Ethics
2	Customer	Co-Regulation: Co-Delivery with Stakeholders
3	Strategy	Collaboration: Win-win Strategy
4	People	People Matter: Structured Learning
5	Process	Shared Services: Cheap and Good Processes
6	Knowledge	Right Tech: Digital to the Core
7	Results	Visible: Impactful Results

People matter in our charities, and they all have the passion to make Singapore a better place for everyone.



DISCIPLINE 1: STEWARDSHIP

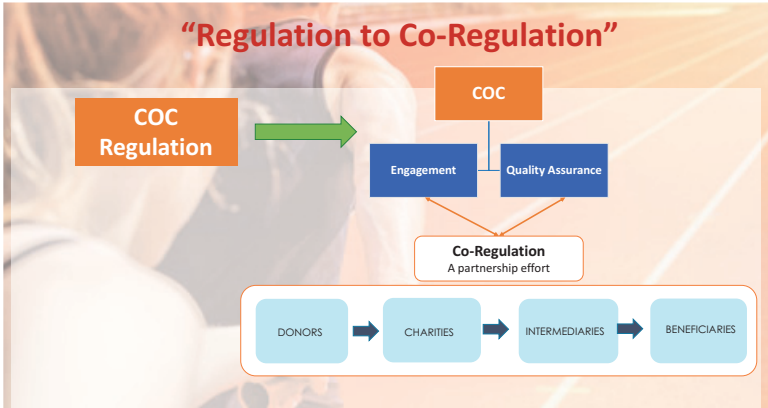
In every organisation, leadership is key as leaders are the drivers of change and drivers of getting things done. However, in the charity sector, the core of our work is for the community, and passion driven. Some of the things that are being done may not be clearly defined or spelled out in the rules and regulations; hence, there is a need for leadership, which is led by rules only, to stewardship, which is driven by ethics.



This shift is also being implemented in the sector by the Commissioner. COC has plans to move beyond rules and pure compliance to an ethics-based structure. This would mean less prescriptive and more principles-based guidelines, supported by best practices, that charities could interpret and implement according to what is best for the organisation, within reasonable means.

DISCIPLINE 2: CO-REGULATION

The vision of COC is to nurture a well-governed charity sector with strong public trust and confidence. Besides putting in place a strong framework of laws and regulations, COC recognises that stakeholders of the charity sector, such as the donors, charities, intermediaries and beneficiaries, have important roles to play. Hence, the COC approach in recent years has shifted from that of a regulator to co-regulator, initiating and acknowledging the partnership efforts of all the major stakeholders.



Co-Regulation with Donors: Safer Giving

To educate our donors, COC rolled out the Safer Giving campaign in September 2018 to raise the awareness of giving safely through three simple steps: Ask, Check, Give.

- i) Ask before giving, to find out more about the beneficiary;
- ii) Check to ensure the organisation is a legitimate charity, and
- iii) Give with peace of mind.

This Safer Giving Campaign has reached out to at least 1.7 million Singaporeans.

Co-Regulation with Charities: Self Discipline

Our charities must also take ownership and practise self discipline in complying with the Charities Act and legislations, as well as ensure good governance practices as provided in the Code of Governance for Charities and Institutions of a Public Character (IPCs). Resources are provided to charities to assist them in understanding and implementing good governance practices in their organisations. With good governance, coupled with good transparency disclosure practices, our charities can continue to build and sustain the trust and confidence of their donors in supporting the charities' charitable purpose and to do good well for the community.

Co-Regulation with Intermediaries: Quality Assurance

To safeguard the interests of charities and donors when giving online or through traditional methods, COC partnered with intermediaries of the online crowdfunding platforms and commercial fund-raiser.

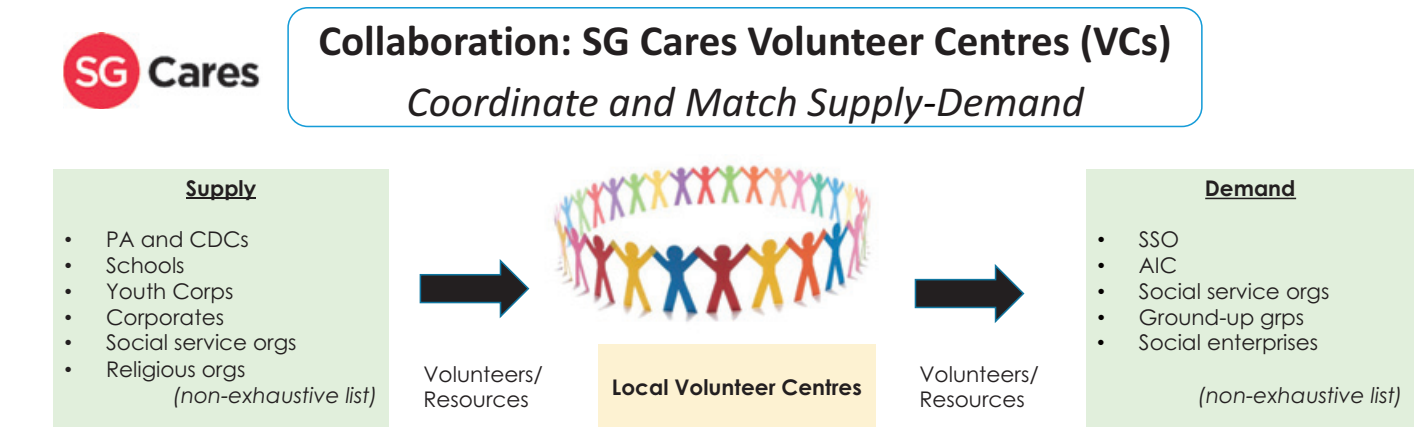
In 2018, COC developed the Code of Practice for Online Charitable Fund-Raising Appeals and four online crowdfunding platforms; Give.asia, Giving.sg, Ray of Hope Initiative Limited and SimplyGiving have subscribed to the Code. As subscribers to the Code, they must ensure that appeals hosted on their platforms are legitimate, transparent and accountable and hence, provide the general public with quality assurance.

In 2019, COC published the Code of Conduct for Commercial Fund-Raisers which highlights not only the Charities (Fund-Raising Appeals for Local and Foreign Charitable Purposes) Regulations 2012 but also the professional standards that should be adhered to when conducting fund-raising.

Co-Regulation with Beneficiaries: Receivers become Givers

Our beneficiaries are also a major stakeholder in the charity sector. Not only do our beneficiaries benefit from the charity's giving, they are also a resource to give back or pay it forward, in their own ways. This provides them with ownership and, more importantly, dignity. As part of the national movement Singapore Cares (SG Cares), this is one thrust that is being strengthened, together with the charities and the community.

Figure 2 Collaboration: Many-helping-hands approach



DISCIPLINE 3: COLLABORATION

One of the challenges faced by the charity sector is that while we provide assistance at the places which are most visible, there may be gaps in certain communities or households that are not filled.



Plugging the knowledge gap: Dr Ang Hak Seng, Commissioner of Charities, sharing a case study at a governance seminar for Hindu organisations

Hence, instead of the sector working on its own, it is highly encouraged for charities to collaborate in a many-helping-hands approach (Figure 2).

To help the sector in this aspect, the SG Cares movement has also developed the local Volunteer Centres. One of the roles of the Volunteer Centre is to coordinate and match demand to supply within the geolocation. Currently, there are two towns in Singapore, Bedok and Jurong East, which are piloting the Volunteer Centres, and we expect another five towns to come onboard by the end of 2019. We aspire to roll out the Volunteer Centres islandwide across all 24 towns.

With this collaborative strategy, it is hoped that no one gets left behind.

DISCIPLINE 4: PEOPLE MATTER

While structures and processes are being developed to uplift the sector, we must not neglect the core drivers of the charity sector – our people. People matter in our charities, and they all have the passion to make Singapore a better place for everyone. But sometimes, there may exist a knowledge gap of our people between the structures and processes in place. One common grouse heard on the ground is, “It’s not that we don’t want to do it, it’s because we don’t know how to do it.”

To bridge this gap, the sector has been provided with episodic learning from various training providers over the years. However, it is critical to move the sector towards a more structured learning approach, such as through the use of case studies relevant to, or from, the sector itself. This will enable those in the sector to garner relevant insights and grow stronger together.

In July 2019, COC signed a Memorandum of Understanding with Singapore University of Social Sciences (SUSS) for the provision of shared services in training. Partnering with a local university emphasises COC’s focus on the people capabilities and capacities to do better for the sector. It is a strategic aim for SUSS to provide a structured, tiered and affordable training programme for key personnel of charities.

... the COC approach in recent years has shifted from that of a regulator to co-regulator, initiating and acknowledging the partnership efforts of all the major stakeholders.

DISCIPLINE 5: SHARED SERVICES

One of the most often asked questions of charities by stakeholders is, “How are charities maximising the impact of \$1?” Stakeholders expect charities to be more productive, which generally means doing more with less. One way to increase productivity is to be “asset light, programme heavy”. Being asset light is an opportunity for a shared economy for the charity sector as it can result in the pooling of resources, to be used by many.

Figure 3 Partners for shared services

	Conduct training sessions and walk-in consultancy clinics
	Assist in board and staff recruitment and renewal
	Offer IT solutions
	Promote and facilitate a set of common services for Hindu charities
	Structured training courses to raise performance of charities
	One-stop shop: Provide space for shared services partners

COC had sought feedback from charities on the common resources that charities require assistance in. The results showed that charities require support in areas such as administrative matters, accounting and financial management, talent recruitment and training. With these broad needs of the sector identified, COC began developing partnerships to provide shared services for charities in 2018. The first phase focused on helping charities ease their resource constraints and meet basic regulatory and governance requirements. So far, over 600 representatives from various charities have benefited from the training sessions, consultation clinics and other shared services provided by our shared services partners. We hope to extend the outreach to more charities, especially the smaller ones.

To enable charities to be well governed and productive, COC has partnered the following organisations (Figure 3) which are committed to provide assistance and support to the charities at no or low cost. COC is continuously working on identifying new potential partners from the private and community sectors to partner the government to make a positive impact on our community.

DISCIPLINE 6: RIGHT TECH

With Singapore’s push to become a Smart Nation, and the disruptive nature of technological change, it is critical for charities to view the advent of technology as an opportunity. Charities should embrace and harness digital tools to achieve the right optimisation. However, it is also equally important that charities are not going digital for digital’s sake. Instead, charities should go digital at their core, that is, at the most important aspects of the charities’ work. Some examples are:

- **Accounting and Finance** Charities could make use of accounting software or cloud accounting to ensure recordkeeping is kept regularly updated, and provides for ease of audit.
- **Fund-raising** With the push for a cashless society, charities should consider using digital means for fund-raising, for example, via online crowdfunding platforms or the use of QR Code for direct donations.
- **Volunteer management** Volunteers are one critical and unique resource in the charity sector. Applications such as the SG Cares app could be leveraged upon for charities to list, and for potential volunteers to find, volunteer opportunities based on preference, location or other criteria.

More importantly, while going digital, charities should ensure that data security is top-of-mind, and protect organisations from data breaches. On this note, COC circulated an infographic which lists six simple things charities should note, to protect personal data (Figure 4).

Figure 4 Protecting personal data

DATA PROTECTION IS INCOMPLETE WITHOUT YOU

Charities may handle personal data of donors, volunteers and members of public. Don't be an easy target for hackers who want to steal your information!

6 SIMPLE WAYS TO PROTECT PERSONAL DATA

- Encrypt files containing personal data
- Use strong passwords
- Update your anti-virus software frequently
- Do not click on suspicious links
- Keep your confidential files and devices safely
- Review data access regularly

HOW TO REPORT DATA BREACH

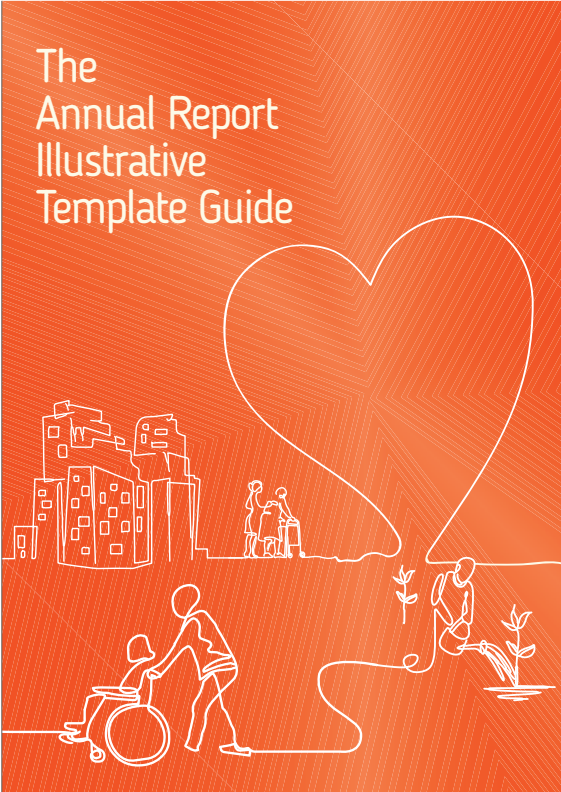
1. Report to SingCERT
email Singapore Computer Emergency Reponse Team at singcert@csa.gov.sg
2. Report to SPF
go to the nearest Singapore Police Station
3. Report to PDPC¹
email Personal Data Protection Commission at info@pdpc.gov.sg

¹ For more information on personal data protection, visit www.pdpc.gov.sg

This infographic is created and issued by the Commissioner of Charities

Figure 5 COC’s annual report template guide

The Annual Report Illustrative Template Guide



DISCIPLINE 7: IMPACTFUL RESULTS

In my previous article, published in this *IS Chartered Accountant Journal*, May 2019 issue, I introduced the Visibility Guide which aims to enhance the capabilities of our charities to communicate their impact and governance to donors and stakeholders. In addition to this guide, we recently launched the Annual Report Illustrative Template Guide (AR Template).

This AR Template (Figure 5) comprises mandatory disclosure requirements under the Charities (Accounts and Annual Report) Regulations, as well as best practices from the Code of Governance for Charities and IPCs. It serves as a comprehensive template that charities of all sizes can take reference from to meet the annual reporting requirements, and also to better disclose information to their stakeholders. The AR Template is published on the Charity Portal.

CONCLUSION

With the 7 Disciplines for High Performing Charities, together with co-regulation among the stakeholders – donors, charities, intermediaries and beneficiaries – taking ownership and playing their parts to ensure that donations are used for genuine charitable purposes, greater trust can be engendered. Together, a thriving charity sector with strong public confidence can be achieved. ISCA

Dr Ang Hak Seng, FCA (Singapore), is Commissioner of Charities, and Adjunct Professor, Nanyang Technological University.



PHOTO SHUTTERSTOCK



BY ARLENE WHERRETT

DIGITALISATION IN ACCOUNTANCY

Embrace It Or Risk Being Left Behind



THE ACCOUNTANCY PROFESSION has gone through massive transformation over the last few years, driven by the onset and rapid development of emerging technologies and the resulting shifts in client demands. For example, today's widespread availability of cloud-based accounting tools and software-as-a-service (SaaS) allows businesses to track their finances in real time and with greater precision, enabling business leaders to make more informed operational decisions.

According to the "Sage 2019 Practice of Now" report which surveyed over 3,000 accountants around the world, 90% of those surveyed believe there has been a cultural change in the industry. One of the key contributors to this shift is digitalisation. As the digitalisation wave continues to ripple across the economy, accountants today are evolving from their traditional roles and exploring ways to stay successful in the digital era.

The good news is that governments are jumping in to help. For instance, when announcing its Budget earlier this year, the Singapore government signalled its intention to help the industry adopt technology to

grow businesses. The Accountancy Sector Roadmap, launched at the ISCA Practitioners Conference in 2018, aims to drive Singapore's accountancy sector to become a global hub. This Roadmap will not only enable accountants to equip themselves with much-needed digital skills, it also provides the framework for the sector to make the most out of emerging digital opportunities.

While turning the digital dream into reality may seem daunting, employing a holistic approach can turn this threat into an opportunity. Here are the top three things accountancy professionals need to keep in mind before they embark on their digital journey:

1 THE DISAPPEARING "BUSY SEASON"

While accountants have historically expected a regular cadence of busy periods – largely driven by corporate and individual tax return deadlines – today, accountants should worry less about these. The focus of the accountancy profession needs to shift towards being seen not only as financial resources, but also as trusted strategic advisors.

AI can help them identify points of optimisation that can potentially help struggling companies stay afloat.



This more detailed level of oversight is becoming increasingly crucial in a period where companies are seeing traditional business models being disrupted by technology, and financial agility is required to steer companies towards profitability.

In fact, back in 2018¹, we found that 83% of accountants already felt that their clients expected much more from them than they did five years before, with almost half (42%) of the clients expecting their accountants to provide business counsel over serving as mere bookkeepers. In today's world, this is even more apparent; clients, driven by the technology they're exposed to in their daily lives, are expecting the same level of service from their accountants.

Can such expectations be fulfilled? With the adoption of artificial intelligence (AI) and automation to drive accountancy practices, the answer is yes!

Today, accountants can lean on technology to expedite bookkeeping tasks that are time consuming and repetitive when done manually. This quickens administrative tasks that typically contribute to increased workloads in busy seasons while freeing up accountants' time so they can focus on building deeper, long-lasting client relationships. According to Sage's productivity tracker, a tool to monitor lost productivity in real time, over £354.1 billion of productivity has been lost globally to date (as of September 30) in this year alone, due to business administrative tasks; accountancy-related tasks contribute a whopping 75% of this cost. Modern-day accountants need to spend less energy on the number crunching and paperwork typically associated with recurring periods of high demand, and instead, start thinking about providing strategic counsel.

With AI, accountants and finance leaders can also more easily track digital footprints produced by the millions of financial transactions, enabling them to pinpoint where the money trails lead and revolutionise financial visibility. Furthermore, AI can help them identify points of optimisation that can potentially help struggling companies stay afloat. This more detailed level of oversight is becoming increasingly crucial in a period where companies are seeing traditional business models being disrupted by technology, and financial agility is required to steer companies towards profitability.



¹ "How Accountants Should Deal With AI And Increasing Client Demands", 10 Sept 2018, Sage blog



PHOTO SHUTTERSTOCK

The first step towards grooming successful business consultants is acknowledging that we need to rethink how accountants are trained and address skills gaps created by technological disruption.



2 RETHINK YOUR TRAINING PROGRAMME

By 2030, accountancy practices will look and operate differently compared to today, with many more skill sets required across the board. As accountants, we must recognise the fact that a successful business requires effective relationship management that involves engaging clients and managing relationships. At the same time, we must understand our clients' business pain points in as much detail as possible, which in turn, requires accountants to be multifaceted. This is echoed by 43% of our survey respondents, who feel that new talent joining the profession should have industry experience outside accountancy.

This presents a huge problem for the industry, because today's accountancy training programmes tend to be focused on understanding legislation and financial models. We are currently not equipped to train future generations of accountants with skills like relationship building, business advisory or technological literacy. Accountants of the future need to move beyond just tabulating cells in a spreadsheet, and understand how to work with people to get the best out of them.

The first step towards grooming successful business consultants is acknowledging that we need to rethink how accountants are trained and address skills gaps created by technological disruption. If not, we will eventually become dinosaurs in an increasingly digital world.

3 IGNORING NEW TECH IS NO LONGER AN OPTION

Eighty-five per cent of accountants surveyed believe that the profession in their country needs to pick up the pace of technology adoption to remain competitive internationally, with

more than half of them (56%) recognising that technological advances bring increased productivity. Furthermore, more than half (58%) of the survey respondents look forward to adopting relevant AI applications, which they believe will be made available in the next three years. As clients become more tech savvy, they will demand the use of newer technology such as predictive analytics in real time, leaving accountants with no option but to step up their game to stay relevant.

Technology can also be leveraged to elevate accountants' business value. As automation reduces errors and generates results more quickly, accountants must shift from mere reporting. With the extra time gained with technology's help, accountants can evolve their skill sets to include investigating discrepancies and advising customers. Raising the value of their profession will make them essential to their clients' business.

On the flipside, technology has also enabled businesses to take more accountancy roles in-house instead of outsourcing these to professional services firms. To remain relevant to their clients, accountants must seize any opportunity to optimise their quality of service or risk being left behind. In this era, digital transformation is the only way to stay successful.

From employing new technologies to finding new ways of interacting with clients and providing value, staying true to a digital vision is the most crucial for accountants to stay afloat in this time of change. ISCA

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BY INSIGHTS AND PUBLICATIONS, ISCA

THE GOVERNANCE FRAMEWORK FOR AI

AI Is In Our Daily Lives

IF YOU THINK ARTIFICIAL INTELLIGENCE OR AI belongs in futuristic movies and science fiction novels, you might want to think again. You would be surprised to know that AI is involved in helping you complete a myriad of tasks, such as filing your income tax on the Inland Revenue Authority of Singapore (IRAS) portal. When a person uses the IRAS website or other government websites, Jamie, a virtual assistant with the face of a real human woman, pops up to assist you with your queries. Jamie is a chatbot which uses natural language processing to first comprehend what users are asking, and then provide an appropriate response.

Search engines including Google’s “search” function and mobile phones also use AI to suggest completions of search terms as you begin typing, while Amazon’s recommendation engine uses AI to recommend products to browsing users to buy, based on their buying patterns. According to Forbes, this recommendation engine, which uses data from customers’ preferences as shown by previous purchases to create a list of products which it then recommends to the customer, contributes to 35% of Amazon’s revenue.¹

This brings us to a stark realisation – tech-savvy companies have amassed huge amounts of personal

data, be they customers’ buying preferences and patterns or age, hobbies, etc, to gain a good understanding of their current client base, and the value of such information will correspondingly fuel the use of AI. With technology, these companies can derive deeper insights from the data collected to formulate strategies to retain their clientele. However, the use of AI is not regulated and this could be a cause for concern in time to come.

The Singapore government recognised businesses’ growing use of AI and personal data, and in June 2018, launched three initiatives: one, the formation of the Advisory Council on the Ethical Use of AI and Data; two, the setup of the Research Programme on Governance of AI and Data Use at Singapore Management University School of Law², and three, the release of a Discussion Paper on AI and Personal Data³ to “facilitate constructive and systemic discussions on ethical, governance and consumer protection issues relating to the commercial deployment of AI”. Published by the Personal Data Protection Commission (PDPC), the Discussion Paper was further developed into a Model AI Governance Framework⁴ (Model Framework) for industry’s voluntary adoption.

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¹“How Amazon Has Reorganized Around Artificial Intelligence And Machine Learning”, Blake Morgan, 16 July 2018, Forbes
² The research centre at SMU is called the Centre for AI and Data Governance
³ “Artificial Intelligence (AI) and Personal Data - Fostering Responsible Development and Adoption of AI”, 5 June 2018, PDPC
⁴ The Model AI Governance Framework is available for download at the PDPC website

A FRAMEWORK TO GUIDE AI

The Model Framework was released as a living document for broader consultation in January this year at the World Economic Forum (WEF) Annual Meeting in Davos. This framework, Asia’s first, aims to provide guidance to organisations deploying AI at scale on how to do so in an ethical and responsible manner. In this article, we will look at the Model Framework’s guiding principles and four focal areas.

The Model Framework has two guiding principles: one, that decisions made by AI should be explainable, transparent and fair, and two, that companies’ AI systems, robots and decisions should be human-centric.⁵ Further, the Model Framework recommends four areas that companies implementing AI should consider:

- 1) Internal governance structures and measures;
- 2) Determining an AI decision-making model;
- 3) Operations management;
- 4) Customer relationship management.⁶

1 Internal Governance Structures And Measures

The Model Framework recommends that organisations should have appropriate internal governance structures and measures to oversee their use of AI. Where possible, an organisation can use or adapt its existing internal governance structure or implement new structures. In addition, the risks of AI can also be managed under the enterprise risk management structure. It suggests that ethical considerations can also be introduced to the organisation as corporate values, to be managed through ethics review boards or similar structures. The framework also noted that the support of the organisation’s top management and its board is crucial to the organisation’s AI governance.

Two aspects are emphasised under internal governance. The first aspect deals with the need to allocate clear roles and responsibilities to the appropriate personnel and departments. These personnel and departments should be adequately trained and given the necessary resources to perform their roles competently. Their duties include using the existing risk management framework or applying risk control measures in assessing and managing the risks of deploying AI, selecting the appropriate AI decision-making model, and managing the process of AI model selection and training.

For the second aspect, a risk management system should be implemented. This system will manage datasets, assess and manage the risks of inaccuracy and bias, and review exceptions that come up during model training.

⁵ A Proposed Model Artificial Intelligence Governance Framework, p3
⁶ Id, p5
⁷ Id, p7
⁸ Id, p8
⁹ Id, p13
¹⁰ Id, pp14-15
¹¹ Id, pp16-18



2 Determining An AI Decision-Making Model

Before organisations deploy AI solutions, they should ask themselves what commercial objectives they hope to achieve with these solutions. Is it to ensure consistency in decision making, reduce costs, or improve operational efficiency? These objectives, when determined, can then be weighed against the risks of using AI.⁷



The Model AI Governance Framework has two guiding principles: one, that decisions made by AI should be explainable, transparent and fair, and two, that companies’ AI systems, robots and decisions should be human-centric.

Subsequently, organisations should determine the appropriate level of human involvement in AI decision making using a risk impact assessment process. This process will enable organisations to identify, review, and mitigate relevant risks. It will also help organisations develop clarity and confidence in using the AI solutions, and be better prepared in responding to challenges from individuals, other businesses and regulators.⁸

After conducting the impact assessment, organisations can then determine the appropriate level of human involvement in AI decision making. Broadly, they are (1) Human-in-the-loop; (2) Human-out-of-the-loop, and (3) Human-over-the-loop.

As its name suggests, “Human-in-the-loop” requires human oversight in decision making. The human is actively involved in the decision making and retains full control. AI only provides recommendations or input. Decisions cannot be exercised without affirmative actions by the human. An example is a doctor who uses AI to suggest possible diagnoses and treatments. Here, AI provides information to guide the human’s decision, but the human decides on the final diagnosis and treatment.

In the second model, “Human-out-of-the-loop”, humans do not have oversight over the execution of decisions; the AI has full control. For example, an AI-enabled product recommendation solution may automatically suggest products and services to individuals based on predetermined demographic and behavioural profiles, without having humans involved in making those recommendations.

In the last model, “Human-over-the-loop”, humans are allowed to modify the parameters during the algorithm’s functioning. An example given is the Global Positioning System (GPS) for navigation purposes, which plans the traffic routes from Point A to Point B. It offers several routes for selection, and the human can modify the parameters of the algorithm if there are unforeseen road conditions. The human does not have to reprogramme the entire route.

3 Operations Management

This explains the stages in AI deployment, and the considerations and measures in managing data and using them to train the machine learning models.

Generally, in an AI adoption process, the raw data is first formatted and cleansed, before algorithms are applied to the data. These algorithms include statistical models, decision trees and neural networks. Algorithms are repeated until the best model emerges. This model is then used to produce probability scores that can be factored in by applications in their decision-making and problem-solving processes. The AI adoption process is not always unidirectional but a continuous process of learning.

The quality and selection of data are important. Organisations should mitigate the risk of using biased, inaccurate or non-representative data. They also need to understand where the data came from. Keeping a data provenance record – a historical record of the data – allows organisations to know the quality of its data and trace potential sources of error. Other good practices would be to pay attention to selection bias and measurement bias.

Organisations should also consider measures to enhance the transparency of algorithms. One such measure is explainability, which refers to the ability to explain how an algorithm functions and how it arrives at a particular prediction. It is not always possible for explanations to be given, especially when it relates to aspects such as proprietary information, intellectual property rights protection, anti-money laundering detection, information security and fraud protection.⁹ For example, in the case of proprietary information, if a company explains how its algorithm works, its business competitor may be able to copy its algorithm. Similarly, if fraudsters understand how the algorithm works, they will be able to work around it to commit fraud.

Other measures include repeatability and traceability. Repeatability refers to the ability of an algorithm to perform an action or make a decision consistently, if given the same scenario. Traceability refers to the ability of an algorithm to document decision-making processes, to enable easy understanding by the user.¹⁰

4 Customer Relationship Management

To build trust between an organisation using AI and individuals, appropriate communications about the organisation’s use of AI should be carried out. The organisation should develop a policy for the explanation of AI use – how AI works in a decision-making process, how a specific decision was reached, etc. Easy-to-understand language should also be used to facilitate readability. Other options to improve the consumer experience include giving individuals the option to opt out, giving them a feedback channel and providing a decision review channel.¹¹

In conclusion, the Model Framework provides useful guidance to companies in dealing with the governance aspects of AI deployment. The effective governance of AI is important for companies to show that they are well prepared when using AI. This will unquestionably help build trust and confidence with their clients, which is an important element in customer retention. ISCA

This article was written by Insights and Publications, ISCA.

TECHNICAL HIGHLIGHTS

AUDITING AND ASSURANCE

ISCA COMMENTS ON IAASB'S DISCUSSION PAPER ON AUDITS OF LESS COMPLEX ENTITIES: EXPLORING POSSIBLE OPTIONS TO ADDRESS THE CHALLENGES IN APPLYING ISAS

ISCA supports IAASB's initiative and shared our views on the description of less complex entities (LCEs) and the challenges related to audits of LCEs. We also highlighted the potential implications and challenges which may arise from the possible actions deliberated in the discussion paper.

For more details, please see the comment letter at <https://isca.org.sg/media/2823407/isca-comment-letter-lces.pdf>

ISCA ISSUES SSA 540 (REVISED) AUDITING ACCOUNTING ESTIMATES AND RELATED DISCLOSURES

SSA 540 (Revised) deals with the auditor's responsibilities relating to accounting estimates and related disclosures in an audit of financial statements. The revised standard includes enhanced risk assessment requirements, scalability allowances and emphasis on application of professional scepticism. It is effective for audits of financial statements for periods beginning on or after 15 December 2019.

For more information, please visit <https://isca.org.sg/tkc/aa/current-issues/standards-alert/standards-alert/2019/september/ssa-540-revised-auditing-accounting-estimates-and-related-disclosures/>

ISCA ISSUES UPDATED AGS 1, SAMPLE INDEPENDENT AUDITOR'S REPORTS

Main updates relate to revised sample reports of financial institutions.

As locally incorporated banks now recognise expected credit loss (ECL) allowance in accordance with FRS 109, modifications arising from deviation from FRS have been removed in the related report template.

For more information, please visit <https://isca.org.sg/tkc/aa/current-issues/standards-alert/standards-alert/2019/september/updated-audit-guidance-statement-ags-1-sample-independent-auditor-s-reports/>

ETHICS

FATF GUIDANCE FOR RISK-BASED APPROACH FOR ACCOUNTING PROFESSION

This guidance highlights the need for a sound assessment of the money laundering and terrorist financing risks that accountants face so that the policies, procedures and ongoing customer due diligence measures mitigate these risks. The risk-based approach is central to the effective implementation of the FATF Recommendations to fight money laundering and terrorist financing.

For more information, please visit <https://www.fatf-gafi.org/media/fatf/documents/reports/RBA-Accounting-Profession.pdf>



FINANCIAL REPORTING

ISCA COMMENTS ON IASB'S ED ANNUAL IMPROVEMENTS TO IFRS STANDARDS 2018-2020

ISCA broadly supports and agrees with IASB's proposals except for the following:

- **Proposed amendment to illustrative examples accompanying IFRS 16**
In our view, the mere removal of the illustration and the explanation provided in the basis for conclusion will not address the confusion. Instead, the illustration should be retained, and there should be additional explanation on the treatment of lease incentive.
- **Proposed amendment to IFRS 9**
Notwithstanding the limited application of IAS 39, similar amendments should be made to IAS 39 since paragraph AG62 of IAS 39 contains the same requirements as those in paragraph B3.3.6 of IFRS 9.

For more information, please visit <https://isca.org.sg/media/2823330/isca-comment-letter-for-iasbs-ed-on-annual-improvements-to-ifs-2018-2020.pdf>

IASB ADDS PHASE TWO OF ITS PROJECT ON IBOR TO THE WORK PLAN

The IBOR reform project focuses on addressing potential financial reporting implications linked to the interest rate benchmark (IBOR) reform in two phases – phase one covers pre-replacement issues and phase two covers issues after the replacement of IBOR.

For more information, please visit <https://www.ifrs.org/news-and-events/2019/08/iasb-adds-phase-two-of-its-project-on-ibor-to-the-work-plan/>

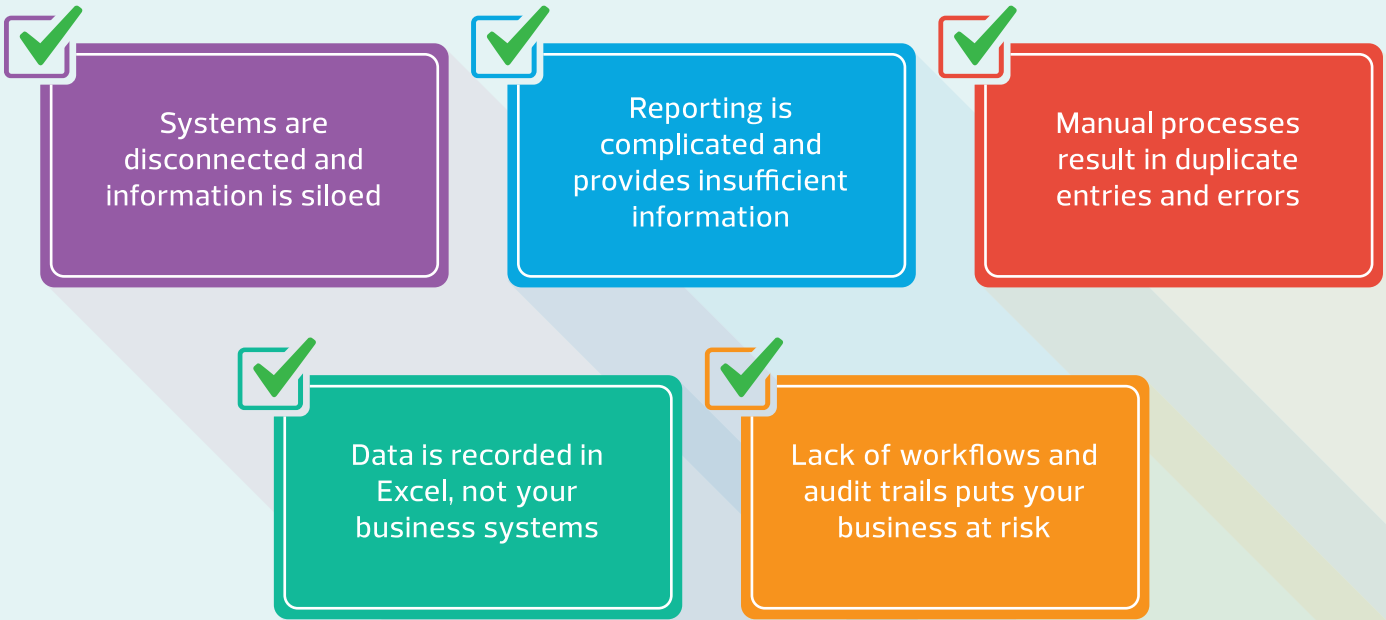
INVESTOR PERSPECTIVES: PROPOSED AMENDMENTS TO IFRS 17

IASB has issued an article titled "Investor Perspectives: Proposed Amendments to IFRS 17". In this article, board member Nick Anderson offers insights into the new proposed disclosures in IFRS 17.

For more information, please visit <https://www.ifrs.org/news-and-events/2019/09/investor-perspectives-proposed-amendments-to-ifs-17/>

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BY NG SHI ZHEN

ROLE AND MINDSET EXPECTED OF PROFESSIONAL ACCOUNTANTS

Complying With Both The Letter And Spirit Of The Code

IN SEPTEMBER 2018, the International Ethics Standards Board for Accountants (IESBA) approved a project to further enhance the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) in response to calls from stakeholders to address the applicability of the concept of professional scepticism to all professional accountants.

The objective of the project Task Force is to ensure that the Code promotes the role, mindset and behavioural characteristics expected of all professional accountants when performing their professional activities. In the project proposal, members of the Task Force considered revisions to Part I of the Code to:

- Describe the role, mindset and behavioural characteristics expected of all professional accountants when performing their professional activities;

- Explain the linkage between the role, mindset and behavioural characteristics expected of professional accountants and the fundamental principles and conceptual framework, and
- Address threats to compliance with the fundamental principles arising from bias, pressure and other impediments, together with appropriate supporting materials.

The Task Force was informed by the Consultation Paper, “Professional Scepticism – Meeting Public Expectations”, issued by IESBA in May 2018 seeking views on the behavioural characteristics comprised in professional scepticism and whether all professional accountants should apply these behavioural characteristics. IESBA hosted a series of global roundtables in June and July 2018 to discuss issues raised in the Consultation Paper.

ISCA’S RESPONSE TO THE CONSULTATION PAPER

ISCA submitted our response to the Consultation Paper in August 2018. We raised concerns with IESBA’s proposal to include “impartial mindset” as a behavioural characteristic expected of professional accountants. This is because an “impartial mindset” may not be universally applicable to the different roles played by professional accountants.

In our view, the fundamental principles of the Code could be further enhanced for depth and robustness. We believed that a comprehensive review of the fundamental principles within the Code would, to a large extent, address the public expectation of the behaviours expected of professional accountants.

We also do not agree that the Code should use the term “professional scepticism” as ethical behaviour is disparate or essentially different from behaviour associated with professional scepticism. Attempting to amalgamate the two behaviours would be confusing and may result in unintended consequences.

We supported an alternative term to professional scepticism which would capture the ethical behavioural expectations of all professional accountants on a high and broad level and address public expectations of what it means to be a professional accountant.

To meet their responsibility to act in the public interest, professional accountants are expected to demonstrate ethical behaviour and uphold ethical values, which entails complying with both the letter and spirit of the Code.



IESBA'S EXPOSURE DRAFT

The Task Force considered the responses to the Consultation Paper and views expressed at the roundtables in deliberating the proposed revisions to Part 1 of the Code. In July 2019, IESBA issued the Exposure Draft (ED) "Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants".

The proposals in the ED responded to stakeholder calls to explore whether and how the Code could contribute to strengthening the application of concepts underlying professional scepticism by all professional accountants. Among other matters, the proposals:

- Highlight the wide-ranging role of professional accountants in society and the relationship between compliance with the Code and a professional accountant's responsibility to act in the public interest;
- Include enhancements to three of the five fundamental principles, and
- Require all professional accountants to have an inquiring mind when applying the conceptual framework.

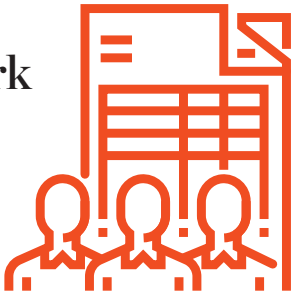
ROLE OF PROFESSIONAL ACCOUNTANTS

The Task Force proposed to introduce new application material in Section 100 to explain what compliance with the Code entails. Professional accountants play different roles in society and are recognised for their skills and values. The proposed text reminds all professional accountants to comply with the five fundamental principles and apply the conceptual framework. It also emphasises that compliance with the Code goes beyond complying with the requirements of the Code.

To meet their responsibility to act in the public interest, professional accountants are expected to demonstrate ethical behaviour and uphold ethical values, which entails complying with both the letter and spirit of the Code. IESBA is of the view that a positive organisational culture promotes ethical behaviour in professional accountants and supports compliance with the Code. Accordingly, the proposed text also



The proposed requirement to “have an inquiring mind” when applying the conceptual framework is a step up from the existing requirement to remain alert for new information and to changes in facts and circumstances.



highlights the importance of ethical culture within an organisation which is most effective when supported by the right tone at the top.

STRENGTHEN THE FUNDAMENTAL PRINCIPLES

The proposed revisions include enhancements to the fundamental principles of objectivity, professional behaviour and integrity.

IESBA revised the description of “objectivity” to be expressed more positively.

The description of “professional behaviour” is strengthened by the proposal to include a requirement that professional accountants behave in a manner that is consistent with their responsibility to act in the public interest. This requirement echoes and supports the proposed introductory material which was discussed earlier.

The fundamental principle of “integrity” requires a professional accountant to be straightforward and honest, and implies fair dealing and truthfulness. The Task Force proposes that “integrity” also includes having the determination to act appropriately when confronting dilemmas or difficult situations.

The new application material in the ED proposes that this would require:

- Standing one’s ground when facing pressure to do otherwise during the course of performing professional activities, or
- Challenging others as and when appropriate, even when doing so creates potential adverse personal or organisational consequences.

The Code requires a professional accountant to be honest and truthful. Going forward, the professional accountant is also required to have the determination to do the right thing.

HAVE AN INQUIRING MIND

The Task Force considered in their revisions to Part 1 of the Code, the development of application material to:

- Promote the need for professional accountants to be inquisitive and curious about the information available in the course of undertaking professional activities, and
- Conduct the necessary assessment or investigation of the integrity, relevance and sufficiency of that information in order to reach an informed decision.

Although the term “professional scepticism” had often been loosely used to encapsulate such mindset and characteristics, the proposals clarify that the term should be reserved for use only in the context of an audit, review or other assurance engagement.

The Task Force proposes to revise Part 1 of the Code to require all professional accountants to “have an inquiring mind” when applying the conceptual framework. The proposals include new application material which explains “having an inquiring mind” as follows:

- Being open and alert for situations and information (or the lack thereof) that might require further investigation, and
- Considering whether there is a need to critically evaluate the information obtained.

The proposed requirement to “have an inquiring mind” when applying the conceptual framework is a step up from the existing requirement to remain alert for new information and to changes in facts and circumstances. Going forward, the professional accountant is required to go beyond alertness to bear in mind the continuing need for critical analysis of information obtained.

CONCLUSION

Overall, IESBA believes that the proposals in the ED serve as an important reminder to professional accountants of their roles in society and the importance of compliance with the Code towards fulfilling their responsibility to act in the public interest. The proposed revisions enhance the fundamental principles and application of the conceptual framework.

In addition, professional accountants are reminded to demonstrate ethical behaviour and uphold ethical values. Having an inquiring mind or the determination to act appropriately when faced with difficult situations raises the bar for professional accountants to exemplify ethical mindset and behavioural characteristics to meet public expectations of the profession.

IESBA invites all stakeholders to comment on the ED by 31 October 2019. ISCA

Ng Shi Zhen is Manager, Ethics & Specialised Industries, Technical, ISCA.



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BY FELIX WONG

FRS 116 LEASES

Key Concepts Of FRS 116 And Their Tax Implications

FRS 116, THE NEW ACCOUNTING STANDARD FOR LEASES, has confounded many professionals and companies. Sweeping changes to lessee accounting have moved leases onto lessees’ balance sheets, while income statements are affected by the frontloading of expenses.

Recognising the challenges brought about by the new accounting standard, the Singapore Institute of Accredited Tax Professionals (SIATP) organised a *Tax Excellence Decoded* session where Accredited Tax Advisor (Income Tax) Chai Wai Fook, Partner, Tax Services, Ernst & Young Solutions LLP and Ronald Wong, Partner, Financial Accounting Advisory Services, Ernst & Young LLP, highlighted key concepts of the new accounting standard and their tax implications.

FRS 116 LEASE ACCOUNTING CHANGES

There is good news for lessors – lessor accounting is substantially unchanged from current accounting.

Lessees, on the other hand, bear the brunt of the changes as most leases



Accredited Tax Advisor (Income Tax) Chai Wai Fook, Partner, Tax Services, Ernst & Young Solutions LLP (left), and Ronald Wong, Partner, Financial Accounting Advisory Services, Ernst & Young LLP, discussed FRS 116 from both the accounting and tax perspectives

will now be recognised on their balance sheets as a right-of-use (ROU) asset with a related lease liability. Importantly, companies will need to focus on whether an arrangement contains a lease or a service agreement because there are significant differences in the accounting. Judgement may be required in applying the definition of a lease to certain arrangements, particularly those that include significant services.

Both lessees and lessors will be subject to additional and enhanced disclosure requirements.



Most leases will now be recognised on their balance sheets as a right-of-use asset and a lease liability.

Determining if an arrangement constitutes a lease

For an arrangement to constitute a lease under the new FRS 116, it is critical to consider if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, companies will need to assess whether, throughout the period of use, the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. In contracts that include significant services, determining whether the contract conveys the right to direct the use of an identified asset will require judgement and may pose challenges to companies.

Lease and non-lease components

Within a contract, lease and non-lease components are required to be accounted separately, unless companies apply the practical expedient to combine both components. Election applies to the entire class of underlying assets. The consideration is then allocated based on each component's relative standalone selling price (if the price is not readily available, an estimate should be used by maximising observable inputs).

Identifying non-lease components of contracts may change practice for some lessees and more robust processes will need to be put in place to identify the lease and non-lease components of contracts.

Short-term leases and low-value asset leases

Short-term leases and leases for which the underlying asset is of low value may be exempted from applying a single lessee accounting model under FRS 116.

A lease is considered short term if the term is 12 months or less, without purchase options. When determining the period, extension options must be factored in if it is reasonably certain that they would be exercised.

Leases are assessed on an asset-by-asset basis when determining if the "low-value asset" criterion is met, but only when each asset is not highly



Withholding tax obligations are based on the legal characterisation of the payment (lease or interest).



dependent on or interrelated with others. For example, the leasing of tyres separately from a truck may not constitute a low-value asset lease as they can only be used with the truck and as such, they are dependent on, or highly interrelated with the truck. Contrast this to the leasing of 200 laptops where each laptop could potentially qualify as low-value asset given each laptop may be assessed as being distinct on its own. As to the definition of "low value", the International Accounting Standards Board has in mind a value of US\$5,000 or less, based on when the asset is new.

Lease liability measurement for lessees

As mentioned earlier, lessees would now recognise an ROU asset and a lease liability on their balance sheet under FRS 116.

The lease liability is the present value of remaining lease payments at commencement. "Lease payments" refer to fixed payments (and in-substance fixed payments), variable lease payments based on an index or rate (but not those based on performance or usage), lease incentives and residual value guarantees. Lease payments are also required to include termination penalties and the exercise price of purchase options if they are reasonably certain to be incurred or exercised.

Ideally, the discount rate to be used in the present value calculation would be the interest rate implicit in the lease, but this could be difficult to obtain in practice. Incremental borrowing rate, which is the rate that the lessee would incur in borrowing (over a similar term and with a similar

security) the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment, is often used as an alternative.

TAX TREATMENT FOR LEASES

The Inland Revenue Authority of Singapore has issued an e-Tax guide on 8 October 2018 to provide guidance on the tax treatment for entities adopting FRS 116 or SFRS(I) 16.

Tax treatment for lessor

There is no change to the existing tax treatment for lessors as lessor accounting has remained substantially the same under FRS 116. The tax treatment depends on the classification of the lease under section 10D of the Income Tax Act (ITA).

For leases classified as operating lease for tax purposes, the lessor is taxed on the lease income on an accrual basis. Capital allowance is claimable by the lessor on the leased asset if it qualifies as a machinery or plant. Lessors can continue to elect to be taxed on their lease income determined using the effective rent method under FRS 116, on the condition that the application of FRS 116 tax treatment is made consistently every year and across for all operating leases.

For finance leases not treated as a sale agreement for tax purposes, the full lease payment (both interest and principal repayment) is taxable. Capital allowance can be claimed on the leased asset (if it qualifies as a machinery or plant), but only against finance lease income. This restriction for capital allowance is lifted when the lessor stops carrying on finance lease activities.

For finance leases treated as a sale agreement for tax purposes, the lessor is taxed on the interest income on an accrual basis. Principal repayment is not taxable. Capital allowance is not allowed on the leased asset for the lessor.



Tax treatment for lessee

Notwithstanding the change to a single lessee accounting model, lessees would be allowed to claim tax deductions based on the contractual lease payments incurred, except under circumstances when a sale is regarded to have taken place for tax purposes. On the other hand, interest expense and depreciation charged to the profit or loss account would have to be added back in the tax computation.

Where a lease arrangement giving rise to an ROU asset meets the statutory definition of a finance lease under Section 10D(3) of the ITA and is regarded to be a sale agreement, the lessee would be eligible to claim interest expense and capital allowances, but not the lease payment. A lease arrangement that does not meet the definition of a finance lease under Section 10D(3) of the ITA will be regarded as an operating lease.

To determine whether a finance lease should be regarded for tax purposes as a sale agreement, reference should be made to the conditions listed in paragraphs (a) to (e) of Regulation 4(1) of the Section 10D (Income from Finance Leases) Regulations. If any of these conditions is satisfied, then the finance lease is treated as a sale agreement.

Transitional tax treatment

For lessors, tax adjustments are generally unnecessary since tax treatment remains unchanged. Although intermediate lessors under subleases) must reassess their classification of subleases under FRS 116, no tax adjustment is required.

Lessees can continue to deduct contractual lease payments for tax purposes, except where the lease is a finance lease regarded as a sale. Any accounting adjustments to beginning retained earnings are neither taxable nor deductible.

SUBLEASE ARRANGEMENTS UNDER FRS 116

Notwithstanding the accounting treatment for sublease under FRS 116, for tax purposes, the classification of a sublease for the intermediate lessor is to be determined by reference to the underlying asset instead of the ROU asset. The tax treatment for the intermediate lessor will depend on the classification of the sublease for tax purposes.

WITHHOLDING TAX

Withholding tax obligations are based on the legal characterisation of the payment (lease or interest) as provided in the ITA, regardless of the accounting classification of the

expenses in the profit or loss account.

The lessee will have to treat the entire amount of lease payments to a non-resident lessor under an operating lease or finance lease not regarded as a sale for the use of any movable property as rental payment for withholding tax purposes and withhold tax, unless specific exemption applies. On the other hand, the lessee will have to withhold tax on the interest portion of the lease payments to a non-resident lessor under a finance lease treated as a sale agreement unless specific exemption applies. As an administrative concession, tax may be withheld based on interest expense as recognised by the lessee (that is, computed with the lessee's own incremental borrowing rate).

To navigate the many changes to lease accounting and the resulting tax implications, taxpayers would need to pay close attention to the differences between the accounting and tax treatment, for example, the need to recharacterise lease payments for withholding tax compliance. Taxpayers should also expect increased scrutiny from the tax authorities going forward, and start preparing documentation to substantiate their tax positions and lease classification for tax purposes. ISCA

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