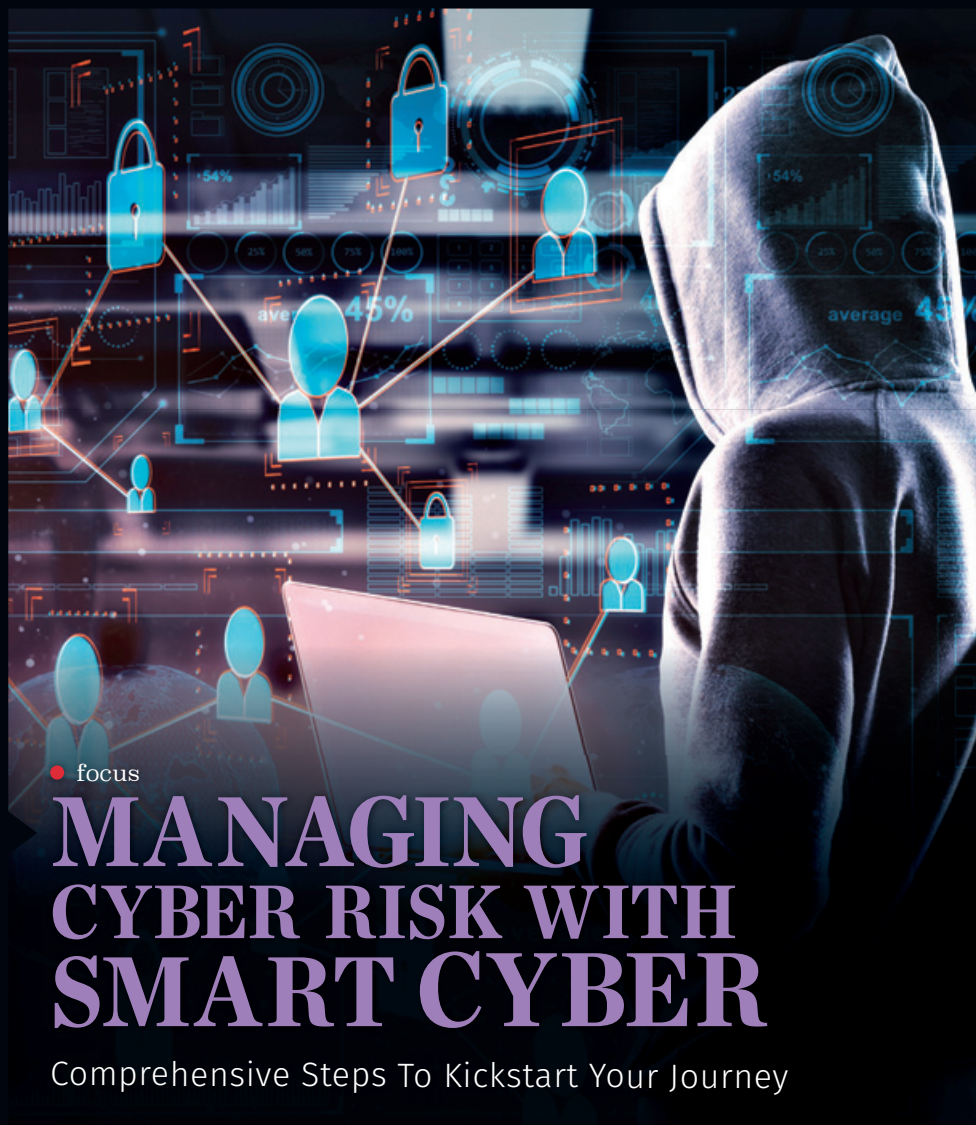


IS Chartered Accountant Journal

SEPTEMBER 2019



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MANAGING CYBER RISK WITH SMART CYBER

Comprehensive Steps To Kickstart Your Journey

● focus

No Longer Business As Usual

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From Potential To Practice; Taking The Driver's Seat

Dear members,

IN TODAY'S DIGITAL ECONOMY, almost every interaction we have is underlined by one technology or another. Daily, we experience the impact of technology on the way we live, work and play. For businesses, technology is dramatically improving efficiency and enabling new products, services and business models. References to artificial intelligence (AI), big data, cloud computing, machine learning and robotic process automation (RPA) are becoming commonplace across business sectors including accountancy. Already, accountancy firms are benefiting from RPA as it automates high-volume, repetitive and rules-based tasks to deliver results quickly and accurately, thus freeing accountants for more challenging, higher-value work.

Advanced technologies have the potential to drive innovation, unlock opportunities and create greater efficiencies. ISCA, through multiple platforms including this Journal, online resources, events as well as CPE courses, has been nudging members to hop on the technology bandwagon. These include sharing information and insights, especially with small and medium-sized practices (SMPs), as they shift from the "potential" stage – discovering the myriad possibilities offered by different technologies – to the "practice" stage of implementation and integration.

Given the transformational nature of disruptive technologies, the Institute is committed to helping members navigate the complexity, exploit new opportunities and address emerging issues. In the September cover story, "Managing Cyber Risk With Smart Cyber", we continue the discussion on how AI technologies can aid organisations to improve threat intelligence, prediction and protection. Also aimed at giving SMPs a boost in their digitalisation efforts are the newly launched Accountancy Industry Digital Plan and its related supporting initiatives, and the Memorandum of Understanding signed between ISCA and Singapore Polytechnic to work on programmes that will enhance the digital capabilities of SMPs. Find out the details in "Services 4.0 (Part 3)".

Clearly, technology adds significant value to businesses, and every organisation should have an enlightened leader who can step up to spearhead the changes required to advance the company into the digital age. In this respect, accountants, with their training, financial acumen, analytical expertise and experiences, have the requisite qualities to assume the driver's seat.

Chief Financial Officers (CFOs) and their finance teams play a crucial role in the digital transformation process as they are the gatekeepers of critical financial and operational information across the entire organisation. Such data are required for essential forecasting, and supporting senior leaders in critical planning and decision making, which make CFOs the strategic partners to their Chief Executive Officers (CEOs). This theme is also expounded in "CFOs And The Intelligent Enterprise", where it is recommended that the top priority of a CFO is to advocate the organisation's transformation into an "intelligent enterprise" powered by next-generation digital technologies. Going beyond automating existing business procedures, these technologies can be used to harness data to improve business processes and fuel actionable insights, feeding all parts of the business from process automation to innovation, to create optimal experiences across

the entire value chain. The power of the intelligent enterprise is that it provides businesses with a "trusted, single source of truth" that's timely and accurate, and CFOs – the custodians of such value – are the natural leaders to step up as strategic partners to the heads of organisations.

In the Member Profile column, featured member Cheung Pui Yuen, CEO of Deloitte Singapore, talks about taking the lead in steering performance and operational excellence in a tech-enabled environment that has replaced the traditional business landscape. It is not by chance that he, too, highlights the unique role of accountants as having a rare window into all aspects of a business and its operations, which enables them to help organisational leaders make informed financial decisions. On what makes for an excellent accountant, Pui Yuen describes him as a person "who is able to simplify complex ideas and concepts into simple ones that people can understand". This, in essence, is the substantive, strategic value that CFOs offer their organisations.

Our members are putting their accountancy knowledge and competences to good use at their workplaces and in the community. I am proud to share that 44 of our members have been conferred the National Day Awards, an accolade which recognises various forms of merit and service to Singapore. Our heartiest congratulations go out to this year's awardees, including ISCA Advisor Dr Gerard Ee, who was conferred The Distinguished Service Order.

I would also like to inform that ISCA Council member Professor Chan Yoke Kai has been appointed to the International Federation of Accountants' new International Panel on Accountancy Education (IPAE), together with 21 other key executives and leaders from the global accountancy space; he is the only representative from ASEAN. In addition to serving the public interest and contributing to the area of professional accountancy education, Prof Chan's participation in IPAE will work towards ISCA's strategic priority of raising our global prominence and elevating the ISCA brand internationally.

While not everyone will be called to serve or receive public recognition, we know that our members are working hard and contributing their expertise in areas that matter. To all of you, I say, "Keep up the good work!"



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

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Singapore Firms See Business Opportunities In Belt And Road Initiative

SINGAPORE TIED FOR SECOND PLACE with Indonesia, with 57% of organisations seeing Belt and Road Initiative (BRI) opportunities in their respective countries. They are ranked behind Vietnam in first place (66%), and ahead of Myanmar and Malaysia (joint fourth, 50%), and Thailand (fifth, 48%). These and other findings were found in a new report produced by Singapore Business Federation (SBF) and PwC Singapore. The report, “Delving into the BRI: How Regional Players Plan to Leverage BRI Business Opportunities”, is the second of its kind and surveyed senior representatives from public and private organisations with a presence in ASEAN and South Asia. It was released at the fifth Singapore Business Regional Forum, an annual flagship event of the SBF.

Sectors of opportunity
When looking at the sectors of opportunity, respondents showed greater interest to participate in economic infrastructure developments that support trade and industrialisation. The top five sectors where respondents saw opportunities were (1) Smart Cities/ Urban Development (43%); Industrial Estates and Special Economic Zones (41%); (3) Information and Communications Technology (ICT; 39%); (4) Roads (39%) and (5) Ports (39%). Among the energy projects, investors were almost equally keen on both renewables and non-renewable projects.
With the strong interest in developing economies such as Vietnam and Myanmar, which are becoming increasingly urbanised, it is no surprise that there are more opportunities in infrastructure. Like ICT, roads and ports are critical for creating an ecosystem which supports logistics and trade activities along BRI countries. “Infrastructure development plans are typically done with



ISCA Infrastructure & Project Finance Qualification

In line with Asia's rapid development, demand for urban infrastructure and services is expected to grow strongly, with a continuing requirement for infrastructure and project finance professionals. To help members seize emerging opportunities, ISCA has launched the ISCA Infrastructure & Project Finance Qualification. Developed with inputs from industry experts, it leads to the conferment of the ISCA Infrastructure & Project Finance Professional credential. The part-time programme involves a combination of self-study and mandatory practical workshops. Applications are now open.



Table 1 Respondents recognise that collaborating with governments is key for successful implementation of BRI projects

Country	Seen as preferred government partners	Seen as countries with BRI opportunities
Vietnam	64% (tied for 1st)	66% (1st)
Indonesia	64% (tied for 1st)	57% (tied for 2nd)
Singapore	64% (tied for 1st)	57% (tied for 2nd)
Thailand	64% (tied for 1st)	48% (6th)

the ecosystem in mind and will include considerations such as transportation, power, utilisation, banking, housing and education, to name a few. It will also require the balancing of commercial, operational and demand risks among different infrastructure,” says Jennifer Tay, Partner specialising in Capital Projects & Infrastructure, PwC Singapore.
Collaborating on BRI opportunities
The report also found that 75% of respondents saw opportunities in partnering with governments in ASEAN and South Asia. Most of the top governments that respondents chose to work with were those from countries which are preferred investment destinations such as Vietnam, Singapore and Indonesia (Table 1).
When asked about their preferred third-country governments

to partner, a majority indicated that they would partner with China (86%), an expected finding given China’s strong backing for the BRI. Respondents also indicated that they would like to partner with western governments such as the US (43%), UK (36%) and Germany (29%), which suggests their hope to see more involvement in BRI from western countries.
“The involvement of third-party countries with the right experience, expertise and resources provides the developing ASEAN and South Asian countries the necessary support in infrastructure development. Given the infrastructure gap in ASEAN and South Asia, cross-border collaboration will be essential in driving development in ASEAN and South Asia,” says Ms Tay.
The full report is available at the Singapore Business Regional Forum website.

PHOTO: SHUTTERSTOCK



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Check out the privileges at <https://isca.org.sg/members-privileges/>





NATIONAL DAY AWARDS 2019

The Singapore National Day Awards are a means of recognising various forms of merit and service to Singapore. This year, a total of 4,985 individuals in 21 award categories received National Day Honours.

ISCA is proud to share that 44 of our members were conferred awards, including ISCA Advisor, Dr Gerard Ee, who was awarded The Distinguished Service Order.

On behalf of the Institute, ISCA President Kon Yin Tong and the management would like to extend their heartfelt congratulations to Dr Gerard Ee and all award recipients.

The Distinguished Service Order

DR GERARD EE HOCK KIM
Chairman,
Charities Council

The Public Service Star (BAR)

MR NG BOON YEW *BEM*
Member, Council for Estate Agencies,
Ministry of National Development

The Public Service Star

MS CHUA SOCK KOONG
Member,
Public Service Commission

The Public Administration Medal (Silver)

MS RINA CHUA PHECK KIANG
Assistant Auditor-General,
Auditor-General's Office

MS CHEW SIOW NEE
Chief Financial Officer, Finance Department,
PUB, Singapore's National Water Agency,
Ministry of the Environment and Water Resources

MR TEO KOK MING
Executive Director (Finance), Finance Department,
Monetary Authority of Singapore,
Prime Minister's Office

The Public Administration Medal (Bronze)

MS BOH BEE MAIN
Director (Audit Assurance & Advisory),
Internal Audit Department,
Ministry of Defence

ASSOC PROF LOW BUEN SIN
Associate Dean (China Programmes and
Executive Programmes),
College of Business (Nanyang Business School),
Nanyang Technological University,
Ministry of Education

ASSOC PROF GOH BENG WEE
Associate Professor of Accounting, School of Accountancy,
Singapore Management University,
Ministry of Education

MR CHEN YEE LENG
Deputy Director, Procurement,
Corporate Procurement Department,
Temasek Polytechnic,
Ministry of Education

MS STACEY TEE HWEE TENG
Director, Accountant-General's Department,
Ministry of Finance

MS KAREN CHIA LI CHENG
Director, Corporate Services,
Agency for Science, Technology and Research,
Ministry of Trade and Industry

MS LUI YOKE SAN
Senior Deputy Director/Finance,
Finance,
Ministry of Transport

The Commendation Medal

MS LIM HUI GEK
Senior Assistant Director,
Auditor-General's Office

MS AW SIO HOON
Senior Assistant Director, Corporate Services,
Defence Science and Technology Agency,
Ministry of Defence

MS CHEONG KAI LIN
Senior Audit Manager, Internal Audit Department,
Ministry of Defence

MR LIONEL KIEW YONG THYE
Senior Manager, Finance,
Finance,
ISEAS-Yusof Ishak Institute,
Ministry of Education

MS TEO YEN CHEN
Senior Manager, Office of Finance,
Republic Polytechnic,
Ministry of Education

MS HO SIEW LIN
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Singapore Management University,
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Ministry of Health

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Senior Manager, Corporate Services Group,
Finance & Admin Department,
Energy Market Authority of Singapore,
Ministry of Trade and Industry

MS SOON LAI PHENG
Deputy Director, Finance Division,
Ministry of Trade and Industry

MS TAN YEN NEE WENDY
Senior Manager, Collections & Refunds, Finance,
Land Transport Authority,
Ministry of Transport

The Public Service Medal

MR CHOW CHEW SENG
Treasurer, Zhenghua CCC,
Holland-Bukit Timah GRC

MR MELVIN POON KAI LEON
Chairman, Meyer NC,
Mountbatten SMC

MR ALANCIA TAN BENG GUAN
Member, North East CDC

MR THAM SAI CHOY
Member, Housing & Development Board,
Ministry of National Development

The Efficiency Medal

MS YAP BEE KIAT
Manager, Finance and Accounting,
Khoo Teck Puat Hospital,
National Healthcare Group,
Ministry of Health

MS LEE LING LING
Manager, Financial Planning & Analysis,
KK Women's and Children's Hospital,
Singapore Health Services,
Ministry of Health

The Long Service Medal

MR LEE JENG WAH
Deputy Director,
Auditor-General's Office

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Auditor-General's Office

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MS OW CHIEN TING
Senior Manager, Collections & Refunds, Finance,
Land Transport Authority,
Ministry of Transport

MS AW SUN SUN CHRISTINA
Director & Head (Inspection Resources) Division III,
Capital Markets Intermediaries Department I,
Monetary Authority of Singapore,
Prime Minister's Office

NATIONAL DAY RALLY 2019: AT A GLANCE

Key Highlights: Making Education More Affordable, Fighting Climate Change And Renewing Singapore

FROM CLIMATE CHANGE TO THE ONGOING US-CHINA TRADE SPAT, Prime Minister Lee Hsien Loong announced a series of measures aimed at tackling these and other challenges facing Singapore in the short and longer term.

These included moves to address rising sea levels as well as the government's potential response if Singapore sinks into recession. He also announced the lowering of pre-school and tertiary fees to make education more affordable, and the raising of the retirement age to keep older workers employed for longer. Renewing Singapore for the next century through the development of the Greater Southern Waterfront was another key thrust of the speech.

"The next few years will be very demanding. We have to hand over smoothly to a new generation of leaders, and continue to strive to realise our ambitions. My team will work with you to build this jewel of a nation, so that Singapore will always be a vibrant, thriving city where opportunities are open to all, and our children and their children will have a bright future," he said.



MAKING EDUCATION MORE AFFORDABLE

In an effort to give every young person the opportunity to succeed, regardless of his or her background, education costs will be lowered at both the pre-school and tertiary levels.

a) Expanding pre-school subsidies

More families, especially from middle-income households, will benefit from additional pre-school subsidies. With the monthly income ceiling to be raised to S\$12,000 from S\$7,500, some 30,000 more households will qualify for these additional subsidies.

b) Lowering tertiary fees

University costs will become more affordable as the annual fees for full-time general degree students at the Singapore Institute of Technology and Singapore University of Social Sciences will be lowered to S\$7,500, from around S\$8,000 currently. What's more, university students will be able to receive bursaries of up to 75% of their degree fees, up from 50% previously.



SUPPORT FOR OLDER WORKERS

Singapore's life expectancy is now the highest in the world at 84.8 years. As Singaporeans are living longer, and most of them want to work longer, PM Lee announced measures that will allow them to do so more easily. These include:

a) Raising the retirement and re-employment age

The retirement age will go up from 62 to 63 years in 2022, and to 65 years by 2030. The re-employment age will also rise from 67 to 68 years in 2022, and to 70 years by 2030.

b) Increasing CPF contribution rates for older workers

The Central Provident Fund (CPF) contribution rates for workers aged between 55 and 60 years will also be raised gradually from 2021 until they hit 37%. Currently, CPF rates taper after a worker reaches 55 years of age. These changes will better support Singaporean workers and boost their nest eggs as they live longer.

"The next few years will be very demanding. We have to hand over smoothly to a new generation of leaders, and continue to strive to realise our ambitions. My team will work with you to build this jewel of a nation, so that Singapore will always be a vibrant, thriving city where opportunities are open to all, and our children and their children will have a bright future."

PRIME MINISTER LEE HSIEN LOONG



PREPARING FOR CLIMATE CHANGE

Singapore is vulnerable to rising sea levels as a low-lying island. To deal with this threat, PUB, Singapore's national water agency, is planning to build a second pump house at the Marina Barrage to increase its capacity to move water out of Marina Reservoir into the sea. Another alternative is to reclaim and connect several islands from Marina East to Changi to create a freshwater reservoir, similar to Marina Reservoir.



DEVELOPING THE GREATER SOUTHERN WATERFRONT

A 30-kilometre stretch of the southern coastline from Gardens by the Bay East to Pasir Panjang, referred to as the Greater Southern Waterfront, will be developed into a new place to live, work and play for Singaporeans.

One aspect of the plan will be developing Pulau Brani together with Sentosa after Brani Terminal moves out. New attractions will be built on Pulau Brani, while Sentosa's beach areas will be revitalised and its nature and heritage trails expanded to keep its island character.



RESPONDING TO A POTENTIAL ECONOMIC CRISIS

While Singapore has so far avoided a recession as a result of the deteriorating global economic conditions, the government is prepared to act if the situation worsens. As such, it is keeping a close eye on the macroeconomic landscape – particularly the growing trade tensions between China and the US – and is prepared to respond promptly with a stimulus package, if necessary.

PHOTO: SHUTTERSTOCK

ISCA Council Member Prof Chan Yoke Kai Appointed To IFAC's New International Panel On Accountancy Education

ISCA COUNCIL MEMBER PROFESSOR CHAN YOKE KAI

has been appointed to the International Federation of Accountants (IFAC)'s new International Panel on Accountancy Education (IPAE), together with 21 other key executives and leaders from the global accountancy space. Prof Chan, who will serve a two-year term, is among seven of the panel members from Asia Pacific, and the only representative from ASEAN.

In today's volatile, uncertain, complex, and ambiguous (VUCA) environment, professional accountants increasingly must possess multidisciplinary skills and knowledge, and demonstrate competencies beyond traditional accounting. In response to the challenges of a rapidly changing economic landscape and how current macro trends have direct implications for the global accountancy profession's approach to education and professional development, IPAE was established to develop international education standards and guidance, provide strategic advice on advancing accountancy education; facilitate access to expertise and resources, and advocate quality education for professional accountants.



"I am honoured and humbled by the appointment. Technology is both a disruptor and enabler for the accountancy profession. The shelf life of knowledge is increasingly shortened and accountants face the challenge of the need to acquire new skills in response to technological changes. IFAC has developed a set of quality International Education Standards. I would advocate for compliance to these standards, post-qualification pathways and lifelong learning."

PROF CHAN YOKE KAI

About Prof Chan Yoke Kai

Prof Chan is currently Advisor, Accountancy Programme, Singapore University of Social Sciences (SUSS), providing strategic direction for the faculty including continuously reviewing the relevance of the accountancy curriculum. An academician who was heavily involved in Singapore's accountancy education since 1981, Prof Chan has held senior and management roles in various universities. With his wide and diverse experience as an academia, his goal is to help IFAC address evolving accountancy education needs in order to build a pool of future-ready professional accountants.

Prior to joining academia, he had 10 years of industry experience as a corporate accountant and internal auditor. Prof Chan served in various industry and professional committees which included the Education Committee, Singapore International Chamber of Commerce (SICC), and Learning & Assessment Committee, Singapore Accountancy Commission (SAC). The latter was the pioneer Committee which laid out the foundation for the implementation of the Singapore Chartered Accountant Qualification (SCAQ) in 2013, and included developing policies and procedures for the SAC Professional Examinations. He had also sat in the SCAQ Practical Experience Work Group.

Prof Chan is also keenly attuned to lifelong learning, which is a national agenda for Singapore. He played an instrumental role in facilitating the development of the ISCA-SUSS Business Analytics Certification Programme which enables accountants to deepen their skill sets in data analytics.

Besides serving in the public interest and contributing to the area of professional accountancy education, participation in IPAE will work towards ISCA's strategic priority of raising our global prominence and elevating the ISCA brand internationally. In addition, IPAE provides more avenues to expand ISCA's network with countries beyond ASEAN. This, in turn, would reinforce ISCA's position as a leading professional accountancy body on the global stage.

● isca breakfast talk

City-Shaping and Nation-Building: How Infrastructure Will Drive Prosperity And Opportunity for Southeast Asia

SOUTHEAST ASIA IS FACING UNPRECEDENTED DEMANDS for new projects to improve living standards and create opportunities for the hundreds of millions of people in the region. Brendon Joyce, Director, ASEAN Infrastructure Advisory, EY Singapore, shared his knowledge on the significance of regional development in future projects, and how cooperation between governments and industry will play a critical role.

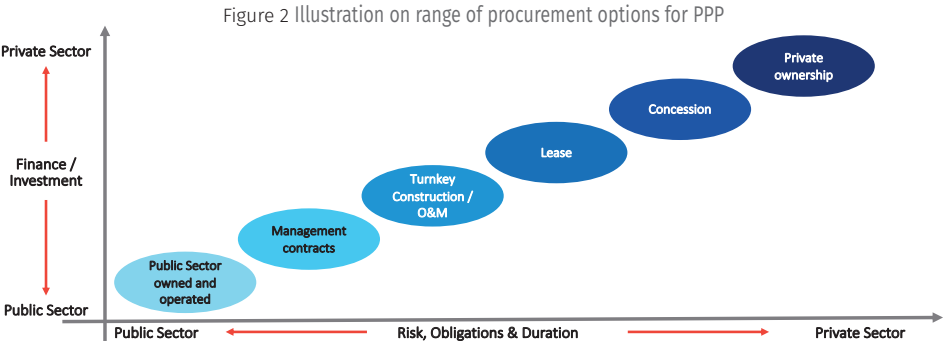
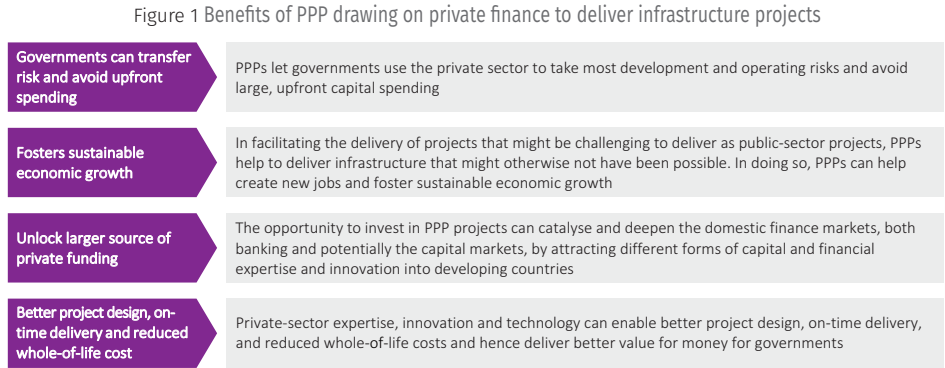
With infrastructure investment needs estimated at US\$110 billion per annum until 2025, there has been a huge push in the region to meet the demand. Some major international initiatives include:

- The ASEAN Highway Network
- The Singapore-Kunming Rail Link
- The ASEAN Power Grid

Mr Joyce shared the role of public-private partnerships (PPPs) in managing the risk and providing



financing for major infrastructure projects. These typically involve cooperation among the government, private sector and emerging markets. PPPs draw on private finance which can deliver the benefits shown in Figure 1. He further elaborated on the wide spectrum of PPP procurement options, which is in turn dependent on the



▲ Soh Suat Lay, Director, Professional Development & Learning, ISCA, presented a token of appreciation to Mr Joyce for his sharing of insights

varying degrees of role, risk transfer and investment requirements between the public and private sectors (Figure 2).

- Shifting the focus back to the Singapore market, Mr Joyce highlighted the strong infrastructure development capabilities that make the city-state a leading player in the region, including:
- **Expertise and track record** across the infrastructure value chain
 - **A major financial centre in the region** with up to 60% of project finance transactions arranged by Singapore-based banks
 - **Professional services and expertise**, including a huge talent pool and strong legal framework
 - **Collaboration with multilateral development agencies**, including the World Bank and Asian Development Bank
 - **The presence of international and local engineering and consulting firms**

This strong framework and ongoing initiatives have enabled Singapore to contribute to many infrastructure projects, local and regional alike. It has also presented many professional opportunities across the project life cycle, such as the regulators working on both policy development and specific projects, financiers and advisors.

Concluding the session, he went on to share information on the ISCA Infrastructure & Project Finance Qualification (ISCA IPFQ) which was launched at the PAIB Conference on July 17. For more course information, please refer to <https://isca.org.sg/ipfq>.

MARK YOUR CALENDAR

06
SEP

International Accountants Day
Mark your calendars for FIESTA! Come with your colleagues and friends for an evening of fun, food and games at the Marina Bay Event Square as we gather accountants from across the island to celebrate International Accountants' Day. Form teams and sign up for activities like floorball competition and digital scavenger hunt at iadfiesta.sg.

13
SEP

Preparation of Financial Statements: Essential FRSs
SkillsFuture Credit & UTAP Funding approved
This seminar provides guidance to prepare financial statements using key Financial Reporting Standards (FRS) that are widely applicable to a broad spectrum of industries.

Also, this seminar examines the practical issues and challenges associated with more complex topics on comprehensive income, impairment of assets, accounting for business combinations, consolidated financial statements and accounting for financial instruments and derivatives.

18
SEP

ISCA Breakfast Talk - Risk Management in Today's Evolving Electronic Payments World
In 2018, organisations lost USD1.2 billion due to Business Email Compromise (BEC). Corporate email accounts of executives were compromised through phishing attacks to perform fraudulent transfers.

As finance professionals responsible for payment processing and in custody of sensitive information, what are the risks and how can we manage them? How should businesses ensure their risk management and internal control systems are sufficiently robust?

Join us as our speakers illustrate the risks and lapses with real-life cases, and share best risk management practices.

11
& 12
SEP

Comprehensive Guide For Taxation In Indonesia
This workshop provides an in-depth view of the tax regime in Indonesia highlighting the latest updates on tax reforms and issues on corporation taxes, individual income tax, transfer pricing and tax considerations for mergers and acquisitions in Indonesia.

17
SEP

Understanding Indonesia Investment & Employment Law
Early Bird Special!
Understanding Indonesia's investment laws and managing their human resource practices has become a key challenge for any investors.

This workshop offers a clear understanding of the general regulatory framework for Foreign Direct Investment in Indonesia. Also hear from our expert trainers real world practices and initiatives to effectively manage HR in Indonesia.

30
SEP

Introduction to Cybersecurity & Data Privacy *NEW!*
This workshop provides financial professionals with a good overview and understanding of how cybersecurity, especially data privacy affects organisations and prevailing laws for their compliance.

Areas covered in the workshop includes TOP cybersecurity attacks, key legislative provisions in the Cybersecurity and Data Privacy Act and how these affect organisations. The workshop also explains how learners can help to ensure compliance with the prevailing laws, as well as how to respond in the event of a cyberattack.

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

A VOYAGE TOWARDS TAX EXCELLENCE



ACCREDITED TAX PROFESSIONALS continue to skill up on various aspects of tax so that they can contribute to the growth of businesses. One such area, covered in the recent *Tax Excellence Decoded* sessions organised by the Singapore Institute of Accredited Tax Professionals (SIATP), was the related concepts of tax equalisation and tax protection, particularly in view of the rise in international mobility. Accredited Tax Advisor (Income Tax) Ooi Geok Eng, Director, and Candice Ee, Manager of Global Mobility Services, PwC Singapore, shared their expertise on the mechanism and rationale of both concepts.

In another session, Accredited Tax Advisor (Income Tax & GST) Ong Sim Ho, Director of Tax and Private Client Services, Drew & Napier LLC, brought participants through the legal nature of the Comptroller's office and powers. Amid a generous dose of questions juxtaposed with candid responses, participants got



a better understanding of the interplay between the laws relating to the office, powers and duties of the Comptroller of taxes and tax laws. Another hot technical area was the session helmed by both Accredited Tax Advisor (Income Tax) Chai Wai Fook, Tax Services Partner and Ronald Wong, Financial Accounting Advisory Services Partner, Ernst and Young Singapore.

Accredited Tax Advisor (Income Tax) Chai Wai Fook (2nd from left) and Ronald Wong (2nd from right) answered queries about FRS 116 and its tax treatment



Accredited Tax Advisor (Income Tax) Ooi Geok Eng, together with Candice Ee, talked about the practical side of tax equalisation

Accredited Tax Advisor (Income Tax & GST) Ong Sim Ho, a practising tax lawyer, shares his experience in managing tax controversies and disputes

With a holistic coverage of both the key accounting concepts as well as the tax implications on leases, participants walked away with a clearer understanding of how to effectively navigate the essential transition considerations as well as the various tax treatments. If you, too, wish to join in the journey towards tax excellence and be at the forefront of tax, email enquiry@siatp.org.sg.

Membership Suspension And Removal – Bankruptcy

UPON FINDING THAT Mr Balbeer Singh Mangat, was adjudged a bankrupt on 25 October 2018 and is still an undischarged bankrupt,

the Council has granted him to be suspended with immediate effect until such time when he is discharged.

Paying employees on time matters
Regulatory compliance is a must
HR data security is a key priority

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COMPLIANCE REVIEW

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- ✓ Hassle-free year-end tax processing
- ✓ Assured compliance with the latest regulations

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BY NICK GALLETTO

MANAGING CYBER RISK WITH SMART CYBER

Comprehensive Steps To Kickstart Your Journey



IN THE DIGITAL AGE, artificial intelligence (AI) technologies are starting to have the same kind of game-changing impact that factories and assembly lines had on manufacturing at the dawn of the industrial age, dramatically improving efficiency and enabling new products, services, and business models that simply were not possible before.

Driven by internal and external pressures to continuously evolve and mature their capabilities for

mitigating and minimising cyber risk, organisations are actively exploring new technologies and improvement opportunities wherever possible.

AI is a hot topic, pushing innovation to new heights in many business areas. Advancements in AI technologies, processing capabilities, and data availability are enabling computer systems to perform tasks that once required human intelligence to execute. Examples of these include machine learning,

natural language processing, speech recognition, computer vision, image comprehension, and robotics.

In cyber, AI technologies can improve threat intelligence, prediction and protection. It can also enable faster attack detection and response, while reducing the need for human cybersecurity experts – specialists who are in critically short supply these days. AI can learn from security analysts and improve its performance over time, leading to time savings and better decisions. These “smart cyber” capabilities are urgently needed as cyberattacks continue to grow in volume and sophistication.

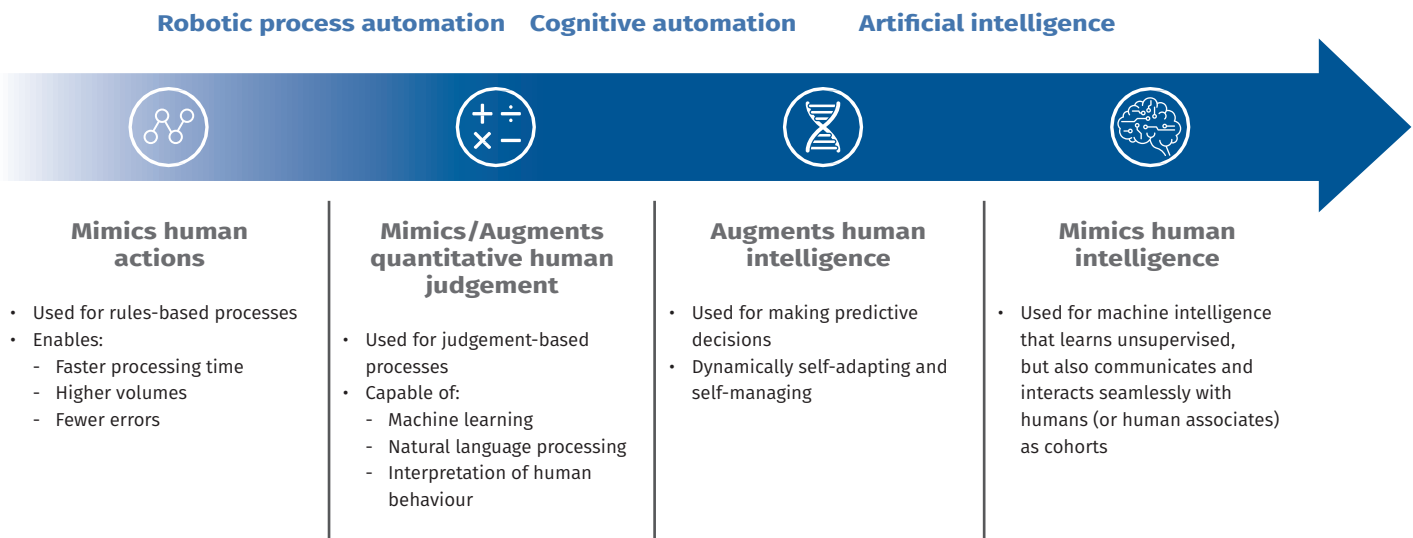
Analytics and big data are a key enabler for AI, making it possible to process and analyse vast quantities of data – with parsing, filtering, and visualisation done in near-real time. The adoption of advanced analytics is also a critical step toward becoming an insight-driven organisation.

In cyber, AI technologies can improve threat intelligence, prediction and protection; it can also enable faster attack detection and response, while reducing the need for human cybersecurity experts.





Figure 1 The spectrum of smart cyber technologies



Smart cyber technologies span a broad spectrum, from rules-based automation that mimics human action to predictive AI that mimics or even surpasses human intelligence and judgement (Figure 1).

BENEFITS OF SMART CYBER

By applying AI and advanced analytics on vast amounts of internal and external data, smart cyber technologies can generate predictive, usable insights that help you make better cyber decisions and protect your organisation from threats. They can also help you detect and respond to threats faster by monitoring the cyber environment with a level of speed and accuracy only machines can provide. Perhaps, most importantly, smart cyber helps you keep pace with today's endless barrage of increasingly sophisticated attacks.

PHOTO SHUTTERSTOCK

The traditional layered approach to cybersecurity is only capable of deterring and detecting the least sophisticated threats. Meanwhile, modern cyberattacks are being carefully designed to circumvent traditional security controls by learning detection rules. Also, traditional controls may not adequately address insider threats, which are an insidious form of attack from people with legitimate access.

By tapping into a wide range of data sources, smart detection platforms can learn and recognise normal behaviour, develop baselines and detect outliers, identify malicious actions that resemble previously seen events, and make predictions about previously unseen threats. These objectives cannot be achieved with traditional rules- and signature-based controls.

In addition, smart cyber technologies perform tasks in a highly consistent and repeatable way, reducing manual intervention and human errors. This has the extra benefit of making it easier to secure, manage, and audit the cyber environment to achieve compliance with government regulations and other external requirements.

Last but not least, smart cyber technologies can help you make the most of scarce cybersecurity talent. They enable your cyber teams to get the job done with fewer resources

by first doing the heavy lifting on routine, labour-intensive tasks so human experts can focus on activities that are more valuable and strategic, and second, giving cyber specialists the tools to perform at a high level without requiring years of experience and training.

GETTING IN FRONT OF RISKS WITH PREDICTIVE RISK INTELLIGENCE

Cyber risk management has typically been a reactive activity, focusing on risks and loss events that have already occurred. But with the rising adoption of advanced analytics and AI technologies, the practice is becoming more forward looking and predictive.

Predictive risk intelligence uses analytics and AI to provide advance notice of emerging risks, increase awareness of external threats, and improve an organisation's understanding of its risk exposure and potential losses.

Monitoring activities now occur throughout the risk management lifecycle, and can be divided into three categories:

- Reactive activities**
Capture losses and identify near-miss past events. Develop baseline information to quantify the impact of losses from events. Report on the status of current risks and corrective actions.

Analytics and big data are a key enabler for AI, making it possible to process and analyse vast quantities of data, with parsing, filtering, and visualisation done in near-real time. The adoption of advanced analytics is also a critical step toward becoming an insight-driven organisation.



- **Predictive activities**
Accumulate and integrate internal and external information to provide reporting alerts in near-real time. Describe trends and emerging risks. Use reactive and integrated inputs to generate predictive risk insights with advanced analytics.
- **Integrated activities**
Objectively measure risk performance by facilitating the development of key risk indicators, key performance indicators, and associated threshold measures. Enable an accurate description of risk exposure by providing a holistic view across the entire organisation.

WHERE TO START

Many companies are sitting on a wealth of valuable data that is buried beneath a jumble of inefficient and disconnected business processes, making it hard to know where and how to get started. To this end, Deloitte has developed a capability-based framework to identify specific areas where AI technologies and cyber analytics can be applied. The framework is depicted as a table that spans across four pillars of cybersecurity – Governance, Secure, Vigilant and Resilient (Figure 2).

The following are some potential uses for automation in specific cybersecurity areas under the different

pillars, which may include multiple elements in the table.

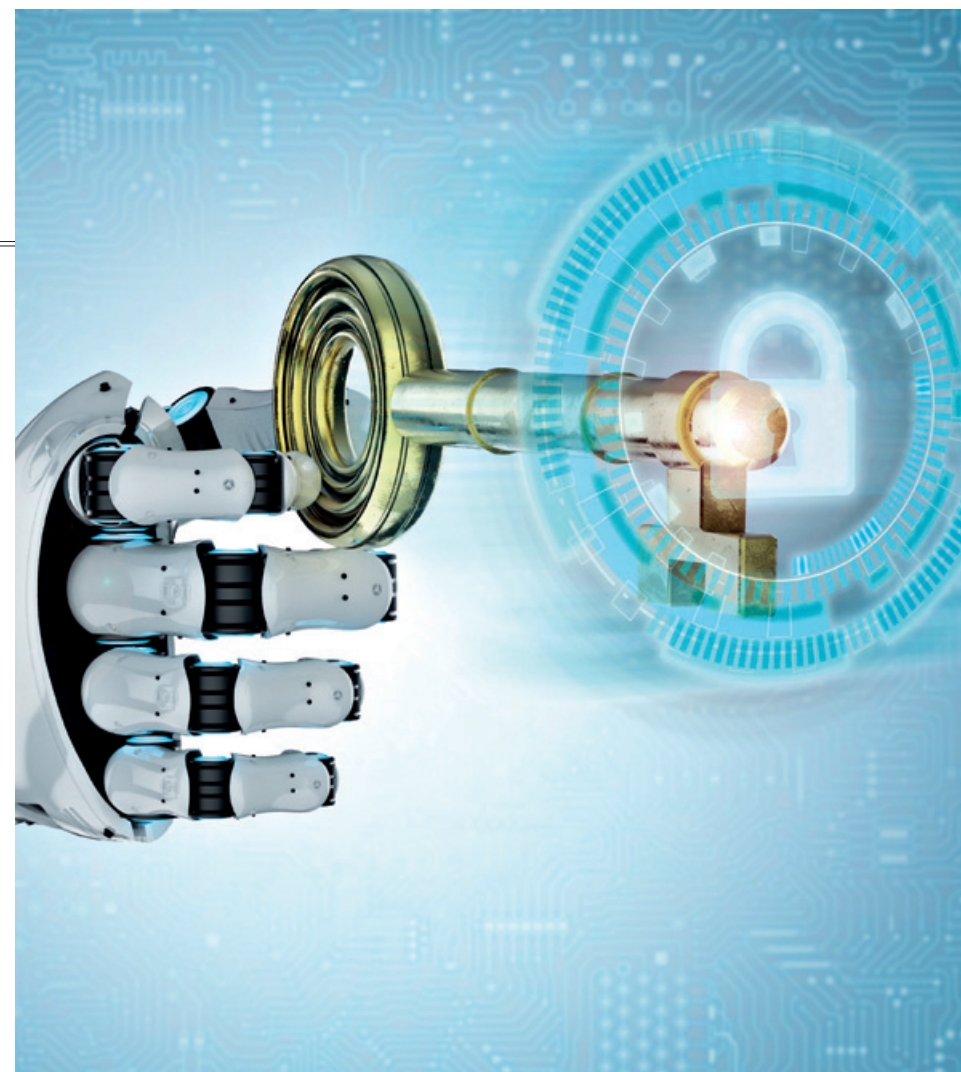
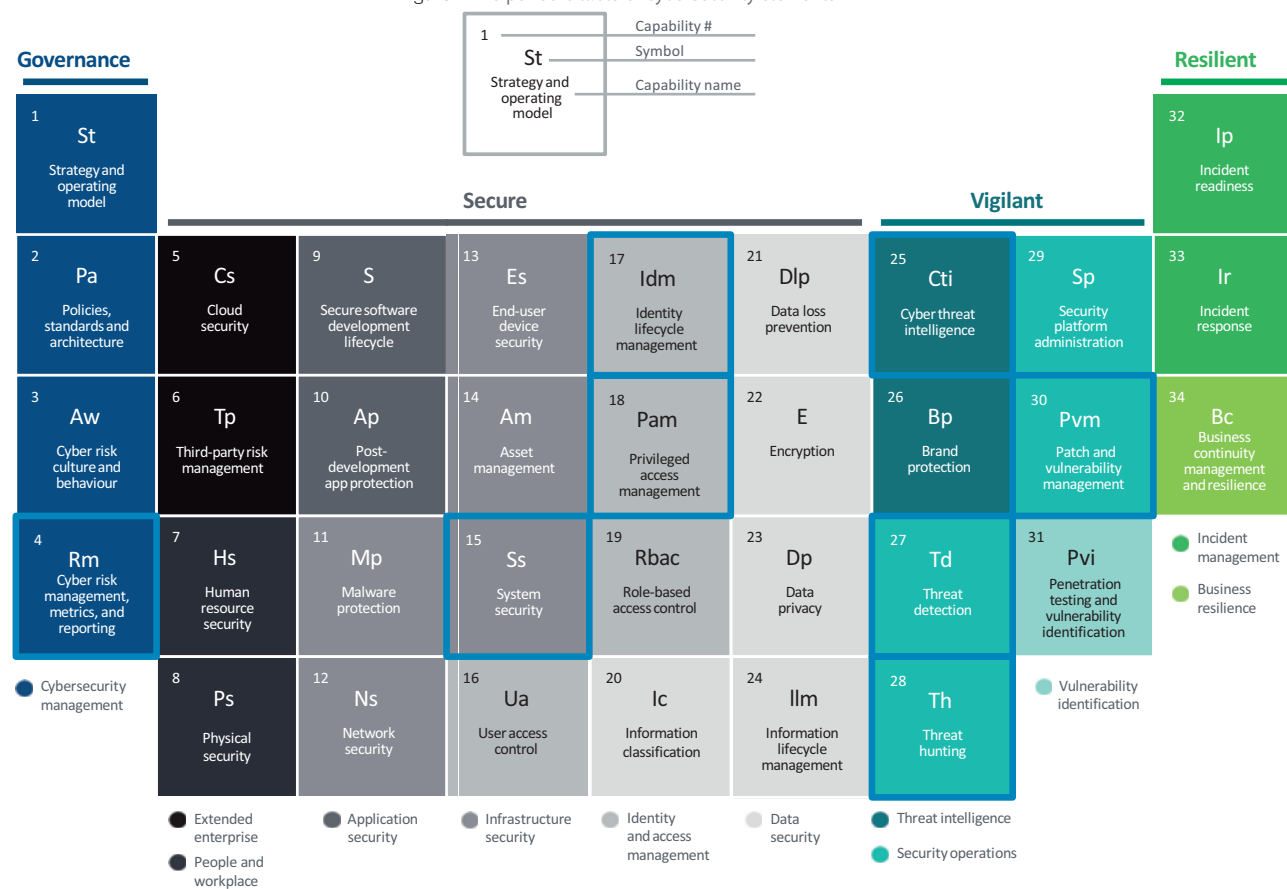
Element 4:
Cyber risk management,
metrics, and reporting
**Governance and
risk management**

Inform overall strategy and improves reporting capabilities by using large volumes of contextual data and decision points to help with strategic decision making that aligns with the organisation's risk appetite.

Regulation synthesis and mapping

Develops and maintains an organisation's

Figure 2 The periodic table of cybersecurity elements



Elements 17 and 18:
Identify lifecycle management;
Privileged access management
Role maintenance

Uses an AI engine to provide recommendations on role maintenance, helping organisations streamline the difficult, costly, and time-consuming task of keeping role definitions up to date.

Role mining engine

Extends the role maintenance engine to mine roles from multiple data sources, recommending new roles and entitlements.

Access request recommendation engine

Makes the access request process simpler by analysing various data sources – such as peer group access and historical access requests – and then recommending the level of access required for a user.

Access certification analytics

Analyses different data sets and applies analytics to improve the certification process by pre-approving certification items based on access request data, detecting anomalies in the attestation cycle, and using peer group data to calculate a confidence score that helps reviewers make informed decisions.

Control testing

Automates control testing so that it continually assesses control effectiveness and provides near-real time updates about the organisation's security posture.

integrated security controls framework, extracting information from multiple regulatory sources and guidelines.

Assessment triggering

Conducts automated assessments periodically, or is triggered automatically by changes to applications and/or business processes.

KRI automation

Automates the collection and visualisation of key risk indicator metrics to enable the organisation to assess and address risk exposure.

Responsibility allocation

Uses self-service processes to allocate cybersecurity responsibilities across teams, improving efficiency and enabling closer alignment with risk owners.

By tapping into a wide range of data sources, smart detection platforms can learn and recognise normal behaviour, develop baselines and detect outliers, identify malicious actions that resemble previously seen events, and make predictions about previously unseen threats.



Access usage data for analytics engine

Incorporates access usage data into the analytics engine to help it generate more informed and efficient insights.

At the more sophisticated end of the technology spectrum, the following are some of the many potential uses for AI and analytics technologies in cybersecurity.

Element 15: System security Control effectiveness

Augments and assesses the effectiveness of tried and tested tools such as firewalls, proxies, and data loss prevention solutions by monitoring the available log data and then identifying and remediating misconfigurations.

Element 27: Threat detection Anomalous behaviour detection

Helps identify anomalous data access activity and malicious application activity by focusing on user logins, changes in user behaviour, and unapproved changes.

Threat discovery

Monitors activities and entities to establish normal behaviour, and detects sources of anomalies that could create potential risks such as fraud, money laundering, and insider threats.

Alert cleansing and prioritisation

Uses machine learning to significantly automate the first level of triage based on factors such as type of attack, frequency, and previous experience.

Targeted investigation and support

Uses a big data platform to drive new insights through historical analysis, thereby allowing investigations into incidents based on current and historical data to be done quickly and efficiently.



PHOTO SHUTTERSTOCK

Element 25: Cyber threat intelligence Cyber risk sensing

Identifies or predicts risks that are often difficult for humans and rules-based systems to detect, including new categories of risks, diffused risk signals, and potential sources of future risks such as increased use of social media.

Elements 28 and 30: Threat hunting and vulnerability management Threat hunting

Quickly searches for new threats by importing known tactics, techniques, procedures, and attack patterns – along with vulnerability details and remediation information – to help neutralise threats early in the attack cycle.

Vulnerability scanning

Uses bots to initiate and scan applications, systems, and other assets for vulnerabilities, assessing risk and prioritising the patch schedule.

Configuration review

Uses bots to review system configurations to ensure baseline hardening and ensure no misconfigurations.

... smart cyber technologies can help you make the most of scarce cybersecurity talent. They enable your cyber teams to get the job done with fewer resources...



Attack path modelling

Performs predictive analytics on security data to determine vulnerable entry points and the likely path an attacker might use to gain access.

FROM FRAMEWORK TO PRACTICE

There are seven steps you can start taking today to boost your organisation's cyber capabilities through the use of AI technologies and analytics.

Step 1 Embrace the future

Collaborate with your ecosystem to help shape the future of these powerful new cyber technologies.

Step 2 Educate yourself and your teams

Understand the business opportunities associated with AI technologies and analytics in cyber, immersing yourself in internal forums and decision-making processes to ensure you are a valuable contributor.

Step 3 Reassess the risk and threat landscape

Understand the impact of new technologies and develop appropriate risk management responses.

Step 4 Redefine your accountability model

Consider how changes in the operating environment will affect

the risk landscape and required controls, and then adjust your cyber team's roles and responsibilities accordingly.

Step 5 Rationalise your control framework

Encourage risk-intelligent design for new systems, technologies, and control frameworks to reduce unnecessary control layers and build more preventative and automated capabilities upfront.

Step 6 Start small and scale fast

Develop a practical strategy for applying AI technologies and analytics to cybersecurity by identifying opportunities with high impact, low complexity, readily available data, and insufficient current capabilities.

Step 7 Rethink your cyber talent strategy

Update your talent strategy, taking steps to ensure highly skilled cyber professionals are leading the way in your cybersecurity efforts.

AI technologies and analytics can lift your company's cyber capabilities to the next level. By taking the lead on applying these disruptive innovations to cybersecurity, you can tip the balance in your favour and stay a step ahead of the threats. ISCA

Nick Galletto is Global and Canadian Cyber Risk Services Leader, Deloitte.

BY WANDA TAN AND ASHOK SOMAN

PROFESSIONAL ACCOUNTANTS IN BUSINESS CONFERENCE 2019

Opportunities Amidst Transformations

THEMED “OPPORTUNITIES AMIDST TRANSFORMATIONS”, the ISCA Professional Accountants in Business (PAIB) Conference 2019 was attended by over 500 delegates. Held on July 17 at Marina Bay Sands Expo and Convention Centre, the event marked the second instalment of ISCA’s signature Singapore Accountancy and Audit Convention (SAAC) series for the year.

In her welcome address, ISCA Vice President Yvonne Chan stressed the importance of viewing technology as an enabler rather than a disruptor, “In this digital age, businesses must be agile and adapt to changes in the environment. As Singapore transforms its economy for Industry 4.0, businesses are seeing the benefits that come with digitalisation and automation. At ISCA, we recognise that the accountancy profession is in a prime position to seize the opportunities in this



▲ More than 500 delegates attended the event



▲ ISCA Vice President Yvonne Chan delivered the welcome address



▲ The photobooth proved to be hugely popular among delegates and speakers alike

rapidly changing business landscape.” Two new ISCA programmes, outlined by Ms Chan, have been developed to help finance professionals succeed in the new world of work:

- **ISCA Infrastructure & Project Finance Qualification (ISCA IPFQ)** Launched at the PAIB Conference, this qualification will equip candidates with specialised, in-demand skills to support Asia’s burgeoning infrastructure development needs. It is the first such qualification in Asia which leads to the conferment of a credential in this niche field by a professional body.
- **ISCA Professional Business Accountant Programme** Set to launch in October, this 30-hour e-learning programme is an enhanced Associate membership pathway that is aligned with the ISCA PAIB Framework. It aims to enhance the competencies of PAIBs so that they can keep themselves updated with relevant skills and knowledge for the future economy.



▲ Participants at a “Tech Talk” session on new technologies for finance-related professions



▲ Guest-Of-Honour Indranee Rajah took the lead to pledge for change, doing her part to positively impact the environment and the world



▲ Contributions from the delegates: Every pledge on the post-its represented a S\$1 donation to ISCA Cares

Delivering the keynote address was Guest-of-Honour Indranee Rajah, Minister in the Prime Minister’s Office and Second Minister for Finance and Education. She talked about the continued relevance and importance of the “accountant’s DNA” in the new phase of globalisation – (i) **Dependability**, which is based on the depth of technical accounting knowledge and the breadth of understanding about businesses; (ii) **Nimbleness**, or the ability to respond quickly to new challenges and opportunities, and (iii) **Accountability**, which refers to the integrity and ethics underpinning the accountant’s work.

Even as the role of accountants is evolving to that of trusted business advisors, these



▲ Succinct summaries of presentations through digital illustrations

three qualities in their DNA are as valuable as ever. “To enhance your dependability, consider sharpening your core accounting skills... To enhance your nimbleness, consider gaining new skills and knowledge in accounting... To enhance your accountability, I urge you to remain committed to, and abide by, ISCA’s Code of Professional Conduct and Ethics,” said Ms Indranee.



▲ “Tech Talk” presentation by Dropbox during the lunch break

An impressive programme line-up of experts and business leaders was assembled for the Conference. They tackled timely topics impacting the global accountancy profession, and explored growth areas for finance professionals in both the public and private sectors. Throughout the day, concurrent “Tech Talks” were conducted by event partners such as Xero, Dropbox, SAP Concur and UOB.



▲ Belinda Teo, Chairperson, ISCA Young Professionals Advisory Committee (left) with Maria Teo, Associate Director, Nexia TS Risk Advisory, ISCA’s representative at the upcoming One Young World Summit 2019

Before the presentations began in earnest, the participants enjoyed a brief showcase of the annual One Young World Summit, which convenes the brightest young talents from every country and sector to accelerate social impact. Wesley Lye, Regional Head of Accounting (Asia), Commerzbank, related his “eye-opening” and “inspiring” experience representing ISCA at the 2016 Summit in Canada. ISCA also announced this year’s representative, Maria Teo from Nexia TS, who will attend the upcoming Summit in London in October.



▲ Lynn Tho, ASEAN Infrastructure Advisory Partner, EY Singapore, spoke on the trends in ASEAN infrastructure development

THE CASE FOR AN AGILE MINDSET

First up in the series of presentations was Lynn Tho, ASEAN Infrastructure Advisory Partner, EY Singapore. She explained the merits of the ISCA IPFQ in the context of ASEAN’s strong requirement for infrastructure investment, mainly in the transport space. Governments in ASEAN have prioritised infrastructure development and studies reveal a correlation between infrastructure availability, higher GDP per capita and reduced poverty. Singapore is able to play a role as an infrastructure hub for ASEAN to create a mindset and environment to bring together interested parties with the right expertise and financing to facilitate greater investment

in infrastructure projects. “Singapore’s strength as a legal and financial centre will also help drive infrastructure projects across the different project timelines,” said Ms Tho. She added that accountants can occupy “multifaceted” roles across all aspects of an infrastructure project, from the development phase to project financing and risk mitigation, project oversight and public-private partnership contract considerations.

Venkkat Ramanan, Regional Vice President for Asia Pacific, Association of International Certified Professional Accountants (AICPA), pointed out that a change in mindset is necessary to operate in today’s chaotic, fast-paced environment. With accountants having to extract value from ever-increasing reams of data, it is crucial for the finance function to get on the front foot in adopting technologies like blockchain and artificial intelligence (AI).

“Our job is to provide clarity so that (different stakeholders) can use the relevant information to make decisions,” said Mr Ramanan. Calling accountants “strategic partners in creating and preserving value” for the organisation, he noted that “we have to learn, unlearn and relearn new skills consistently ... to co-create the future”.

Taking things further, Mr Ramanan then moderated a panel discussion on the what, why and how of cultivating an agile work culture. He was joined by Dennis Chia, Chief Financial Officer (CFO), StarHub; Kevin Fitzgerald, Regional Director for Asia, Xero; Mahmoud Hatami, Head of APAC Revenue Strategy & Operations, Dropbox, and Ho Seng Chee, Chief Work & Culture Officer, JustCo.

The panellists shared how they have implemented an agile culture and broken down silos to promote cross-functional collaboration in their respective companies. One critical success factor is employee empowerment – allowing individuals and departments to set their own goals and key performance indicators, in alignment with the company’s overall mission and strategic priorities.



▲ (From left) Moderator Venkkat Ramanan, Regional Vice President for Asia Pacific, AICPA; Mahmoud Hatami, Head of APAC Revenue Strategy & Operations, Dropbox; Kevin Fitzgerald, Regional Director, Asia, Xero; Dennis Chia, Chief Financial Officer, Starhub; Ho Seng Chee, Chief Work & Culture Officer, JustCo



▲ Marcus Schmid, Global Head of International Management, LucaNet, presented his views on having a harmonious relationship between man and machine

TRACK 1: INSIGHTS FOR PRIVATE SECTOR PAIBS

There were two parallel tracks in the afternoon. Track 1 was for PAIBs in the private sector, and Track 2 was for PAIBs in the public sector. Track 1 was kicked off by Marcus Schmid, Global Head of International Management, LucaNet. Despite the sobering statistics presented by Oxford Economics and Cisco that about one-fifth of Singapore’s full-time equivalent workforce will have their jobs displaced by 2028, Mr Schmid opined that the current era of digital transformation can hold positive implications for the finance role.

Taking the view that the future will not see “man versus machine” but “man with machine”, he demonstrated the value that technology adds to the work of accountants. Digitalisation and AI are disrupting finance, making it possible for the profession to inhabit new roles as business partners, “financial storytellers” and change agents – provided the technical

ABOUT THE INFRASTRUCTURE & PROJECT FINANCE QUALIFICATION

Developed in collaboration with EY Singapore, the ISCA IPFQ comprises three modules covering the infrastructure value chain, with six days of practical workshops. Those who have completed the modules and obtained at least three years of relevant work experience will be conferred the ISCA Infrastructure & Project Finance Professional (ISCA IPFP) credential. The qualification is suitable for entry-level professionals who are interested in infrastructure and project finance. From now until 31 December 2020, experienced professionals can also attain the Credential via a one-off grandfathering scheme.

For more information on the ISCA Infrastructure & Project Finance Pathway, including entry requirements, applicable fees and course dates, visit <https://isca.org.sg/ipfq> or email qualifications@isca.org.sg.



▲ Kwok Wui San, Partner and Risk, Regulations & Compliance Leader, PwC Singapore, gave a refreshing talk on different behavioural competencies

hurdles holding PAIBs back can be overcome. Mr Schmid called on businesses to simplify and automate their financial and management reporting processes, by integrating multiple legacy systems into one intelligent platform.

Kwok Wui San, Partner and Risk, Regulations & Compliance Leader, PwC Singapore, focused on the ethical challenges facing PAIBs as they struggle to maintain their integrity and commitment to accountability in an increasingly complex world. He gave various examples of dubious financial practices, and explained what would be expected of PAIBs in such cases. Because PAIBs are entrusted with safeguarding money, they have a duty to raise red flags wherever there might be potential harm to the public interest. Among the scenarios Mr Kwok described were those concerning an intent to mislead stakeholders when preparing and presenting financial information; misreporting of remuneration, bonuses and incentives; the use of inducements and gifts as a form of corruption or to improperly influence behaviour, and failure to take action when non-compliance with laws and regulations is either known or suspected. He raised the idea of formulating a new code of ethical conduct for the whistleblowing process that would spell out obligations to blow the whistle, protect the whistleblower and launch an investigation.

Kelvin Teo, Co-Founder and CEO, Funding Societies, elucidated the contemporary realities of financing faced by small businesses and the like. Many start-ups today rely on the strength of their financing as a competitive advantage. As Mr Teo put it, “If you raise enough (capital), you will win.” He recommended some alternative financing options that present fewer risks for creditors and debtors alike.

In particular, Mr Teo clarified the distinction between equity financing and debt financing, characterising the former as a “marriage” (with no exit strategy) and the latter as a “partnership” (with clear terms of engagement and an end goal). Financiers, he said, ought to “have the foresight to see the potential good and profitability in a customer”.





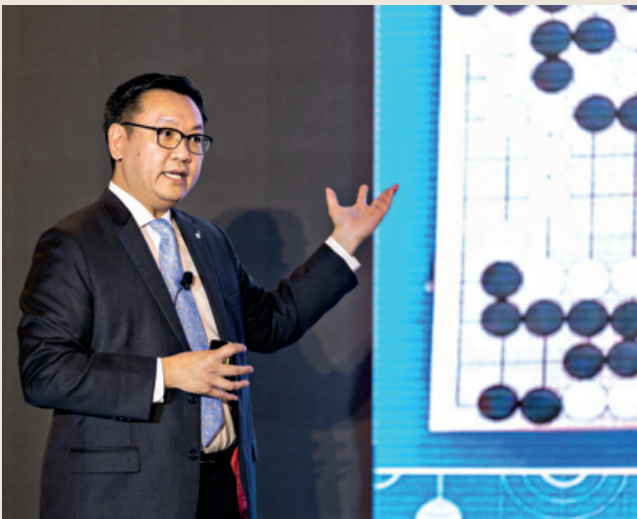
▲ Haridas Kanagasabai, Audit & Assurance Partner, Deloitte, sharing lessons learnt from the first-year adoption of FRS 115

One year on from the effective date of FRS 115 *Revenue from Contracts with Customers*, Haridas Kanagasabai, Audit & Assurance Partner, Deloitte, reviewed the recent implementation of the new accounting standard. In an entertaining yet informative presentation, he framed the industry response to this standard in terms of “five stages of FRS 115”, modelled on the famous five stages of grief (denial, anger, bargaining, depression, acceptance).

Mr Haridas spoke at length on the various difficulties in adopting the new standard. Under FRS 115, which replaces the old “risk and reward” model, revenue is recognised when control of a good or service is transferred to the customer. Hence, organisations must know the difference between recognising revenue over time and recognising revenue at a point in time. Other challenges that he brought up included over-ambitious timelines for IT systems implementation, lack of understanding about the cross-functional scope of the implementation, and poor communication to stakeholders on these changes.

Track 1 closed out with a panel discussion entitled “Art of Tech: Conversations in the Boardroom”. On the panel were Richardo Chua, Group Managing Director, Adrenalin Group; Damian Khoo, Director of Solution Consultant, NetSuite; Cyndi Pei, Group Financial Controller, Yeo Hiap Seng Limited, and Wong Su-Yen, First Vice Chairman, Singapore Institute of Directors and Chairperson, Nera Telecommunications. Julie Yeap, Managing Director, Mastering Success, served as the moderator.

Their discussion centred on the adoption of advanced technology solutions such as AI and robotic process automation (RPA) at the corporate level, especially in finance. It was generally agreed that top-down approaches are likely to fail, without buy-in from those staff who will be using the mandated software. The key is to consider the user experience (UX). Indeed, the panellists observed that “UX is king”, with tech adoption being a shared responsibility rather than the job of one or two departments, or the Board of Directors.



▲ Erik Saito, General Manager of Asia Pacific, Workiva, gave an insightful presentation on how accountants should respond to Industry 4.0

TRACK 2: INSIGHTS FOR PUBLIC SECTOR PAIBS

At the outset of Track 2, Erik Saito, General Manager of Asia Pacific, Workiva, told the public sector PAIBs in attendance that Industry 4.0, like the first three industrial revolutions before, is essentially about improving productivity. The tremendous growth in computing power has led to new technologies that are radically reshaping the finance function. For example, RPA can perform manual tasks such as bank reconciliation and inventory management faster and more accurately than humans, while machine learning (a branch of AI) can boost compliance and fraud detection through predictive analytics.

Rather than make finance jobs obsolete, Mr Saito argued that these technologies will change the profession for the better. Those who embrace Industry 4.0 technologies can spend less time on manually intensive financial stewardship responsibilities, thus freeing up their time to become strategic advisors and better business partners. “Machines will not replace you, but they will augment what you do,” said Mr Saito. “Focus on activities that make an impact on the ‘why’ of your organisation... Your job will be more fulfilling because you can make a better impact on your organisation’s objectives.”

Rajesh Sreenivasan, Head of Technology, Media & Telecommunications, Rajah & Tann Singapore, addressed a major problem confronting the public sector: how to strike a balance between being economically efficient and maintaining high ethical standards. While AI can increase organisational efficiency, ethical lines may be crossed in the process. Citing real life cases of AI systems perpetuating racism, sexism and other prejudices, Mr Sreenivasan explained, “Because humans programme the machines and feed data into it, we are (consciously or subconsciously) embedding these IT systems with our biases.”

How do we ensure that we never compromise on ethics? As Mr Sreenivasan reminded the delegates, “The developers behind these IT systems need to be aware and potentially be accountable for these biases in the systems.” He advised designing AI systems so that they uphold (i) the core values of the Public Service Division (integrity, service, excellence); (ii) the fundamental liberties enshrined in the Singapore Constitution (personal liberty; equality; freedom of movement, speech and religion; education rights), and (iii) the Public Sector (Governance) Act.



▲ (From left) Tan Aik Na, Vice President (Administration), Nanyang Technological University; Jeanne Liew, Principal and CEO, Nanyang Polytechnic; Darren Tan, CFO, OCBC Bank; Wee Tee Heng, Director, Finance and Corporate Development, Accountant-General's Department

The next presenter, Dr Vrizlynn Thing, Senior Vice President and Head of Cybersecurity Strategic Technology Centre, ST Engineering, emphasised the need to step up risk management efforts in the age of digital transformation. Research has found that the percentage of exposed sensitive files increases as a company possesses more data. Therefore, organisations should protect their critical assets by strengthening the resilience of cybersecurity, which Dr Thing termed as “the immune system within our organisations”.

From an internal perspective, reducing the surface of attack exposure – via isolation mechanisms, firewalls, antivirus software, access control, etc – is vital but not enough. Other considerations include the organisation’s cloud service deployment model, employee cyber hygiene (example, setting strong passwords), continuous threat monitoring, and an incident response policy and strategy. Dr Thing added that organisations should also look externally to their IT vendors and have a robust cyber supply chain risk management framework in place.

Ronald Wong, Partner, Financial Accounting Advisory Services, EY Singapore, covered the main issues affecting the preparation of public sector financial statements, particularly the implications of



▲ Rajesh Sreenivasan, Head of Technology, Media & Telecommunications, Rajah & Tann Singapore, sharing the ethical dilemma that has arisen due to the use of technology

two new accounting standards for statutory boards. With regard to SB-FRS 116 *Leases*, he urged lessees to review their existing contracts to see whether they contain an embedded lease. If the contract has an identified asset, and if the lessee has the right to direct and control the use of that asset, then there is an embedded lease which should be brought onto the balance sheet.

As for SB-FRS 1002 *Impairment of Non-Cash-Generating Assets*, Mr Wong said that “intention is key”. The intent behind the holding of the asset is a key determinant of whether the asset is a cash-generating or non-cash-generating asset. Key considerations include whether the commercial return earned reflects the risk of holding the asset and the extent of the commercial return where an asset both generates cash flows and is also used for non-cash-generating purposes. On the latter consideration, public sector entities are required to disclose the criteria used in judgement with respect to the evaluation of the significance of the cashflow.

During the concluding panel discussion, Tan Aik Na, Vice President (Administration), Nanyang Technological University, moderated a dialogue on how public sector finance teams can leverage technology to engender public trust and create more value for their organisations. Wee Tee Heng, Director, Finance and Corporate Development, Accountant-General's Department, noted that digital tools such as RPA and data analytics can enable PAIBs to play their stewardship role well, while also moving beyond traditional compliance tasks to provide useful, data-driven insights for better decision making by senior management.

Another panellist, Darren Tan, CFO, OCBC Bank, encouraged delegates to be “passionately curious” to find out the underlying story behind the numbers. In addition, he advocated a “protect, detect and respond” approach to guard against data breaches. On a similar note, Jeanne Liew, Principal and CEO, Nanyang Polytechnic, suggested that finance professionals “start small” in using new technologies to offer forward-looking insights. Organisations should spend more time on the change management process to get buy-in from internal stakeholders, she said. ISCA

Wanda Tan and Ashok Soman are contributing writers.



▲ The Conference attracted more than 550 delegates

BY WANDA TAN

FINANCIAL FORENSIC AND CYBERSECURITY CONFERENCE 2019

Enhancing Resilience In The Digital Era



▲ ISCA President Kong Yin Tong welcoming delegates to the event

WHAT CAN BE SEEN AS A SURE SIGN OF THE GROWING INTEREST IN WHITE COLLAR CRIME AND CYBERCRIME, the Financial Forensic and Cybersecurity Conference 2019 attracted a sold-out crowd of more than 550 delegates. The event – held back-to-back with the PAIB Conference – took place on July 18 at Marina Bay Sands Expo and Convention Centre, marking the third instalment of ISCA's signature Singapore Accountancy and Audit Convention (SAAC) series for the year. Themed “Enhancing Resilience in the Digital Era”, it drew experts and leading practitioners from diverse disciplines who shared their knowledge on pertinent topics.

“Tech Talks” were also delivered by event partners in between the presentations. The Conference sought to encourage professional accountants to play a greater role in strengthening corporate governance and compliance. As ISCA President Kong Yin Tong said in his welcome address, “Digitalisation has transformed the way business is conducted. While bringing about many new possibilities, it can potentially make us vulnerable to cyber threats. With rapid advancements in technology, criminals can now employ more complex methods to mask their tracks while carrying out their illegal activities. On the flip side, financial forensic professionals can also leverage technology to combat financial crime more effectively.”



▲ Guest-of-Honour Josephine Teo spoke about the government's initiatives to improve vigilance against financial crime

In her keynote address, Guest-of-Honour Josephine Teo, Minister for Manpower and Second Minister for Home Affairs, noted that Singapore has a big stake in fighting financial crime due to its position as a global financial hub. The government has thus undertaken several initiatives to improve vigilance against financial crime, including legislative updates, partnerships with the private sector, funding for capability development, and new digital tools to gain an edge over evolving cybercrime threats.

Mrs Teo also commended ISCA for building a pipeline of skilled professionals through its ISCA Financial Forensic Accounting Qualification. This programme, she said, is the first of its kind in the region and covers three critical capabilities. “The first is **forensic accounting**; this will help you uncover fraudulent activities from among voluminous transactional data. Second, as more transactions go digital and mobile, **digital forensics** will also grow in importance. Third (is) **financial crime compliance**, which must evolve to keep up with new business models, such as peer-to-peer lending.”

BUILD CYBER RESILIENCE

Dan Yock Hau, Director, National Cyber Incident Response Centre, Cyber Security Agency (CSA) of Singapore, got the ball rolling with his presentation on how to best defend against cyber threats in the digital age. Some of the key concerns include the threat of ransomware and massive data



▲ Dan Yock Hau, Director, National Cyber Incident Response Centre, CSA of Singapore, talked about Singapore's defences against cyber threats



▲ Low Han Hsien, Director, Investigation and Forensics Division, IRAS, touched on how technology plays a part in detecting tax fraud

breaches, which could cause major financial and reputational damage to an organisation. In the current environment, the old way of doing things – adding more and more layers of prevention, such as firewalls and encryption – is no longer enough.

What is needed is a holistic framework that encompasses the three phases of prevention, detection and response, according to Mr Dan. Cybersecurity should be viewed as an “enterprise risk” requiring senior management decisions, rather than relegating it to a backroom issue for IT staff. He also talked about the human element, noting that raising basic levels of cyber hygiene among employees (example, using stronger passwords) can turn them from the “weakest link” to the “first line of defence” in the cybersecurity chain.

On the matter of tax evasion and tax fraud, Low Han Hsien, Director, Investigation and Forensics Division, Inland Revenue Authority of Singapore (IRAS), explained how technology acts as an “enabler” to catch non-compliant taxpayers. IRAS uses predictive analytics to select high-risk cases for audit. Social network

analysis is used to map out and uncover hidden relationships within criminal syndicates. Moreover, digitisation of hardcopy evidence has sped up the processing time, while a team-based e-discovery tool allows multiple investigators to review the same evidence at the same time, thus enhancing collaboration and improving efficiency.

The delegates also heard from DSP Tee Cheong Siang, Deputy Head, Technology Crime Investigation Branch, Criminal Investigation Department, Singapore Police Force (SPF). Citing the 2016 case of a Singaporean teenager who had extracted personal information from social media to hack into the official Twitter account of the American National Football League, DSP Tee noted that hacking can be committed with minimal technical know-how. Individuals should protect their data by, for instance, not revealing all their personal information online; using strong, unique passwords and enabling two-factor authentication, and separating their personal and professional social media profiles.

A panel discussion moderated by Radish Singh, Partner, Southeast Asia Financial Crime Compliance Leader, Deloitte Forensic, delved into the banking sector's efforts to strengthen defences against fraud, dirty money and cybercrime. With him were Tan Wee Soon, Executive Director, Financial Crime & Security Services, DBS Bank; Lim Siew Lee, Managing Director and Head of Group AML/CFT/Sanctions Compliance, UOB; Loretta Yuen, Executive Vice President, Group Legal & Regulatory Compliance, OCBC Bank, and Yu Beng Soon, Head of Financial Crime Compliance, Singapore, Standard Chartered Bank.

The panel discussed Project POET (Production Order-Electronic Transmission) – a private-public partnership between OCBC and SPF's Commercial Affairs Department – a successful partnership which has yielded not only time-saving benefits for both sides but also looks to sharpen the focus of data analytics initiatives by enriching data quality collection to combat financial crime. UOB has also co-created a machine learning-powered regulatory technology (RegTech) solution, targeting to lower false positives in its anti-money-laundering transaction monitoring and name screening. However,

Mr Yu argued that such innovations do not replace in entirety the need for “human judgement”. Given that there is no one-size-fits-all approach to combat illicit activities of different nature, Mr Tan observed that convergence of financial crime compliance is not an inexorable outcome, saying that trying to “shoehorn all typologies of illicit (financial) activities to fit one narrative” may mean sacrificing depth for breadth.

Lem Chin Kok, Head of Risk Consulting, KPMG Singapore, identified new skill sets that financial forensic investigators will need to acquire as financial records are increasingly shifting from physical to digital formats. Investigators must obtain evidence from mobile devices and networks, social media and the Internet, as well as use automation to track huge volumes of structured and unstructured data. They must also apply data analytics, including machine learning and natural language processing, to detect “unknown unknowns”, as such outliers are indicative of fraud or other financial crimes.

KEEP YOUR HANDS CLEAN

After lunch, the Conference resumed with a presentation on blockchain forensics by Chng Tze Wei, Head of Computer Forensics Branch and Head of Technology, Corrupt Practices Investigation Bureau (CPIB). While cryptocurrencies, especially bitcoin, are growing in acceptance as a legitimate form of business, Mr Chng pointed out that the semi-anonymous nature of bitcoin also makes it well suited for criminal activities such as cyber extortion, money laundering, tax evasion and the dark web economy. CPIB is trained to look out for popular bitcoin wallets and trace suspicious bitcoin transactions. If a corrupt transaction is detected, CPIB then “freezes” the cryptocurrency, much like the seizure of physical assets.

Dr Li Xuchun, Deputy Director and Head, Supervisory Technology Office, Data Analytics Group, Monetary Authority of Singapore (MAS), shed light on MAS’ deployment of data analytics – particularly machine learning and natural language processing – to achieve better supervision of financial institutions. He added that MAS has developed a supervisory technology (SupTech) called Project Apollo, an augmented intelligence tool that automates the computation of key metrics for trade analysis, and predicts the likelihood that stock market manipulation or insider trading has occurred.

In the next panel session, K.K. Lim, Head of Cybersecurity, Privacy & Data



Protection, Eversheds Harry Elias LLP, and Chairperson, Cybersecurity & Data Protection Committee, The Law Society of Singapore, moderated a discussion on how organisations can use personal data responsibly to build digital trust and still create stakeholder value.

One of the panellists, Steve Tan, Partner and Deputy Head, Technology, Media & Telecommunications, Rajah & Tann Singapore LLP, and Director, Rajah & Tann Technologies, spoke about the impending mandatory data breach notification regime to be introduced into the Personal Data



ISCA President Mr Kon (left) presenting a token to Lem Chin Kok, Head of Risk Consulting, KPMG Singapore

Panellists from Panel Discussion 1: “Converging Financial Crime Compliance and Strengthening Defences against Fraud, Dirty Money and Cybercrime”

Protection Act, as well as the need for “due diligence” and a “written contract” when engaging a third-party service provider. Glenn Seah, Head of Legal, Compliance & Corporate Secretariat, Singapore Exchange, said that it was essential for companies to think through not just the rules regarding what they can or cannot do with personal data, but whether the intended use of personal data is beneficial to customers. To avoid the problem of too much data,



Chng Tze Wei, Head of Computer Forensics Branch and Head of Technology, CPIB, elaborated on the semi-anonymity of bitcoin



Thio Tse Gan, Cyber Risk Leader, Deloitte Southeast Asia, discussed the importance of connecting cyber risk to business strategy



Dr Li Xuchun, Deputy Director and Head, Supervisory Technology Office, Data Analytics Group, MAS, provided insights on MAS’ deployment of data analytics



Panellists from Panel Discussion 2: “Building the Digital Trust: Navigate the Data Mountain Responsibly”



Colin Low, Chief Information Security Officer, Singapore Press Holdings, emphasised putting business objectives first and collecting data only if it has a strategic impact.

Given that cybercrime has evolved into a lucrative venture, Thio Tse Gan, Cyber Risk Leader, Deloitte Southeast Asia, urged organisations to ready themselves for a data breach as part of the visioning exercise. A framework should be developed that embeds cyber risk across all areas of the business – people, process and technology – and where cyber risk is connected to business strategy and operations. Examples of best practices include sharing data responsibly with third-party providers, limiting access to sensitive data and physical locations, and allocating resources for recovery efforts in the event of

Panellists from Panel Discussion 3: “Keeping Your Business Clean”

a data breach. Mr Thio also recommended data breach simulations to help employees understand the incident response plan, and to identify security gaps for improvement.

The Conference ended with a panel discussion on how organisations can stay clean and mitigate against all forms of financial crime and unethical business practices. It featured Aaron Lee, Partner and Co-Head of White Collar & Investigations Practice, Allen & Gledhill LLP; Belinda Tan, Practice Leader and Partner, Forensic & Integrity Services, EY Advisory; Jennifer Ong, Director, Group Internal Audit, MOH Holdings, and Munenori Iwanaga, Vice President and Head of Corporate Audit, APJ & Greater China, SAP Asia. Chan Kheng Tek, Partner, Forensic Services, PwC Consulting Singapore, was the moderator.

Various measures were put forth by the panellists to stamp out fraud and corruption, such as using real-time analytics to detect suspicious transactions and anomalies; holding internal knowledge-sharing sessions to raise awareness of new data analytics and technology; having a good whistleblowing programme; ensuring that compliance policies and procedures are easily understood, properly enforced and refreshed as needed, and hiring an independent firm to audit the entity’s high risk functions. Singapore’s recently-implemented Deferred Prosecution Agreement scheme – which grants errant companies amnesty, provided they pay a penalty and comply with specific conditions – will likely result in more companies facing such action for the misconduct of senior management and employees, said Mr Lee.

ISCA Financial Forensic Accounting (FFA) Qualification

- Developed by ISCA in collaboration with industry experts in the financial forensics field
- First applied learning FFA Qualification in the region
- Real-life cases in practical workshops by industry specialists
- Flexibility to take individual modules
- Be eligible for ISCA membership
- Gain professional recognition with the ISCA Financial Forensic Professional (FFP) credential

Visit <http://isca.org.sg/isca-ffa> to find out more about the Qualification and how the skill sets acquired will benefit you in your role as a professional accountant and/or financial forensic investigator.

Wanda Tan is a contributing writer.

MEMBER PROFILE

NO LONGER BUSINESS AS USUAL

WHEN ASKED WHAT A NORMAL DAY at work is like for him, Cheung Pui Yuen, FCA (Singapore) gives a chuckle and says, “Meetings, and more meetings.” This doesn’t sound terribly exciting at first, until one considers the extraordinary economic climate businesses operate under nowadays. For one, global uncertainties loom, stemming not least of all from the ongoing US-China trade war which shows no sign of abating. Political upheavals such as Brexit and the protests in Hong Kong throw another spanner in the works.

These factors, along with technological innovation upending the way businesses are run, mean that no two client engagements are ever the same. As the Chief Executive Officer of Deloitte Singapore since January 2019, Mr Cheung, 54, spends a large part of his time helping clients and internal teams resolve pressing issues while ensuring compliance with increasingly stringent and complex regulatory requirements.

Prior to this, Mr Cheung served as Audit & Assurance Leader in 2007, before taking on the role of Audit &

Assurance Regional Managing Partner, Deloitte Southeast Asia in 2011. He has advised companies in their Initial Public Offerings on the Singapore Exchange (SGX), and conducted seminars on various audit-related issues within Deloitte & Touche LLP and for ISCA.

But besides driving performance and operational excellence, Mr Cheung is adamant about building the right culture in the firm. One of the most important attributes he wants to instil in the organisation is the willingness and ability to listen. “It’s so important for leaders to set the tone by staying as close to the ground as possible and actively engaging with those we work with, from our own staff to our clients, partners and suppliers.” Without this stance, even industry practitioners can become isolated and irrelevant to their stakeholders.

Cheung Pui Yuen, FCA (Singapore),
Chief Executive Officer,
Deloitte Singapore

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GATEKEEPERS OF GOVERNANCE

Upon graduating from the National University of Singapore in 1989, Mr Cheung was hired as an auditor at Touche Ross & Co. Shortly after he joined, the firm merged with Deloitte and he found himself seconded to Deloitte Melbourne. The assignment afforded him the opportunity to work on large audit engagements very early on. Concurrently, it provided him with a glimpse of the accountancy profession

in a more established market, as well as a work culture that placed strong emphasis on research and client engagements – an experience that has contributed to his leadership approach. With almost 30 years of public accounting experience under his belt, Mr Cheung also serves as the Deputy Chairman of the Accounting Standards Council, which is responsible for influencing the setting of standards by the International

Accounting Standards Board. “Financial reporting standards play a very important part in influencing the financial results of both listed and non-listed companies,” says Mr Cheung. But with increasing focus on the long standing “expectation gap” in the audit sector – especially in view of well-publicised corporate scandals the likes of Enron Corporation, Bernie Madoff, and closer to home, IMDB – it would be no exaggeration to say that leaders of



CAREER HIGHLIGHTS

- 1989 Auditor, Touche Ross & Co.
- 2000 Audit & Assurance Partner, Deloitte Singapore
- 2007 Audit & Assurance Leader, Deloitte Singapore
- 2011 Audit & Assurance Regional Managing Partner, Deloitte Southeast Asia
- 2016 Deputy Managing Partner for Operations, Deloitte Singapore
- 2019 to Present Chief Executive Officer, Deloitte Singapore

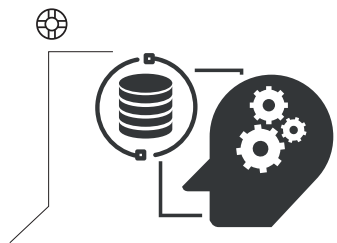
“In addition to the continuing professional education courses offered, ISCA has done really well in bringing accountants together to network with fellow Chartered Accountants.”

Big Four firms such as Mr Cheung have their work cut out for them. The overall audit expectation gap is defined as the difference between what the public expects from the auditors and what the audit professionals can actually provide. Users of financial statements, such as shareholders, potential investors and creditors, expect auditors to safeguard the quality and integrity of financial reporting, and that audited financial statements are accurate and error free, so that they can accurately assess the viability and solvency of a business. In reality, auditors can only provide reasonable assurance. As corporate gatekeepers, public accountants must continually exercise ethical judgement and ever evolving professional skills, but absolute assurance is not possible, highlights Mr Cheung. “Businesses are very complex, whereas audit exercises are conducted on a sampling basis. Just as you cannot depend solely on the police force to ensure public safety, you cannot depend solely on auditors to prevent misgovernance and fraud. It takes the whole ecosystem – from the management to independent directors, both internal and external auditors as well as the regulators – to improve reporting processes and governance.” It is therefore a very good sign that accounting standards have, over the years, evolved closer to fair value accounting, observes Mr Cheung. “The

move toward fair value reporting, greater disclosure in terms of risk and quality of earnings, will allow investors to have a better understanding of company performance in the future. In the past, investors can only tell how a company has performed but there is little indication of how it will perform in future,” he explains. ESSENTIAL ATTRIBUTES With unprecedented uncertainty and volatility given the tech-enabled interconnectivity of the global marketplace nowadays, accountancy is no longer the paper-pushing, bean-counting job many still think it is. On the contrary, it is a dynamic and challenging profession demanding the sharpest of minds. At the same time, accountancy gives one a rare window into all aspects of a business and its operations and enables the professional to help organisational leaders make informed financial decisions. So, what makes for an excellent accountant? “He is one who is able to simplify complex ideas and concepts into simple ones that people can understand,” shares Mr Cheung. People tend to do the reverse – making the simple complex – “when they don’t have the depth of knowledge to really understand things at the core and know why something is done or why it exists”. Secondly, he must be able to anticipate and manage change; this quality of foresight is a vital attribute

in a professional accountant. At the core, the Chartered Accountant qualification is not just about bookkeeping but financial analysis. “Yes, technology is always improving, but human judgement will never become obsolete,” adds Mr Cheung, who holds master’s degrees from the University of Southern Queensland in Australia and University of Cambridge in the UK. He also stresses that time management is an essential skill. “Know what is required by your boss and clients, and prioritise your time around that, starting from the most important thing.” This goes hand-in-hand with the ability to say “no” at times when it is necessary. Through his observations, many young accountants are hardworking, but because of poor organisational skills and the inability to manage the expectations of others, they get bogged down in a cycle of over-promising and under-delivering. Patience is also important in building a strong foundation early on in one’s career. “It takes three years to qualify as a Chartered Accountant. Take the time to gain exposure in different sectors and from various clients. You have to be interested in what’s going on around you as it will have an impact on the advice you give to clients. Accounting standards change because business practices change. At the same time, politics and current affairs influence the kind of policies that will be made; understand how these will affect your clients’ businesses,” he advises. “In addition to the continuing professional education courses offered, ISCA has done really well in bringing accountants together to network with fellow Chartered Accountants,” says Mr Cheung. As the global business community steels itself for change in the months and years ahead, there is perhaps no better time to gather, learn and glean knowledge from each other. ISCA

BY IMDA, ISCA AND SAC



SERVICES 4.0

PART 3

Accountancy Industry Digital Plan Boosts Digitalisation Efforts Of SMPs

S MALL AND MEDIUM-SIZED PRACTICES (SMPS) in the accountancy sector play a vital role in supporting Singapore’s economic growth by providing every

business, including small and medium-sized enterprises (SMEs), with robust foundational financial, accounting and business services. Much like other companies across industries,

accountancy SMPs need to leverage digital technology to enhance their effectiveness, including to transform their operations, maximise value to their clients, and open up new advisory revenue opportunities.

SMPs received a boost in their digitalisation efforts with the recent launch of the Accountancy Industry Digital Plan (IDP) and the signing of a Memorandum of Understanding (MOU) between the Institute of Singapore Chartered Accountants (ISCA) and Singapore Polytechnic (SP), aimed at improving their digital readiness for the future.

THE ACCOUNTANCY INDUSTRY DIGITAL PLAN

VISION

Digital transformation of the accountancy sector

OBJECTIVE

To help Small and Medium-sized Practices (SMPs) adopt technology

STRATEGIES

Develop digital skills and knowledge

Promote adoption of technology

Foster the development of accountancy innovations

DIGITAL ROADMAP

A step-by-step guide on the digital solutions that SMPs can adopt, and training programmes to undergo at each stage of their growth.

THREE STAGES OF AN SMP'S DIGITAL DEVELOPMENT

STAGE 1

Getting Digital Economy Ready

To streamline operations and optimise resources to improve productivity

STAGE 2

Growing in the Digital Economy

To connect businesses and create a throughput of data for generation of business insights

STAGE 3

Leaping Ahead

To augment operations and delivery of accountancy services to maximise value to customers

SUPPORT FOR SMPs

SMP CENTRE

A one-stop platform (www.SMPcentre.org.sg) with information to support SMPs on their digitalisation journey

ACCOUNTING TECHNOLOGY & INNOVATION CENTRE

A centre to develop new accountancy technologies and business models

GRANTS

Funding to support the adoption of digital solutions and training

SINGAPORE ACCOUNTANCY COMMISSION

INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

INFOCOMM MEDIA DEVELOPMENT AUTHORITY

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PHOTO: SHUTTERSTOCK

IS Chartered Accountant Journal

September 2019



The new Accountancy IDP was unveiled by Indranee Rajah, Minister in the Prime Minister's Office and Second Minister for Finance and Education, at an event organised by ISCA, Singapore Accountancy Commission (SAC) and Info-communications Media Development Authority (IMDA) on 22 August 2019. "A plan developed from the ground up in consultation with the industry, the IDP will enable practices here to evolve their skills and make use of technology at a time of great disruption," said Ms Indranee, at the launch. "I would like to encourage the profession to see the opportunities in change and make technology work for you. This is not a journey you need to make alone... the government will support you on this."

Developed by SAC, ISCA and IMDA, IDP will enable SMPs, which make up 98% of the about 700 accountancy entities in Singapore, to be better prepared for a digital

economy. IDP supports earlier efforts such as the Industry Transformation Map 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, based on their stage of digital readiness. IDP will focus on three strategies:

- a) enhancing digital skills and knowledge;
- b) promoting the adoption of technology, and
- c) fostering accounting technology and business model innovations.

IDP comprises a Digital Roadmap to provide guidance to SMPs on the digital solutions to adopt and employee training to undergo, at each stage of digital development. In order to support the digital development of SMPs, two other initiatives were announced at the launch event.

SMPs which are unsure of where to start can look to a one-stop shop in the form of the SMP Centre. Established by ISCA and supported by SAC, it includes an online self-assessment toolkit to assess an SMP's digital readiness and identifies pre-approved digital solutions alongside curated training required at each stage of digital development through the digital and training roadmap.



PHOTO SHUTTERSTOCK

- a) Accounting Technology & Innovation Centre (AccTech Centre), to develop new accountancy technologies and business models, and
- b) SMP Centre, a one-stop portal with information to support SMPs on their digitalisation journey.

SUITABLE FOR ALL STAGES OF TRANSFORMATION

IDP is designed to be relevant throughout this journey of change for SMPs at various stages of digitalisation. No matter how "digital" one is, IDP has suggestions for solutions and training courses that can make a difference. The Digital Roadmap identifies three stages of digital development for an SMP:

Stage 1 Getting ready for the digital economy

SMPs that are just embarking on their digital transformation will look to ways to increase productivity. Digital solutions will help streamline operations and optimise resources. For example, audit management tools can enable SMPs to enhance audit quality and facilitate compliance; they also help manage engagements more efficiently. Other tools here include cloud accounting, which improves the accessibility of real-time information, and data analytics that can enhance risk management.

Document management, know-your-customer (KYC) screening, practice management and taxation management round off the list of tools available for SMPs to kickstart their digital journey.

Stage 2 Growing in the digital economy

For those that have already started their digital transformation, new digital tools can help to connect them to new businesses and create a throughput of data to generate

business insights. Here, data analytics can be used for advisory services, by transforming financial information into storyboards and financial insights into communication tools to help customers make better decisions.

Separately, new e-payment capabilities will make use of e-invoicing standards and streamline previously paper-based processes. In addition, an integrated e-platform that connects through application programming interfaces will make it seamless for SMPs to transact with government agencies and other enterprises.

Stage 3 Leaping ahead

For an SMP that has gone past stages 1 and 2, the road ahead is one that involves innovative services and business intelligence. Here, artificial intelligence (AI) can be used for both audit and accountancy to improve audit risk assessment and boost efficiency and accuracy for accounting practices.

Across all the three stages, there is a need for robotic process automation (RPA) and capabilities such as cybersecurity. These are the "hygiene" factors that form the foundation for any transformation effort.

GETTING THE RIGHT SKILLS

IDP features a training roadmap aimed at equipping the sector's human resources with new capabilities and the necessary mindset to embark on the digital journey. At each stage of the SMPs' digital readiness, there are digital skills that their employees can acquire to prepare them for the digital economy. The training is broken down into two broad segments, for basic and advanced skills. Tech basics provide general knowledge and understanding of tech trends and their impact, and promote a mindset change; more advanced skills are available for professionals

who require deeper knowledge and skills in the similar areas. The training roadmap features three stages, as follows:

Stage 1

Tech basics include learning about innovative design thinking and RPA, and how they impact the industry. More advanced accountancy professionals seeking higher proficiency digital skills should learn data analysis for audit and investigation, and hands-on protection officer training, for example.

Stage 2

Skill sets include a practical understanding of fintech and other disruptive technologies such as the Internet of Things and cloud computing. More advanced skills taught here will involve using analytics for organisational performance and visual dashboards to present the analysis.

Stage 3

Skill sets at this level include big data and machine learning for finance. Accountancy professionals will also learn about AI and its impact on the industry. More advanced individuals can try their hand at harnessing AI with Python programming.

PREPARING FOR A DIGITAL FUTURE

While tools are important, the human element remains essential in understanding and using them. Without the right talent to make use of these emerging technologies and tools, the transformation of the sector would not be successful. To this end, the ISCA-SP MOU, signed at the IDP launch event, aims to enhance the digital capabilities of local SMPs in two main areas:

- + Developing certification courses in RPA that are customised for local SMPs, and
- + Supporting SMPs in the adoption of audit software to automate and streamline their audit workflow.

The collaboration will involve 80 students from SP's Diploma in Accountancy programme, who will use RPA and audit

software to help SMPs streamline their audit workflow and provide technology solutions.

DEVELOPING NEW TECHNOLOGIES

Established by SAC and the Singapore Institute of Technology (SIT), the AccTech Centre is a resource centre that facilitates collaboration and catalyses technology and business innovations in the accountancy sector. It will help SMPs to innovate business processes, business models, service delivery, and products. Through the centre, SMPs can work with academics, technology partners and government agencies to experiment and prototype innovative ideas. It will also provide networking opportunities with thought leaders and technology partners. Participants can benefit from workshops and symposia on advanced accounting technologies, as well as attend training and attain certification through SIT to upgrade their technology skill sets.

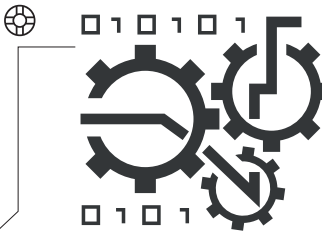
GET STARTED TODAY

One challenge many SMPs face is the constant grind of the regular business cycle. With the assistance offered by IDP, there is now fresh impetus to jump onboard as soon as possible.

SMPs which are unsure of where to start can look to a one-stop shop in the form of the SMP Centre. Established by ISCA and supported by SAC, it includes an online self-assessment toolkit to assess an SMP's digital readiness and identifies pre-approved digital solutions alongside curated training required at each stage of digital development through the digital and training roadmap. In addition, the SMP Centre provides information on available funding support and also the AccTech Centre. ISCA

Find out more about SMP Centre at <https://SMPcentre.org.sg/>
Find out more about the Accountancy IDP at <https://www2.imda.gov.sg/accountancy-idp>
Watch the video at <https://youtu.be/sUIUeD05yJU>

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





BY RICHARD McLEAN



CFOS AND THE INTELLIGENT ENTERPRISE

Custodians For A Single Source Of Truth

ALMOST EVERY CHIEF FINANCIAL OFFICER (CFO) KNOWS the importance of digital transformation today. But to what end are we pursuing digital transformation? Is it simply about using digital technologies to rethink existing business processes and experiences? We think it is beyond that – it is about becoming an intelligent enterprise, and here’s why.

Essentially, the intelligent enterprise rapidly harnesses data to transform business processes and fuel actionable insight, feeding all parts of the business from process automation to innovation, to creating optimal experiences across the entire value chain. It is the next frontier for us to design, manufacture, and deliver products and services that customers demand, enable our total workforce, and drive accelerated growth via automation and innovation.

The power of the intelligent enterprise is that it provides businesses with a trusted, single source of truth.

Put more simply, that means productivity gains, more empowered and engaged employees, greater customer intimacy, and a foundation that allows our businesses to innovate and grow sustainably into the future.

The power of the intelligent enterprise is that it provides businesses with a trusted, single source of truth. With advanced analytics from next-generation technologies including blockchain, machine learning and artificial intelligence (AI), executive teams no longer have to wonder whether the data – used to make vital, business-changing decisions each day – is up-to-date or accurate.

THE CFO’S RESPONSIBILITY: ACCURATE INSIGHT

This is an important concept to digest. Because what it means for CFOs and financial teams today is, it should be a top priority for you to advocate your business’s transformation into an intelligent enterprise.

Why is that so?

Take a look at the abilities of machine learning, a next-generation technology used among intelligent enterprises. The role it plays is not unlike the function of finance leaders. Machine learning takes massive amounts of data, it then uses mathematical algorithms and high-speed computing power to identify patterns about this data that are dependable and accurate. That data



Just like any other investment that can increase revenue and profitable growth, the CFO must shepherd the business as best as he/she can to capture the benefits of the intelligent enterprise. The onus is on us, as custodians of value, and as strategic partners of the business.

can then be used by the technology itself, or a living person, to make a decision that provides the best possible outcome for the business.

I view the role of finance leaders similarly to the function of machine learning. As the CFO of SAP in the Asia Pacific and Japan region, I get the opportunity to watch these finance leaders in action every day. I have seen that they work hard to always be regarded as the bastions and custodians of the single source of truth – just as I will do.

We, as finance leaders, must ensure that we have strong financial controls – and controls around data generally – to make sure we are looking at correct and reliable information. But that's not all; we also have to find ways of bringing it to other decision makers. That means Finance has the responsibility to provide insight to support accurate decision making across the entire enterprise.

In that regard, it becomes clear – the intelligent enterprise can better enable Finance to perform this job, with technologies that provide unparalleled insight.

To illustrate this, let me share what we are doing at SAP. Today, to a large extent, we have centralised our analytical capabilities in an Enterprise Analytics Group. This was achieved in close collaboration among Finance, IT and other key functions. We now have access to standard reports created using SAP analytics technology and the SAP Cloud Platform. These reports bring together key metrics and data, which help ensure consistency in the way we steer the business. It allows our people – across functions – to collaborate and make decisions faster. Rather than ask IT for support, or find manual ways of doing it ourselves, the reports are readily available. The outcome? A single source of truth for us to immediately act on to better manage the business.

Knowing is not enough, however. Once a CFO

realises the benefits of the intelligent enterprise, he/she must take responsibility. CFOs need to understand that we have a duty in providing strategic leadership to advocate for the business's transformation. Just like any other investment that can increase revenue and profitable growth, the CFO must shepherd the business as best as he/she can to capture the benefits of the intelligent enterprise.

The onus is on us, as custodians of value, and as strategic partners of the business.

A BOOSTED FINANCE FUNCTION

Beyond providing accurate insight, an intelligent enterprise allows the transformational CFO to harness the highest potential from its team. There's no better way for me to exemplify this than to share some of the top ways we are using technology to get ahead.

• Automation

Automated workflow is a big part of what we do in Finance. We have a lot of processes that are governed by delegations of authority, which means that different people review and approve tasks in certain orders. When I first joined SAP, we all sat behind our computers working a Global Approval Form system for commercial deal reviews that was neither flexible nor mobile-enabled. Now, we have applications that work on our phones and tablets, notification emails when we own a task, and transparency well in advance into what approvals are coming our way. The whole process is so much more efficient and transparent and gives us the agility to plan ahead and work on the move. It has made a huge difference to our team's productivity.

• Machine learning in the shared services organisation

We are looking at ways to leverage machine learning to further streamline our processes.



For example, we have collaborated with IT and Product Development to build and deploy a cash-matching application. That's going to be the next horizon of automation becoming mainstream in the coming years.

We're using the application to match our bank receipts to customer invoices. This typically requires an intensive manual effort simply because of the unstructured nature of the data involved in the process. It becomes more complicated when there are partial payments, multiple invoices are issued simultaneously, different currencies are involved, and so on.

We've taken a process that was very manual, applied machine intelligence to it, and now have a high success rate on the matches. This kind of automation alleviates a good deal of the workload for simpler tasks, enabling the people in Finance to better use their time.

• Travel and expense management

Everyone knows the traditional way to process travel and entertainment (T&E) expenses. People make copies of receipts, scan them, package them up, and submit them for reimbursement. The whole process is time consuming and manual and, quite frankly, tedious for everyone involved. To automate travel and expense management, we implemented solutions from SAP Concur and coupled them with some policy changes in the finance organisation. By automating each phase of travel – such as pre-approvals, travel booking, reimbursement, analysis, and expense reporting – the whole process is much more streamlined and efficient.

For example, Concur Expense automatically facilitates compliance by linking to our preferred hotels and airlines, including online travel booking sites. The solution populates expense claims using electronic receipts from those suppliers without requiring employees to capture an image of a receipt or enter expenses manually.

With rigorous T&E processes that are easy to use, our employees are more likely to plan ahead and comply with policy and in so doing, realise the macro- and micro-level benefits that can have a positive impact on business performance. These include macro-level aspects such as improving the effectiveness and productivity of employees, overall employee satisfaction, eliminating paper costs while championing a more sustainable work environment which can all lead to an overall increase in competitiveness. Benefits also extend to micro-level areas, for example, reducing employees' out of pocket expenses and providing timely reimbursements.



PHOTO: SHUTTERSTOCK

The intelligent enterprise may be powered primarily by technology, but it needs you (business leaders) to win the hearts and minds of your people and prepare them for change.

These projects are not the end goal for us. They're just a starting point to explore what new technology can do for us across the company. Every routine task that we can automate gives us the ability to scale our operations and keep pace with the growing demands of our business – and that has a significant impact on performance.

NOT JUST ABOUT TECHNOLOGY: TIPS FOR TRANSFORMATION

Of course there's more to the journey towards becoming an intelligent enterprise than singing the praises of next-generation technologies. Finance leaders and their teams have responsibilities in other areas, including working in tight collaboration with IT.

Importantly, because culture plays such a crucial aspect in transformational efforts, finance leaders must address the cultural shift needed, and that includes assuaging employees' fears about change. For instance, you can get employees excited about how becoming an intelligent enterprise can enable them to do more meaningful work while reassuring them that it won't take away their jobs. I recommend the following three tips for finance leaders considering the transformation into an intelligent enterprise.

1 Take ownership

Don't rely on someone else to run the project. No one else is going to come along and transform your finance organisation or business – not for the better, at least. Your transformation into an intelligent enterprise must begin with business leaders owning the change and advocating your vision of the future. The intelligent enterprise may be powered primarily by technology, but it needs you to win the hearts and minds of your people and prepare them for change. Ultimately, it is the people who have to adopt the innovation and crystallise the value.

2 Build confidence with quick wins

Make a case for the intelligent enterprise by providing employees with something that will inspire confidence in the transformation of their business. This can be as simple as design thinking exercises that give them the opportunity to think about what they need in their day-to-day activities. What would their work look like in a perfect world? What if they weren't constrained by the current legacy system? Let them discover that the intelligent enterprise might provide just that.

3 Create a culture of learning and innovation

Once employees are thinking outside the box about what might improve their daily work, encourage and foster that innovation even further. From there, employees' ideas may extend beyond their own jobs. This is the perfect opportunity to turn them into advocates for change and growth across the business – and it's the perfect frame of mind for a thriving intelligent enterprise. Reward this type of thinking, and it will reward your business in return.

THE NEXT STEP

The intelligent enterprise sets the stage for us to make employees our value contributors, customers our advocates, and suppliers our business partners – all connected to a higher purpose of making the world run better and improving people's lives.

As the custodian of the single source of truth and a strategic partner for the business, CFOs are well positioned to help the organisation take this next step. ISCA

Richard McLean is Regional CFO, SAP Asia Pacific Japan. For a detailed report on the evolving role of CFOs, please refer to "The Road to Smarter Finance: How APAC CFOs Lead The Way" at the SAP website.



Improved Clarity Of A Company's Overall Performance

Singapore has been trying to establish more transparent and sustainable reporting for its capital market. In 1974, the Institute of Singapore Chartered Accountants (then known as Institute of Certified Public Accountants of Singapore), Singapore Institute of Directors and

The Best ARA also incorporated criteria on sustainability reporting including environmental, social and governance (ESG) information in order to increase awareness that businesses and organisations are responsible to the community both as employers and corporate citizens. The weightage of sustainability and corporate governance in the final assessment criteria for the Best ARA has increased from 32% in 2011 to 41% in 2019, which signifies the growing importance



of sustainability reporting to stakeholders. As a judging panellist of the Best ARA since 2011, I am glad to see that the Singapore Exchange (SGX) has finally made sustainability reporting mandatory on a “comply or explain” basis, for public-listed companies with financial year ending on or after 31 December 2017. Although the voluntary sustainability reporting regime has been in place since 2011, fewer than half of the SGX mainboard-listed companies provided sustainability reporting before 2017. However, all the 633 annual reports for fiscal year 2018 we assessed this year have complied with the sustainability reporting requirement. This is an important milestone to establish a more sustainable reporting environment in Singapore.

Financial information contained in financial statements used to be the only key pillar of an annual report as it provides relevant and faithfully representative information for decision makers. However, nonfinancial information such as a company’s ESG data provides equally or even more important information to decision makers. The disclosure of ESG information will encourage corporate accountability and responsible behaviour. This may also help companies to have better enterprise risk management and achieve more sustainable firm performance.

Three scholars from Harvard Business School and London Business School compared 180 American companies that voluntarily adopted sustainability policies by 1993 (high sustainability companies) with another 180 matched companies that did not adopt such policies (low sustainability companies). They found that both the Boards of Directors and top executives of high sustainability companies are more accountable for sustainability. For example, high sustainability companies are more likely to employ sustainability metrics in compensation packages to incentivise their top executives. In addition, high sustainability companies are more likely to be engaged with stakeholders, be long term-oriented, and to disclose more nonfinancial information. They also found that high sustainability companies significantly outperform their counterparts over the long term, both in terms of stock market and accounting performance.¹ The research findings provide theory support to regulators’ mandatory sustainability reporting in countries like China, India and Singapore.

THE WINNING REPORTS

The winners of this year’s Best ARA have much better sustainability reporting than their peers. Singtel has a dedicated microsite for its

¹ “The Impact Of Corporate Sustainability On Organizational Processes And Performance”, Robert G. Eccles, Ioannis Ioannou, George Serafeim, Management Science, 2014



... high sustainability companies are more likely to be engaged with stakeholders, be long term-oriented, and to disclose more nonfinancial information... high sustainability companies significantly outperform their counterparts over the long term, both in terms of stock market and accounting performance.

sustainability report, which presents a very well-balanced reporting of its sustainability activities and strategy. It also obtains external independent assurance from EY on its sustainability report. Olam International has integrated its sustainability report into the financial report to present an integrated annual report since 2015. Its Group CEO review also discusses its sustainability framework and how the framework can support its corporate strategy.

In general, all winners have identified material ESG factors and set out policies, practices and performance in relation to these factors identified. They have also set out targets for the forthcoming year and issued board statement on the sustainability report. Well-known and globally recognised sustainability reporting frameworks such as the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and The International Integrated Reporting Council’s Framework have also been used by the winners. I believe the Best ARA winners have set good examples of sustainability reporting for their counterparts.

It is not surprising that big cap firms with market capitalisation of S\$1 billion and above provide much more comprehensive sustainability reports than their smaller counterparts as they have more resources to initiate sustainability activities and prepare sustainability reporting. Nevertheless, the mid and small cap companies have shown commendable efforts in their sustainability report disclosures.

I have been the Best ARA judging panellist for nine years, and I notice that the same group of companies has been winning the award multiple times; this shows the continuing efforts in more transparent corporate reporting for these companies. I believe the collective efforts from various stakeholders such as the regulators, the professional bodies and the media will encourage more companies to catch up with their counterparts, and there will be more new companies winning the award in the future.

The real challenge is how to make sustainability reporting sustainable. Compared with financial statements reporting which follows generally accepted accounting principles and prescribed format, sustainability reporting has various approaches and format to disclosure which limit the comparability and reliability of the information disclosed. Companies may follow a sustainability reporting framework such as the GRI Guidelines, but reporting complexity including indicator contingency, ambiguous information, data heterogeneity, and report opacity makes sustainability reporting less comparable across companies.

Although independent assurance on sustainability reporting is encouraged by the SGX to increase stakeholder confidence in the reliability of sustainability reporting, there are still very few who have obtained external assurance on their sustainability reports.

Nevertheless, the challenges should not deter our efforts in promoting sustainable reporting in Singapore. Sustainability reporting has emerged as a key pillar of corporate reporting and it will promote the formulation of long-term strategies and policies for resilient business models. More effort and resources should be spent on integrating the sustainability report into the annual report, which enables presentation of a clearer picture of companies’ overall performance in one integrated annual report. I strongly believe mandatory sustainability reporting will provide an excellent opportunity for companies to review their long-term sustainable strategies regularly, which helps to propel companies’ brand value and competitive advantages. ISCA

Wang Jiwei is Associate Professor and Programme Director for Master of Professional Accounting and Master of Science in Accounting (Data & Analytics), School of Accountancy, Singapore Management University, and a member of the Best Annual Report Award judging panel for the Singapore Corporate Awards. An edited version of this article was first published in *The Business Times* on 24 July 2019.



FINANCIAL REPORTING

COMMENTS SOUGHT FOR IASB ED
ISCA seeks comments on IASB ED *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Proposed amendments to IAS 12). Please send comments to technical@isca.org.sg by 20 September 2019.
For more information, please visit <https://isca.org.sg/tkc/fr/exposure-drafts-comment-letters/iasb-exposure-drafts-comment-letters/>

IFRS FOUNDATION LAUNCHES NEW QUARTERLY PODCAST
IASB Vice-Chair and IFRS Interpretations Committee (IFRIC) Chair, Sue Lloyd, joins technical staff member Patrina Buchanan for the first quarterly podcast. This podcast covers IFRIC’s discussions at the June meeting on questions on applying IFRS 9, IFRS 15 and IFRS 16, and accounting for holdings of cryptocurrencies.
For more information, please visit <https://www.ifrs.org/news-and-events/2019/07/ifrs-foundation-launches-new-quarterly-podcast/>

WEBCAST: BORROWING COSTS AND REVENUE RECOGNITION
IASB technical staff, Jawaid Dossani and Nicolette Lange, discuss IFRIC’s recent agenda decision on “over time transfer of a constructed good”, and the application of IAS 23 and its interaction with IFRS 15 in the agenda decision’s context.
For more information, please visit <https://www.ifrs.org/news-and-events/2019/06/webcast-agenda-decision-borrowing-costs-and-revenue-recognition/>

JULY 2019 IASB UPDATE INCLUDING IASB-FASB JOINT MEETING PUBLISHED AND WORK PLAN UPDATED
The IASB-FASB joint meeting and IASB Meeting were held from 22 to 25 July 2019. The discussion topics included Financial Instruments with Characteristics of Equity/Distinguishing Liabilities from Equity, and IBOR Reform and the Effects on Financial Reporting. The IASB work plan was also updated.
For more information, please visit <https://www.ifrs.org/news-and-events/2019/07/july-2019-iasb-update-including-iasb-fasb-joint-meeting-published-and-work-plan-updated/>

IFRS 9 WEBINAR: CURING OF A CREDIT-IMPAIRED FINANCIAL ASSET
IASB technical staff, Angie Ah Kun and Elizabeth Figgie, explain IFRIC’s agenda decision on the presentation of amounts recognised in profit or loss if a credit-impaired financial asset is paid in full or no longer credit-impaired.
For more information, please visit <https://www.ifrs.org/news-and-events/2019/07/ifrs-9-webinar-curing-of-a-credit-impaired-financial-asset/>

TECHNICAL HIGHLIGHTS

ETHICS

ROTATION REQUIREMENTS FOR ENGAGEMENT PARTNERS ON AUDITS OF SGX-LISTED COMPANIES
Until and unless the Singapore Exchange (SGX) amends the listing rules, the time-on period for engagement partners (EPs) will be five years. The EPs will cool off three years for the audits of financial statements for periods beginning prior to 15 December 2023, and five years for those beginning on or after 15 December 2023.
For more information, please visit <https://isca.org.sg/ethics/ethics-headlines/ethics-headlines/2019/august/rotation-requirements-for-engagement-partners-on-audits-of-sgx-listed-companies/>

IESBA PROPOSES CHANGES TO PROMOTE ROLE, MINDSET EXPECTATIONS
The International Ethics Standards Board for Accountants (IESBA) proposes changes to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) to promote the role and mindset expected of all professional accountants. The Exposure Draft (ED) *Proposed Revisions to Promote the Role and Mindset Expected of Professional Accountants* puts forward changes that further strengthen the Code.
The proposed revisions respond to stakeholder calls for IESBA to explore whether and how the Code could contribute to strengthening the application of concepts underlying professional scepticism by all professional accountants.
For more information, please visit <https://www.ifac.org/news-events/2019-07/global-ethics-board-proposes-changes-promote-role-mindset-expectations>

SUSTAINABILITY REPORTING

MPA LAUNCHES MARITIME SUSTAINABILITY REPORTING GUIDE TOGETHER WITH PARTNERS INCLUDING ISCA
On 19 August 2019, the Maritime and Port Authority of Singapore (MPA), together with its partners SGX, Global Compact Network Singapore, ISCA, Ernst & Young, KPMG and PwC, launched the first sector-specific Maritime Sustainability Reporting Guide. The Guide provides a practical framework to create a sustainability report for maritime companies.
For more information, please visit <https://www.mpa.gov.sg/web/portal/home/media-centre/news-releases/mpa-news-releases/detail/d213cd9b-faa8-4d4a-bcf4-98603ac2bac1>

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BY FELIX WONG

THE A TO Z OF ZERO-RATED SUPPLIES

Understanding The Zero-Rating Of International Services

GOODS AND SERVICES TAX (GST) is a tax on domestic consumption of goods and services; any supply of goods or services made in Singapore is subject to tax if made by a taxable person.

ZERO-RATING RELIEF

Zero-rating relief is available to export of goods and specific international services.

While the applicable rate of tax is zero for zero-rated supplies, they are nonetheless taxable supplies. Consequently, input tax may be claimed on zero-rated supplies. This is unlike exempt supplies which are not subject to GST and accordingly, may not claim input tax incurred for the making of exempt supplies.

Where a supply qualifies both as a zero-rated supply and an exempt supply, zero-rating would override exemption such that input tax may be claimed.

“While zero-rating is advantageous, taxpayers should note that not all services provided to overseas



Accredited Tax Advisor (Income Tax & GST) Gan Hwee Leng, Indirect Tax Partner, KPMG in Singapore, explained and shared practical insights on the zero-rating of international services

customers can be zero-rated,” shared Accredited Tax Advisor (Income Tax & GST) Gan Hwee Leng, Indirect Tax Partner, KPMG in Singapore, at the Singapore Institute of Accredited Tax Professionals (SIATP)’s *Tax Excellence Decoded* session on the zero-rating of international services.

Services can only be zero-rated if they fall within the description of international services under Section 21(3) of the

GST Act. They are broadly confined to the following categories:

- Services directly in connection with land or goods outside Singapore;
- Services performed outside Singapore;
- Services are international in nature (such as international transportation and international telecommunication), and
- Intangible services rendered to an overseas person where the services are not directly in connection with any land or goods in Singapore and not benefiting a person belonging in Singapore.

UNDERSTANDING KEY EXPRESSIONS USED FOR ZERO-RATING OF SERVICES

To understand zero-rating of services, it is important to first comprehend several key expressions on “belonging”, “directly in connection with”, “under a contract with” and “directly benefit” that are used in the various zero-rating sections.

“Belonging”

The belonging concept is relevant as a supply of services is taxable if the supplier belongs in Singapore unless the services are directly in connection with land or goods located outside Singapore. In addition, suppliers may zero-rate their services (under certain zero-rating provisions) if it can be ascertained that their customers belong to a country outside Singapore.

A supplier of services is treated as belonging in Singapore if its business establishment (BE), fixed establishment (FE), or usual place of residence is in Singapore. If the supplier has BE or FE both in and outside Singapore, it will be treated as belonging in Singapore if the establishment most directly concerned with the supply is in Singapore.

Suppliers are required to determine the belonging status of their customers. In practice, this can be done through direct verification with the customers,



Where a supply qualifies both as a zero-rated supply and an exempt supply, zero-rating would override exemption such that input tax may be claimed.

written declaration from customers (that it has no branch, agency, office, factory warehouse or personnel in Singapore) or separate checks (such as on the ACRA website to see if the customers are registered in Singapore).

“Directly in connection with”

Services that have a direct connection to land or goods situated in Singapore do not qualify for zero-rating. The question to ask is whether there is a clear and direct nexus between the supply and the land or goods situated in Singapore. To illustrate, a Singapore contractor renovating a house in Malaysia may qualify for zero-rating as the supply is directly in connection with land situated outside of Singapore.

“Under a contract with”

The existence of a contract is a question of fact and should be determinable by the Comptroller based on the commercial relationship between parties. To this end, written contracts, whether in the form of a legal contract, a service level agreement, or even email exchanges between the supplier and the customer setting out the business arrangement is encouraged and should be maintained.

“Directly benefit”

To determine who directly benefits from the service, companies must begin by examining the flow of services or benefits (how the service is provided). Services would directly benefit recipients to whom the services flow in an unimpeded manner.

It is important to note that the contractual party may not always be the direct beneficiary. Many multinational corporations execute global master agreements that cover multiple subsidiaries. In such cases, the subsidiaries covered under the master agreement are generally beneficiaries, while the headquarters (which is the contractual party) may or may not be one of the beneficiaries.

Where a supply of services directly benefits both local and overseas persons, as an administrative concession, the Comptroller would allow the value of the supply to be apportioned. The portion of services that directly benefits a person in Singapore needs to be standard-rated and the remaining portion zero-rated.



Apportionment can be done using a reasonable proxy, such as the market price chargeable, costs incurred, or amount of time spent.

SPECIFIC PROVISIONS ON ZERO-RATING OF SERVICES
Provisions relating to international transportation and international lease [Sections 21(3)(a), 21(3)(b), 21(3)(c) and 21(3)(d)]

International transportation services generally qualify for zero-rating, but domestic transportation services do not. However, if the domestic transportation services are provided as part of the supply of international transportation services, such portion relating to domestic transportation services can also qualify for zero-rating.

Services relating to insuring and arranging for international transport are zero-rated on the basis that such services are mostly consumed overseas. Similarly, the lease or hire of any type of transport for use outside Singapore can also qualify for zero-rating (as long as the transport is not brought into Singapore throughout the period of lease).

Provisions relating to services directly in connection with land or goods situated outside Singapore and with goods for export [Sections 21(3)(e), 21(3)(f) and 21(3)(g)]

Services supplied directly in connection with land or any improvement thereto situated outside Singapore, such as construction, alteration, repair, maintenance or demolition of any building or civil engineering work, can be treated as supplies of international services for zero-rating purposes.

Services supplied directly in connection with goods situated outside Singapore when the services are performed, and services supplied directly in connection with goods for export outside Singapore at the time services are performed, can also be treated as supplies of international services under Section 21(3)(f) and Section 21(3)(g) respectively. Suppliers relying on Section 21(3)(g) should ensure that proper export documentation is maintained as there is a requirement for the recipient of the supply to belong in a country other than Singapore.

PHOTO SHUTTERSTOCK

Sections 21(3)(e) to 21(3)(g) do not cover advertising services.

Services performed wholly outside Singapore [Section 21(3)(i)]

Specific services in relation to cultural, artistic, sporting, educational, entertainment, exhibition or convention services (including ancillary services) which are performed wholly outside Singapore are international services for zero-rating purposes. For example, if a Singapore company organises a golfing event in Malaysia, zero-rating would apply on the basis that the sporting and entertainment services are performed wholly outside Singapore.

General provision of services [Section 21(3)(j)]

Section 21(3)(j) is a very broad provision. With the exception of advertising services, goods situated inside Singapore at the time services are performed (other than goods for export) and land in Singapore, any services supplied under a contract with a person who belongs in a country outside Singapore, and which directly

Contrary to popular belief, not all services provided to overseas customers can be zero-rated, and not all services need to be provided to overseas customers to be zero-rated.



benefit a person who belongs in a country other than Singapore and who is outside Singapore at the time the services are performed, can be zero-rated under this section.

For example, market research services on Singapore property prices provided to a foreign client based overseas can be zero-rated under this section.

Provisions relating to prescribed services [Sections 21(3)(k) and 21(3)(l)]

Section 21(3)(k) covers prescribed services supplied under a contract with and directly benefit a person wholly in his business capacity and who in that capacity belongs in a country outside Singapore. The prescribed services, based on Second Schedule of GST (International Services) Order, include services of engineers, lawyers, accountants and other similar consultancy services, exhibition or convention services, and training or retraining for any business of employment.

To be zero-rated under Section 21(3)(k), the consultancy services should be provided by professionals similar to engineers, lawyers and accountants; a beauty advice on skin care would not qualify for zero-rating under this section.

Section 21(3)(l) deals with prescribed services supplied in connection with the handling of ships or aircraft, or the handling or storage of goods carried in any ship or aircraft. Generally, the ships and aircraft have to be for commercial use or “international going”.

Section 21(3)(l) does not require the prescribed services to be provided

to an overseas person. In other words, zero-rating can apply even if such services are provided to a local person.

Advertising services [Section 21(3)(u)]

Advertising services qualify for zero-rating if the Comptroller is satisfied that the advertisement is intended to be substantially circulated outside Singapore. Such services could comprise a supply of a right to promulgate an advertisement by means of any medium of communication, or the promulgation of an advertisement by means of any medium of communication. Section 21(3)(u) excludes telecommunication services.

For an advertisement to be considered as substantially promulgated outside Singapore, the place of circulation of the advertisement is critical; this is the proxy used to determine if supply of advertising service can be zero-rated. For example, advertising services by a local newspaper are standard-rated, while advertising services promulgated through inflight entertainment services or on the Internet may qualify for zero-rating as the advertisement is intended to be consumed outside Singapore.

Contrary to popular belief, not all services provided to overseas customers can be zero-rated, and not all services need to be provided to overseas customers to be zero-rated. It is perhaps timely for businesses to review their GST treatment given how deceptively simple zero-rating of international services is. ISCA

Felix Wong is Head of Tax, SIATP.



PHOTO: SHUTTERSTOCK



BY KOH WEI CHERN AND TOMMY YEE CHUN TSIAN

DON'S COLUMN

TAX TREATMENT OF SUBLEASES POST-FRS 116

Implications On Intermediate Lessors

THE FIRST ARTICLE ON TAX TREATMENT for lessees post-FRS 116, published in *IS Chartered Accountant Journal*, April 2019, explained the change from a dual lessee model to a single lessee model for accounting purposes with the adoption of FRS 116 and the related tax implications. In this second article, we continue to focus on lessees. We discuss the accounting changes on lessees who are intermediate lessors in a sublease under FRS 116 and the related tax implications raised by the Inland Revenue Authority of Singapore (IRAS) in its e-Tax Guide.¹

DEFINITION OF SUBLEASE
In a sublease arrangement, a lease (head lease) for the underlying asset is entered into by the head lessor (HL) and the intermediate lessor (IL), who re-leased (sublease) the same asset to another sublease lessee (SL) (Figure 1).

CLASSIFICATION OF SUBLEASE
Under Financial Reporting Standard (FRS) 17, an IL would have to classify its lease arrangement into an operating lease (OL) or a finance lease (FL) using indicators in paragraphs 10 and 11.² Note that while FRS 17 was not explicit, it was common in practice for the IL to classify the sublease with reference to the underlying asset arising from the head lease for accounting purposes. For tax purposes, the classification of the sublease is also made with reference to the underlying asset.³

Suppose a Head Lessor Company Limited (HLC) and the Intermediate Lessor Company Limited (ILC) enters into a three-year lease (head lease) for a piece of equipment (that has an economic life of 10 years) with an annual lease payment of \$70,000 made at the end of each year by ILC to HLC. The implicit interest rate is 5%.

Then, ILC enters into a sublease of the same equipment with Sublease

Figure 1 Definition of sublease



¹ e-Tax Guide "Tax Treatment Arising from Adoption of FRS 116 or SFRS(I) 16 - Leases" (2018), IRAS; website access 20 Dec 2018
² FRS 17 Leases (2018), Accounting Standards Council; website access 20 Dec 2018
³ e-Tax Guide "Tax Treatment Arising from Adoption of FRS 116 or SFRS(I) 16 Leases", paragraph 7.3 (2018), IRAS; website access 18 Dec 2018

Lessee Company Limited (SLC) immediately on the same day as commencement date of the head lease. The annual payment is \$72,000 at the end of each year to ILC and the implicit interest rate is 6.518%.

Under FRS 17, in order to determine the classification of the sublease, ILC would consider the underlying asset arising from the head lease, that is, the equipment with an economic life of 10 years. Under FRS 17 para 10(c), since the lease term is three years and the economic life of the underlying asset is 10 years, the lease term is not for the major part of the economic life and, assuming all other indicators point to an OL classification, the sublease is treated as an OL for accounting purposes. For tax purposes, the classification is also made with reference to the underlying asset, the sublease is also treated as an OL for tax purposes. Hence, under the FRS 17 regime, the sublease classification for an IL is likely to be the same for both accounting and tax purposes.

Under FRS 116, an IL will classify a sublease as an OL if the IL elects to treat the head lease as a short-term lease. In all other cases, the classification of the sublease is made with reference to the right-of-use (ROU) asset arising from the head lease using indicators in paragraphs 63 and 64.⁴ Under FRS 116, in order to determine the classification of the sublease, ILC would have to consider the ROU asset arising from the head lease. Under FRS 116 para 63(c), since the lease term is three years and the economic life of the ROU asset is three years, ILC would classify the sublease as an FL. It is believed that post-FRS 116, given that the classification is made with reference to the ROU asset, rather than the underlying asset, arising from the



Under the FRS 17 regime, the sublease classification for an intermediate lessor (IL) is likely to be aligned for both accounting and tax purposes. Post-FRS 116, it is possible for the sublease classification for an IL to be a finance lease for accounting purposes and an OL for tax purposes.

head lease, it is more likely that an IL would classify its sublease as an FL rather than an OL.

However, post-FRS 116, for tax purposes,⁵ the classification of the sublease is still made with reference to the underlying asset. In this example, the IL would classify its sublease as an OL. Therefore, it is important to note that in some

cases, post-FRS 116, a sublease can be treated as an FL for accounting purposes but as an OL for tax purposes.⁶

Given the case of a sublease that is classified as an FL for accounting purposes but as an OL for tax purposes, we next examine the accounting entries and the tax adjustments required.

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INTERMEDIATE LESSOR ACCOUNTING TREATMENT OF HEAD LEASE AND SUBLEASE POST-FRS 116

Continuing with our example earlier, given the single ROU lessee model, the ROU asset and the lease liability in ILC's books is measured at the present value of the three payments of \$70,000 discounted at 5% per annum, which is \$190,627. The amortisation is provided in Table 1.

For the head lease, under FRS 116, at the start of year 1, ILC (the lessee) will debit ROU Asset \$190,627 and credit Lease Liability \$190,627.

At the start of year 1, under FRS 116, ILC (the lessor) will classify the sublease as a finance lease. The net lease receivable is measured at the present value of the three payments of \$72,000 discounted at 6.518% per annum, which is \$190,627. The amortisation is provided in Table 2.

For the sublease, under FRS 116, at the start of year 1, ILC will (i) derecognise the ROU Asset of \$190,627, that is, credit ROU Asset \$190,627; (ii) recognise the net investment in the sublease, that is, debit Lease Receivable \$216,000 and credit Unearned Interest Income \$25,373. The Lease Liability recognised under the head lease continues to be retained.

At the end of year 1, ILC will recognise the interest expense of \$9,531 for its head lease liability.

At the end of year 1, for the sublease, ILC will debit Cash \$72,000, credit Lease Receivable \$72,000, debit Unearned Interest Income \$12,425 and credit Interest Income \$12,425.

INTERMEDIATE LESSOR TAX TREATMENT OF HEAD LEASE AND SUBLEASE POST-FRS 116

In our example, ILC classifies the sublease as an OL for tax purposes, even though the sublease is classified as an FL for accounting purposes. In IRAS e-Tax Guide paragraph 7.5(a), it is stated that "If the sublease, classified by reference to the underlying asset, is regarded as an OL, the IL would be taxed on the lease income." Hence, in ILC's tax computation for the first relevant year of assessment, it would then have to subtract interest income of \$12,425 and add lease income of \$72,000, that is, the total cash receipt on the sublease.

Depending on whether the head lease is classified as (i) an OL, (ii) an FL

Table 1

	Lease payment (\$)	Interest (\$)	Principal repayment (\$)	Ending balance (\$)
Start of year 1				190,627
End of year 1	70,000	9,531	60,469	130,158
End of year 2	70,000	6,508	63,492	66,667
End of year 3	70,000	3,333	66,667	0

Table 2

	Lease payment (\$)	Interest (\$)	Principal repayment (\$)	Ending balance (\$)
Start of year 1				190,627
End of year 1	72,000	12,425	59,575	131,052
End of year 2	72,000	8,542	63,458	67,594
End of year 3	72,000	4,406	67,594	0

⁴ FRS 116 Leases (2018), Accounting Standards Council; website access 20 Dec 2018
⁵ Note that a sublease treated as an FL for tax purposes, has to be further determined whether it is regarded to be a sale agreement under Regulation 4(1) of the Section 10D Regulations

⁶ The following example was provided in paragraph 7.3 of the e-tax guide "Tax Treatment Arising from Adoption of FRS 116 or SFRS(I) 16 - Leases": "If the useful life of an asset is 20 years and is leased by the IL for eight years and is immediately subleased out for eight years, the sublease will be classified as an FL under the accounting treatment, as determined by reference to the ROU asset (that is, 8/8 years). However, for tax purposes, such a lease will be treated as an OL as the lease term is not for the major part of the economic life of the underlying asset (that is, 8/20 years)"



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not regarded as a sale or (iii) an FL regarded as a sale,⁷ IL as lessee of the head lease would be allowed either a deduction on the contractual lease payments incurred or the capital allowance on the leased asset (IRAS, 2018, paragraph 7.6).

Suppose the head lease is classified as an OL or FL not regarded as a sale for tax purposes, when ILC files its tax return for that first relevant year of assessment, it will be allowed a deduction of the contractual lease payments of \$70,000 and no capital allowance will be granted. Suppose the head lease is classified as an FL regarded as a sale for tax purposes, ILC will be allowed a deduction of the interest expense of \$9,531 and capital allowance of \$20,156, that is, \$60,469/3.⁸

Depending on whether the head lease is classified as (i) an OL, (ii) an FL not regarded as a sale or (iii) an FL regarded as a sale, IL as lessee of the head lease would be allowed either a deduction on the contractual lease payments incurred or the capital allowance on the leased asset (IRAS, 2018, paragraph 7.6).

SUMMARY AND CONCLUSIONS

Under the FRS 17 regime, the sublease classification for an IL is likely to be aligned for both accounting and tax purposes. Post-FRS 116, it is possible for the sublease classification for an IL to be an FL for accounting purposes and

an OL for tax purposes. This article presents an example and discusses the tax adjustments required in that scenario. ISCA

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⁷ The classification of the three categories for tax purposes for lessees were discussed in the first article
⁸ Assume three years under S19A(1) of the ITA

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