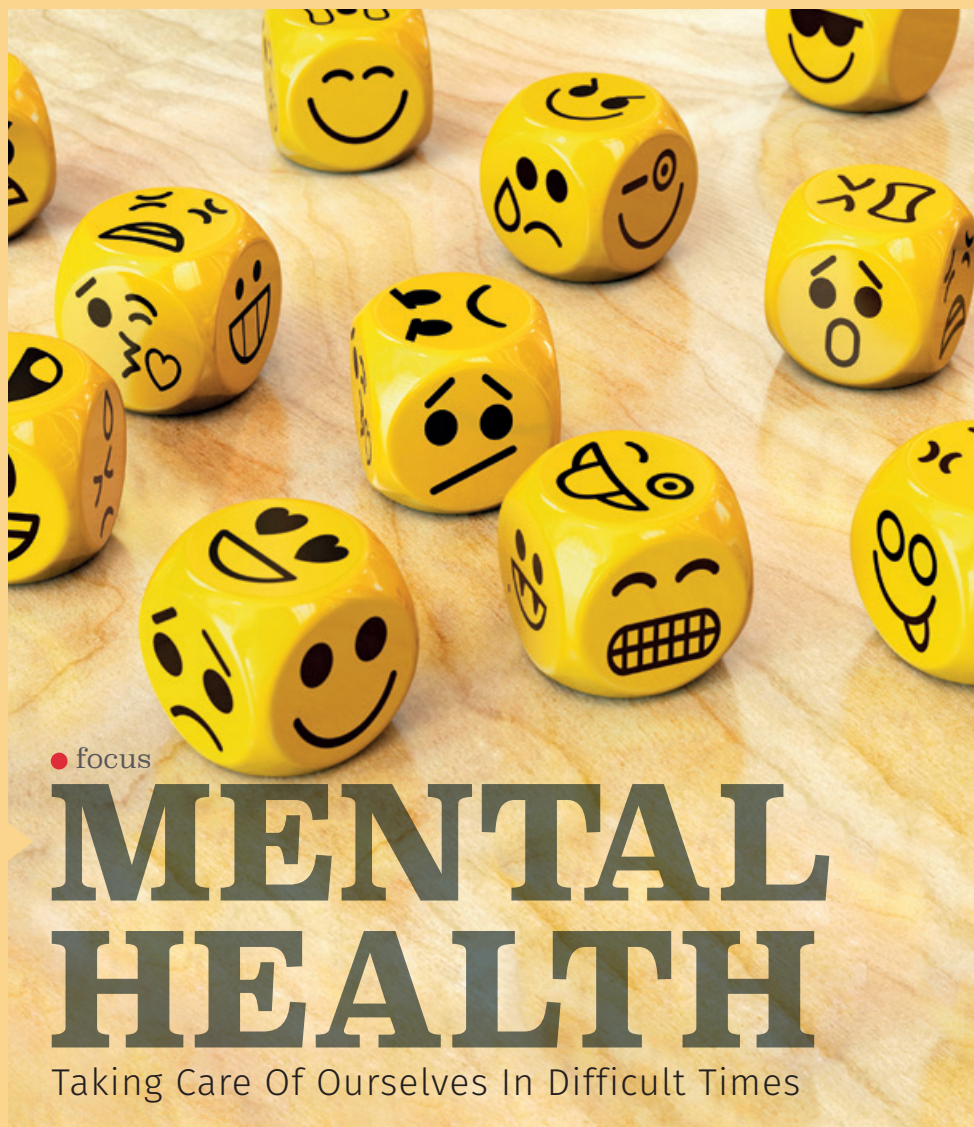


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20TH ANNIVERSARY 2001 - 2021



THANK YOU FOR YOUR SUPPORT.

As SMU School of Accountancy commemorates its 20th year, we would like to thank all our industry partners for your invaluable support. Your contributions have been instrumental in growing SMU School of Accountancy into an institution reputed for its quality in accounting education and research.

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SCHOOL OF
ACCOUNTANCY

Dear members,

IT'S BEEN ALMOST 20 MONTHS SINCE THE GOVERNMENT RAISED THE DISEASE OUTBREAK RESPONSE SYSTEM CONDITION (DORSCON) LEVEL FROM YELLOW TO ORANGE IN FEBRUARY 2020. As the pandemic continues on its path of disruption, businesses, workers and the general community have been striving to adapt to a new normal. Some businesses have adopted new strategies, such as accelerating digital transformation or rethinking the business model; others have pivoted to new businesses or pulled down the shutters. Inevitably, accountants would be involved in all these business transitions. Similarly, every time a financial support measure for workers or businesses is announced, companies would rely on their accountants to assess their eligibility. When different iterations of safe management measures are implemented, or when businesses are required to review or revise their strategies, accountants would definitely be part of the discussion.

As the business environment continues to evolve, there will be new challenges in the days and months ahead. This means that businesses – and accountants – cannot expect any respite as they continue to navigate the increasingly complicated business landscape.

But no one can expect to perform at the highest level for a sustained period. To support members, the Institute has designated October as ISCA's Mental Health & Wellness Month to reinforce the importance of mental health. Members can look forward to a host of activities including two webinars – BTM2110: Mingles – Enhancing Mental Wellness At The Workplace on October 14, and INS2108: Coping With Stress And Anxiety In Uncertain Times on October 20 – and interesting, useful information

populating the Institute's social media platforms. You can sign up for the webinars via the members' portal.

Our cover story also shines the spotlight on mental health. Aptly titled "Mental Health", the article provides an overview of mental stress and its symptoms, and recommends ways to develop mental and emotional resilience. Find out how you can fortify yourself in these complicated times, spending just a few minutes a day for respite.

The Member Profile column directs us back to the theme to "stay focused". While the term usually suggests concentrating on one thing at a time, Wesley Lye illustrates how he is staying focused, even though he appears distracted – he spends time getting to know his colleagues in the other departments to learn about what they do. As the Regional Head of Accounting, Asia, Commerzbank AG explains, learning a little about everything is necessary for him to bring everything together, to focus on the big picture. As he describes it, the "true value we bring lies in our ability to marry multiple seemingly unrelated areas of expertise to influence a business for the better". He welcomes the divergent viewpoints from his colleagues from various geographic locations, backgrounds and cultures as the intellectual debate and sparring can sharpen their ability to create new ideas and solutions. What is critical to him is uniting the differences through a common focus, because that's how the organisation can move forward.

Accountants, with their training, experience and deep knowledge of a company's finances, are well qualified to serve as advisors to the management, assisting them to make strategic decisions and chart company growth. To keep professional accountants in business (PAIB) updated about the latest

industry trends and happenings is the ISCA PAIB Conference, which is conceptualised as their go-to event for relevant insights and expert perspectives. This year's edition, which took place as a virtual conference on August 19, was themed "Sustainability & Trust – Taking Centre-Stage In A New Era Of Business". The presenters and panellists, acknowledging today's complex business environment, focused on the hot-button issue of sustainability, and how to bolster business trust through combatting white-collar crime and effective risk management measures. The event also saw the launch of a research study on intelligent automation and how it can open doors for the finance function. We have the highlights of the event and the report here.

This issue is packed with useful resources that will help you in your work. Have a good read and stay focused, healthy and safe.



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

When Things Get Complicated, Continue To Stay Focused

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Mental health has come under increasing focus as the rates of depression and anxiety spike. Learn how to build mental and emotional resilience – the foundation of good mental health – using three evidence-based strategies.

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Highlights from the flagship ISCA PAIB Conference, the go-to event for professional accountants in business. Find out the industry hot topics including sustainability, financial forensics and intelligent automation, and their impact on the accountancy profession.



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32 State Of Play Of Intelligent Automation In The Finance Function
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As India focuses on economic recovery from the pandemic, few substantial tax changes were introduced in this year's Union Budget. Notwithstanding, several key tax updates remain pertinent to tax professionals advising businesses with a presence in the Indian market.

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Majority Of Singapore-based Employers Recognise Positive Impact Of DE&I Policies

A RECENT REPORT ON DIVERSITY, EQUITY AND INCLUSION (DE&I) revealed that while the majority of Singapore-based firms recognise the positive impact of DE&I on Company Culture (71%) and Employee Engagement (55%), 70% of employers do not have a formal approach towards DE&I. Of this, 62% have made a head start towards incorporating DE&I as a factor in their hiring and promotion processes.

The report, “The Maturity of Diversity, Equity & Inclusion Practices in Singapore Based Firms”, conducted by Singapore National Employers Federation (SNEF) and Kincentric, surveyed 186 Singapore-based employers spanning 19 sectors in 2021.

A quarter of the respondents found it challenging to implement DE&I due to the lack of available data such as gender pay gap, inequality in career progression, age-based performance, and barriers to participation in work for those with disabilities or caring responsibilities. The remaining firms were hindered by the inability to embed DE&I into organisational values, people management and employee behaviour (24%), and at times, the ineffectiveness of line managers when managing their teams in a non-discriminatory manner (22%). Standalone events such as International Women’s Day celebrations are viewed as less effective (11%), as most companies have



yet to implement DE&I policies and do not engage their staff over a long term.

“Today, business leaders have come to realise that DE&I is the need of the hour as firms set foot in the post-pandemic world. To set direction and demonstrate commitment, it is crucial to lead by example,” said Andrew How, Managing Partner, Kincentric. He proposed conducting an “honest, internal assessment of the organisation’s current situation using a holistic, evidence-based approach” to discover the gaps. The management will then need to “enact new ways of leading which involves creating active, intentional efforts with coaching, developmental

journeys, tools and resources to improve one’s ability to identify and mitigate any unconscious bias”.

One resource employers can leverage to proactively manage DE&I is the SNEF-managed OneWorkplace.sg initiative, which supports employers’ efforts to foster workplace integration. Firms in Singapore can apply for the Community Integration Fund which provides cofunding of up to 80% of the total qualifying costs, capped at \$100 per person or \$30,000, whichever is lower. Firms can further benefit from briefings, workshops and WSQ courses conducted by SNEF to better understand, appreciate and build DE&I at the workplace.

Further Progress In Women’s Participation On Singapore Boards

The Council for Board Diversity (CBD) announced further progress in women’s participation on Singapore boards in 1H2021, with increases among the largest 100 primary-listed companies, and statutory boards.

	Targets for WOB set by CBD	% WOB as at 31 Dec 2020	% WOB as at 30 Jun 2021	Change in % WOB
Top 100 companies	25% by 2025 and 30% by 2030	17.6%	18.0%	+0.4%pt
All 65 statutory boards	30% as soon as possible	27.5%	28.8%	+1.3%pt
Top 100 IPCs	30% as soon as possible	28.8%	28.1%	-0.7%pt

Within the Top 100 companies, two achieved gender parity in 1H2021 – Far East Hospitality Trust and Singapore Post – each having 50% women directors. (Singapore Post appointed a male director to the board, effective 1 September 2021, bringing its latest proportion of WOB to 44%.)

As a group, the Top 100 companies reached 18% women on board (WOB) as at end-June 2021, improving 0.4 percentage points from end-2020.

All statutory boards now have women directors. As a whole, statutory boards improved by 1.3 percentage points to achieve 28.8% WOB. The Top 100 Institutions of a Public Character (IPCs) registered a decline of 0.7 percentage points in WOB to 28.1% as at end-June 2021.

All three groups of organisations are close to their intermediate WOB targets. For companies, the target was 20% at end-2020, and 17 more women directors would have brought the current number to 20%. For statutory boards, reaching 30% requires 11 more women directors and IPCs, 26 women directors.

PHOTO: SHUTTERSTOCK



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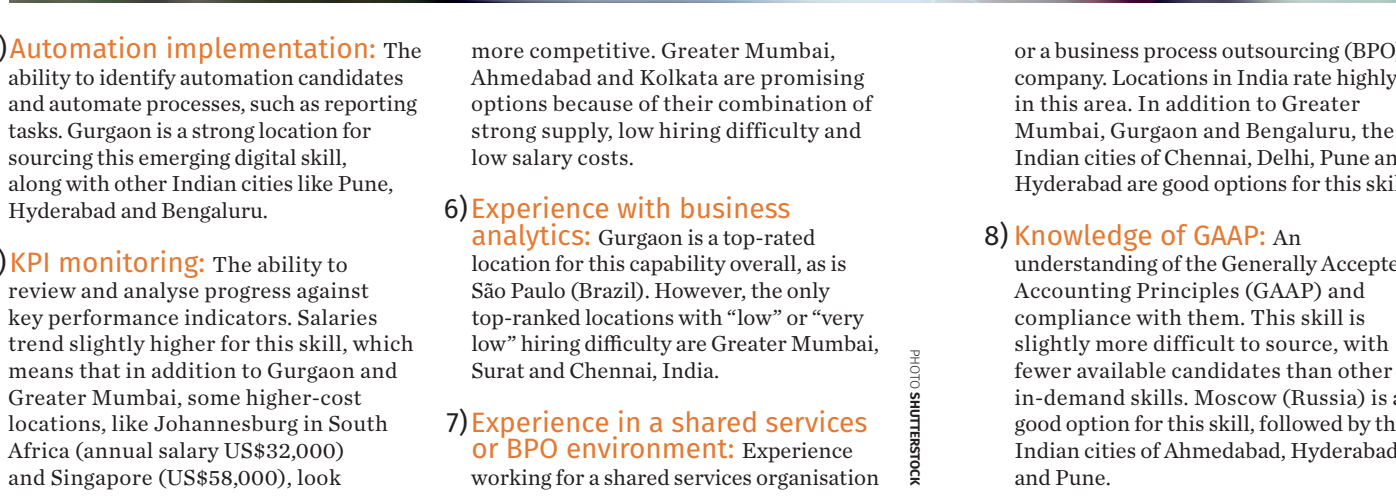
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Top 10 In-Demand Shared Services Skills For Finance

ACCOUNTING EXPERIENCE IS THE MOST COMMONLY SOUGHT-AFTER COMPETENCY FOR FINANCE SHARED SERVICES, according to Gartner, Inc. This is followed by analytical thinking and change implementation in second and third spots respectively. The findings were from an analysis of job postings in the finance and accounting function between July 2020 and July 2021.

Giving practical consideration to talent and costs, “it’s important to understand there are locations where these top skills are in abundant supply without a high salary premium, and to consider these locations when setting up a shared services centre,” said Jessica Kranish, senior principal of research, Gartner. The research looked at talent across different cities, balancing the availability of skills and costs.

The 10 most sought-after shared services skills in the finance and accounting function in the past year are as follows:



- 1) **Accounting experience:** Experience in accounting processes such as accounts payable. Although not one of the top overall locations, Ranchi, India, ranks highly for this skill with plentiful talent, lower hiring difficulty (based on supply-demand ratio), and annual salary costs of US\$5,000 for those with accounting experience.
- 2) **Analytical thinking:** The ability to review, analyse and reconcile accounting information, interpret data and policies, and solve problems. Central India’s Indore is a great location for this skill, with its strong supply of employees with this ability, low hiring difficulty, and salary costs of around US\$7,000 per year.
- 3) **Change implementation:** The ability to design, put in place or streamline new processes and tasks. Preferred cities are Ahmedabad, Kolkata and Greater Mumbai in India.

- 4) **Automation implementation:** The ability to identify automation candidates and automate processes, such as reporting tasks. Gurgaon is a strong location for sourcing this emerging digital skill, along with other Indian cities like Pune, Hyderabad and Bengaluru.
- 5) **KPI monitoring:** The ability to review and analyse progress against key performance indicators. Salaries trend slightly higher for this skill, which means that in addition to Gurgaon and Greater Mumbai, some higher-cost locations, like Johannesburg in South Africa (annual salary US\$32,000) and Singapore (US\$58,000), look

- 6) **Experience with business analytics:** Gurgaon is a top-rated location for this capability overall, as is São Paulo (Brazil). However, the only top-ranked locations with “low” or “very low” hiring difficulty are Greater Mumbai, Surat and Chennai, India.
- 7) **Experience in a shared services or BPO environment:** Experience working for a shared services organisation

PHOTO SHUTTERSTOCK

- 8) **Knowledge of GAAP:** An understanding of the Generally Accepted Accounting Principles (GAAP) and compliance with them. This skill is slightly more difficult to source, with fewer available candidates than other in-demand skills. Moscow (Russia) is a good option for this skill, followed by the Indian cities of Ahmedabad, Hyderabad and Pune.

- 9) **Continuous improvement:** The ability to determine, develop and implement best practices to improve processes. With a plentiful supply of talent, lower hiring difficulty and salary costs of US\$12,000 annually, Kolkata is an excellent location to find this skill. Other top contenders include Hyderabad, Bangalore and Delhi.
- 10) **Experience with ERP systems:** Experience working with enterprise resource planning (ERP) tools. Moscow rates well for this skill because of its plentiful supply of talent. With a strong supply of candidates and lower hiring difficulty, Greater Mumbai, Kolkata, Ahmedabad and Delhi are also worthy of consideration.

“By understanding better how the forces of talent supply, talent demand and wage expectations interact around specific competencies, it’s possible to identify prime locations where competition for in-demand competencies is lower,” said Ms Kranish, Gartner. “This could offer a finance organisation significant advantages when certain skills are in such high demand as they are now.”

Several of the top 10 skills identified by Gartner also appear in a list of crucial finance skills that employers value in 2021. In an upGrad blog post¹ about the booming Indian finance industry and the opportunities available, financial skills such as analytical thinking, accounting skills and business intelligence, which top the list respectively, largely mirror the findings in the Gartner analysis. These are followed by financial modelling, financial reporting, cash flow management, mathematics, financial management and data management. In addition to domain competencies, communication skills, management experience and business acumen are also important for finance roles.

¹ Guru, D. (3 February 2021). Top 12 crucial finance skills that employers value in 2021. upGrad blog. <https://www.upgrad.com/blog/finance-skills/>

Top Tech Trends That CFOs Must Address Today

With the rapid pace of digitalisation, different technologies will be competing for the attention of Chief Financial Officers (CFOs). Gartner experts recommend that CFOs focus on two key trends – hyperautomation and intelligent composable business – for immediate action as a fragmented and ill-considered technology approach will likely curtail the potential benefits of digitalisation.

Gartner predicts that by 2024, organisations will reduce operational costs by 30% by combining hyperautomation technologies with redesigned operational processes. When thinking about automation, many CFOs have fallen into the trap of overusing a single technology tool – robotic process automation (RPA) – but they are discovering that RPA cannot be scaled to automate a large proportion of the finance processes. “RPA is just one part of the hyperautomation toolbox, which also includes artificial intelligence, machine learning, event-driven software architecture, and intelligent business process management suites, among other tools,” said Alejandra Lozada, senior director of research, Gartner Finance. Gartner recommends that CFOs prioritise finance automation investments by creating an iterative, multiyear roadmap to hyperautomation, including multiple concurrent and aligned initiatives.

Another prediction of Gartner’s is that through 2024, 50% of financial application leaders will incorporate a composable financial management system approach to their solution selection. A composable architecture is one where highly modular applications can be composed and recomposed to deliver capabilities and outcomes that keep up with the rapid pace of business change.

As the system is highly modular, it can be quickly reconfigured. CFOs can improve the ability to accelerate the implementation, operation and management of such systems by developing relevant finance competencies, such as data literacy, which facilitate data integration across a broad range of available sources.



● isca breakfast talk

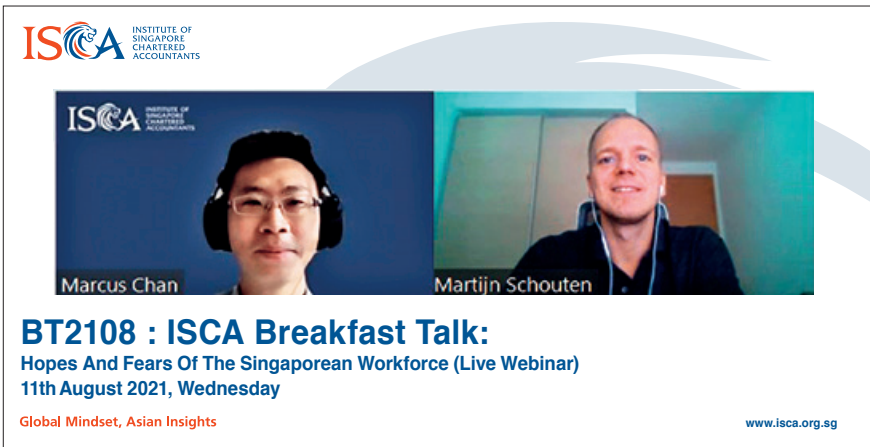
Hopes And Fears Of The Singaporean Workforce

IN TODAY'S FAST-CHANGING ENVIRONMENT AND ONGOING PANDEMIC, the expectations of the Singaporean workforce are also evolving. What does the future of work look like and are the expectations of the workforce being met?

On August 11, Martijn Schouten, Workforce Transformation Leader from PwC Singapore, tapped on the findings of PwC's "24th Global CEO Survey" and "Hopes and Fears 2021" survey to highlight the trends and expectations of the workforce, and shared the impact on the future of work at the morning webinar.

The "24th Global CEO Survey" showed that CEOs' confidence in their organisations' growth prospects have rebounded. CEOs also expect to invest in digital transformation to realise long-term cost efficiencies, and are concerned about the availability of key skills.

On the other hand, workers are looking for more digital skills, more inclusivity and more flexibility. Workers are ready to learn new skills or completely retrain to keep productivity high and remain relevant. They are motivated to work for organisations that contribute positively to society. However, the findings in the "Hopes and



Fears 2021" survey revealed that inequality at work is holding people back from career advancement.

Mr Schouten provided a deep dive into the survey findings and shared how the workplace of the future looks like. With more workers expecting a hybrid mode of working, the workplace must evolve, and workplace issues must be addressed. Some of these issues include:

- While employees seem to respond well to virtual working, organisations are seeing increased burnout, reduced connectedness and difficulties in collaboration.

• Technology-related challenges are among the most often-cited critiques of working from home by workers across Asia, including challenges such as poor Internet connection and uncomfortable home furniture.

With companies and employees transitioning to remote working as the default mode during the peak of the pandemic, they are also challenging the purpose of having a physical office and what it should be used for in the future.

Mr Schouten shared that the future of the workspace we term an "office" should enhance creativity and teamwork, and diversity, inclusion and wellbeing should be a part of the design of a new office space. This would mean that the space would be ideal for collaboration, creation, communication, coaching and building a community.

He concluded with some practical action points to progress towards an inclusive and collaborative workforce:

- Open up genuine, fully inclusive conversations about jobs;
- Embrace technology;
- Create opportunities for people to upskill and reskill;
- Create a workplace that allows everyone to give their best;
- Share the responsibility for upskilling and reskilling.

24th Global CEO Survey

CEO confidence in their org's growth prospects has rebounded

Confidence has rebounded

A year into the pandemic, three quarters of Singapore CEOs are optimistic about GDP growth in 2021, echoing the optimism among CEOs across every region around the globe.

50% of Singapore CEOs are optimistic and confident in revenue growth prospects over the next 3 years

Long-term investments

As a result of the COVID-19 crisis, 48% of CEOs plan double digit increases in digital transformation investments, followed by initiatives to realise cost efficiencies.

27% of Singapore CEOs are planning double digit increase in spending in Cybersecurity

Productivity and skills

55% of Singapore CEOs aim to focus on productivity through technology and automation - more than double the share of CEOs who said the same in 2016.

30% of Singapore CEOs are concerned about the availability of key skills



MARK YOUR CALENDAR

20 OCT

Facts and Fictions: Navigating the waves of AI (Live Webinar)

If you are interested in navigating the waves of AI, attend this course and be enlightened! You do not need to be technologically savvy to enjoy this programme.

With an understanding of AI and its applications, you can confidently grow in your knowledge and journey to harness the opportunities of AI.



22 OCT

IFRS 15 / FRS 115: Revenue from Contracts with Customers (Live Webinar)

This programme covers the accounting standard on revenue recognition emphasizing on the application of the new standard and identifying changes from IAS 18 as well as implementation challenges.

25 OCT

Financial Data Management with Pivot Tables (Live Webinar)

Pivot table is one of the most powerful features of Excel, yet few accountants use them in their day-to-day activities. With a little instruction and guidance, you will be using pivot tables to accomplish routine analysis and reporting.

28 OCT 2021 Practitioners Conference

At the Lead of Change

This year's Conference emphasises the role of auditors as leaders in the face of change, and the need to respond to change quickly to continuously bring value to stakeholders. Covid-19 provoked fundamental changes and shifts, shaking up historical norms, and inspired new business and operating models. The profession needs to move faster than the change in the business environment and be a partner to businesses' change agenda. The Conference will also drive the important theme of audit quality, an important core of the audit profession.

Find your fellow auditors and register together to enjoy group discount:
<https://isca.org.sg/PC2021>

29 OCT

Fundamentals of Import / Export Transactions (Live Webinar)

This seminar covers the basic requirements in an Import/Export trade transaction. It also provides participants a guide to Import/Export operations, trade transaction and operations with practical examples and pre-emptive measures to mitigate potential risk.

10 NOV

ISCA Breakfast Talk Investigations: The Next Generation (Live Webinar)

COVID-19 has shattered preconceptions about what a resilient company or economy looks like. Within the risk and compliance industry, this has manifested itself as a concern among professionals that there will be an influx of financial impropriety and fiscal malfeasance cases – a global crisis is the perfect breeding ground for opportunistic fraudsters and internal misconduct leading to an increase in investigations.

During this session, Brett Clapp, Senior Managing Director and Ben Ee, Managing Director from FTI Consulting will share steps that companies should prioritise to emerge stronger from this extraordinary crisis.



NEW! Digital Learning Guide

Explore the 5 areas to advance digital transformation. Match your role from 12 possible digital superhero roles. Which one are you? Find out more!

Download the Digital Learning Guide at <https://bit.ly/3ysFTi7>

● isca breakfast talk

Thriving In The Age Of Change

FINANCE AUTOMATION SOLUTIONS ARE ENABLING CORPORATIONS TO INCREASE EFFICIENCY, IMPROVE ACCURACY, and decrease risk. Accountants, freed from the more tedious, repetitive tasks, can be more proactive to focus on complex and judgemental areas, and drive strategic business decisions.

At a recent ISCA Breakfast Talk, BlackLine's Solutions Consultant Gabriel Lim and Vice President of Strategic Accounts, South Asia Alex Chun shared what modern accounting looks like, and how the accounting team's value should expand beyond executing checklists and historical reporting to include proactive analytics.

Mr Lim talked about how changes are constantly happening, and not only because of the COVID-19 pandemic. In a recent FSN Survey of finance executives, the results showed that 71% agreed that a lack of automation hinders business partnering and 81% are looking to future technology to assist them.



We live in a world where information and data form the basis of competitive advantage in business, and the companies that thrive truly leverage data for quick decision making. Most companies talk about being data-driven, but the majority are actually data-leaden, said Mr Lim.

The sudden shift to remote work at the start of the pandemic forced organisations to focus on ironing out issues with remote-working capabilities and employees.

The stress and challenges that so many accounting teams and management are facing arise from too many disparate systems, which lead to limited visibility. Inconsistent processes lead to control risk, and too many detailed spreadsheets cause inaccuracy and time-consuming manual effort. All of these result in finance and accounting (F&A) teams spending a disproportionate amount of time on work that is repetitive, causing them to disengage.

Mr Lim said that the role of accountants needs to transform in the coming years, especially now that F&A automation is accessible to everyone. "It's about using existing technology to become more productive and spending more time on value-adding activities," he asserted, as the accountant's role shifts from a scorekeeper or bookkeeper to proactive business partner.

Mr Chun shared how we can close the gap and meet our CEO's expectations. In the recent KPMG "CAO Rising" survey, 69% of Chief Accounting Officers say that transformational work is necessary because ongoing business change requires active accounting input. Traditional manual accounting processes should be giving way to modern accounting by unifying data and processes, automating repetitive work, and driving accountability through visibility.

The right F&A platform manages and automates financial close, accounts receivable and intercompany accounting processes, helping large enterprises and mid-size companies across all industries do accounting work better, faster and with more control. With this approach, accounting becomes unified, automated, and continuous:

- Unified: The ability to pull from different data sources into one platform instead of multiple excel spreadsheets;
- Automated: Automating the repetitive work processes;
- Continuous: Achieving a shorter close by reducing close workload and balancing the distribution of work to prepare for the upcoming close.

Mr Chun also talked about rebalancing the equation – "evening it out" – instead of doing everything at the beginning or during the last part of the month.

The role of an accountant should shift from repetitive work and hunting down details to being able to do data analysis, provide feedback on what type of analysis is needed, and investigate variances.

He shared how we can embrace modern accounting by adapting to a virtual close with these 10 simple steps:



Read the ebook (<https://www.blackline.com/resources/whitepapers/5-ways-technology-can-help-you-thrive-in-our-virtual/>) to discover five ways technology can help you thrive in our virtual world.

Providing Insights

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



BY DR TAN E-CHING

MENTAL HEALTH

Taking Care Of Ourselves In Difficult Times

THE IMPORTANCE OF MENTAL HEALTH HAS COME UNDER INCREASING FOCUS BOTH LOCALLY AND WORLDWIDE IN RECENT YEARS.

The rates of depression and anxiety have risen exponentially, especially during this period of the COVID-19 pandemic. Given the prevalence of mental health issues both worldwide and on our shores, the importance of forging a culture of wellness cannot be understated.

In my practice where teens and adults come for counselling and therapy, I have noticed an unmistakable rise in the number of people seeking help for anxiety, insomnia and depression in recent years. The COVID-19 pandemic has caused significant stress among Singaporeans, especially working Singaporeans who shoulder the responsibility of providing for their families. The government has created a new inter-agency task force in response to the mental health needs of Singaporeans, highlighting the extent of the impact that

the pandemic has had on Singaporeans' mental health.

For many, the pandemic brings about a deep sense of uncertainty about the future, due to unemployment and worries about potential job losses. Others find adjusting to this "new normal" very challenging. They feel isolated and burnt out because of prolonged hours of working from home. Others find themselves juggling multiple roles while simultaneously working from home, adding to the stress and anxiety.



COVID-19-related issues:

- Anxiety about uncertainties, jobs, the future
- Feeling of isolation, burnt out
- Juggling multiple roles when working from home

The concept of "neuroplasticity" refers to the ability of the brain to reorganise itself, both in structure and function. Mindfulness has been proven to successfully rewire the brain by strengthening synapses associated with emotional regulation and attention.



PHOTO: SHUTTERSTOCK



PHOTO SHUTTERSTOCK

When you are going through a difficult time, it is important to remember you are not alone... Recognising that we are all part of the human family with different struggles and challenges often gives rise to a feeling of empathy and connection.

TWO MAIN ISSUES

Underscoring all these challenges that we are facing right now are two main issues, the first of which is loneliness. Global statistics^{1,2} show a rising sense of loneliness among all age groups. Increasing social media usage exacerbates this sense of isolation as people scroll through social media, taking in the veneer of the posts put up by friends exhibiting the best facets of their lives.

Second, many people have a deep sense of deficiency, a feeling of not being good enough. There is a constant sense of unease within as they dwell on past regrets or worry excessively about the future. These feelings are understandable and are part of our mind's natural instinct to keep us safe. This served us well when humans were hunter-gatherers thousands of years ago, when predators and other potential dangers were lurking around every corner. But in our modern society, excessive rumination and anxiety can actually hamper our journey towards good mental health.

HOW STRESS CAN MANIFEST

Unfortunately, many people are grappling with loneliness and stress in these current times, feeling trapped in negative thought patterns. Stress can manifest in our bodies in a variety of ways – you may find yourself feeling more moody, irritable or aggressive towards others. You may also find yourself struggling to concentrate on your tasks, lacking motivation or feeling withdrawn from others. Stress can also manifest as physical symptoms, such as changes in your appetite and sleep patterns.

It is important to seek a medical consultation to exclude any medical conditions which can give rise to the symptoms described above.

THREE EVIDENCE-BASED STRATEGIES

How do we break free from the tight grip of stress? In my practice, I guide the teens and adults who see me in building the crucial skills of mental resilience. Good mental health is built on the foundation of mental and emotional resilience and these are skills that can be learnt. Let me discuss three evidence-based strategies.

1) Mindfulness

I find that having some understanding of mindfulness goes a long way for teenagers and adults who are stressed, anxious or going through a challenging period of time in their lives. Mindfulness is an age-old practice that involves paying attention to the present moment, with kindness and compassion.

A mindfulness programme is currently prescribed by the National Health Service in the United Kingdom for patients with mental health problems like depression and severe anxiety. However, even if you do not have a mental health issue, mindfulness can still be highly beneficial to you. Top companies such as Google and Facebook recognise the importance of mindfulness, and are offering free mindfulness programmes in their offices for employees.

Scientific research

Mindfulness is rooted in scientific evidence. Over the last 10 to 15 years, many research studies^{3,4,5,6} conducted by renowned scientists in the field of neurophysiology have found that mindfulness training improves brain functioning in areas related to attentional control, self-regulation, sensory processing, memory and regulation of the stress response.



Mindfulness training improves brain functioning in areas related to attentional control, self-regulation, sensory processing, memory and regulation of the stress response.

Many people have the misconception that the brain in adulthood is “static” and unchangeable. In reality, our brains are powerfully dynamic machines. The concept of “neuroplasticity” refers to the ability of the brain to reorganise itself, both in structure and function. Mindfulness has been proven to successfully rewire the brain by strengthening synapses associated with emotional regulation and attention.

Besides improvements in mental wellbeing, mindfulness has also been shown to improve physical health. Problems like high blood pressure, heart disease, peptic ulcer disease, migraines, temporomandibular joint (TMJ) disorders and other types of chronic pain problems can be improved through mindfulness practices.

¹ Ortiz-Ospina, E. (11 Dec 2019). Is there a loneliness epidemic?. Our World in Data. <https://ourworldindata.org/loneliness-epidemic>

² Howe, N. (3 May 2019). Millennials and the loneliness epidemic. Forbes. <https://www.forbes.com/sites/neilhowe/2019/05/03/millennials-and-the-loneliness-epidemic>

³ Hölzel, B. K., Carmody, J., Evans, K. C., Hoge, E. A., Dusek, J. A., Morgan, L., Pitman, R. K., & Lazar, S. W. (2010). Stress reduction correlates with structural changes in the amygdala. *Social cognitive and affective neuroscience*, 5(1), 11-17. <https://doi.org/10.1093/scan/nsp034>

⁴ Hölzel, B. K., Carmody, J., Vangel, M., Congleton, C., Yerramsetti, S. M., Gard, T., & Lazar, S. W. (2011). Mindfulness practice leads to increases in regional brain gray matter density. *Psychiatry research*, 191(1), 36-43. <https://doi.org/10.1016/j.psychres.2010.08.006>

⁵ Lazar, S. W., Kerr, C. E., Wasserman, R. H., Gray, J. R., Greve, D. N., Treadway, M. T., McFarvey, M., Quinn, B. T., Dusek, J. A., Benson, H., Rauch, S. L., Moore, C. I., & Fischl, B. (2005). Meditation experience is associated with increased cortical thickness. *Neuroreport*, 16(17), 1893-1897. <https://doi.org/10.1097/01.wnr.0000186598.66243.19>

⁶ Davidson, R. J., Kabat-Zinn, J., Schumacher, J., Rosenkranz, M., Muller, D., Santorelli, S. F., Urbanowski, F., Harrington, A., Bonus, K., & Sheridan, J. F. (2003). Alterations in brain and immune function produced by mindfulness meditation. *Psychosomatic medicine*, 65(4), 564-570. <https://doi.org/10.1097/01.psy.0000077505.67574.e3>

Mindfulness and self-compassion are interlinked, because mindfulness is needed for you to understand the inner workings of your mind in order for you to build a better relationship with your deeper self.

Incorporating mindfulness into our lives

Evidently, for those who wish to live a more centred life, mindfulness has the potential to create both short- and long-term improvements in the way our brain works, and improve our physical health at the same time. Given all the benefits that mindfulness can bring to our physical and mental health, how can we incorporate mindfulness into our daily lives?

One way to practise mindfulness is through a formal mindfulness practice, also referred to as meditation. Spending just 10 to 15 minutes a day meditating comfortably in a quiet room can make a world of difference to your mental landscape. To create a conducive space for meditation, make sure to reduce distractions by turning off your electronic devices. You can also consider dimming the lights, putting on soothing music and diffusing aromatic essential oils around the room. The bottom line is to listen to your body and what it needs to feel comfortable before you begin meditating.



Meditating 10 to 15 minutes a day can make a world of difference to your mental landscape.

⁷ Neff K. D. (2009). The role of self-compassion in development: a healthier way to relate to oneself. *Human development*, 52(4), 211-214. <https://doi.org/10.1159/000215071>

⁸ Neff K. D., & McGehee, P. (2010). Self-compassion and psychological resilience among adolescents and young adults. *Self and Identity*, 9(3), 225-240. <https://doi.org/10.1080/15298860902979307>

There are many ways of engaging in a mindfulness practice. You can choose to focus on your breathing, letting yourself breathe naturally while feeling the sensations of your chest rising and falling. You can also choose to allow your attention to rest on the sounds around you. Alternatively, some people prefer to silently recite a word or phrase to keep their focus of attention within. Internally reciting phrases such as “I am calm” or “I am good enough” can serve to decrease anxiety, increase self-worth and positively shape the way you perceive yourself.

Do not worry or beat yourself up if you find that thoughts are still intruding into your mind space. Self-compassion is an equally important facet of healing which I will delve more into in later paragraphs.

For many, the concept of mindfulness begins and ends with seated meditation. However, there are many ways in which we can practise mindfulness throughout the day. An easy way to incorporate meditative practices into your day can include taking pauses throughout the day to empty your mind, and focus on your breathing or external sensations. Whether you are eating a meal, washing your hands, commuting or using devices such as your phone and laptop, taking a moment to be mindful during these daily activities can greatly improve your mood.

Learning to pause

In our fast-paced world, learning to pause can do wonders for our mental and emotional wellbeing. Learn to take

a few slow, deep breaths, purposefully lengthening the exhale. You can count silently as you breathe, for instance, by counting to four on the inhale and counting to seven on the exhale. This breathing technique has been shown to activate the parasympathetic nervous system and deactivate the “fight or flight” response.

Then, take a moment to observe your surroundings, bringing your attention to your senses, thoughts and emotions. Refrain from making judgements about your thoughts and feelings and simply observe them with curiosity and kindness. This helps you to centre yourself in the present. You can also take some time to gently challenge negative thought patterns and unhelpful beliefs, for instance, by asking yourself about the assumptions you are making about the situation. Learning to practise as I have described above helps us to live life with greater awareness and allows us to engage in our tasks in a calmer, more focused manner.

2) *Self-compassion*

Besides mindfulness, the second evidence-based strategy to break free from stress is through self-compassion. Research by Professor Kristen Neff from the University of Texas^{7,8} and others have found that self-compassion increases emotional resilience and wellbeing.

According to Prof Neff, there are three main components of self-compassion. Firstly, there is self-kindness. Depending on their upbringing and environment, some people have very high expectations of themselves and develop a harsh “inner critic” who reinforces negative core beliefs at every opportunity. This leaves them with no room to make mistakes and they often develop a catastrophising “all-or-nothing” mindset. Self-kindness encourages people to engage with their inner critic, bringing awareness to the faulty assumptions they make while gently introducing new core beliefs.





Remember to always treat yourself with compassion and kindness, and take the time for self-care.



Three key components of self-compassion:

- + Self-kindness
- + Common humanity
- + Mindfulness

The second facet of self-compassion is common humanity. You can draw strength from acknowledging that just as you are not perfect, nobody is. When you are going through a difficult time, it is important to remember you are not alone, because everyone has their own struggles to deal with. Recognising that we are all part of the human family with different struggles and challenges often gives rise to a feeling of empathy and connection.

Mindfulness is the third facet of self-compassion. Mindfulness and self-compassion are interlinked, because mindfulness is needed for you to understand the inner workings of your mind in order for you to build a better relationship with your deeper self. While practising mindfulness, you may feel the instinct to judge yourself harshly or overreact to certain thoughts. However, it is important to simply be present with your thoughts and observe them as if you are a caring friend, quietly watching your thoughts but not being identified with your thoughts and emotions.

3) Self-care

The final evidence-based strategy I wish to introduce is self-care. As the saying goes, “We cannot pour from an empty cup.” Taking the time to nourish and refresh ourselves regularly is vital to our mental wellbeing. This includes developing healthy physical habits such as following a healthful diet that is low in high-fat, high-sugar and high-

caffeine foods. In addition, we should cut down the time we spend on our electronic devices such as phones and computers.

Sleep hygiene is also key to living a healthy life. Give yourself around half an hour to unwind before bed and avoid using your electronic devices an hour before you go to sleep. Another important healthy habit is to exercise. Exercise helps to boost your energy levels and your mood by releasing “happy” hormones like endorphins into the body.

Finally, nature heals and restores. Even if you have only half an hour to spare in your day, spending that time immersed in nature can do wonders for your mind, body and spirit.

Importance of seeking professional help

Should you be feeling increasingly withdrawn or depressed despite taking steps to self-care, it may be time to seek professional help. A professional in the mental health arena can work together with you to examine your emotions and their causes. Many people, even those without any mental health problems, find that therapy is very beneficial as they integrate the skills they learn into their lives. What you wish to bring into therapy is completely up to you, be it relationship problems, unresolved trauma or simply a desire to understand yourself better.

CONCLUSION

In these current times, stress is all-pervasive in our pressure-cooker society, but it can be managed in a healthy way with the right skills. Remember to always treat yourself with compassion and kindness, and take the time for self-care. Our journey towards a more wholesome and integrated life starts with setting our inner compass and bravely taking the first step. ISCA

Dr Tan E-Ching is Medical Director and Founding Director, Hallmark Health.

FOR THE SECOND CONSECUTIVE YEAR, ISCA HELD ITS FLAGSHIP PROFESSIONAL ACCOUNTANTS IN BUSINESS (PAIB) CONFERENCE

VIRTUALLY. On August 19, more than 1,000 attendees tuned in to the event, which was themed “Sustainability and Trust: Taking Centre-Stage in a New Era of Business” – a timely subject given that the Intergovernmental Panel on Climate Change (IPCC) had released a report delivering its starkest warning yet about the deepening climate emergency just 10 days prior.

The half-day live webinar featured an impressive lineup of speakers and panellists from both the public and private sectors. Split into two tracks, they expounded on industry hot topics including sustainability, financial forensics and intelligent automation, and their impact on the accountancy profession. ISCA also enhanced its virtual platform this year to give participants a better user experience as well as the flexibility to seamlessly switch between both tracks, thus catering to the diverse needs and interests of the audience.

Right from the get-go, ISCA Vice President Yvonne Chan, in the welcome address, made the case for why sustainability matters to finance professionals. Sustainability is not a distant aspiration, as long as accountants do their part to help shape a sustainable future for business and, by extension, the world. “We are in an influential position to help business infuse a sustainability culture in operations, planning, setting guidelines and monitoring to achieve our triple bottom line. There are a lot of non-financial indicators that can be measured beyond the financial ones,” said Ms Chan. “Individually, there is only so much

we can do. Collectively, our actions have a massive impact on the sustainability of the earth for our future generations as businesses have the potential to be a driving force for positive impact.”

In her keynote address, Guest-of-Honour Grace Fu, Minister for Sustainability and the Environment, spoke on the importance of sustainability for the overall economy. She said that according to the World Economic Forum “Global Risks Report 2021”, the highest risks in the next 10 years are extreme weather, climate action failure, and human-led environmental

damage. “Climate action, along with sustainable development, has emerged as a driver of change in business, politics, science and many facets of our lives,” she said. “Tackling climate change has risen as a priority even as countries manage the COVID-19 pandemic. Being sustainable is essential to a green recovery and the long-term survival of businesses.”

Minister Fu spoke on how sustainability can become a competitive advantage for Singapore’s economy, especially in relation to the Singapore Green Plan 2030. She commended ISCA

for actively preparing accountants to drive sustainability efforts and reiterated the key ways the profession can contribute in this respect. “Accountants play a pivotal role in assessing the environmental, social and governance (ESG) costs or benefits in all major business decisions,” she told the audience. “Accountants must increasingly consider risks brought on by climate change, including new regulatory requirements as a result of national climate policies on their companies. Accountants must help their companies understand and mitigate these risks.”

SUSTAINABILITY AND TRUST, FRONT AND CENTRE

Insights And Knowledge From ISCA PAIB Conference 2021

BY ASHOK SOMAN AND WANDA TAN

CLIMATE CHANGE AND THE ACCOUNTANT DO MEET THROUGH TCFD



▲ Yeo Lian Sim, Vice Chair, TCFD and Member, ISCA SCCC, expanded on the connection between accountants and climate change

The point on the confluence between accountants and climate change was then taken up by Yeo Lian Sim, Vice Chair of the Task Force on Climate-Related Financial Disclosures (TCFD) and Member of the ISCA Sustainability and Climate Change Committee (SCCC).

Since the TCFD issued its recommendations in 2017 to improve and increase reporting of climate-related financial information, companies and regulators worldwide have endorsed the TCFD. Ms Yeo observed that a shift from voluntary to mandatory TCFD-aligned reporting is beginning to take root, and it may even find its way into the SGX’s regulatory framework. She also said that the IFRS Foundation will build on the TCFD Recommendations for setting IFRS standards on climate-related financial disclosures.

“There is a purpose to the TCFD Recommendations,” Ms Yeo explained. “Climate change is important for us all. Action must be taken, information must be disclosed and companies are at the centre of climate action.”

And, with the control of financial information in their hands, Chief Financial Officers (CFOs) have a special role to play to drive climate action within companies. “What will a thousand accountants do? What can’t you achieve? Almost anything is possible,” Ms Yeo ended her thought-provoking speech by urging accountants to rise to stakeholder expectations.

PANEL DISCUSSION: ACCOUNTANTS: SPEARHEADING BUSINESS CHANGE... AND NOW, SUSTAINABILITY



▲ The session featured panellists: (from left) Goh Yin Shian, Finance Director, Teckwah Industrial Corporation; Ian Hong, Chairman, ISCA Sustainability Reporting Quality Sub-Committee; moderator Fang Eu-Lin, Chairperson, ISCA Sustainability Excellence Sub-Committee; Rishi Kalra, Managing Director and CFO, Olam Food Ingredients, and Michael Tang, Head, Listing Policy and Product Admission, Singapore Exchange Regulation

The plenary session closed with a panel discussion that built on how accountants can galvanise businesses to capitalise on sustainability opportunities. It was moderated by Fang Eu-Lin, Chairperson of the ISCA Sustainability Excellence Sub-Committee (under the SCCC). She was joined by Goh Yin Shian, Finance Director, Teckwah Industrial Corporation; Ian Hong, Chairman, ISCA Sustainability Reporting Quality Sub-Committee (under the SCCC); Rishi Kalra, Managing Director and CFO, Olam Food Ingredients; and Michael Tang, Head, Listing Policy and Product Admission, Singapore Exchange Regulation (SGX RegCo).

How do accountants interact with topics of sustainability and climate change? During the invigorating discussion, the panellists gave concrete examples from their own experiences to demonstrate that accountants can and should spearhead sustainability within their organisations. Ms Fang observed, “If we keep a close eye on these areas and build that ESG consciousness and capabilities to respond to these trends and requirements, I am very sure that accountants can play a significant role in solving these important and complex issues.”

Mr Kalra set out his belief that accountants are uniquely positioned to advocate sustainability to stakeholders by using their strong grasp of numeracy and understanding of the business, among other skills. Mr Goh added that the role of accountants has evolved from being just the keeper of books and records to becoming

strategic advisors in many other areas, including risk management and compliance, all of which necessitate keenly understanding and addressing sustainability issues. While sustainability reporting may be borne out of compliance, it is only the starting point and this creates opportunities for accountants to influence and further communicate sustainable practices and decisions.

These views are not just shared by leaders within the accountancy profession. Mr Tang also counts on the finance function to play a critical role in sustainability. With stakeholders asking about the financial implications of ESG risks and opportunities, accountants are able to address these concerns when allocating the limited resources and capital of the company, and communicate to stakeholders the material sustainability topics and their attendant financial impacts.

Indeed, the accountant’s role in measuring and reporting performance and in strategic decision making, like capital allocation and expansion plans, must continue to adapt as the environment changes. “Sustainability is about responding to this change in the environment. As with any other profession, this is just how our profession as accountants has evolved over time,” Mr Hong reflected. Just as the concept of value to a business has expanded beyond financial terms to include non-financial factors, accountants are now poised to increase their value proposition by bridging sustainability to financial performance.

TRACK 1 FINANCIAL FORENSICS: FORTIFY BUSINESS TRUST



▲ Lam Seow Kin, Deputy Director, Investigations Department, Corrupt Practices Investigation Bureau, reaffirmed Singapore's zero-tolerance stance for corruption

SUSTAINING BUSINESS TRUST THROUGH CURBING CORRUPTION

In a first for the PAIB Conference, there was a track dedicated to financial forensics. Lam Seow Kin, Deputy Director, Investigations Department at the Corrupt Practices Investigation Bureau (CPIB), got the ball rolling by reaffirming Singapore's zero-tolerance stance towards corruption. "We cannot understate the harm that corruption brings to businesses," said Mr Lam, who argued that any short-term gains are outweighed by the substantial financial costs incurred as well as the more far-reaching, intangible loss of reputation and trust among consumers and investors.

While Singapore enjoys high international standing as a "clean and corruption-free" nation, Mr Lam named several post-COVID-19 trends that could become potential areas of concern. These include the proliferation of cashless payments and virtual currencies, which could lead to an uptick in business email compromise scams; challenges in monitoring business processes remotely, given the shift to working from home, and worries over data governance and security as businesses increasingly adopt data-driven decision making.

The good news is that companies are strengthening their corporate governance frameworks. Many have already publicly committed to compliance with anti-corruption laws, provided whistleblowing channels and anti-corruption training for staff, and established ethical codes of conduct for employees as well as external supply-chain partners. Mr Lam suggested some other ways that businesses can curb corruption, including adopting SS ISO 37001 on Anti-Bribery Management Systems, and referring to the CPIB Practical Anti-Corruption Guide.

He highlighted three key points that companies should consider to better prevent and detect wrongdoing: (i) set the tone from the top; (ii) use a risk-based approach to allocate resources such that the anti-corruption measures undertaken are commensurate with the risks faced, and (iii) implement robust financial as well as non-financial internal controls. Everyone – not just auditors – should also report suspicious activities to the CPIB for investigation. "We all play a part in safeguarding our reputation as an economy with a level playing field," he added.



▲ Zander Pek, Director, GST Division, Inland Revenue Authority of Singapore, spoke about missing trader fraud, a fast-growing form of white-collar crime

COMBATTING SYNDICATED TAX CRIME – HOW CAN COMPANIES SAFEGUARD THEMSELVES?

One fast-growing form of white-collar crime is missing trader fraud (MTF), which Zander Pek from the Inland Revenue Authority of Singapore (IRAS) focused on in his presentation. "MTF is a fraud scheme used by crime syndicates to defraud tax authorities of the Goods and Services Tax (GST) and poses a serious threat to public revenue," said the Director of the IRAS GST Division.

In a simple MTF scenario, a supplier – the "missing trader" – fails to account for or pay the GST (in this case, output tax) charged on his sales. Meanwhile, businesses further down the supply chain – or "buffers", who could be unsuspecting legitimate parties – continue to claim input tax credit on their purchases. Since exports are GST-free, the last seller in the chain exports the goods to an overseas customer without collecting GST but instead claims from IRAS a refund of the input tax incurred. "The exporter is in effect claiming the GST not paid by the missing trader," Mr Pek explained.

IRAS has stepped up efforts to combat MTF in recent years. For example, IRAS has introduced customer accounting for certain prescribed goods, carried out raids and arrests, and deployed advanced analytics to better target high-risk GST refund claims requiring in-depth audits and reviews. Legislative changes have also been made to the GST Act, including an amendment passed in January 2021 under which the "Knowledge Principle" came into effect. This principle holds that input tax claims can be denied if a business knew or should have reasonably known that its purchases were part of an MTF arrangement.

On this last point, Mr Pek proposed a three-pillar approach to applying the Knowledge Principle: (i) "identify and assess risk indicators" or red flags before entering into a business transaction; (ii) "perform due diligence checks" to verify the legitimacy of business partners and the commerciality of the arrangement, and (iii) "respond to the risks and results of the checks" by taking adequate actions and precautions, such as making further enquiries if needed. By following these steps, finance professionals can help protect their businesses from MTF.

PANEL DISCUSSION: MANAGING THIRD-PARTY CYBER RISKS EFFECTIVELY



▲ The session featured panellists: (from left) Moderator Daryl Pereira, Partner and Head of Cyber at KPMG Singapore; Leon Chang, Assistant Chief Executive, Cyber Defence Group and Chief Risk Officer, Integrated Health Information Systems; Murari Kalyanaramani, Chief Information Security Officer, UOB; Phoram Mehta, CISO for PayPal's Asia-Pacific region, and Veronica Tan, Director, Safer Cyberspace, Cyber Security Agency of Singapore

Conference participants then attended two back-to-back panel discussions. The first revolved around third-party cyber risks and was moderated by Daryl Pereira, Partner and Head of Cyber at KPMG Singapore. As more businesses both big and small are relying on third-party service providers for their daily operations, Mr Pereira noted that a hack on a vendor, such as a ransomware attack where customers' personal data is stolen, could cause devastating "ripple effects" across the supply chain. He asked the panellists to share some best practices to effectively mitigate such risks.

According to Murari Kalyanaramani, Chief Information Security Officer (CISO) of UOB, businesses need to be aware of all their points of exposure and build capabilities to detect and respond to any threats. "Know all the third parties you are dealing with. Understand your level of engagement with each of them – it could be data exchange, access to systems, or procurement of software – and plan for any gaps." Steps should be taken before and after signing a contract with third parties, he added. For example, businesses can perform cyber due diligence during the supplier selection process, while remediation is possible for already-onboarded vendors by inserting new elements in the contract when it is expiring or up for renewal.

Leon Chang, Assistant Chief Executive, Cyber Defence Group and Chief Risk Officer, Integrated Health Information Systems (IHIS), argued that third-party vendor assessment must go hand-in-hand with a "looking inwards" approach. This covers all lines of defence in the organisation, from having strong governance and finance leaders who prioritise risk management to ensuring employees carry out basic cyber hygiene such as updating passwords regularly and installing software patches.

A risk appetite statement is also useful. "Articulating its risk appetite will help an organisation make informed decisions over whether or not to take a risk," said Mr Chang.

Phoram Mehta, CISO for PayPal's Asia-Pacific region, elaborated on the idea of integrated risk management. Given that "cyber risk is part of enterprise risk", organisations would benefit from an integrated risk management system "where all the departments – finance, procurement, cyber, legal, etc. – have a shared understanding of the risks faced and make decisions that strengthen overall business resilience", rather than working in silos. To that end, Mr Mehta urged finance professionals to "invest in education" to keep up with changes in the cybersecurity landscape.

The panellists also stressed the importance of moving beyond a compliance mindset to promote a "cyber-safe culture" which incentivises good security behaviour instead of merely penalising bad behaviour. Ultimately, "culture has to start from the top," said Veronica Tan, Director, Safer Cyberspace, Cyber Security Agency of Singapore (CSA). "Cybersecurity is a collective responsibility, not just an IT team issue. Once bosses drive it, the rest of the organisation will buy in."

"Know all the third parties you are dealing with. Understand your level of engagement with each of them – it could be data exchange, access to systems, or procurement of software – and plan for any gaps."

PANEL DISCUSSION: INTERIM FINANCIAL REPORTING: NAVIGATING THE JOURNEY TO QUALITY FINANCIAL REPORTING



The session featured panellists: (from left) Chen Voon Hoe, Deputy Chairman of ISCA FRC and Partner of PwC Risk Services; Lim Kai Ching, Group CFO of Uni-Asia Group; Ng Kian Hui, Audit Partner and Head of Audit and Assurance, BDO LLP; Eliza Tan, Vice President of SGX RegCo, and Tan Yong Choo, Vice President (Group Finance) of Singtel

In the second panel discussion, Chen Voon Hoe, Deputy Chairman of the ISCA Financial Reporting Committee (FRC) and Partner of PwC Risk Services, moderated a conversation about the regulatory changes made by SGX in January this year in relation to interim financial reporting – a new SGX Listing Rule 705(3A) states that interim financial statements must be prepared in accordance with prescribed accounting standards (either SFRS(I)s, IFRS or US GAAP).

“With these changes, it is now clear that issuers reporting under SFRS(I)s have to prepare their interim financial statements – either a complete or condensed set – in compliance with not only Listing Rule Appendix 7.2 but also SFRS(I) 1-34 *Interim Financial Reporting*,” Mr Chen explained. The FRC has accordingly issued Financial Reporting Guidance 3 (FRG 3) to help preparers apply Listing Rule 705(3A) and to highlight the key areas to take note of under SFRS(I) 1-34. There is also an Accompanying Guide to FRG 3 which contains two sets of

illustrative condensed interim financial statements. “FRG 3 covers what the new requirements are, such as key judgements to disclose, while the illustrative guide shows how these should look like,” he said.

Representing the regulator’s side on the panel was Eliza Tan, Vice President of SGX RegCo. Asked for the rationale behind the clarification to the Listing Rules, she referred to benefits such as “increased transparency” and “improved quality” of the reports, thus boosting investor confidence. For instance, under SFRS(I) 1-34, all material financial information that are relevant to understanding an issuer’s financial position and performance must be appropriately disclosed in the interim financial statements.

Tan Yong Choo, Vice President (Group Finance) of Singtel, mentioned that the baseline requirement for all issuers to comply with SFRS(I) 1-34 will allow announcements to look “more comprehensive”. However, adopting these changes may be challenging, especially for small-cap and mid-cap listed companies which now have more things to report. Lim Kai Ching, Group CFO of Uni-Asia Group, shared that the additional disclosures have doubled the length of his company’s interim financial statements and it was a challenge to issue interim financial statements within the 45-day deadline.

As a tip, Mr Lim suggested that companies can use disclosures in the previous year’s annual report as a “shortcut” to prepare interim financial statements within the 45-day deadline. Singtel’s Ms Tan said one way of reducing the length of reports is to engage auditors to help decide what financial information to include and what to leave out – a move seconded by Ng Kian Hui, Audit Partner and Head of Audit and Assurance, BDO LLP, who said, “Wearing the auditor’s hat, we are happy for clients to come and talk to us.”

“... it is now clear that issuers reporting under SFRS(I)s have to prepare their interim financial statements – either a complete or condensed set – in compliance with not only Listing Rule Appendix 7.2 but also SFRS(I) 1-34 *Interim Financial Reporting*.”

TRACK 2 INTELLIGENT AUTOMATION: A NEW DAWN FOR BUSINESS



Dr Hanny Kusnadi, Senior Lecturer in the Department of Accounting at NUS Business School, urged the C-suite to cultivate a culture that encourages honest feedback

STATE OF PLAY OF INTELLIGENT AUTOMATION IN THE FINANCE FUNCTION

Track 2 delved into intelligent automation (IA) – loosely defined as a combination of robotic process automation (RPA) and artificial intelligence (AI) technologies which together create smarter business processes and accelerate digital transformation – and the promise it holds in opening new doors for the finance function. Dr Hanny Kusnadi, Senior Lecturer in the Department of Accounting at NUS Business School, kicked things off by presenting the findings of her research project on the current state of play of IA in the finance function, including related risks and challenges.

A joint undertaking by NUS Business School, ISCA and AI Singapore (AISG), the project explored the impact of IA on organisational efficiency and productivity, the extent to which IA can augment finance employees’ capabilities and reduce their workloads, and potential synergies between IA adoption and corporate strategy, among other issues. Interestingly, the researchers found a major disconnect between how senior management and operational executives perceived the role of IA. While 61% of the C-suite thought IA could take over up to half of the finance function’s work, the majority (69.2%) of the operational group shared that it only took over, at most, a quarter of their work. Dr Kusnadi thus offered this advice, “The C-suite needs to cultivate an environment that encourages honest feedback from all levels, particularly the users of IA solutions.” Put another way, strong leadership is needed, and so is buy-in from all levels. This is essential to create what she termed a virtuous cycle of improvements and benefits.

Interestingly, the researchers found a major disconnect between how senior management and operational executives perceived the role of IA.



John Ang, Assistant Head (AI Advisory) of AISG underscored how IA can liberate people from mundane or repetitive workflows

PLUG AND PLAY, LOW-COST SOLUTIONS FOR INTELLIGENT AUTOMATION IN FINANCE AND ACCOUNTING

John Ang, Assistant Head (AI Advisory) of AISG, spoke about the new opportunities IA presents at the national level, for the broader economy. Like Dr Kusnadi, Mr Ang underscored how IA can liberate people from mundane or repetitive workflows. To illustrate the potential of RPA in freeing people up for more productive and higher-value tasks, he used the example of autogenerating reports on daily COVID-19 statistics, which could be automatically sent out by email or other means such as Telegram.

Mr Ang showcased a free suite of tools developed by AISG that companies can use to embark on their digital transformation journeys, or to just discover how IA can positively impact their bottom line. For instance, with AISG’s open-source TagUI software, users can easily create and deploy RPA bots, making it an ideal place to start for companies that want fast returns at no cost. Other AISG products include AI-Ready Bricks – a set of plug-and-play tools built on machine learning platforms, and the AI Readiness Index – a step-by-step framework for organisations to benchmark and guide their AI adoption strategy.

... with AISG’s open-source TagUI software, users can easily create and deploy RPA bots, making it an ideal place to start for companies that want fast returns at no cost.

PANEL DISCUSSION: INTELLIGENT AUTOMATION: THE NEXT GAMECHANGER



▲ The session featured panellists: (from left) Professor Steven Miller, Professor Emeritus of Information Systems, Singapore Management University; Chiang Hai Yin, Group Director, Finance Transformation, Accountant-General's Department; Kenneth Leong, COO and CFO, Axiom Asia Private Capital; Liaw Chun Huan, CFO, KTC Group, and Cyndi Pei, Head of Finance, Singtel Enterprise Business, Singtel

The ensuing panel discussion zoomed in on the subject of IA as a gamechanger for business and was moderated by Professor Steven Miller, Professor Emeritus of Information Systems at Singapore Management University. Joining Prof Miller was a group of esteemed finance leaders comprising Chiang Hai Yin, Group Director, Finance Transformation, Accountant-General's Department; Cyndi Pei, Head of Finance, Singtel Enterprise Business, Singtel; Kenneth Leong, COO and CFO, Axiom Asia Private Capital, and Liaw Chun Huan, CFO, KTC Group.

Hailing from diverse backgrounds ranging from the civil service to SMEs and multinationals, the panellists all agreed that IA is key to increasing business efficiencies and delivering improved outcomes. Indeed, some form of automation has been happening in finance for decades, said Ms Chiang. For example, in her previous position as CFO of the Singapore Tourism Board, data-driven analytics had been in use for years to formulate strategy. Ms Pei added that IA initiatives – past, present and future – are “all about how we can be faster and better within the finance function”.

There was a consensus that IA not only delivers better results at work, it improves the finance employee experience. The panellists recounted their disparate experiences in implementing and integrating IA in their respective organisations, and all emphasised that no jobs were lost in the process. Nevertheless, a final cautionary note was sounded that IA is not a panacea for business challenges nor building a trusted and sustainable business; rather, expectations must be set and carefully managed. In particular, Mr Liaw recalled his own push for IA in his organisation and how problems cropped up because the parameters had not been properly specified. “We went big on process automation, and we struggled ... I made decisions without consulting my managers, which was a mistake.”

FROM CRISIS TO RECOVERY: PUBLIC SECTOR PRIORITIES TO SUPPORT COVID-19 RECOVERY

Switching gears to the international scene, Catherine Little, Director General, Public Spending, and Head of the Government Finance Function, Her Majesty's Treasury, United Kingdom, conveyed the importance of trust in the public sector from the UK's perspective. Ms Little described how the UK government has handled the COVID-19 crisis as well as the struggles faced by its finance function of “doing more with less”.

“It is more important than ever that resources continue to be directed to the things that matter most. With careful prioritisation, financial sustainability can be maintained while delivering first-class frontline public services,” she said. This means the state cannot be “borrowing to meet regular expenses”. In the UK government's case, it used favourable loan rates resulting from COVID-19 relief measures to fund investment opportunities in capital projects. Ms Little also relayed how finance teams rose to the occasion. “The finance function has really driven the agenda and provided top-quality advice to leaders.”

FAIR VALUATION IN TIMES OF UNCERTAINTY

The rest of Track 2 saw speakers shed light on key valuation issues. Keoy Soo Earn, Regional Managing Partner for the Financial Advisory practice at Deloitte Southeast Asia, took up the subject of fair valuation and its importance in financial reporting amid the recent uncertainty. He shared different bases of value, such as market value, fair value, investment value, book value and liquidation value as well as various valuation approaches and methods. In particular, he pointed out that fair value as defined in IFRS 13/SFRS(I) 13/FRS 113 *Fair Value Measurement* should be used as the basis of value for valuations for financial reporting purposes, unless otherwise stated in the relevant financial reporting standard.



▲ Keoy Soo Earn, Regional Managing Partner for Financial Advisory, Deloitte Southeast Asia, spoke about fair valuation in financial reporting, and its importance in times of uncertainty

Mr Keoy, who is Past Chairman of the ISCA FRC Valuation Sub-Committee, opined that the challenges in determining fair value are largely due to estimating future cash flows under different scenarios. To portray the difficulty in measuring fair value more intuitively, he drew an analogy with seeking the value of a child. “When we perform a valuation of a child, it is definitely both an art and a science ... because of all the uncertainties. There are so many possible outcomes of who the child will be and the corresponding value of the child.”

Mr Keoy also drew the attention of participants to ISCA Financial Reporting Guidance 1, “Real Property Valuation for Financial Reporting – Best practices when engaging valuers: Considerations for Scope of Work and Valuation Report”, which was published to facilitate compliance with FRS and reduce diversity in practices.

SHARING OF PRACTICAL APPLICATION ISSUES FOR VALUATION

The session ended with a joint presentation by the Accounting and Corporate Regulatory Authority (ACRA) and Institute of Valuers and Appraisers, Singapore (IVAS) on practical application aspects of valuation. Lau Kangli, Principal Compliance Manager in ACRA's Financial Reporting Surveillance Department, provided an overview of the ACRA Financial Reporting Surveillance Programme (FRSP), under which the statutory board reviews financial statements of Singapore-incorporated companies for compliance with the prescribed accounting standards in Singapore. “In these times of uncertainty, valuation and impairment have become more challenging, which underscores the importance of ACRA's collaboration with IVAS (on the reviews),” said Ms Lau. She cited the 2020 Audit Committee Study Report which stated that asset valuation and impairment were key concerns for 83% of audit committees of listed companies in Singapore.

Ms Lau's co-presenter, Andre Toh, Chairman of the IVAS Standards and Technical Working Group, discussed in greater depth the common pitfalls relating to valuation that were encountered during the FRSP reviews. One red flag he singled out was the simple averaging of values between independent and unrelated valuation methods – when two different valuation



▲ Lau Kangli, Principal Compliance Manager, Financial Reporting Surveillance Department, ACRA, provided an overview of the ACRA Financial Reporting Surveillance Programme



▲ Andre Toh, Chairman, Standards and Technical Working Group, Institute of Valuers and Appraisers, Singapore, and Partner, Strategy and Transactions, Ernst & Young Solutions LLP, discussed in greater depth the common pitfalls relating to valuation encountered during the FRSP reviews

approaches are used, each may be justified and perfectly fine, but it is inappropriate for a valuer to come up with a figure that simply uses an average of the two values. This practice is frowned upon under IVS 105 *Valuation Approaches and Methods*. “When different approaches and/or methods result in widely divergent indications of value, a valuer should perform procedures to understand why the value indications differ, as it is generally not appropriate to simply weight two or more divergent indications of value,” he said.

Before bringing the event to a close, Mr Toh, who is also Partner, Strategy and Transactions, Ernst & Young Solutions LLP, reminded the audience to be meticulous in their documentation and to apply robust methodologies when preparing their 2021 financial statements while avoiding double-counting of downside risks. ISCA

Ashok Soman and Wanda Tan are contributing writers.



JACK OF ALL TRADES AND MASTER OF HIS LIFE

WESLEY LYE DRAWS INSPIRATION FROM THE CHINESE HISTORICAL FIGURE ZHUGE LIANG. “In (the movie adaptation of) *Romance of the Three Kingdoms*, his pet phrase was ‘略懂’ (which translates to mean: ‘I have some understanding about the matter.’) – yet he knows ‘a little’ about a lot of things,” shares Mr Lye, who serves as Regional Head of Accounting for Asia, for Commerzbank AG. “I find this a good mantra for accountants. We are not hired just because we are good at numbers. The true value we bring lies in our ability to marry multiple seemingly unrelated areas of expertise to influence a business for the better.”

As such, he takes it upon himself to know his colleagues in all the different departments, and learn a little about every aspect of the business – from compliance

**Wesley Lye, CA (Singapore),
Regional Head of Accounting, Asia,
Commerzbank AG**

and risk management to launching new financial products, data migration, and even software development. “All the parts of a car do not make a moving vehicle – they have to be put together in a cohesive manner. It is the same for business. The success of a business is never an individual effort but that of a collective of subject matter experts. While I may not be a specialist in every field, I try to learn a bit about everything so that I can bring everyone together.”

The lifelong learner, who obtained the Certificate of Competency in ISCA’s Professional Risk Management Programme in December 2019, shares that being an ISCA member has aided his self-improvement journey. Having worked at PwC for six years upon graduation, he found himself in an environment where professional upskilling was highly structured. “It was very much like an extension of school, and you didn’t have to actively manage the learning journey if you didn’t want to,” he recalls.

Mr Lye encountered a different culture when he moved from the public

accounting firm to the commercial sector, and that was when he fully tapped into the plethora of resources and network of experts that ISCA provided. “I am very pragmatic – I am willing to learn anything, as long as it can be applied to a problem or help me to do things better,” he admits. “For example, I took up an SQL course with ISCA when I saw that my team was struggling with an extremely manual data management process – and implemented a solution that ended up saving half a day’s effort each month. But I think that the learning journey is still very personal and dependent on how much you want to push yourself; accounting is just one topic you can do!”

The protean nature of his work suits his personality. “I chose to do accountancy because it allowed most doors to remain open to me upon graduation. This meant I could delay my decision on which career path to take if I needed to!” he says with a laugh, recalling his earlier years. “I used to think that I had to stick to one career for life, and there would be no leeway for change. But I have come to realise that the transferability of my skill sets as an accountant is a real asset as it opens doors to many opportunities. I do not have a 20-year career plan to become CFO of a listed company; I simply stay true to myself, do my best, and go where God leads me.”

“We (accountants) are not hired just because we are good at numbers. The true value we bring lies in our ability to marry multiple seemingly unrelated areas of expertise to influence a business for the better.”



CAREER HIGHLIGHTS

2012 to 2018
Manager, PwC Singapore

2018 to Present
Regional Head of Accounting, Asia,
Commerzbank AG

THE BUSINESS OF DOING GOOD

Doing his best also means steering businesses towards doing good. “At a senior level, the value of our work is not in interpreting numbers to say, ‘This is what we’ve achieved.’ Rather, it is to look at the figures and influence future business decisions. Nobody can predict the future, but there are always tell-tale signs which you can either ignore or take heed and prepare yourself for. And unless you can do that, things will just float along rather than grow,” shares Mr Lye.

The proponent of sustainable business practices goes on to illustrate his point. “Sustainability and climate change are trending business topics now but they aren’t new – we’ve simply been ignoring the signs for more than a decade. And now that the issues have come to the fore, the businesses that took the time to build a talent pool and expertise early can position themselves as thought leaders to champion initiatives.” This doesn’t mean companies should attempt to change their entire business model overnight, he adds. “I go by the 80-20 rule. I will go for the lowest-hanging fruits that drive the biggest impact with the least effort,” he reveals. “It is like building habits: it is more effective to start with exercising a few times a week than to *chiong* (go all out) for one week and burn out. The pain is lesser because it is progressive, and the practice becomes more sustainable.”

It is not just about doing good either. “The fundamental purpose of business is to create value for society, to fulfil unmet needs, and invest in ways to help society. If you continue to do that, your return on investments will keep improving because you are meeting a real need which will pay for itself in time,” explains Mr Lye. This, he feels, would in turn generate income for further investments, allowing the company to continue doing good for the next 20 to 30 years.

His convictions about sustainability extend to his personal commitment to social work. He has been a volunteer

since he was in primary school and over time, the way he gives back to society has evolved. “The heart of service lies in doing what needs to be done, but my accounting background makes me look at new ways of volunteering. So my approach is to consider my skills, and see how best I can contribute.” Recounting his three-month full-time stint at the Singapore Cancer Society prior to starting work at PwC, he recounts, “The chairman of the board, who was from one of the Big Four firms, had asked to meet me as there were not many who did what I did. When I told him that I wasn’t sure if I should make a career out of social work, his advice to me was to start at the accounting firm to build my foundation first. He explained that the technical skills I gain will be valuable when I join the boards and committees of charities in the future, and the impact I can create will be multiplied through the decisions that I help steer.” While Mr Lye, who has a passion for mentoring children and youths, continues to keep his feet on the ground through direct work with beneficiaries, he has also recently joined the finance committee of his church to better direct the use of funds beyond just building maintenance to growing people within the community.

PEOPLE AT THE HEART OF ALL THINGS

While many might associate accountancy with numbers, Mr Lye sees his work as being centred around people. Having a regional role, he has many opportunities to collaborate with people from different geographical locations, backgrounds and cultures, and relishes the challenges posed by diversity. “If you only mingle with those who are too like-minded, you will tend to agree with each other all the time; there will be no intellectual debate, no mental stretch or new perspectives,” he cautions. “Sparring is how people expand their views and sharpen their ability to create new ideas and solutions.”

What is critical is to unite differences

through a common goal. “You won’t get anywhere if many people in a boat are rowing it in different directions,” he points out. “However, if there is a personal buy-in and common conviction in the mission, and a clear understanding of the importance of each person’s role, the load will feel lighter. Instead of requiring every team member to give 100% all the time, you can take turns so that nobody burns out.”

Communication is key, and while many lament that the pandemic has hindered relationship building, Mr Lye feels that the situation has brought the different teams across the region closer. “Where we used to meet the local heads in person once or twice a year, we are now in constant contact, thanks to the dramatically improved video-conferencing infrastructure,” he notes. “With people working from home, we are sometimes given a little glimpse into a different facet of the lives of our team members too.”

Mr Lye believes in following the needs of his team members rather than being rigid in following policies or deadlines. “Systems and policies – be they in business or social service – are meant to cover the general population, but will never be able to take care of every person’s unique circumstance. As a manager, I need to step in and find ways to do things differently,” he shares. “You hear stories of overwork and crazy long hours in the financial sector but thankfully, our bank does not have such a culture. We prefer to take a step back, question how realistic the goals are or how pertinent a deadline is. Certain decisions may not have so big an impact on the company, yet, they can be absolutely critical for the wellbeing of our staff,” he reasons. “Just as with my social work, I measure success by the difference I make to an individual’s life. This impact is what drives me and gives me fulfilment. If I can make somebody’s life better – whether that is a youth I am mentoring or a staff member – that, to me, is success.” ISCA



“I used to think that I had to stick to one career for life, and there would be no leeway for change. But I have come to realise that the transferability of my skill sets as an accountant is a real asset as it opens doors.”



PHOTO SHUTTERSTOCK

BY ISCA, AI SINGAPORE AND NUS BUSINESS SCHOOL

STATE OF PLAY OF INTELLIGENT AUTOMATION IN THE FINANCE FUNCTION

Evolving With The Times

WHILE DIGITALISATION OF THE ECONOMY AND INVESTMENTS IN INTELLIGENT SOLUTIONS HAVE BEEN ACTIVE IN RECENT TIMES, the COVID-19 pandemic has accelerated this trend, which is growing across the globe. A Euromonitor International survey completed in April 2021 showed that 30% of companies globally plan to increase spending on automation tools in the next five years.¹ For many functions within an organisation, this will involve having to adapt quickly to stay relevant and competitive.

The Finance function is no different: accountancy and finance professionals must transform themselves in response to these trends. It is with these reasons in mind that the Institute of Singapore Chartered Accountants (ISCA) embarked on a research project titled “The State of Play of Intelligent Automation in the Finance Function”. The project sought to discover the risks, challenges and benefits for an organisation in implementing intelligent automation (IA) solutions; provide insights into the prevalence of

IA adoption; uncover the expectations of the C-suite before, during and after implementing IA solutions, and provide recommendations for organisations which are considering adopting IA solutions.

This study defines IA as an enhanced form of automation that combines elements of robotic process automation (RPA) and artificial intelligence (AI). Data for the study were collected from two sources: (a) an online survey of C-suite (comprising Chief Executive Officers, Chief Financial Officers (CFOs), Chief Technology Officers/Heads of Information Technology (IT) and Finance Directors, and working-level accountancy and finance professionals (referred to as “Working Level” in the article, and defined as Financial Controllers, Finance Managers, Accounts Managers, Finance Executives and Accounts Executives), and (b) indepth interviews with consultants working primarily in digital transformation, and experts in IA/AI and CFOs.

Done in collaboration with AI Singapore and National University of Singapore (NUS) Business School, the final report was launched at the Institute’s flagship annual Professional Accountants in Business Conference 2021 on August 19.

¹ Liuima, J. (7 May 2021). Coronavirus pandemic turbocharges shift to the digital economy. Euromonitor International. <https://www.euromonitor.com/article/coronavirus-pandemic-turbocharges-shift-to-the-digital-economy>

CULTIVATE AN HONEST, OPEN ENVIRONMENT TO MAXIMISE BENEFITS

One key finding from the study was a perception gap about the efficiency of IA solutions between the C-suite and Working Level in companies that have implemented IA (also known as “IA adopters”): 61.0% of the C-suite were of the belief that IA assumed 26–50% of work, but 69.2% of the Working Level said that these solutions took over just 1–25% of work (Figure 1).

Cyert and March’s (2006) work suggests that this perception gap may be due to how the C-suite tends to be focused on strategic work while Working Level staff are focused on operational issues. To bridge this gap, our interviewees recommended that the C-suite cultivate an environment where employees can provide honest feedback. In addition to offering a realistic picture of what is happening at the operational level, the feedback can also be used to improve the IA solution.

This open and honest communication between the C-suite and Working Level creates a virtuous loop where the IA solution can be continuously improved and employees develop a deeper appreciation of the process and confidence in the IA solution.

STRATEGIC APPLICATION OF IA SOLUTIONS

According to the C-suite, the top three areas within the Finance function where IA solutions were used were Accounts Payable (61.0%), Accounts Receivable (56.6%) and Budgeting/Financial Planning and Analysis (50.7%) (Figure 2).

Accounts Payable and Accounts Receivable are areas that have well-established routines that are frequently executed, making them excellent candidates for automation. Budgeting/Financial Planning and Analysis is another area where IA solutions could

² Cyert, R and March, J. (2006). Chapter 4: Behavioral theory of the firm. In John B. Miner (Ed.), *Organizational Behavior 2: Essential Theories of Process and Structure*. Taylor and Francis. <https://doi.org/10.4324/9781315702001>

Figure 1
In your opinion, how much work has been taken over by your IA solution?

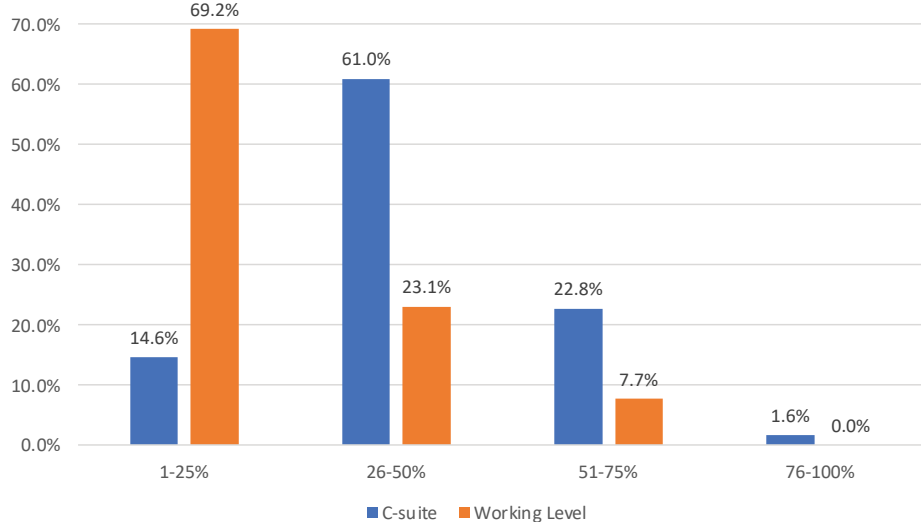


Figure 2
Which function of Finance/Accounts has IA been implemented in?
(C-suite respondents)

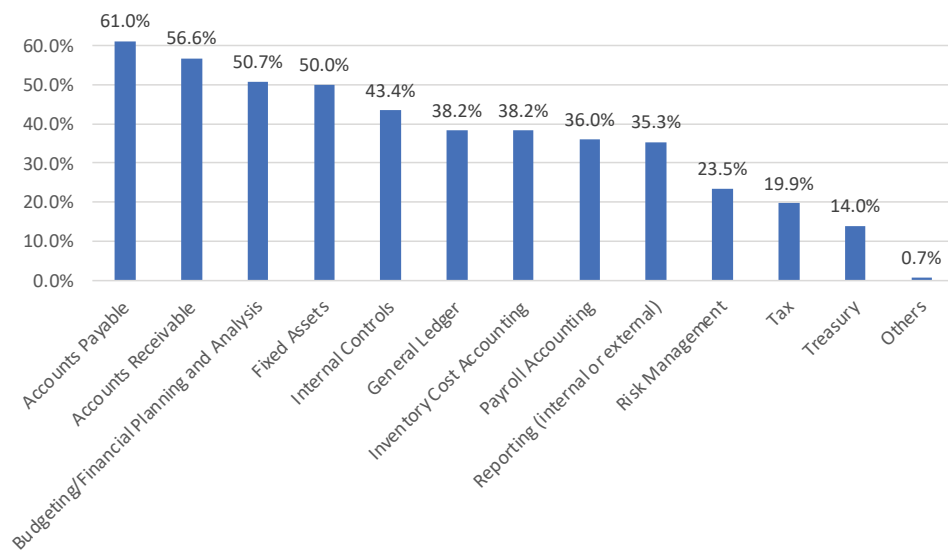


Figure 3
Budget set aside vs actual spend
(C-suite respondents)

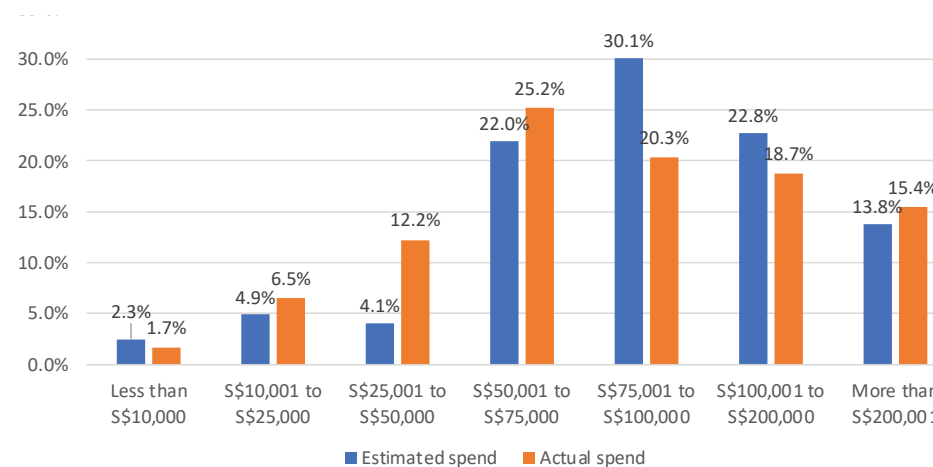
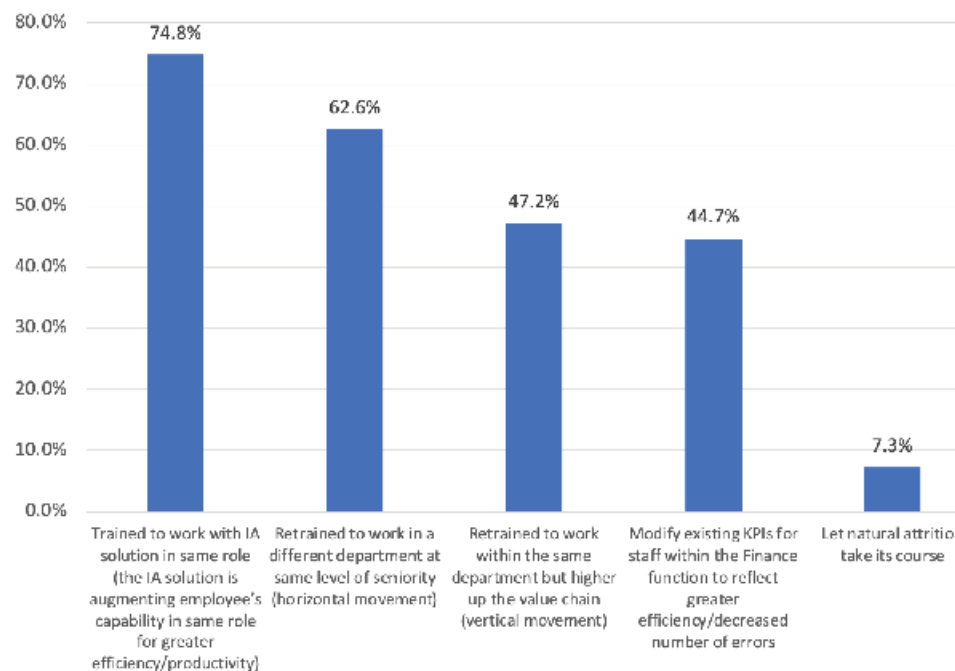


Figure 4
What was done for the employees whose tasks have been impacted by the IA solution?
(C-suite respondents)



be implemented: algorithms can process large, multidimensional data sets and start to generate insights once the accepted financial models have been put in place.

In contrast, Risk Management, Tax and Treasury are the three least popular areas for implementing IA, with only 23.5%, 19.9% and 14.0% of C-suite respondents saying that they had done so, respectively. Compared to Accounts Payable and Accounts Receivable, these three areas may be used less frequently and whose processes are less routine. As such, the “trickle effect” may be such that these will be picked for automation only after more experience is gained from automating other functions. Nonetheless, these three areas remain candidates for automation.

One potential concern of IA implementation is financial cost. However, our study showed that 82.0% of organisations kept within their expected budgets for IA implementation. As can be seen in Figure 3, 64.2% of respondents spent between \$50,001 and \$200,000 on their IA solution (25.2% paid \$50,001–\$75,000, 20.3% paid \$75,001–\$100,000 and 18.7% paid \$100,001–\$200,000). Across our respondents, the average final cost was just over \$98,200.

UPSKILLING AND TRAINING OF FINANCE EMPLOYEES

Efficiency and Compliance (defined as increasing the efficiency of Finance staff/procedures, raising levels of compliance, and lowering rates of errors, etc) was rated the most important consideration by 45.5% of C-suite respondents who have IA in their Finance function. This was also reflected in how the IA solution ultimately impacted Finance employees: a significant 74.8% of C-suite respondents said that the IA solution augmented their Finance employees’ capabilities in the same role for greater efficiency and productivity. Similarly, 62.6% of the C-suite retrained their Finance employees to work in a different department at the same level of seniority (Figure 4).

The findings validated anecdotal impressions of the impact of intelligent solutions on Working Level staff. However, it should be noted that only 44.7% of C-suite respondents modified key performance indicators for staff within the Finance function to reflect greater efficiency. This may mean that the full return on investment in the IA solution may not be truly captured.

IA AS A GATEWAY TO DIGITALISATION

Our study showed that 97.4% of respondents adopted the IA solution in the Finance function as part of their digitalisation plan. Of these respondents, 89.4% and 73.2% have adopted either AI or RPA (Figure 5).

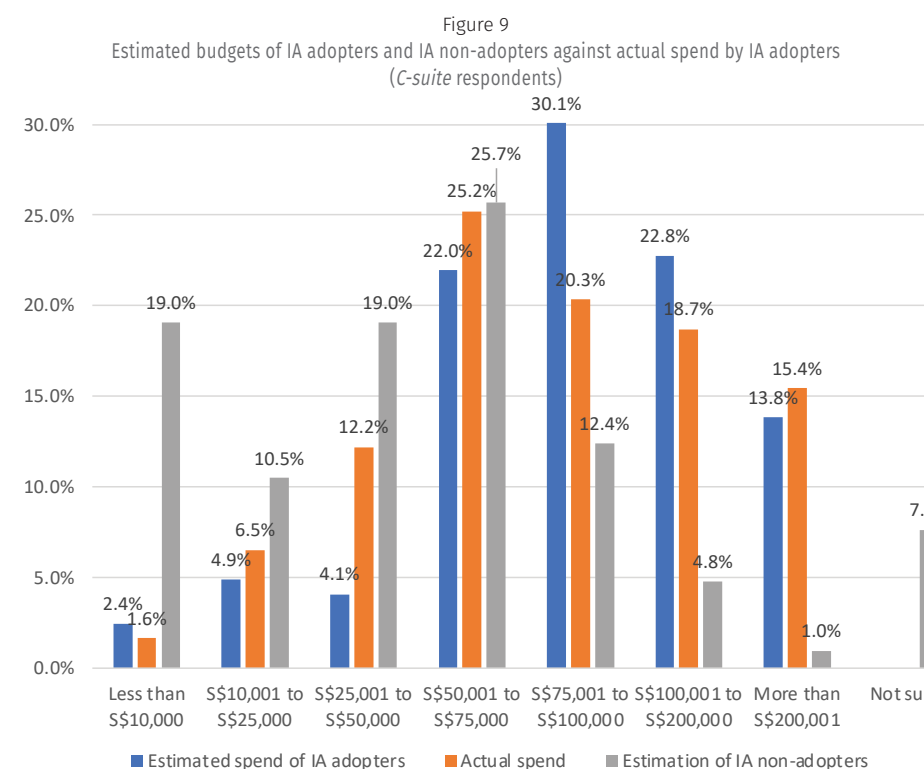
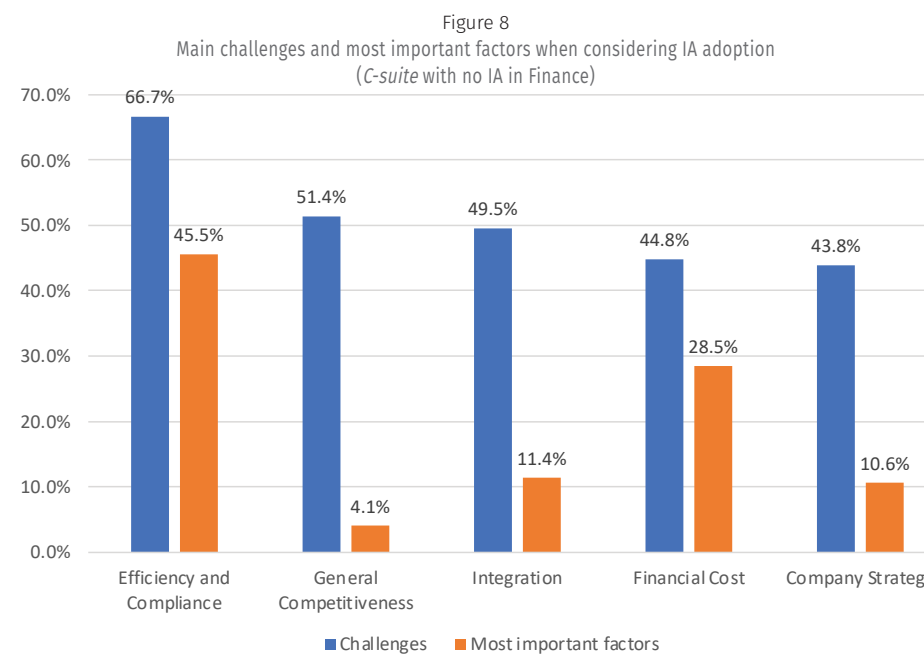
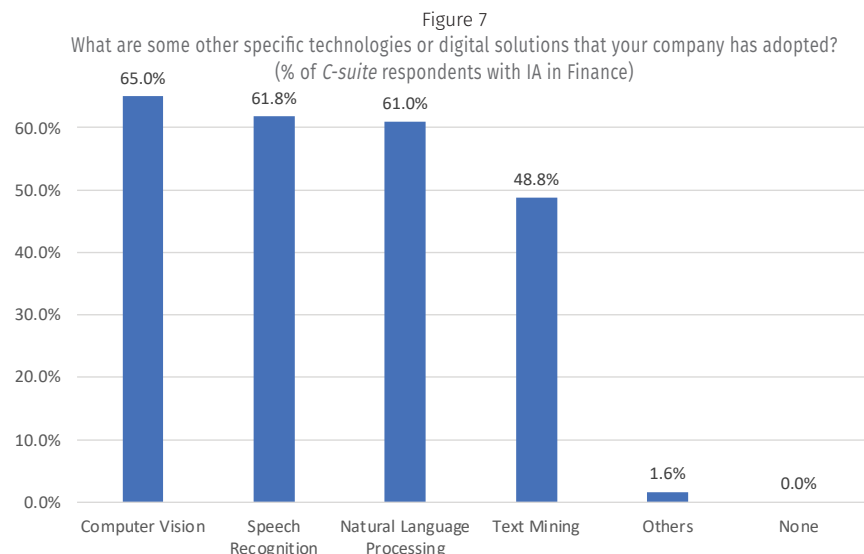
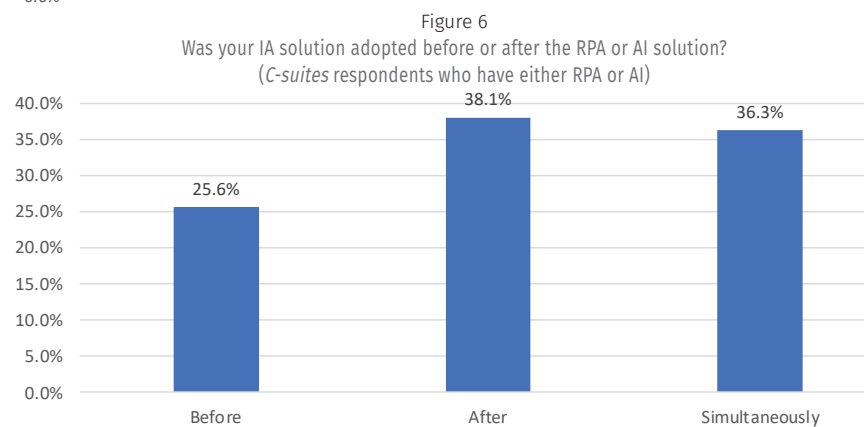
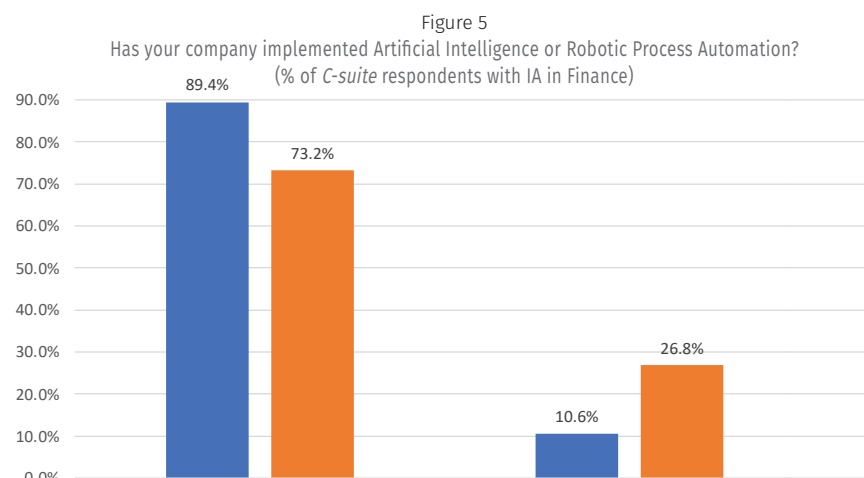
Of note, 25.6% of respondents who adopted either RPA or AI said that they implemented an IA solution before going on to implement RPA or AI, while 36.3% said that they opted for a simultaneous implementation of the intelligent solutions (Figure 6).

This trend may indicate that organisations, after having adopted either IA, AI or RPA, will eventually go on to adopt more automated solutions. These technologies themselves act as precursors to adoption of other more specialised digital technologies such as Computer Vision (65.0%), Speech Recognition (61.8%), Natural Language Processing (61.0%) and Text Mining (48.8%) (Figure 7).

Thus, the adoption of an IA solution may serve as a relatively simple entry point and threshold for organisations seeking to kickstart their digitalisation journeys.

CONCERNS AND CHALLENGES REGARDING IA ADOPTION

Nonetheless, challenges to adopting IA solutions remain: 55.3% of



respondents said that their organisations have no plans to adopt IA in the Finance function, and a mere 17.1% said they had plans, but had yet to execute them. This group of IA non-adopters felt that Efficiency and Compliance (66.7%) was the greatest challenge they faced. This aligns with the main reason that organisations elected for an IA solution.

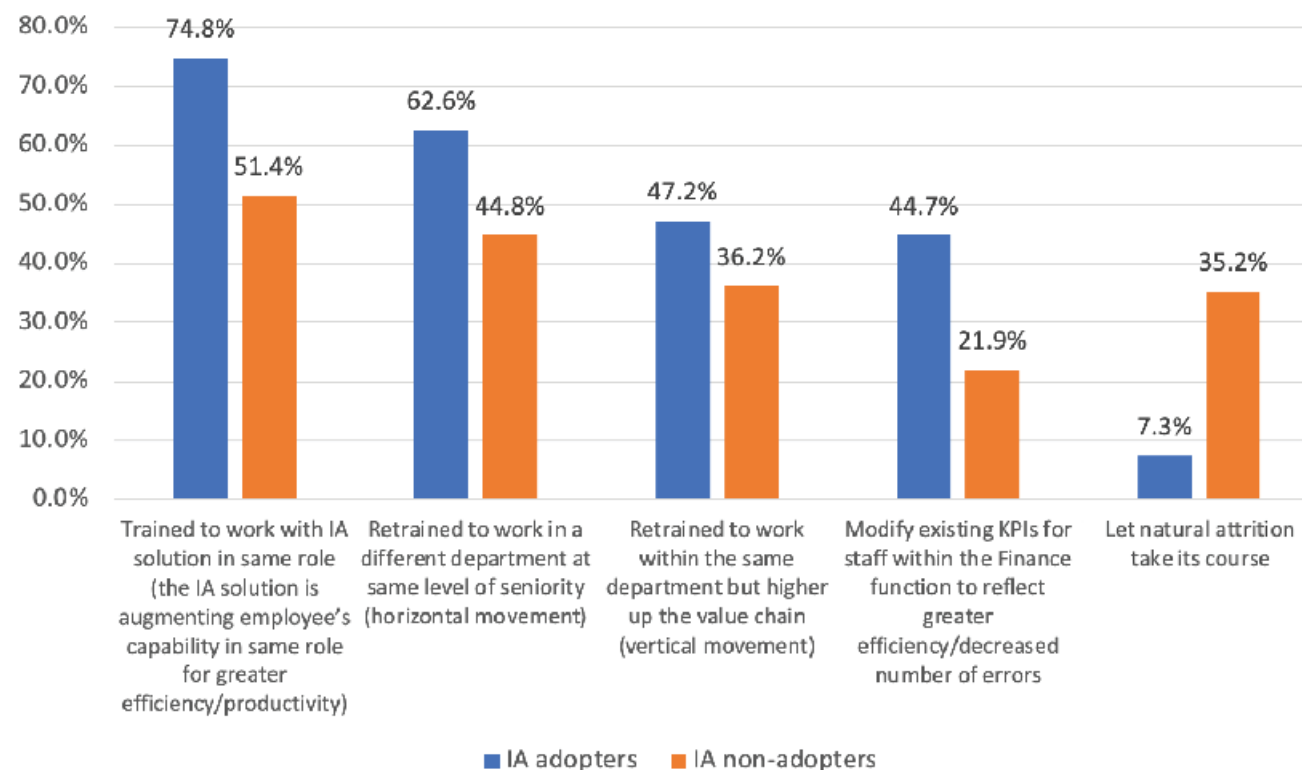
However, General Competitiveness (51.4%) and Integration (49.5%) (defined as an organisation's general competitiveness, and training staff/adapting processes to use IA solution time/effort required to incorporate into current systems etc, respectively) are the next two concerns for the IA non-adopters (Figure 8).

Taken together, these three challenges may suggest that IA non-adopters may be unsure about the benefits of automated solutions in general.

A significant portion of IA adopters (28.5%) and IA non-adopters (44.8%) believed that Financial Cost was an important factor and a key challenge, respectively (Figure 8). Closer examination of the data showed that 74.2% of IA non-adopters overestimated the cost of adopting an IA solution in the first four estimated budget bands (from less than \$10,000 to \$75,000), compared to the actual expenditure of IA adopters (Figure 9). This hints at another aspect of hesitance towards adoption of IA solutions: without a true understanding and estimation of the actual financial costs, it would be difficult to justify taking any concrete steps towards adoption.

A third concern that IA non-adopters may have was the impact

Figure 10
Impact on Finance employees, IA adopters compared to IA non-adopters



of the IA solution on their Finance employees. Figure 10 shows that 51.4% of IA non-adopters would train their Finance employees to work with the IA solution in the same role, and only 36.2% of them said that Finance employees would be retrained to work higher up the value chain. A similar portion of respondents (35.2%) said that they would let natural attrition take its course once the IA solution was implemented – an unwelcome side effect of digitalisation by any measure.

Taken in totality, the trifecta of doubts surrounding the benefits of

automation, an overestimation of the financial costs, and uncertainty about the impact of IA on their Finance employees made up the main challenges and concerns among IA non-adopters.

RECOMMENDATIONS

To help organisations begin their digitalisation journey with IA solutions, the project included eight recommendations, abbreviated here from the final report.

- 1) **Start small.**
Do not overreach, and start by

automating simple processes. It is important to take baby steps to acquire experience and, more critically, confidence, when adopting IA. If early projects do not demonstrate any return on investment, or if users do not see the benefits, the project is likely to be unsuccessful.

- 2) **Leadership from the top is critical.**

The role of the CFO, and in general the C-suite, is to set the direction and provide the input for how the existing processes and Finance talent should change and evolve with the

technology being contemplated. The top management also decides on the pace of automation. Therefore, any IA adoption must receive the endorsement and support from the very top.

- 3) **Buy-in from all levels is essential.**

Once endorsement from the top is achieved, the C-suite needs to convince the remaining levels to come onboard the IA adoption. Since the Finance function employees are the end users of the intelligent solution, they are the people intimately aware of what the process entails. With their hands-on knowledge, they can be tapped on to provide a basic blueprint of the process as well as the list of requirements which the IA solution should fulfil. At the same time, the IT department should be involved as well. They will need to understand the expected level of IT involvement should changes or tweaks need to be made regarding how the solution has been set up.

- 4) **Manage the transition to automation carefully.**

Automation has sometimes been perceived as a threat to job security. The C-suite will need to manage perceptions and allay fears when transitioning to automation, such as by offering reskilling and/or upskilling opportunities as well as relevant resources to employees to address their concerns.

- 5) **Communication must be a two-way channel, and taken seriously.**

Automation can be both a boon and a threat. Communication in both directions is key to ensure that everyone's voice is heard at all stages of the IA adoption journey.

- a) The C-suite has to foster an environment where the Working

Level staff are able and encouraged to provide honest and constructive feedback about the solution, updated processes, outputs and whether the pain points have been resolved.

- b) To garner buy-in, the company needs to continuously emphasise, explain and promote the strategic vision and objectives of the solution to all levels after implementation. This is especially beneficial for staff who are deeply involved operationally, to be able to occasionally take a step back and assimilate the strategic vision of the company.

- 6) **Consider the opinions of Working Level staff, particularly during process improvement phases.**

As Working Level employees are familiar with the processes, their feedback about operational concerns are often critical sources of information which can be used to improve the IA solution. Recalibration and retraining of the solution are essential in ensuring that its performance is maintained, to keep up with changes in data quality.

- 7) **Ensure that expectations across all levels are realistic and specific.**

The following (non-exhaustive) list shows some of the common expectations when considering IA adoption:

- a) Investment cost should commensurate with expected return/value.
- b) The solution can address a specific pain point/problem that it is intended to address.
- c) The extent and type of post-implementation support offered to users should be comprehensive (for example, training, troubleshooting, maintenance, etc).
- d) The solution is easy to implement and integrate into existing systems.
- e) The experience and capabilities of implementation consultants are appropriate and specific.

Expectations may vary across different strategic and operational levels. To minimise the gaps in perception, the C-suite should also set realistic expectations that are informed by the Working Level.

- 8) **Seek to continuously improve on the process and the solution.**

Implementing an IA solution is not an end in itself. Companies should adopt an IA solution with the understanding that it is a continuous and ongoing process that needs constant improvements, and that the solution will grow with the organisation.

CONCLUSION

The benefits of automation are well-documented but it requires a concerted effort across the entire organisation. For organisations which are keen or even just curious about IA, it would be best to first identify a process that is well-established and frequently used, and explore how an IA solution can help relieve some or all of the tedium associated with the process. Open communication channels are essential not only for ensuring that the IA solution can integrate with current systems and processes but also for continuous improvement and maintenance of the IA solution. Organisations would do well to keep in mind that automation is just a first step towards long-term sustainability of its operations.

The full report is available online (<https://isca.org.sg/resource-library/business-insights/technology/state-of-play-of-intelligent-automation-in-the-finance-function>). ISCA

This article was written by ISCA, AI Singapore and NUS Business School, National University of Singapore.

BY KELLOGG INSIGHT

DREAD NETWORKING?

Here's How To Make It Feel Less Icky

THE PROFESSIONAL BENEFITS OF NETWORKING ARE WELL DOCUMENTED.¹

But if the very thought makes you squirm with discomfort, you aren't alone.

In a 2014 paper, Maryam Kouchaki found that networking makes people feel morally impure, especially workers lower on the professional food chain who see engaging in networking as selfish.² But despite the “ick” factor, failure to network has real consequences for workplace performance: the research showed that lawyers who felt dirty about networking had fewer billable hours than their unbothered counterparts.

The study left Kouchaki, Associate Professor of Management and Organizations at the Kellogg School, with questions: “we wanted to know what determines whether people feel guilty or not, and what we can do to help people get over this discomfort”.

Kouchaki and her coauthors – Francesca Gino of Harvard University and Tiziana Casciaro of the University of Toronto – suspected they might find answers in regulatory focus theory, which posits that people approach their goals with either a promotion focus (thinking about hopes and aspirations and achieving the best possible outcome) or a prevention focus (thinking about duties and obligations and maintaining a state of safety).

While most of us have a natural tendency toward one style or the other, it's not set in stone; we easily can be nudged to approach a particular situation with either a promotion or a prevention focus despite our typical leanings. We can view networking, for example, through a prevention lens as a professional duty

or through a promotion lens as a way of achieving one's goals.

The researchers suspected that approaching networking with a prevention focus would lead to greater feelings of moral impurity, but that a promotion focus would alleviate the awkwardness and increase people's tendency to network. And across several studies, that's exactly what they found: the more promotion-focused people were, the less troubled by networking they felt, and the more likely they were to actually do it.

The research suggests that, for those who loathe happy-hour meetups and employee get-togethers, a change in attitude could be the ticket to a bigger network and more productive career.

SURVEY SAYS: A PROMOTION FOCUS MAKES NETWORKING LESS UNCOMFORTABLE

To begin, the researchers used an online survey to look at how people's innate tendency toward promotion- or prevention-focused thinking shaped their feelings about networking.

The 412 survey respondents answered a set of questions designed to assess their levels of promotion and prevention focus. These included: “I see myself as someone who is primarily striving to reach my ‘ideal self’” (promotion focus), and “I see myself as someone who is primarily striving to become the self I ‘ought’ to be” (prevention focus).

Next, they were asked to write about a professional networking experience. Then, participants rated how wrong, unnatural, or impure the experience of networking made them feel.

As the researchers had hypothesized, regulatory focus correlated with people's reactions to networking. The more promotion-focused respondents were, the less impure they felt about networking; the more prevention-focused they were, the more they experienced that “ick” factor.

A PREVENTION FOCUS MAKES NETWORKING SEEM LIKE DIRTY WORK

In another study, the researchers examined how encouraging a promotion or prevention focus might influence people's responses to networking. They also looked at two different kinds of networking: spontaneous, unintentional networking and intentional, concerted glad-handing.

To control for differences across cultures, they recruited two groups of participants – one in the United States and the other in Italy. The same procedure was used for both groups.

To begin, participants completed a writing task that was designed to put them in either a promotion- or prevention-focused state of mind. The promotion-focused group wrote about a hope or aspiration, while the prevention-focused group wrote about a duty or obligation.

The research suggests that, for those who loathe happy-hour meetups and employee get-togethers, a change in attitude could be the ticket to a bigger network and more productive career.



PHOTO SHUTTERSTOCK

¹ Brass, D. J., Galaskiewicz, J., Greeve, H. R., & Tsai, W. (30 Nov 2017). Taking stock of networks and organizations: a multilevel perspective. *Academy of Management Journal* 47(6). <https://doi.org/10.5465/20159624>

² Kouchaki, M. (6 Oct 2014). Networking is a dirty business. Kellogg Insight. <https://insight.kellogg.northwestern.edu/article/networking-is-a-dirty-business>



Then, participants read a story in which they were asked to imagine themselves as the protagonist. Half the participants were given a scenario of spontaneous networking; the rest read about a social situation in which they intentionally pursued professional contacts.

Next, participants completed a number

of tasks designed to assess their feelings of impurity.

The idea was that any feelings of impurity associated with networking might lead participants to want to cleanse themselves. “If people psychologically feel impure,” Kouchaki explains, “then you should see a consequence in the behaviours

they want to engage in. If you feel dirty, you should want to clean yourself.”

In one task, they saw a list of emotions (including “dirty”, “inauthentic” and “impure”) and were asked to rate how strongly they felt each one after reading the story. In another task, participants completed a fast, fill-in-the-blank word-

completion task that included words that could be filled in with terms associated with cleaning, such as “wash” and “shower” (W _ _ H, SH _ _ E R), alongside neutral words such as “book” (B _ _ K).

The researchers found patterns consistent with the surveys they had conducted. Overall, participants who

It can also help to remind yourself that networking isn’t just selfish. **“Think about how you’re benefiting others... By expanding your own professional network, you may be able to help employees or colleagues find their next opportunities.”**

approached networking with a promotion focus felt less impure than those who approached it with a prevention focus.

What’s more, this effect was almost entirely driven by intentional networking – which prompted more feelings of impurity overall, but especially among those with a prevention focus.

Taken together, these results added further evidence that people’s regulatory mindset influences how they feel about the morality of networking: a promotion focus results in fewer feelings of impurity, but a prevention focus has you reaching for the Purell.

PUTTING RESEARCH INTO PRACTICE

For their final study, the researchers looked at how inducing a promotion- or prevention-focused mindset toward networking would influence real-world behaviour.

They recruited 444 working professionals from a variety of professional services firms in law, accounting, consulting, sales, insurance and realty for a six-week study. Participants received weekly messages designed to prompt promotion- or prevention-focused attitudes toward networking. The promotion-focused message highlighted how networking can help people live up to their highest aspirations; the prevention-focused message framed networking as an important professional obligation.

At the end of the six weeks, participants completed a survey. In addition to asking how often participants had networked in the last month and how many new contacts they had made, the survey asked about participants’ emotions while engaging in networking. It also included demographic questions and measures of introversion and extroversion.

As in the previous studies, participants in the promotion group reported feeling less morally impure than those in the

prevention group. They also reported networking more frequently and adding more new professional contacts – nearly eight on average, compared with 5.5 for participants in the prevention group. Notably, this was true even after controlling for extroversion, a quality that might make some people more natural networkers than others.

Further statistical analysis confirmed that it was the greater feelings of impurity that led people in the prevention group to network less than people in the promotion group. In other words, if you can shake off the dirty feeling, you’re more likely to shake new hands.

WASHING YOUR HANDS OF NETWORKING DISCOMFORT

Kouchaki says the research offers a simple way to help reluctant networkers overcome their discomfort.

“Think about networking as an opportunity rather than a burden,” she advises. “That’s the biggest hurdle you need to overcome.” The more you view networking through that promotion-focused lens, the easier it will feel, and the more likely you’ll be to actually do it.

It can also help to remind yourself that networking isn’t just selfish. “Think about how you’re benefiting others,” she says. By expanding your own professional network, you may be able to help employees or colleagues find their next opportunities.

It’s something Kouchaki has to remind herself too. “Anytime I’m feeling awkward about an interaction at a conference or a meeting over Zoom, I remind myself why I’m doing this,” she says. “And the reason is, it’s a learning opportunity.” ISCA

This article was previously published in Kellogg Insight. Reprinted with permission of the Kellogg School of Management.

TECHNICAL HIGHLIGHTS

AUDITING AND ASSURANCE

ISCA ISSUES SSA 315 (REVISED 2021)

SSA 315 (Revised 2021) deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements. The amendments, which include enhancing the application of professional scepticism in audits, encourage a more robust risk assessment and thereby more focused responses to identified risks. Effective for audits of financial statements for periods beginning on or after 15 December 2021.

For more information, please visit

<https://isca.org.sg/content-item?id=7e1c9b82-2f89-4d8c-9816-109606c89474>

ISCA ISSUES SSRS 4400 (REVISED) AGREED-UPON PROCEDURES (AUP) ENGAGEMENTS

SSRS 4400 (Revised) deals with the practitioner's responsibilities when engaged to perform an AUP engagement, and the form and content of the AUP report. Revisions include new requirements for a practitioner to exercise professional judgement throughout the engagement and usage of clear terminology in the AUP report. Effective for AUP engagements for which the terms of engagement are agreed on or after 1 January 2022.

For more information, please visit

<https://isca.org.sg/content-item?id=8e1823b1-0c34-45b3-98c0-5feefa90ce5e>

ISCA ISSUES CONFORMING AMENDMENTS TO THE ISCA SINGAPORE STANDARDS ARISING FROM REVISIONS TO ETHICS CODES

The conforming amendments align the ISCA Singapore Standards to the ACRA Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities and ISCA Code of Professional Conduct and Ethics. Effective as of 1 December 2021.

For more information, please visit

<https://isca.org.sg/content-item?id=49b05bd9-5792-487a-bce8-cc021d62b41a>

ISCA INVITES COMMENTS ON IAASB'S EXPOSURE DRAFT: PROPOSED INTERNATIONAL STANDARD ON AUDITING FOR AUDITS OF FINANCIAL STATEMENTS OF LESS COMPLEX ENTITIES (ISA FOR LCE)

ISCA seeks comments on IAASB's exposure draft on this new standard, which is drafted to be proportionate to the typical nature and circumstance of an audit of a less complex entity. Please send comments to technical@isca.org.sg by 9 November 2021.

For more information, please visit

<https://isca.org.sg/content-item?id=252e486e-140e-46b4-88c7-a465e796fddb>



ETHICS

ISCA COMMENTS ON IESBA'S PROPOSED QUALITY MANAGEMENT-RELATED CONFORMING AMENDMENTS TO THE CODE

ISCA supports the proposed conforming amendments to the Code to be aligned with the terms and concepts used in ISQM 1 and ISQM 2.

However, we believe that the decision on whether to accept or continue a client relationship or specific engagement should be the shared responsibility of the firm and the engagement partner. As such, we recommend that IESBA considers amending the relevant provision in the Code.

For more information, please visit:

[https://isca.org.sg/docs/default-source/ep-100/cps-and-cl/isca%27s-comment-letter---qm-related-conforming-amendments-\(submission\).pdf](https://isca.org.sg/docs/default-source/ep-100/cps-and-cl/isca%27s-comment-letter---qm-related-conforming-amendments-(submission).pdf)

FINANCIAL REPORTING

ISCA COMMENTS ON IASB'S ED ON LACK OF EXCHANGEABILITY

ISCA notes that situations where entities in Singapore would experience a lack of exchangeability from one currency to another currency is very rare. Nevertheless, we understand that a sustained period of lack of exchangeability may arise, for example, when an entity transacts or has operations in a hyper-inflationary economy. Hence, we are supportive of the proposed narrow-scope amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* to address the issue of how entities should determine the exchange rate to apply when a currency is not exchangeable.

For more information, please visit

<https://isca.org.sg/docs/default-source/fr-eds-and-comment-letters/isca-comment-letter-on-iasb's-ed-on-lack-of-exchangeability.pdf>

ASC ISSUES AMENDMENTS TO SFRS(D) 1-12 AND FRS 12 ON DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

The amendments clarify that entities should account for deferred tax on temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

For more information, please visit

<https://www.asc.gov.sg/current-news>

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JULY 2021 IASB PODCAST AVAILABLE

IASB's new Chair Andreas Barckow and Vice-Chair Sue Lloyd shared on IASB's discussions at its July meeting. Topics include updates on the post-implementation reviews of IFRS 9 *Financial Instruments* and IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, and decisions taken regarding changes to IASB's preliminary views in the Primary Financial Statements project.

For more information, please visit

<https://www.ifrs.org/news-and-events/news/2021/07/july-2021-iasb-podcast-available-now/>

IASB UPDATE SEPTEMBER 2021

This Update highlights IASB's discussions on topics such as Post-implementation Review of IFRS 9 – Classification and Measurement and Joint Ventures and Financial Instruments with Characteristics of Equity. The IASB work plan has also been updated.

For more information, please visit

<https://www.ifrs.org/news-and-events/updates/iasb/2021/iasb-update-september-2021/>

IFRIC UPDATE SEPTEMBER 2021

This Update is a summary of the tentative agenda decisions and agenda decisions of the IFRS Interpretations Committee (IFRIC). Topics include Demand Deposits with Restrictions on Use (IAS 7), Cash Received via Electronic Transfer as Settlement

for a Financial Asset, Non-refundable Value Added Tax on Lease Payments (IFRS 16) and Accounting for Warrants that are Classified as Financial Liabilities on Initial Recognition (IAS 32).

For more information, please visit

<https://www.ifrs.org/news-and-events/updates/ifric/2021/ifric-update-september-2021/>

SUSTAINABILITY REPORTING & CLIMATE CHANGE

ISCA ISSUES PUBLICATION "FUELING SUSTAINABLE ECOSYSTEMS – INSIGHTS FROM THE FINANCIAL SERVICES SECTOR"

Recognising the significant and unique role of financial institutions as a key capital provider to businesses, the publication, *Fueling Sustainable Ecosystems – Insights From the Financial Services Sector*, shares the views of the financial services sector in pursuing sustainable development. It highlights the developments and perspectives from the financial services sector which are relevant for businesses in setting out corporate strategies and decisions. It also features considerations for businesses which are just starting their sustainability journey.

For more information, please visit

<https://isca.org.sg/standards-guidance/sustainability-and-climate-change/thought-leadership/fueling-sustainable-ecosystems-insights-from-the-financial-services-sector>

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PREFERRED TOPICS

- Climate change and sustainability reporting
- Data protection and privacy
- Risk management and the use of technology
- Technology-related articles (e.g. digital transformation, automation, digital dashboards to improve reporting, etc)
- Impact of global developments on the economy (e.g. increased protectionism, trade tensions between US and China, Covid-19, unrest in Myanmar, etc)
- Issues related to small and medium-sized enterprises (e.g. mergers and acquisitions, the Insolvency, Restructuring and Dissolution Act 2018, funding such as mezzanine financing, etc)

IMPORTANT NOTES

- 1) All articles must be the author's original work and must not have been published before in another medium of any kind.
- 2) All articles may be edited for clarity or length. The copyright of the edited article will belong to ISCA.
- 3) All articles should be submitted in electronic form using Microsoft Word.
- 4) All articles should be between 1,200 and 1,400 words.
- 5) All sources referenced must be cited using proper footnotes.

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BY TOMMY YEE

DON'S COLUMN

APPLICATION OF THE PRINCIPAL PURPOSE TEST

Important Considerations For Taxpayers

SINGAPORE SIGNED THE MULTILATERAL CONVENTION to Implement the Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, commonly referred to as the Multilateral Instrument (“MLI”) on 7 June 2017. The MLI is a multilateral instrument which enables the implementation of the measures in the OECD/G20 Project to tackle Base Erosion and Profit Shifting (the “BEPS Project”) via changes to tax treaties. The MLI does not act as an amending protocol to a single tax treaty; rather, it is to be applied alongside tax treaties¹. Signatory jurisdictions can choose their specific tax treaties to be modified by the MLI and have the flexibility to opt out of optional provisions through the use of a reservation. However, provisions that reflect a minimum standard can only be opted out in limited circumstances. A tax treaty is only modified by the MLI to the extent of the agreement of both treaty partners and the modifications shall only be effective after ratification² by both treaty partners in accordance with their domestic requirements. Notably, Singapore has agreed to adopt in its tax treaties, the Principal Purpose Test (PPT)³ via the MLI to meet the minimum standard for the prevention of treaty abuse. This article discusses the application of the PPT.

PRINCIPAL PURPOSE TEST

The PPT³ reads: “Notwithstanding any provisions of a Covered Tax Agreement, a benefit under the Covered Tax Agreement shall not be granted in respect of an item of income or capital if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of the Covered Tax Agreement.”

Treaty benefits could include the limitation of Singapore withholding tax on royalties and interest paid to foreign parties

or restriction on taxing business profits of an enterprise of another jurisdiction if the enterprise does not have a permanent establishment in Singapore.

There is a need to understand the following for the application of PPT:

- “The principal purposes of any arrangement or transaction”;
- “Reasonable to conclude, having regard to all relevant facts and circumstances”;
- The exception rule in the PPT that allows treaty benefits which are “in accordance with the object and purpose of the relevant provisions”.

“The principal purposes of any arrangement or transaction”

A treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of

... the conclusion as to whether PPT applies should not be based on an assumption that a principal purpose of a transaction is to obtain treaty benefits in situations where a large quantum of treaty benefits is obtained.



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¹ Explanatory Statement to the MLI.

² Singapore ratified the MLI on 21 Dec 2018.

³ Article 7(1) of the MLI.



Some of Singapore's ratified tax treaties include the discretionary relief provision which would give a tax authority discretion to grant treaty benefits to a taxpayer, upon request, despite the taxpayer failing the PPT.

the treaty in their context and in light of its object and purpose.⁴ In its ordinary meaning, "principal" means "most important, main" based on the Oxford English Dictionary. The OECD commentary on Article 29⁵ of the OECD Model Tax Convention (2017) explains that the tax motive of obtaining a treaty benefit need not be the sole or dominant motive and PPT shall apply as long as one of the principal purposes is to obtain the

treaty benefit⁶ (unless the exception rule applies). In reality, tax is often a factor that is considered along with the commercial and business justifications for undertaking a certain transaction or arrangement. The reasonableness test (to be covered in the next paragraph) will be used to determine whether obtaining treaty benefits constitutes a principal purpose of a certain transaction or arrangement by comparing its non-tax justifications

PHOTO: SHUTTERSTOCK

to the treaty benefits obtained. It is argued that the scope of PPT could potentially cover many commercial transactions or arrangements which are not abusive and this could lead to more tax disputes and litigation.

"Reasonable to conclude, having regard to all relevant facts and circumstances"

This phrase entails a reasonableness test which requires a reasonable conclusion to be arrived at, using objective evidence on a case-by-case basis. Both the OECD commentary⁷ and IRAS' guidance⁸ state that it is important to undertake an objective analysis of the aims and objects of all persons involved, taking into account all facts and circumstances surrounding the arrangement or transaction. In addition, the OECD commentary⁷ and IRAS' guidance⁸ both add that the principal purposes of an arrangement or transaction would not be determined by merely reviewing the effects of the arrangement or transaction. Therefore, the conclusion as to whether PPT applies should not be based on an assumption that a principal purpose of a transaction is to obtain treaty benefits in situations where a large quantum of treaty benefits is obtained. Further guidance on the reasonableness test found in the OECD commentary⁹

⁴ Article 31(1) of the Vienna Convention on the Law of Treaties (VCLT).

⁵ The PPT is found in Article 29(9) of the OECD Model Tax Convention (2017).

⁶ Paragraph 180 of the commentary on Article 29 of OECD Model Tax Convention (2017).

⁷ Paragraph 178 of the commentary on Article 29 of OECD Model Tax Convention (2017).

⁸ Paragraph 6.50 of the e-Tax Guide, "Avoidance of Double Taxation Agreements (DTAs) (Second Edition)".

⁹ Paragraph 181 of the commentary on Article 29 of OECD Model Tax Convention (2017).

¹⁰ Examples C and D in Paragraph 182 of the commentary on Article 29 of OECD Model Tax Convention (2017). It should be noted that the examples are purely for illustrative purposes and should not be interpreted as providing conditions or requirements that similar transactions must meet in order to avoid the application of PPT.

¹¹ Article 31(2) of the VCLT states: "The context for the purpose of the interpretation of a treaty shall comprise, in addition to the text, including its preamble and annexes". Paragraph 173 of the commentary on Article 29 of OECD Model Tax Convention (2017) also states that the PPT has to be read in the context of the rest of the Convention and, in particular, its preamble to determine the object and purpose of the relevant provisions.

¹² This is also a minimum standard of the MLI.

¹³ Paragraph 4.4 of the e-Tax Guide, "Avoidance of Double Taxation Agreements (DTAs) (Second Edition)".

¹⁴ Includes Australian Taxation Office (ATO) and Canada Revenue Agency (CRA). The ATO's Practice Statement on Law Administration, "PS LA 2020/2", and the CRA at the 2020 Canadian Tax Foundation (CTF) Conference have provided a list of questions that will be taken into account in their assessment of the PPT.

and IRAS' guidance⁸ also inform where the arrangement is connected with a core commercial activity and its form is not contrived, it would not be reasonable to conclude that one of the principal purposes of the arrangement is to obtain a treaty benefit.

Exception rule in PPT

The exception rule in the PPT applies when one of the principal purposes of a transaction or arrangement is to obtain treaty benefits but the treaty benefits are in accordance with the object and purpose of the relevant treaty provisions; in such cases, treaty benefits are not denied.

To interpret the object and purpose of the relevant provisions of the tax treaty, the object and purpose of the tax treaty should be examined as well. This is evident from the examples¹⁰ in the OECD commentary which look at tax treaties' overall intent of encouraging cross-border investment to assess if a treaty benefit should be granted based on the PPT. The purpose of tax treaties is usually found in the preamble¹¹ and Singapore, in its signing of the MLI, has agreed to the inclusion of a statement clarifying that the tax treaty is "intended to eliminate double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance"¹² in the preamble of its tax treaties. Therefore, the modified preamble should be taken into account in applying the exception rule¹³.

DOCUMENTATION

To reduce uncertainty surrounding the application of the PPT, some tax authorities¹⁴ have provided a list of relevant questions for their assessment of the PPT. These questions, which focus on determining the purposes of an arrangement, include:

- What are the direct and indirect results of the arrangement?
- What are the terms of the arrangement and do they lead to the expected results?
- What are the steps undertaken to carry the arrangement to effect?
- What do the circumstances surrounding the arrangement, the way it was implemented, as well as its terms, indicate about the arrangement and its intended results?



- Is there an alternative way that the non-tax objectives of the arrangement could be achieved?
- Is the arrangement more complex or does it contain more steps than is necessary to achieve the non-tax objectives? For example, is there a more convenient, commercial or cost-effective way of achieving the same non-tax objectives?
- Absent any tax benefit, are there quantifiable financial benefits arising from the arrangement?
- Is there a discrepancy between the substance of what the arrangement achieves and its legal form?
- What are the non-tax benefit purposes for establishing each of the relevant entities or actions in each relevant jurisdiction?
- Is the existence of any entity or action in the arrangement explainable only if it is principally concerned with obtaining the relevant benefit?

¹⁵Includes source documents for the arrangement, such as agreements between relevant parties, minutes of board and other meetings at which the arrangement or transaction was considered, internal cost-benefit analyses and commercial, regulatory and tax advice relating to the arrangement.

¹⁶Tax treaties between Singapore and Hungary, Ireland, Luxembourg and the Netherlands include the discretionary relief provision.

¹⁷Article 7(4) of the MLI.

To interpret the object and purpose of the relevant provisions of the tax treaty, the object and purpose of the tax treaty should be examined as well.

It is likely that IRAS will take the above questions into account for the assessment of the PPT and require taxpayers to furnish the information in connection with the questions. Therefore, taxpayers are encouraged to maintain the necessary documentation¹⁵ for information in relation to these questions, especially that pertaining to non-tax purposes and benefits in their arrangements which resulted in treaty benefits.

DISCRETIONARY RELIEF

Some of Singapore's ratified tax treaties¹⁶ include the discretionary relief provision¹⁷ which would give a tax authority discretion to grant treaty benefits to a taxpayer, upon request, despite the taxpayer failing the PPT. The discretionary relief provision allows treaty benefits to be granted if

such benefits would have been granted to that taxpayer in the absence of the transaction or arrangement that triggered the application of PPT.

CONCLUSION

The PPT is introduced in Singapore's tax treaties to deny treaty benefits in abusive situations. It is imperative for taxpayers to maintain relevant documentation especially for non-tax justifications and benefits in their arrangements in order to substantiate that obtaining treaty benefits is not one of the principal purposes of their arrangements. Proper documentation would pave the way for them to obtain treaty benefits under the PPT. ISCA

Tommy Yee is Senior Lecturer, Accountancy Programme, Singapore University of Social Sciences.

PHOTO: SHUTTERSTOCK

Stone Forest



Facing any of these ERP challenges?



How do I go paperless in accounting?



How do I retain 5 years of accounting records if there is a ransomware breach?



What is e-Invoicing? How can it digitalise my accounting function?



How do I meet statutory deadlines when there is data loss due to hardware failure?



How can I quickly recover lost accounting data to avoid IRAS's penalty charges?



Am I able to prepare financial reports on time when I'm working from home?



Where do I begin if I want to leverage the EDG subsidy to digitalise my accounting function?



How can I keep abreast of the technology trends for accounting software?



Why is my ERP running so slow? How do I differentiate system issues from user problems?



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BY FELIX WONG

INVIGORATING INDIA'S TAX REGIME

Union Budget Updates

A VIBRANT COUNTRY WITH A VIBRANT TAX REGIME, India is sometimes described as an aggressive jurisdiction when it comes to tax. Yet, tax authorities and tax professionals around the world have continued to look towards India's bold and pioneering tax decisions in formulating their own tax regime and tax strategies.

As India focuses on economic recovery from the COVID-19 pandemic, few substantial tax changes were introduced in this year's Union Budget. Notwithstanding, several key tax updates remain pertinent to tax professionals advising businesses with a presence in the Indian market. Accredited Tax Advisor (Income Tax) Rohan Solapurkar, Tax Partner, Deloitte Singapore, shared his insights on the implications of these updates at a recent webinar organised by the Singapore Chartered Tax Professionals.



Accredited Tax Advisor (Income Tax) Rohan Solapurkar, Tax Partner, Deloitte Singapore, shared insights on the latest tax changes announced in India's Union Budget

UNION BUDGET 2021-22 UPDATES Corporate Tax Corporate tax rates

No corporate tax rate changes were announced in Budget 2021, offering welcome stability for businesses. Effective corporate income tax rates in India vary across company types and income thresholds and are computed based on three components: the basic rate, surcharge, and education cess.

Equalisation levy was expanded to include consideration received by a non-resident e-commerce operator from an e-commerce supply or services to specified payers, and an equalisation levy of 2% is applicable on such consideration.





For an Indian company, the effective corporate income tax rate can go up to 34.94%, or 25.17% if it chooses not to avail tax incentives or exemptions. Eligible manufacturing companies newly set up from 1 October 2019 are taxed at a concessional rate of 17.16%.

Foreign companies with a taxable presence in India through a branch office, project office or permanent establishment (PE) may have an effective corporate income tax rate of up to 43.68%.

Employees' contribution to welfare funds

Similar to Singapore's Central Provident Fund (CPF), there are welfare funds in India, although

they are not mandated by the central government. Typically, the employee's contribution is made via a payroll deduction that should be deposited in the welfare fund within seven days of the date of deduction, while the employer's matching contribution should be deposited in the welfare fund before the due date of filing their corporate tax return.

However, some companies have, based on certain tax positions adopted, withheld their employee's salary for the employee's contribution, and only deposit both the employee's and employer's contribution to the welfare fund before the due date of filing their corporate tax return. To mitigate such tax positions being adopted and to prevent any loss for employees, the

Income Tax Act has been amended to provide that companies can only claim a tax deduction on the employee's contribution to the welfare fund if such contribution is credited to the relevant welfare fund by the prescribed due date from FY 2020-21.

International Tax Equalisation levy

As one of the forerunners in taxing the digital economy, India introduced an equalisation levy in 2016. The 6% levy targeted revenue earned by non-residents from online advertising and related services. As equalisation levy is not an income tax, tax treaty benefits are not applicable.

In 2020, the equalisation levy was expanded to include consideration

received by a non-resident e-commerce operator from an e-commerce supply or services to specified payers, and an equalisation levy of 2% is applicable on such consideration. It is noted that the new equalisation levy would affect not only the mega e-commerce companies but also any non-residents who own, operate, or manage a digital facility or platform for online sale of goods and/or online provision of services. The definition of a "specified payer" would also go beyond Indian residents; a non-resident in specified circumstances, or even a person who simply buys goods or services using an Internet Protocol (IP) address located in India, would too be a "specified payer" for the purpose of the new equalisation levy.

E-commerce supply or services

The "faceless assessment scheme" was introduced to impart greater efficiency, transparency, and accountability in the assessment proceedings by, inter alia, eliminating interface between taxpayer and the assessing officer.

were clarified to include digital activities such as the acceptance of offer for sale, placement and/or acceptance of the purchase order, payment of consideration, and supply of goods or services. The levy applies on gross consideration received for such e-commerce supplies or services, irrespective of whether the goods are owned, or services are provided or facilitated, by the e-commerce operator.

Considerations which are taxable as royalties or fees for technical services (FTS) in India (under the Income Tax Act read with the relevant tax treaty) are, however, excluded from the scope of the new equalisation levy.

"In view of the ongoing BEPS 2.0 international tax reform, the new equalisation levy may be short-lived as the agreement to BEPS 2.0 requires countries to withdraw all unilateral digital taxes," Mr Solapurkar noted. "Having said that, the tax reform is still under discussion and will have to go past significant hurdles before coming to fruition."

SIGNIFICANT ECONOMIC PRESENCE

India's new nexus rule – "significant economic presence" (SEP) – has been given legislative effect from April 2021. Previously, any income accruing in or arising from a business connection in India was taxable in India; this generally required the carrying on of operations by the non-residents in India through physical presence. Under the new nexus rule, a SEP in India of a non-resident would constitute a business connection in India. As such, income generated by a non-resident from the SEP would be taxable in India, and physical presence will no longer be required.

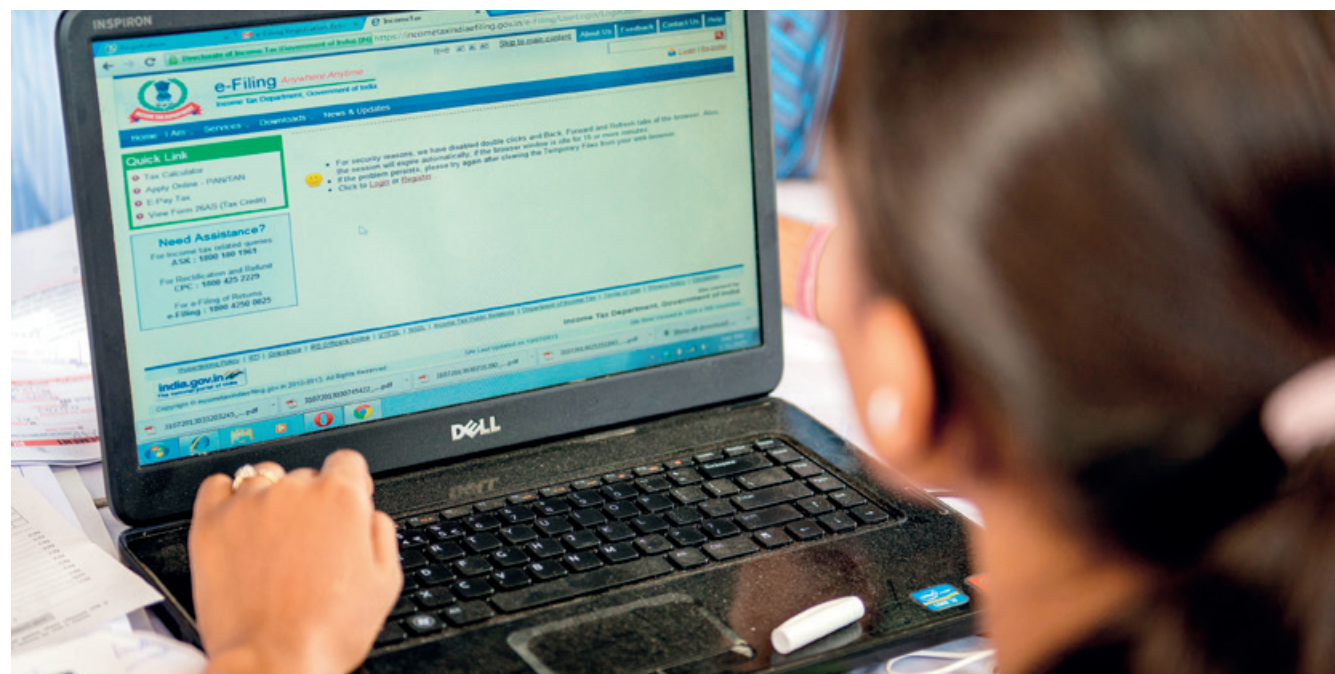
On the impact of the new nexus

rule on Singapore companies, Mr Solapurkar commented, "SEP should not have a big impact on Singapore companies as requirement of a permanent establishment within the treaty definition would override the provision of Indian domestic tax law. However, the new nexus rule would likely be significant for non-residents located in a jurisdiction that does not have a tax treaty with India, in which case, the new nexus rule would apply in full effect."

TRANSFER PRICING: KEY AREAS OF DISPUTE

Transfer pricing (TP) in India has seen significant evolution through the years. Generally, India's TP guidelines have continued to align with the Organisation for Economic Cooperation and Development (OECD)'s. Despite this, businesses investing into India should be mindful of the following key areas of dispute that have transpired across the country's TP landscape in recent years:

- (i) *Recharacterisation of entities based on functional analysis*
A multinational enterprise (MNE) group may set up an Indian entity to provide support functions for the group. Due to its supporting role, the MNE group would likely characterise the Indian entity as a limited risk distributor for TP purposes. However, the Indian tax authority may challenge the MNE group's position and argue that the Indian entity provide significant services in India and accordingly, should be recharacterised as a full-fledged distributor.
- (ii) *Imposition of higher markup*
India generally frowns upon the use of simple cost-plus markup approaches in search of higher residual profits for India (especially in high-value sectors



such as information technology or investment advisory). Even if a cost-plus markup approach is accepted, it is not uncommon for the Indian tax authority to require a higher-than-expected markup (compared to other tax jurisdictions for similar activities).

(iii) *Invocation of additional returns for location-specific savings*

Location savings are the net cost savings that may be derived by an MNE group that relocates some of its activities to another country, where labour or other costs are lower than in the location where the activities were initially performed. The Indian tax authority is generally of the view that India should enjoy a share of the MNE's location savings. Accordingly, India may make TP adjustments and invoke additional returns on the MNE group.

(iv) *Selection of tested party*

Based on the OECD guidance, the tested party is generally "the one to which a transfer pricing method can be applied in the most reliable manner and for which the most reliable comparables can be found, i.e. it will most often be the one that has the less complex functional analysis".

Although the Indian tax authority does accept foreign comparables, generally, it would prefer the Indian entity to be the tested party for transactions between a non-resident and an Indian entity, on the basis that the Indian entity may

have the less complex functional analysis. Consequently, MNE groups may have to prepare TP documentations with their Indian entities as the tested parties and rely on Indian comparables.

- (v) *Creation of marketing intangible through advertisement, marketing and promotional (AMP) expenses*
When an Indian entity (that is not the owner of the trademark or brand name) incurs AMP expenses to drive sales and profits in India, such AMP activities would in turn benefit the non-resident related party which is the legal owner of the trademark or brand name. On the basis that the Indian entity is creating marketing intangibles for the non-resident related party, the Indian entity is expected to be compensated over and above what it would have normally received.

MOVING TOWARDS E-GOVERNANCE

To become more taxpayer-friendly and transparent, technology and digitalisation has been at the forefront of the Indian tax authority's initiatives. The "faceless assessment scheme" was introduced to impart greater efficiency, transparency, and accountability in the assessment proceedings by, inter alia, eliminating interface between taxpayer and the assessing officer. Where a personal

hearing is requested by the taxpayer, it is done via video conferencing.

The scheme has proved a timely development amid the COVID-19 pandemic, minimising physical interactions while allowing quicker resolution of issues. The implementation of the scheme however, is not without its challenges. Several writ petitions have already been filed by aggrieved taxpayers based on violation of principles of natural justice (in which some taxpayers were not given the opportunity to be heard completely before the tax authority passed the assessment order), and rulings have been issued by jurisdictional High Courts. It remains to be seen how the finer details will be worked out to safeguard the very purposes that the faceless assessment scheme was established for.

CONCLUSION

India's efforts to be more taxpayer-friendly and transparent are welcomed by investors, though the progress of this transition across India remains to be seen. In the meantime, foreign MNEs must continue to stay vigilant on the ongoing developments surrounding India's tax policies, and the ever-growing list of case laws. **ISCA**

Felix Wong is Head of Tax, Singapore Chartered Tax Professionals.

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