ISCA Chartered Accountant JOURNAL

NOVEMBER 2022

Inclusive Leadership To Drive DEI Efforts

Diversity, Equity And Inclusion At The Workplace


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BUILDING STRENGTH THROUGH DIVERSITY

Yvonne Chan
FCA (Singapore)
ISCA Council Member

Dear members,

RESEARCH STUDIES HAVE CONSISTENTLY SHOWN THAT DIVERSITY BUILDS STRENGTH AND FOSTERS INNOVATION AND PROBLEM-SOLVING. Clearly, having a good diversity, equity and inclusion (DEI) strategy brings many benefits to an organisation. And, like other strategies, a successful DEI strategy must be a whole-of-organisation effort, with support from the top, and trained/experienced leaders to drive it through every level of the organisation. The cover story, "Inclusive Leadership To Drive DEI Efforts", offers insights into various aspects of diversity including the importance of an inclusive leadership, developing a diverse talent pipeline, and how companies are doing in the area of gender diversity.

Our ISCA members, too, are aware that there is strength in diversity. This is why they've voted in an ISCA Council comprising a diverse mix of business leaders. In turn, we bring our collective capabilities and knowhow to the table, to contribute to the Institute and our members.

Tapping on the Council members' collective knowledge and experience, since July, we've been featuring different Council members' perspectives on trending topics of relevance, such as sustainability, ethics, diversity and the shaping of future accountancy leaders. In this issue, two Council members give their take on the future of accountancy.

To conclude, an effective DEI strategy fosters a more creative, productive and fulfilled team, with positive impact on morale, company culture, talent attraction and retention, the bottom line, and more. DEI definitely makes good business sense.

ABOUT YVONNE CHAN

Ms Yvonne Chan has been a Council member since 2017, and served as Vice President from 2018 to 2022. She was Chairperson of the Continuing Professional Education Committee from 2017 to 2021. Currently, she serves as Chairperson of the Membership Growth and Engagement Committee, and a member of the Nominations Committee.

Ms Chan is Chief Financial Officer (CFO) at Singapore Management University (SMU). Prior to SMU, she held the positions of CFO/Chief Sustainability Officer at Enterprise Singapore and Maritime & Port Authority of Singapore through 14 years of service in the public sector. She often held a variety of concurrent roles overseeing Sustainability, Procurement, Admin, Service Quality, Organisational Excellence, Facilities Management and Data/Record Management.

As her additional contribution to the public sector, she was on the Statutory Board Standards Advisory Committee, AGD HR Committee, MOF Procurement Council, and Vital (Government Shared Services) Advisory Panel, in addition to the Boards of Enterprise Singapore Holdings, Infrastructure Asia, IPI and Cargo Community Network.

Ms Chan also held several positions in the private sector across Asia Pacific for about 15 years, before joining the public sector, with the majority of them being US MNCs in Oil & Gas, Media and IT.

Ms Chan was awarded the MOT Beacon scholarship/MPA Post Graduate Scholarship in 2011. For her effort in Sustainability and Transformation, she was conferred the Top 50 ASEAN Woman Award in 2018, and Public Sector Exemplary Leader Award in 2021, respectively.

Teo Ser Luck
FCA (Singapore)
ISCA President

THOUGHTS

It's the festive time of the year again! Time really flew by, and it's been seven months since the ISCA Council started its new term.

Changes and much work have been put in since then to launch several initiatives – some implemented and some work in progress. All these initiatives – which benefit our members, the Institute and the accountancy profession – will stand us in good stead as we head into 2023. A few of these include critically reviewing the Singapore Chartered Accountant Qualification (SCAQ) to make it more relevant and accessible, expanding and elevating cooperation and exchanges with key leaders of the profession, building strategic networks with industry leaders across different sectors, expanding the ISCA family to welcome corporates and individuals of varied backgrounds, forging collaborative alliances with large trade associations for knowledge and opportunities, enhancing services and accessibility for our members, deepening our partnerships with the ministries, statutory boards and government agencies in so many ways ... the list goes on and on.

I really have to thank my ISCA colleagues, led by Fann. Their pace of work has quickened, and their scope of work has expanded. To them, it's all about getting things done, with the new initiatives adding even more to their plates (and we are not talking about food). Thank you, and now, let's get ready to pile more on the plate come 2023.

These different ideas and plans would not have been possible without the Council's support. Not only did they have to go through many discussions and meetings to ensure the success of the projects, they also have to put up with having no PowerPoint slides in our Council meetings. (Some people say that often, there are no power in those points, so we might as well do away with them.) I am thankful and grateful for the Council's support and help to oversee many of the initiatives.

These past months have been about building a stronger foundation, to be ready for the tasks ahead. We will do more for ISCA, our members and the community in 2023!

May I take this opportunity to wish everyone a happy holiday season. Let's also not forget to give thanks and wishes for our family, friends and colleagues, and care for those less fortunate.

Enjoy your holidays and have a great year ahead!

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Singapore Makes Progress In Addressing Workplace Discrimination

PRIME MINISTER LEE HSIEN LOONG HAD ANNOUNCED IN HIS 2021 NATIONAL DAY RALLY SPEECH that the government would enact the Tripartite Guidelines on Fair Employment Practices (TAFEP Guidelines)[1] into law, taking Singapore forward to guard against discrimination at the workplace. The TAFEP Guidelines are promoted and maintained by the Tripartite Alliance for Fair and Progressive Employment Practice (TAFEP).

There are, at present, no specific laws in the city-state that directly regulate workplace discrimination, although employers are expected to abide by the principles of fair employment and adopt the good practices set out in the TAFEP Guidelines.

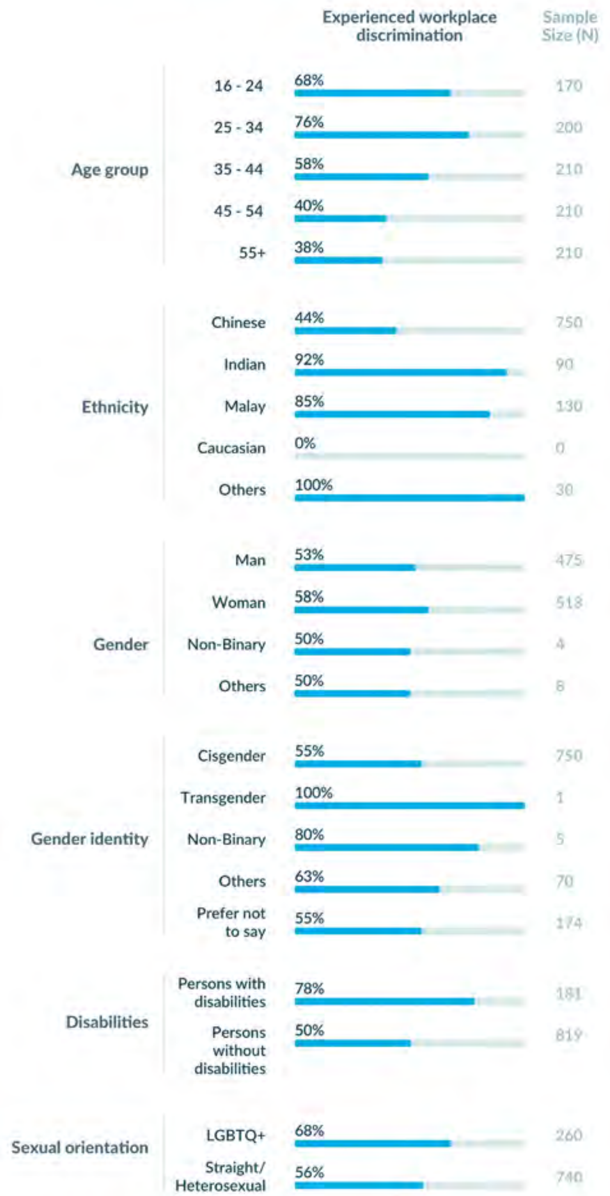
TAFEP's fair employment practices are based on five principals:

- **Recruitment based on merit**
- **Respect employees**
- **Provide fair opportunities**
- **Reward fairly**
- **Comply with labour laws**

In Singapore, workplace discrimination complaints handled by TAFEP largely centre around nationality, age, gender, race and language. Between 2014 and the first half of 2021, TAFEP received an average of 379 workplace discrimination complaints each year, according to Minister for Manpower Dr Tan See Leng, in a written parliamentary response on 14 September 2021[2]. This year, in another written parliamentary response on 4 October 2022[3], specifically about complaints filed by Singaporeans being displaced by foreign labour, Minster Tan said that between 2017 and 2021, TAFEP received an average of 180 complaints each year involving discrimination based on nationality (including complaints about job advertisements). Overall, complaints about nationality discrimination make up fewer than 5% of employment-related complaints (including complaints over salary arrears) filed by local employees.

FIGURE 1

Incidence rate of workplace discrimination

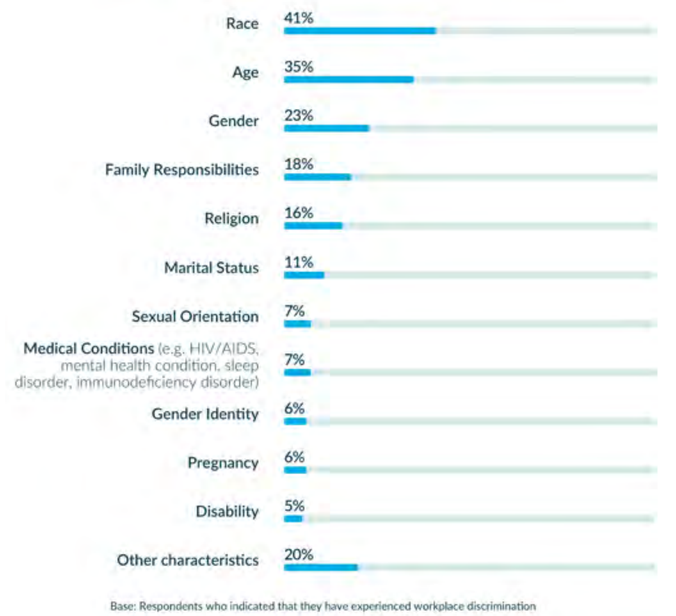


Source: AWARE, Milieu Insight

FIGURE 2

Which of the ground(s) do you think was the reason that you were discriminated against?

If you are unsure, please select all the ground(s) that you believe CAUSED OR CONTRIBUTED to the discrimination that you have experienced.



Source: AWARE, Milieu Insight

Despite the seemingly low number of workplace discrimination complaints filed with TAFEP, workplace discrimination appears to be more commonplace on the ground, according to a recent survey by AWARE and Milieu Insight. Released in September 2022, the report – Singapore's first comprehensive survey on workplace discrimination – reveals that over five in 10 workers in Singapore have experienced at least one form of workplace discrimination in the last five years. While 55% of them have faced discrimination at work, certain groups were more vulnerable than others. The survey polled 1,000 workers – nationally representative by age, gender and race – on their experiences of direct discrimination, indirect discrimination, and discrimination-related harassment, in the previous five years.

Persons with disabilities experienced discrimination at a significantly higher rate (78%) than persons without disabilities (50%), as did LGBTQ persons (68%) compared to those who did not identify as LGBTQ (56%), and those of minority race (89%) compared to those of majority race (44%). Compared to 53% of men, 58% of women had experienced at least one type of discrimination.

Overall, the three most common experiences of discrimination were:

1. Unfair company policies or practices, for example, inaccessible office spaces, or prohibitions against flexible schedules that made it difficult for workers to manage family responsibilities (18% of all respondents experienced this);
2. Job advertisements that mandated or specified preference for certain characteristics that were not job requirements (17% of all respondents experienced this);
3. Discriminatory employment practices in relation to performance appraisal and promotion, for example, receiving a poorer performance appraisal after disclosing pregnancy, disability or health conditions (17% of all respondents experienced this).

When asked the grounds upon which they faced discrimination (Figure 2), respondents chose race (41% of those who experienced discrimination), age (35%) and gender (23%) as the top three. Others included: family responsibilities (18%), religion (16%), marital status (11%), sexual orientation (7%), medical conditions (7%), gender identity (6%), pregnancy (6%) and disability (5%); respondents could select more than one option.

Among those who experienced discrimination, 54% did not report it to a supervisor, the human resources department or an authority. The top three reasons for not reporting the incident were: they did not think it was "severe" enough (36%), distrust that the authorities would act on the report (30%), and a lack of evidence of discrimination (29%).

Twenty-nine per cent of those who reported discrimination, and 28% of those who did not, went on to resign from their jobs.

"Our goal with this survey was for the results to contribute to the drafting of Singapore's upcoming anti-discrimination legislation," said Corinna Lim, Executive Director, AWARE. "The findings highlight particular 'pain points' that deserve attention, such as indirect discrimination, which is frequently left out of conversations and policy decisions."

"The findings of this study highlight just how complex, and sometimes even invisible, issues of discrimination at the workplace can be. I hope managers and senior business leaders will take these results seriously and ensure they're working to cultivate positive, open and equitable workplace environments," said Stephen Tracy, Chief Operating Officer, Milieu Insight.

[1] https://www.tal.sg/tafep/-/media/tal/tafep/getting-started/files/tripartite-guidelines.ashx
[2] https://www.mom.gov.sg/newsroom/parliament-questions-and-replies/2021/0914-written-answer-by-minister-for-manpower-to-pq-on-annual-breakdown-of-discrimination-complaints
[3] https://www.mom.gov.sg/newsroom/parliament-questions-and-replies/2022/1004-written-answer-to-pq-on-complaints-from-singaporeans-about-being-replaced-by-foreign-labour

CSA Launches One-Stop Cybersecurity Platform For Enterprises

AS SINGAPORE DEVELOPS ITS DIGITAL ECONOMY AND MORE BUSINESSES GO ONLINE, CYBER THREATS SUCH AS RANSOMWARE AND PHISHING WILL REMAIN MAJOR CONCERNS. Many enterprises, particularly small and medium-sized enterprises (SMEs), may lack awareness and/or have low adoption of Internet security best practices to safeguard their domains, websites, and email servers. This puts their business, and their customers' data and transaction details, at risk if information is not properly secured.

[1] https://ihp.csa.gov.sg/

The Cyber Security Agency of Singapore (CSA), under the SG Cyber Safe Programme, has rolled out the Internet Hygiene Portal (IHP)[1]. The cybersecurity toolkit is a one-stop platform which provides enterprises with easy access to resources and self-assessment tools, so that they can adopt Internet security best practices as they embark on and make progress in their digitalisation journey.

IHP uses non-intrusive Internet health lookup tools to assess the Internet security of websites, email services and domain configurations, and then provides actionable suggestions on how enterprises can adopt best practices and improve their overall Internet security. This approach simplifies Internet security to the key indicators that matter.

IHP also provides visibility on the cyber hygiene of digital platforms as CSA will be publishing an Internet Hygiene Rating table with a simplified view of each digital platform's Internet hygiene. This will help consumers make informed choices to better safeguard their digital transactions from cyber threats.

For a start, CSA has featured 10 popular enterprises in the e-commerce sector. The Internet Hygiene Rating is based on the average adoption of Internet security best practices, which are curated by CSA and are common globally recognised baseline Internet standards and security controls.

CSA intends to engage with other sectors including banking and finance, as well as healthcare, and similarly publish their rating on the IHP portal.

MARK YOUR CALENDAR

14 DEC

FRS 116 (IFRS 16) Leases (Case Study Approach) (Live Webinar) (Code: A218v)

Learn about the overview of the New Standard:

- What is a lease?
- Is the contract a lease, service contract or combined contract?
- What about leases of low value items or short term leases?
- How to determine the value of the right of use asset and financial liability?
- What interest rate to use?
- How to determine the lease term? Covid-19 impact to FRS 116 (IFRS 16) Leases

14 DEC

GST Assisted Self-help Kit (ASK): How to Maximize the ASK Benefits (Code: TAX272v)

This programme explains the ASK Annual Review processes and the commonly committed GST errors that could be uncovered through the review. By mapping the GST errors with the administrative concessions, the facilitator illustrates the dos and don'ts in leveraging such benefits.

16 DEC

Top 18 Lessons We Learn – Professional Conduct and Ethics in Preparing Financial Statements (Live Webinar) (Code: E123v)

This course is specially conceptualised and designed to provide you the top 18 lessons we learnt from the financial scandals that have rocked the world and the relevance of ethics, personal and professional skills that are expected in preparing financial statements.

Participants will take away with a number of lessons regarding the professional conduct and ethics in preparing financial statements, as well as the evaluation of the quality of financial reporting by companies.

19 DEC

The Essence of Corporate Cashflow Sustainability (Live Webinar) (Code: BF186v)

In this programme:

- Learn what cashflow sustainability is about
- Understand the flows and interrelationships among financial statements in respect of the 2 key cashflow engines.
- Understand and apply the components of the Cashflow Sustainability Framework
- Appreciate the importance of shareholder value and its drivers
- Understand what drives cashflow sustainability for the going concern assumption to be upheld and more

21 DEC

What Lies Ahead for Finance & Accounting Functions and Professionals (Code: BT2212)

Finance & Accounting (F&A) functions are evolving, and there are increasing expectations on F&A professionals to provide insights that will support businesses in a volatile environment.

This webinar will focus on highlighting the megatrends that are reshaping the in-house F&A function, impact on jobs, and emerging roles that F&A professionals can consider. It will also share details of an online self-assessment tool that corporates and individuals can use to measure their sophistication levels at a company, functional, and individual level, and also generation of a report card to guide F&A transformation and upskilling for individuals.

Our Annual Career Pathway Talk is Back! This time, offering both Virtual or Physical attendance. Join us in the comfort of your homes or come network over dinner.

Want to know what career paths are there for someone who is accountancy trained? What are the options that you have? Come have your burning questions answered.

Register now:
Virtual - https://bit.ly/3EXhyaJ
Physical - https://bit.ly/3AJikFH

Dates and events are subjected to change without prior notice.
For more details, visit isca.org.sg/learn-connect

ISCA Mini Conference Series: Enhancing Corporate Governance: From The Lens Of Gender Diversity And Inclusion

ISCA'S MINI CONFERENCE ON SEPTEMBER 14 FOCUSED ON ENHANCING CORPORATE GOVERNANCE IN COMPANIES THROUGH GENDER DIVERSITY AND INCLUSION. The session had over 200 registered participants.

Where Are We Now And Why Should We Care?

ISCA's Corporate Governance and Risk Management Committee (CGRMC) Chairperson and Deloitte Southeast Asia Talent Leader and Boardroom Program Leader Seah Gek Choo opened the conference with a keynote speech on The Importance Of Women In Leadership Roles: Female Leadership, Board Diversity, And Aspirations. She highlighted salient findings from the seventh edition of Deloitte's "Women In The Boardroom" report". Globally, women continue to be underrepresented in the boardroom, and progress for gender parity has been slow. There are, however, encouraging trends in Southeast Asia, where Malaysia, Thailand, the Philippines, and Singapore outperformed the world in the increase in number of women in the boardroom. Singapore also has the highest percentage of female CEOs in the world.

Ms Seah emphasised that more can be done to advance gender parity and overcome persistent barriers to gender diversity in the boardroom. The key is to create an ecosystem of inclusivity and fairness through "allyship". Allyship refers to those that actively promote and aspire to advance a culture of inclusion by utilising intentional positive efforts. Allies strive to support co-workers, who might be underrepresented, marginalised, or face microaggressions at work.

How Exactly Would Gender Diversity Help My Business?

CGRMC member Professor Lawrence Loh shared findings from various studies on diversity representation in Singapore-listed companies. He noted the high levels of female participation in senior management in Singapore-listed companies, which suggests a pipeline of available talent for board participation in the future, particularly for big-cap companies[1].

To answer the question, why should diversity and inclusion matter?, Prof Loh outlined the business case for diversity and inclusion. In his paper, "The Impact Of Leadership Diversity On Firm Performance In Singapore", he found that diversity leads to a higher return on assets (ROA); moreover, a higher proportion of female leadership also leads to a higher ROA. However, these gains are apparent only up to a point. In a variant of the study, he found that ROA is most optimal at the gender parity point, that is, 50% of male and female leaders.

What Do Inclusivity And Diversity Mean To Young Chartered Accountants?

ISCA's Young Professionals Advisory Committee (YPAC) Chairperson Maria Teo offered her perspectives in The Diverse Aspirations of Young Accountancy Professionals. She said that fresh graduates are increasingly concerned about inclusivity and diversity performance, while young accountants are caught up in the constant pursuit of greener pastures due to a lack of investment in their skills and careers.

Ms Teo recommended that companies strive to create a symbiotic relationship between employees and employers to replace the attrition cycle. This is achieved with better alignment of personal goals and the company's vision for mutually beneficial growth. Companies can demonstrate trust in their employees by investing in them to gain new skills, which employees can reinvest back into the companies. However, to be successful, this process must be anchored by fair practices that entrench inclusivity and diversity.

[1] Big-cap companies have market capitalisation of more than S$1 billion; mid-cap companies have market cap of S$300 million to S$1 billion; small-cap companies have market cap of less than S$300 million

Panel Discussion

A Panellists (from left): Moderator ISCA's CGRMC Chairperson and Deloitte Southeast Asia Talent Leader and Boardroom Program Leader Seah Gek Choo; Ovol Singapore CEO Genevieve Chua; CGRMC member Prof Lawrence Loh, and YPAC Chairperson Maria Teo

Ms Seah kicked off the discussion by asking the panel how leaders should set the right tone to help entrench gender diversity and inclusivity into corporate culture. Ovol Singapore Chief Executive Officer (CEO) Genevieve Chua replied that her answer can be encapsulated in 3Ps – policy, practice, and pipeline. Policy frameworks are essential to set a consistent tone across all aspects of employment. Putting policy into daily practice and having a wider pipeline of talents are key to making gender diversity part of a company's corporate culture.

Prof Loh added that another P – partnership – is important to practise inclusivity in everyday workplace settings to avoid microaggressions and insensitivities, whether deliberate or accidental. Ms Chua added that patience is also important, as gender diversity and inclusion is a journey, not an endpoint.

The panel addressed audience questions with candid and pragmatic solutions. One question was about hiring diversely in a tight labour market. Ms Chua said her company adopts TAFEP (Tripartite Alliance for Fair and Progressive Employment Practices) and also hires based on the candidates' merits; it is not about ticking boxes for diversity but fair assessment in employment. Ms Teo added that the aim is to ensure that there are equal opportunities to employ the best person for the job. For instance, during hiring, companies may wish to blank out the name, age, and photograph on the applicants' resumes.

The panel also tackled how gender diversity and inclusivity can create mechanisms that improve company performance. Prof Loh said that diversity increases scrutiny, which prevents negligent conformity. Ms Teo agreed and noted that a single devil's advocate could break group think, which results in more scrutiny and the improvement of company performance.

On the definition of success, Prof Loh pointed out that companies should adopt a holistic view of success defined by both outcomes and processes. This is captured in the notion of "just success", which adheres to good social norms and anchors gender diversity and inclusion as part of its definition of success. Ms Teo added that young accountants are increasingly concerned about being treated fairly and equally; they place value on work-life balance and good corporate culture above getting the highest salaries.

The panel discussion concluded on the note that gender diversity and inclusion are no longer optional or good to have. Instead, companies that fail to embrace them would be outperformed and made obsolete by their more progressive counterparts.

ISCA Mini Conference Series: Financial Forensics: The Future Of Fighting Financial Crime

MORE THAN 220 DELEGATES learnt how new technology trends can boost efforts to combat financial crime during the live webinar titled Financial Forensics: The Future Of Fighting Financial Crime on September 22. The ISCA Mini Conference Series event also featured the roles played by different stakeholders, including accountants, in preventing and detecting such crimes.

In his opening address, Lem Chin Kok, Chairman, ISCA's Financial Forensic Accounting Oversight Committee (FFAOC) opined that as accounting and finance professionals work closely with their organisation's financial records, they can be strong allies in the fight against financial crime, with some upskilling.

Kicking off the conference was Guy Sheppard, General Manager Financial Services, Aboitiz Data Innovation. He shared that the main challenge of transaction monitoring is reducing the detection rate of false positives while improving the detection rate of true positives and auto-disposing of false negatives. As each transaction has its own behaviour and threshold, it is challenging for a human or any form of automated programme to make sense of the data without a degree of intelligence being applied.

Forensic data analytics (FDA) utilises good quality data to pinpoint anomalies and provide insights to users, explained Belinda Tan, Partner and Head of Forensic Advisory, Grant Thornton Singapore, who moderated the panel discussion, Transforming Financial Investigations: Forensic Data Analytics.

Panellists Benjamin Ee, Managing Director, FTI Consulting; Aaron Lee, Partner, Allen & Gledhill LLP, and Mabel Watt, Assistant Auditor-General, Auditor-General's Office unanimously agreed that FDA and other technological tools are not a silver bullet as they are only as good as the humans using them. For FDA to transform financial investigations, humans must assess how FDA can add value to the process and be applied in a targeted and meaningful manner.

An alarming $346.5 million was lost to scams from January to June 2022, according to the Singapore Police Force, said Loretta Yuen, Executive Vice President, Group Legal & Regulatory Compliance, Oversea-Chinese Banking Corporation Limited. Ms Yuen moderated the panel discussion, Enhance Financial Crime Risk Management By Harnessing Advanced Technology. The session, which featured Daniel Ng, Managing Director and Head, Group Compliance, UOB Ltd, Andrew Chow, Head, Regulatory Business Transformation Asia, Bank Julius Baer, Singapore Branch, and Harsh Narula, Managing Director, DBS Bank, explored how financial institutions, individuals and organisations can be collectively vigilant against fraudulent activities. With the pervasiveness of online banking, banks will be introducing friction to certain transactions to ensure their authenticity and keep the banking system is safe and secure.

Tan How Choon, Deputy Chairman of ISCA's FFAOC, closed the session by sharing ISCA's efforts in empowering accounting professionals with financial forensics-related knowledge and skill sets with the ISCA Financial Forensic Accounting Qualification.

Transforming Financial Investigations: Forensic Data Analytics: Panellists (from left) Benjamin Ee, Managing Director, FTI Consulting; Mabel Watt, Assistant Auditor-General, Auditor-General's Office; moderator Belinda Tan, Partner and Head of Forensic Advisory, Grant Thornton Singapore; Guy Sheppard, General Manager Financial Services, Aboitiz Data Innovation; Lem Chin Kok, Chairman, ISCA's FFAOC, and Aaron Lee, Partner, Allen & Gledhill LLP

Enhance Financial Crime Risk Management By Harnessing Advanced Technology: Panellists (from left) Andrew Chow, Head, Regulatory Business Transformation Asia, Bank Julius Baer, Singapore Branch; Tan How Choon, Deputy Chairman, ISCA's FFAOC; moderator Loretta Yuen, Executive Vice President, Group Legal & Regulatory Compliance, Oversea-Chinese Banking Corporation Limited; Daniel Ng, Managing Director and Head, Group Compliance, UOB Ltd, and Harsh Narula, Managing Director, DBS Bank isca breakfast talk

Accounting For Growth

ISCA AND INSTITUTE OF MANAGEMENT ACCOUNTANTS (IMA) jointly organised the Breakfast Talk session titled Accounting for Growth – How Accountants Can Help Companies To Achieve Growth Targets, on October 12. More than 400 delegates from ISCA and IMA attended the session helmed by Berry Schrijen, CFO and Visiting Professor at the Washington University-Fudan University Executive MBA programme.

The finance department is probably not the first that comes to mind when one thinks about growth, even though accountants are the ones who hold the key to growth. Why? Because a growth target cannot merely be based on "market potential". Instead, its feasibility is limited by two factors that are closely associated with a company's own balance sheet, namely the reinvestment rate, and ROIC (return on invested capital). Put differently, a company can only grow as much as its profits reinvested (as opposed to being distributed as dividends), multiplied by the return that the company generates on its ROIC. If the desired growth percentage is larger than the ROIC percentage, then additional capital will need to be acquired to fund the expansion.

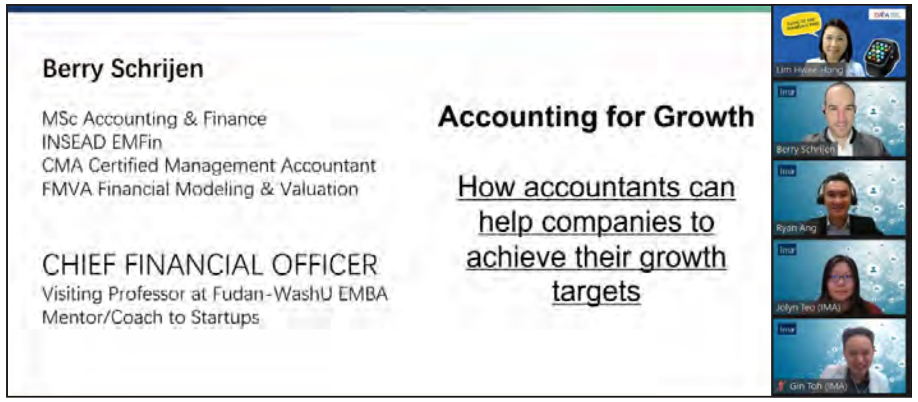
While commercial departments typically lead growth, finance departments are best positioned to understand (and reduce) a company's ROIC and/or raise funds, to unlock it. The rules of engagement are simple:

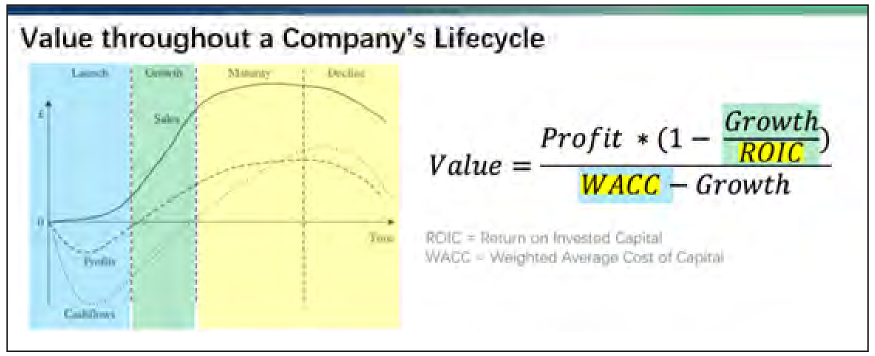
1. Growth only adds value if ROIC is larger than WACC (weighted average cost of capital);
2. Additional funds need to be sought for as long as growth is larger than ROIC.

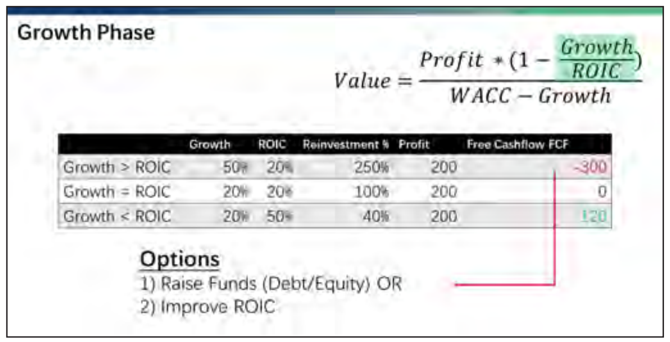
ROIC depends in large part on the balance sheet. It can be calculated as NOPAT (net operating profit after tax) divided by a company's (net) operating assets. While there are many people involved in increasing a company's NOPAT (for example, profit & loss-driven key performance indicators), there are probably fewer who are (consciously) involved in reducing the company's operating assets. It is here, therefore, that the accountant can play an important role in supporting the company's long-term growth plans. For example, rather than stocking up the inventory to prevent inventory shortages, a company may be better off optimising its sales forecast in a way that brings down the need for safety stock; the resulting freed capital can then be employed to further boost growth.

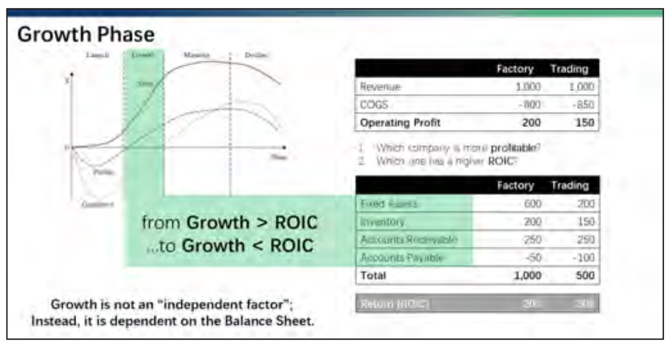
Similarly, rather than extending more lenient credit terms to customers, a company may instead offer temporary discounts to entice a customer to make its first purchase; the company will then be able to use the freed cash to boost growth once again.

In conclusion, while commercial departments typically *lead* growth, since a company's ability to capture growth is dependent on its balance sheet, accountants are in the best position to *unlock* growth.









ISCA At The World Congress Of Accountants 2022

ISCA hosted a networking dinner for Singapore delegates

THE HIGHLY-ANTICIPATED WORLD CONGRESS OF ACCOUNTANTS (WCOA) 2022 took place from November 18 to 21 in Mumbai, India's financial capital. Team ISCA and the Singapore delegates who were there were impressed by the sheer scale of the Congress, interesting and insightful programme lineup, and hospitality extended by Institute of Chartered Accountants of India (ICAI) to the delegates from 105 countries.

Networking With Delegates from Singapore, IFAC, Jeju Group And MIA

Team ISCA kickstarted our WCOA experience with a networking dinner with the delegates from Singapore. This was followed by a breakfast meeting with International Federation of Accountants (IFAC) the next day, where the topic centred on sustainability developments. We had lunch with our friends from Jeju Group, which comprises ISCA, Japanese Institute of Certified Public Accountants (JICPA), and Korean Institute of Certified Public Accountants (KICPA).

At the meeting with the Malaysian Institute of Accountants (MIA) team, we discussed the accountancy sector developments in Malaysia and Singapore, exchanged notes and explored opportunities for collaboration and mutual learning, as well as future exchange visits.

The breakfast meeting with International Federation of Accountants centred on sustainability

We caught up with the Malaysian Institute of Accountants team

Team ISCA had lunch with our Jeju Group counterparts

Exploring Collaboration Opportunities With ACCA, AFA, ICAI And Jeju Group

On Day 2, WCOA 2022 host ICAI took time out of their packed schedule to meet with ISCA. We also continued discussions at the Jeju Group Interim Meeting. The session paved the way for greater collaboration among the three member institutes, which will be explored in greater detail in the coming months.

It was a truly fruitful day as we had further meetings with representatives from Association of Chartered Certified Accountants (ACCA) and ASEAN Federation of Accountants (AFA) to update and discuss the initiatives and areas of mutual support.

The Jeju Group Interim Meeting paved the way for future collaborations

Meeting with Institute of Chartered Accountants of India

A fruitful meeting with the Association of Chartered Certified Accountants team

ISCA President Teo Ser Luck presented a token to ASEAN Federation of Accountants Executive Director Aucky Pratama

Forging Regional And International Connections

Our meetings with our counterparts in the regional and global accountancy arena continued over the next two days at WCOA as we met with friends from Institute of Management Accountants, International Ethics Standards Board for Accountants, Thailand's Federation of Accounting Professions, and Association of CPAs in Public Practice in the Philippines.

Meeting with Institute of Management Accountants

Meeting with International Ethics Standards Board for Accountants

It has been an enriching four days of learning about the latest developments in the accountancy profession, building connections and sharing insights with leaders in the regional and international accountancy community. Our discussions with other professional accountancy bodies paved the way for more collaboration opportunities, for the benefit of our respective members.

As the national accountancy body of Singapore, we will continue to work towards the advancement of the accountancy profession – a profession that makes a difference to businesses and economies around the world.

TEXT BY

Seah Gek Choo

Inclusive Leadership To Drive DEI Efforts

Diversity, Equity And Inclusion At The Workplace

TAKE AWAYS

- Diversity, equity and inclusion (DEI) efforts can promote innovation, talent attraction and retention, and performance.
- A successful DEI strategy must be holistic, and encompass the people, processes, programmes and policies.
- To truly transition into a diverse and inclusive workplace, there must be people to lead the strategy at every level of the organisation.

IT IS WORTH REITERATING THAT DIVERSITY, EQUITY, AND INCLUSION (DEI) ARE GOOD FOR BUSINESS, especially for firms in the professional services sector. The need for DEI grows more compelling with the constant stream of research studies that indicates huge benefits in promoting and supporting a diverse and inclusive workplace. However, building a diverse and inclusive workplace is easier said than done.

Organisations should first begin by eliminating bias at a systemic level. Efforts must be directed towards removing biases that may exist in talent management and other decision-making processes. For instance, organisations may be unconsciously signalling a preference for one gender over another in job advertisements through word choice. Identifying and correcting these biases require a thorough examination of talent management policies and processes to understand what may limit opportunities, and pinpoint what should be stopped, changed, and redesigned.

Even with the best system and policies, simply having a diverse mix of people together is insufficient for equity or inclusion. To truly transition into a diverse and inclusive workplace, we need people to lead it at every level of the organisation.

INCLUSIVE LEADERSHIP IS KEY

Leaders play a big role in entrenching DEI values into the organisational culture. Leaders should exemplify inclusivity and exercise their influence to ensure that the workplace is a safe space for everyone to be their authentic selves. They are the pillars that support platforms for fair and respectful treatment, where every individual is valued for their unique perspective and contribution.

Inclusive leaders are grown from the seeds of good and consistent DEI policies and organisations, through the implementation of clear strategies, can give effective nudges to help cultivate their DEI lens. Often, the best results come from investing in leadership training, which helps to hone the leader's focus on developing the skills and emotional development of others. Proper training gives leaders the necessary tools to champion DEI efforts within the organisation.

PHOTO: GETTY IMAGES

- Identify and correct biases in talent management policies and processes
- Trained leaders play a big role in entrenching DEI values into the company culture

An Inclusive leader exhibits the following traits:

1. **Commitment:** Leaders are committed to diversity and inclusion; often, these objectives align with their personal values and they believe in the business case for DEI initiatives.
2. **Courage:** Leaders speak up and challenge the status quo; they recognise that everyone has strengths and weaknesses.
3. **Awareness of bias:** Leaders are mindful of personal and organisational blind spots; they perform self-regulation to help ensure fair play in the workplace.
4. **Curiosity:** Leaders have an open mind and a desire to understand how others view and experience the world; they tolerate ambiguity.
5. **Cultural Intelligence:** Leaders are confident and effective in cross-cultural interactions.
6. **Collaborative:** Leaders empower individuals; they create and leverage the thinking of diverse groups.

Organisations should first begin by eliminating bias at a systemic level. Efforts must be directed towards removing biases that may exist in talent management and other decision-making processes.

Organisations should hold inclusive leaders to formal accountability for two kinds of DEI results – one, diverse representation across employment, promotion, and mobility outcomes; and two, the day-to-day employee experience of inclusivity, such as engagement, equity, and psychological safety outcomes. Hence, to be effective, leaders must have access to organisational and talent development resources. In addition, inclusivity activities must be considered part of the day job and not an "out-of-hour" activity to allow leaders the time and resources to achieve their DEI targets.

BUILDING A DIVERSE TALENT PIPELINE

People are the most important asset for a professional services organisation, and DEI should be a priority in the workplace because it:

1. **Promotes innovation:** Collaborative teams with diverse genders, backgrounds, and experiences result in more creative ideas and solutions.
2. **Attracts and retains employees:** An organisation that values diversity and inclusion attracts people. When people feel cared for and see that their peers are being cared for, they stick around and may even refer others to work for the organisation.
3. **Improves performance:** Those who feel comfortable, happy and confident at work are more likely to perform better.

An organisation's commitment to DEI must be visible to employees at all levels. While a combination of top-down and ground-up approaches is important to nurture culture from within, the policies and public accountability form the foundation to achieve DEI goals. A successful DEI strategy must be holistic and encompass the people, processes, programmes and policies.

An organisation's commitment to DEI must be visible to employees at all levels

Using Deloitte as an example, as part of our efforts to make the workplace more equitable, we empower our people to take ownership of their careers. Mentorship and coaching are key in this respect. Through our career development programme, our people have coaches to help them identify and develop their strengths, set career goals and how they are to achieve them. They are also encouraged to identify and connect with mentors in Deloitte and from within the industry to get more exposure, as well as to leverage their mentors' experience to achieve their professional and personal ambitions.

GENDER DIVERSITY

Gender inequality is often highest on the agenda of DEI initiatives in workplaces. There are good reasons why this is the case.



PHOTO: GETTY IMAGES

> Leaders should exemplify inclusivity and exercise their influence to ensure that the workplace is a safe space for everyone to be their authentic selves.

PHOTO: GETTY IMAGES

According to the World Economic Forum "Global Gender Gap Report 2021", women globally earned around 37% less than men in similar roles. Based on the current trajectory, women are 286.7 years from achieving gender parity in the areas of economic participation and opportunity, including equal pay.

Where women in leadership are concerned, Deloitte's most recent "Women In The Boardroom" report – its seventh edition – found that there is slow progress in leadership roles for women. Even though global female board representation increased slightly from 16.9% in 2018 to 19.7% in 2021, progress at the Chair and Chief Executive Officer (CEO) levels are less apparent, underscoring the notion that placing more women on corporate boards does not necessarily equate to progress across leadership positions.

These statistics and findings show that even though gender inequality – and in fact other inequalities – are increasingly in the spotlight, change is still slow. Many segments of businesses, including those in the professional services sector, have been traditionally male-dominated. We must do more to move the needle and accelerate change. Failing to build a gender-diverse organisation means wasted talent, opportunities, and resources.

Companies must take steps to ensure that there is equal pay, fair rewards and promotions, and the same opportunities to take on leadership roles and positions of responsibility. Ultimately, it is about fairness, where people are given equal opportunities. Fairness is not just an ethical or moral imperative but a business one. In terms of fairness in career advancement, merit-based promotions ought to be the default and not promotions based on seniority. Deloitte supports this with accelerated promotions that are based on capabilities rather than tenure.

> Failing to build a gender-diverse organisation means wasted talent, opportunities, and resources

> When senior leaders champion DEI, they set the tone from the top that these values are important priorities for the organisation

LOOKING BEYOND THE HORIZON: A REFLECTION

When senior leaders champion DEI, they set the tone from the top; hence, they give a clear signal that these values are important priorities for the organisation.

Personally, as a leader in a professional services organisation that has more than 11,000 people across different countries in the Southeast Asia region, I am cognisant that I have the ability to cast a long shadow. Whatever I say or do can have a huge impact on the culture of the organisation, so it is imperative that my fellow leaders and I lead by example and practise inclusive leadership.

Collaboration is an important aspect of my leadership, given that I work closely with colleagues from different countries across the region and beyond. In any discussion, I do my best to ensure that everyone's views are heard and considered. As some colleagues are less vocal than others, and may be less inclined to share their thoughts openly in a group setting, I will also reach out to them privately so that they can present their viewpoints, and their perspectives are taken into consideration whenever decisions are made.

Certain traits, such as unconscious bias, may be difficult to overcome. Some individuals may instinctively prefer people who are "familiar" to them and express this preference through their words and behaviour. Regardless of the bias, it creates barriers to inclusion, engagement, innovation and ultimately, performance. It is important to be self-aware of our feelings and beliefs. Practising self-awareness has spurred me to make better and more informed decisions as it challenges me to think about the long-term needs.

I believe that in order for us to advance as an inclusive society, all organisations – and the leaders within them – need to be more transparent about their DEI efforts in order to maintain strong relationships with stakeholders and the community as a whole.

The reality is that it is an uphill struggle to bring about real and lasting change; it requires a considerable amount of time, support, and resources. Even if progress is slow and results might not be obvious right away, organisations must be resilient and stay the course for a more inclusive future. ISCA

Seah Gek Choo is Deloitte Southeast Asia Talent Leader and Boardroom Program Leader.

TAKING ON TOMORROW'S CHALLENGES

In an environment where businesses are evolving constantly, what does the future hold for accountancy professionals? Two ISCA Council members offer their insights on how the profession can evolve to take the lead.

LIM YEONG SENG,
FCA (Singapore),
Managing Partner,
KLP LLP

CHRISTOPHER WONG,
FCA (Singapore),
Head and Partner, Assurance,
Ernst & Young LLP

TAKE AWAYS

- With digitalisation and the emergence of new industries, opportunities abound for accountancy professionals.
- The future of the accountancy profession could lie in specialisation, where there are specialists who only focus on certain areas of work; people are then able to refer specific jobs to those trained in that particular area.
- Creative/Innovative solutions are needed to solve business problems, and accountants are best placed to step up as advisors to the top management.

EVEN AS THE WORLD GROWS BIGGER WITH NEW INVENTIONS AND BUSINESS MODELS BEING CREATED AT BREAKNECK SPEED, it also grows smaller in that the lines between industries become more indistinct.

Accountancy is one of the oldest professions in the world and an essential part of every organisation and business that turns in a profit or makes a loss. But with the advancement of technology, the traditional roles of the accountant and auditor are being challenged in different ways. New developments in business, from cryptocurrency to environmental, social and governance (ESG) considerations, require new parameters in accounting.

It is apparent to leaders in the profession that accountancy needs to evolve quickly – to not only meet the new needs that have arisen in this knowledge economy but also to find and stake its place in the businesses of the future. Two ISCA Council members – Lim Yeong Seng, FCA (Singapore), Managing Partner, KLP LLP, and Christopher Wong, FCA (Singapore), Head and Partner, Assurance, Ernst & Young LLP – share their perspectives about the future of the profession.

Creating A Culture Of Financial Specialists

Lim Yeong Seng, FCA (Singapore), Managing Partner, KLP LLP

TO LIM YEONG SENG, THE FUTURE OF THE ACCOUNTANCY PROFESSION LIES IN SPECIALISATION, much in the same fashion as in medicine. "In the medical field, if you want to be a specialist, you start off as a generalist, then take up a specialisation, and work your way up from there," he elaborates. "In a hospital, there are specialists for every part of the body, and the GPs know who to refer patients to. I guess accountancy has not evolved to the level where we have specialists who practise only their specialisation working with the rest."

Mr Lim, a member of ISCA's Public Accounting Practice Committee, has more than 35 years of experience in audit, corporate recovery, tax, secretarial, finance and administration. He acknowledges that this "evolution" in the accountancy profession is beginning to take form, but it is not yet commonplace nor universally accepted. "Specialists are not finding enough work in that role – or there could be some work, but not enough (to make a living)," he adds. He believes that the accountancy or finance profession should move into an arena where there are specialists who only focus on certain areas of work, and people are able to then refer specific jobs to those trained in that particular area.

Opportunities abound in specialisation. "This is already happening, albeit slowly, and it's all over the place," Mr Lim opines. "We are seeing fintech specialists and, now that ESG is a big thing, should there be ESG specialists?" he asks. "Nobody has really thought it through – what is our role? How do you specialise in some of these areas? How can you get people to refer work to you?"

BRACING FOR CHANGE

The role of the accountant has not changed, Mr Lim feels. Audit and accounting remain the backbone of what an accountancy professional does. What have changed are the business environment, and the increased responsibility that falls on the role. Change comes about with every downturn, he notes, and recessions often give rise to a re-evaluation of standards. "Some businesses will collapse, and people will then look back and say, 'Hey, you know, these are the things that need to be changed'," he shares. "So that has made accounting more and more 'onerous' in a sense."

One of the things that Mr Lim feels has not really caught up with the rapid changes in business is the definition of accounting – and who we want to consider as an accountant. "Nowadays, if you look at finance, it is a very wide scope," he emphasises. "For example, you have transfer pricing, audit of cryptocurrencies, the move to online transactions, so the accountancy profession needs to evolve faster to meet the needs of such emerging areas. Let's not forget that our profession started because somebody needed to account for profit and loss."

Mr Lim points out that it is those trained in accounting and audit who are the de facto financial experts in business. However, what is currently happening in the business world does not reflect this. "There are companies that require someone with a keen eye to see and make sense of their businesses, and take on those necessary and vital roles," Mr Lim elaborates. "However, the accountancy profession has not captured these different roles and is not able to say, 'Hey, you know, these roles should be considered under our purview'." In his view, "the accountant should be so equipped that he is the financial advisor to the CEO".

> Train to achieve a basic level of accounting competence, then specialise in different roles. Ultimately, what we want is to be able to support the CEO. This means the accountant must know everything about the business, whether it's human resource or IT."

As the accountancy profession has not changed quickly enough to capture the new, existing opportunities, less qualified individuals are assuming the main finance roles in companies and, predictably, may overlook or fail to spot issues that will require reparation down the road.

ACCOUNTANTS AS PROBLEM SOLVERS

It is not just the changes in the business world that will impact the profession, however. Mr Lim, for one, is convinced that automation is here to stay, and that it will spell the takeover of some accounting functions. At present, considerations are being made for how to put in controls, via technology, to accomplish tasks across different businesses that are using different software. "I don't think anything will stop the progress of automation," he states. Such change – technology, plus the evolution of business – may be seen as a threat, or an opportunity. "The opportunities in the next 10, 20 years lie in the fact that the trends are moving," says Mr Lim. "There will always be new problems, and accountants need to be problem solvers." He cites the example of ASEAN, which is poised to become the next big global player, after the US and China. "The questions to ask would be, 'How can ASEAN be a big player? What are the different regulations in the ASEAN region? How does transfer pricing play a part? How do we perform audit in such a way that we can audit the different regions easily?'"

Thus, it is key to understand that the way things are done will change. "New people coming into our profession will need to know there is basic training. But we have not developed that basic training; we have always moved it towards accounting and audit, but such training needs to include other things," he says. "We're not trying to train just accountants – we are trying to train financial experts. What are the modules we can prepare so that each of these individuals can pursue his/her area of interest?"

At the end of the day, Mr Lim is clear that all financial aspects of a business should come under the purview of the Chartered Accountant. It then comes down to the profession as a whole, and a body like ISCA, to work out what roles people play in finance, and the ways to ensure that these people are qualified. "Qualification is key," he emphasises. "When I entered the Investigation and Disciplinary Panel, I realised that there were no criteria for someone to be a CFO of certain listed companies; he could be a trained engineer and be the CFO. Some are unqualified accountants, or they have taken their eye off the actual work, creating huge messes that will ultimately need more work to rectify." He adds that sometimes, such errors are not immediately apparent. "It's only one or two years later that the effects of the error will arise and, to go back and rectify it, especially if things are voluminous, can be very taxing."

What the industry needs to do is to train accountants in such a way that they are recognised and valued for their skill sets. "We need to make it clear that the role of the CFO needs to be held by a trained accountant. If not, things will go bad."

MAKING ACCOUNTANCY GREAT AGAIN

Mr Lim frankly expresses that he feels the profession is not attractive to young people today. "I say it is onerous because increasingly, the accountant and auditor are bearing more responsibility," he reflects. "Why study something so that I can get a job that will cause me to be blamed a lot of the time?" It is for this reason that there is a need to widen the scope of the accountancy profession – and make *that* the future of accountancy. While audit is an important function, Mr Lim believes there are other roles for accountants.

His proposed solution is specialisation. Young accountants must expand their vision of what they are able to achieve. "Train to achieve a basic level of accounting competence, then specialise in different roles. Ultimately, what we want is to be able to support the CEO. This means the accountant must know everything about the business, whether it's human resource or IT," he says. "When I was a CFO, I implemented the whole IT system and when something went wrong, we were the ones who stepped in and solved the problem."

"We are the financial gateway to business. Every growing business needs a strong finance person. If you're a unicorn and you don't have a good finance person on your team, you will fumble somewhere down the road. So, in training, we need to take the lead in matters of finance and be able to say, 'Hey, that is our value'."

Accountancy professionals are already positioned for greatness, says Mr Lim. "We are a profession that, by the time we finish three years of school, would have seen a huge variety of companies, through internships and industry attachment programmes. Take me for example. I've visited banks; I've seen how oxygen is made; I've seen chicken farms, fish farms. The kind of experience you get as an accountant is fantastic. All businesses need accountancy professionals. We are the most flexible profession, with a basic knowledge that allows us to adapt to any business."

> "If you view learning experiences positively and have the resilience, you will appreciate that these are experiences that make you a better professional, then this is a job that will be rewarding on many levels."

Through A Different Lens

Christopher Wong, FCA (Singapore), Head and Partner, Assurance, Ernst & Young LLP

INNOVATIVE SOLUTION FINDERS. Strategic drivers of growth. Progressive navigators of emerging fields. These are terms that Christopher Wong hopes people will readily associate with members of the accountancy profession today. "In the past decade, the diversification of work for those within the profession has greatly changed the public's perception of it," says the Head of Assurance and Audit Partner, Ernst & Young LLP.

He does not paint a completely rosy picture though. "Corporate and accounting scandals have tainted the stature of the profession somewhat," he shares, listing the factors that might deter younger talent from joining the industry. "Furthermore, the long, demanding hours have made the work less attractive to a younger generation that places a lot more emphasis on work-life balance." However, he believes that accountancy truly is a profession that offers unparalleled breadth of opportunities. "The work experiences one will be presented with as an accountancy graduate provide the fastest route to learning about any business from the inside out. With this knowledge, one can make the informed decisions that drive a business," says Mr Wong, who has witnessed the evolution of the profession over the decades. "Given that CFOs or even CEOs today are expected to have multidisciplinary competencies, those with an accounting background – and a bird's eye view of business processes – are well placed to lead businesses of the future," he emphasises. "We could certainly do more to paint that positive, exciting image of the accountancy profession."

AMPLE OPPORTUNITIES FOR THE AMBITIOUS

Mr Wong sees an exciting future for young accountants as leaders who will define emerging industries. "Sustainability is an area that every business needs to emphasise today. Given that it is still quite a new area of reporting, accountants have the opportunity to define how to extract and shape the data and reporting standards and, in turn, what sustainable practices are," he opines. Similarly, accountants can play an instrumental role in shaping other new industries, such as blockchain and digital assets in the crypto world. "This is an industry at its infancy, with a lot of controversy surrounding it. Despite that, I would say to any accountant who wishes to enter this field, 'Go for it!'," he says. In his view, ethics is the fundamental fabric of the profession and, as professionals are guided by ethics and objectivity, accountants can certainly play that guiding role as the crypto industry continues to evolve.

Beyond shaping new areas in business, Mr Wong also sees accountants playing a pivotal role in the transformation of existing businesses. "Analytics and digitalisation have been huge areas of play in the last five to 10 years," he explains. "Thus, accountants have the ability to help with the financial transformation of companies, taking them from outdated processes to modern, agile systems, be it in terms of data storage or introducing automation and robotics within the operation."

The adoption of technology within the accountancy profession itself has also brought about major changes to the role accountants play, opening up new pathways for them. "There has always been an underlying concern about technology taking jobs away," he concedes. "However, the reality is that technology takes the mundane tasks away, leaving the professional with more time to pick up and hone higher-level skills." Mr Wong, who sits on the ISCA Council and is also an Accounting Advisory board member of the National University of Singapore Business School, also addresses the seemingly relentless onslaught of artificial intelligence (AI). "AI might be advancing, but there are human qualities that cannot be replicated by a machine, such as passion, ambition, empathy, camaraderie ...," he says, highlighting the finer, nuanced facets of accounting work that go beyond mere robotic processes.

"The younger generation embraces technology more readily. However, the benefits are to be reaped by all within the profession, regardless of the career stage they might be in," says Mr Wong. He is of the view that with technology, the profession can go deeper, do more, and at a faster pace. This in turn allows accountants to help organisations cope with the rapid pace of change in the world today. Thus, he sees accountancy evolving into a primary driver of business development. "You can have grand plans, but nothing will happen without financing and projections, and accounting knowledge is key. The accountant's role actually takes centre stage in the business world today."

INNOVATING AROUND CORE PRINCIPLES

Needless to say, the diverse opportunities Mr Wong outlines call for diverse skill sets. To this end, he observes that tertiary institutions are going beyond equipping students with core knowledge and competencies. "While foundational knowledge is taught, other learning opportunities are also presented through project work, presentations and internships," he notes. "Being able to persuade and convince is a critical skill for young accountants today; you can have all the knowledge in the world, but you would still lose out if you cannot present your point of view effectively." He also emphasises a key mindset change that those in the accountancy profession should embrace, "Accountants need to be able to innovate. 'Creative accounting' is a bad term, but 'creativity' is not a bad word," he stresses. "I see creativity and innovation as having the presence of mind to think through problems to find solutions." Of course, accountants would need to discuss these solutions properly and examine them robustly before implementation, and brace themselves for the possibility of making mistakes. "But there shouldn't be a climate of fear that kills innovation within the profession."

Think out of the box, but always be guided by rules – this is Mr Wong's advice to young accountants. "The rules in accounting are very principles-based and they are not as prescriptive as most people think," he highlights. "There are few things that are not subjective, and if you think widely and broadly enough, there is scope within the rules for solutions."

That said, Mr Wong stresses that ethics underscores the work of the profession. "I am not suggesting that we bend the rules or dance around them. Accountancy is a principles-based profession. As long as you follow the basic tenet of doing the right thing, you will be aligned with the law and public interest. One must never lose sight of the underlying values and ethics of the profession, whether you are an auditor or accountant. Without that baseline principle, anybody can do our job!"

Beyond balancing the books, accountancy professionals indeed have more to balance in their work, but Mr Wong urges the younger generation to look past the hurdles. "It is a demanding profession, but also a very rewarding one." Drawing from his own experience, he shares, "Every single day of work has been eventful for me since I started as a young auditor, and I enjoy this greatly. I get to meet a wide spectrum of people, from the nice to the difficult and, the more difficult they are, the more they help to shape my character."

"If you view learning experiences positively and have the resilience, you will appreciate that these are experiences that make you a better professional, then this is a job that will be rewarding on many levels." And, despite the dark clouds of recession and global instability, Mr Wong remains excited for mid-career professionals and young entrants. "The profession has never been so exciting. It would be a loss (to individuals) to not take up the challenge to shape what the future accountant will be," he enthuses. "It's definitely what I would do if I were a 20-year-old now!" ISCA

> Even though some investments might offer lower returns, they have very good reasons to be considered due to factors like stability and diversification.

The Financial Tools You Need To Fight Inflation

Be Prepared To Guard And Protect

TAKE AWAYS

- Inflation is eroding the purchasing power of your dollars over time.
- Investments can provide more attractive returns than leaving the money in a regular savings account.
- When investing, consider the balance of returns, liquidity and risk.
- Continue to work hard to earn a steady income, and invest in yourself through constant upskilling.

AT THE TIME OF WRITING THIS ARTICLE, core inflation is projected to be 3% to 4% this year, up from the earlier forecasted 2.5% to 3.5%. Headline inflation is projected to be 5% to 6%, higher than the earlier forecasted 4.5% to 5.5%.

You probably already know that this means our money is now worth less. With inflation, what would cost you $1 in 2010 would cost you $1.17 in 2021. That's a 16.83% depreciation in your spending power – even without investing. By leaving your money in a regular savings account, your money will continue to erode in value.

This article attempts to give you a snapshot of what kinds of returns you can expect from the various types of financial instruments. That said, we would strongly caution against building a financial portfolio *purely* based on the potential returns you can get – and especially the highest rates – as the only consideration.

Even though some investments might offer lower returns, they have very good reasons to be considered due to factors like stability and diversification.

AN IMPORTANT RULE OF THUMB

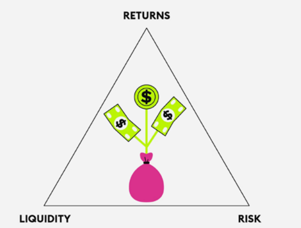
When it comes to investing, here's something useful to remember: all investments have to balance three things, namely returns, liquidity and risk (Figure 1). In layman's terms:

- **Returns** are how much in percentage terms you can potentially earn
  - High returns are what people want to look for;
- **Liquidity** is how accessible the money is
  - All things being equal, the more liquid the investment, the better;
- **Risk** is the possibility of losing money
  - All things being equal, the lower the risk of the investment, the better.

In general, you will not be able to find all three desirable traits in a single investment. For example: Want high returns? – then be prepared to have your money locked in, and take on more risks. With all these in mind, let's take a look at where you can place your money to (hopefully) beat inflation.

FIGURE 1

MAGIC TRIANGLE OF INVESTING



Your risk tolerance, your investment goals and your loss tolerance make up your personal risk profile to define your relationship with risk and return.

0.1% to 1.5%

At this level, financial instruments tend to be *liquid*, have *low risk*, and offer *low returns*. Many, but not all, have returns that are "guaranteed".

Cash management accounts/ Money market fund. Investors park their money in these places, with the intention to deploy them into the stock market in the future. Typically, these range from 0.7% to 1%. However, newer solutions offered by robo-advisors provide up to 1.5%. Examples include:

- Syfe Cash+: 1.5%
- MoneyOwl WiseSaver: 1.2%

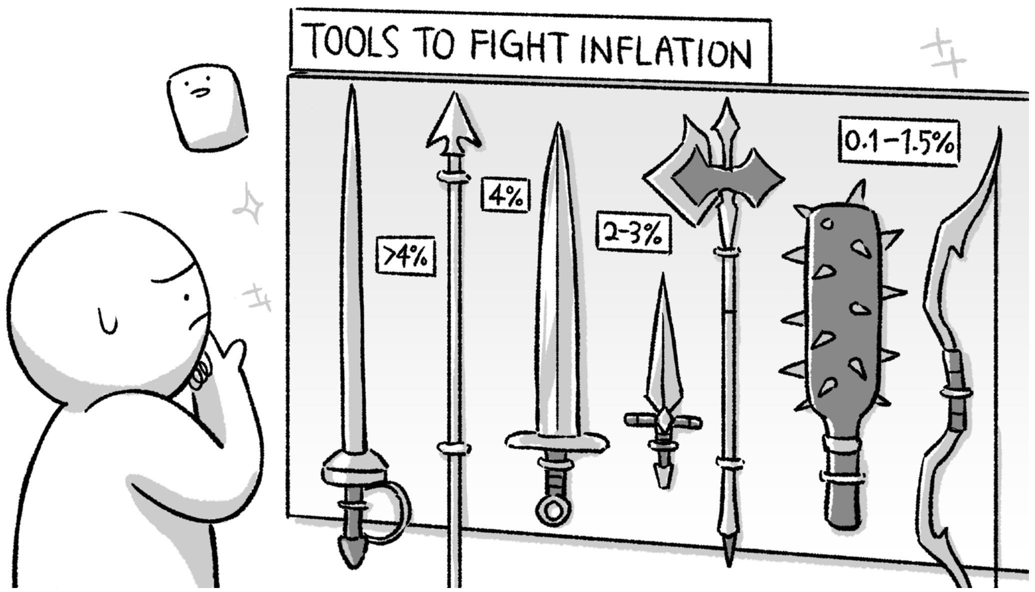
High-yield savings account (HYSA). This is a supercharged bank account which tries to provide you more than the average 0.05% return. Some banks will claim that you can get up to 3%, but the catch is that they'll often ask you to use more bank products (service your mortgage, spend using their credit card, buy insurance) to get a higher return.

If you're an average salaryman with a take-home pay of $3,200 (after CPF) and you credit your salary into the HYSA plus spend with a bank credit card, these are the realistic interest rates you can get. Examples include:

- DBS Multiplier Account: approximately 0.4%
- StanChart Bonus$aver Account: 0.31%

Insurance savings plans. Insurers may offer low-risk plans with guaranteed returns. These often come with insurance cover, but that's not the main selling point. Examples include:

- SingLife Account: 1% on the first $10,000
- Dash Pet by Etiqa: 1.3% on the first $10,000



We've said this before, and we'll say it again: Time and time again, the best investment is still yourself.

2% to 3% (guaranteed)

As we move up, financial instruments remain generally low risk. However, many of them might require you to sacrifice liquidity.

› **CPF OA** is still giving 2.5% returns right now. The pros are that it's uber safe. The cons are that you can only use it for housing and investment purposes. So, quite rigid.

› **Singapore Savings Bonds** in November recently reached an all-time high interest of 3.21% over 10 years. The downside is that you have to apply for them, and you can't always get the amount you want. In addition, there's a maximum of $200,000 Singapore Savings Bonds you can have right now. Not compounded; simple interest.

› **Tranche endowments** can also give you 2% to 3%, but you often have to commit your money for a couple of years, and you also have to apply for them. Examples include:

- Great SP7 (now closed): 2.3% p.a.
- Tiq 3-Year Endowment Plan: 2.3% p.a.

› **Endowment Plans** are insurance products that give you both guaranteed and non-guaranteed returns. For example, they might guarantee 1.5% and project that you *might* have another 1.5% over the long term. Note: it is *likely* you'll get the non-guaranteed returns, but it's not guaranteed.

4%

Your CPF Special Account actually gives you 6% interest for your first $60,000. Anything above that is 4%. The downside is illiquidity and irreversibility, and the rules can be inflexible. Our take: Do not put all your money into CPF unless you are sure you don't need it until you're in your late 50s to early 60s.

› **Temasek-related sort of bonds**. Temasek sometimes issues bonds that can give you upwards of 4% interest. Most recently, there was the Astrea 7 PE bonds that promised between 4.125% and 6%, depending on risk. Do note that while Temasek is indeed a reputable organisation linked to the government, the returns are not always guaranteed, and there are still risks involved.

› **Some endowment plans** also give you close to 4-ish%. But as with the rules of the magic investing triangle, they will require long periods of commitment, typically 30 to 60 years. Examples include:

- Manulife Signature Income/Retire Ready
- NTUC Income Solitaire
- SingLife MyLifeIncome

>4%

Once you cross the 4% mark, very few things have guaranteed returns. If anything claims to do so, approach with extreme scepticism because these tend to be extremely high risk, unsustainable, or are downright scams. This means that the figures in this section serve as a guide only, and are based on historical performance.

In reality, prices may and do fluctuate significantly, so you should not be expecting to get these numbers in the short term. You should also look to hold these investments for at least 10 to 15 years. In addition, future changes in the investing environment can cause a well-performing investment to suffer.

As the saying goes, past performance does not represent future returns.

PASSIVE INDEX FUNDS/EXCHANGE TRADED FUNDS

Each country's stock market has its own "index". These are used as benchmarks for these markets. There are also "index funds" you can buy that are created to track the performance of various countries' stock markets.

Buying "index funds" is a popular strategy among investors who do not want to pick their own stocks or funds, or rely on professionals to do so for them.

Examples:

ETF/Fund Name	5-year return p.a.	10-year return p.a.	Remarks
CSPX	11.64%	12.62%	Tracks SP500
VT	8.19%	8.95%	Tracks entire world's stock market
ES3	4.71%	3.65%	Tracks STI-ETF

ACTIVELY MANAGED MUTUAL FUNDS/ETFS

It is extremely difficult to generalise the performance of these because ultimately, it boils down to the ability of the fund manager, underlying investments, fund fees, timeframe, and purpose.

In general, aggressive funds/ETFs that contain mostly stocks will try to beat the performance of index funds. However, there can be funds/ETFs with other purposes: to try to provide a stable income, hedge against inflation, or invest in a particular sector or industry.

ROBO-ADVISORS

These work in a similar way as mutual funds but they use algorithms and technology to pick their stocks or reduce customers' fees. They tend to be less customisable, with fewer choices when you use their platform.

S-REITs

REITS stand for Real Estate Investment Trusts. The S? – Singapore. Put that together and you have Singapore REITs. Buying a REIT is like becoming a property owner. You earn money when the property appreciates in value or when you collect rent.

Many S-REITs will offer a dividend yield of around 4% to 5%. However, investors should also pay close attention to capital appreciation/depreciation when considering REITs as an investment.

INVESTMENT-LINKED PLANS (ILPs)

ILPs are complex products sold by insurance companies.

They try to mix both insurance and protection plans into one single product, much to the confusion of consumers. Conventional wisdom is to stay away from ILPs because of multiple reasons. The most common ones you'll hear are:

1. Lumping insurance and investment together into a single product can be too complex for the layperson to understand;
2. The relatively high and opaque fees involved;
3. Inadequate knowledge of the insurance salespeople, and/or pushiness/misaligned interests/poor service;
4. Hefty surrender fees should you decide to stop investing, meaning, little flexibility;
5. There are simpler alternatives for insurance and investments that require far less mental gymnastics to understand.

All in all, while we recognise that ILPs might work for a tiny subsection of the population, we believe the layperson should approach with caution when it comes to ILPs simply due to reason 5.

PHYSICAL PROPERTY

The idea of buying a private or commercial property as an asset is incredibly popular among Singaporeans due to its historical performance. In addition, properties and rental rates have most recently seen a surge in prices due to a lack of supply – even against the backdrop of falling stock and bond prices. We acknowledge this, and also recognise that cooling measures by the government have, so far, kept property prices in check (in our opinion).

That said, purchasing private properties requires significant outlay, and might result in a lack of diversification. For example, if you have a total of $200,000 and you spend it all on the down payment, you'd be putting all your eggs in one basket. Personally, no more than 40% of our portfolio is in investment property.

Investors also frequently overlook the many associated costs of maintaining and acquiring property; they may also be confused over whether a property is for owner-occupancy or is an investment property. For these reasons, we'd consider the property a high-risk investment you should not blindly wade into.

TWO BRUTAL TRUTHS

There are two brutal truths to accept if you're reading this article.

First: The best time to prepare for this current wave of inflation was before the newspapers and influencers were talking about it.

Those who stayed invested in something like the S&P500 way back in 2017 would have remained relatively unscathed, and are likely to be still sitting on profits today (as well as beating inflation).

Second: If you're starting today, it will be unlikely you'll be able to beat current inflation levels without taking on risk. And by taking on risk, there's always a chance that you might actually take on losses. Proceed with caution.

The silver lining in this is that you're still in time to prepare for **future inflation and other economic events**. Prices will continue to rise in the decades after this, much as how they've been rising since the 1800s. The long-term inflation for Singapore is around 2% per annum.

So look, you might be late for the great inflation/stagflation of 2022. But you're in good stead to prepare for the economic crises of the 2030s, 2040s, and even the 2050s (assuming the world lasts that long).

WHAT SHOULD YOU DO NOW?

There's only one way to ride out inflation at the moment, and that is to continue to earn a stable (and hopefully higher) income by upskilling and/or improving your network. We understand this is not the most exciting way, but it is the most reliable way. By earning well throughout this period, you can build a strong financial foundation and ride out inflation, while at the same time pouring more money into investments.

We've said this before, and we'll say it again: Time and time again, the best investment is still yourself.

Stay woke, salaryman. ISCA

TEXT BY

Lawrence Loh

PHOTO SHUTTERSTOCK

Accountants: Partners For SMEs' Growth

Digital Transformation, Sustainability And Regional Expansion

TAKE AWAYS

- The accounting industry is poised to play an increasingly pivotal role in business advisory and strategic planning.
- As SMEs digitalise, there are rich opportunities for accountants to embrace digital solutions for business efficiency.
- Sustainability and regional expansion are key business goals that accountants can develop capabilities in, to add value to SMEs.

> ... accountants are expected to provide more advisory and preemptive services, ranging from better financial information analysis to recommendations for improving accounting processes.

ACCOUNTANTS TODAY HAVE AN INCREASINGLY PIVOTAL ROLE IN BUSINESSES' STRATEGIC PLANNING AND DECISION MAKING. As accounting technologies become more sophisticated and yield greater analytical insights, the industry is well placed to proactively support business performance.

Small and medium-sized enterprises (SMEs), in particular, account for 99% of enterprises in Singapore and are key drivers of employment and innovation. As SMEs thrive and transform, it will be all the more essential for the accounting industry to adapt in tandem.

What lies ahead in the business landscape? UOB's "ASEAN SME Transformation Study 2022" reveals that SMEs in key ASEAN markets have their sights set on three growth ambitions in the next few years: digital transformation, sustainability and regional expansion.

Some 66% of businesses plan to increase spend on digitalisation, spurring automation of business operations including manual accounting processes. Meanwhile, as sustainability becomes an increasing priority for SMEs, accountants have a role in reporting businesses' sustainability initiatives and impact. Finally, with more SMEs venturing into the region and beyond, we need accountants to complement the business needs and challenges of expanding into new markets.

Accountants can be partners with businesses as they expand to tap on more opportunities. These are the three overarching business needs that accountants can explore to deliver enhanced value:

1. EMBRACING DIGITAL TRANSFORMATION IN ACCOUNTING

SMEs in ASEAN are rapidly seeking to digitalise to gain a competitive edge. Almost two-thirds of SMEs plan to continue digitalisation as a growth strategy, according to the "ASEAN SME Transformation Study 2022".

There is no doubt that this digital transformation will reshape the accounting department as well, with 47% of surveyed SMEs reporting a focus on digitalising their operational processes. Indeed, accounting is a top digitalisation priority for one in three SMEs in Singapore.

Artificial intelligence (AI)-backed automation can drive efficiency in accounting, supporting accountants in providing businesses with timely, up-to-date financial information. It can reduce errors and streamline time-consuming tasks such as manually entering data, categorising transactions, verifying information, and even generating financial reports.

But convenience and speed are just the start of the possibilities unleashed by these emerging technologies. With the rise of big data and advanced data analytics in accounting, accountants increasingly have the tool sets to unearth valuable business insights from financial figures. Data analytics tools and machine learning can enable accountants to analyse massive data sets at speed to provide businesses with a forward view of their financial health.

For instance, AI will help tax accountants to detect potential tax risks arising from changes in tax regulations and to formulate preemptive, customised solutions for businesses. Backed by AI and machine learning, data analytics tools will also enable accountants to recognise emerging financial risks from data trends, propelling businesses to act fast to minimise risk.

As data-driven decision making comes to the forefront in accounting, accountants can increasingly add value to enterprises' financial planning and forecasting. In short, the role of the accounting professional is set to evolve towards business advisory.

At present, businesses' expectations of the industry are shifting. Based on a 2022 "Manpower Study Of Singapore-Based Accounting Practices" commissioned by

> By guiding SMEs in the still-nascent area of sustainability disclosure, accountants enable enterprises to communicate how they create sustainable business value to banks, investors, and other stakeholders.

the Singapore Accountancy Commission (SAC), accountants are expected to provide more advisory and preemptive services, ranging from better financial information analysis to recommendations for improving accounting processes.

Businesses will have an urgent need for data-savvy accountants to stay resilient in a digital future. With more companies investing in digitalisation, today's accountants can take advantage of user-friendly tools like analytics automation platforms to unlock data insights. By embracing these emerging technologies, accountants can better support businesses' transformation and growth.

2. THE RISE OF SUSTAINABILITY ACCOUNTING

ESG (environmental, social and governance) factors are an increasing focus among today's organisations. This rising concern about the planet, people, and profit has far-reaching impacts on the accounting industry.

Sustainability is currently a strategic priority for nearly two-thirds of SMEs in ASEAN, as shown by the "ASEAN SME Transformation Study 2022". As SMEs embark on their sustainability journeys, there is plenty of room for accountants to take on new strategic capacities in sustainability reporting, green finance, and more.

Currently, 35% of SMEs remain in experimentation mode, with only limited adoption of sustainability practices across their businesses. As the study reveals, one top barrier to implementing sustainability practices for SMEs is high initial costs. The accounting

Technologies can help accountants unlock valuable insights from the data

Top three markets

- for regional expansion: Thailand, Indonesia, Philippines
- beyond regional expansion: China, Japan, South Korea

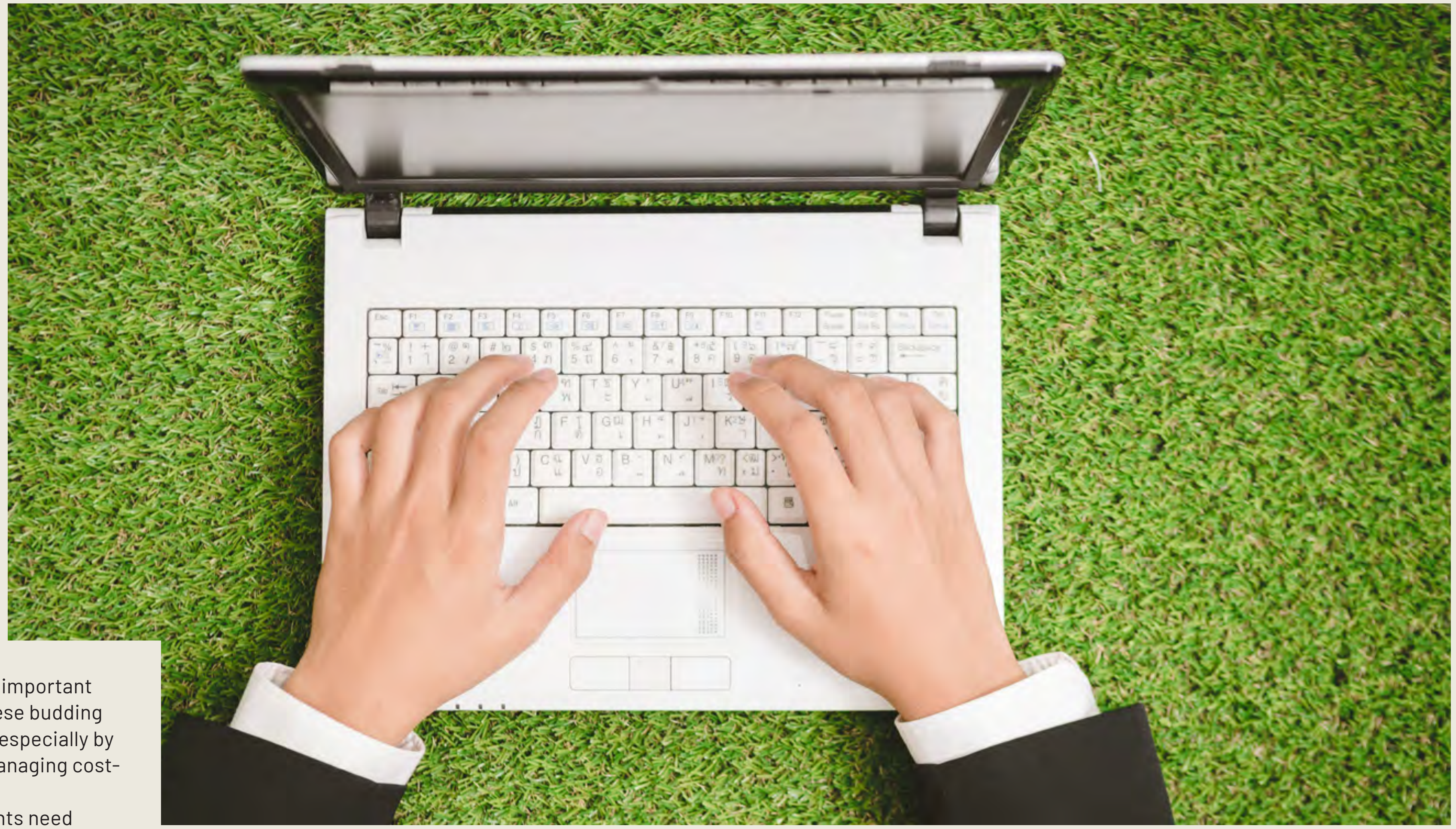


PHOTO SHUTTERSTOCK

industry can act as an important partner in spurring these budding sustainability efforts, especially by supporting SMEs in managing cost-related challenges.

For one, accountants need to work closely with banks that shape the disclosure standards for green financing solutions. Through providing funding and seeking measurable financial and ESG results, banks can help SMEs ensure that their sustainability efforts are sustainable. Accountants who understand sustainability reporting will be able to help enterprises work with issuing banks. By guiding SMEs in the still-nascent area of sustainability disclosure, accountants enable enterprises to communicate how they create sustainable business value to banks, investors, and other stakeholders.

Currently, only 34% of SMEs across ASEAN are focused on sustainability reporting and measurement, reveals the study. SMEs will need stronger support from accounting partners to evaluate, enhance, and drive success in their sustainability performance.

3. PREPARING FOR OVERSEAS EXPANSION

As the ASEAN economy recovers post-pandemic, small businesses are showing a growing appetite to expand their footprint overseas. In UOB's "ASEAN SME Transformation Study 2022", 74% of SMEs expressed a keen interest in regional expansion into ASEAN and beyond.

Despite its risks, overseas expansion means SMEs have access to bigger markets, more revenue, and more talent. They can also build ties with clients based abroad and strengthen operations through diversification, based on the competitive strengths of each country.

International expansion comes with a complex set of accounting challenges as subsidiaries must adhere to local accounting rules, keep up with different tax policies, and ensure compliance with various regulations. So, as SMEs set their sights on cross-border growth to tap on new opportunities, they will need a broader understanding of accounting systems for international businesses. Accountants can play a crucial role to assist SMEs in their regional growth, such as in scale and complexity of operations transactions, revenue streams, and overseas employee-related finances. It is also critical for accountants to guide the management in ensuring proper legal and regulatory compliance to repatriate cash flows back to the headquarter country of operations.

Consolidating financial data across different countries can be complicated. For instance, accountants who serve enterprises operating in China follow the Chinese Accounting Standards (CAS), which differ from the International Financial Reporting Standards (IFRS).

As a starting point, professionals can look into keeping themselves apprised of the relevant accounting systems in their key countries of interest. Thailand, Indonesia, and the Philippines are businesses' top three markets of interest for regional ventures in the next three years, based on the study. For expansion beyond ASEAN, China, Japan, and South Korea are the key markets that SMEs are most interested in breaking into.

PARTNERING FOR SUCCESS

In a fast-evolving business environment, enterprises need support from accounting partners to stay ahead of the curve. As an important pillar of all businesses, accountants can take on a more pivotal role in the companies' strategic planning especially as enterprises chart new paths in digitalisation, sustainability, and overseas expansion.

With a stronger partnership at the strategic level, businesses and accounting partners will be able to respond dynamically to new opportunities ahead. ISCA

Lawrence Loh is Managing Director, Head of Group Business Banking, UOB.

Wooing The Next Generation Of Workers

What Employers Should Know About Gen Z

TAKE AWAYS

- Gen Z-ers are entering the global job market at one of the most challenging moments in recent memory.
- Gen Z-ers want work that is interesting and challenging; they also want mentoring options. They want to be spoonfed but also have the liberty to explore what to do on their own.
- Many of them are passionate about social responsibility, and they expect the same of the companies they work for.

AT A TIME WHEN THE FUTURE OF EMPLOYMENT SEEMS MORE FLUID THAN EVER, a new generation is starting to make its presence felt in the workforce. Born between 1997 and 2016, the oldest members of the cohort known as Generation Z are entering the global job market at one of the most challenging moments in recent memory. Not only are developed economies still suffering from COVID-19 hangovers, the impact of China's pandemic policies continues to ripple out beyond its borders. At the same time, inflation is on the rise and some kind of global downturn seems to be all but guaranteed, according to widespread reporting from the local media as well as leading international voices such as *The Economist*, *Financial Times* and *Wall Street Journal*. Two recent Bloomberg polls place the probability of recession in the US and the Eurozone in the next 12 months at 50% and 80%, respectively. In addition, this is unfolding against a backdrop of a supposed "quiet quitting" epidemic, where employees strictly adhere to their official working hours and put no more effort into their jobs than is absolutely necessary. Finally, there is the continuing conflict in Ukraine, which shows no signs of abating.

Whatever the profession or industry, the current situation is clearly challenging, with Jessica Wang, Managing Director of Hays China, noting that the oldest Gen Z-ers are facing strong headwinds – from missing out on their first job opportunities to having their final years of school interrupted. "In this new era of work, employers need to ensure they properly understand Gen Z-ers – including what motivates them – in order to create the perfect workplace to attract and retain them," wrote Ms Wang, in an article published on Hays.com.sg.

In Singapore, the Monetary Authority of Singapore (MAS) estimated earlier this year that more than 9,000 jobs in the financial sector would open up in 2022. Filling these vacancies might prove challenging, as MAS Managing Director Ravi Menon noted in his remarks at private equity and venture capital conference SuperReturn Asia in September. "Labour supply may continue to remain weak. Labour force participation and non-resident labour flows may not fully recover to pre-pandemic levels," he said. "This means continued labour market tightness and wage pressures…"

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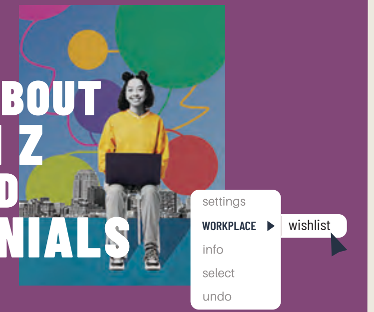
THE WORKPLACE WISHLIST

So, what do these new joiners want? According to Benjamin Wong, CEO and Co-Founder of Kinobi, a career accelerator firm for Gen Z-ers, it is the best of all worlds. "They want work to be interesting and challenging but also to have mentoring options and processes that are in place (to facilitate that). They want to be spoonfed, but also be given the liberty to explore what to do for themselves." In other words, Gen Z-ers may be comfortable with taking plenty of directions at work as well as being self-starters; indeed, they

MORE ABOUT GEN Z AND MILLENNIALS



According to recent studies, Gen Z and millennials currently make up approximately 38% of the global workforce, and this percentage will rise to about 58% by 2030.

Source: How prepared are employers for Generation Z?[1]

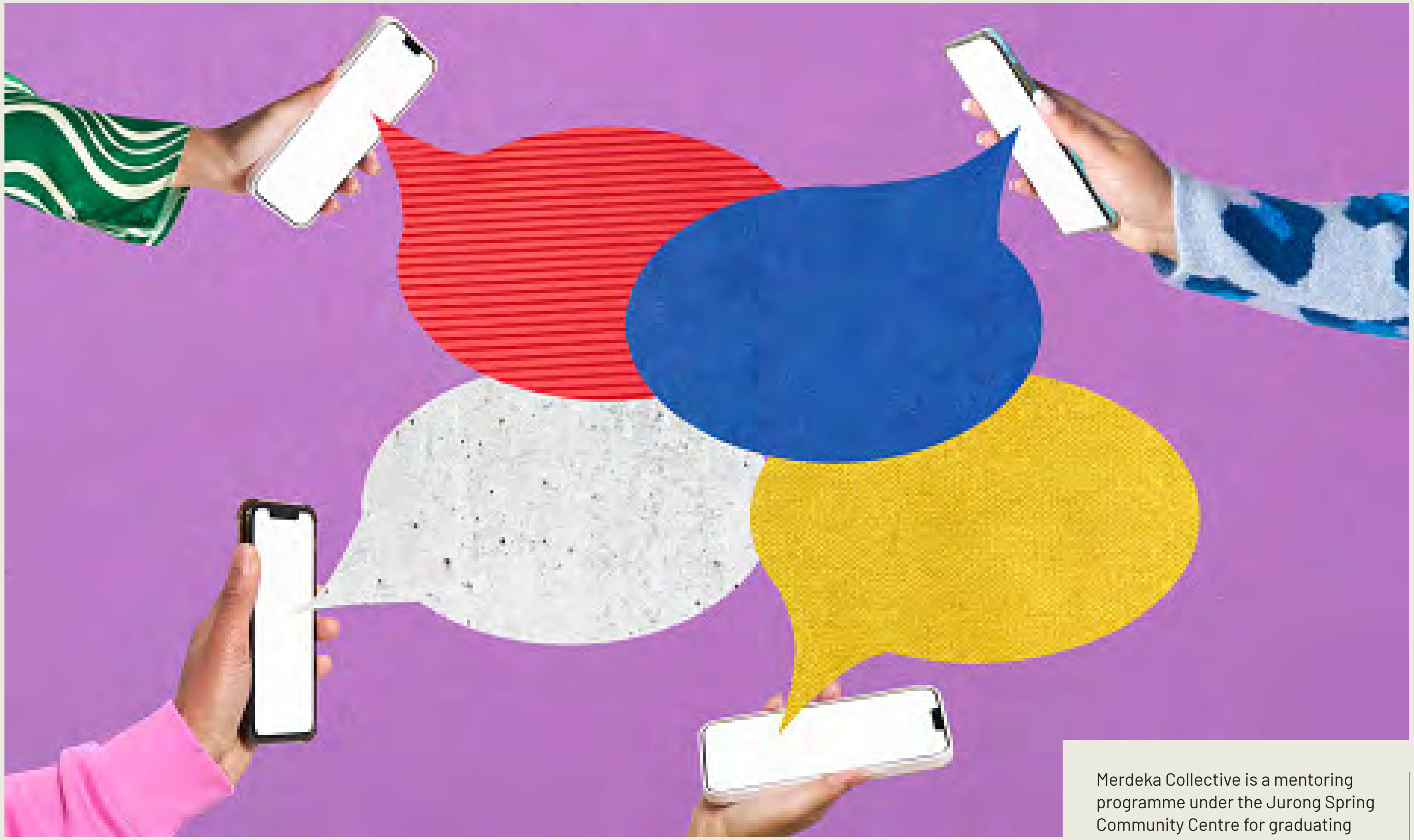
Another 2022 survey by PwC found that Gen Z workers in Singapore are more likely to switch jobs over the next 12 months compared to other age groups, at 36%. When employees were asked about the key factors behind this, 61% cited financial rewards, and 29% highlighted that they will ask for a pay raise.

Source: PwC's Global Workforce Hopes and Fears Survey 2022[2]

[1] https://www.pwc.com/ug/en/press-room/how-prepared-are-employers-for-generation-z-.html

[2] https://www.pwc.com/gx/en/issues/workforce/hopes-and-fears-2022.html

> "In this new era of work, employers need to ensure they properly understand Gen Z-ers – including what motivates them – in order to create the perfect workplace to attract and retain them," wrote Ms Wang, in an article published on Hays' Singapore website.



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might expect to have both options in their ideal jobs.

In practical terms, Stacy Seah, CMO Lead, APAC, Microsoft, describes this as "intrapreneurial spirit", where employees within a large organisation such as Microsoft can function as entrepreneurs. She elaborated on one such example at a Merdeka Collective panel discussion, where a group of Microsoft employees made a business case for an idea they came up with. It had nothing to do with management directives, and they had made it happen by dint of their own initiative and hard work. That these employees were all women in tech speaks to the younger generation's passion for social responsibility, while the fact that they were of varying ages demonstrates that there is common ground among all generations. The Merdeka Collective is a mentoring programme under the Jurong Spring Community Centre for graduating local university students that brings together Gen Z-ers, Millennials and Gen X-ers.

Gen Z-ers want the best of all worlds

In media reports, Gen Z-ers are associated with a passion for "doing the right thing", and they require the same of the companies they work for. McKinsey & Company reports that Gen Z-ers "mobilise themselves for a variety of causes. They believe profoundly in the efficacy of dialogue to solve conflicts and improve the world". But Kinobi's Mr Wong cautions against such global generalisations as, in his experience, some Gen Z-ers adopt certain causes because it is expected of them. "I believe to some, it's more of a branding rather than a true (belief in the) cause – somewhat like a fashion accessory."

NEW RULES FOR THE ESTABLISHMENT

Of course, this does not take away from the fact that human resource (HR) professionals are recommending that corporations, especially MNCs, be mindful of their environmental, social and governance (ESG) standards. "Work is a bigger part of people's identities, and so is social responsibility in various ways, especially for Gen Z," says Pranav Sharma, Partnerships & Alliances Lead, impress.ai. "It is common for people to hold firms they work for, or whose products and services they consume, to a higher standard. Of course, companies that fulfil this expectation can also expect a more driven and fulfilled employee."

Getting driven and fulfilled employees is no doubt something that most companies want, and it certainly seems that Gen Z-ers – and everyone who has experienced COVID-enforced flexible working hours – have specific wants. "What Gen Z-ers want is to be able to have a three-day work week at home and two days in the office. Having board games (and other such facilities) in the office is also good," says Mr Wong. Flexible working time is likely related to the fact that Gen Z-ers are the first true digital natives, as the Internet and social media have always been a part of their lives. This might mean that Gen Z-ers are as comfortable working on their mobile phones as they are on desktops.

Gen Z-ers might also be used to building relationships by using digital tools, and reaching out to peers and seniors with these tools. HR professionals recommend that companies invest in the right platforms to enable such connectivity, to take full advantage of this characteristic of Gen Z-ers', above and beyond any superficial ESG moves. "Companies must create quality work and good growth environments to attract top talents," says Mr Sharma. "Making the work impactful or having a social impact/ESG element can add to that, but it is not the core of it. It is also necessary to give employees clarity and manage expectations with them upfront – versus overpromising."

Finally, there is also the matter of a mismatch between expectations and reality, such as the issue of "quiet quitting" and the like. This may be overblown when it comes to how it truly relates to Gen Z, as noted by Deputy Prime Minister (DPM) and Finance Minister Lawrence Wong, in his speech at the Singapore Institute of Technology graduation ceremony in October this year. "It's not surprising why these days, you hear people talking about 'quiet quitting'; or in China, they say 'lying flat'. But these sorts of thoughts are not new," DPM Wong pointed out. "When I was about the age of the graduates here today in the late 80s and early 90s, the media was portraying my generation as 'slackers'. The Gen X was supposedly slackers and lazy, but I think we turned out okay." ISCA

VIEWPOINT

TEXT BY

Martin Lim

... the 2022 AML/CFT landscape would (likely) be characterised by sanctions-related risks triggered by the Russian invasion of Ukraine.

Sanctions And Proliferation Financing

What Professional Accountants Need To Know

IF THE 2020 AND 2021 ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM (AML/CFT) LANDSCAPE is characterised by money laundering related to COVID-19 fraud and scams, the 2022 AML/CFT landscape would be characterised by sanctions-related risks triggered by the Russian invasion of Ukraine. This article provides an overview of the sanctions and the sanction risks that businesses may be exposed to when operating in these uncertain times.

TAKE AWAYS

- Accountants should familiarise themselves with the different types of sanctions and their related risks to business.
- Sanction laws are complex and can change according to the events that triggered the sanctions; there is no one-size-fits-all solution.
- It is necessary to take proactive risk assessment and mitigation to manage sanction and proliferation financing risks.

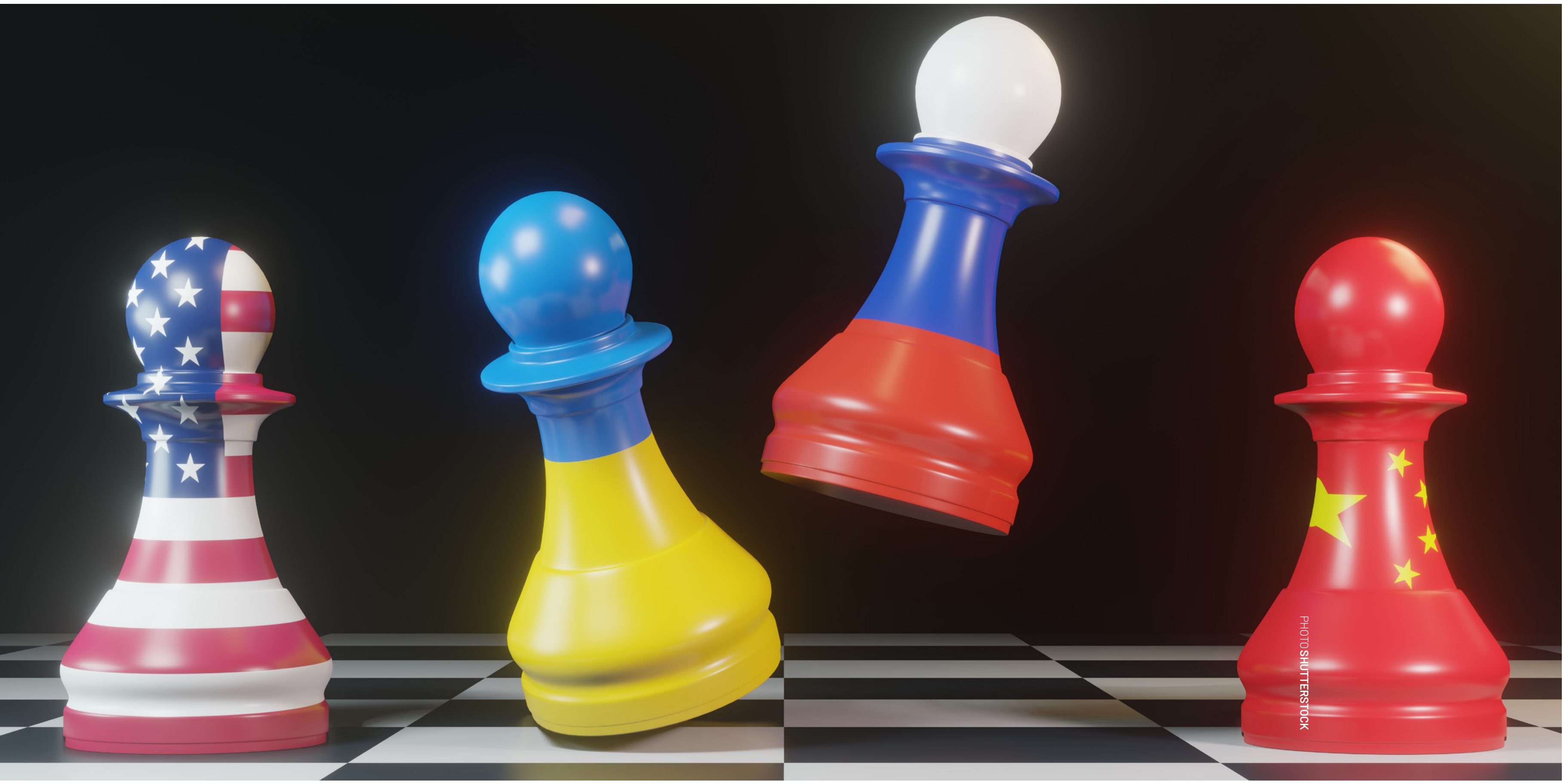

PHOTO SHUTTERSTOCK

- International and regional bodies and countries can impose sanctions
- Sanctions can be for different purposes

WHAT ARE THE TYPES OF SANCTIONS?

Broadly speaking, there are two main types of sanctions – those that are imposed by international or regional bodies, and those that are imposed unilaterally by sanctioning countries.

International/Regional sanctions

The United Nations (UN), through the UN Security Council (UNSC), is currently the only international body that has the power to impose international sanctions; it has 14 ongoing sanctions regimes which focus on supporting conflict resolution, nuclear non-proliferation, and counter-terrorism.

Member states are responsible for implementing sanctions at the national level. For instance, in Singapore, the United Nations Act (UN Act) enables the Singapore government to implement the sanction decisions made by the UNSC, while the Strategic Goods (Control) Act (SGCA) regulates the trade in goods that could contribute to the proliferation of nuclear, biological and chemical weapons (commonly known as weapons of mass destruction or WMD).

Sanctions can also be imposed by regional bodies like the European Union (EU), and the obligations they impose are binding on EU nationals or persons located in the EU or doing business there. The task of enforcing and investigating potential non-compliance cases falls on the EU member states and their national authorities.

Unilateral sanctions

In unilateral sanctions, countries can impose sanctions on their own to achieve their political and foreign policy objectives. For instance, the United States (US) has the Office of Foreign Assets Control (OFAC) and the United Kingdom has the Foreign, Commonwealth & Development Office to implement sanction regimes by their respective governments.

Typically, these unilateral sanctions are only applicable to the citizens of the sanctioning countries, or they are applicable when the sanctioned activities are carried out within the jurisdiction of the sanctioning countries. The sanctions announced by the Singapore government against Russia for the invasion of Ukraine is a form of unilateral sanction.

Countries have no obligations to implement unilateral sanctions by other sanctioning countries or regional bodies they are not a member of.

PURPOSES OF SANCTIONS

While international/regional bodies and countries can impose sanctions, the purposes of these sanctions are not restricted to maintaining international peace, countering the proliferation of WMD or countering terrorism. In the recent past, sanctions have also been used to:

i protest violations of treaties;
ii penalise perpetrators of serious human rights violations;
iii penalise criminals involved in serious crimes like drug trafficking, arms trafficking, corruption, money laundering, or
iv act against perpetrators of malicious cyber-related activities.

TARGETED SANCTIONS

To be effective, sanctions must have targets. Depending on the purpose of the sanction, the sanction targets can include trade bans, arms embargo, asset freeze, financial sanctions, travel bans, and aircraft and shipping sanctions. These targets can be applied to designated persons or entities, or to a particular sector of the sanctioned country.

Hence, when evaluating the exposure to sanction risks, it is important to understand who or what is being targeted.

PHOTO SHUTTERSTOCK

> Businesses, operating in these uncertain times, may be exposed to sanction risks.

WHAT ARE THE SANCTIONS-RELATED RISKS?

There are four categories of sanction risks:

1) Primary sanction risk

A primary sanction risk is present if a legal entity operates under the jurisdiction of a sanctioning country. Severe penalties can be imposed if a legal entity is found to have breached sanction laws. In Singapore, it is an offence to breach any regulations made under the UN Act, which is punishable by a severe fine, jail term or both[1].

2) Proliferation financing risk

A proliferation financing (PF) risk is a subset of a primary sanction risk in relation to the UNSC resolutions against the proliferation of WMD[2]. The Financial Action Task Force (FATF) refers to PF as "the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, transshipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual-use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations."

In October 2020, FATF revised Recommendation 1 to require financial institutions, designated non-financial businesses and professions (DNFBPs), and virtual asset service providers (VASPs) to implement a risk-based approach in mitigating their PF risks, which strictly refers to the potential breach, non-implementation or evasion of targeted financial sanctions obligations under the UNSC resolutions against the proliferation of WMD.

With this revision of Recommendation 1, DNFBPs have to perform risk assessments and develop control measures to mitigate the PF risks identified, similar to those performed to prevent money laundering and counter terrorism financing. The new Corporate Service Providers (CSPs) Bill that will be introduced in Singapore will cover PF prevention requirements. Once implemented, it will become an obligation by law for CSPs to put in place measures to counter PF.

3) Secondary sanction risk

Secondary sanctions are sanctions against parties who are not under the jurisdiction of the sanctioning country but help sanctioned parties bypass sanctions. For instance, if a non-US citizen is found to have assisted sanctioned individuals or entities evade OFAC sanctions, that non-US citizen may be sanctioned by OFAC.

Although Singapore does not enforce unilateral sanctions imposed by other countries, companies may still have to watch out for secondary sanction risks, especially those imposed by the major trading countries like the US.

4) Anti-Foreign Sanctions Law

In June 2021, China passed the Anti-Foreign Sanctions Law to protect individuals and businesses from unilateral sanctions by foreign countries. Additionally, the law also makes it illegal for any individuals or entities to comply with unilateral foreign sanctions in China.

For businesses that operate in China, the Anti-Foreign Sanctions Law makes sanctions compliance even more complicated.

WHAT CAN PROFESSIONAL FIRMS DO TO MITIGATE SANCTION AND PROLIFERATION FINANCING RISKS?

Professional firms could carry out the following measures:

- i When reviewing the customer's nature of business, be sensitive to customers who deal with strategic goods under the SGCA.
- ii Be sensitive to customers who appear to be shell companies or diplomatic missions as these have been used as covers for the procurement of WMD[3].
- iii For higher-risk customers, extend the coverage of Customer Due Diligence to cover counter parties like their suppliers, customers and end-users.
- iv When in doubt, clarify with the local competent authority managing the sanction programme.

FINAL WORDS

Sanction laws are complex and can change according to the events that triggered the sanctions. There is no one-size-fits-all solution, especially when the product or service involves customers from a sanctioned country. Through proactive risk assessment and mitigation, sanction and proliferation financing risks can be effectively managed. ISCA

Martin Lim is Founder & CEO, Ingenique Solutions Pte Ltd.

[1] An individual who commits an offence under the UN Act may be fined up to $500,000 or jailed up to 10 years or both. For any other case, the fine can be up to $1 million.
[2] UNSC Resolution 1718 against North Korea and UNSC Resolution 2231 against Iran
[3] Panel of Experts. Report of the Panel of Experts established pursuant to resolution 1874 (2009). United Nations Security Council. New York, 2017

Technical Highlights

Technical Bulletin 1 *Addressing Climate-Related Risks In Financial Statements And Audits Of Such Financial Statements* (TB 1)

There has been a strong focus on climate-related risks globally and in Singapore. Climate-related risks can have a material impact on an entity's business model, cash flows, financial position and financial performance. Most, if not all, entities are likely to be impacted by climate-related risks. The financial statements are a key source of information for stakeholders to understand the financial impact of climate-related risks on an entity. However, the current accounting and auditing standards do not specifically address climate-related risks.

Arising from these observations, the AASC-FRC ESG WG has developed TB 1 to raise awareness of the need to consider the impact of climate-related risks on an entity's business and operating environment, and the potential implications on the entity's financial statements.

TB 1 also includes an illustrative example of how climate-related risks could affect the application of the principles of the financial reporting standards and auditing standards.

For more information, please visit https://isca.org.sg/standards-guidance/isca-technical-bulletins

ETHICS

EP 100 IG 5 – FAQs On Provision Of Non-Audit Services To Listed Entities

ISCA has issued EP 100 *Implementation Guidance 5* (EP 100 IG 5) to assist audit firms with audit clients that are listed entities in fulfilling the requirements of revised paragraph SG410.27A of EP 100 (revised on 7 September 2022) which introduces a new concept of "audit-related services" (ARS).

Among others, EP 100 IG 5 contains an illustrative example of the fee proportion computation required under the revised paragraph SG410.27A and a non-exhaustive list of common examples of ARS along with the rationale behind each example.

For more information, please visit: https://isca.org.sg/content-item?id=8358ef76-75b3-4229-9304-23e2fb788a05

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FINANCIAL REPORTING

IASB Issues Narrow-Scope Amendments To Requirements For Sale And Leaseback Transactions

IASB has issued amendments to IFRS 16. The amendments explain how a company accounts for a sale and leaseback after the date of the transaction. A seller-lessee shall apply the amendments for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies these amendments for an earlier period, it shall disclose that fact.

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/09/iasb-issues-narrow-scope-amendments-to-requirements-for-sale-and-leaseback-transactions/

September 2022 IFRIC Update Available

This Update is a summary of discussions by the IFRS Interpretations Committee (IFRIC). Topics discussed include agenda decisions on Multi-Currency Groups of Insurance Contracts (IFRS 17 and IAS 21), Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition and Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16).

For more information, please visit https://www.ifrs.org/news-and-events/updates/ifric/2022/ifric-update-september-2022/

September 2022 IASB Meeting Podcast Available

In this podcast, IASB Chair Andreas Barckow and Executive Technical Director Nili Shah share on IASB's discussions at its September meeting. Topics discussed include updates on the Post-Implementation Reviews of IFRS 9 and IFRS 15 and other related news, tentative decisions made on the Primary Financial Statements project, news on the Financial Instruments with Characteristics of Equity project, and discussions about disclosures on business combinations as part of the Goodwill and Impairment project.

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/10/september-2022-iasb-podcast-available/

October 2022 Capital Markets Advisory Committee Agenda And Meeting Papers Available

For this Capital Markets Advisory Committee meeting, topics for discussion include updates on current work plan and projects, Post-Implementation Review of IFRS 9-Impairment and Post-Implementation Review of IFRS 15 *Revenue from Contracts with Customers*.

For more information, please visit https://www.ifrs.org/news-and-events/calendar/2022/october/capital-markets-advisory-committee/

SUSTAINABILITY & CLIMATE CHANGE

September 2022 ISSB Meeting Podcast Available

In this podcast, ISSB Chair Emmanuel Faber and Vice-Chair Sue Lloyd share highlights from the ISSB's September meeting, including the key developments since the last board meeting, highlights from the discussion on feedback to draft standards, and the importance of proportionality and scalability.

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/09/september-2022-issb-podcast-now-available/issb-outlines-actions-required-to-deliver-global-baseline-of-sustainability-disclosures/

TEXT BY


Felix Wong


Agatha Oei

"ESG has gained increased prominence in multinationals' boardroom agenda in the past few years, and investors are now demanding businesses to factor in ESG considerations."

Clear The Air On Carbon Tax

Towards Net Zero

TAKE AWAYS

- Policymakers are increasing assessing the viability of green taxes, such as carbon tax, to attain their environmental goals.
- There is no specific tax treatment for carbon credit transactions in Singapore. Accordingly, businesses should consider the specific facts and circumstances of their case in determining the tax implications of their transaction.
- Given the expected hike in carbon tax, companies must consider the impact on their profit margins and business projections.

Accredited Tax Advisor (Income Tax) **Tan Shao Tong**, Partner, WongPartnership, provided a snapshot of Singapore's carbon tax regime and future plans towards net zero

SCIENTISTS HAVE LONG CAUTIONED THE WORLD ABOUT CLIMATE CHANGE AND THE NEED TO REDUCE CARBON EMISSIONS. However, it was not until recent years that the world would sit up and act on this important message.

"Environmental, social and governance (ESG) has gained increased prominence in multinationals' boardroom agenda in the past few years, and investors are now demanding businesses to factor in ESG considerations," shared Accredited Tax Advisor (Income Tax) Tan Shao Tong, Partner, WongPartnership, in a recent webinar organised by the Singapore Chartered Tax Professionals. "Policymakers are also more conscious of the environmental impacts of their country's actions (or inaction) and are increasingly assessing the viability of using green taxes, such as carbon tax, to attain their environmental goals."

SINGAPORE'S CARBON JOURNEY

Implementing carbon tax

On 1 January 2019, Singapore implemented a carbon tax[1], by way of the Carbon Pricing Act 2018, on businesses whose emissions of greenhouse gases (GHGs) over a period of time has exceeded a stipulated emissions threshold.

Singapore's carbon tax, the first carbon tax pricing scheme in Southeast Asia, aims to provide a broad-based price signal to encourage companies to reduce their emissions, and is applied uniformly to all sectors (including energy-intensive and trade-exposed sectors) without exemption. Unlike most other taxes in Singapore, carbon tax is administered by the National Environment Agency (NEA) and not the Inland Revenue Authority of Singapore (IRAS).

Under the Carbon Pricing Act, any industrial facility that emits direct GHG emissions equal to or above 2,000 tonnes of carbon dioxide equivalent (tCO_2e) annually must register as a reportable facility, and submit an Emissions Report annually.

A reportable facility is not subject to carbon tax until it emits equal to or above 25,000 tCO_2e annually, at which point it will be required to be registered as a taxable facility. In addition to an Emissions Report, a taxable facility also needs to submit a Monitoring Plan. In the case of a taxable facility, the Emissions Report must also be verified by an accredited external auditor (except insofar as it relates to any non-reckonable GHG emissions of the facility), and be accompanied by a report by the accredited external auditor of its verification.

Currently, Singapore's carbon tax is set at a rate of $5 per tCO_2e, which is relatively low compared to other advanced economies.

PHOTO SHUTTERSTOCK

An industrial facility that emits direct GHG emissions of 2,000 tCO_2e and above annually must register as a reportable facility, and submit an Emissions Report every year

[1] https://www.nccs.gov.sg/singapores-climate-action/carbon-tax/

PHOTO SHUTTERSTOCK

Towards net zero
In 2020, Singapore updated its climate pledge under the Paris Agreement for emissions to peak at 65 million tCO_2e around 2030. The city state also put forth a Long-Term Low-Emissions Development Strategy (LEDS) that aspires to halve emissions from its peak to 33 million tCO_2e by 2050, with a view to achieving net-zero emissions as soon as viable in the second half of the century.

Singapore's journey towards net zero would soon be accelerated. In his Round-Up Speech for Budget 2022, Lawrence Wong, Minister for Finance (and Deputy Prime Minister since 13 June 2022), said that Singapore would take the decisive step to "accelerate the decarbonisation of our economy and achieve net zero by or around mid-century". A revised price trajectory for Singapore's carbon tax has been announced.

"To achieve our climate ambition, we will raise our carbon tax from $5 per tonne, to $25 per tonne in 2024 and 2025, and $45 per tonne in 2026 and 2027, with a view to reaching $50 to $80 per tonne by 2030. This will provide a clear price signal for businesses and individuals to internalise the costs of carbon and take actions to moderate their emissions," said Grace Fu, Minister for Sustainability and the Environment, on 30 March 2022[2]. Compared to the existing carbon tax of $5 per tCO_2e, the expected carbon tax of $80 per tCO_2e would be more in line with other advanced economies.

Grants to assist companies become more energy efficient
It is reassuring to note that Singapore's carbon journey will not be all sticks and no carrots. There are in fact several grants made available by various government agencies to help eligible companies improve energy efficiency. For example, the Energy Market Authority of Singapore (EMA) had launched the Energy Efficiency Grant Call to co-fund up to 50% of energy efficiency projects by power generation companies. The second Grant Call closed on 31 December 2021.

NEA runs the Energy Efficiency Fund (E2F) to support businesses with industrial facilities to improve energy efficiency. Similarly, the Singapore Economic Development Board (EDB) runs the Resource Efficiency Grant for Energy (REG(E)) that supports manufacturing facilities and data centres to be more energy efficient and improve competitiveness.

There are several government grants aimed at helping companies improve their energy efficiency

[2] https://www.mse.gov.sg/resource-room/category/2022-03-30-opening-address-by-minister-at-inaugural-impact-movement
[3] https://www.iras.gov.sg/taxes/corporate-income-tax/income-deductions-for-companies/taxable-non-taxable-income
[4] https://www.iras.gov.sg/taxes/corporate-income-tax/income-deductions-for-companies/business-expenses/tax-treatment-of-business-expenses-(a-f)

CARBON CREDITS AND CARBON MARKETS

Carbon credits (or carbon offsets) generally refer to transferrable instruments certified by government agencies or independent certification bodies to represent an emissions reduction of one metric tonne of CO_2 or an equivalent amount of other GHGs. Carbon credits are issued when emissions reduction projects, such as a forestry project, are certified by government agencies or independent certification bodies.

Through carbon markets, the public and private sectors have the opportunity to purchase carbon credits from emissions reduction projects all over the world. Carbon credits may be bought, sold, or traded until they are retired. An entity that retires a carbon credit may claim the underlying reduction towards its own emissions reduction goals.

In Singapore, companies may surrender high-quality international carbon credits to offset up to 5% of their taxable emissions from 2024. This change, as announced in Budget 2022, will help to generate local demand for high-quality carbon credits and catalyse the development of well-functioning and regulated carbon markets. Companies that are able to source for carbon credits in a cost-effective manner will also benefit from this change.

TAX TREATMENT FOR CARBON CREDIT TRANSACTIONS

While there is no specific tax treatment for carbon credit transactions in Singapore, IRAS has provided some useful guidance to help taxpayers determine the tax implications of their carbon credit transactions.

It is reassuring to note that Singapore's carbon journey will not be all sticks and no carrots. There are in fact several grants made available by various government agencies to help eligible companies improve energy efficiency.

Taxation of income from sale of carbon credits[3]
General income tax principles will apply in determining whether the income arising from the sale of carbon credits is taxable, based on the facts and circumstances of each case. Essentially, if a company is trading in carbon credits, income arising from such trade will be regarded as revenue in nature. Where the company has purchased carbon credits for its business use, but sells the credits thereafter, the income derived will be considered as part and parcel of the company's business income and hence, taxable.

Deductibility of expenditure incurred on carbon credits[4]
Similarly, general income tax principles will apply in determining whether the expenditure incurred on carbon credits are deductible for tax purposes, depending on the specific facts and circumstances of each case. A company that purchases carbon credits to comply with regulatory obligations will likely be regarded as having purchased the carbon credits for use in its business. Consequently, the expenditure incurred on carbon credits will be allowable for deduction, subject to the provisions of the Income Tax Act 1947.

Given its stipulated emissions threshold, carbon tax is unlikely to affect the majority of industries in Singapore in its current form. Businesses in affected industries should, however, consider (if they have not done so already) and quantify the impact of the rapidly rising carbon tax rate on their profit margins and business projections. To avoid surprises, businesses transacting carbon credits should also factor in potential tax uncertainties arising from these transactions. ISCA

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TEXT BY


Ng Shi Zhen


Alice Tan

Provision Of Non-Audit Services To Listed Entities

Revised EP 100 Effective 15 December 2022

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TAKE AWAYS

- EP 100 was revised to adopt four IESBA's final pronouncements.
- EP 100 has replaced extant paragraph SG410.4A with revised paragraph SG410.27A.
- A new term, "audit-related services" or ARS, was also introduced.

ETHICS PRONOUNCEMENT 100 *CODE OF PROFESSIONAL CONDUCT AND ETHICS* (EP 100) establishes ethical requirements for professional accountants who are ISCA members. It is modelled after the International Code of Ethics for Professional Accountants (including International Independence Standards) published by the International Ethics Standards Board for Accountants (IESBA).

On 7 September 2022, ISCA, through its Ethics Committee (EC), revised EP 100 to adopt four IESBA's final pronouncements relating to (a) non-assurance services (NAS), (b) fees, (c) objectivity of an engagement quality reviewer and other appropriate reviewers, and (d) quality management-related conforming amendments. In the process, EP 100 has replaced extant paragraph SG410.4A with revised paragraph SG410.27A, which is applicable to audit firms with audit clients that are listed entities. It also introduces a new term, "audit-related services" (ARS), in the Glossary. The revised EP 100 is expected to be effective 15 December 2022.

The article "Shedding Light On Audit Vs Non-Audit Fees", published in the June 2022 issue of this journal, explains the relevance of the 50% threshold (that is, extant paragraph SG410.4A). This article is a followup piece to the June 2022 article to explain the application of the revised paragraph SG410.27A, and the new concept of ARS to audit clients that are listed entities.

REVISED PARAGRAPH SG410.27A

The revised paragraph SG410.27A requires audit firms to communicate with those charged with governance (TCWG) of audit clients that are listed entities about the proportion of fees for non-audit services to the audit fees for the audit client and the related safeguards when this proportion exceeds 50%. This principle has remained generally the same as that of the extant paragraph SG410.4A.

The EC had received feedback that it is practically difficult to obtain fee information on NAS (which includes non-audit services) provided to the audit client's parent and sister entities for compliance with the extant paragraph SG410.4A. Arising therefrom, the EC recommended that the computation of the 50% threshold should cover only controlled entities and exclude ARS fees.

A survey of audit committee members was carried out in 2020 to obtain views on matters concerning auditor independence when providing NAS to audit clients. The majority of respondents to that survey were supportive of EC's recommendations (which included the above) to address NAS independence concerns. The article, "ISCA's Inaugural Survey On Non-Assurance Services", published in the November 2020 issue of this journal, outlined findings from that survey.

Taking into consideration the findings from that survey, revised paragraph SG410.27A was developed to replace extant paragraph SG410.4A. The formula of revised paragraph SG410.27A excludes both (i) non-audit services fees earned by the firm or its network firms from the audit client's parent and sister entities and (ii) ARS fees, from the fee proportion computation.

Formula of Revised Paragraph SG410.27A

$$\% = \frac{\text{Non-audit services fees received from client and its controlled entities}^{1}\text{ (excluding ARS fees)}}{\text{Fees from audit of the financial statements from client and its controlled entities}}$$

[1] "Controlled entities" refers to related entities of the client over which the client has direct or indirect control.

While the fee proportion computation under revised paragraph SG410.27A excludes non-audit services fees earned from the audit client's parent and sister entities, it remains important for audit firms to have internal procedures to deal with any undue influence from the parent and sister entities and ensure that independence has not been compromised. Applying the principle in paragraph R400.20 of revised EP 100, if the audit team of the listed entity "knows or has reason to believe" that fees from non-audit services paid by the parent or sister entity are relevant to their evaluation of the firm's independence, then they should identify, evaluate, and address threats to independence and discuss this with TCWG.

Like extant paragraph SG410.4A, the revised paragraph SG410.27A **does not prohibit** fees for non-audit services from exceeding 50% of the audit fees. However, in such cases, the firm is required to disclose to TCWG whether the threats caused by a ratio beyond 50% are at an acceptable level and, if not, any safeguards that the audit firm has taken (or proposes to take) to reduce such threats to an acceptable level.

Revised paragraph SG410.27A does not prohibit fees for non-audit services from exceeding 50% of the audit fees

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The formula of revised paragraph SG410.27A excludes both (i) non-audit services fees earned by the firm or its network firms from the audit client's parent and sister entities and (ii) ARS fees, from the fee proportion computation.

WHAT ARE "AUDIT-RELATED SERVICES"?

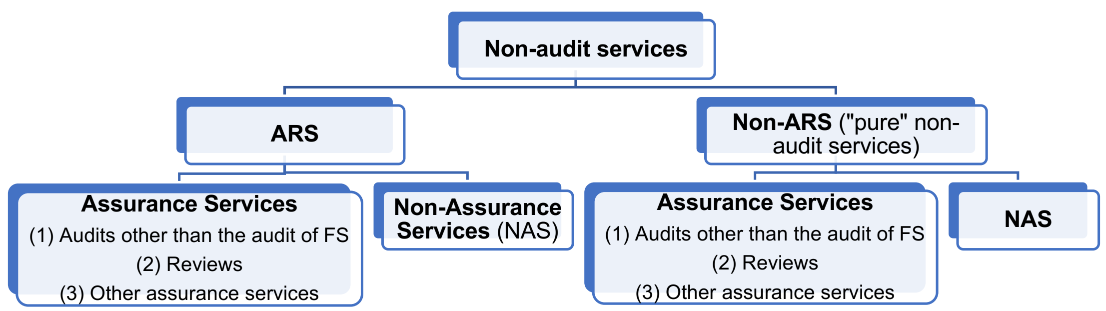
For purposes of the fee proportion computation, the scope of non-audit services under extant paragraph SG410.4A is very wide as it covers all services other than audit engagements. There are certain services whereby the auditors are best placed to perform as they leverage the audit work performed by the auditors, such as an engagement in connection with the initial public offering (IPO) of the audit client. Scoping out such ARS would better reflect the essence of non-audit services. This would then better assist the public in their judgements and assessments about the firm's independence.

In response to findings from the abovementioned ISCA survey of audit committee members, the new term, ARS, was developed with reference to the definition of ARS contained in paragraphs 5.35 and 5.36 of the UK Financial Reporting Council's Revised Ethical Standard 2019.

The definition of ARS in the Glossary of revised EP 100 is as follows:

> Audit-related services are non-audit services where the work involved is
> (i) closely related to the work performed in the audit engagement; **and**
> (ii) usually carried out by members of the engagement team for the audit engagement who are required to comply with the independence requirements.
>
> Audit-related services include reporting required by law or regulation to be provided by an engagement team for the audit engagement.

For the purpose of revised paragraph SG410.27A, audit services refer to the audit of the financial statements and non-audit services would include the following:



EP 100 IG 5 Frequently Asked Questions On Provision Of Non-Audit Services To Listed Entities provides guidance to assist professional accountants in public practice in applying the revised paragraph SG410.27A and new concept of "audit-related services".

Ultimately, whether a service is ARS depends on the nature and the scope of work to be performed

ARS could be NAS or assurance services. While ARS fees are excluded from the fee proportion computation under revised paragraph SG410.27A, firms auditing public interest entities would still be required to inform, provide and obtain preapproval from TCWG on the provision of individual ARS which are NAS.

EP 100 IMPLEMENTATION GUIDANCE 5 (IG 5)

ISCA EC has developed EP 100 IG 5 *Frequently Asked Questions On Provision Of Non-Audit Services To Listed Entities* to provide guidance to assist professional accountants in public practice in applying the revised paragraph SG410.27A and new concept of ARS.

EP 100 IG 5 sets out a non-exhaustive list of examples of ARS:

Examples of ARS

- An engagement in connection with the IPO or debt listing of an audit client on the Singapore Exchange (SGX), or the audit client's equity or debt fund-raising post-listing, which includes auditors' reports on audited financial statements, financial forecasts, calculations of ratios, and comfort letter.
- Review procedures or agreed-upon procedures (AUP) of half-year and full-year results announcements of an audit client.
- An AUP report in connection with the submission of the Statement of Achievement under the Economic Development Board (EDB) Tax Incentive Scheme, in accordance with the terms and conditions specified by EDB.
- Auditors' report on statement of gross monthly revenue for reporting to landlord issued under Singapore Standard on Auditing (SSA) 805 *Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.
- Reviews of financial information required by the Monetary Authority of Singapore (MAS), such as in MAS Notice 609 "Auditors' Reports and Additional Information to be Submitted with Annual Accounts".

EP 100 IG 5 contains common and specific examples of ARS (as tabled above) where there was consensus in ISCA EC that such examples would meet both conditions in the definition of ARS. Ultimately, whether a service is ARS depends on the nature and the scope of work to be performed. Firms must be able and prepared to explain the basis for regarding a service as ARS. ISCA

Ng Shi Zhen and Alice Tan are Associate Directors, Professional Standards Division, ISCA.

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