IS Chartered Accountant Journal

JUNE 2022

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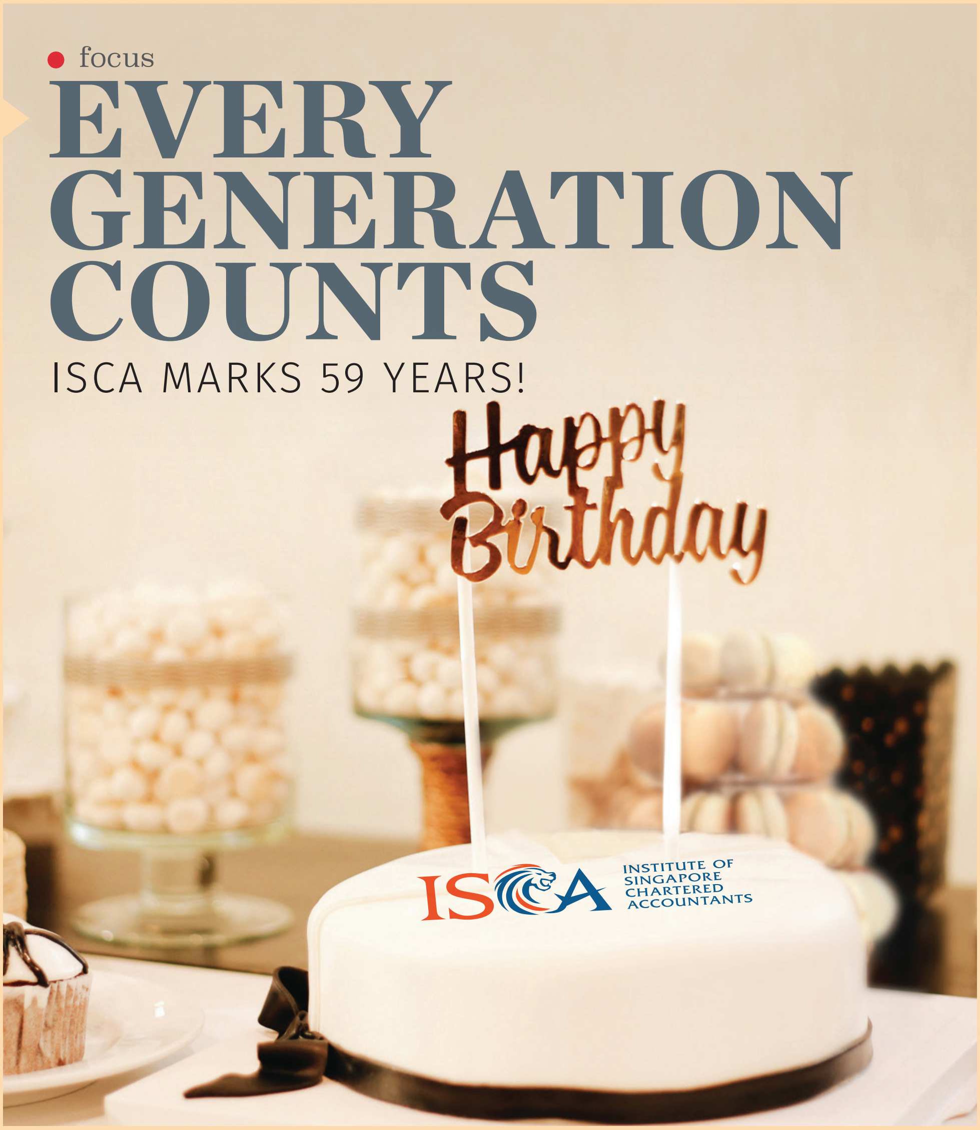
focus

EVERY GENERATION COUNTS

ISCA MARKS 59 YEARS!



ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

ACCOUNTANCY: THE LANGUAGE OF BUSINESS

Shariq Barmaky
FCA (Singapore)
ISCA Vice President

Dear members,

THE INSTITUTE WAS ESTABLISHED IN JUNE 1963, WHICH MAKES ISCA 59 THIS MONTH. To mark the occasion, our cover story features our youngest and one of our senior members, who both share ISCA's "birth" date. Although decades separate these two members, they are bound by the certain belief in the value of an accountancy education – a belief which is shared by our over-33,000 members and accountancy professionals the world over.

Accountancy is the language of business, and a grounding in accountancy opens doors to some of the most compelling jobs in every sector of every industry. In emerging areas of focus such as sustainability and climate change, accountants can be the change makers who spearhead an organisation's green efforts. They also have the skills and experience to spot the red flags in online scams. Certainly, accountants are integral to every aspect of a business.

An accountancy education equips one with the relevant competencies for the future workplace, with opportunities for diverse roles beyond accountancy. ISCA President Teo Ser Luck is one such example. Like Mr Teo, the two featured members in the cover story have also gone the non-traditional route, albeit *towards* accountancy. Mr Velloor Kumaran, a chemistry graduate, had aspired to work in the field of medicine. But while working for his uncle, a qualified accountant, he was so inspired that he made the switch from chemistry to accountancy. He later became an entrepreneur. Ms Tan Hui Teng enjoys connecting the dots from data analysis to business strategy and will make a career of it. Read their stories, where, in their own words, they share how accountancy has enabled and continues to enable them to add value in all their undertakings.

Truly, accountancy is the language of business, whatever that business may be.

ABOUT SHARIQ BARMAKY

Shariq Barmaky is Vice President of ISCA and a member of the Executive Committee. A Fellow Chartered Accountant of Singapore, he has served on the ISCA Council since 2018. Prior to his current service, he was Chairman of both the ISCA Audit Committee and the Auditing and Assurance Standards Committee. He was also a member of the Financial Reporting Committee.

Mr Barmaky is the Audit & Assurance Leader for Deloitte Singapore and Southeast Asia. He has more than 30 years of experience in public accounting in the United Kingdom and Singapore. He has extensive experience in the audits of multinational and local companies in various industries, as well as due diligence and public listings of equities and commercial paper. He acts as audit partner for entities in the pharmaceutical, trading and distribution, manufacturing, oil and gas, shipping, postal and e-commerce/logistics and telecommunications sectors.

Mr Barmaky is currently Chairman of the Professional Education Council of the Singapore Chartered Accountant Qualification, an advisory committee of the Singapore Accountancy Commission. He also serves on the boards of Accounting and Corporate Regulatory Authority (ACRA), Civil Service College and Shared Services for Charities Limited, as well as various committees in these organisations.

Teo Ser Luck
FCA (Singapore)
ISCA President

THOUGHTS

A friend of mine was trying to explain the types of nutritious and healthy food available in some local dishes. He went as far as to show me the good and not-so-good ingredients in these dishes 😂. He drew a T and on one side, wrote a list of ingredients under the heading "Bad/Liability" and on the other, "Good/Asset". Beside each ingredient, he put a number based on a scale of 1 to 10 (10 being highest).

"Hey, isn't that a balance sheet? 😂" I asked.

"I know, right? I did accounting before studying nutrition. Well, I call this the balance sheet method of how to eat a balanced meal," he replied.

"Wow, like that also can balance. 😂"

We had a good chat about having an accounting background and subsequently going off the beaten path to pursue our respective careers. Today, he runs his own nutrition advisory company.

This may seem trivial but I am sure he is not the only example of someone with an accounting education venturing into a very interesting career which we would not have imagined.

A good education prepares you beyond what you study. A good accountancy education has to be more than just accounting 👍.

Would ISCA be keen to have him as part of the ISCA community?

contents

focus

in tune

viewpoint

technical excellence

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

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Translating Sustainability And Climate Commitments Into Action: What's Next For Businesses

AS SUSTAINABILITY REPORTING REQUIREMENTS EXPAND ACROSS ASIA PACIFIC, a maturity journey lies ahead for companies when it comes to disclosing how they turn sustainability commitments into actions, according to a joint study by PwC Singapore and the Centre for Governance and Sustainability (CGS) at the National University of Singapore (NUS) Business School. Published on May 9, the study, "Sustainability Counts: Understanding Sustainability Reporting Requirements Across Asia Pacific And Insights On The Journey To Date", analyses the sustainability reports of the top 50 listed companies by market capitalisation issued in 2020 and 2021 across 13 Asia-Pacific economies[1].

While the majority of the companies acknowledged the seriousness of climate issues, many have yet to reveal how they embed climate measures in their business operations and strategy. Out of the 650 companies analysed, 84% reported identifying climate change as a sustainability issue. However, less than half (41%) reported their climate-related risks or opportunities targets and/or disclosed their performance against these targets. Furthermore, only 36% reported how their company is integrating climate-related risks in their overall risk management.

"There is no question that businesses recognise the need to address climate change," says Fang Eu-Lin, Sustainability and Climate Change Leader, PwC Singapore, who leads the firm's Asia Pacific Centre for Sustainability Excellence in Singapore. "Many companies are still in the early years of their ESG journey, and there remains some way to go in keeping pace with maturing stakeholder expectations calling for not just climate action, but climate at the core of the business strategy." As new sustainability reporting regulations and requirements are implemented in countries across Asia Pacific, she believes it is "a matter of time before we see more progress in companies demonstrating sustainability transformation from the inside out".

PHOTO GETTY IMAGES

Some results were encouraging. Over 80% of the companies disclosed their sustainability targets, 75% disclosed their ESG governance structure and 67% disclosed their Board of Directors' responsibilities for sustainability. Still, there is room for moving the needle on ESG governance and accountability at the leadership level – only 24% of companies disclosed ESG-related training for their Board of Directors, and only 16% disclosed the linkage of ESG performance to the remuneration of their top executives.

According to Professor Lawrence Loh, Director, CGS, "Our study shows that top listed companies across Asia Pacific have fared well in disclosing their sustainability targets and responsibilities. Their next stop would be to intensify sustainability training for leaders and employees, and turn pledges into action."

With the market increasingly demanding information about companies' sustainability impact and value creation, the study sheds light on the opportunities where companies can build greater trust with stakeholders and shareholders. One way is active stakeholder engagement. While 81% of companies disclosed their stakeholder engagement channels, only 46% reported to have addressed stakeholder concerns. Another way to strengthen investor confidence is to produce credible sustainability reporting. Currently, only 37% of companies are found to have obtained external assurance from an independent party for their ESG disclosures.

"Transparency and accountability have long been the hallmark of investment decision making," says Ivy Kuo, PwC Asia Pacific ESG Leader. "In today's world where stakeholder capitalism is increasingly prevalent, investors are both understanding of and leveraging their role in incentivising companies to take action." For companies, this means that the quality, accuracy and completeness of their sustainability reporting must meet similar levels of transparency as their financial reporting. "Then, and only then, can they attract the right investment from investors seeking to support them on their ESG journey."

[1] Australia, China (mainland), Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam

MARK YOUR CALENDAR

15 JUL

Forensic Interview Techniques to Detect Lies from Ethical Breach

This course provides the legal and operational application skills to conduct effective interviews to get the truth and nothing but the truth that will be admissible in a disciplinary or legal proceeding like the Brompton bicycles case where the internal auditors conducted the interviews which was admitted in Court as evidence. This is an important requirement to show due care and attention required of accounting and audit professionals.

18 & 19 JUL

Professional Business Writing that Gets You Results (Live Webinar)

This practical workshop is designed to empower you to write clearly and concisely to get the results you want through a simple, step-by-step approach based on the fundamentals of professional business writing.

19 JUL

GST Treatment for Transfer Pricing (TP) Adjustments (Live Webinar)

In this workshop, we will look at the GST adjustments to be made by GST-registered businesses for TP adjustments.

20 JUL

From the Accountants' Perspective: Ethical Issues with Remote Work and Working from Home in the New Normal (Live Webinar)

This course will explore the importance of understanding the rights of working from home and helps as a guide to exercise the right decisions when facing ethical dilemmas from both the employers' and the employees' perspectives.

28 JUL

Transform to Perform for Finance Leaders (Live Webinar)

this workshop aims to prepare Finance Leaders to handle the various challenges they face in leading teams throughout their career. It involves self-reflection and support skill development dialogue, group discussions, and interactive lectures to enhance each participant's development of their own unique leadership capabilities

02 AUG

Sustainability Reporting Standards

The Institute of Singapore Chartered Accountants (ISCA) and CPA Australia are pleased to present a joint Monthly Talk on **Sustainability Reporting Standards.**

The newly formed International Sustainability Standards Board (ISSB) will deliver a comprehensive global baseline of sustainability-related disclosure standards.and understand the implications for your business.

We are bringing PAIB Conference back at MBS this August! Join the flagship Conference in-person or virtually on **Thursday, 25 August 2022.**

Hear from leading speakers and panellists on upcoming IFRS sustainability disclosure standards, trends in skills and career opportunities in sustainability and the next phase of global supply chain, cyber resilience and more!

Come curious, discover new perspectives and make meaningful connections!

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

My Father: My Guide And Inspiration

IN SINGAPORE, FATHER'S DAY IS CELEBRATED ANNUALLY ON THE SECOND SUNDAY OF JUNE. This Father's Day, we feature two members whose children look to them for guidance in life as well as in their career. The young people, each one inspired by his/her father, are both following in their footsteps to pursue accountancy.

Lee Wai Fai, FCA (Singapore), Group CFO of United Overseas Bank, has some career advice for aspiring accountants. ISCA Vice President Shariq Barmaky, Audit & Assurance Leader, Deloitte & Touche LLP (Singapore) and Regional Managing Partner, Audit & Assurance, Deloitte Southeast Asia, speaks about the merits of pursuing accountancy as a career.

We also hear from their children, who share how their fathers have mentored them and supported them when they were growing up.

▲ A young Lin Ze (centre, in dark top) at a theme park with his family in 2001, and when he graduated with an accountancy degree in 2012

▼ A young Maryam on an outing with her father, and Maryam today – an undergraduate pursuing an accountancy degree

ISCA Vice President **Shariq Barmaky**, FCA (Singapore), Audit & Assurance Leader, Deloitte & Touche LLP (Singapore) and Regional Managing Partner, Audit & Assurance, Deloitte Southeast Asia, on the benefits of studying accountancy:

"An accountancy course or professional qualification in accountancy enables one to understand the world of financial statements and figures, which is so essential today.

I encourage youngsters to try accountancy and decide thereafter what they want to do. You would be pleasantly surprised as to the diversity of career options available to accountancy graduates, for example, assurance, valuations, risk management, mergers and acquisitions, restructuring and insolvency, tax etc."

On the best advice undergraduate **Maryam Barmaky**, School of Accountancy, Singapore Management University, has received from her father:

"My father gives me advice on a daily basis so it's difficult to choose the best. I'd say my favourite piece of advice from him is to never underestimate myself and my abilities. This helps me believe in myself more and it has made me more confident about what I can achieve.

I'd like to thank him for never giving me any idea that I couldn't do whatever I wanted to do or be whomever I wanted to be. Thank you, Dad, and here's wishing you a happy Father's Day!"

Advice from **Lee Wai Fai**, FCA (Singapore), Group CFO, United Overseas Bank, to aspiring accountants:

"Soak up as much knowledge and skills as possible. There are many role models and good examples you can learn from within the profession. Never stop learning.

Don't be afraid to try new things and explore your interests. Keep an open mind with respect to your career journey – accountancy is a profession that can open many doors.

Lastly, remember to make good friends in school and throughout your career. Your friends will form an invaluable support network as you grow in your respective careers."

On the role that his father plays in his life, here's what **Lee Lin Ze**, Investment Professional, Affirma Capital, has to say:

"My father has been my role model both personally and professionally. He has always been very forward looking, logical and dedicated to his work. By observing him, I have learnt many important values in life, such as having a good work ethic, being humble, and being a long-term critical thinker.

Since young, my father has also always been patient with my questions. He has always been ready to share his experiences. This Father's Day, I would like to say, thanks Dad, for all your patience and support through the years!"

COMING
YOUR WAY NEXT MONTH

A new-look Journal is coming your way in July.

Look out for a refreshed look with a minimalist-leaning philosophy, with custom fonts and typefaces. Functionally, the neat and almost modular template makes navigation a breeze, and seamlessly translates to the digital platform.

The content pillars remain unchanged, so you'll continue to receive resources spanning trending topics, thought-provoking perspectives and essential insights that add value to your work.

ISCA Mini Conference: Embracing New Opportunities In The Changing Climate

"TOO MANY THINGS TO DO, SO LITTLE TIME," said Tan Wah Yeow, Chairman of the ISCA Sustainability and Climate Change Committee (SCCC). Mr Tan was delivering the keynote address at the Institute's inaugural Mini Conference, themed "Embracing New Opportunities in the Changing Climate", on April 20. "But I am confident that you, being ISCA members, will get there," he continued, as he expounded the urgent need for climate action and encouraged the more-than-600 delegates to embark on the opportunities which sustainability and climate action present.

ISCA SCCC Chairman Tan Wah Yeow urged delegates to explore emerging opportunities presented by sustainability and climate change

The two-hour event kicked off the ISCA Mini Conference Series, a new initiative which seeks to share thought-provoking content and insights into business issues, solutions and megatrends shaping the global market and ecosystem today, delivered by a host of thought leaders and industry experts.

The first presentation saw SCCC member Krishna Sadashiv, Director of Forum for the Future Asia Pacific, highlighting the impact which climate change has on businesses and how accountants, who are central to the decision-making process to allocate resources, play a critical role in sustainability and climate action.

Mr Sadashiv also provided the delegates with an overview of the global push for climate action as well as the numerous initiatives undertaken in Singapore. "There is often a tendency for many of us to focus on risks, but any change always throws up opportunities." To this end, he shared how climate action could trigger innovation and improved efficiency for businesses. He also spoke about the alternative sources of financing which companies can tap on, such as green and sustainable finance schemes.

ISCA Climate Disclosure Guide

Fang Eu-Lin, Chairperson of SCCC Sustainability Excellence Sub-Committee and Partner and Sustainability & Climate Change Practice Leader of PwC Singapore, gave the delegates a rundown of the regulatory landscape surrounding climate reporting both globally and locally.

ISCA SCCC member Krishna Sadashiv, Director of Forum for the Future Asia Pacific, provided an overview of the global push for climate action and how accountants can play a critical role in sustainability and climate change

ISCA SCCC Sustainability Excellence Sub-Committee Chairperson Fang Eu-Lin, Partner and Sustainability & Climate Change Practice Leader, PwC Singapore, gave the delegates a rundown of the regulatory landscape surrounding climate reporting both locally and globally

Ms Fang then introduced the "ISCA Climate Disclosure Guide: Taking First Steps Towards Climate-Related Disclosures" (the Guide), which was developed with the support of the Singapore Exchange (SGX), SCCC and SCCC Sustainability Excellence Sub-Committee, in support of the Singapore Green Plan 2030.

The Guide seeks to help Singapore-listed companies meet SGX's requirements for climate reporting, based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD Recommendations). In addition, given the strong signals from key stakeholder groups, even non-listed companies must consider if sufficient climate-related information is available to meet stakeholder expectations, and the Guide will be useful for voluntary adoption of the TCFD Recommendations as well.

To provide practical guidance on how to adopt the TCFD Recommendations, the Guide features examples of disclosures sourced from local forerunners and global exponents that illustrate how the various recommended disclosures can be met.

Also covered in the Guide are the learning experiences of advanced adopters, with practical considerations gleaned from their experiences and other observations to further smoothen the journey for new adopters.

Ms Fang proceeded to moderate a lively panel discussion, which featured panellists Esther An, Chief Sustainability Officer of City Developments Limited; Dr Lee Hui Mien, Senior Director of Group Environmental Sustainability of Singtel Group; Eric Choo, Chief Executive Officer of Singapore O&G Ltd and Michael Tang, Head of Listing Policy & Product Admission at Singapore Exchange Regulation.

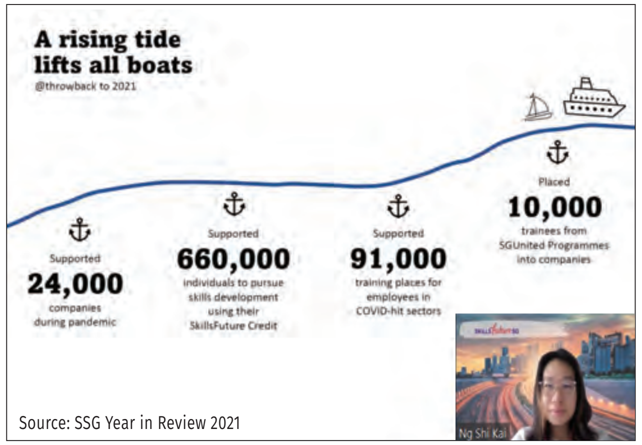
The panellists acknowledged that while the climate reporting journey may be filled with obstacles, companies should not be discouraged but instead, look forward to the rewards. They also discussed how accountants can play a critical role as they possess attributes which can contribute to many different aspects of an organisation's climate reporting; these range from the collation and analysis of data to internal controls, assessing green finance, setting of targets as well as providing assurance over data reliability.

The discussion ended with a reminder that climate reporting is a journey and not an overnight event. As Ms An aptly shared, "It is not a time to ask why, but how."

Please visit the ISCA website (https://isca.org.sg/learn-connect/cpe-courses/isca-mini-conferences-(april-to-november-2022)) to view this year's Mini Conference Series.

The panel discussion, "Navigating The Journey Of Climate Action And Reporting", was moderated by Ms Fang and featured (from left) Michael Tang, Head of Listing Policy & Product Admission, Singapore Exchange Regulation; Esther An, Chief Sustainability Officer, City Developments Limited; Eric Choo, Chief Executive Officer, Singapore O&G Ltd; Dr Lee Hui Mien, Senior Director of Group Environmental Sustainability, Singtel Group isca breakfast talk

Be Future-Ready By Investing In Your Employees' Skills Development

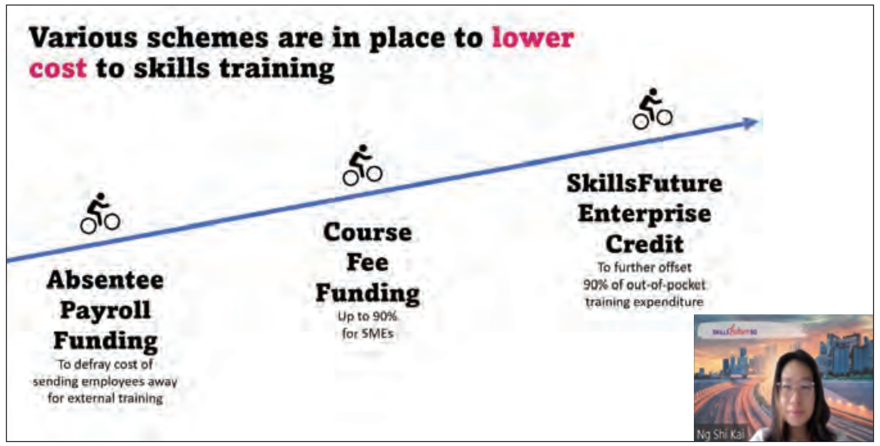


Source: SSG Year in Review 2021

ISCA, IN COLLABORATION WITH SKILLSFUTURE SINGAPORE, organised an ISCA Breakfast Talk session on April 27 for members to learn more about the programmes they can leverage on to develop future-ready capabilities to support their skills and business transformation needs. The event, attended by over 350 ISCA members, also reinforced the importance of skills as a basis for business growth and people development.

Presenters from SkillsFuture Singapore touched on the four pain points which businesses typically face – cost, manpower, culture and advice – and the various SkillsFuture initiatives designed to address these pain points.

1) **Reducing the cost of training: SkillsFuture Enterprise Credit (SFEC)**
The SFEC is a $10,000 credit to further encourage enterprises to embark on business and workforce transformation. Eligible enterprises will benefit from an additional 90% funding support for their out-of-pocket expenses when they take up relevant initiatives for business and/or workforce transformation.
2) **Recruiting talent: Work Study Programme (WSP)**
Enterprises can participate in the WSP as a host employer and offer structured training to the WSP trainees to groom and retain suitable talent with the relevant skills, meet organisational needs and support business growth.
3) **Building a learning culture: National Centre of Excellence for Workplace Learning (NACE)**
NACE was set up with the aim to help enterprises bridge the gap between skills acquisition and utilisation at the workplace. Partnering world-renowned institutions from Switzerland and Germany, NACE can help strengthen workplace learning practices to enhance employees' performance, improve retention rates, advance competency development and foster a learning culture.
4) **Receiving curated skills advice: SkillsFuture Queen Bee (SFQB) Programme**
The SFQBs are industry leaders who take a leading role to champion skills development in organisations, particularly small and medium-sized enterprises. Join a Queen Bee network to receive skills advisory in identifying and acquiring the skills needed for business transformation.



Visit the Enterprise Portal for Jobs and Skills or email Enterprise_Engage@ssg.gov.sg to find out more about skills development initiatives.

SkillsFuture Enterprise Credit
https://www.enterprisejobskills.gov.sg/content/upgrade-skills/sfec.html

Work Study Programme
https://www.enterprisejobskills.gov.sg/content/recruit-talent/skillsfuture-work-study-programme.html

National Centre of Excellence for Workplace Learning
https://www.enterprisejobskills.gov.sg/content/learn-at-the-workplace/national-centre-of-excellence-for-workplace-learning.html

SkillsFuture Queen Bee Programme
https://www.enterprisejobskills.gov.sg/content/upgrade-skills/skillsfuture-queen-bee-networks.html

Enterprise Portal for Jobs and Skills
https://www.enterprisejobskills.gov.sg/index.html

VELLOOR KRISHNA KUMARAN
Director, mDrift Technologies (S) Pte Ltd; Management Consultant, Navon Consulting Pte Ltd; Corporate Trainer, Academy for Corporate Management

TAN HUI TENG
Accountancy Undergraduate, Singapore Management University

EVERY GENERATION COUNTS

As ISCA celebrates its 59th birthday, we look at what the accountancy profession means to members – both senior and junior – who also share their best wishes for ISCA and hopes for the future

A 67-YEAR-OLD WITH AN AFFECTION FOR BEER AND AN INTEREST IN AYURVEDA; A K-POP-LOVING 19-YEAR-OLD DIGITAL NATIVE. Two people born of different times and separated by almost half a century, management consultant Velloor Krishna Kumaran and university student Tan Hui Teng may seem like individuals with absolutely nothing in common with one another. Yet, they share the same passion for accountancy.

To be certain, the profession has gone through evolutionary changes between the time Mr Kumaran entered the workforce in the late 1970s, and when Ms Tan graduates from the School of Accounting at Singapore Management University in 2025. The shift from an industrial to information-based economy has rewritten the way entities are evaluated. Technological advancements have further transformed the way things are done in the accountancy profession. For one, Miss Tan would never have to handwrite ledgers as Mr Kumaran once did. One might then ask: Accountancy might be a pursuit shared between the industry veteran who wishes to work in this profession to his very last days, and the undergraduate who was first drawn to the industry by a fascination with data-driven trends in pop culture, but is it even the same thing to each of them?

The simple answer is: yes.

For all the changes brought about by new economies and new technologies, accountancy remains a universal language that transcends cultural and even generational differences. Just as accountancy has served ancient Egyptian businessmen and Venetian merchants in the 15th century to the first Industrialists in the 19th century, this evolving profession will continue to play a vital role in taking the economy into the future. The indispensability of the accountancy professional – beyond performing checks and balances – lies in his or her ability to interpret the story behind the numbers and translating it into actionable guidance. This goes beyond just steering organisations to financial success as it extends to social accountability and environmental responsibility.

Just as the accountancy profession has evolved while keeping true to its core responsibilities, we at the Institute of Singapore Chartered Accountants (ISCA) are proud to say that we've been growing in more ways than one too. As the national accountancy body driving the advancement of the accountancy profession together with over 33,000 ISCA members across industries and demographics, we stay relevant to all our members in all stages of their career. As we turn 59, we celebrate with the vigour of our youngest within our ISCA Youth Associate programme and look ahead with the wisdom of one of our most senior members.

A LIFE OF SERVICE, ANCHORED IN ACCOUNTANCY

Velloor Krishna Kumaran, Director, mDrift Technologies (S) Pte Ltd; Management Consultant, Navon Consulting Pte Ltd; Corporate Trainer, Academy for Corporate Management

AS A YOUNG CHEMISTRY GRADUATE IN 1975, VELLOOR KRISHNA KUMARAN WANTED TO EVENTUALLY WORK IN THE FIELD OF MEDICINE. "I wanted to serve the people," he shares. But in the midst of deciding on his career, he was given the opportunity to take up a clerical post at a family-run bank in India, where he started working with numbers. Subsequently, an uncle who headed the finance department for a company in Dubai asked Mr Kumaran to join him in 1978. "My uncle, who was a qualified accountant, was a great source of inspiration for me," recalls Mr Kumaran. It was a huge jump to go from chemistry to accountancy, and it took effort to gain the requisite knowledge and skills for the profession. However, Mr Kumaran firmly believes that anybody can achieve their goals if they put their mind to it, and his conviction came through a deep understanding of the profession from the start. "My uncle had given me a good appreciation of the purpose of accountancy work, so that I could see clearly how it is a profession that also serves people."

This, he states, might not be obvious especially when one is starting out as a junior accounting staff, "but as one progresses and becomes the head of several organisations as I did, you get to see things at the macro level, and how business and society are interconnected," he explains. As someone who is steering the corporate governance of an organisation and protecting the interests of the public, the accountant certainly serves the people, be they the entrepreneurs who have poured everything they have into the business or investors who count on the performance of a business to grow their retirement funds. "It was this aspect of the profession that gave me the conviction to work towards becoming a Chartered Accountant," says Mr Kumaran.

He proudly recounts how he managed to pass all nine of his management accounting papers in one sitting, and even received a plaque of distinction from the school for this feat. Today, Mr Kumaran is a Chartered Accountant of Singapore or CA (Singapore), a professional accountancy qualification that is globally recognised and internationally portable.

"Accountants play a vital role in all organisations, whether an NGO, MNC or even a non-profit group," shares Mr Kumaran. "They operate at the centre, where all functions within an organisation have to pass through and converge. Being in this position allows them to get a bird's eye view of the organisation." Having come to the realisation that accounting and finance are inseparable, indispensable bloodlines for every entity prompted Mr Kumaran to also gain professional qualifications in finance – he holds a Master of Science (First Class Honours) in Financial Risk Assessment and Management.

Having worked in India, Dubai and United Kingdom, Mr Kumaran relocated his young family to Singapore in 1990 with his Singaporean wife, and promptly applied for an ISCA membership. "Through attending some of the Institute's events, I had the opportunity to connect with peers and build my contacts within Singapore," he says, emphasising that the networking opportunities gained through ISCA helped him a great deal professionally. In fact, it was an ISCA member – Ms Felomina D. Rulloda of Navon Consulting – who inspired Mr Kumaran to re-enter the workforce after a one-year hiatus that he took due to health reasons.

Apart from the meaningful relationships and bonds forged through ISCA, Mr Kumaran also relishes the learning opportunities. "I attended several courses and seminars conducted by ISCA to upgrade myself and to know more about the industry, which could span from the latest in ethical standards to corporate tax issues, to deepen my knowledge," he reveals. The passionate lifelong learner is also an avid reader of the ***IS Chartered Accountant Journal*** and publications produced by ISCA: "I find the publications very engaging, and the information within them keeps me abreast of the most current topics. Even at 67 years of age, learning doesn't stop!"

A commitment to accountability

With a career that took him across continents, serving companies and charity organisations alike, Mr Kumaran decided to share his knowledge with those aspiring to enter the accountancy profession. Adding to his portfolio of consultant for business management and compliance in financial reporting, he became an educator in 1993. Today, the holder of a Specialist Diploma in Applied Learning and Teaching is a Corporate Trainer at the Academy for Corporate Management, covering areas such as corporate reporting compliance, corporate financial management, strategic management and management accounting.

Beyond imparting technical knowledge that address practical issues, Mr Kumaran also takes it upon himself to counsel his students. "Some might be in a rut because they are foreign students who are feeling homesick, while others might be mid-career switchers wondering if they have made the right choice. My students might be grown men and women, but they can still benefit from guidance," says Mr Kumaran.

> "Accountants play a vital role in all organisations… They operate at the centre, where all functions within an organisation have to pass through and converge. Being in this position allows them to get a bird's eye view of the organisation."

He acknowledges that accountancy is a profession that not everyone is suited for. "You have to be very meticulous; it is not like being a digital artist in a creative firm, where you are free to express and test boundaries. An accountant has to go through a fixed framework to follow standards established globally, and to apply these standards to a situation. There are a lot of rules, and you have to continuously attempt to understand and appreciate them and their applications. It takes dedication." However, once a student's mind is set on the career, Mr Kumaran makes sure that, as an educator, he fully prepares them for the challenges beyond the classroom settings. "I always tell them that it takes a lot of commitment. Ultimately, there is no such thing as an easy career. If you want to excel, you have to give it your heart and soul and then go on to master it."

As ISCA marks its 59th anniversary, Mr Kumaran recognises that challenges abound for young accountants today, who have to navigate an ever-evolving working and professional environment. "This is a very different world, and I have seen the transformation from an industrial to an information-based economy," he observes. "Twenty years ago, we would estimate the value of companies by the assets they own. Now, rather than tangible assets, they are also evaluated by the proprietary rights they own within their industry."

The profession has also changed significantly since the time he was a young accountant. "We used to write everything by hand in books, but technology has transformed the way things are done so that it is more accurate and efficient," Mr Kumaran comments.

Apart from the constant challenge of learning and applying new technology, he also sees a need to guard against those who might attempt to twist or tamper with technology for unethical gains. Thus, Mr Kumaran cautions aspiring accountants against the temptations of reaping rich returns and forgoing their commitment to professionalism. "Ethical standards must be kept high even in the face of financial gains – this is the fundamental character accountants should have when they enter the profession. The first notion they have to discard is that this is a route to making lots of money! Certainly, it is a profession that offers a reasonable livelihood, but it is more than just a job – it is a responsibility," he says sagely of an accountant's role in providing independent and ethical services, especially where profitability and ethics are in contradiction. "You must have the heart to stand firm and to uphold the reputation of the entire profession."

While the undertakings of an accountant are huge, so are the possibilities for those in the profession. For one thing, Mr Kumaran has experienced first-hand how the profession has enabled him to work anywhere in the world. "Accountancy is the universal language of business. There are different standards that might have to be adhered to in different countries but by and large, the industry is regulated by commonly followed international reporting standards." He notes that globalisation and the criss-crossing of international investors around the world has further accelerated the adoption of universal standards. To this end, Mr Kumaran acknowledges the efforts of ISCA to expand its reach beyond Singapore. "ISCA has been actively associating itself with other professional bodies around the world to maintain standards," he elaborates. "It has gone outside the confines of Singapore to the region, where it serves a much larger base of professionals and aspiring accountants by providing accreditation for those in ASEAN."

Embracing the possibilities

The possibilities for those armed with accountancy skills go beyond the accounting profession. Mr Kumaran himself has ventured into a holistic wellness business and has started his own F&B outfit – a successful bistro in Little India that serves some 150 brands of beer from around the world. He set up this venture to satisfy his yearning to meet people from far and near in a casual setting. "As an accountant, I definitely have a better idea about risk assessments – and being inexperienced is certainly a risk! But I wouldn't let that stop me from doing something I am interested in." Instead, he balances the risks by tapping on the business management skills he has garnered through his work.

However, his heart is firmly in his life's work of accounting and management consultancy. "I did try to persuade my two daughters to join accounting, but they ultimately chose their own paths," he says. While the elder followed Mr Kumaran's paralegal wife's footsteps to become a lawyer at Health Sciences Authority, the younger inherited his passion for social service, and now serves as a manager at Temasek Foundation, the charity arm of Temasek Holdings. "At this point, I enjoy what I am doing as a management consultant. Every client presents a different challenge, which pushes me to deepen my specialised knowledge in specific areas or even to revisit the fundamentals," enthuses Mr Kumaran. "I love that and never think of retiring. I certainly wish to work to my very last days!" ISCA

GEN Z WITH A VISION

Tan Hui Teng, Accountancy Undergraduate, Singapore Management University

THE DAUGHTER OF AN ACCOUNTANT AND AN ENGINEER, TAN HUI TENG'S LOVE FOR MATHEMATICS WAS FUNNELLED TOWARDS ACCOUNTANCY BY HER ACCOUNTANT MOTHER. "My mother made the largest impact on my decision to enter accountancy," she says. "I told her I was interested in data, and she said, 'If you don't understand what the numbers are saying, you won't be able to do much with the data.' In addition, she reminded me that I am detailed and meticulous, and these are key traits of an accountant."

There are a handful of 19-year-olds on LinkedIn, and Ms Tan is one of them. Her view is that no one is too young to get involved in the industries that interest them, as long as there are opportunities for them to do so. "Have you ever seen oddly specific advertisements while browsing the Internet, as if they were tailored just for you?" she asks. "I remember being intrigued by this, which kickstarted my interest in data and how it can be used for business strategy. This eventually led me to pursue a Bachelor of Accountancy at Singapore Management University, with the intention to take a second major related to data analytics."

Ms Tan readily admits that not that many of her peers immediately think of accountancy when it comes to the industry of their future. "The stereotype is that accountants only like crunching numbers, but that's not all we do," she smiles. It is clear she exemplifies a new generation of accountants – one that is informed and enthralled by social media. In her case, this interest is compounded by her love for Korean pop or K-pop and, specifically, the music of EXO and Seventeen. "K-pop has a growing influence around the world," she notes. "In the 2010s, K-pop groups put out Chinese and Japanese-styled songs. That interested me: why would labels want to spend money teaching their idols different languages? What led them to make these decisions? Now we see groups like BTS gaining tremendous influence around the world, particularly once they launched English songs. I started thinking about how companies like these would use data to increase the influence and success of their clients, because numbers and data alone can help us make decisions – and accounting reveals what these numbers mean."

Unlike most teenagers, she is as fascinated by data-driven trends in pop culture as she is by the actual group or personality. "If I could get a copy of the prospectus (of Korean music labels that are publicly listed), I could get hold of more specific numbers and see what they reveal," she says. She adds ruefully, "But they won't give out their prospectus to any old K-pop fan!"

Prepped for the journey ahead

Ms Tan's unusual thought patterns are also well served by her love for computing, a subject she studied for her 'O' and 'A' Levels. "Even though I'm in accounting now, I try to programme something now and then, so I don't lose touch." She reveals that she enjoys solving things like mathematics problems using programming.

A natural born leader, Ms Tan was the Deputy Head of Functions in the Student Council at Zhonghua Secondary School. At Anglo-Chinese Junior College, she was the Assistant Class Representative on top of being a First Aid Society member. Now, at SMU, she is a member of the SOA (School of Accounting) Outreach, where she actively engages junior college students to consider accountancy as a career. "Every company needs an accountant," she declares. "Every company needs someone who can understand accounts and finances, and how to manage finances, because not a lot of people know and understand this. Many science and even humanities students head for STEM (science, technology, engineering and mathematics) in university, so more awareness about accountancy needs to be raised."

Given her passion for accountancy, it makes perfect sense that she would join ISCA as a Youth Associate member. Ms Tan had first encountered ISCA during orientation on campus and learnt how the Institute enables its members to upskill and continue evolving in the industry. ISCA's Youth Associate programme is free and open to all accountancy undergraduates from the various universities in Singapore.

"I believe you don't have to wait," says Ms Tan. "Learning can start whenever. You upskill to keep up, and there's always room to improve." Now that the limitations set by COVID-19 have been largely removed, she is looking forward to attending ISCA events. Joining ISCA is important, she says, because being a Chartered Accountant means one is officially accredited, and that creates job opportunities.

The ISCA Youth Associate programme allows for potential employers to easily recognise a young person like Ms Tan as a designated Youth Associate of an established accountancy body. It also provides opportunities for youths to visit companies and network with professionals in the accountancy industry, to deepen their understanding and gain wider industry perspectives. Youth Associates get a head start in their careers when they participate in courses and seminars such as Career Insights Talks for accountancy and finance professionals. For an out-of-the-box thinker like Ms Tan, being a Youth Associate also avails to her the latest industry developments and resources such as the ***IS Chartered Accountant Journal*** and technical resources.

Apart from the obvious benefits, ISCA's social media marketing appeals to Ms Tan's Gen Z sensibilities. "The information ISCA sends out through its Telegram channel and Instagram is useful," she says. "They share on things like changes in financial trends, in a way that explains the topic clearly, from an accountancy point of view."

As she turns 20 this month, Ms Tan's birthday wish for herself is to be able to explore different aspects of accountancy as she progresses through her studies and soon, into a career in the field, where she plans to head down the Chief Financial Officer route. "I plan to be successful," she says simply and honestly. "And I hope I'll be able to use technology, including machine learning, in my future work. My goal of being successful is to keep learning as there is so much more to see and learn. As the saying goes, it's not about the destination, it's about the journey."

ISCA, on the other hand, turns 59. Ms Tan's wish for the profession is this: "The public perception is that all accountants do is crunch numbers, but I hope a new image will emerge: that accountants are able to attain knowledge and interpret and generate insights."

She foresees accountancy will have a big role to play in important areas such as sustainability. "Global warming is a real issue," she states. "As accountants understand numbers and data, accountants can help make the change, and help companies make better goods that are sustainable, for example, using materials that are not only lasting but good for the environment. I see that in the future of accountancy." ISCA

... ISCA's social media marketing appeals to Ms Tan's Gen Z sensibilities. "The information ISCA sends out through its Telegram channel and Instagram is useful... They share on things like changes in financial trends, in a way that explains the topic clearly, from an accountancy point of view."

Birthday Greetings From ISCA Members

As the Institute turns 59 this June, here are some well wishes from our members.

Katherine Ang
CA (Singapore)
Senior Audit Manager

Happy 59th birthday ISCA! Thanks for growing with us, upskilling us and bringing recognition to our profession.

May ISCA continue to evolve with the world, bringing us along with you.

Choo Eng Beng
FCA (Singapore)
ISCA Council Member
Assurance Leader
PwC Singapore

It takes a community of solvers to evoke lasting impacts. True to its vision of becoming a world-class accountancy body of trusted professionals, ISCA has been instrumental in bringing together diverse expertise and skill sets to drive Singapore's transformation as a global accountancy hub.

On this special day, we'd like to wish you a very happy 59th birthday! Let's continue to work hand in hand in making a difference for businesses and the world!

Koh Wee Kwang
CA (Singapore)
ISCA Council Member
Director
Kreston APA PAC

May ISCA continue to help members navigate this turbulent post-COVID-19 world and bring the accountancy profession to greater heights.

Lee Sze Yeng
CA (Singapore)
Partner and Head of Audit
KPMG in Singapore

Accounting is the language of business, hence, Singapore is blessed to have ISCA grooming many generations of Chartered Accountants over its 59-year history. KPMG is a beneficiary, having grown our talent pool of auditors to 1,200 – all capable of furthering business ambitions through quality audit and assurance.

Thanks, ISCA, for inspiring change in the accountancy profession, and happy birthday!

Peter Leow
CA (Singapore)
CEO
Peter Leow Consulting Pte Ltd

ISCA fulfilled my aspiration to be a Chartered Accountant. Happy birthday, ISCA! May you continue to be a beacon of light for aspiring Chartered Accountants!

Willy Leow
CA (Singapore)
Partner, Risk Advisory Services
BDO

ISCA has distinguished itself over the years as an eminent professional body committed to the uncompromising pursuit of excellence to serve the accountancy profession.

May ISCA continue its impressive growth trajectory over the years as the national accountancy body of Singapore!

Lelaina Lim
FCA (Singapore)
Group Chief Financial Officer
Eu Yan Sang International Ltd

My ISCA membership conveys my professional status as a Chartered Accountant and attests to my continuing professional development.

Happy birthday, ISCA! May you continue to bring positive & meaningful vibes to members.

Birthday Greetings From ISCA Members

As the Institute turns 59 this June, here are some well wishes from our members.

Ong Wee Gee
CA (Singapore)
Chief Financial Officer
Princeton Digital Group

ISCA has made great strides towards its vision to be a worldclass accountancy body, contributing towards an innovative and sustainable economy. May ISCA continue to leverage its regional expertise, knowledge and stakeholder networks to contribute towards the advancement of the accountancy profession. Happy 59th birthday, ISCA!

Philip Shin
CA (Singapore)
Director, Finance and Control
Ageas Asia Services Limited

Happy 59th birthday, ISCA! Thanks for being the voice of the profession and your contributions towards helping the nation achieve an innovative and sustainable economy.

Sarjit Singh
FCA (Singapore)
CEO Singapore
InCorp Global

Happiest birthday, ISCA. Within our dreams and aspirations, we find our opportunities to grow and develop as Chartered Accountants of Singapore!

Sujith Sivaram
CA (Singapore)
Managing Director
ESCO

Warm birthday wishes to ISCA! May you continue to be the leading light for accountancy professionals in Singapore.

Tan Cihui
CA (Singapore)
Audit & Assurance Senior Manager
Deloitte Singapore

Being an ISCA member and Chartered Accountant (Singapore) has granted me the status that helps build trust with various stakeholders. It opens doors to many exciting professional opportunities locally and globally. The high standard of professional conduct and CPE requirements help to keep my professional development path in check. May ISCA continue to impact many more generations.

Happy birthday, ISCA!

Paul Tan
FCA (Singapore)
Co-Founder
Kreston ACA

Best wishes to ISCA on its 59th birthday. May ISCA continue to be the BEACON for the accounting profession and the wider business community for many more years to come.

Samuel Tan
CA (Singapore)
Vice President, Environmental, Social and Governance (ESG) Solutions, Sector Solutions Group
United Overseas Bank Limited

As an ISCA YPAC member, I look forward to driving engagement with young accountancy and finance professionals on how they can spur climate action and build a sustainable future.

Happy birthday, ISCA! May ISCA continually grow its thought leadership and advocacy of corporate sustainability.

Christopher Wong
FCA (Singapore)
ISCA Council Member
Singapore Head of Assurance
Ernst and Young LLP

It has been a wonderful 59 years of working together with ISCA. May we find new opportunities to further advance the accountancy profession.

Yap Siok Leng
FCA (Singapore)
Finance Director
Meggitt Aerospace Asia Pacific Pte Ltd

I am proud to be an ISCA member as ISCA has enabled me to constantly upskill and reskill with its extensive range of courses and events. Most importantly, my membership connects me to ISCA's network of professionals locally and globally.

May ISCA continue to grow its membership of Chartered Accountants. Happy 59th birthday to ISCA!


PHOTO DELOITTE SINGAPORE

BY BRIAN HO

INTEGRATING ESG INTO RISK MANAGEMENT

Moving From Strategy To Execution

THE COVID-19 PANDEMIC HAS TAUGHT US THAT WE ARE NOT ONLY CONNECTED TO ONE ANOTHER, WE ARE ALSO INTERDEPENDENT. As we gradually recover from the impact brought on by COVID-19, it is important that countries around the world work together to build a more resilient and sustainable global economy.

The United Nations Climate Change Conference (COP 26), held in October last year, was the first COP to feature a large contingent from the business community, sending the message that businesses have a key role to play in the fight against climate change. Businesses are moving the needle more quickly than governments in this regard, and there is hope that investors will ultimately compel action to implement climate policies.

A PURPOSE-LED APPROACH TO BUSINESS

For many years, the primary purpose of businesses has been profit, scale, and returns. Now, there is growing interest in how they got to where they are today and what they stand for or, simply put, their purpose. Businesses are being more carefully scrutinised by investors and other stakeholders, for their attitudes towards climate change, their sustainability efforts and commitment to the local community, and their investments in future generations. Today, investors care as much about a company's approach to net zero as they do its business model, and potential employees may

Increasingly, stakeholders are assessing businesses based on their non-financial impact to ensure that they have a purpose beyond profit – a purpose that also benefits society.

decide on joining a company based on its environmental, social and governance (ESG) as well as its diversity, equity and inclusion (DEI) policies.

With the increased demand for accountability, businesses need to be able to quantify and report on their sustainability efforts to measure up to the purpose that they define for their organisation. Increasingly, stakeholders are assessing businesses based on their non-financial impact to ensure that they have a purpose beyond profit – a purpose that also benefits society. Stakeholders are starting to expect high-quality, quantifiable information in areas such as social capital, human capital, and sustainability for strategic decision making.

ESG AS PART OF RISK MANAGEMENT

These ESG considerations are part of risk management. Although no single organisation can predict specific risks, it is critical to prepare for an uncertain or volatile future with threats such as climate change, technological disruption, geopolitical instability, and global supply chain disruptions. To assist organisations with the accurate reporting of information, the International Sustainability Standards Board (ISSB) has been formed to provide guidance on ESG disclosure and on mitigating the risks.

The following are some of the risks facing businesses today:

1) Environmental risk (Climate change)

When it comes to climate change, there are two kinds of risks. The first is physical risk – frequent extreme or unpredictable weather events, environmental degradation such as air, water or land pollution and deforestation are some examples.

Secondly, there are transition risks – financial losses incurred directly or indirectly as a result of the adjustment process towards a low-carbon and environmentally sustainable economy.

PHOTO DELOITTE SINGAPORE

Good risk management should include integrating ESG factors into corporate decision making. ESG risks should be treated like regular business risks and addressed as part of a standard risk reduction programme.

For instance, businesses that deliver or require carbon-intensive fuels may experience higher costs as regulators seek to increase the price of carbon.

The far-reaching impact of climate change has led many of the world's largest organisations to report exposure to physical or transition risks, while increasing stakeholder pressure has resulted in disinvestment in some carbon-intensive industries. Already, climate change plays a role in determining a business' long-term creditworthiness due to potential losses in infrastructure and property. Due to this, the assessment of a business' environmental profile has gone from being a "good to have" to being a key driver of decision making in terms of long-term strategy.

2) Social risk (Health and safety)

Environment, health and safety (EHS) management is a significant consideration under the social component of ESG concerns. EHS encompasses the health and safety of employees and their surroundings. Public and investor scrutiny of a business' EHS management has increased since the pandemic – businesses that focused on employee wellbeing were publicly praised, and those that appeared to be putting their employees at unnecessary risks were criticised. This form of public scrutiny regarding EHS practices is likely to continue in the future, and this will have an impact on areas such as compensation claims, policies regarding protective gear at work, and other health and safety concerns specific to industry needs.

In addition, organisations must understand health and safety risks so that they can obtain the appropriate resources, implement the appropriate systems, and monitor performance to effectively control them. Identifying and ranking the risks is critical, and these risks must be communicated to all staff, to reduce the likelihood of an accident.

QUANTIFYING ESG RISKS

How should businesses quantify ESG risks?

Today, valuation professionals are using data to quantify risk and opportunity associated with ESG to help drive capital allocation and decision making. In establishing a framework that includes both financial benefits and values aligned with ESG goals, business leaders can move one step closer to making decisions that create value and benefit the environment.

The following case studies show certain scenarios of how risks can be quantified with data.

CASE STUDY 1

During a risk assessment and review of its supply chain, company A discovers that its supplier has employment practices that fall far below international standards. In light of this, Company A decides to terminate its contract with that supplier. The new supplier has employment practices that comply with international norms, and the price per unit of raw materials from this supplier is 30% higher than the old supplier. As a consequence of terminating its contract with the old supplier, company A expects its costs to increase by 30% and its profit margin to decrease by 30%. The disclosure requirements on the consequences of changing suppliers are not presently required by the current International Financial Reporting Standards (IFRS) standards, but this is being proposed in the exposure draft for the new IFRS S1 and S2 standards.

CASE STUDY 2

Company X has a production facility that generates high levels of greenhouse gas (GHG) emissions. The local state government has issued a new regulation, effective 2023, stipulating that any facility that emits more than a certain amount of GHGs will be hit with hefty fines. Company X's risk assessment identified this as a transition risk, and it decided to close the facility; the restructuring plan was announced to its employees and the public. Affected assets could experience accelerated depreciation as a result of this announcement and an impairment charge could be included in the profit and loss statement if relevant. As the company also disclosed that its restructuring plans may involve job losses and retrenchments, the restructuring liabilities would be recorded if the criteria in the International Accounting Standards (IAS) 37 *Provision, Contingent Liabilities, and Contingent Assets* were met.

PHOTO GETTY IMAGES

3) Governance risk

Governance risk refers to an organisation's ethical and legal management. These include the transparent and accurate reporting of its performance, and its involvement in other ESG initiatives that are deemed important to stakeholders. The Board of Directors and its senior management manage these risks and set the tone and policies for the organisation. They also manage pressure from employees, investors, society, and politicians to influence the organisation's leadership to take different actions.

Good risk management should include integrating ESG factors into corporate decision making. ESG risks should be treated like regular business risks and addressed as part of a standard risk reduction programme. In fact, most businesses are already managing at least some of these risks, albeit without a formally defined ESG programme.

ESG IN PRACTICE – WHO LEADS?

To move from pledge to action, businesses must be functionally set up to respond to, and deal with, ESG-related opportunities, challenges and risks. At a practical level, this requires an operating model that facilitates visibility, accountability and collaboration among departments, across a clear governance structure.

If organisations do not yet allow for a high level of collaboration and interaction among departments and business units, they will have difficulty demonstrating how ESG issues figure in their strategic planning, budgeting, and forcasting processes. Information should flow freely up and down the organisational structure. An effective leader must be able to look into the business and ensure that its public commitments are understood and are being carried out.

A similar flow of information must also come back up from the operational team in the form of risk registers, internal audits, operational plans, and capital commitments that show how well teams are doing. Digital transformation will go some way towards this, as it makes timely and critical information transparent, and readily available. Accessible engagement structures provide a means for key stakeholders to discuss plans and progress over time, which helps to promote more cohesive and responsive approaches.

As with many organisational transformations, ESG will require individuals to change their behaviour. The way people are rewarded will play a significant role in this transformation.

To be successful, organisations have to create accountability through individual and functional incentives that are aligned with the ESG agenda.

In the past, sustainability and corporate social responsibility (CSR) agendas were led by a sustainability leader either at the executive level or were reported to a senior decision maker. As ESG gains importance, its implications are greater than ever, encompassing areas such as investor relations, finance, human resources, operations, supply chain, corporate communications, and corporate development. Therefore, identifying the stakeholders within the organisation responsible for leading the various dimensions of ESG strategy is fast becoming a key challenge for most businesses.

Today, many organisations have dedicated teams to look after environmental and safety issues, often with a Chief Sustainability Officer overseeing them. It is, however, essential that operational teams are properly connected to corporate strategies; this fosters the understanding that ESG commitments are non-negotiable, and that the transition from ESG commitments to business or operational processes is clearly outlined. Typically, the sustainability function is well represented at the executive level. For example, a Vice President or Executive Vice President of Sustainability may lead sustainability in large or multinational companies.

However, the Chief Financial Officer (CFO) may also take responsibility for the ESG agenda to be accountable to investors and analysts. CFOs are well suited for this position as they have easy access to several departments such as Finance, Accounting, Operations, Marketing, Human Resources and Research & Development. The CFO can also play a leading role in establishing a transparent infrastructure by designing and implementing sustainability dashboards for information exchange, monitoring, and reporting. CFOs are not just key stakeholders in this area, they are also poised to lead due to their organisational network and indepth understanding of data, processes, and reports. Furthermore, CFOs can align ESG issues with their organisation's profitability goals. Hence, expanding the role of the CFO to take on sustainability is a core solution for organisations to satisfy internal and external demands as well as ensure long-term success.

To move from pledge to action, businesses must be functionally set up to respond to, and deal with, ESG-related opportunities, challenges and risks.

VIEWING ESG AS AN OPPORTUNITY

Regardless of how an organisation's ESG journey began – responding to a reporting requirement or refreshing a top-down strategy – one can expect a comprehensive reappraisal of the operations, activities, and the outcomes across the business. Multiple stakeholders from investors and shareholders to governments, policymakers, employees, suppliers, customers, and society are continuing to push businesses to address ESG challenges and opportunities. The pressure for organisations to address sustainability concerns will only grow.

Even though there is an increasing sense that sustainability risks must be identified and managed, we should not lose sight of the enormous opportunities presented by the scale of sustainability transformation everywhere. Sustainability presents opportunities to identify and grasp new sources of value creation for organisations, and accountancy-trained professionals are best positioned to step up and seize these opportunities. ISCA

Brian Ho is Climate & Sustainability Assurance Leader, Deloitte Asia Pacific and Southeast Asia.

PHOTO SHUTTERSTOCK

BY STELLA LAU

OVERCOMING THE CHALLENGES IN GREEN FINANCING

Accountants Play Crucial Roles

INCREASINGLY SO, SUSTAINABILITY WILL BECOME MORE WIDESPREAD TO PLAY AN INFLUENTIAL ROLE IN EVERY ECONOMIC SECTOR[1]. With the financial industry having played a more significant role in accelerating the sustainability push, the Singapore government has also committed significant financing to support enterprises in advancing the sustainable development agenda.

In 2020, the Monetary Authority of Singapore (MAS) launched the Green and Sustainability-Linked Loan Grant Scheme, which helps companies gain access to green financing by funding costs involved in the validation of green and sustainability credentials of the loan. It also supports banks to develop green and sustainability-linked loan frameworks to enable small and medium-sized companies to access green financing[2].

Other than facilitating access to green financing, the government is promoting green knowledge and expertise development by supporting the innovation of green products and solutions in Singapore through the Research, Innovation and Enterprise 2025. The Ministry of Sustainability and the Environment is also managing a S$50-million SG Eco Fund to co-finance projects by organisations or individuals that advance environmental sustainability in Singapore and engage the community[3].

However, as enterprises ride the sustainability wave on the back of strong government support and an established financial industry, they must also be cognisant of challenges and risks.

Greenwashing and disclosure

One of the biggest concerns is with green washing. It refers to the misleading portrayal of business practices, products or services to be green. This can arise from selective disclosure where a company reports only information related to positive environmental benefits, concealing information that is contrary. It can also involve decoupling which refers to "putting a positive spin on the communication of a firm's corporate social actions", despite the opposite being true. For example, companies can mislead consumers by overselling the sustainability aspect of a product in marketing messages. Companies can also choose to disclose only favourable information in their corporate sustainability reporting[4].

Sustainability disclosure standards are necessary to safeguard against greenwashing. This is also the mandate of the newly set up International Sustainability Standards Board. The International Financial Reporting Standards Foundation has also committed to unifying existing standards by the Climate Disclosure Standards Board and the Value Reporting Foundation – which is the merger of the International Integrated Reporting Council and Sustainability Accounting Standards Board.

In Singapore, MAS has set up the Green Finance Industry Taskforce taxonomy, which labels economic activities as green or otherwise. This can help financial institutions determine which products are green, which can help the mobilisation of capital for green investments[5].

Accountants can be the transparency gatekeepers by reporting on financial and non-financial information including sustainability aspects of the business. This helps the business cast a longer-term lens on growth, and better identify long-term risks to build resilience into business models.

[1] https://eurocham.org.sg/publication/green-finance-position-paper-2020/

[2] https://www.mas.gov.sg/news/media-releases/2020/mas-launches-worlds-first-grant-scheme-to-support-green-and-sustainability-linked-loans

[3] https://www.mse.gov.sg/sgecofund/apply

[4] https://www.businesstimes.com.sg/opinion/greenwashing-singapores-next-frontier-of-investor-protection

[5] https://www.businesstimes.com.sg/opinion/greenwashing-singapores-next-frontier-of-investor-protection

Accountants can be the transparency gatekeepers by reporting on financial and non-financial information including sustainability aspects of the business. This helps the business cast a longer-term lens on growth, and better identify long-term risks to build resilience into business models[6].

Lack of standard measurements and independent assurance in measuring and reporting sustainability

According to a global survey conducted among more than 1,491 executives in 16 countries, business leaders reported difficulty in "authentically measuring and achieving sustainable impact". They attributed this to a lack of measurement tools put in place to quantify sustainability efforts. This makes it hard to determine the impact of green activities and challenging to accurately report on it, which in turn risk greenwashing and compromise investor and stakeholder engagement[7].

In addition, there is a lack of regulation and standardisation around data collection and the metrics to be reported on. As such, not all companies report on the same data. Even if metrics are similar, they may be computed in different ways. This also means that benchmarking companies' sustainability impact would be almost impossible[8].

It is also not compulsory for companies to get their sustainability reports and disclosures independently validated. In a 2020 report by National University of Singapore's Centre for Governance and Sustainability on corporate sustainability reporting in ASEAN, only 15% of listed companies in ASEAN countries seek external assurance for their sustainability report. It also found that companies are unlikely to report unfavourable aspects even if these are important to raise[9]. These lead to the problem of selective disclosure and accuracy of disclosure[10]. If companies do not clearly know the sustainability metrics to be reported on, they are also unable

to comply and are exposed to potential compliance risks down the line[11].

There are a few data providers that assess green debt instruments and companies, such as Sustainalytics and MSCI. However, ratings may differ from provider to provider for the same company or green bonds due to the lack of common standards and benchmarks in the assessment process. The assessment involves assessing the use of proceeds, project selection and evaluation process and reporting. This can be challenging for companies to manage investor confidence towards their green activities. It would also be confusing for investors to determine the attractiveness of their green investments.

Lack of good-quality data in green financing

The lack of consistency in measurement and metrics reported on companies' environmental profiles is one reason contributing to the lack of good-quality data in green financing. Additionally, it is resource-intensive for stakeholders to collect data and report on the asset throughout the lifecycle of the financing instrument. It is also costly for issuers to seek independent verification for the asset regularly. However, having access to such data helps issuers manage environmental risks and can greatly boost the uptake of green finance[12].

Technology can be harnessed to increase access to good-quality data. Digital solutions can facilitate the collection, structuring and cleaning of data so that it can be analysed, and further visualise results for reporting[13]. Technological tools can also be applied to transform operations in adopting sustainable practices, help drive more widespread engagement across the organisation on green initiatives and used for measurement and reporting on green efforts[14].

To this end, MAS announced a partnership with industries to pilot four digital platforms to drive access to "high-quality, consistent and granular" sustainability data important for green financing. Called Project Greenprint, the objective of the initiative is to "promote a green finance ecosystem through helping to mobilise capital, monitor sustainability commitments, and measure impact". MAS has been working closely with the financial industry and other sectors to identify digital solutions to mitigate data challenges including "interoperable data platforms" that can aggregate and integrate sustainability data across sectors and industry players[15]. Better access to data will allow industries and enterprises to quantify risks and monitor sustainability commitments.

Accountants must continue to be the data gatekeepers for organisations, bringing the rigour of accounting to the creation of measurement tools that incorporate the "nuances and complexity of sustainability", while leveraging digital solutions to optimise the process and generate insights for management's day-to-day decision making. Backed by data, accountants can create credible business cases for sustainability and through establishing financial links to the adoption of sustainability practices as well as to the longer-term value of green efforts[16].

SKILL SETS IN DEMAND WITHIN THE GREEN FINANCE SECTOR

The role that accountants and finance professionals play will be significant to the success of the sustainability drive. However, there is still a lack of skilled sustainability professionals. MAS and the Institute of Banking and Finance (IBF) have identified four key areas that professionals will need to gain broad knowledge in. The four areas are climate change management; natural capital management; carbon markets and decarbonisation strategies management; and taxonomies application.

Importantly, there are also eight areas that accountancy and finance professionals should develop skill sets in. The eight areas are impact indicators, measurement and reporting; non-financial industry sustainability developments; sustainable insurance and re-insurance solutions and applications; sustainable investment management; sustainable lending instruments structuring; sustainability reporting; sustainability risk management; and sustainability stewardship development.

With the rapid growth of green finance permeating all sectors, it is critical for accountants and finance professionals to be upskilled to meet market and industry demands. For more details on the skill sets identified within each of the eight sustainability areas, please refer to IBF's Sustainable Finance Technical Skills And Competencies[17]. Accountancy and finance professionals can also refer to ISCA's courses and webinars on sustainability[18]. ISCA

This is the second article of a two-part series on sustainability. The first article, published in the May issue of this journal, discusses the impetus fuelling the growth of the green market, and the different types of sustainable financing instruments and projects.

Stella Lau is Manager, Insights & Publications Department, ISCA.

PHOTO SHUTTERSTOCK

[6] https://www.accountancyeurope.eu/good-governance-sustainability/sustainable-finance-whats-it-got-to-do-with-accountants/
[7] https://sg.news.yahoo.com/global-survey-reveals-executives-challenges-110000281.html
[8] https://www.channelnewsasia.com/leadership-summit
[9] https://bschool.nus.edu.sg/cgs/wp-content/uploads/sites/7/2021/05/SGX-CGS-Sustainability-Reporting-Review-2021-Presentation-of-Findings.pdf
[10] https://environment.yale.edu/news/article/meeting-challenges-sustainable-financing
[11] https://www.channelnewsasia.com/leadership-summit
[12] https://www.accenture.com/sg-en/blogs/southeast-asia-blog/data-lite-how-technology-can-fix-green-finances-biggest-challenge
[13] https://www.accenture.com/sg-en/blogs/southeast-asia-blog/data-lite-how-technology-can-fix-green-finances-biggest-challenge
[14] https://sg.news.yahoo.com/global-survey-reveals-executives-challenges-110000281.html
[15] https://www.mas.gov.sg/news/media-releases/Appointments-to-MAS-Board-of-Directors/mas-and-industry-to-pilot-digital-platforms-for-better-data-to-support-green-finance
[16] https://www.fm-magazine.com/issues/2021/sep/sustainability-accountants.html
[17] https://www.ibf.org.sg/programmes/Pages/SF_TSC.aspx
[18] https://isca.org.sg/learn-connect/cpe-courses

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BY FANN KOR AND KANG WAI GEAT

SHEDDING LIGHT ON AUDIT VS NON-AUDIT FEES

What Companies Must Know

MANY WERE SURPRISED BY WHAT HAPPENED RECENTLY AT COMFORTDELGRO'S ANNUAL GENERAL MEETING (AGM). Shareholders, under the recommendation of proxy advisors, voted against the reappointment of the auditor, Deloitte & Touche (Deloitte). The reason was that ComfortDelGro had paid Deloitte non-audit fees that exceeded 50% of its audit fees. The non-audit fees seemingly relate to initial public offering (IPO) work performed in Australia as publicly announced.

This incident has raised questions on non-audit fees and the 50% threshold.

WHAT ARE CONSIDERED NON-AUDIT SERVICES, AND WHY WOULD THE AUDITOR CARRY OUT THESE SERVICES?

Non-audit services are those which are not directly connected to an audit of financial statements, including the review of year-end and interim financial results announcements, and the certification work for submission to parties such as government agencies (for grants) or landlords (for the variable component of some rental expenses which is dependent on revenue earned).

These non-audit services may be best performed by the auditor due to familiarity and knowledge. In an IPO listing of a company, audited financial statements for the three most recently completed financial years will be required in the IPO prospectus. From a risk management standpoint, to protect the interests of investors, the auditor is in the best position to be the reporting accountant of the IPO engagement. The company will usually appoint the auditor to be the reporting accountant.

IS 50% A GUIDELINE OR A RULE?

The other key issue is with the 50% threshold. It is important to know why 50% exists and what it means.

The ACRA Code of Professional Conduct and Ethics for Public Accountants does not prohibit non-audit fees from exceeding 50% of the audit fees. What this means is, if the amount of annual fees received for non-audit services compared to the total annual audit fees from a listed audit client is 50% or more, the auditor shall disclose this to those charged with governance (TCWG) of the audit client. They shall also discuss the safeguards which will be applied to reduce any threats to auditor independence to an acceptable level.

In essence, the 50% marker exists to address a situation where, if non-audit fees exceed audit fees, the auditor may be pressured to sign off the audit opinion on the financial statements for fear of losing the client due to the size of the fees. If the 50% is crossed, the auditor will need to disclose and discuss with TCWG, who are usually the audit committees. This, however, does not mean that auditor independence has been impaired.

The 50% is set as a guideline rather than a rule.

The ACRA Code of Professional Conduct and Ethics for Public Accountants does not prohibit non-audit fees from exceeding 50% of the audit fees.

50% is a guideline, not a rule

PHOTO SHUTTERSTOCK

HOW CRITICAL ARE PUBLIC PERCEPTIONS AND EXPECTATIONS OF AUDITOR INDEPENDENCE?

Auditor independence is a topic under constant scrutiny due to the potential impact on the quality of audit work carried out by the auditor. It is understandable that shareholders will have concerns if the 50% guideline is exceeded. It is also reasonable for them to expect to be informed so that their concerns will be allayed.

To uphold corporate governance and better manage investor relations, companies should provide sufficient information clearly so that shareholders can better appreciate the issue at hand and how it has been addressed. Companies should do so even if such disclosures are not required by regulations. For a topic as

significant as auditor independence, it pays to "over communicate" and to say more, rather than less.

Furthermore, companies can include more specific disclosures and narratives in the relevant sections of their annual reports, such as adding a note to the financial statements. Such tailored disclosures will allow readers of financial statements to understand that proper safeguards have been put in place and that auditor independence has not been impaired.

ASK QUESTIONS, GET ANSWERS

Auditor independence is integral to any financial reporting ecosystem and must be preserved to protect the interests of shareholders. If shareholders think that auditor independence may have been compromised, they have the right to raise questions and be given answers. The AGM is the perfect platform for shareholders to raise such questions to the Board of Directors. Companies must also be given the opportunity to explain their side of the story to the shareholders. Such question-and-answer will enable shareholders to assess the issue and make their judgements on the independence of their auditors.

Ultimately, the availability of more relevant information will frame issues in the right perspective and result in more informed decision making, for the benefit of all parties. ISCA

To uphold corporate governance and better manage investor relations, companies should provide sufficient information clearly so that shareholders can better appreciate the issue at hand and how it has been addressed.

Fann Kor is Chief Executive Officer, Institute of Singapore Chartered Accountants (ISCA), and Kang Wai Geat is Divisional Director, Professional Standards, ISCA. An edited version of this article was first published in **The Business Times** *on 30 May 2022.*

VIETNAM UP CLOSE AND PERSONAL

Exciting Opportunities Await Accountancy And Business Executives

MORE THAN TWO YEARS AFTER THE COVID-19 PANDEMIC BEGAN, borders are fully reopening and global economic recovery is shifting into higher gear. Businesses, including small and medium-sized practices (SMPs), are once again contemplating overseas expansion, and accountancy professionals are likewise exploring career opportunities abroad to gain international exposure. In Vietnam, they might just find what they are looking for.

COUNTRY OVERVIEW

While other economies were hit hard by COVID-19, Vietnam registered positive GDP growth rates of 2.9% and 2.6% in 2020 and 2021, respectively. And things are looking up, with GDP growth projected to rebound to 6.5% in 2022[1]. Multiple sources[2,3,4,5] attribute Vietnam's economic resilience to its high COVID-19 vaccination rate as well as strong market fundamentals, such as its robust manufacturing output and export performance, driven largely by foreign direct investment inflows; and its integration with the global economy through various free trade agreements, including the Regional Comprehensive Economic Partnership which came into effect this year. Vietnam also boasts a large and growing population which, as of 2021, stood at 98.51 million – slightly more than half of whom were in the labour force (aged 15 years and above)[6].

Moreover, Vietnam has passed several laws in recent years to further attract foreign investment and create a business-friendly environment[7]. For example, the revised Law on Investment 2020 provides clearer rules on which sectors are open to foreign investors as well as the conditions for entry, and also introduces tax and other incentives for investment projects deemed as having significant socioeconomic impact (for example, high-tech projects). The amended Law on Enterprise 2020 reduces the administrative burden on companies, such as removing the requirement to notify the Business Registration Authority about a company's seal or about changes to its managers, and also gives minority shareholders more rights, such as allowing them to convene shareholder meetings. Meanwhile, under the new Law on Tax Administration, the deadline for filing personal income tax returns has been extended from 90 days to 120 days after calendar year-end, and the usage of e-invoices and other electronic documents is being promoted to enable greater information accuracy and time savings.

The story of Vietnam's economic transformation is, like other developing nations, that of a gradual shift away from being agriculture-based to manufacturing and services-oriented. Today, Vietnam is a leading exporter of electronic goods, textiles, rice and coffee. However, its economic diversification strategy does not end there. A Maybank Securities analyst has singled out that banks, retail and energy are among the top-performing sectors in 2022 that will help make Vietnam "the brightest star in the region"[8].

[1] https://www.adb.org/countries/viet-nam/economy
[2] https://www.adb.org/news/viet-nam-economy-set-strong-rebound-amid-global-economic-uncertainty
[3] https://www.bloomberg.com/news/articles/2022-03-29/vietnam-s-economic-growth-eases-in-first-quarter-to-5
[4] https://www.pwc.com/vn/en/media/media-articles/220214-economics-outlook-vir.pdf
[5] https://www.cnbc.com/2021/01/28/vietnam-is-asias-top-performing-economy-in-2020-amid-covid-pandemic.html
[6] https://www.gso.gov.vn/en/data-and-statistics/2022/01/infographic-population-labour-and-employment-in-2021
[7] https://www.ey.com/en_vn/doing-business-in-vietnam-2021-
[8] https://www.businesstimes.com.sg/asean-business/vietnam-could-be-regions-brightest-star-in-2022-market-growth-likely-led-by-banks

While there are several challenges that foreign enterprises need to overcome, Vietnam's dynamic business environment, the exciting opportunities available, and the experience of living and working abroad more than make up for them.

PHOTO SHUTTERSTOCK

As for energy production, Vietnam has emerged as a leader among ASEAN countries in solar and wind electricity generation. Its cumulative solar and wind power-installed capacity topped 17,000 megawatts in 2020, the highest in the region.

OPPORTUNITIES

IFRS conversion services

Amid this optimistic outlook, opportunities abound for accountancy and finance professionals interested in working in Vietnam. For starters, government approval was given in 2020 to replace the Vietnamese Accounting Standards (VAS) with the International Financial Reporting Standards (IFRS), on a voluntary basis starting in 2022, followed by mandatory application from 2025 onwards[9]. IFRS adoption will improve the quality and transparency of financial reporting in Vietnam and align it with global best practices. To ease the transition process, local enterprises are keen on engaging the services of foreign accountancy and finance professionals with IFRS expertise, who can help close the gaps between VAS and IFRS, and train local staff on IFRS conversion. Large local entities seeking cross-border funding activities can also turn to foreign accounting firms which, with their international knowhow, can provide IPO-readiness services, in addition to accounting conversion, says Ernest Yoong, Partner, Assurance, Ernst & Young Vietnam Limited (EY Vietnam).

Cybersecurity and IT audit services

COVID-19 has accelerated digital transformation around the world, and Vietnam is no exception. This is borne out in the dramatic increase in e-commerce and non-cash payments, which are faster and more hygienic compared to paying with cash. A Visa study found that contactless transactions in Vietnam grew more than 500% between the first half of 2019 and the first half of 2020[10], while OpenGov Asia reported that cashless payments accounted for 72.8% of total retail transactions in Vietnam in 2021, up 9% from the previous year[11]. At the same time, the widespread use of mobile apps, e-wallets and other cashless payment methods has raised worries about cybersecurity breaches, such as online scams and identity theft. Foreign accounting firms can help address these concerns by providing cybersecurity and IT audit services for banks and payment service providers.

Ernest Yoong, Partner, Assurance, EY Vietnam says large entities in Vietnam seeking cross-border funding activities can turn to foreign accounting firms, which can provide IPO-readiness services

Sustainability reporting

Another area where foreign accountancy and finance professionals can make a notable contribution is in facilitating sustainable development – an issue which directly affects low-lying Vietnam, given its vulnerability to rising sea levels and its struggles with urban air pollution. At the UN Climate Change Conference in Glasgow (COP 26) in 2021, Vietnam joined other countries in pledging to achieve net-zero carbon emissions by 2050. To achieve this goal, companies across all sectors must find ways to decarbonise their operations, be they incorporating clean technologies into manufacturing processes or using agritech solutions to grow more crops on less land.

The World Bank has identified greening the trade sector – which accounts for one-third of Vietnam's total greenhouse gas emissions – as a priority, and outlined recommendations to facilitate exports of green goods and services, incentivise green foreign direct investments, and develop carbon-free industrial zones[12]. As for energy production, Vietnam has emerged as a leader among ASEAN countries in solar and wind electricity generation. Its cumulative solar and wind power-installed capacity topped 17,000 megawatts in 2020, the highest in the region[13]. To meet its net-zero commitment, the government plans to gradually phase out coal-fired power plants and invest in more renewable energy projects, with international financial and technical support[14].

PHOTO: SHUTTERSTOCK

This trend has been observed by Mr Yoong as well. "While sustainability initiatives are relatively new in Vietnam, new incentives were recently offered for setting up wind and solar energy-driven power plants," he says. "I foresee many more initiatives in the technology-related and clean energy space in Vietnam in the coming years." Demand is thus increasing for accounting firms well versed in sustainability reporting, and that can help local companies understand, manage and disclose their environmental, social and governance (ESG) information properly.

CHALLENGES

Complex regulatory environment

Relocating to a new country has its fair share of obstacles, and more so if one is unfamiliar with that country's official language. In Vietnam, information and guidance about the country's complex regulatory environment may not be readily accessible in English. Even if an English-language version of the regulation is available, Mr Yoong notes there could be errors in translation, or the application and administration of the rules may differ in practice.

For those looking to set up a business in Vietnam, the best way to deal with this problem is by partnering local consultants who can help conduct a thorough market risk assessment and navigate the maze of restrictions and provisions placed on foreign businesses. A useful resource in this regard is Enterprise Singapore, which leverages its in-market connections to offer valuable insights and matching with reliable local partners. It is also worth reading up on the local GAAP (VAS) to gain

[9] https://www.xbrl.org/news/vietnam-to-adopt-ifrs-reporting-standards

[10] https://www.visa.com.vn/en_VN/about-visa/newsroom/press-releases/visa-contactless-payments-set-record-growth-as-vietnamese-embrace-cashless-payments.html

[11] https://opengovasia.com/cashless-payments-account-for-over-70-of-2021-retail-transactions-in-vietnam

[12] https://www.worldbank.org/en/news/press-release/2022/01/13/vietnam-s-economic-growth-is-expected-to-accelerate-to-5-5-in-2022-and-greening-its-trade-would-offer-new-opportunities-

[13] https://www.sciencedirect.com/science/article/pii/S097308262100096X

[14] https://moit.gov.vn/en/news/ministerial-leaders-activities/vietnam-calls-for-int-l-support-to-realise-energy-commitment-at-cop26.html

RELAXING IN VIETNAM

It's not all about work for expatriate professionals working in Vietnam. Here are how some Singaporeans spend their leisure days in the country.

Jerry Chew participating in a marathon in Ho Chi Minh City

"When I'm not working, I do a lot of running, cycling and swimming. There are also many different kinds of eating places. It seems to me that there are more Japanese restaurants in Ho Chi Minh City than there are in Tokyo! The city is also a paradise for coffee lovers as there are many places for high-quality brews available; the same can be said for fans of beer. Finally, there are many beautiful beaches in Vietnam."

Jerry Chew, a professional who has worked in Vietnam for over two decades

Huan Hsin Yee, at her office

"I like to go to the park when I am not at work. When there are no COVID restrictions, I also explore different places across Vietnam, or go hiking with my friends. There are a lot of gems for us to discover, including both natural and historical sites. During these trips, we get to meet friendly locals who may even invite you to their homes."

Huan Hsin Yee, Head of Finance & Administration, Boehringer Ingelheim Vietnam

PHOTO SHUTTERSTOCK

Taking the time to understand the diverse socioeconomic aspects of doing business in Vietnam is … crucial.

an understanding of the local accounting and tax rules, while simultaneously transitioning to IFRS implementation.

Jerry Chew, a finance professional who has worked in Vietnam for more than 20 years, zeroes in on its foreign exchange laws. "Vietnam still operates in a strict foreign exchange control regime. A company or person cannot conduct their banking activities as they would in other countries like Singapore, Malaysia or Hong Kong. And the rules are even stricter for foreign individuals," Mr Chew explains. "It is necessary for professionals to understand how to deal with treasury matters so that they are able to plan and execute their market entry accordingly." Hiring local talent knowledgeable in such matters, such as what type of supporting documentation is required for foreign currency transactions, can help solve this issue.

Cultural difference and language barrier

Then there are the cultural nuances involved when doing business in Vietnam. Huan Hsin Yee, Head of Finance & Administration at pharmaceutical company Boehringer Ingelheim Vietnam, observes that the locals are more reserved compared to Singaporeans. "The Vietnamese are hesitant when it comes to providing direct feedback, especially if they have different views from their supervisors," says Ms Huan. "For example, they might be reluctant to propose an alternative solution to what has already been proposed by their supervisor – even if it might be better – or propose changes to outdated approved policies, as it may be perceived as being disrespectful." Based on her experience, she advises others in her position to encourage their team members to speak their minds. "Usually, they have a lot of valuable ideas," she adds.

Cultural differences also exist between the northern and southern parts of Vietnam. As Enterprise Singapore stated in an interview with *The Business Times*, "People in the south tend to be more direct in the way they speak and engage for business. In the north, the people place great emphasis on relationships and spend more time building networks and relationships before formally engaging in business discussions."[15]

Taking the time to understand the diverse socioeconomic aspects of doing business in Vietnam is therefore crucial. To avoid miscommunication, Mr Yoong suggests that companies also employ their own translators or English-speaking local staff who have experience working with foreigners and understand international business practices. "It is useful to have your own 'ears' in a discussion," he points out, especially in meetings where important decisions need to be made.

CONCLUSION

Now is a good time to enter the Vietnamese market. While there are several challenges that foreign enterprises need to overcome, Vietnam's dynamic business environment, the exciting opportunities available, and the experience of living and working abroad more than make up for them. ISCA

[15] https://www.businesstimes.com.sg/asean-business/guides/views-on-vietnam-opportunities-misconceptions-and-challenges

USEFUL RESOURCES

- Enterprise Singapore's Market Profile on Vietnam (https://www.enterprisesg.gov.sg/overseas-markets/asia-pacific/vietnam/market-profile)
- See what government grants can help your business (https://www.gobusiness.gov.sg/gov-assist/grants/)
- Find out more about ISCA's overseas business study missions (https://isca.org.sg/member-support/members-in-practice/create-opportunities/overseas-business-missions) and register your interest.

PHOTO SHUTTERSTOCK

BY DR JEREMY OSBORN

A NEW BUSINESS PHILOSOPHY

Introducing The Integrated Thinking Principles

NOW MORE THAN EVER, BUSINESSES MUST HAVE A LONG-TERM VIEW OF THEIR PURPOSE, HOW THEY CREATE VALUE AND FOR WHOM. Integrated thinking is a 21st-century answer to today's ever-changing environment, shaped by seismic factors such as the global pandemic, climate change and demographic change far beyond the control of any single business. It provides a structured approach for considering how to create the right environment within an organisation, as well as for reviewing and course correcting what can, at times, go wrong.

In December, the Value Reporting Foundation launched the Integrated Thinking Principles (Principles)[1], completing its comprehensive toolkit of resources. The Principles are rooted in the International Integrated Reporting (<IR>) Framework and provide a structured approach to embedding integrated thinking into an organisation year-round. The Principles are designed to be used with the <IR> Framework and the SASB Standards, which provide industry-specific disclosure topics and metrics.

WHAT IS INTEGRATED THINKING?

Integrated thinking is a management philosophy that unites the constituent parts of an organisation and focuses the whole organisation on value creation for the enterprise and its key stakeholders. It supports stronger governance and better management, underpinned by integrated decision making and a holistic approach to resource allocation. It balances short-term performance needs with a longer-term approach to value creation and preservation. Integrated thinking can help create a virtuous loop of integration within an organisation across functional siloes. Businesses that are in this integrated thinking loop[2] are on a continuous journey, evaluated through a management and reporting philosophy that results in ongoing performance improvements.

Integrated thinking has been successfully implemented in many organisations around the world across a wide variety of sectors, particularly by organisations that are on an integrated reporting journey and adopting the <IR> Framework. The Value Reporting Foundation's case studies[3] illuminate the benefits of integrated thinking.

> **Integrated thinking is a management philosophy that unites the constituent parts of an organisation** and focuses the whole organisation on value creation for the enterprise and its key stakeholders.

HOW CAN MY ORGANISATION ADOPT THE INTEGRATED THINKING PRINCIPLES?

The Principles are designed to be embedded into an organisation's business model and applied across key activities overseen by the Board and managed by the senior leadership team. They are implemented on three levels: the first comprises questions to the Board and CEO on how widely each Principle has been adopted across the organisation; the second offers the opportunity to assess how deeply the Principles have been embedded into the organisation, and the third consists of strategic management tools, practices and processes to bring integrated thinking to life.

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[1] https://www.integratedreporting.org/integrated-thinking/

[2] https://www.integratedreporting.org/resource/integrated-thinking-a-virtuous-loop/

[3] https://www.integratedreporting.org/case-studies-from-the-business-networks-integrated-thinking-strategy-group/

The Principles help unlock the full intrinsic value of an organisation's intangibles and communicate this to investors through an integrated report, based on the <IR> Framework and international financial and sustainability accounting standards.

THE EVOLUTION OF THE LANDSCAPE

There is momentum building around the formation of the International Sustainability Standards Board (ISSB), which was launched during COP 26 in Glasgow in November 2021 with support from over 40 Finance Ministers and Central Bank Governors. Later this year, the Value Reporting Foundation will be consolidated into the IFRS Foundation, forming the team which will support the development of the ISSB's sustainability-related financial disclosure standards, already bolstered by the absorption of the Climate Disclosure Standards Board (CDSB) in January.

Many investors and regulators have called for the IFRS Foundation to build upon market-led initiatives and to use its experience in creating accounting standards in more than 140 jurisdictions to bring globally comparable and decision-useful reporting on sustainability matters to the capital markets. Later in March, the ISSB will release the exposure drafts of the climate and general sustainability disclosure standards, which heralds a significant step forward in the creation of a comprehensive global corporate reporting system.

It is expected that the IFRS Foundation will embrace the principles and concepts of integrated thinking and integrated reporting, while also leveraging the existing SASB Standards, as a means to help connect financial and sustainability management and reporting. It is therefore recommended, now more than ever, that organisations should embrace these three resources of the Value Reporting Foundation, as this will help them implement the ISSB's future sustainability-related disclosure standards.

Integrated thinking develops when an organisation understands the relationships between the areas that are key to how it creates value, supporting improved decision making, increased transparency and a forward-looking multicapital management approach, helping an organisation to build resilience and deliver long-term value creation. Ultimately, integrated thinking reveals the pathways, tools, processes and practices that enable organisations to deliver their purpose for the benefit of their investors and key stakeholders. By bringing together expertise across the whole organisation, the Integrated Thinking Principles can guide businesses in the ongoing evolution of their response to the needs of today's – and tomorrow's – environment. ISCA

The (Integrated Thinking) Principles help unlock the full intrinsic value of an organisation's intangibles and communicate this to investors through an integrated report...

Dr Jeremy Osborn, FCMA, CGMA, CPA (Australia) is Director of Accountancy Relationships, The Value Reporting Foundation. This article originally appeared on the IFAC Knowledge Gateway.

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TECHNICAL HIGHLIGHTS

AUDITING AND ASSURANCE

IAASB MODERNISES STANDARD FOR GROUP AUDITS IN SUPPORT OF AUDIT QUALITY

IAASB released International Standard on Auditing (ISA) 600 (Revised), its revised standard for group audits.

ISA 600 (Revised) includes a robust risk-based approach to planning and performing a group audit, focusing on the group auditor's attention and work effort in identifying and assessing the risks of material misstatement of the group financial statements and designing and performing further audit procedures to respond to those assessed risks.

ISA 600 (Revised) becomes effective for audits of group financial statements for periods beginning on or after 15 December 2023.

For more information, please visit https://www.iaasb.org/publications/international-standard-auditing-600-revised-special-considerations-audits-group-financial-statements?utm_source=Main+List+New&utm_campaign=461257603e-IAASB-ISA-600-release&utm_medium=email&utm_term=0_c325307f2b-461257603e-80727572

NEW IAASB FACTSHEET ADDRESSES ENGAGEMENT TEAM DEFINITION

IAASB has released a new factsheet to address the clarified definition of "engagement team" and its possible impacts, including recognition that engagement teams may be organised in a variety of ways, including across different locations or by the activity they are performing.

This new engagement team definition applies to the International Standards on Auditing and International Standards on Quality Management.

For more information, please visit https://www.iaasb.org/news-events/2022-05/new-iaasb-fact-sheet-addresses-engagement-team-definition

IAASB ISSUES NEW NON-AUTHORITATIVE GUIDANCE ON FRAUD IN AN AUDIT OF FINANCIAL STATEMENTS

IAASB has released a non-authoritative guidance, *The Fraud Lens – Interactions Between ISA 240 and Other ISAs*. The guidance illustrates the relationship and linkages between International Standard on Auditing (ISA) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, and other ISAs when planning and performing an audit engagement and reporting thereon.

IAASB recently approved a project proposal to revise ISA 240 to enhance or clarify an auditor's responsibilities on fraud in an audit of financial statements. In the interim, this non-authoritative guidance illustrates how extant ISA 240 is to be applied in conjunction with the full suite of ISAs.

For more information, please visit https://www.iaasb.org/news-events/2022-05/iaasb-issues-new-non-authoritative-guidance-fraud-audit-financial-statements

ETHICS

GLOBAL ETHICS BOARD EXPANDS UNIVERSE OF ENTITIES THAT ARE PUBLIC INTEREST ENTITIES

The revised definition of a Public Interest Entity (PIE) together with other revised provisions in the IESBA Code specify a broader list of categories of entities as PIEs whose audits should be subject to additional independence requirements to meet stakeholders' heightened expectations concerning auditor independence when an entity is a PIE.

For more information, please visit https://www.ethicsboard.org/news-events/2022-04/global-ethics-board-expands-universe-entities-are-public-interest-entities

PHOTOS SHUTTERSTOCK

FINANCIAL REPORTING

MARCH 2022 IASB UPDATE AVAILABLE AND WORK PLAN UPDATED

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

For more information, please visit https://www.ifrs.org/news-and-events/updates/iasb/2022/iasb-update-march-2022/#1

MARCH 2022 IFRS FOR SMES UPDATE AVAILABLE

This Update includes an update on the January 2022 meetings of the SME Implementation Group and a reminder of online resources for SMEs.

For more information, please visit https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/ifrs-for-smes/2022/march-2022-ifrs-for-smes-update/

MARCH 2022 IASB PODCAST AVAILABLE

In this podcast, IASB Chair Andreas Barckow and Executive Technical Director Nili Shah share on IASB's discussions at its March meeting. Topics discussed included the latest developments on the Third Agenda Consultation and Management Commentary, feedback received on the Post-implementation Review of IFRS 9 – Classification and Measurement, and decisions made on the Business Combinations under Common Control project.

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/04/march-2022-iasb-podcast-now-available/

APRIL 2022 IFRIC UPDATE AVAILABLE

This Update is a summary of discussions by the IFRS Interpretations Committee (IFRIC). Topics discussed included agenda decisions Principal versus Agent: Software Reseller (IFRS 15) and update on the status of open matters not discussed at its April 2022 meeting.

For more information, please visit https://www.ifrs.org/news-and-events/updates/ifric/2022/ifric-update-april-2022/#2

APRIL 2022 MEETING PAPERS AVAILABLE

- **IFRIC Meeting**
  For this IFRIC meeting held on 20 April 2022, topics discussed included IFRIC Update March 2022 and IFRIC work in progress and feedback on tentative agenda decision on Principal versus Agent: Software Resellers (IFRS 15).
  For more information, please visit https://www.ifrs.org/news-and-events/calendar/2022/april/ifrs-interpretations-committee/

- **International Accounting Standards Board Meeting**
  For this IASB meeting held from 25 to 28 April 2022, topics discussed included Post-implementation Review of IFRS 9 – Classification and Measurement, Third Agenda Consultation and Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures.
  For more information, please visit https://www.ifrs.org/news-and-events/calendar/2022/april/international-accounting-standards-board/

Q1 2022 IFRIC PODCAST AVAILABLE

In this podcast, IFRIC Chair and IASB member Bruce Mackenzie joined Technical Staff member Patrina Buchanan to share on IFRIC's discussions at its April meeting. Topics discussed included Demand Deposits with Restrictions on Use arising from a Contract with a Third Party, TLTRO III Transactions and Transfer of Insurance Coverage under a Group of Annuity Contracts. The recording can be found on the IASB website and YouTube Channel.

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/04/q1-2022-ifrs-interpretations-committee-podcast-now-available/

SUSTAINABILITY & CLIMATE CHANGE

ISCA ISSUES CLIMATE DISCLOSURE GUIDE – TAKING FIRST STEPS TOWARDS CLIMATE-RELATED DISCLOSURES

With the urgent demand from decision makers for climate-related information and the introduction of mandatory climate reporting by the Singapore Exchange (SGX) based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD Recommendations), this guide seeks to help Singapore-listed companies meet SGX's requirements for climate reporting and serves as a useful reference for voluntary adoption of the TCFD Recommendations by non-listed companies. It features practical guidance and considerations from the learning experiences of advanced adopters as well as exemplary disclosures on how various recommended disclosures can be met.

This guide was developed with the support of SGX, ISCA's Sustainability and Climate Change Committee (SCCC) and the SCCC Sustainability Excellence Sub-Committee, in support of the Singapore Green Plan 2030.

For more information, please visit https://isca.org.sg/standards-guidance/sustainability-and-climate-change/thought-leadership/isca-climate-disclosure-guide---taking-first-steps-towards-climate-related-disclosures


BY CHOO TECK MIN AND LOW KIN YEW

DON'S COLUMN

IS THIS THE END OF THE MATCHING PRINCIPLE?

Inconsistencies In Recognition Criteria

MATCHING IS OFTEN REGARDED AS THE EXPENSE RECOGNITION PRINCIPLE. Under this principle, we match expenses with associated income for the period to determine the period's profit or net income. However, the Conceptual Framework for Financial Reporting (2022) (Framework), last revised majorly in 2018, uses a different recognition criterion for expenses. Specifically, only items that meet the definition of income or expenses are recognised in the statement(s) of financial performance (para 5.6). The Framework does not explicitly regard matching as a required principle or a useful concept. Given this stance, should we still attribute the recognition of an expense to the matching principle?

In this article, we review the relevance of the matching principle considering the Framework expositions.

EXPENSE RECOGNITION UNDER THE FRAMEWORK

Under the Framework, items are recognised in the statement(s) of financial position or financial performance only if they meet the definition of one of the elements of financial statements – an asset, a liability, equity, income or expenses (para 5.6). Expenses are defined as "decreases in assets, or increases in liabilities, that result in decreases in equity, other than those relating to distributions to holders of equity claims" (para 4.69). For example, expenses are recognised when there is a depletion or impairment of an asset's potential economic benefits (change in asset). Para 5.5 states that the "initial recognition of assets or liabilities arising from transactions or other events may result in the simultaneous recognition of both income and related expenses". This simultaneous recognition of income and related expenses is sometimes referred to as the matching of costs with income, or what we commonly refer to in practice as the matching principle. Para 5.5 goes on to add that "matching of costs with income" is not an objective of the Framework and that the Framework does not allow the recognition in the statement of financial position of items that do not meet the definition of an asset, a liability or equity.

The cited paragraphs from the Framework make it clear that matching is not a required recognition criterion. The Framework seems to deemphasise the matching principle and focus more on the recognition of assets and liabilities, and their changes that may simultaneously result in recognition of income and its associated expenses, and hence, their "matching".

It appears that the intention of the Framework is not to "remove" matching per se but to clarify that matching is not the primary recognition criterion but the proper recognition of assets, liabilities and their changes is. If the latter is done properly, appropriate matching of expenses with associated income will result. This is consistent with the balance sheet or asset-liability approach adopted by the Framework.

Additional evidence to support the above view can be gleaned from the *Basis for Conclusions on the Conceptual Framework for Financial Reporting (2022)* (Basis). Para BC4.94(c) of the Basis explains that the Board finds it more effective, efficient, and rigorous to define income and expenses as changes in assets and/or liabilities even though the vice-versa approach is possible. The Board adds in para BC4.94(d) that assets and liabilities refer to real economic

The capitalisation of certain costs as deferred costs required by some IFRS seems to be inconsistent with the recognition of assets stipulated in the Framework.


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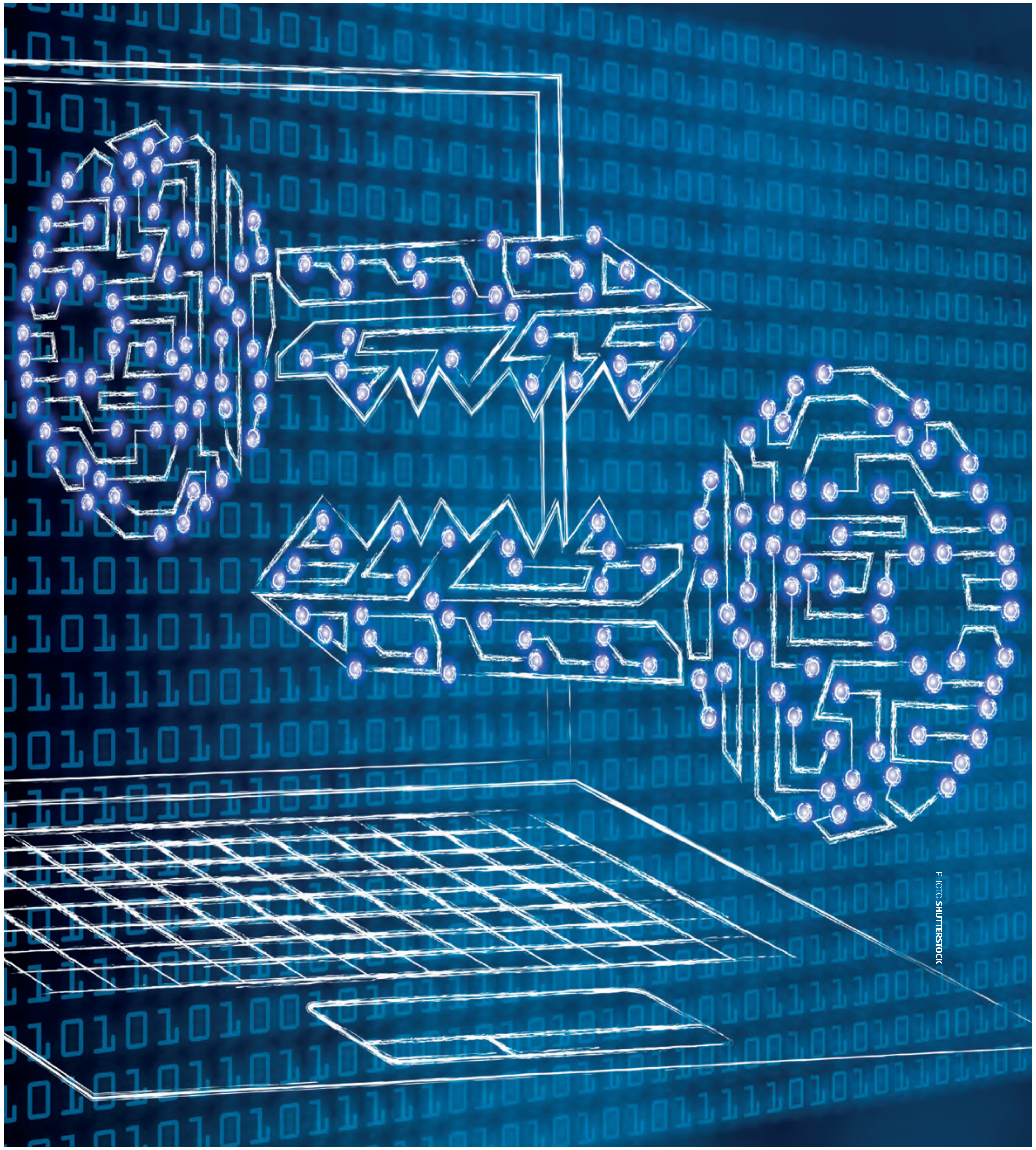

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Until all IFRS are realigned with the (asset-liability orientated) recognition principles advocated in the Framework, we believe there is a need for the Framework to be more explicit in acknowledging the relevance and usefulness of matching in explaining the recognition of certain (albeit exceptional) expenses and assets.

phenomena and to define them indirectly as changes in matched income and expenses will provide financial statement users with less relevant and understandable information than the adopted approach.

Even though the Board downplays the matching principle and takes a more balance sheet or asset-liability approach in the Framework in para 5.5, the Board did maintain in BC 4.94(a) that it had not designated one type of information – about financial position or financial performance – as the primary focus of financial reporting. The Board also reinforced its stance in para BC4.94(b) of the Basis that information about transactions would be relevant to financial statement users and much of financial reporting would continue to be based on transactions. Nevertheless, despite the Board's caveat in the Basis, there is indeed a downplay on the matching principle in the Framework and we evaluate whether this downplay is warranted.

AN ASSET-LIABILITY APPROACH AND DEFERRED COSTS

Under current IFRS, some costs are accounted for by capitalising and amortising them over future periods as expenses, that is, deferred costs. An example is a deferred staff cost arising from an interest-free loan given to an entity's employee who has a service bond. In this situation, the initial difference between the fair value of the loan and the cash disbursed to the employee is treated as a deferred staff cost and amortised over the period of the loan (IFRS 9 *Financial Instruments*).

Similarly, the recent revenue standard – IFRS 15 *Revenue from Contracts with Customers* – takes a performance approach to revenue recognition (instead of the conventional approach of assessing the probability of cash inflows). IFRS 15 also calls for deferring costs to obtain contracts and amortising those costs as performance is rendered over the contract period. An example of such costs would be a commission fee for obtaining a construction contract. The capitalised commission fee would be amortised to contract expense over the duration of the construction contract.

A pertinent question concerning deferred costs is whether their capitalisation meets the definition of an asset. An asset is defined in the Framework as "a present economic resource controlled by the entity as a result of past events" (para 4.3) and an economic resource is "a right that has the potential to produce economic benefits" (para 4.4). Unlike intangible or physical assets, it is questionable whether the abovementioned deferred staff cost produces economic benefits through its recovery – either from use or sale[1]. Likewise, capitalised incremental costs to obtain a contract are not economic resources that can be used to satisfy contractual performance obligations in the future.

The capitalisation of certain costs as deferred costs required by some IFRS seems to be inconsistent with the recognition of assets stipulated in the Framework. On the other hand, the deferment of costs is supported by the matching principle when costs are incurred but their associated income is not recognised now but only in future periods. However, deferment of costs based on matching income and expenses appears to be impermissible under the current Framework as para BC4.94(e) of the Basis states that "an intention to match income and expenses does not justify the recognition in the statement of financial position of items that do not meet the definitions of an asset or a liability."

Similarly, not all expenses arise from recognition of changes in assets or liabilities as maintained by the Framework. One exception is the recognition of staff costs associated with equity-settled employee share option plans where the corresponding effect is an increase in equity in the form of a reserve under IFRS 2 *Share-based Payment*. Again, the recognised staff costs under an equity-settled employee share option plan are more aligned with the need to match expenses to income rather than the recognition of changes in assets or liabilities as maintained by the Framework.

CONCLUSION

The current asset-liability approach in the Framework views recognition of expenses and income as resulting from the recognition of assets and liabilities, and their changes. While the Framework does not explicitly prohibit matching of income and expenses, it is stated in the Basis that matching should not be used as a justification to recognise costs as assets if they do not meet the definition of an asset. However, this stance seems to be at odds with deferred costs and expenses recognised under some current IFRS as illustrated earlier, which are more consistent with the matching principle. Until all IFRS are realigned with the (asset-liability orientated) recognition principles advocated in the Framework, we believe there is a need for the Framework to be more explicit in acknowledging the relevance and usefulness of matching in explaining the recognition of certain (albeit exceptional) expenses and assets. ISCA

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[1] Some argue that the service bond accompanying an interest-free employee loan allows an entity to control the employee, an economic resource, during the loan tenure.

BY FELIX WONG AND AGATHA OEI

DISSECTING SINGAPORE TAX CASES 2021

Get In On The Act

THE YEAR 2021 SAW A MYRIAD OF TAX CASES ACROSS VARIOUS TAX TYPES. At a webinar organised by the Singapore Chartered Tax Professionals, Accredited Tax Advisor (Income Tax) & Accredited Tax Practitioner (GST) Allen Tan, Principal, and Jeremiah Soh, Senior Associate, Baker & McKenzie.Wong & Leow; and Justin Tan, Senior Lecturer, Law Faculty, National University of Singapore, discussed two notable tax cases in 2021 and shared their insights.

(From left) Accredited Tax Advisor (Income Tax) & Accredited Tax Practitioner (GST) Allen Tan, Principal, and Jeremiah Soh, Senior Associate, Baker & McKenzie. Wong & Leow; and Justin Tan, Senior Lecturer, Law Faculty, National University of Singapore, shared insights into two notable tax cases in 2021

DEFINITION OF QUALIFYING MACHINERY UNDER SECTION 2(2) OF THE PROPERTY TAX ACT – *SKYVENTURE VWT SINGAPORE PTE LTD V CHIEF ASSESSOR AND ANOTHER AND ANOTHER MATTER* [2021]

The taxpayer, Skyventure VWT Singapore Pte Ltd, is the owner-operator of a tourist attraction which uses wind tunnel machinery to provide a simulated skydiving experience for customers. The value of the wind tunnel machinery was included in the annual value (AV) of the property and assessed to property tax.

Under Section 2(2) of the Property Tax Act 1960 (PTA)[1], the enhancement in value of the immovable property is excluded from property tax if the machinery is used for the following qualifying purposes:

(a) the making of any article or part thereof,
(b) the altering, repairing, ornamenting or finishing of any article, or
(c) the adapting for sale of any article.

While the High Court agreed that the wind tunnel was machinery and not merely the setting for business, it held that the wind tunnel did not belong to the class of exempted machinery to which Section 2(2) was intended to apply (that is, to encourage investments in plant and machinery for manufacturing, processing and other industrial purposes and to promote investments in manufacturing machinery) as it was used for social events and not for any industrial purpose. The taxpayer appealed against the decision of the High Court.

The key issues before the Court of Appeal (CA) were:

(a) the scope of Section 2(2) of the PTA and statutory interpretation of the term "article",
(b) whether the wind tunnel is "machinery", and
(c) whether Section 2(2) applies to the wind tunnel, such that its value ought to be excluded from the AV of the property.

The CA's decision

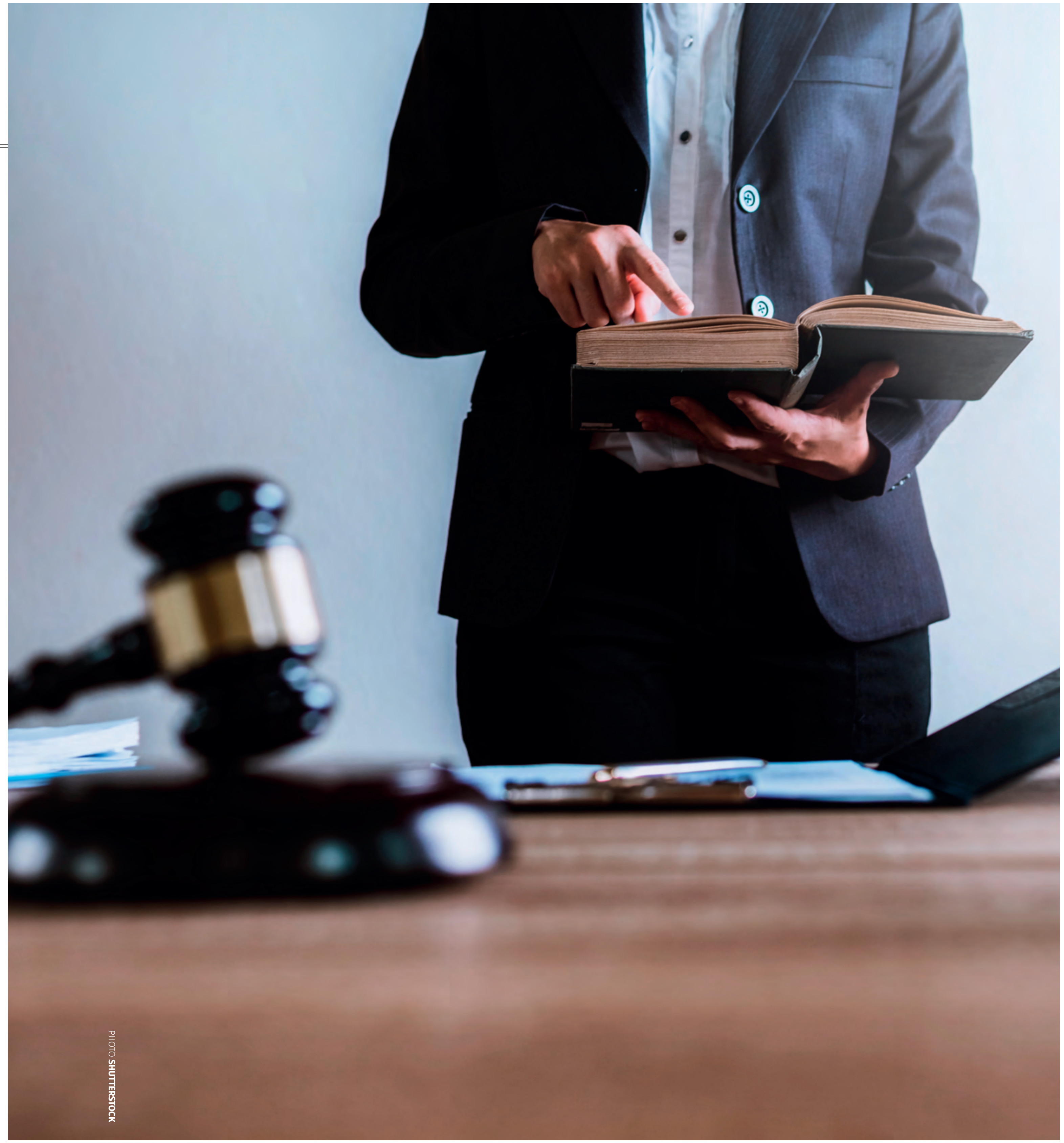
Scope of Section 2(2) of the PTA and statutory interpretation of the term "article"

In interpreting Section 2(2), the CA adopted the purposive approach to statutory interpretation of the term "article".

Taking reference from *Chief Assessor and Another v First DCS Pte Ltd* [2008] which observed that the language used in Section 2(2) was imported from earlier English legislation where such terms were used to define a "manufacturing process", it was noted that the Parliamentary intention was to incentivise the use of machinery for "manufacturing processes".

Accordingly, the CA held that the term "article" in Section 2(2) refers to "matter which is *intended to be **sold*** or which is the subject matter of a ***sale** of services* to make, alter, repair, ornament, finish or adapt for sale the same".

[1] Now known as Section 2(3) of the PTA



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Whether the wind tunnel is machinery

The CA considered if the dominant function of the wind tunnel was one that would normally be attributed to machinery generally, or if its dominant function serves as the setting or environment in which the relevant work could take place. It was determined that the wind tunnel is machinery which constitutes "*part of a system which creates, modifies and controls airflow*".

Whether Section 2(2) applies to the wind tunnel, such that its value ought to be excluded from the AV of the property

While the CA recognised that the wind tunnel is machinery, it was held that the wind tunnel is not machinery within the scope of Section 2(2)(c) as there was no sale of an adapted article (in this case, the skydiving-friendly aerodynamic effect of the airflow). The adapted air was merely the means by which the skydivers could enjoy the experience of skydiving.

The CA also held that the wind tunnel did not fall within the scope of Section 2(2)(b) because the altered airflow was not an article which was intended to be sold per se. There was also no sale of services to the skydivers for the alteration of the airflow in the wind tunnel. The taxpayer merely used the wind tunnel to alter the airflow which existed at all material times in its own premises in order to charge the skydivers a fee for the enjoyment of said altered airflow.

Key observations

Distinction between machinery and qualifying machinery under Section 2(2) of the PTA

It is interesting to compare the decision in the present case with that of the *First DCS* case. The nuanced distinction between the transfer of property in an adapted article (that is, the chilling effect of the water in *First DCS*) and the scenario where there is no such transfer (that is, the mere enjoyment of the aerodynamic effect in *Skyventure*) highlights the importance for taxpayers to carry out a factual analysis to ascertain whether an asset can be classified as qualifying machinery and hence have its value excluded from the AV of the property.

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WHEN ARE E-TAX GUIDES LEGALLY BINDING AND THE EFFECT OF DIRECTIONS ISSUED BY THE COMPTROLLER – *GDY V COMPTROLLER OF GOODS AND SERVICES TAX* [2021]

The Appellant, GDY, is a Goods and Services Tax (GST)-registered partnership in the business of selling electronic goods. GDY sold electronic goods to Malaysian customers, who would personally collect the products from GDY's place of business in Singapore and hand-carry the goods to Malaysia by motor vehicles. GDY zero-rated the supplies on the basis that they were exports.

Following an audit in 2006, the Comptroller of GST issued a set of Specific Directions entailing a list of export documents that GDY had to maintain in respect of the zero-rating of the supplies exported to Malaysia. GDY dutifully complied with the Specific Directions in maintaining the export documents.

In 2009, a revised e-Tax Guide (ETG) on exports was published by the Inland Revenue Authority of Singapore (IRAS), containing additional conditions that were not in the Specific Directions issued to GDY.

In a subsequent IRAS audit conducted in 2013, GDY tendered documents which only complied with the Specific Directions. GDY passed the audit without any qualification and was not notified that the tendered documents were non-compliant with the revised ETG.

In 2016, the Comptroller conducted another audit and found that GDY was not in compliance with the revised ETG. Accordingly, the Comptroller of GST disallowed GDY's claim for zero-rating and raised two additional sets of Notices of Assessment (NoAs) against GDY.

GST Board of Review's decision[2]

Whether the Specific Directions superseded the revised ETG

The GST Board of Review (the Board) noted that the auditor would have known during the 2013 audit that Specific Directions had been prescribed for GDY, and could have challenged the zero-rating of the supplies by reason of GDY's breach of the requirements in the revised ETG.

However, the auditor did not highlight the issue during or following the audit and GDY passed the 2013 audit without any qualification. In this regard, GDY was entitled to believe that only the requirements in the Specific Directions were to be met in the future, notwithstanding the passage of the revised ETG in 2009. The Board held that the Comptroller could not deny the zero-rating on the basis that the conditions in the revised ETG had not been complied with.

Whether the Comptroller had made a fair and reasonable determination that GDY had not exported the goods

The Board held that it was not "fair and reasonable" for the Comptroller to conclude that the export had not occurred, as GDY had provided all the material information required by the Comptroller in the revised ETG. There was sufficient evidence that was compliant with the requirements set out in the Specific Directions which demonstrated that there was in fact the export of goods.

[2] In *Comptroller of Goods and Services Tax v Dynamac Enterprise* [2022] SGHC 61, the General Division of the Singapore High Court affirmed the decision of the GST Board of Review in *GDY v Comptroller of Goods and Services Tax* [2021] SGGST1 to allow the taxpayer to claim zero-rating for the goods.

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Whether the Comptroller has the power to impose additional conditions and if the ETG was legally binding as a condition issued by the Comptroller

The Board emphasised that e-Tax Guides are not law, noting the High Court's decision in *Zhao Hui Fang v Commissioner of Stamp Duties* [2017]; these guides are generally intended to guide laypersons in navigating a statutory regime.

The Board also offered guidance on how ETGs could be placed on a "clear and unassailable legal footing". In that regard, the Board appears to suggest that conditions stated in ETGs can be legally binding if imposed by the Comptroller under a statutory power, but there should be explicit reference to the fact that the ETG contains conditions issued pursuant to a specified statutory power, and that it was issued under the hand of the Comptroller.

> The Board appears to suggest that conditions stated in ETGs can be legally binding if imposed by the Comptroller under a statutory power, but there should be explicit reference to the fact that the ETG contains conditions issued pursuant to a specified statutory power, and that it was issued under the hand of the Comptroller.

Other notable observations

The Board rejected GDY's challenge that the revised NoAs were invalid due to the time bar, as the original (albeit defective) NoAs were tendered by the Comptroller within the five-year time bar period. This was sufficient to place GDY on notice with regard to the disputed supplies not being zero-rated, and the quantum of liability exposed to GDY.

The Board, however, disagreed with the Comptroller that it was sufficient that the assessment per se was completed within the time bar, even if the NoAs had not been issued within the time bar period. Given that the intent of the time bar was to allow a taxable party to close its accounts with certainty after five years from the relevant accounting period, a notification of the outcome of the assessment was necessary to ensure finality.

The past year was punctuated with various tax cases across different tax types and explored different concepts. Some have progressed to higher courts for consideration. One thing is for sure – tax controversies are here to stay. So be sure to keep up to date on tax matters. ISCA

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