ISCharteredAccountant JOURNAL

SEPTEMBER 2022

Transformation

The Way Forward To Enhance Business Value And Performance

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FROM THE ISCA COUNCIL

ADAPTABILITY + TRANSFORMATION = RESILIENCE

Judy Ng
FCA (Singapore)
ISCA Secretary

Dear members,

SINGAPORE IS EMERGING FROM THE WORST OF THE DISRUPTIONS CAUSED BY COVID-19. While geopolitical events are hampering the country's economic recovery, lessons from the pandemic continue to apply to these challenges, in particular, embracing adaptability and transformation to ensure ongoing resilience.

When international travel and trade came to a standstill, and workers were confined to their homes, it was critical for businesses to adapt and transform as, almost overnight, business models became obsolete. Companies which proactively transformed to ride through the pandemic not only boosted their resilience, they outperformed their peers and emerged stronger. The cover story, "Transformation", provides more detailed facts and figures.

Beyond businesses, the "Adaptability + Transformation = Resilience" equation is equally essential for accountancy and finance professionals as we navigate the increasingly complex business environment. As a case in point, with sustainability becoming an integral part of business, we need to be adaptable and equip ourselves with new skills and knowledge to succeed in the sustainability space. The Institute is doing its part to help members – the PAIB Conference in August was centred on sustainability and, at the event, ISCA launched a joint research report on the jobs and skills required of accountancy professionals in the area of sustainability. We have the highlights of the PAIB Conference and research study in these pages.

Young people looking to join the profession can expect exciting career prospects as Singapore is on track to become a leading hub for professional services. Hear from our Council members on what future accountancy and finance leaders need to know and prepare for.

Holistic wellbeing is important to strengthen our overall resilience. This is why we've been including articles that are related to different aspects of wellness. In this issue, we explore some interesting activities to get people started on their fitness journeys. Do check them out!

ABOUT JUDY NG

Ms Judy Ng was elected to the ISCA Council in 2021 and currently serves as ISCA Secretary. She has been a member of the Membership Growth and Engagement Committee since its inception in 2021.

Ms Ng is Chief Financial Officer of the Institutional Banking Business Group (IBG) at DBS Bank. She has 30 years of experience in banking and financial services. As part of the core management team, she works closely with the IBG Group Business Head in providing strategic recommendations, leadership, direction and management of financial goals, objectives and planning. The role requires being at the forefront of managing the implications of changes arising from macroeconomic, geopolitical, regulatory, business and human resource changes, steering the business' direction. Prior to joining DBS Bank, Ms Ng worked in a foreign bank; she started her career at KPMG. Her experience spans coverage for banking, securities and insurance.

Teo Ser Luck
FCA (Singapore)
ISCA President

THOUGHTS

As I go about my rounds of talks and dialogues at the schools to share and, hopefully, interest the students to embark on a career in accountancy, the students' comments often give me pause as I reflect on why some people may stick to one career while others have multiple careers. In particular, I mull over their question about how one defines success and fulfilment in a career. This question could address why many, including accountants, would end up not practising what they study.

To some, success equates to a big bank account, which is perfectly fine – it's quantifiable and we accountancy-trained people can get the numbers for validation.😂 Fulfilment, however, may or may not come with success, and less fulfilment may mean less satisfaction and happiness.

As I interact with the students, it becomes clear that their aspirations and expectations are beginning to be shaped by the fulfilment and happiness a career would bring them. My grand old objective of choosing accountancy because of the higher chance of a before-graduation job offer and stable career now seems so ancient.😂

Many students have expressed the hope of finding a career that wouldn't limit them; instead, they want it to broaden their horizons as well as have a meaningful impact. Some also shared that their considerations go beyond just the pay slip; work environment, good mentors and company culture are all integral parts of the equation.😅

Accountancy firms and companies as a whole continue to face challenges in attracting and retaining staff. How do we make a career good enough?

Before we expect a staff member to perform and contribute to the best of his/her abilities, perhaps the firms and companies could look inwards, to see if more needs to be done to improve the career planning for staff, and also deepen their own capabilities, such as going into new services or international markets. Such moves can help them compete not only for contracts but for talents.

SEPTEMBER 2022

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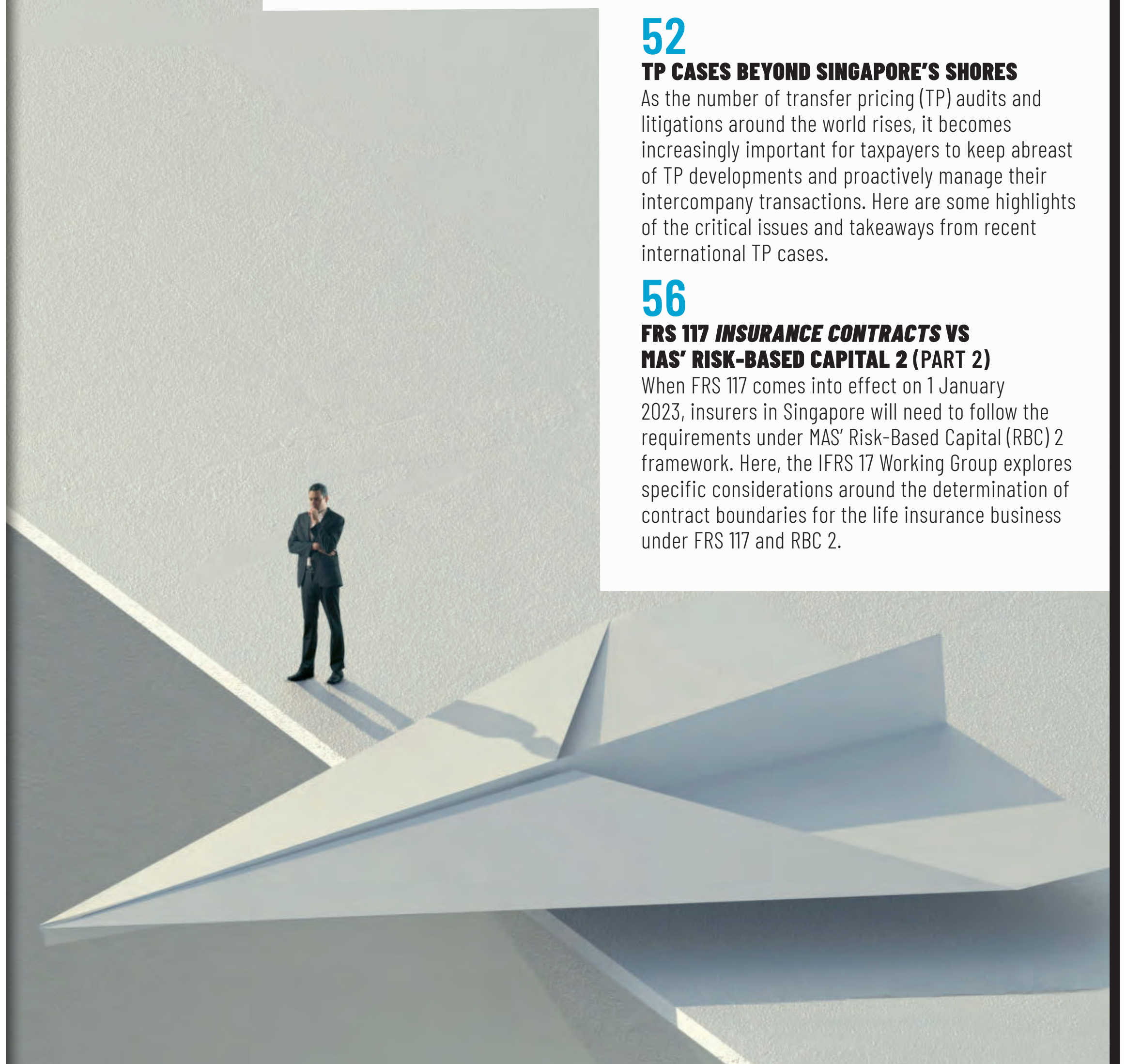

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ISCA Members Contribute To Singapore's Sustainability Efforts Through Sustainability Reporting Advisory Committee

THE ACCOUNTING AND CORPORATE REGULATORY AUTHORITY (ACRA) AND SINGAPORE EXCHANGE REGULATION (SGX REGCO) HAVE SET UP A SUSTAINABILITY REPORTING ADVISORY COMMITTEE (SRAC) TO ADVISE SINGAPORE COMPANIES ON THEIR SUSTAINABILITY REPORTING ROADMAP. SRAC will provide input on the suitability of international sustainability reporting standards for implementation in Singapore.

SRAC brings together industry leaders and champions of sustainability with diverse backgrounds and experiences, including Chief Sustainability Officers, representatives of financial institutions, institutional and retail investors, sustainability reporting professionals and academia.

Accountants, with their training and experience, are well placed to help their organisations establish their environmental, social and governance (ESG) agenda and work towards their sustainability goals. ISCA members are also contributing to the nation's sustainability efforts as SRAC members; they include Chan Yen San, Partner, KPMG Singapore; Fang Eu-Lin, Partner and Sustainability and Climate Change Leader, PwC Singapore; Grace Goh, Managing Director of Finance and Head of Investment Services, Temasek International; Koh Chin Beng, Partner of Risk Advisory Services, BDO Singapore; Max Loh, Managing Partner of EY Singapore and Brunei, and Uantchern Loh, CEO of Asia Pacific, Black Sun. Ms Fang is also Deputy Chairperson of ISCA's Sustainability and Climate Change Committee.

PHOTOS SHUTTERSTOCK

International Valuation Standards Council Launches Asia Office In Singapore

THE INTERNATIONAL VALUATION STANDARDS COUNCIL (IVSC) has picked Singapore as its first base outside Europe to drive its advocacy efforts in the adoption of International Valuation Standards (IVS) in Asia. This signifies Asia's growing role in raising the standards of valuation, and Singapore's growth in the business valuation (BV), intangible assets (IAs) and real estate valuation space. IVSC is the independent global standards setter responsible for IVS, which are extensively used throughout the world.

The establishment of the IVSC Asia Office comes at a time when demand for professional valuers is growing rapidly worldwide due to financial reporting and audit requirements, and new drivers of company value are rising, such as IAs, and environmental, governance and sustainability factors. At the launch event on July 6, Indranee Rajah, Minister in the Prime Minister's Office and Second Minister for Finance and National Development, and Co-Chairperson of the Singapore IP Strategy 2030 Steering Committee, said, "The set up of the IVSC Asia Office in Singapore is a testament to the strong partnership forged between Singapore and IVSC over the years, and our shared goal to promote greater consistency and professionalism in the valuation profession."

"Credible and trusted IA valuation standards and guidelines are important enablers of IA transactions and monetisation, which in turn support innovation and business growth," said Edwin Tong, Minister for Culture, Community and Youth and Second Minister for Law, and Co-Chairperson of the Singapore IP Strategy 2030 Steering Committee. IVSC Asia and Singapore, as well as other international partners, can help to develop the business and financing ecosystem in the region, added Minister Tong.

Singapore will contribute to the valuation standards and expertise in Asia in various ways including:

a) Singapore as a springboard to Asia
A quarter of IVSC's 185 member-organisations are based in Asia Pacific. Thought leadership activities and the latest valuation developments will be driven from Singapore to the region.

In 2016, the Asia-Pacific Economic Cooperation (APEC) Finance Ministers proposed that IVSC lead in enhancing regional economic cooperation through the use of IVS across the APEC countries. The IVSC Asia Office will further support this mandate through the appointment of technical staff tasked to support market adoption of IVS.

Establishing Singapore as a valuation hub will attract deal flows and create demand for associated modern services such as corporate finance. This will also help secure Singapore's position as a financial and professional services centre.

b) Raise BV, real estate, and financial instruments valuation standards to spur investment and business activities
The application of consistent standards is critical in developing quality valuations. This results in more transparent markets which will spur investment and business activities and lead to economic progress. IVSC members, which include the World Bank and Big Four accountancy firms, view IVS as an important tool in strengthening the financial system and improving conditions for all users of valuation information. Singapore will support market adoption of quality and consistent valuation.

c) Build an enabling IA valuation infrastructure to boost innovation in Singapore and Asia
Singapore will be developed as the go-to place for credible and trusted IA and IP valuation, as part of the Singapore IP Strategy 2030. Singapore will capitalise on its strong rule of law and neutrality to build an enabling IA valuation infrastructure. This will be done together with the international valuation profession. This infrastructure will support IA and IP-related transactions and activities, and enhance innovation. Specific initiatives that Singapore will be embarking on include the development of guidelines for IA valuation.

isca breakfast talk

Surviving The Technology Struggle – Can You Do It?

ISCA, IN COLLABORATION WITH CONFIRMATION, PART OF THOMSON REUTERS, ORGANISED AN ISCA BREAKFAST TALK SESSION ON AUGUST 17. This gave our members an opportunity to understand more about the importance of technology and how organisations can successfully navigate digital transformation and stay ahead of the game.

The presentation from Tony Ventura, Regional Manager Asia, Confirmation, covered the topics below.

The Changing Landscape Of The Audit Industry Due To Technology

There are three Quality Management standards that will be effective from 15 December 2022.

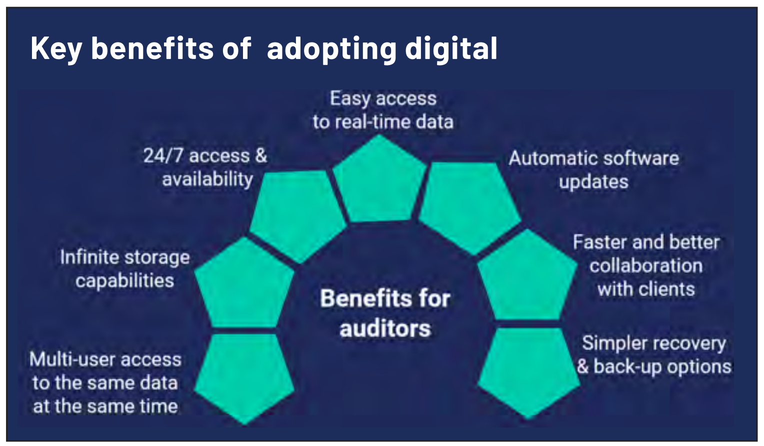
- ISQM 1 Quality Management at the firm level
- ISQM 2 Engagement Quality Review
- ISA 220 (revised) Quality Management at the engagement level

The change in ISQM 1 specifically requires firms to establish quality objectives in relation to resources provided by service providers (including technology services).

The audit industry has been increasingly using cloud, automation, data analytics and artificial intelligence to improve workflow efficiencies, allowing for the greater use of data and the strengthening of security.

Strategies For Digital Adoption To Stay Relevant And Competitive

A digital adoption strategy can help a company improve organisational efficiency and productivity. It also can help the company stay relevant to the market and win customers.



Taking Control To Reduce The "Digital Confidence Gap"

It is essential to develop an innovation and digital mindset and be a lifelong learner. To operate in the "next generation" of the industry, auditors need to keep themselves updated with new technologies and understand the impact that a digital revolution might have on their role.

Retaining Top Talent During A Digital Disruption

Technology is a business enabler; it reflects the efficiency and dynamism of the firm, which helps with attraction and retention of talent.

MARK YOUR CALENDAR

14 OCT

Leveraging Power Pivot and Power Query in Microsoft Excel (Code: IT081)

The use of Power Query and Power Pivot enable you to perform powerful data analysis, create interactive reports and make timely business decisions. Join this session if you need that additional flexibility in reporting not available in regular pivot tables.

18 OCT

GST : "The Knowledge Principle" – additional condition for input tax claims from 1 January 2021 (Live Webinar) (Code: TAX265v)

In this workshop, we will look at the IRAS' recommended approach for the application of the Knowledge Principle framework and documents required to be maintained by GST registered businesses to avoid denial of their input tax.

19 & 20 OCT

Managing Asset Valuation under IFRS/FRS (Live Webinar) (Code: A174v)

This seminar takes a holistic approach towards accounting for the measurement of all assets and aims to enhance participants' understanding of:

- Measurement principles of assets and its interrelationship with liabilities
- Various methods and options that are permitted for managing value of assets under accounting Standards
- Use of discounted cash flow techniques to measure assets
- Classification and measurement of financial assets

19 OCT

Embedding Sustainability Reporting into Enterprise Risk Management (Live Webinar) (Code: BF180v)

A workshop that employs a variety of interactive methods to illustrate tools, concepts and techniques which will help professionals to better understand the requirements of Enterprise Risk Management and Sustainability Reporting (SR). You will also learn how to develop effective risk management and sustainability strategies for the business/company.

28 OCT

Practitioners Conference

Happening on 28 October 2022, this year's Practitioners Conference will be held in-person. The Conference will bring together various stakeholders to provide updates on developments in the profession, growing trends and emerging opportunities in the accountancy space. We are sure you are as excited as us. Join us and be inspired with new perspectives, and network with fellow practitioners, industry leaders and experts at the Conference.

Register now at **https://www.isca.org.sg/pc2022**

31 MAR

ISCA Cares Charity Golf 2023

Calling all with a heart of gold or passion for golf!

ISCA Cares is organising its charity golf event in March 2023 at Seletar Country Club.

All donations raised and net proceeds from the event go towards supporting needy youth who are accountancy students from financially vulnerable families. These aspiring chartered accountants will receive subsidies for tuition fees and basic living expenses.

Follow us for updates. ISCA Cares looks forward to your support!

ISCA CARES

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

TEXT BY


Sriram Changali


Angela Ee

Transformation:

The Way Forward To Enhance Value And Business Performance

TAKE AWAYS

- Companies that undertake transformation proactively and execute them successfully will realise the full potential of their business.
- When undertaking a transformation project, companies should not discount restructuring as an initiative, which can be a way to turn adversity into opportunity.
- Successful transformations are only as good as their execution; here are five imperatives that will support a successful transformation programme.

... research also found that the returns on investments of proactive transformers were approximately 50% higher than that of reactive transformers, owing to reduced cost of proactive transformation and outsized returns.

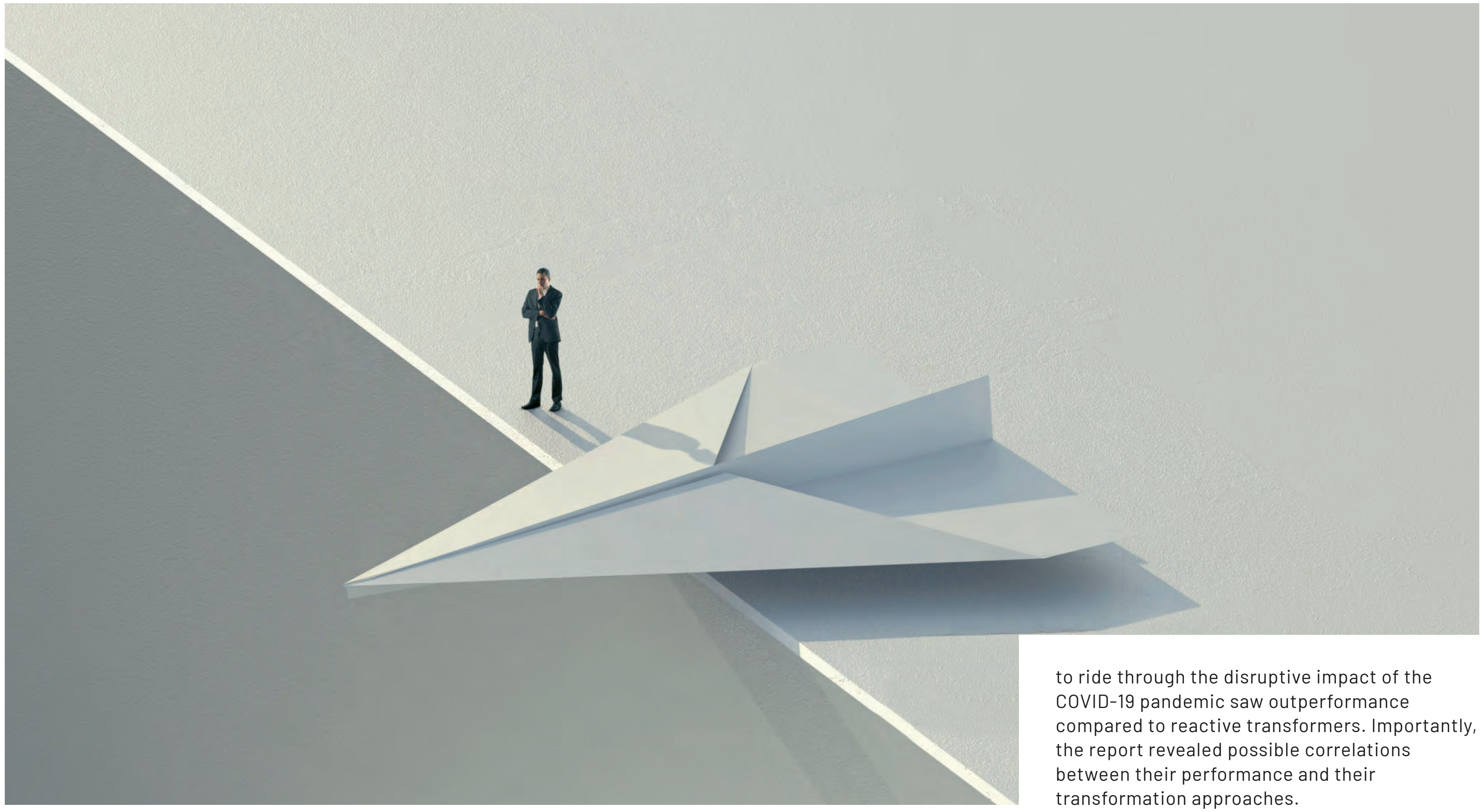
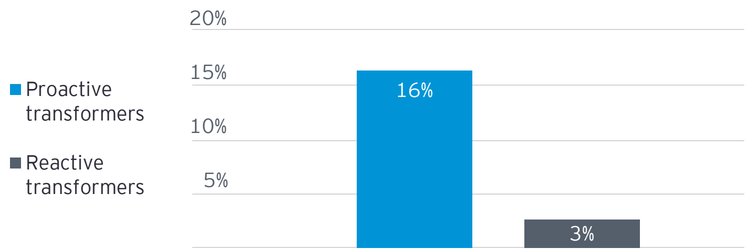


PHOTO GETTY IMAGES

DURING THE PANDEMIC, COMPANIES SCRAMBLED TO ADAPT TO THE NEW NORMAL. Crisis management strategies were drawn up to respond to an alphabet soup of possible recovery trajectories. The transformative initiatives undertaken can include but are not limited to environmental, social and governance (ESG) initiatives; digital transformation; supply chain management, and portfolio optimisation. Other forms of transformative actions can include human resource optimisation, marketing spend reduction, financial restructuring, mergers and acquisitions (M&A), and partnership or collaboration. Yet, transformative actions may not always translate into value creation for companies.

An EY-Parthenon report, "Transformation In Southeast Asia: Four Archetypes Of Outperformers", which studied the top 70 listed companies by market capitalisation across seven sectors in Southeast Asia (SEA), namely, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam, found companies that proactively undertook transformative actions to ride through the disruptive impact of the COVID-19 pandemic saw outperformance compared to reactive transformers. Importantly, the report revealed possible correlations between their performance and their transformation approaches.

FIGURE 1 AVERAGE TWO-YEAR RELATIVE TOTAL SHAREHOLDER RETURN (TSR) POST-TRANSFORMATION (SOUTHEAST ASIA, %)



FOUR ARCHETYPES OF OUTPERFORMERS

The study found four archetypes of outperformers: proactive transformers, serial transactors, active investors, and holistic transformers.

Proactive transformers are companies that undertake transformation even when they are already outperforming against the industry. Companies that undertake transformation when they were underperforming against the industry are considered reactive transformers. The EY-Parthenon report highlighted that in the periods following transformation, proactive transformers in SEA saw a 13-percentage point outperformance on total shareholder returns (TSR) compared to reactive peers (Figure 1).

Transformation via business restructuring – be it an operational turnaround or a financial restructuring – can be a vital tool to preserve or enhance value for a company and its stakeholders.

Further, research also found that the returns on investments of proactive transformers were approximately 50% higher than that of reactive transformers, owing to reduced cost of proactive transformation and outsized returns.

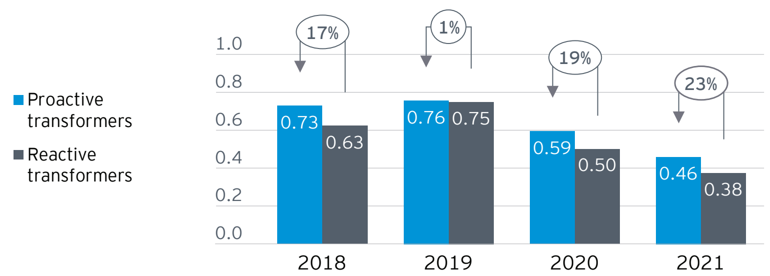
The second archetype, **serial transactors**, is a subset of proactive transformers, and they transact (that is, acquire or divest) more than reactive companies. The study found that serial transactors in SEA transacted more than their reactive peers by 13% between 2018 and 2021, and were 23% more active during the economic slowdown in 2021. Historical evidence also suggests that transactors had a 25% increase in TSR over non-transactors in the period after the global financial crisis (Figure 2).

According to EY analysis, global M&A activity in the first half of 2022 was resilient despite major geopolitical and financial headwinds. Globally, there is still a strong appetite for cross-border deals, although companies are more selective in who they do deals with. Going by this optimism, there will likely be more new and transformative dealmaking in the months ahead.

The third archetype, **active investors**, is also a subset of proactive transformers, and these companies invest more than reactive transformers; this is reflected in their TSR outperformance. The EY-Parthenon study highlighted that companies that outperformed the industry in the years following their transformation also consistently had a higher investment rate compared to their counterparts. The outperformers have, on average, a 17% higher capital expenditure spending, as indicated by their capex-to-sales ratio, compared to their underperforming peers in the period before and during the pandemic (Figure 3).

Typically, active investors seek to invest in people, assets and technology. In the competitive environment today, companies need to have the right skill sets and capabilities to meet their current and future business needs, and active investors are achieving this by investing in reskilling the existing workforce and bringing in new talent with diverse capabilities. Similarly, active investors are also investing to acquire assets and technology to enhance their business performance.

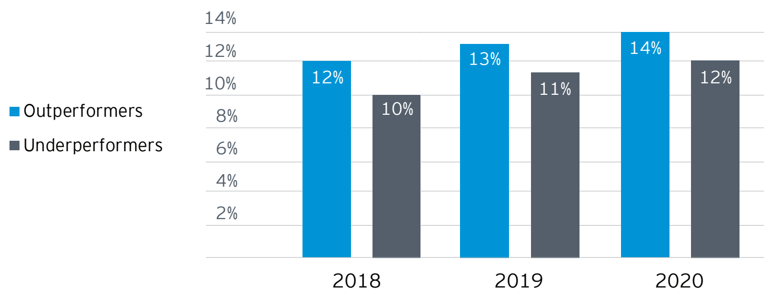
FIGURE 2 AVERAGE NUMBER OF M&A TRANSACTIONS[1] PER COMPANY (#)



Note:
1. Top 70 companies by market capitalisation in each sector in Southeast Asia (54 proactive companies, 11 reactive companies, 5 companies without transformation or no information available)

Source: Capital IQ, EY-Parthenon analysis

FIGURE 3 CAPEX OR SALES RATIO FOR OUTPERFORMERS[1] AND UNDERPERFORMERS[2] (%)



Note:
Top 70 companies by market capitalisation in each sector
1. Outperformers are companies with average TSR outperformance with respective to industry median for 2020-2021
2. Underperformers are companies with average TSR underperformance with respective to industry median for 2020-21

Source: Capital IQ, EY-Parthenon analysis

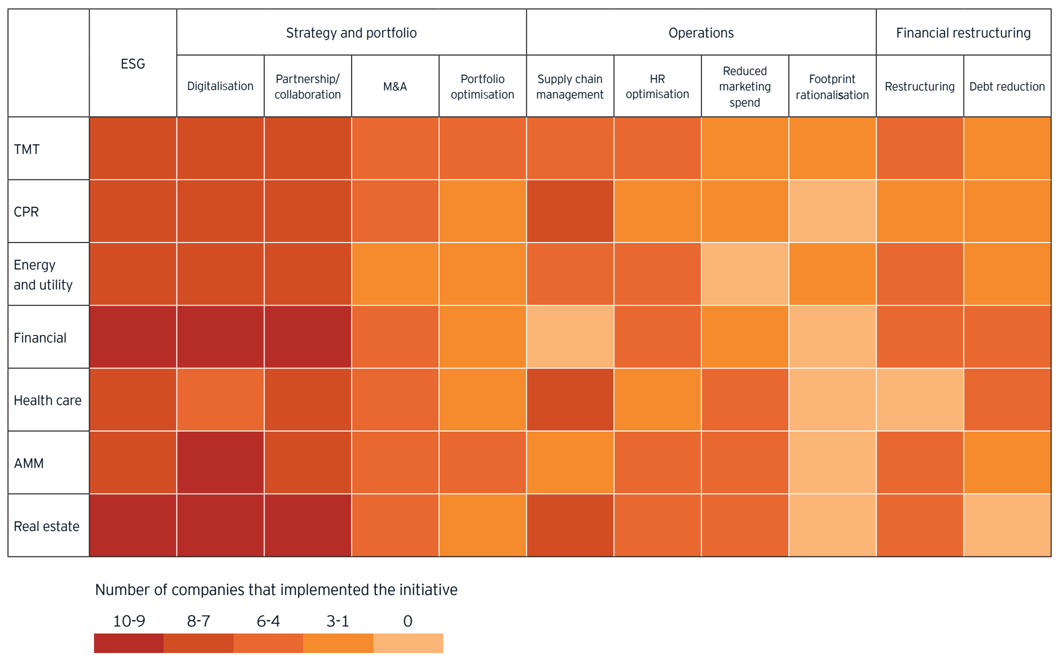
The last archetype is the **holistic transformers**, which are companies that undertook transformation on multiple fronts. In the EY-Parthenon study, over 90% of the holistic transformers pursued ESG initiatives; 83% invested in digitalisation, while 51% invested in supply chain management (Figure 4). Conversely, these companies paid little attention to key levers of transformation, including balance sheet and financial restructuring. In doing so, they are missing a big opportunity to enhance their business performance, as an optimised balance sheet has significant impact on the company's return on equity and cash flows.

PHOTO SHUTTERSTOCK

Active investors seek to invest in people, assets and technology

Restructuring can:
→ enhance business performance for financially stable companies
→ facilitate turnaround for companies facing distress

FIGURE 4 TRANSFORMATION AGENDA (2020)



Note:
Top 10 companies by sectors (by market capitalisation) in Southeast Asia, a total of 70 companies screened

Source: Company filings, EY-Parthenon analysis and secondary research

> Investing in or embarking on business transformation journeys earlier can set … (companies) up for success post-transformation, when the economy recovers and progresses on an upswing.

PHOTO SHUTTERSTOCK

RESTRUCTURING AS A CONSIDERATION IN BUSINESS TRANSFORMATION

Transformation is not just for those that are in distress. Companies that have been resilient during the pandemic have also undertaken transformative actions that helped to position them for long-term success.

Transformation via business restructuring – be it an operational turnaround or a financial restructuring – can be a vital tool to preserve or enhance value for a company and its stakeholders. From refinancing and cashflow improvements to the divestment of assets and management of liabilities, there are numerous ways that executives can maintain or create value in their organisation.

Among companies in SEA, the perception of restructuring is that it is typically associated with companies in distress, and therefore often seen as a reactive, rather than proactive, tool. However, as this perception changes over time, and with more focus on performance improvement and optimisation of the balance sheet through working capital improvements, divestment of non-core assets and capital structure changes, even financially stable companies should consider enhancing their business performance through restructuring. For companies that are facing some level of stress or distress, quick proactive actions can facilitate a turnaround of the business.

Hence, when undertaking a transformation project, companies should not discount restructuring as an initiative, which can be a way to turn adversity into opportunity.

IMPEDIMENTS TO BUSINESS TRANSFORMATION

The current uncertain market conditions, combined with higher interest rates, sluggish stock market performance and illiquidity of capital flows, are some of the concerns that many companies face. Further, many companies have yet to fully shake off the impact of the COVID-19 pandemic. As such, many companies may be hesitant to embark on a large-scale transformation programme, which will likely require heavy investments in resources.

Yet, what these companies fail to realise is that proactiveness toward transformation during economic downturns is helpful. Investing in or embarking on business transformation journeys earlier can set them up for success post-transformation, when the economy recovers and progresses on an upswing.

Further, initiatives such as digital transformation are typically expensive, with unclear business cases that boards may struggle to navigate. It is critical that such initiatives are combined with cash release through cost optimisation, working capital optimisation and financial restructuring.

FIVE IMPERATIVES TO SUCCESSFUL TRANSFORMATION

Successful transformations are only as good as their execution, which will only be evident when the transformation plan is implemented. Here are five imperatives that will support a successful transformation programme.

1. Align CEO and board. The CEO should align with the board on the purpose of the transformation and the value for the organisation. Boards that have difficulty aligning their goals and objectives with those of the CEO and management will stifle the company's transformation progress.

2. Set aspirational targets and incentivise success. Research by Harvard Business Review[1] indicates the assumption that employees are more likely to buy into lower goals is a fallacy. In some situations, higher goals are perceived as easier to attain; but even when that is not true, it is still more appealing to employees. Incentives over and above what is available in a business-as-usual setting that align with the objective of transformation should be put in place early on and linked to clear outcomes. Other research also shows that companies that introduced financial rewards tied directly to transformation targets achieved an almost-multifold increase in TSR compared to companies lacking in similar programmes.

3. Set up execution rigour and get commitment from the top. A dedicated Chief Transformation Officer will help to ensure effective programme management and governance. In addition, a weekly time commitment from senior leadership is crucial to maintain accountability.

4. Calibrate the journey. Transformations must balance the costs with the potential upsides and find ways of taking key stakeholders along the journey through robust communication.

5. Build capabilities. Invest to improve functional, technical and leadership capabilities in the organisation as well as in the right tools for employees.

There is no one single transformative approach that companies should look to. Instead, it can be a multitude or combination of approaches that include acquisitions, digitalisation or even divestments and restructuring, to help optimise the value of the business.

With the economy picking up following the pandemic, it is timely for companies to explore transformation of their business, unlock the true potential of their company's business performance and achieve long-term value. ISCA

Sriram Changali is EY-Parthenon Asean Value Creation Leader, and Angela Ee is EY Asean Restructuring Leader. The views in this article are the views of the writers and do not necessarily reflect the views of the global EY organisation or its member firms.

[1] https://hbr.org/2018/11/why-you-should-stop-setting-easy-goals; accessed 17 March 2022

Sustainability: The New Language Of Business

ISCA PAIB Conference 2022

TAKE AWAYS

- Accountants are well placed to play a critical role to set sustainability ambitions and drive transformation within the companies they advise.
- New roles are emerging for the profession in sustainability, and accountants will require new skill sets to navigate and succeed in this space.
- Sustainability presents a myriad of opportunities and challenges.

The hybrid PAIB Conference drew more than 900 delegates virtually and in-person

AFTER TWO YEARS OF PANDEMIC-FUELLED DISRUPTIONS, the ISCA Professional Accountants In Business (PAIB) Conference returned to a physical format at the Marina Bay Sands Convention Centre on August 25. The conference, the second event in the Institute's flagship Singapore Accountancy & Audit Convention Series, drew more than 900 delegates both virtual and in-person.

ISCA President Teo Ser Luck urged accountants to continuously upskill and acquire multidisciplinary skills and knowledge

Featuring a total of 14 speakers, moderators and panellists, the diverse lineup of experts took the delegates through six insightful presentations and lively panel discussions centred on the theme, "From Why To Why Not: Sustainability For Growth And Innovation". ISCA President Teo Ser Luck, in his opening address, expounded on this theme. He noted that sustainability offers challenges and opportunities for accountants, and encouraged them to continuously upskill and acquire multidisciplinary skills and knowledge. He also laid out ISCA's plans to advance the profession, including enhancement of the Singapore Chartered Accountant Qualification (SCAQ), extension of ISCA's membership structure to include professionals with knowledge beyond accountancy, and working with the government, trade associations and chambers, and other stakeholders to bring value to the accountancy profession and business community.

Guest of Honour Indranee Rajah, Minister in the Prime Minister's Office and Second Minister for Finance and National Development, addressed the delegates next. She said that accountants can play a critical role in advancing the sustainability agenda, specifically in three areas, namely ambition, adoption and accountability. "Accountants are in the best position to set sustainability ambitions and drive transformation within the companies you advise," she said. Minister Indranee added that "a big part of an accountant's job is to assess the costs and benefits of a business decision" and accountants could "accelerate adoption of sustainability practices by articulating the value of sustainability and proposing ways for businesses to embark on more sustainable business models".

> Minister Indranee said that accountants can play a critical role in advancing the sustainability agenda, specifically in three areas, namely ambition, adoption and accountability

As sustainability reporting picks up, there will be demand for accountants to provide assurance and verify the companies' sustainability reports. This helps to hold companies accountable for their sustainability plans and increases the consumers' and investors' confidence to buy from and invest in sustainable companies. She urged accountants to build their knowledge in sustainability to tap on opportunities in this growth area and support Singapore's efforts to combat climate change. In particular, Minister Indranee noted

Guest of Honour Indranee Rajah, Minister in the Prime Minister's Office and Second Minister for Finance and National Development, highlighted that accountants are best placed to accelerate the adoption of sustainability practices

the introduction of the Sustainability E-Training for Directors programme, developed by ISCA and SAC Capital (a Singapore investment banking firm). "I strongly encourage all accounting professionals to actively participate in such programmes" and "equip yourselves with relevant skill sets to take on emerging opportunities," she said.

Delegates were happy to network and attend the conference in-person after two years of virtual events

WHAT'S AHEAD FOR ACCOUNTANTS IN A SUSTAINABLE WORLD?

The PAIB Conference kicked off with the launch of a research report and indepth discussion on sustainability in a three-part session themed "Sustainability: What Is Ahead For Jobs And Skills In The Accountancy Profession?". The research study, titled "Sustainability – Jobs And Skills For The Accountancy Profession", was jointly conducted by ISCA, Ernst & Young Advisory Pte Ltd (EY Advisory), Singapore Management University (SMU) and Singapore Accountancy Commission (SAC). The report distilled interviews with 23 C-suite leaders across 10 business sectors[1].

In part one of the session, Dr Wang Jiwei, Associate Professor of Accounting (Practice); Programme Director, Master of Professional Accounting and Master of Science in Accounting (Data & Analytics), SMU, presented the report's key findings:

- Amid the sustainability push, more sustainability roles are emerging for the profession, such as Chief Finance & Sustainability Officer (CFSO), a C-suite position overseeing the CFO and Chief Sustainability Officer (CSO);
- With their financial reporting background, accountancy and finance professionals with sustainability skills have an edge in driving sustainability transitions;
- CFOs already play an important role in sustainability. Among the companies interviewed, more than half of the CSOs report to the CFO.

The report also identified three key trends, namely decarbonisation of the environment, more companies participating in sustainability reporting, and an expansion in the green finance sector. Dr Wang remarked that sustainability is the "greatest opportunity for accounting" as accountancy, which is widely acknowledged as the language of business, can also become the syntax of sustainable development.

In the second part of the session, Samir Bedi, Partner; Asean Workforce Advisory Leader; Singapore Government & Public Sector Leader, EY Advisory, presented on the jobs and skills component of the report. Mr Bedi elaborated on the additional sustainability skills accountants would require for the new responsibilities and expectations. Sustainability is placing more demands on professionals in the finance and accounting roles, including those in assurance and tax. Preparers, assurance service providers, and auditors will need new skills, according to the study. These skills will translate sustainability concerns, such as carbon markets and credits, sustainability risk management, changing sustainability reporting requirements and green finance, into business and corporate strategy.

In the final part of the session, a panel discussion considered the report's findings. The panel discussion was moderated by Dr Holly Yang, Associate Professor of Accounting; Co-Director (Academic Research), School of Accountancy Research (SOAR); Lee Kong Chian Fellow, SMU, and featured panellists Mr Bedi; Michael Tang, Head, Listing Policy & Product Admission, Singapore Exchange Regulation Pte Ltd, and Beh Siew Kim, Chief Financial & Sustainability Officer, Lodging, CapitaLand Investment Ltd.

The panellists agreed that there is consensus – from investors and regulators to consumers – on the need to integrate sustainability into business and investments. They discussed the importance of sustainability across organisations and the need for champions spanning various accountancy and finance functions. Responding to a delegate's question about why sustainability is taking centre stage when there is a potential global recession looming, the panel noted that there is no convenient time to embrace sustainability; moreover, sustainability offers many business opportunities, including a willingness by consumers to spend more for sustainable products and services.

[1] The 10 business sectors are Professional Services, Banking & Finance, Manufacturing, Technology, Materials & Building, Real Estate, Energy, Transportation, Food & Beverages, and Forest Products and Agriculture. The interviewees include corporate executives, financial professionals, and representatives of government agencies and non-government organisations in Singapore. The executives and financial professionals hold titles such as Chief Executive Officer, Chief Financial Officer, Chief Sustainability Officer, Head of Finance, Head of Sustainability, and Partners and Consultants.

Samir Bedi, Partner; Asean Workforce Advisory Leader; Singapore Government & Public Sector Leader, EY Advisory, elaborated on the additional sustainability skills accountants would require for the new responsibilities and expectations

Dr Wang Jiwei, Associate Professor of Accounting (Practice); Programme Director, Master of Professional Accounting and Master of Science in Accounting (Data & Analytics), SMU, presented the key findings of the research study

Sharing their insights into the research findings were panellists (from left) moderator Dr Holly Yang, Associate Professor of Accounting; Co-Director (Academic Research), School of Accountancy Research (SOAR); Lee Kong Chian Fellow, SMU; Mr Bedi; Michael Tang, Head, Listing Policy & Product Admission, Singapore Exchange Regulation Pte Ltd, and Beh Siew Kim, Chief Financial & Sustainability Officer, Lodging, CapitaLand Investment Ltd

Urging accountants to stay abreast of sustainability reporting developments was Kok Moi Lre, Partner, Sustainability Reporting Technical Leader, PwC Singapore LLP and Member, ISCA Financial Reporting Committee (Core Sub-Committee)

GOVERNING SUSTAINABLY

The scheduled panel session on "Financial Reporting Implications – Environmental, Social & Governance In Focus" actually began with a presentation by moderator Kok Moi Lre, Partner, Sustainability Reporting Technical Leader, PwC Singapore LLP; she is a member of ISCA's Financial Reporting Committee (FRC) (Core Sub-Committee).

Ms Kok highlighted the impact of climate change on the strategies of businesses, their financial positions, performances and cash flows, and investors' concerns about the perceived lack of transparency on climate-related financial risk disclosures. She shared a list of potential areas where financial statements were impacted by climate-related risks, and illustrated how climate risk could be incorporated into impairment assessment of property, plant and equipment, as well as in intangibles. One such example is to consider whether assumptions used in the financial statements correspond to those used in sustainability reports. "TCFD (Task Force on Climate-Related Financial Disclosures) requires scenario disclosure that tracks to a 1.5- or 2.0-degree limitation on temperature rise. These might not be assumptions that are aligned with a company's best estimate or market participant assumptions. Entities should explain and reconcile any discrepancies in assumptions used," she said.

Ms Kok urged all accountants to stay abreast of sustainability reporting developments as these would impact or even form part of the financial statements. She also noted that accountants could expect guidance from ISCA, through a dedicated joint working group formed by the Institute's FRC and Auditing and Assurance Standards Committee.

Following Ms Kok's presentation, the panellists assembled for the session. They included Kuldip Gill, Assistant Chief Executive (Accounting & Compliance Group), Accounting and Corporate Regulatory Authority (ACRA); Esther An, Chief Sustainability Officer, City Developments Limited; Prof Vish S Viswanathan, Director, Centre for Business Sustainability, Nanyang Technological University, and Pamela Fan, Partner, ESG Assurance Leader, KPMG Singapore.

The panel discussion started with the sharing of CDL's sustainability journey since 1995, and its pioneering sustainability report issued back in 2008. Ms An candidly revealed that she knew little about the real estate industry when she joined CDL, and learnt by doing when she started embracing sustainability into the company's corporate strategy. Today, she is a firm believer, stating that "business cannot thrive without sustainability because more key stakeholders including the regulators, investors and financiers are keen to transition to a low-carbon economy".

On the question of the increased burdens of cost that sustainability measures impose on companies, Prof Vish cautioned that "what is not cost-effective today may not be so in future", with the implementation of carbon taxes, for example. "The burden of compliance doesn't come in one big hit," added Ms Gill. She agreed with Ms Kok that more needs to be done to help small and medium-sized enterprises (SMEs) with grants and subsidies, from her perspective as a regulator. "We are on that same journey to have a healthy planet," she emphasised. Following up on this point, Ms An said that CDL recognises its responsibility to help its SME partners. "The larger companies have the responsibility to bring along their supply chain for altruistic and business reasons. Our business performance will be impacted by our suppliers; for instance, stop-work orders will affect our development progress, and we are also accountable for suppliers' carbon footprints," she said.

In response to an audience question about the issue of greenwashing, Ms Fan highlighted that an accountant's "keen sense for details and data can address this. You have to ask if you believe in your company's information". Prof Vish remarked that some companies might get blindsided. "They may not be acting in bad faith but rather, may have overpromised on the back of their eagerness to participate in ESG initiatives," he said.

As a closing remark, Ms Gill shared, "Definitely the expectation of SGX and the regulator and government agencies is that regulations will rise; jurisdictions like Singapore will use a tiered and phased approach in mandating sustainability reporting ... assurance is going to come but again, in a tiered and phased approach."

The panel session featured (from left) moderator Ms Kok; Kuldip Gill, Assistant Chief Executive (Accounting & Compliance Group), ACRA; Esther An, Chief Sustainability Officer, City Developments Limited; Prof Vish S Viswanathan, Director, Centre for Business Sustainability, NTU, and Pamela Fan, Partner, ESG Assurance Leader, KPMG Singapore

NEW POWER SOURCES

What does net-zero emissions mean, and how is it even possible? Lawrence Wu, Co-Founder & Chief Financial Officer, EDPR Sunseap, addressed this in his presentation, "Energy – Re-Drawing Power Boundaries", from the perspective of a solar-energy system developer, owner and operator in Singapore. He delved into how regulators, investors, infrastructure providers and property owners can work together to achieve sustainability goals. Mr Wu echoed the scientific consensus that net zero is the best way to reduce the impact of climate change. In short, achieving net-zero emissions involves reducing the reliance on gas for energy consumption, increasing the use of renewable energy sources (solar, in this case), importing clean energy via regional power grids, developing infrastructure for clean hydrogen, and deploying smart energy management systems.

Mr Wu's subject was timely, with Singapore aiming to achieve net-zero emissions by 2050, with solar power being at the heart of this herculean task. It is no exaggeration, he emphasised, because Singapore is aiming to harness 1.5 gigawatt-peak (GWp) of solar energy by 2025, which is almost four times its current rate. Due to geographical constraints, Mr Wu stated that Singapore is "renewable disadvantaged", which simply means that the country does not have significant wind, wave or hydro power options, making solar the go-to solution.

With regard to the finance sector and the role it can play, Mr Wu made the following points:

- Capital markets and institutional investors will control the levers of how energy is produced and consumed;
- Companies and investors must take into account the shift to clean energy because it affects the pricing of financial assets;
- Landowners – public and private – are integral to building a greener, more sustainable society;
- Investors and financial institutions can shift their investments from companies with poor emissions records to those with achievable net-zero targets, and influence the long-term climate-positive strategies of these companies.

An accountant's keen sense for details and data can help address the issue of greenwashing

Lawrence Wu, Co-Founder & Chief Financial Officer, EDPR Sunseap, spoke about new power sources for Singapore, from the perspective of a solar-energy system developer, owner and operator

CLOUD SECURITY MEETS THE SAVVY ACCOUNTANT

Daryl Pereira, APAC CISO at Google Cloud (Director, Office of the CISO), addressed the delegates on cybersecurity strategy in his presentation, "Advancing Cyber Risk Management – From Security to Resilience". He noted that cybersecurity is oftentimes mistaken to be a technology risk but in reality, is a business risk first and foremost. He cited the Allianz Risk Barometer 2022, which revealed that cyber risk is the number one global business risk for this year. Last year saw a 600% spike in cyber attacks, particularly ransomware and theft of user credentials through phishing. This was happening as businesses and organisations continue to digitally transform and adopt new technology in the evolving digital age.

Mr Pereira suggested that companies need to keep pace with their cyber resilience by having a defined organisation-wide strategy for cybersecurity, assigned roles and responsibilities, and allocated investment plan for the people, process and technology aspects of cybersecurity. He noted that accountants and finance professionals play an important role in driving enterprise risk management. With their holistic view of organisational operations, they are in a unique position to help steer cybersecurity investment and cyber strategy including the adoption of cloud.

Mr Pereira advocated for the idea that cloud adoption equals risk reduction, and explained how a secure cloud can actually improve business resilience and enhance governance over a business' data, systems and operating environment. For example, he observed that every day, Google blocks over 100 million phishing attempts on Gmail, and checks one billion passwords saved on the Internet browser for breaches. He elaborated on how to proactively manage cyber risks, and urged finance teams to ensure that better cybersecurity decisions are made whenever a project comes up for funding approval by asking questions such as:

1. How have you ensured that cyber risk has been addressed for this new system/technology?
2. How will our sensitive data (personal data, intellectual property, payment data) be protected?
3. What is the level of investment planned for addressing the people, process and technology aspects of cybersecurity readiness in our organisation?

Mr Pereira discussed how to build cyber strategy-savvy accountants and finance teams in areas where they can actively contribute. This includes decisions on what business functions can be outsourced and what must be kept on-premises; deciding on how to invest to boost cybersecurity, and determining who should drive cybersecurity investments. He reinforced the importance of everyone in any given organisation becoming better acquainted with good cybersecurity practices and learning new skills.

Accountants, with their holistic view of organisational operations, are in a unique position to help steer cybersecurity investment and cyber strategy

As cybersecurity is a business risk, Daryl Pereira, APAC CISO at Google Cloud (Director, Office of the CISO), recommended that companies have a defined, organisation-wide strategy for cybersecurity

PLANNING FOR DISRUPTION

Supply chain disruptions are part of the post-pandemic reality, and businesses are struggling to prepare themselves for the next disruption. The session on "Supply Chain – The Next Disruption" by Dr Bo Huang, Expert Associate Partner, McKinsey & Company, centred on the changes in supply chains. Dr Bo highlighted that traditional supply chains are already increasing in complexity, while new supply chains have integrated resilience and agility as well as ESG factors. His presentation focused on how technological advances in automation, artificial intelligence and machine learning are shaping the global supply chains of the future.

Dr Bo identified three key trends, namely resilience, digitalisation and sustainability. He noted that no company has sufficient supply chain resilience, and recommended the use of the Supply Chain Resilience Index (SCRI) – a measure administered by neutral third parties – to quantify the robustness of supply chains.

Dr Bo emphasised that supply chain management is deeply tied to ESG. He cited a Consumer Brands Association Sustainability Survey, which found that seven out of nine ESG initiatives were reported to have significant supply chain components. He noted the opportunities that a sustainable supply chain can unlock, including top-line growth and cost reduction, employee engagement that could bring a reduction in employee turnover, and risk reduction. Dr Bo acknowledged that changes to supply chain management take time, averaging 2.8 years from vendor selection to complete rollout, and stressed the importance of advance planning systems.

Changes to supply chain management takes an average of 2.8 years

Accountants need to deepen their expertise and understanding of sustainability topics, to add value to both themselves and their organisations

Dr Bo Huang, Expert Associate Partner, McKinsey & Company, focused on how advances in technology will shape future global supply chains

Sustainability reporting was the presentation theme for Eric Lim, Chief Sustainability Officer, UOB

FULL DISCLOSURE

The final talk of the day was delivered by Eric Lim, Chief Sustainability Officer, UOB. His segment centred on the IFRS Sustainability Disclosure Standards which are expected to be issued by the International Sustainability Standards Board (ISSB) in 2023.

Mr Lim provided an overview of the importance of sustainability reporting as well as the challenges faced by preparers and users of sustainability information due to the current "alphabet soup" of disclosure standards. He said that ISSB intends to address this issue by coming up with a set of comprehensive baseline standards.

He highlighted several hurdles in the path of global harmonisation of sustainability reporting standards, such as, ISSB's standards are currently focused on the needs of investors (that is, financial information) as opposed to a multi-stakeholder approach (that is, double materiality). There is also potentially further fragmentation, with the US Securities and Exchange Commission and the European Financial Reporting Advisory Group also working on separate sets of sustainability reporting standards. He rounded off this portion of his presentation with anticipation of ISSB's response to the feedback it has received to date.

Mr Lim then shared his belief that accountants are well placed to support the development, implementation and reporting of sustainability reporting standards for their organisations. However, this would require the broadening of the skill sets that accountants typically already possess. He encouraged attendees to deepen their expertise and understanding of sustainability topics, to add value to both themselves and their organisations. Responding to an audience question on why accountants should be the ones responsible for sustainability reporting, Mr Lim succinctly replied, "If not us, then who?" ISCA

Shaping Future Accountancy Leaders

Nurturing The Next Generation

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TAKE AWAYS

- Megatrends like technology and sustainability bring with them a myriad of interesting new opportunities for accountants.
- Accountants are expected to be able to translate technical skills learnt in the classroom into application in the workspace.
- Next-gen accountants, with their ability to interpret data and devise strategy, can become an indispensable, integral part of a business' leadership.
- The accountancy profession should see itself as a key growth partner to the CEO and the board.

"THE ONLY CONSTANT IN LIFE IS CHANGE." So goes the famous saying by Greek philosopher Heraclitus. Even in a time-honoured profession like accountancy, change is inevitable, and often necessary.

With the advent of technology – artificial intelligence, big data and analytics, cryptocurrency, blockchain and the like – the role of the accountant has had to evolve. Robotic processing automation (RPA), for example, has begun to take over certain tasks traditionally carried out by accountants. Big data and analytics can churn large amounts of data to provide valuable, real-time insights, and such knowledge enables the accountant to better advise the management in strategy and decision making. Reskilling and upskilling are no longer a matter of choice but a must if an accountant wants to excel in the increasingly complex world of business. Environmental, social and governance (ESG) considerations, meanwhile, are a growth area that impacts diverse sectors across industries and the way audit and accounting is conducted. Gaining knowledge and understanding in emerging areas such as ESG is imperative for new and future accountants.

Although young accountants are facing challenges their counterparts from two or three decades ago did not, they are also presented with more interesting and greater opportunities. If they read the signs well and adapt quickly, the next generation of accountants can well become an indispensable, integral part of the leadership of every business, being the one trained to interpret the data and devise the strategy for the company to succeed.

In this article, three accountancy leaders share their candid views about how to nurture a new generation of future-ready accountants; they also provide advice on how today's accountants can equip themselves with essential skills to remain relevant in a fast-moving world.

> "As long as you have the right ethical values, as well as the ability to exercise strategic judgement – combined with curiosity, perseverance, and good old-fashioned hard work – this will be a profession that will take a young person into the future."

Beyond The Here And Now

Shariq Barmaky, FCA (Singapore), Audit & Assurance Leader, Deloitte Singapore and Regional Managing Partner, Audit & Assurance, Deloitte Southeast Asia

AS A YOUNG ACCOUNTANT IN THE 1990S, SHARIQ BARMAKY HAD TO DO EVERYTHING MANUALLY. "I remember filling seven-, and even 14-column ledger sheets," he recalls. "And having to erase everything to start all over again whenever a mistake was made!" The industry veteran with more than 30 years of experience in public accounting in the United Kingdom and Singapore draws from his past to illustrate how much the profession has progressed. "These days, with technology, the accountant's work is done more efficiently. Instead of spending time on repetitive tasks, accountants can be performing more high-value functions," he notes.

The role of the accountant is rapidly changing, and preparing the next generation takes more than imparting skills. "In my time, the teaching – be it for an accountancy degree or for a professional qualification – was primarily focused on the technical aspects. While there was an element of soft skills, such as communication, being incorporated into the curriculum, the core of the professional education was still centred on foundational skills," says Mr Barmaky, who is a long-serving member of ISCA and its current Vice President; he is also Audit & Assurance Leader, Deloitte Singapore and Regional Managing Partner, Audit & Assurance, Deloitte Southeast Asia.

FROM IMPARTING SKILLS TO NURTURING MINDSETS

Accountants today are a lot more than "bean counters" and "number crunchers". "Megatrends in the business environment in the last decade have raised the bar for future entrants into the profession. Technological progress and the resulting digital disruption, regulatory changes, pertinent big-picture issues such as sustainability ... these all come together to bring about big and positive shifts in the professional landscape," observes Mr Barmaky. "I am pleased that both the institutes of higher learning (IHLs) and corporations are adapting to help a new generation of accountants navigate through the new business environment to make them fit for purpose."

Part of this involves nurturing graduates who can go beyond translating technical skills learnt in the classroom into application in the workspace, which, by Mr Barmaky's own admission, was the biggest challenge when he was a novice in the field. One way the industry is currently helping young accountants in this regard is through internship. "Looking at graduates who join accounting firms such as Deloitte today, I notice that they often already have two or three internships with multiple organisations under their belt," he highlights. "This is the result of IHLs, and organisations like ISCA, sharing internship opportunities at various corporations with undergraduates. I feel that this readies our young accountants as they start their career, as they would already know what to expect."

This also means encouraging openness and a growth mindset. "Back then, the path of an accountancy graduate was pretty straightforward. Today, however, the biggest challenge facing an accountancy graduate is having too many options!" remarks Mr Barmaky. This is especially so as the curriculum for the Singapore Chartered Accountant Qualification (SCAQ) not only is of high global standard, it is continuously being improved upon. SCAQ, Singapore's national chartered accountant qualification, is developed by the Singapore Accountancy Commission (SAC) and leads to ISCA membership. "The Singapore chartered accountant is a standard bearer of excellence who is recognised internationally. In Singapore, they are the audit partners in professional services firms, CEOs, CFOs, chief sustainability officers, chairs of boards, forensic accountants, data analysts, leading academics ... Having that rigorous, well-rounded education allows for endless possibilities," shares Mr Barmaky, who is also Chairman of the Professional Education Council (PEC) of SCAQ – an advisory committee of SAC. Education thus isn't just about preparing the young accountants for the here and now, it is also about moulding their mindsets for the future. "As long as you have the right ethical values, as well as the ability to exercise strategic judgement – combined with curiosity, perseverance, and good old-fashioned hard work – this will be a profession that will take a young person into the future."

In the 2018 Industry Transformation Map (ITM) released by SAC that seeks to turn Singapore into a leading hub for professional services, including accountancy, four areas of development were identified: productivity; reskilling and upskilling; innovation, and internationalisation. The area of reskilling and upskilling resonates most strongly with Mr Barmaky. He explains its importance on a macro level, "Our curriculum covers issues that are current and relevant, so that graduates are prepared for not just the 'now', when they enter the workforce, they are also future-ready. But what about those who are already in the profession?" Speaking from his own experience, he recalls the on-the-job learning that was needed when his company upgraded to a different auditing software. "Technology impacts the way we work," he reflects. "It is for us to upskill and wield it as a tool to work better, rather than regard it as a threat that will take away our jobs."

> Accountants should see themselves as a key growth partner to the CEO and the board

CREATING LEADERS OF CHANGE

In view of the Forward Singapore movement launched in June 2022, Mr Barmaky goes on to comment on the accountant's role in reviewing and refreshing the country's social compact – especially for the sustainability pillar. "Accountants should always keep in mind that we serve the public interest. Capital markets function within an ecosystem that accountants are a part of, and by reporting on sustainability issues clearly, we sift out the substance from the hype," he opines. To do that, he urges all accountants to gain a thorough understanding of sustainability issues. "Go beyond compliance and frameworks to actually understand what the E (environmental), S (social) and G (governance) concepts mean. Only then will you be able to report and provide assurance on the various areas in a manner that demonstrates the impact of each organisation's actions and, in turn, steer things in the right direction."

Mr Barmaky also highlights that ESG reporting presents an opportunity for the accountant to go beyond reporting historical information. As a communication tool, ESG reporting plays the critical function of lending assurance to investors about the risks and opportunities that a company faces. As a reporting tool, it guides an organisation onto a path that is more socially and environmentally responsible – one that has its eye on tomorrow. "By getting involved in the exciting field of ESG, accountants can play big roles in strategising and providing assurance, and set guidelines for the future," he says.

Returning to his point about the role of an accountant today, Mr Barmaky reinforces that they should see themselves as a key growth partner to the CEO and the board. "Let technology handle the day-to-day work, and focus your time on areas that matter, such as providing insights, analysing and managing key risks, and formulating strategies," he advises. "The professional accountant needs to move beyond basic technical skills to sophisticated analytical ones in order to add value to the organisations they serve and, in turn, the wider society."

For accountants who are ready to take on big roles in society, there are many resources that they can tap on to broaden their horizons, such as the various resources on ESG reporting put out by ISCA. "It's not just about being prepared; it's being informed so that you can position yourself for opportunities in the future," says Mr Barmaky. He highlights that this advice applies not just to the young but to people of all ages. "I know of accountants who are still working and actively contributing to society past retirement age, in board roles. For those who are ready to take ownership of their career and their future, this is a very satisfying profession with possibilities and longevity."

> "... how we link accounting of past data to the future is the key to attracting and retaining talent"

"Take Up Golf" To Prepare For Life

Kelvin Tan Wee Peng, FCA(Singapore), Adjunct Associate Professor, NUS Enterprise Academy, National University of Singapore

ACCORDING TO THE AE CENSUS 2021, the COVID-19 pandemic had a negative impact on Singapore's economy and, by association, the accountancy profession, which shrank by 3.7% in 2020. But ISCA Council member Kelvin Tan, Adjunct Associate Professor at the NUS Enterprise Academy, and former Adjunct Associate Professor at NUS Business School, sees it as a positive sign. "I heard quite a number left the auditing industry to join other companies, particularly tech firms," he notes. "There, they perform financial planning and analysis – a critical function to support the business unit of a company. That in itself is a good trend. It shows that businesses value candidates with a very strong financial background and the ability to analyse and evaluate business decisions based on the financials."

To Mr Tan, the flexibility afforded by an accountancy training is an important asset that is valued across industries today. "We don't want accountants to be associated with just financial reporting, auditing, or budgeting," he points out. "The fact that they are involved in business units, charting directions and strategies using their financial background is, in itself, an encouraging trend." At the rate that technology is disrupting traditional professions, nurturing future-ready accountancy graduates is an important task for the present. Qualifications are important, but one's mindset is even more important, says Mr Tan. To this end, he believes that the most critical pillar of future-readiness is a mindset change, which in turn is connected to innovation. "Innovation is not just about technology, products, or services. One must be open to environmental changes and their impact on us. For example, do we need to reskill or upskill? Do we need to go beyond the industry or Singapore?" he asks. "The environment we are in today is so dynamic, so we have to be very open to see what is coming up and how to prepare ourselves for that."

CHALLENGES FOR FUTURE ACCOUNTANTS

Mr Tan has some empathy for those who are currently studying and training to be accountants. The competition and opportunities are no longer what they used to be, compared to when he himself was a fresh graduate. "Back then, those of us who were graduates – maybe 4,000 of us – accounted for around 10% of our cohort, so there was some 'premium'. Now we have about 12,000 graduates from all the universities, so the percentage has gone up to close to 40%; being a graduate is no longer as rare," he observes. "With a more globalised economy, there is also mobility of labour from other countries, resulting in a lot of 'talent bidding'. And, as we have observed during COVID, a lot of jobs can be done remotely, which means workers need not be physically present to perform the tasks; they can work from home or from a different jurisdiction."

It is therefore imperative that undergraduates and new graduates understand the realities of life. "No one owes us a living, we have to work hard for it," Mr Tan emphasises. "Many young people today grew up in a comfortable environment, so there are expectations about what they should be getting. Instead, they could be asking, 'What can I contribute to the company I am working for? What can I bring to the table?'"

What educators like Mr Tan do is to share the realities with their students, in the hope that they will make wise choices and play the long game. "Many accountancy graduates don't want to join audit, because they perceive that the pay is not that great," he says candidly. "But what you gain in experience far outweighs what you 'lose' in pay, and it's for a relatively short time." As an accounting and audit associate, one gets to understand different industries, different companies, and the inner workings of how a company is structured – and all these are very important foundations for any business, and a professional, in the future, he explains.

It is important for the accountancy profession to attract talent. Yet, the general perception is that it is not the most trendy path. Mr Tan believes that it is a matter of semantics. "A lot of students aspire to go into finance or advisory work. They don't want to go to accounting and auditing because auditing seems to be more about past and historical perspectives, whereas finance and transaction advisory seem to be more forward-looking," he says. "I always remind them that you need the past to give you a sense of how the future will be like; the past provides the foundation for your assumption making." He believes it is crucial to think about how to market the profession to young people. "I'm more of a substance-over-form person, but form takes precedence in a lot of people's minds, so how we link accounting of past data to the future is the key to attracting and retaining talent," he shares. Accounting and finance may seem different but to Mr Tan, they are very much the two sides of the same coin. He points out that ultimately, accountancy is a trusted profession – one that is a hallmark of leadership and trust, now and in the future. "Integrity, values, honesty, trustworthiness – these are the qualities the accountancy profession should remain steadfast to. In so doing, we gain reputation and stature; we establish leadership in the business community."

BECOMING FUTURE-READY

What are some of the growth areas he foresees that the next generation of accountants will be involved in? "Right now, ESG considerations are key, which means a company has to evolve its strategy, the way it operates, its practices, the materials it uses – all these have a financial impact," he explains. And this, he adds, is where the accountants come in. "We may not be the technical guys who see which materials are greener, but we can play an important role in strategic charting. We can help the business look at the financial impact and feasibility, and use our strength in analysing numbers to help the business go in the right direction and grow. It does not make sense simply to go green if it is not feasible to do so as the business itself needs to be sustained by revenue, profits, and cash flows."

Another obvious area is technology, notes Mr Tan. Commenting on the massive adoption of broadband communications, mobile computing, blockchain and cloud computing in the last 10 to 15 years, and how this will continue, and probably on an even bigger scale, he has this to say, "We're already seeing RPA affecting the industry, so technology is here to stay. We have to embrace it and use it to enhance the accountant's work." Like many of his forward-looking peers, Mr Tan believes that letting technology handle the more mundane, repetitive, and rules-based tasks gives accountants more time to think about the more strategic issues as well as conduct analysis and planning, as opposed to historical reporting. "The first step is to be aware of what is happening, what is going to happen, and then get ready," he advises. "Next, assuming some of these ideas have become products or service solutions for the accountant, is to think about how to adopt them. I'd suggest to try them out, whether in the accounting process or adding a layer of analytics to your accounting numbers. Then, the third stage would be AI, which may play a role in forecasting the future, and that would mean our scenario planning can become more robust, because technology can take in inputs on a dynamic basis."

While one can make a calculated guess as to what the future holds for accountants, Mr Tan's advice to young and upcoming professionals in the industry is to "take up golf". He gives three reasons for doing so. First, golf is the only game you play against yourself and mark your own scores. "You can't win just because your competitor makes mistakes; you have to win on your own merit." This, in his view, helps to develop character and integrity. "Second, in golf, we play with 14 pieces of equipment, each for a different situation." This, he adds, is analogous to life, where we have to hone different skills, decide how to apply them with the aid of the most appropriate tools we have, to manage the situation facing us. Third, no matter how hard one trains for golf, one can never afford to be complacent. "The terrain and weather change from game to game, hole to hole. And that is the same with our life and career as our environment is constantly evolving," he elaborates. "So we cannot take things for granted and think, 'We've already put in the training, so we know everything', or 'We have 10 years of experience, so we know everything'." Golf is a metaphor for life. It reinforces the need to continually sense the environment we are in, so that we can respond accordingly. Truly, to do better, we need to learn continually, retrain or reskill, innovate and do things differently, or find new markets or things to do.

Let technology do the mundane things; free up time for accountants to think about more strategic issues and perform higher-value tasks

> "In the accounting profession, human capital is always the most important. If our people continue to learn and upgrade ourselves, it will complement all the other areas."

Shaping Future Accountancy Leaders: Elevating A Traditional Role

Lai Chin Yee, FCA (Singapore), Finance Director, Qian Hu Corporation Limited

LAI CHIN YEE, FINANCE DIRECTOR OF LISTED SINGAPORE-BASED INTEGRATED FISH SERVICE PROVIDER QIAN HU SINCE 2004, has been a member of the ISCA Council since 2018, and is the current Chairperson of its Continuing Professional Education Committee. On top of that, she chairs the Singapore Chartered Accountant Qualification (SCAQ) advisory panel which ISCA set up to provide recommendations to enhance, strengthen and update the SCAQ programme.

Ms Lai explains that when she was just starting out, accountancy was a highly sought-after career, one reason being that it was one of the fastest routes to obtain a professional degree. However, she notes that the present generation has decidedly more career options, and many of them have different aspirations and perspectives even before they enter the workforce. Some desire to achieve things that bring about an impact to their organisation, the community and the world. In this context, the life of an accountant may not appeal to young people today as it is often stereotyped as comprising boring routine work, with no work-life balance. Some people even wrongly perceive it to be a sunset industry, believing that technology and automation will eventually make accountants redundant. As an insider of the profession, Ms Lai feels that accountancy is now at a very exciting stage, particularly since the worst of COVID-19 has passed. Accountants can leverage on the introduction of technology to replace the manual, routine accounting tasks and engage in work that adds value.

"The work that accountants can embark on will be more strategic," she proposes. "Accountants can use these tools to transform the organisation. With technology adoption, you can actually create a certain competitive edge, like doing innovation and transforming your finance and operation teams to drive productivity. With these digital tools, you can churn out data; as an accountant, you analyse trends, so you use this data to do better and make better decisions. It is the lower level of work that gets replaced." In her opinion, the traditional accounting role of bookkeeping is being elevated to a whole new level. This also means that accountants now have a different level of responsibility.

LEARNING BEYOND THE TEXTBOOK

Ms Lai shares that during her time in university 35 years ago, education was very much focused on textbook theories and facts. As undergraduates, they obtained a lot of knowledge but did not know how to apply it; nor did they pick up the skills for the job. Today, education has changed significantly, and students are more equipped for the workforce, she notes. They do not simply acquire knowledge, but are now also armed with soft skills like communication, networking and data analysis. A young accountant today is definitely more all-rounded compared to those of the past. Freshly-minted accountants also enjoy plenty of exposure and opportunities, compared to accounting graduates decades ago. These new professionals are therefore more ready for the workforce, but this also means that there is a greater need to distinguish themselves from their peers.

Critical thinking abilities, analytical skills and creativity are essential for accountants

Ms Lai emphasises that it is key to develop one's critical thinking abilities; these are things that "cannot be taught but caught", she adds. Also important are analytical skills and the creativity to come up with new ideas. The times and trends are constantly changing, and it is up to the individual to keep learning and growing. This holds true even for her. "I have been trying to pick up other skills along the way," she shares. "At the onset of the technology wave, I put myself at the same starting point as all my staff, even those who are much younger than me. I realised that they may know more than me in terms of technology. There is also now the sustainability wave which we are trying to cope with and learn about. I believe that if you stop learning, you stop growing. If you stop learning, you stop caring."

TRANSFORMATION IS ESSENTIAL

With reference to the 2018 ITM, Ms Lai feels that out of the four areas that need to be developed – productivity; reskilling and upskilling; innovation, and internationalisation – the most important pillar is reskilling and upskilling. "This will help us develop more ready talents, so that we have people who can look into the other three areas," she explains. "In the accounting profession, human capital is always the most important. If our people continue to learn and upgrade ourselves, it will complement all the other areas."

Over the years, Ms Lai's role has not gone through massive changes. She was in the audit industry for 13 years, after which she joined Qian Hu Corporation Limited in 2000; she assumed her current role as Finance Director in 2004. She has had the privilege of starting projects and growing progressively. But she has also actively reskilled and upskilled, particularly when she needed to drive changes to certain processes in her company, such as implementing digitalisation programmes. Although she has brought in consultants to train the team, she recognises that it is vital to change the mindset of the organisation so that they can adopt certain technologies and successfully implement them. "When I need help, I will definitely find the resources. I will get consultants, I will go for courses, and I will also read to stay up to date," she explains. "We (Qian Hu) are a small listed company, so as the head of finance, I don't have a counterpart with whom I can brainstorm or discuss strategic ideas. To be effective at what I do, I need to interact with peers outside of my organisation. So I find opportunities to network or stay in touch with people who are good in the areas that I want to know more about."

Far from the predictable industry featuring repetitive work and not much else that it is believed to be, the accounting profession is very agile, flexible and technology-based, asserts Ms Lai. "The new generation of accountants does not have to follow the path of past generations; they can do what they are more inclined towards (and) build their own brand; they should embrace and leverage technology to help them in their work," she says. "The key is to not stop learning new things. With a passion and interest in this profession, one can definitely go far and make a positive contribution to the industry and wider community." ISCA

TEXT BY
ISCA, EY, SMU, SAC

Demand for accountancy and finance professionals with relevant sustainability skills is growing and is expected to remain high in the foreseeable future.

Sustainability: Jobs And Skills For The Accountancy Profession

Emerging New Roles In Corporate Finance And Assurance

TAKE AWAYS

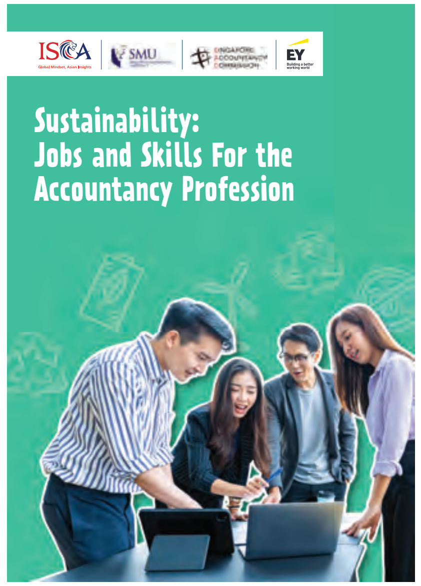
- New roles are emerging in corporate finance and assurance as sustainability becomes entrenched as a business norm.
- Accountancy and finance professionals are well placed to be the emerging champions of sustainability.
- They need to be equipped with additional sustainability skills to handle the new and emerging responsibilities.

SUSTAINABILITY IS CREATING NEW OPPORTUNITIES FOR THE ACCOUNTANCY PROFESSION. Businesses everywhere will need preparers and assurance service providers to undertake more sustainability-related responsibilities. Preparers in the corporate finance function, which include job roles such as Chief Finance Officer (CFO), Finance Manager (FM), Treasury, and others, are increasingly tasked with sustainability-related accounting, risk management, and reporting. Meanwhile, assurance service providers are expected to keep up with the demands for sustainability assurance across various industries. The demand for accountancy and finance professionals with relevant sustainability skills is growing, and it is expected to remain high in the foreseeable future.

The burgeoning of responsibilities has seen the creation of new and emerging job roles, with one of them being Chief Finance & Sustainability Officer (CFSO). The CFSO is a C-suite position that could be placed above today's CFO and Chief Sustainability Officer (CSO) roles. The CFSO is uniquely placed to translate the impact of environmental, social, and governance (ESG) considerations in business activities into financial metrics. Accountancy and finance professionals, with their financial expertise, are in an advantageous position to assume the CFSO position. There is also evidence that accountancy and finance professionals are already playing important roles in sustainability for businesses, where CFOs are taking the lead in key sustainability matters.

Dr Wang Jiwei, Associate Professor of Accounting (Practice); Programme Director, Master of Professional Accounting and Master of Science in Accounting (Data & Analytics), Singapore Management University, shared that accountancy is at an inflection point for sustainability transformations

These are some of the key findings from a recent joint study by the Institute of Singapore Chartered Accountants (ISCA), Ernst & Young Advisory Pte Ltd (EY), Singapore Management University (SMU), and Singapore Accountancy Commission (SAC). The exploratory study set out to understand the impact of sustainability on emerging job roles, skill gaps, and skill needs for accountancy and finance professionals. The study conducted interviews with 23 C-suite executives from 10 different business sectors[1].



Sharing their insights at the PAIB Conference panel discussion were (from left) Dr Holly Yang, Associate Professor of Accounting and Co-Director (Academic Research), School of Accountancy Research, SMU; Mr Bedi; Michael Tang, Head, Listing Policy & Product Admission, Singapore Exchange Regulation, and Beh Siew Kim, Chief Financial & Sustainability Officer, Lodging, CapitaLand Investment Ltd

The report, titled "Sustainability – Jobs And Skills For The Accountancy Profession", was launched at the annual ISCA flagship Professional Accountants in Business Conference (PAIB Conference) 2022 on August 25, where over 900 delegates were in attendance. Commenting on the study and ISCA's support for its members in this area, ISCA President Teo Ser Luck said, "The findings show that accountancy and finance professionals play a critical role in integrating sustainability into businesses. They are called to be stewards of corporate sustainability strategies by facilitating the sustainability transition for businesses. With their professional knowledge, they are able to take a leading role in helping businesses in the process. On ISCA's part, we are committed to supporting the profession and equipping our members to seize new opportunities arising from the transition to a green economy."

Samir Bedi, Partner, EY Asean Workforce Advisory Leader and EY Singapore Government & Public Sector Leader, shared that sustainability in finance could soon warrant a full-time role

Accountancy and finance professionals, with their financial expertise, are in an advantageous position to assume the CFSO position

[1] The 10 business sectors are: Professional Services, Banking & Finance, Manufacturing, Technology, Materials & Building, Real Estate, Energy, Transportation, Food & Beverages, and Forest products & Agriculture.

> "The findings show that accountancy and finance professionals play a critical role in integrating sustainability into businesses. They are called to be stewards of corporate sustainability strategies by facilitating the sustainability transition for businesses."
> **ISCA President Teo Ser Luck**

THREE KEY SUSTAINABILITY TRENDS

The study uncovered three key sustainability trends with significant impacts on business. They are: decarbonisation of the environment, more companies are participating in sustainability reporting, and there is an expansion in the green finance sector.

Decarbonisation of the environment is becoming a global imperative and a priority for governments. Globally, reducing carbon dioxide (CO2) and other greenhouse gas (GHG) emissions has been accelerated to meet the goal of the 2015 Paris Agreement to limit global warming to below 2-degree Celsius above pre-industrial levels. The decarbonisation effort has been given a boost as global rules and regulations stabilised through agreements on an international standard of measuring carbon. This has hastened the development of a global system of carbon markets and made carbon trading much more attractive.

Sustainability reporting is becoming commonplace and this trend is likely to grow more prominent alongside the establishment of the International Sustainability Standards Board (ISSB). The ISSB aims to develop a comprehensive global baseline of sustainability-related disclosures to meet capital market needs. There is evidence that this baseline would improve information usability and comparisons.

Regarding the expansion of green finance, according to a Bloomberg report[2], in the past two years, the green bond market has already tripled and yet, investors' appetites for green bonds remain high; it is likely that green bonds will be oversubscribed by twice the supply.

NEW AND EMERGING JOBS; ADDITIONAL SUSTAINABILITY SKILLS

In light of these sustainability trends, the accountancy profession would be required to pick up additional skills to meet new business needs. As SAC Chief Executive Evan Law pointed out, "Sustainability is changing how businesses operate, and the professional accountant's role is at the heart of this transformation. They know how businesses work and thus, they are well placed to guide businesses in meeting their sustainability goals. As such, it is essential that they equip themselves with the skills to handle emerging areas in sustainability, such as carbon and greenhouse gas accounting, green financing, and sustainability reporting."

Preparers in the corporate finance function would need additional sustainability skills, such as an indepth understanding of carbon accounting, carbon trading, and sustainability reporting.

Additional Skills for Corporate Finance Function	
Green Finance • Key sustainable investment strategies or investment approaches and governance practices • Sustainable asset classes universe • Approaches to take into account sustainable factors in investment process • Sustainable investment trends including new approaches and challenges • Sustainable investment principles and best practices • Leading global and regional sustainable investment initiatives, coalitions and pledges	**Sustainability Risk Management** • Key sources of sustainability risks, and potential transmission • Channels through which these risks can impact or be impacted by the financial institutions • Regulatory guidelines and requirements, and industry standards for sustainability risk management • Where applicable, firm up internal requirements for sustainability risk management • Key sustainability risk modelling concepts and approaches • Selection and use of data, metrics or other indicators relevant for assessing sustainability risks

Sustainability trends that impact business:
→ Decarbonisation
→ Sustainability reporting
→ Green finance

[2] https://www.bloomberg.com/professional/blog/green-bonds-heat-up-while-emerging-markets-set-for-debuts/

Both the CFO and FM would be expected to know and operationalise carbon accounting and the different approaches to measure GHG emissions. In addition, the CFO would need additional skills to understand and keep abreast of developments in the global carbon markets and carbon trading, to identify potential risks and opportunities. Assurance service providers are also expected to understand carbon accounting and trading. As carbon trading becomes integrated into business strategy, companies would come to rely on sustainability assurance to adjust, augment, and authenticate the information for stakeholders. They would be vital partners in the efficient allocation of capital across global carbon markets.

Job	Current Skills	Additional Skills
Chief Financial Officer	• Accounting and tax systems • Audit compliance • Benchmarking • Business acumen • Business innovation and improvement • Business planning • Business process management • Capital expenditure and investment evaluation • Capital raising • Change management • Conflict management • Corporate and business law • Cost management • Data analytics • Digital technology adoption and innovation • Digital technology environment scanning • Disruption management • Finance business partnering • Financial analysis • Financial management • Financial planning • Financial reporting • Financial reporting quality • Fraud risk management • Internal controls • Macroeconomic analysis • Management decision making • Performance management • Professional and business ethics • Professional scepticism and judgement • Professional standards • Project execution and control • Project management • Regulatory risk assessment • Regulatory strategy • Risk management • Stakeholder management • Tax implications • Taxation laws • Transfer pricing • Valuation	**Carbon Markets and Credits** • Key climate-related policy concepts and leading government and corporate commitments driving carbon markets • Definition of carbon credits as well as the different attributes and qualities • Global carbon markets • Key GHG accounting approaches and principles for financial institutions • GHG (including Scopes 1 to 3) emissions concepts • Mitigation hierarchy approaches and benefits of carbon trading and how they allow for efficient allocation of capital **Sustainability Reporting** • Concepts of sustainability reporting frameworks, guidelines and principles • Concepts of sustainability accounting frameworks, guidelines and principles • Domestic, regional and international sustainability reporting and accounting regulations that are applicable to the financial sector

The CFSO must be familiar with sustainability reporting and target setting, and possess sustainability business partner skills

Sustainability reporting and sustainability risk management are two other skill sets that would be expected of job roles in the corporate finance function. There are various global sustainability reporting frameworks and guidelines, which the CFO and FM must be familiar with, to navigate different disclosure standards for different stakeholders and purposes. At the same time, the corporate finance function as a whole must upskill in sustainability risk management to identify risks and opportunities. For instance, there should be general understanding of sustainable investment principles and best practices to better prepare and position the organisation for opportunities in sustainability.

Commenting on the new and additional skills required of accountancy and finance professionals, Professor Cheng Qiang, Lee Kong Chian Chair Professor of Accounting and Dean, School of Accountancy, SMU, said, "To meet the rising demand of sustainability accountants, we have adapted our educational curriculum to include existing and emerging frameworks for developing corporate ESG performance metrics, assessing their reliability, reporting to stakeholders, and incentivising managers based on ESG performance metrics. We hope it will help to ease the skills gap in the accountancy sector."

Job	Current Skills	Additional Skills
Assurance	• Accounting standards • Auditing and assurance standards • Auditor independence • Business acumen • Cybersecurity • Data analytics • Data governance • Digital technology • Environment scanning • Engagement execution • Engagement quality control • Financial statements analysis • Internal controls • Macroeconomic analysis • Professional and business ethics • Professional scepticism and judgement • Programming and coding • Project execution and control • Risk assessment • Stakeholder management • Taxation laws • Communication • Collaboration • Digital fluency	<u>Carbon Markets and Credits</u> • Key climate-related policy concepts and leading government and corporate commitments driving carbon markets • Definition of carbon credits as well as the different attributes and qualities • Key GHG accounting approaches and principles for financial institutions • Compliance and voluntary carbon markets, carbon pricing mechanisms and policy considerations • Mitigation hierarchy approaches and benefits of carbon trading and how it allows for efficient allocation of capital • Global carbon markets

"(PAIBs) ... know how businesses work and thus, they are well placed to guide businesses in meeting their sustainability goals. As such, it is essential that they equip themselves with the skills to handle emerging areas in sustainability, such as carbon and greenhouse gas accounting, green financing, and sustainability reporting." **SAC Chief Executive Evan Law**

Job	Technical Skills	Critical Core Skills
Chief Finance & Sustainability Officer	<u>Sustainability Reporting and Target Setting</u> • Best practices for methods to set targets in relation to each material sustainability metric • Best practices for corporate policies, practices and performance measurements in relation to each material sustainability metric <u>Integrating Sustainability into Corporate Strategy</u> • Techniques to link the organisation's targets to global environmental goals and UN SDGs in a quantifiable manner <u>Sustainability Reporting</u> • Techniques to conduct integrated reporting which combine financial and sustainability data	<u>Sustainability Business Partner Skills</u> • Stakeholder engagement • Communication • Collaboration • Influence • Problem solving • Sense making • Transdisciplinary thinking

WHAT DOES THE CFSO DO?

Today, the CFSO is emerging in companies with a well-developed sustainability drive. The CFSO is a C-suite position that could be above the CFO and CSO functions, to oversee the integration of finance and sustainability into the business strategy of the organisation. The CFSO brings end-to-end strategic and financial leadership to the company's sustainability strategy and will translate the ESG impact of the company's activities into financial metrics. The CFSO must be familiar with sustainability reporting and target setting, as well as possess sustainability business partner skills. Accountancy and finance professionals have an advantage in assuming this leadership role due to their financial expertise. This career option would be attractive to those who seek to provide financial oversight and steer organisation-wide sustainability initiatives, investments, and interests.

Samir Bedi, Partner, EY Asean Workforce Advisory Leader and EY Singapore Government & Public Sector Leader, was of the view that "sustainability, as a topic and a trend, covers more than finance. The role of sustainability in finance will soon be more than just a task and potentially one that requires focus, attention and perhaps even a separate full-time role to be carved out".

CONCLUSION

Accountancy and finance professionals are the emerging champions of sustainability in organisations. It is imperative that they are properly equipped with additional sustainability skills to spearhead sustainability transition in companies. As sustainability becomes more entrenched as a business norm, accountancy and finance professionals will find themselves tasked with sustainability reporting and disclosures, as well as the identification of sustainability risks and opportunities. ISCA

This article was contributed by the Institute of Singapore Chartered Accountants, Ernst & Young Advisory Pte Ltd, Singapore Management University and Singapore Accountancy Commission.

TEXT BY
GEMS, ISCA

ISCA One Young #CharteredStar Competition

Winner Attended One Young World Summit 2022

TAKE AWAYS

- The One Young World Summit (OYW) is a global forum which brings together bright young leaders to accelerate social impact, and drive positive, peaceful and meaningful changes.
- The Institute organised the ISCA One Young #CharteredStar Competition to find an outstanding young leader to represent ISCA and Chartered Accountants Worldwide at the OYW Summit 2022.
- The rigorous selection criteria spanned proven leadership, creativity, insights, soft skills, ability to inspire/influence others, and more.

THE INSTITUTE RECENTLY ORGANISED THE ISCA ONE YOUNG #CHARTEREDSTAR COMPETITION to find an outstanding young leader to represent ISCA and Chartered Accountants Worldwide (CAW) at the One Young World (OYW) Summit 2022 in Manchester in the United Kingdom (UK). The competition is also a platform for our young accountants to share their ideas and insights to address the challenges facing the world, which range from conflict prevention to acceleration of gender equality, restoring the world's oceans, aging population crisis, ethical leadership and health equity.

The OYW Summit is a global forum which brings together the brightest young leaders from every country and sector to work to accelerate social impact; it also creates opportunities for young leaders who want to drive positive, peaceful and impactful changes.

During the Summit, delegates will participate in four transformative days of speeches, panels, networking and workshops, to harness the knowledge and skills needed for being impactful change makers. All curated content at the Summit is shaped by the five Plenary Challenges, and these are the driving forces for all the discussions centred on creating a better world.

Delegates will have the opportunity to challenge world leaders, engage with, and be mentored by expert industry influencers and make lasting connections. Past counsellors of the Summit include influential political, business, and humanitarian leaders such as Justin Trudeau, Paul Polman and Meghan Markle, among many other global figures.

THE RIGOROUS SELECTION PROCESS

Every year, young leaders around the world undergo rigorous selection processes based on proven leadership ability and impact to earn the coveted spots at the Summit. ISCA is just as rigorous in its criteria. This year's ISCA One Young #CharteredStar Competition saw a panel of esteemed judges comprising past ISCA OYW Ambassadors (this is what the Summit representatives are called), an ISCA Council member, members of the Institute's senior management team, as well as chair of the ISCA Young Professionals Advisory Committee (YPAC) critically evaluating each candidate. The panel assessed the candidates' presentations, which are based on one of the five plenary themes of #OYW2022, and their responses during the interactive group discussions, as a gauge of their creativity, insights and leadership skills. The finalists were also assessed on their ability to inspire and influence their peers through social media.

This year, Tan Cihui, who stood out for her poise, strong articulation and proactiveness, flew the flag for young Chartered Accountants in Manchester as the ISCA Ambassador; she was part of the delegation of 13 Chartered Accountants from CAW.

Cihui updated her experiences on the ISCA YPAC Instagram account during the OYW Summit from September 5 to 8, touching on her journey from the Opening Ceremony at Bridgewater Hall, an internationally renowned concert venue, to the iconic Manchester Central, where she was inspired by the speeches, panels and networking events. She would be sharing her experience in the December issue of this *IS Chartered Accountant Journal*.

The Cream Of The Crop

ISCA One Young #CharteredStar 2022 Winner and Finalists

WINNER
TAN CIHUI
CA (SINGAPORE)
SENIOR MANAGER, AUDIT & ASSURANCE
DELOITTE & TOUCHE LLP, SINGAPORE

CIHUI, 33, IS A CHARTERED ACCOUNTANT OF SINGAPORE. She has over nine years of public accounting experience including two years with the Deloitte London, UK practice under the Deloitte Global Mobility Programme.

She has experience in leading, managing and coaching engagement teams to provide external financial audit services (both ISA and PCAOB) for private, locally listed, multinational companies and SEC registrants among the Fortune 500, as well as listed on the New York Stock Exchange. She serves companies across various industries, such as consumer business, manufacturing and trading, aviation, port solutions, hospitality, pharmaceutical, media and technology.

A global cause that Cihui advocates is ethical leadership. Ethical leadership means using the power and authority which come with the leadership position to promote ethical conduct and behaviour in the team. It is with ethical leadership that one can build trust within the team and with stakeholders. It creates a positive culture in the long run that is fundamental to achieving success. Cihui advocates this by practising ethical leadership when leading her own engagement and project teams. She often encourages her team members to do the right thing when faced with ethical dilemmas.

Cihui enjoys travelling as well as bachata and salsa dance during her free time. She is always on the hunt for good food and coffee.

ANG KAI JIE

CA (SINGAPORE)
MANAGER (FINANCIAL CONTROLLING)
INFINEON TECHNOLOGIES ASIA PACIFIC, SINGAPORE

HAVING GARNERED INVALUABLE EXPERIENCE across accounting, financial advisory, and internal audit, Kai Jie, 30, is presently a financial controller leading one of the global finance and controlling functions of German semiconductor company Infineon Technologies. Akin to Infineon's mission to make life easier, safer, and greener, the Nanyang Business School alumnus and former Singapore-Industry Scholar takes pride in co-piloting the financial success and responsible action of the multinational chipmaker, particularly through his contributions in the Infineon Finance Career Network and Infineon Cares corporate citizenship community.

Kai Jie's visionary perspective and strong sense of duty for the planet have earned him opportunities to pursue remarkable personal endeavours, including his appointment as Climate Ambassador of the Global Youth Climate Network – an initiative by the World Bank Group that empowers youths worldwide to collaborate and undertake climate actions. By advocating his causes actively through his authorship with the sustainable lifestyle platform, Green Is The New Black, Kai Jie strives to raise awareness about environmental sustainability and inspire commitment towards making the world a better place for all.

With the ocean as his main muse, Kai Jie unplugs from work by reconnecting with mother nature, most often through his kayaking and scuba diving expeditions.

AS A SOX CONTROLS MANAGER, BENJAMIN, 31, manages the risks and controls of Grab's business finance systems. He was part of Grab's US IPO listing and was featured on Nasdaq's billboard in Times Square, New York City. The week-long feature on Nasdaq's billboard was part of Grab's publicity shoutout, where selected Grab employees were showcased during the company's IPO in December 2021.

Benjamin began his career at PwC Singapore's Assurance department. During his six-year stint, he went on two international secondments – the first was to PwC's Myanmar office, and the second was a two-year relocation to PwC's Tel Aviv, Israel office.

While in Israel, Benjamin bore witness to the region's geopolitical tensions, experiencing armed conflicts and protests. He survived the missile attacks from Gaza, including a hair-raising ordeal as missiles exploded in mid-air as he sprinted towards the bomb shelter.

Benjamin recently acquired an MBA and demonstrated his entrepreneurial streak through his professional services startup. He is passionate about diversity, inclusion, and gender equality, as he believes that these can help reduce conflicts at the workplace and in society.

BENJAMIN WONG

CA (SINGAPORE)
CONTROLS MANAGER, FINANCE SYSTEMS
GRAB HOLDINGS LIMITED

BRENDON QUEK JIAN LIANG

CA (SINGAPORE)
AUDIT MANAGER
DELOITTE SINGAPORE

BRENDON, 32, HAS MORE THAN SEVEN YEARS OF EXPERIENCE in public accounting, including an 18-month stint in France. His role involves the provision of audit and assurance services to clients in the financial services sector, with a focus on banks and fintechs. Some key highlights in Brendon's career include handling cross-border bank audits in emerging economies, conducting compliance reviews and managing audit and assurance projects.

Passionate about grooming and developing the next generation of ethical leaders, Brendon is involved in the mentoring of young talents in his firm and dedicates time to coach his mentees. He also strongly believes in leading by example and fostering a safe work environment where teammates respect one another.

Outside of work, Brendon enjoys playing tennis and soccer. He frequently represents his firm in various sports competitions.

HONGRUI, 33, IS REGIONAL FINANCE MANAGER of TotalEnergies Renewables Distributed Generation Asia-Pacific (TotalEnergies). He is an ISCA trainer on renewable energy accounting and a member of the ISCA Young Professionals Advisory Committee.

Hongrui was an audit manager with Deloitte & Touche Singapore for about five years, where he gained immense Singapore IPO experiences before he joined TotalEnergies. He is currently managing the full spectrum of accounting, tax and FP&A for TotalEnergies.

He is both a Chartered Accountant and a Certified Internal Auditor, because he really loves accounting and audit. He also loves to play basketball.

Hongrui advocates for the use of clean and sustainable sources of energy because mother earth's energy is limited. Can you imagine what would happen if one day, the whole world has no light? ISCA

MO HONGRUI

CA (SINGAPORE)
REGIONAL FINANCE MANAGER (ASIA)
TOTALENERGIES RENEWABLES ASIA

This article was contributed by Government Engagement & Member Support (GEMS), ISCA.

VIEWPOINT

TEXT BY

Soh Suat Lay

... Chartered Accountants, valued for their versatility and breadth of skills, are making a difference in diverse roles across various industries.

What Do Accountants Do?

Much More Than You Think

AS A GEN-XER, I LEFT SCHOOL MORE THAN TWO DECADES AGO. Back then, when I was pondering my career path and choosing my course of study, accountancy was a highly recommended option for the job security and vast career opportunities that it could provide.

The accountancy profession has evolved by leaps and bounds since then, but what remains unchanged is that accountancy is a recession-proof career offering strong job security even when financial markets are experiencing uncertainties and global economies hit crisis mode. As many professional accountants can attest to, the professional education and experience of an accountant offer more than just a job – it offers a career in a great profession and diverse opportunities across industries.

TAKE AWAYS

- The professional education and experience of an accountant offer more than just a job – it offers a career in a great profession and diverse opportunities across industries.
- The demand for Chartered Accountants has continued to rise and currently, the profession is facing a situation where demand has significantly exceeded supply.
- Accountants and auditors can be strategic advisors to help embed sustainability into a company's strategy, decision making and reporting processes.
- According to the Jobs Transformation Maps for Accounting Practices and Inhouse Finance & Accounting, 11 job roles in accountancy are expected to emerge over the next two years.

PHOTO: SHUTTERSTOCK

Having the opportunity to support ISCA members who are accountancy professionals as well as employers and industry partners from diverse industries, we have witnessed how the accountancy landscape has transformed over the past decade or so. Previously, those who studied accountancy typically chose to kickstart their careers in audit, and accounting and finance roles, and would progress steadily through these roles and make their mark as audit partners or Chief Financial Officers.

Today's accountants have many more options. Businesses value how Chartered Accountants can identify and deliver insights from financial data and information for performance monitoring, and provide advice and inputs that support project feasibility decisions; they also highlight potential red flags which could trigger reviews and followup actions for business units and management.

EMERGING ROLES FOR ACCOUNTANCY PROFESSIONALS

A glimpse at ISCA's membership profile tells us that the roles undertaken by accountancy professionals have evolved, and there is greater diversity in our membership base. The data validates how Chartered Accountants, valued for their versatility and breadth of skills, are making a difference in diverse roles across various industries.

In addition to the core finance and accounting, audit and tax roles, ISCA members are in job roles such as business and data analysts, pricing strategists, data scientists, finance systems specialists, digital finance transformation leads and sustainability specialists. The roles open to accountants continue to evolve. According to the Jobs Transformation Maps (JTMs) for Accounting Practices and Inhouse Finance & Accounting[1], 11 job roles in accountancy are expected to emerge over the next two years, including ESG (environmental, social and governance) specialists; governance, risk and compliance lead; finance automation lead, and finance transformation lead. The JTMs, developed by the Singapore Economic Development Board and Singapore Accountancy Commission (SAC), with the support of Workforce Singapore and SkillsFuture Singapore, were launched in January this year.

It is often said that "an accountant never stops learning", and this adage has continued to hold true over time. Because the accountant's role has evolved and continues to evolve, accountants continually upskill and reskill themselves to perform their role as trusted business advisors and make a difference in today's everchanging business landscape.

DEMAND FOR ACCOUNTANCY PROFESSIONALS OUTSTRIPPING SUPPLY

The demand for Chartered Accountants has continued to rise and currently, the profession is facing a situation where demand has significantly exceeded supply. If a picture paints a thousand words, numbers are like macro photographs that capture reality with detailed precision. Based on the SAC's 2021 National Census for Accounting Entities[2], the accountancy sector is projected to expand, with the projected increase in headcount in areas including business advisory services (6.4%), tax advisory and compliance services (4.8%), corporate support services (2.3%) and audit and assurance services (2.2%). By 2025, there is a projected demand of 6,000 to 7,000 new accounting jobs.

For proponents who think technology will eliminate the accountant's role, these numbers have proven them wrong. Such discussions on technology taking over accountants' jobs started more than a decade ago. Fast forward to today, professional accountants are in such strong demand that we are now facing a severe manpower crunch. To address the talent shortage, the Big Four accountancy firms have increased staff salaries in a bid to attract and retain talent. The move reflects the broader competition for skilled accountancy professionals in Singapore.

[1] https://www.sac.gov.sg/career-support/jobs-transformation-maps
[2] https://www.sac.gov.sg/accounting-entity-surveys

ACCOUNTANTS PLAY A KEY ROLE IN SUSTAINABILITY

Chartered Accountants working across industries and businesses provide financial insights and ensure that the financial information complies with regulatory and reporting standards. In professional services firms, they conduct the audit after a company closes its books. Following the recent global call for businesses to focus resources and efforts on sustainability reporting, there is even higher demand for Chartered Accountants, as well as for them to do more.

In helping businesses go green, accountants play a central role. Already, Finance teams excel at collecting and making sense of data from various sources to derive insights. As more organisations adopt ESG performance metrics, accountants can contribute in various ways to sustainability reporting, such as by tracking the non-financial indicators to enhance transparency and improve decision making while seeking to achieve the bottom lines. Similarly, auditors must have the skills to verify such information.

Beyond collecting, analysing and reporting sustainability-related information, accountants and auditors can be strategic advisors to help embed sustainability into a company's strategy, decision making and reporting processes.

To equip staff and accountants with the requisite skills in the emerging green space, ISCA, the institutes of higher learning and professional services firms are actively providing education and training support.

Big Four firm PwC Singapore[3] has unveiled a S$50-million investment over five years to promote sustainability excellence, including upskilling its 3,500-strong workforce. Both KPMG[4] and Deloitte[5] are similarly committed to this green movement, with KPMG's multi-billion-dollar investment plan on ESG change agenda and Deloitte's billion-dollar investment in its global Sustainability & Climate practice. EY announced that it has achieved carbon-negative status[6] and, as an organisation, is striving towards becoming net zero by 2025.

BUSINESSES CANNOT FUNCTION WITHOUT ACCOUNTANTS

I cannot imagine how businesses will function without accountants as accountancy is the language of business, unified by a global set of financial reporting standards. And, at a time when climate change is a global existential risk, accountants can truly save the world by making "sustainable performance concrete, measurable, comparable and linked to scientific priorities"[7].

Truth be told, accountancy as a profession might not be one of the most exciting choices. We often blame it on the lack of blockbuster movies and drama series but seriously, there are many accountants who would argue that their training has provided them with a career that is fulfilling in countless ways, based on the diverse roles that they have taken on and the paths they have charted across different industries.

There are numerous "war stories" that accountants can share. At ISCA, we have been bringing them to schools to inspire and respond to the pragmatic, candid and often numerically inclined questions posed by the bright-eyed and bushy-tailed youngsters.

We see it as our mission to share our experiences with the future generations, to inspire them to carry the torch; for, in such a time as this, we need as many people with the skills to save the world as we can get. ISCA

Soh Suat Lay is Divisional Director (Professional Development and Qualifications), ISCA. An edited version of this article was first published in The Edge Singapore on 1 September 2022.

JTMs indicate that 11 job roles in accountancy are expected to emerge over the next two years

Demand for accountants has significantly exceeded supply

[3] https://www.businesstimes.com.sg/leadership-management/pwc-singapore-investing-s50m-on-new-hires-esg-centre
[4] https://home.kpmg/bh/en/home/media/press-releases/2021/10/kpmg-program-accelerates-solutions-for-esg-issues.html
[5] https://www2.deloitte.com/sg/en/pages/about-deloitte/articles/deloitte-announces-1-billion-investment-in-global-sustainability-climate-practice.html
[6] https://www.ey.com/en_sg/news/2021/10/ey-announces-achievement-of-carbon-negative-status
[7] https://hbr.org/2013/03/accountants-will-save-the-worl

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VIEWPOINT

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> "Achieving small wins at the start will also encourage us to seek greater fitness goals in the future."

Starting A Fitness Journey

Making It Work For Unmotivated People

TAKE AWAYS

- Establish the right environment to help you stay consistent with a new lifestyle and routine.
- Start with basic exercises that embody common movement patterns and are not too challenging in terms of technique.
- Explore the type of activities that you enjoy, for example, cardio, strength training, calisthenics, bodybuilding, etc.

AS RESOLUTIONS GO, FITNESS TARGETS SEEM TO TOP THE LIST FOR UNFULFILLED PROMISES. If one were to whittle down the premise, it is that, while people understand that staying active and healthy are important and desirable goals, there are just too many priorities fighting for attention. And, it turns out that psychology has something to do with it.

Humans are predisposed to form routines, and we tend to follow the path of least resistance. Those who are unmotivated to exercise will share "reasons" from conflicting schedules and lack of equipment to costly classes and inconvenient locations. As legitimate as some of them are, they are actually examples of us feeding excuses into our habits so that we can remain in our comfort zones.

"It is hard to stay consistent with a new lifestyle and routine, unless your environment supports it," says Lim Zheng Jie, 28, a personal trainer at two training studios. "It's often easier to show up at the gym when we have workout buddies there, just as it's easier to eat healthy when we don't keep junk food at home. To effectively stick to our routines, we need people and things that constantly cue us to make the right choices, often subconsciously."

And according to *Psychology Today*, other behavioural trip-ups are also fencing us in, including:

1. The power of now
Bad habits form because we cater to the most immediate pleasurable need, such as bingeing on food or a Netflix series. As Melvyn Yeo, 38, Education and Onboarding Manager at a local gym, acknowledges, "Hunger pangs and snack cravings are easier to give in to, so they tend to distract us from our well-intentioned goals."

2. Projection bias
When we make a resolution, we are often inspired by something that's happening, such as a celebration. But we forget how difficult it is to wake up an hour earlier (for a workout), or how tired we feel after climbing a flight of stairs. We project our feelings into the future without considering the present.

3. Limited focus
As we make plans for that better diet and fitness regime, we forget that it's going to be challenging to stick to the plans. We may *commit* to hitting the gym twice a week but end up choosing a dinner plan with a friend because it's perceived as more rewarding.

TAKING THAT FIRST STEP

How does one even begin on a fitness journey?

Some people prefer self-contained set-ups like gyms to focus their workouts, but the truth is that a fitness routine can be done anywhere, and without a gym membership or specialised equipment. Crucially, we need to convince ourselves that the benefits of starting that workout outweigh the reasons for not doing it.

We're all built differently, but tapping into what naturally inspires us will help. "Start with something that you genuinely like!" suggests personal trainer Lim. "It totally depends on what the beginner enjoys doing – cardio, strength training, calisthenics, bodybuilding – but it is a good idea to start with basic exercises that embody common movement patterns and are not too challenging in terms of technique. For example, learning how to do a deadlift proficiently first will give a beginner the confidence to perform other hinging exercises like the kettlebell swing. And, achieving small wins at the start will also encourage us to seek greater fitness goals in the future."

NOVEL WORKOUTS

Novel workouts get you excited? How about bouncing on trampolines? It may sound like child's play but new participants always get a surprise at how much energy they expend bouncing on the mini-rebounders. Accompanied by thumping music, every session is invigorating and delivers a cardio burn. You can also get an interesting workout atop a surfboard in a pool, where you're led through a series of routines and yoga poses. If you like getting into the water, there are classes that let you work against the natural forces of the element while

Crucially, we need to convince ourselves that the benefits of starting that workout outweigh the reasons for not doing it.

PSYCHOLOGICAL BARRIERS, BE GONE!

Set realistic goals
While it is possible to drop six kilogrammes in three months, it will require a lot of commitment. It's best to work on a sustainable pace that's possible to stick to. "For someone who has not exercised for the past three years, embarking on a four-days-a-week HIIT routine might be a huge shock to the system. To ensure consistency, it is better to make small, gradual changes that can be confidently managed," advises Lim. "Being at least 90% consistent in doing the simple things right can add up to significant transformations over time."

Establish short-term goals
A long-term goal spanning a year is much more attainable when broken into smaller ones. Short-term targets allow you to regularly review your progress and tweak your regime, in line with your overarching objective.

Remember it's your journey
This is easier said than done, as we tend to consciously or unconsciously compare ourselves with others. Someone will always be stronger and leaner within a shorter time. Just remember that we are all built differently, and if your regime is moving you towards your end goals, it's already a win.

Set that priority
Family, friends, work. We readily integrate time-consuming activities related to them because they are important to us. If we have the same regard for our own health and fitness, then exercise must become a priority as well.

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you spin (cycle) on your underwater machine. Or grab a glow sabre and follow the instructor through the cardio and plyometric movements that're both toning and visually spectacular.

WORK OUT AT HOME

Gyms can be intimidating places for beginners. Fortunately, online fitness programmes and apps are freely available and can often be done in the comfort of home. Hybrid Calisthenics uses bodyweight training to deliver visible benefits for strength and weight loss. Think simple movement exercises like sit ups, squats and bridges, but done in small changing sets to support constant conditioning. The online videos are easy to understand, with clear instructions from the affable founder. There's even a physiotherapist on hand to answer your questions.

PIIT28 asks you to invest 28 minutes for 28 days to see and feel the difference. The founder channels the core-strengthening power of Pilates into a high-intensity interval training (HIIT) format to deliver training in a short timeframe. The small combinations of 40-second workouts require minimal space and no equipment, making it perfect for a home workout.

GETTING AN EXTRA BOOST

Sometimes, the first step is the hardest. For those who can't seem to commit to something "extra", integration can be useful. Here are some ways to get an extra boost of energy, and get more out of your routine.

- **Music moves the world**
  Don't underestimate the power of tunes. "Listening to music that you love can improve your mood and distract you from the fatigue you feel during a tough workout," says Lim. "Upbeat music can give you an adrenaline rush and motivate you to push harder." Start by promising yourself a run that lasts as long as a song. Don't be surprised when you're running to the whole album in a few months! Adapt this to other activities like skipping or dancing and you're moving for all the right reasons.
- **It's the company that counts**
  Have to watch over kids or want to spend more time with your pets? Walking is an often-overlooked exercise. Spend some time wandering about the neighbourhood with your loved ones and be rewarded on many levels.
- **Office moves**
  Most of us spend a lot of time at work and even though hybrid work is settling into a norm, throwing in a bit of exercise at the desk can be rejuvenating and rewarding. Apps like 100 Office Workouts (Android) uses your chair as a handy tool, while Office Yoga (Android and iOS) squeezes in soothing poses on your seat. Workout Trainer by Skimble (Android and iOS) has a wide range that can let you graduate from the chair into full short routines if you have a room to spare at the office.

Health is most definitely wealth. With the right mindset, you can embark on your long-talked-about fitness journey. No excuses. Get going today. ISCA

Technical Highlights

SUSTAINABILITY & CLIMATE CHANGE

ISCA Comments On ISSB's Exposure Drafts On (1) General Requirements For Sustainability-Related Financial Disclosures And (2) Climate-Related Disclosures

ISCA commends the International Sustainability Standards Board (ISSB) for its efforts to develop a comprehensive global baseline of sustainability disclosures. This is not an easy task given the varying levels of maturity among preparers and users of such information.

Having said that, ISCA provided feedback that certain requirements in the exposure drafts (EDs) are being set too high as a baseline, especially for small and medium-sized enterprises which typically play critical roles along the value chain and provide information necessary for larger companies to comply with the proposed disclosure requirements regarding their own value chains. ISCA has also suggested a few possible approaches to make the EDs more adoption-friendly by recognising that sustainability is a journey.

For more information, please visit https://isca.org.sg/content-item?id=2b326345-391a-48fd-b5b8-058f9176a3a1

AUDITING AND ASSURANCE

ISCA Issues Updated Auditing And Assurance Pronouncements Arising From Revised Legislation Titles

The updates of legislation titles in the Pronouncements are editorial amendments to align the short titles of the Singapore Acts of Parliament currently referenced in the Pronouncements to the revised short titles arising from the 2020 Revised Editions of Acts.

The updated Pronouncements are effective from 4 August 2022.

For more information, please visit https://isca.org.sg/content-item?id=274cd73a-9903-4e00-bf85-566f0dda3999

Spearheading Change To Enhance Confidence In Audits And Assurance

IAASB published its 2021 Public Report, which details its progress to support the public interest in audit and assurance for the year ended 31 December 2021.

For more information, please visit https://www.iaasb.org/news-events/2022-07/spearheading-change-enhance-confidence-audits-and-assurance

New Implementation Guide Available For Identifying And Assessing The Risks Of Material Misstatement In An Audit Of Financial Statements

This guide focuses on the more substantial changes that were made to International Standard on Auditing (ISA) 315 (Revised 2019) and will help stakeholders understand and apply the revised standard as intended.

For more information, please visit https://www.iaasb.org/news-events/2022-07/new-implementation-guide-available-identifying-and-assessing-risks-material-misstatement-audit

IAASB Issues New Frequently Asked Questions For Reporting Going Concern Matters In The Auditor's Report

This non-authoritative publication addresses some of the common questions related to reporting going concern matters in the auditor's report.

For more information, please visit https://www.iaasb.org/news-events/2022-08/iaasb-issues-new-frequently-asked-questions-reporting-going-concern-matters-auditor-s-report

ETHICS

EP 100 (Revised On 7 September 2022) – Expected To Be Effective 15 December 2022

ISCA has issued EP 100 (revised on 7 September 2022) to adopt four IESBA's final pronouncements relating to non-assurance services, fees, objectivity of an engagement quality reviewer and other appropriate reviewers, and quality management-related conforming amendments.

EP 100 (revised on 7 September 2022) also replaces extant paragraph SG410.4A with revised paragraph SG410.27A which is applicable to audit clients that are listed entities, and includes a new term, "audit-related services", in the Glossary.

For more information, please visit https://isca.org.sg/content-item?id=a02e0c32-e770-416f-9d7e-df598d4a9157

IESBA Staff Releases Q&As To Spotlight Key Changes To The Non-Assurance Services Provisions Of The IESBA Code

The IESBA Staff released a Q&A publication to highlight, illustrate or explain aspects of the revised NAS provisions in the Code that apply to audit clients that are public interest entities (PIEs).

For more information, please visit https://www.ethicsboard.org/news-events/2022-07/iesba-staff-releases-qas-spotlight-key-changes-non-assurance-services-provisions-iesba-code

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FINANCIAL REPORTING

ISCA Invites Comments On ED FRG 4 *Accounting Considerations For A Special Purpose Acquisition Company (SPAC) Under SGX SPAC Listing Framework*

In recent years, SPACs have gained popularity as an alternative vehicle for a private company to achieve a stock exchange listing without going through its own initial public offering (IPO). After the acquisition by a SPAC, that private company becomes part of a listed public company.

In September 2021, SGX introduced a new regulatory framework for the listing of SPACs on its mainboard to give companies an alternative listing avenue.

Cognisant that the accounting of a SPAC transaction could be more complex than for a traditional IPO, ISCA has developed a draft Financial Reporting Guidance 4 (FRG 4) to provide guidance on key accounting considerations for SPACs under the SGX SPAC Listing Framework. ISCA has issued the said draft guidance as an exposure draft (ED FRG 4) for public consultation on 12 September 2022.

ISCA welcomes feedback/views on ED FRG 4. Comments should be sent, in writing, to professionalstandards@isca.org.sg, no later than 7 October 2022.

For more information, please visit **https://isca.org.sg/docs/default-source/fr-eds-and-comment-letters/ed-frg-4—-spac-guidance-(final).pdf**

July 2022 IASB Update and Podcast Available

- **IASB Update and Work Plan Updated**

This Update highlights IASB's discussions on topics such as the ongoing analysis of stakeholder feedback received on the Post-Implementation Review of IFRS 9 – Classification and Measurement, Goodwill and Impairment; finalisation of agenda decision relating to classification of public shares as financial liabilities or equity (IAS 32) for Special Purpose Acquisition Companies, and deliberations on the Financial Instruments with Characteristics of Equity project. 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-july-2022/**

- **IASB Podcast**

In this podcast, IASB Chair Andreas Barckow and Executive Technical Director Nili Shah, share on IASB's discussions on the above topics.

For more information, please visit **https://www.ifrs.org/news-and-events/news/2022/08/july-2022-iasb-podcast-now-available/**

July 2022 IFRS Taxonomy Consultative Group Agenda And Meeting Papers Available

The IFRS Taxonomy Consultative Group meeting was held on 13 and 14 July 2022. Topics discussed include IFRS Sustainability Disclosure Taxonomy and IFRS Accounting Taxonomy.

For more information, please visit **https://www.ifrs.org/news-and-events/calendar/2022/july/ifrs-taxonomy-consultative-group/**

Q2 2022 IFRS Interpretations Committee Podcast Available

In this podcast, IFRS Interpretations Committee Chair and IASB member Bruce Mackenzie joined technical staff member Patrina Buchanan to discuss activities to support consistent application of IFRS Accounting Standards in the second quarter of 2022. Topics discussed include Principal versus Agent: Software Reseller, Negative Low Emission Vehicle Credits, and Cash Received via Electronic Transfer as Settlement for a Financial Asset. 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/2022/07/q2-2022-ifrs-interpretations-committee-podcast-now-available/**

June 2022 IFRS For SMEs Accounting Standard Update Available

This Update includes an update on the expected publication of the ED Third Edition of the *IFRS for SMEs* Accounting Standard and an update on the presentation of the ED at the World Standard-setters Conference.

For more information, please visit **https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/ifrs-for-smes/2022/june-2022-ifrs-for-smes-accounting-standard-update/?utm_medium=email&utm_source=website-follows-alert&utm_campaign=daily**

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TEXT BY


Felix Wong


Agatha Oei

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TP Cases Beyond Singapore's Shores

Key Takeaways From Recent Cases

TAKE AWAYS

- Stay abreast of recent international TP cases.
- Document the commercial rationale at the point of amending intercompany agreements.
- Prior agreements are not determinative of whether future agreements are arm's length in nature.

AS THE NUMBER OF TRANSFER PRICING (TP) AUDITS AND LITIGATIONS AROUND THE WORLD RISES, it becomes increasingly important for taxpayers to keep abreast of TP developments and proactively manage their intercompany transactions. At a recent webinar by the Singapore Chartered Tax Professionals, Accredited Tax Advisor (Income Tax) Elis Tan, Executive Director, and Koh Yun Qi, Associate Director, BDO Singapore, highlighted the critical issues and takeaways from recent international TP cases.

(From left) Accredited Tax Advisor (Income Tax) **Elis Tan**, Executive Director, and **Koh Yun Qi**, Associate Director, BDO Singapore, highlighted the critical issues and takeaways from recent international TP cases

INTERCOMPANY FINANCING ARRANGEMENT – *SINGAPORE TELECOM AUSTRALIA INVESTMENTS PTY LTD v COMMISSIONER OF TAXATION* [2021]

This case concerned amended assessments issued by the Australian Taxation Office (ATO) to Singapore Telecom Australia Investments Pty Ltd (STAI), an Australia resident company, to disallow interest deductions on loans made under a related-party financial arrangement.

In October 2001, Singapore Australia Investment Ltd (SAI), a Singapore resident company, acquired Cable & Wireless Optus Ltd (CWO), which operated the Optus telecommunications business in Australia. SAI subsequently sold the shares of Singtel Optus Pty Ltd (SOPL) (formerly CWO) to STAI.

As part of the deal consideration to acquire the SOPL shares, an A$5.2-billion loan note issuance agreement (LNIA) was issued. Subsequently, the LNIA was amended three times over the term of the loan agreement:

- First Amendment (31 December 2002): Reduced the maximum maturity date by one day.
- Second Amendment (31 March 2003): The accrual and payment of interest was changed (with retrospective effect from the issuance date) to become contingent on certain financial benchmarks, and the interest rate was increased to include a premium of 4.552% once the benchmarks were met.
- Third Amendment (30 March 2009): Changed from a floating interest rate to a fixed interest rate by substituting the one-year Bank Bill Swap Rate (BBSW) for a fixed rate of 6.835%, resulting in a fixed overall rate of 13.258%.

> **Important to ensure that comprehensive commercial and economic evidence are kept to support the company's transfer prices**

On the basis that the amounts of interest payable by STAI exceeded the amounts that might be expected to have been paid if the parties had been dealing at arm's length, ATO denied approximately A$895 million of interest deductions claimed by STAI in the 2010 to 2013 income years.

Key issues and the Court's decisions

The Court found that, having agreed to the original LNIA, independent parties in the positions of SAI and STAI would not have then agreed to make the changes contained in the Second and Third Amendments. Specifically,

independent parties would not have agreed to introduce financial benchmarks and add a premium of 4.552% in the Second Amendment. If a circumstance arose where the financial benchmark is never met, interest would never be paid.

The Court also pointed out that independent parties would not have agreed to change from a floating interest rate to a fixed interest rate in the Third Amendment, which was made amid the Global Financial Crisis when floating rates were generally decreasing. There was also a lack of expert evidence that the fixed rate of 6.835% was an arm's length substitute for the one-year BBSW at the time the amendment was made.

Ultimately, the Court decided in favour of the Commissioner on the basis that STAI had failed to demonstrate that the ATO's assessments were excessive.

Key takeaways for companies

- Ensure that comprehensive commercial and economic evidence are kept to support the company's transfer prices.
- When amending intercompany agreements, document the commercial reality that drove the amendments at the point in time; such contemporaneous documentation could help shed light on the commercial rationale behind the amendments in the event that the tax authorities challenge the company's TP position in the future.
- Consult relevant business units within the group before embarking on new or amending transaction terms to ensure that the proposed terms are in line with business norms and ensure that there is robust TP analysis to defend the company's TP positions.

INTERNATIONAL TRADING OF COMMODITIES – *COMMISSIONER OF TAXATION v GLENCORE INVESTMENT PTY LTD* [2020]

This case concerned amended assessments issued by the ATO to increase the consideration Glencore International AG (GIAG) paid Cobar Management Pty Ltd (CMPL) for its copper concentrate, on the basis that the consideration was not at an arm's length price.

Since 1999, CMPL, an Australia resident company, has managed and operated a mine in Australia, and sold all the copper concentrate it produced to its ultimate Swiss parent, GIAG. The sales agreement between CMPL and GIAG had traditionally been structured as "market-related" agreements. In this connection, the agreement between CMPL and GIAG evolved over the years; the February 2007 agreement has the following key differences compared to the original 1999 agreement:

- The calculation of the treatment and copper refining charges (TCRCs), which reduced the price to be paid by GIAG to CMPL for the copper concentrate, was no longer to be determined by reference to the benchmark and spot market for TCRCs and was instead to be fixed at 23% of the copper reference price for three years, under a "price-sharing" arrangement.
- GIAG was provided with increased optionality in selecting the quotational period used to determine the average applicable copper price, which impacted the ultimate price to be paid by GIAG to CMPL for the copper concentrate. This included "back-pricing", which permitted GIAG to select the period after knowing the price for at least one of the periods.

Related-party agreements should be commercially viable, and the form should match the substance of the transaction

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The ATO issued amended assessments for years 2007 to 2009 to Glencore Investment Pty Ltd (GIPL), as the head company of a multiple entry tax consolidated group that included CMPL, and increased the consideration paid by GIAG to CMPL for the copper concentrate for those income years based on the pricing mechanism previously used instead of per the February 2007 agreement.

Key issues and the Court's decisions

The Commissioner's primary case, based on expert evidence, was that an entity with the relevant attributes and in the position of CMPL, supplying copper concentrate to an independent counterparty with which it was dealing wholly independently, would not have agreed to a three-year 23% price-sharing mechanism and the increased quotational period optionality.

When amending intercompany agreements, document the commercial reality that drove the amendments at the point in time; such contemporaneous documentation could help shed light on the commercial rationale behind the amendments in the event that the tax authorities challenge the company's TP position in the future.

On the other hand, GIPL's case, also based on expert evidence, was that the relevant terms which the Commissioner took issue with were terms that existed in contracts for the sale of copper concentrate between independent parties in the same industry and with some of the same characteristics as CMPL and GIAG, and were therefore terms that might be expected to be found in an arm's length agreement that was absent of any relational bias.

In conclusion, the Court found that GIPL had discharged its onus of proof. The Court was satisfied on the evidence that the terms operating between CMPL and GIAG to calculate the price at which CMPL sold its copper concentrate to GIAG were ones which might reasonably have been expected between independent parties, in the position of CMPL and GIAG, dealing with each other at arm's length, and the consideration received by CMPL was also one which might reasonably have been expected between such parties.

Key takeaways for companies

- Ensure that related-party agreements are commercially viable, and that the form matches the substance of the transaction.
- Prior agreements are not determinative of whether future agreements are arm's length in nature.
- Expert evidence by credible witnesses may be heavily relied upon by the Courts and goes a long way in defending the company's TP position. ISCA

Felix Wong is Head of Tax, and Agatha Oei is Tax Specialist, Singapore Chartered Tax Professionals.

FRS 117 *Insurance Contracts* Vs MAS' Risk-Based Capital 2 Part 2

Guidance From ISCA's IFRS 17 Working Group

TEXT BY


Alvin Chua


Celina Goh


Goh Wei Shee

PHOTO SHUTTERSTOCK

Takeaways

- Contract boundary is fundamental to the measurement of the fulfilment cash flows of a group of insurance contracts.
- Insurers are expected to have less discretion in the determination of contract boundary in view of the specific requirements under FRS 117.
- While most insurers try to align the contract boundary under FRS 117 with the current RBC 2, full alignment could be challenging.

THE FIRST ARTICLE OF THE SERIES BY THE IFRS 17 WORKING GROUP, published in the July issue of this journal, provided an overview of the differences between FRS 117 *Insurance Contracts* (FRS 117) and the reporting and solvency requirements under the Risk-Based Capital 2 (RBC 2) framework prescribed by the Monetary Authority of Singapore (MAS).

The following areas were covered in the first article:

- Insurance contract under FRS 117 vs insurance policy under Insurance Act 1966;
- Separation of insurance components from insurance contracts, and
- Separation of non-insurance components from insurance contracts.

Contract boundary is fundamental to the measurement of the fulfilment cash flows of a group of insurance contracts as it represents the period in which the future cash flows are captured as part of the insurance contract liabilities under FRS 117.

In this second article, the IFRS 17 Working Group explores specific considerations around the determination of contract boundaries for the life insurance business under FRS 117 and RBC 2.

CONTRACT BOUNDARY UNDER FRS 117 VS RBC 2

Under FRS 117, the cash flows are within the contract boundary if they arise from substantive rights and obligations during the period in which the entity can compel the policyholder to pay the premiums or the entity has substantive obligation to provide the policyholder with insurance contract services. Any fulfilment cash flows arising after the contract boundary form part of a future contract.

There are general definitions of the term of liabilities in Appendix 3A of MAS Notice 133 *Notice on Valuation and Capital Framework for Insurers*, which state that the starting point to derive the term of a policy's liabilities under RBC 2 is the contractual term of the policy. An insurer should also consider any options in the contract when deciding whether the term of a policy's liabilities should be extended beyond the contract term. Special considerations shall be given to the contract boundary of a long-term medical policy with reference to paragraph 3.1.4 of MAS Notice 133 (refer to the table).

FRS 117 provides specific requirements for determining when an insurer's substantive obligation to provide insurance contract services ends, as summarised in the table. The summary table covers the relevant requirements under FRS 117 and RBC 2, respectively:

Requirements under FRS 117 and RBC

Type of insurance products	FRS 117 (Para 34, B61-B71)	RBC 2 (MAS Notice 133 para 3.1.4)
Long-term medical policies	(a) the entity has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or (b) both of the following criteria are satisfied: (i) the entity has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and (ii) the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date. A restriction on the above without commercial substance does not bind the entity.	a) the insurer has the unconstrained practical ability to reassess the risks of the contract **or** a portfolio of contracts to which the contract that is being valued belongs and, as a result, can set a price or level of benefits that fully reflects the reassessed risk of that contract **or** portfolio; and b) the pricing of premiums for the coverage up to the date when risks are reassessed, does not reflect risks related to periods beyond the reassessment date.
Others		Generally, the end of insurance coverage period.

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Example:
A term life insurance contract has a three-year coverage period. However, it is cancellable at the end of every one year ("policy anniversary") at the sole discretion of the insurer. Under FRS 117, the boundary of this insurance contract will be one year. Nonetheless, the measurement of the insurance contract liabilities arising from such contract is generally assuming cash flows projection for a period of three years until the end of the three-year coverage period when it is measured under RBC 2, except for a few specific products which also satisfy the criteria to be valued with a short-term boundary. In determining the term of insurance contract liabilities under RBC 2, any relevant professional standard should be considered, as stated in Appendix 3A of MAS Notice 133.

Under FRS 117, restrictions on the insurers' ability to adjust the pricing of a premium or level of benefits that have no commercial substance will not prevent a new contract boundary from being created as a future contract as it has no discernible effect on the economics of the transaction. As such, the future cash flows beyond the repricing date may fall within the boundary of the existing insurance contract instead of a new insurance contract.

In accordance with FRS 117.B64, contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the entity's substantive rights and obligations (that is, changes in fulfilment cash flows). Such reassessment considers whether there are changes to the constraints affecting the entity's practical ability to set a price or adjust the level of benefits to fully reflect the risks in the contract or portfolio at the reporting date. An example discussed in the IFRS 17 Transition Resource Group (TRG) meeting in September 2018 is as follows:

Example:
An insurer issues a health insurance policy for a coverage period of five years. The insurer has the right to reassess the individual policyholder's risks and reprice the premium on an annual basis. However, the repricing of premium is limited to a premium increase of 100% of the premium charged in the previous year.

- At initial recognition, the contract boundary is assessed to be one year as the insurer expects the changes in the health risk profile of policyholders to stay relatively stable over the five-year coverage period, in a manner that it is highly unlikely that the repricing limit would restrict repricing and hence, the repricing restriction has no commercial substance.
- At the end of Year 1, the insurer determines that restrictions on its ability to reprice the contract now have commercial substance. For example, due to a significant increase in local currency costs of healthcare, an increase of 100% in the premium has commercial substance. In this case, the insurer reassesses the contract boundary and updates its fulfilment cash flows to include the cash flows for Year 2 to Year 5, which now fall within the contract boundary.

In accordance with FRS 117.B64, contract boundary is reassessed at each reporting date

Contract boundary is fundamental to the measurement of the insurance contracts under FRS 117 and RBC 2. The requirements may not be fully aligned under both frameworks. Attempts to align them could be challenging.

Under RBC 2, for long-term medical policies, insurers are also required to regularly assess if there is any change in circumstances that may affect its practical ability to reprice. Where an insurer assesses that there has been a change in circumstances, the insurer must revalue the portfolio based on the new boundary arising from the change in circumstances, from the next valuation date after such a change.

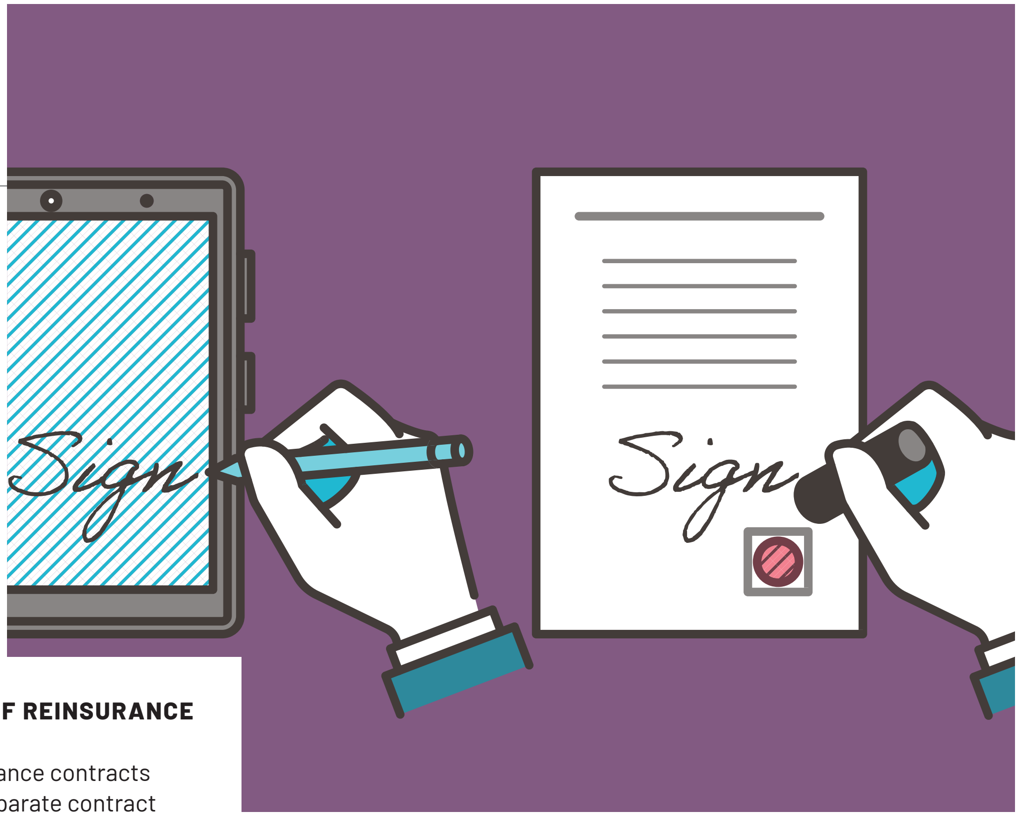
Currently many insurers leverage on the regulatory reporting requirements and apply similar treatment in their statutory financial statements or vice versa for RBC 2 reporting and FRS 104 reporting. These alignments reduce the need to keep different sets of books for regulatory reporting and the statutory financial statements applying FRS 104.

As a comparison, FRS 117 has more clearly defined requirements than FRS 104, which reduces the discretion of insurers in their consideration mainly in terms of the level of aggregation as well as for reinsurance contract.

IMPACT OF LEVEL OF AGGREGATION
Under FRS 117, the lowest unit of account is the contract that includes all the insurance components (May 2018 TRG.17a). For contracts that have a legal form of a single contract but in substance are comprised of multiple contracts, the contract boundary would need to be identified for each individual in-substance contract. Alternatively, for contracts that have multiple insurance components which are nevertheless accounted for as one contract, the boundary would be determined for the contract in its entirety.

Example:
An insurer issues a whole life base plan with a yearly renewable critical illness rider attached so that the policyholder can enjoy a more comprehensive insurance coverage. The rider can be repriced on its renewal date whereas the premium and benefits of the base plan are guaranteed throughout the coverage period. The rider and base plan in this example are assessed to be a single contract due to high interdependency and the rider will lapse together with the base plan. On a standalone component basis, the contract boundary of the rider will be one year if it meets the requirements of paragraph 34 under FRS 117. However, as the rider is combined with the base plan, the overall contract boundary will extend beyond one year as the determination of contract boundary should be assessed on the single contract inclusive of the base plan and the rider in its entirety and the insurer cannot fully adjust the pricing of premium or level of benefits of the combined insurance components.

Under RBC 2, there may be insurance contracts for which the basic plans and their riders could be written in different insurance funds or sub-funds and have very different risk characteristics while there are no specific criteria to assess for combination. The unit of account is defined in the First Schedule to the Insurance Act 1966 as any contract of insurance whether or not embodied in or evidenced by an instrument in the form of a policy, and references to issuing a policy are to be construed accordingly. In other words, a basic plan or a rider can be construed as a policy and be classified as per section 16 of the Insurance Act 1966.



CONTRACT BOUNDARY OF REINSURANCE CONTRACTS HELD

FRS 117 requires the reinsurance contracts held to be measured as a separate contract (that is, independent of the measurements of the underlying contracts). The requirements on whether the various components of an insurance contract can or cannot be separated apply to reinsurance contracts held as well. It is expected that different coverages under one reinsurance treaty could be measured as a combined reinsurance contract and the period of the various coverages shall be considered in determining the contract boundary.

The estimate of reinsurance cash flows could be short term under FRS 117 if there is any presence of provision that allows the reinsurer to close the treaty to new business with short-term notice, for example, a three-month notice period. In this case, separate reinsurance contracts are effectively established for each reporting period. As of quarter end, the cash flows from future new business would belong to future reinsurance contracts and would not be included in the valuation of the ceded reinsurance liability or asset as at the date of quarterly valuation.

Under RBC 2, while the reinsurance contract liabilities are reported separately at the fund level, it does not require the aggregation of reinsurance cash flows at the reinsurance contract level that may straddle across insurance funds. The terms of liabilities apply to both gross and net cash flows. In practice, the boundary typically extends to the very last cash flow of the direct contracts.

A separate paper will be issued to provide more comprehensive discussions on the topics specific to reinsurance contracts held.

CONCLUSION

Insurers are expected to have less discretion in the determination of contract boundary in view of the specific requirements under FRS 117. While most insurers are trying to align the contract boundary under FRS 117 with the current RBC 2 to reduce the need for keeping different sets of cash flows, full alignment could be challenging.

In the upcoming article, the IFRS 17 Working Group, in collaboration with the committee members of the Singapore Actuarial Society Life IFRS 17 Workgroup, will discuss specific considerations around the measurement of insurance liabilities for life insurance business under FRS 117 and RBC 2. ISCA

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This is the second of a series of articles from the IFRS 17 Working Group (set up under the ambit of the ISCA Insurance Committee) to help insurers in Singapore navigate through the differences between FRS 117 and RBC 2.