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DRIVING BUSINESS SUCCESS

Issue 1 Volume 16 January 2020

PLUS:

CPAS IN BUSINESS

How members and employers should use the new framework for PAIBs

FINDING PURPOSE

Awardees of the Best Corporate Governance Awards 2019 discuss business purpose

SECOND OPINIONS

What are the top priorities for accountants in 2020?

WIDENING THE REACH

Johnson Kong on how he plans to connect with more members as the Institute's new President

CPA

Hong Kong Institute of Certified Public Accountants

香港會計師公會

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“We need to elevate our members' sense of belonging and make them be proud of being a member of a premier body.”

Dear members,

Firstly, best wishes to you all for the year of the rat. I hope you have entered this new decade ready for the exciting new opportunities ahead. There will be exciting developments for our profession due to new technologies and the Greater Bay Area. To succeed, it is important to stay dynamic and alert to seize the initiative when opportunities arise.

It is my honour to be the Institute's President at the start of this new decade, which I believe will see our Institute transform. In order to lead its revitalization, I see three main areas for the Institute to develop over the year ahead.

Firstly, the Seventh Long Range Plan. It is time for us to push on with this long overdue plan and ensure the Institute is appropriately positioning itself and providing the support to the profession in the ways it needs. Although a five-year plan may render some decisions obsolete in view of the rapid changes taking place in our profession, technology and otherwise, I believe it is still appropriate for setting objectives. Going forward, we need to review our long range plan at least annually to ensure its continuing relevance.

Secondly, improving our member services and I am a strong believer of diversity and inclusion. We need to do more to ensure that our members feel connected to the Institute – throughout their careers and in whatever sectors they work in. With this in mind, I would like the Institute to undertake more free continuing professional development events like the members' forums but targeted at specific groups of members such as those in business, students and retirees. Some of these groups, particularly the professional accountants in business, are hard to reach, but I believe that if we partner with some of the large corporations operating in Hong Kong we can offer sessions to a wider group of members. We should also review the interest groups, and see if there are areas where additional groups could be beneficial, including for different sports and recreational activities as well as professional and specialist sectors. In addition, high on my agenda is to offer the relevant training, networking opportunities, and other services including help accessing the opportunities in the Greater Bay Area, to help members succeed in the age of Accounting Plus.

Finally, we need to do more – and better – at enhancing the image of our profession and improving communications. We need to elevate our members' sense of belonging and make them be proud of being a member of a premier body. We're Hong Kong's largest professional body and we should be justifying the social status of accountants. When I joined the Institute, we had around 4,000 members – we now have over 10 times that number. We need to make sure they all feel included. We need to reach members, and also the young generations, to promote our profession and the opportunities within it. This should include more engagement with the media and enhancing our social media outreach.

The Digital Strategic Plan revamping our digital services and presence is now in its third year. It is a task for Council this year to review the progress of the plan against its targets, and to determine whether to embark on the second phase of the plan to further enhance our digital presence.

Another important piece of ongoing work is to establish an independent working group, which was decided upon by the Task Force for EGM Resolution 2 in October last year. The objective is to conduct public consultation and help formulate amendments to the Professional Accountants Ordinance necessary for the implementation of the election of the President and Vice-Presidents by all members of the Institute.

As well as these developments we also have the introduction of the new Qualification Programme (QP) this year, with the Associate level being sat for the first time in June and the Professional level in December. I am excited to see the new QP being sat, as it has been a long time in development, and it will help the profession to continue to attract and nurture the accountants Hong Kong needs. Accountants are no longer just “accountants”, but are now Accountants Plus. So it is important that we offer ways into the profession for economists, engineers or even marine biologists, who want to develop the skills in the language of business that is accounting.

I was honoured to be interviewed for *A Plus*. You can read more about me in the article on page 10.

Johnson Kong
President

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WORK-LIFE BALANCE

DRIVING BUSINESS SUCCESS

About our name
A Plus stands for Accounting Plus. It represents a profession that is rich in career options, stays relevant amid rapid changes, and adds value to business. This magazine strives to present the global mindset and varied expertise of Institute members – Accountants Plus.

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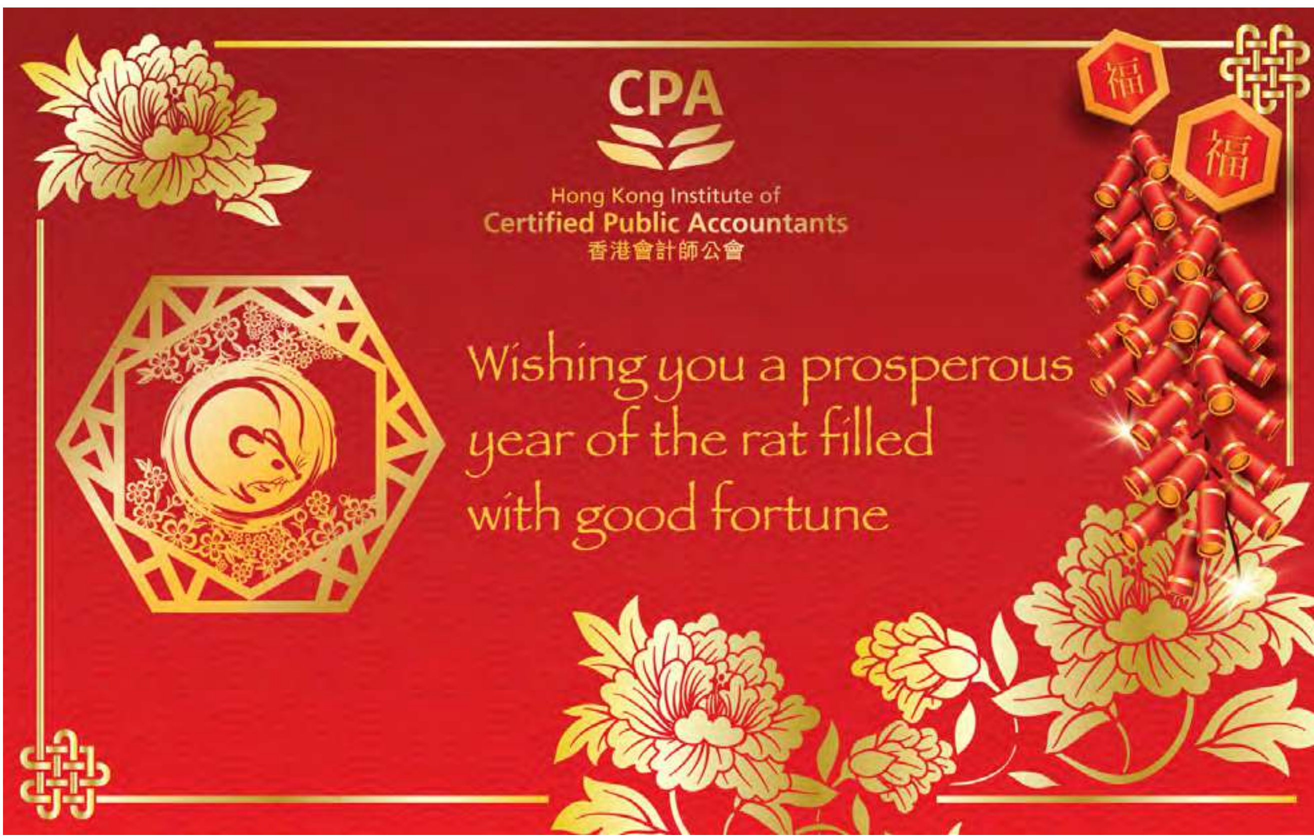
The Institute wishes you a prosperous year of the rat



The Institute sends you and your family Chinese New Year blessings for the year of the rat. We wish you a year of happiness and great success.

BCGA Series launches seminars

The Best Corporate Governance Awards (BCGA) Series are designed to help participants learn ways to improve governance practices and prepare for changes to reporting requirements in Hong Kong. The seminar on 20 February will look at the latest risk management and internal control (RM and IC) practices, which are key areas in the assessment for the Institute's Best Corporate Governance Awards. Speakers will share tips on what makes an effective RM and IC system. The seminar on 27 February will cover the latest trends in environmental, social and governance reporting, with the speaker sharing first-hand experience of advising a variety of businesses. More details on the two seminars can be found on the Institute's website.

ERP Series to cover end-to-end business processes

The Enterprise Resource Planning (ERP) Series from February to May will cover the four critical end-to-end business processes and the embedding of internal controls when designing ERP systems. The speaker will share her experience on how to design an ERP system to bring managerial and operational efficiencies. Participants will also look at case studies and discuss audit procedures to test the adequacy of internal controls. More details can be found on the Institute's website.

AGM and Council meeting minutes

Minutes from the 47th annual general meeting and December Council meeting are now available for members to read. They can be found in the "Members' area" of the Institute's website.

Resolutions by Agreement

Chan Mei Ling, CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply Hong Kong Standard on Auditing (HKSA) 500 *Audit Evidence.*

Chan audited the financial statements of a private company for the year ended 31 December 2016 and expressed an unmodified auditor's opinion. In the audit, Chan failed to perform appropriate audit procedures to obtain sufficient evidence on the company's accounts receivable, accounts payable and administrative expenses.

Regulatory action: In lieu of further proceedings, the Council concluded the following action should resolve the complaint:

1. Chan acknowledges the facts of the case and her non-compliance with professional standards;
2. Chan be reprimanded; and
3. Chan pays an administrative penalty of HK$25,000 and the Institute's costs of HK$15,000.

Kwee Wei, CPA (practising), Wong Sau Ling, CPA and KPMG

Complaint: Failure or neglect by Kwee and KPMG to observe, maintain or otherwise apply HKSA 200 (Clarified) *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, HKSA 500 (Clarified) *Audit Evidence* and HKSA 510 (Clarified) *Initial Audit Engagements – Opening Balances*. Failure or neglect by Wong to observe, maintain or otherwise apply HKSA 220 (Clarified) *Quality Control for an Audit of Financial Statements.*

KPMG audited the consolidated financial statements of Modern Beauty Salon Holdings Limited, a Hong Kong listed company and its subsidiaries for the years ended 31 March 2014 to 2017. Kwee was the engagement partner and Wong was the engagement quality control reviewer.

In 2012, the company issued a convertible note to its controlling shareholder and chairperson as consideration of a business combination. The terms of the note contained contingent settlement provisions which would obligate the company to redeem the unconverted outstanding balance of the note in cash when certain events occurred. Notwithstanding this, the company recognized its contractual obligation to pay interest for the note as a financial liability and the residual balance as an item in equity, whereas it should have comprised embedded derivative financial instruments and a financial liability.

In their initial audit for 2014, the respondents concurred with the opening balances pertaining to the convertible note and failed to properly evaluate whether that accounting treatment complied with the requirements of Hong Kong Accounting Standard (HKAS) 32 *Financial Instruments: Presentation*. In 2017, the convertible note matured and part of it had to be settled by cash. The company then reassessed the initial accounting treatment of the note, and after discussion with the respondents, made prior year adjustments regarding the note.

Regulatory action: In lieu of further proceedings, the Council concluded the following action should resolve the complaint:

1. The respondents acknowledge the facts of the case and their non-compliance with the relevant professional standards;
2. They be reprimanded; and
3. Kwee, Wong and KPMG jointly pay an administrative penalty of HK$35,000 and costs of the Institute and the Financial Reporting Council (FRC) totalling HK$62,828.

Yam Tak Fai, Ronald, CPA (practising), Wong Wo Cheung, CPA (practising) and RSM Hong Kong

Complaint: Failure or neglect by Yam and RSM Hong Kong to observe, maintain or otherwise apply HKSA 200 (Clarified) *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, HKSA 230 (Clarified) *Audit Documentation*, HKSA 330 (Clarified) *The Auditor's Responses to Assessed Risks*, HKSA 500 (Clarified) *Audit*

Evidence and HKSA 530 (Clarified) *Audit Sampling*. Failure or neglect by Wong to observe, maintain or otherwise apply HKSA 220 (Clarified) *Quality Control for an Audit of Financial Statements*.

RSM Hong Kong (formerly known as RSM Nelson Wheeler) audited the consolidated financial statements of Modern Beauty Salon Holdings Limited, a Hong Kong listed company, and its subsidiaries (collectively group) for the years ended 31 March 2010 to 2012 and expressed unmodified auditor's opinions. Yam was the engagement partner and Wong was the engagement quality control reviewer.

The FRC investigated the audits and noted audit irregularities concerning revenue recognition and a convertible note.

The audit irregularities concerning revenue recognition related to the 2010 to 2012 audits. The group recognized the unutilized portion of prepaid service contracts as revenue when customers changed contracts before expiry, and the underlying service treatments had not yet been delivered. This was contrary to HKAS 18 *Revenue*.

In the 2010 and 2011 audits, the respondents failed to consider the risk of material misstatement in relation to change in services or transfer of unutilized prepaid contracts, and failed to plan and perform audit procedures to test those transactions and the relevant internal controls. In the 2012 audit, the respondents identified the accounting non-compliance and, through audit tests performed, calculated the expected misstatements in the deferred revenue balance and the corresponding amount of revenue recognized in the financial statements. Management determined an amount based on the respondents' calculation, and adjusted the financial statements accordingly. However, the respondents failed to justify that the management's adjusted amount was sufficiently precise to correct the misstatements in the financial statements.

The irregularity concerning the convertible note related to the 2012 audit. The company issued a convertible note to its controlling shareholder and chairperson as consideration of a business combination. The terms of the note contained contingent settlement provisions which would obligate the company to redeem the unconverted outstanding balance of the note in cash when certain events occurred. Notwithstanding this, the company recognized its contractual obligation to pay interest for the note as a financial liability and the residual balance as an item in equity, whereas it should have comprised embedded derivative financial instruments and a financial liability.

In their audit, the respondents failed to properly evaluate those contingent settlement provisions against the requirements of HKAS 32 *Financial Instruments: Presentation*, and prepare sufficient audit documentation to support their conclusion on the classification of the convertible note.

Regulatory action: In lieu of further proceedings, the Council concluded the following action should resolve the complaint:

1. The respondents acknowledge the facts of the case and their non-compliance with the relevant professional standards;
2. They be reprimanded; and
3. Yam, Wong and RSM pay an administrative penalty of HK$40,000, HK$10,000 and HK$50,000, respectively, and they jointly pay costs of the Institute and the FRC totalling HK$283,748.

Disciplinary findings

Chan Kwok Tung, Gordon, CPA (practising) and Gordon Chan & Company Certified Public Accountants

Complaint: Failure or neglect to observe, maintain or otherwise apply HKSA 210 *Agreeing the Terms of Audit Engagements*, HKSA 500 *Audit Evidence*, HKSA 580 *Written Representations*, HKSA 700 *Forming an Opinion and Reporting on Financial Statements* and sections 100.5(c) and 130 of the Code of Ethics for Professional Accountants.

Chan is the sole proprietor of Gordon Chan & Company Certified Public Accountants which audited the financial statements of three private companies for two years. There were a number of deficiencies in the audits. Firstly, the respondents failed to agree the terms of the engagements with the companies' management. Secondly, there were deficiencies in the audit procedures conducted on bank confirmations and income statements. Finally, the respondents failed to obtain written representations from management and to state the date in two of their auditor's reports.

Decisions and reasons: The respondents were reprimanded and were ordered to jointly pay a penalty of HK$80,000 and costs of disciplinary proceedings of HK$31,931. When making its decision, the Disciplinary Committee considered the case was serious but noted that the respondents' past clean disciplinary record and their cooperation throughout the proceedings were mitigating factors.

Chan Mei Mei, CPA (practising), Ho Yiu Hang, Ricky, CPA (practising) and Asian Alliance (HK) CPA Limited

Complaint: Failure or neglect by Chan and Asian Alliance to observe, maintain or otherwise apply HKSA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, HKSA 230 *Audit Documentation*, HKSA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*, HKSA 330 *The Auditor's Responses to Assessed Risks*, HKSA 500 *Audit Evidence*, HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* and HKSA 700 *Forming an Opinion and Reporting on Financial Statements*. Failure or neglect by Ho to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements*. Failure or neglect by Chan and Ho to observe, maintain or otherwise apply sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants.

Asian Alliance (formerly known as Zhonglei (HK) CPA Company Limited) audited the consolidated financial statements of Neo Telemedia Limited, a Hong Kong listed company, and its subsidiaries (collectively group) for the years ended 30 June 2011 and 2012. Chan was the engagement director and Ho was the engagement quality control reviewer of the audits.

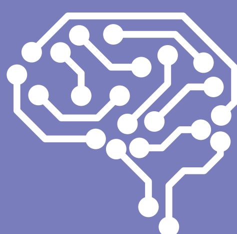
The Institute received a referral from the FRC about audit irregularities concerning certain acquisition transactions entered into by the group. The respondents failed to identify the incorrect classification and measurement of a contingent consideration payable by the group in one of the acquisitions. In addition, the respondents failed to perform sufficient audit procedures and prepare adequate documentation in respect of assessing the impairment of goodwill and other intangible assets arising from the acquisitions.

Decisions and reasons: The respondents were reprimanded. The Disciplinary Committee ordered that the practising certificates of Chan and Ho be cancelled, with no issuance of practising certificates to Chan and Ho for 36 months and 24 months respectively, to be effective from 16 December 2019. Further, Chan, Ho and Asian Alliance were ordered to pay a penalty of HK$150,000, HK$110,000 and HK$200,000 respectively, and to jointly pay costs of the Institute and the FRC totalling HK$466,869.60. When making its decision, the committee noted that the public are entitled to expect practising accountants and corporate practices to discharge their duties and carry out their work to the highest standards. The respondents' breaches demonstrated a lack of professional competence and are therefore serious. The committee further noted that it is important to maintain public confidence in the accountancy profession, and sanctions imposed should act as deterrence against non-compliance by accountancy professionals of the high standards expected of them.

Details of the Resolutions by Agreement and disciplinary findings are available at the Institute's website.

KPMG U.S. OPENS TECHNOLOGY TRAINING CENTRE

KPMG in the United States opened its new US$450 million technology-focused training centre in Orlando, Florida, on 14 January. The move is part of the firm's effort to keep its employees up to date on new technologies while also reinforcing important cultural values and giving workers a chance to interact with one another. The employee training facility, KPMG Lakehouse, aims to build on current skills and cover the basics of blockchain and artificial intelligence. The 800,000 square-foot facility will feature 800 guest rooms, 90 classrooms, a 1,000-seat hall and spaces for staff to meet with clients and test new tools and products.



BAN ON UBS IPOS LIFTED EARLY

The Securities and Futures Commission (SFC) has lifted a ban on UBS Hong Kong from leading initial public offerings (IPO) after 10 months, two months short of the initial one year it was given, following a review of the bank's enhanced governance processes. The external reviewer looked at UBS's sponsor work in its two most recent listing applications, which were completed prior to the ban, and found that the bank had performed adequate and effective due diligence. The ban, which came into effect in March 2019, prevented the bank from sponsoring or leading IPOs in Hong Kong following due diligence failings on three prior listings. The SFC has been cracking down on banks not properly carrying out their duties as sponsors, after a string of scandals at newly listed companies.

HONG KONG TO LEAD IPO MARKETS, SAYS PWC

Hong Kong will continue to rank among the top three centres globally for initial public offerings (IPO), with over 180 companies expected to raise between HK$230 billion and HK$260 billion in 2020. This is according to PwC's *IPO Market Year End Review for 2019 and Outlook for 2020* released on 2 January. Despite the forecast being 17.6 percent lower than the total of HK$315.5 billion following 184 IPOs in 2019, the highest raised since 2010, the estimates are in line with the average of the past 10 years. To maintain its IPO position, the city hopes to draw more listings from large companies similar to Alibaba and Budweiser Brewing Company APAC, which listed in Hong Kong last year. New York's Nasdaq is currently the second largest IPO market.

AML FINES TOTAL
US$8.14 BILLION
IN 2019

A total of US$8.14 billion in anti-money laundering (AML) penalties for 58 AML-related breaches were issued globally in 2019, according to automated Know-Your-Customer solutions company Encompass Corporation. Breaches in the United States and the United Kingdom accounted for more than 30 percent of the total, with 25 penalties in the U.S. and 12 in the U.K. Fines were handed down by regulators across multiple jurisdictions such as Belgium, Bermuda, France, Germany, Hong Kong, India, Ireland, Latvia, Lithuania, the Netherlands, Norway and Tanzania. 2014 still holds the record for the highest total value of AML fines at US$10.89 billion.

HONGKONGERS PUT
9%
OF SAVINGS IN PENSION FUNDS

Hong Kong's Mandatory Provident Fund (MPF) is third choice for the city's working population in terms of allocating their retirement savings, according a Hong Kong Investment Funds Association (HKIFA) survey. Hong Kong people put aside about 9 percent of their savings in the MPF and other pension plans, while around 53 percent of their savings goes into bank deposits and 21 percent in stock investments. "The working population believes that post-retirement income will come from multiple sources, and relying on MPF alone will not be sufficient," Terry Pan, who chairs the pensions sub-committee at HKIFA, said at a media briefing.

CHAIR OF GERMAN PAYMENT PROCESSOR RESIGNS AMID ACCOUNTING CONTROVERSY

Wulf Matthias, Chairman of Wirecard AG, announced his resignation on 10 January after months of controversy involving the German digital payments company's accounting practices. Thomas Eichelmann, member of the company's supervisory board and head of the audit committee, will replace Matthias, who stepped down citing "personal reasons." The company's shares have steadily plunged for more than a year following media reports calling into question its accounting methods related to its Singapore branch, all of which Wirecard AG has denied. The company, headquartered in Munich's Aschheim district, offers its customers electronic payment transaction services and risk management, as well as the issuing and processing of physical and virtual cards.

ACCOUNTING GROUPS ISSUE REPORT TO MEET SUSTAINABLE DEVELOPMENT GOALS

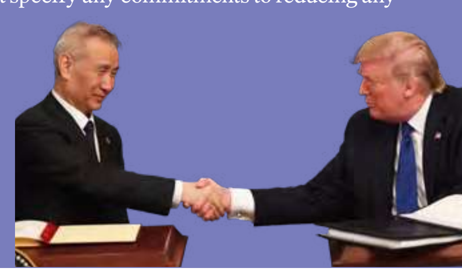
A group of international accounting bodies released a report on 17 January outlining recommendations for better reporting and action to achieve the United Nation's (UN) Sustainable Development Goals (SDGs) set for 2030. The report, *Sustainable Development Goals Disclosure Recommendations*, aims to establish best practice for corporate reporting on the SDGs and enable more effective and standardized reporting and transparency on climate change, social and other environmental impacts. The report, published by the Association of Chartered Certified Accountants, Institute of Chartered Accountants of Scotland, Chartered Accountants Australia and New Zealand, the International Integrated Reporting Council and the World Benchmarking Alliance, notes that current level of disclosure by organizations on sustainable development issues is insufficient in meeting the UN's future SDGs, and that addressing this requires a collective effort from all sectors of society and businesses.

AIG U.K. ASSIGNS MAZARS AS AUDITOR

Global insurance group AIG in the United Kingdom has chosen Mazars to audit its U.K. operations, marking the first time the insurer has looked beyond the Big Four to audit its books. The change reflects new laws to stem the dominance of the Big Four, which audit 97 percent of U.K. listed companies. Founded in France, Mazars is the eighth-largest auditor in the U.K. by revenue and will begin auditing AIG U.K. in 2021. PwC, however, will still remain its group auditor. The appointment by AIG will further boost the profile of Mazars as the U.K. government considers recommendations from the competition watchdog to boost choice in the audit sector. Earlier last year, Mazars was also asked by Goldman Sachs to audit its European operations.

U.S. AND CHINA SIGN FIRST PHASE OF TRADE DEAL

United States President Donald Trump and Chinese Vice Premier Liu He signed the first phase of a trade deal on 15 January, in a move to ease the 20-month trade war between the two nations. The agreement will see the U.S. reduce tariffs from 15 percent to 7.5 percent on US$120 billion in Chinese products. China has vowed to purchase at least US$200 billion in manufacturing, energy and agricultural products from the U.S., but did not specify any commitments to reducing any existing tariffs imposed on the U.S. The changes are set to take effect within 30 days of the pact's signing.



U.S. AUDIT FEES UP BY 31% IN THE PAST 10 YEARS

The average hourly fees public companies pay to external auditors in the United States has increased by 31 percent over the past decade to US$283 in 2018, according to a new survey from the Financial Education & Research Foundation. The study of over 6,000 U.S. public companies noted that auditors who have to familiarize themselves with new accounting standards, such as new revenue recognition rules, are responsible for the fee increase. Public companies saw a larger increase in fees than private companies and nonprofits, which typically operate with fixed-fee arrangements.

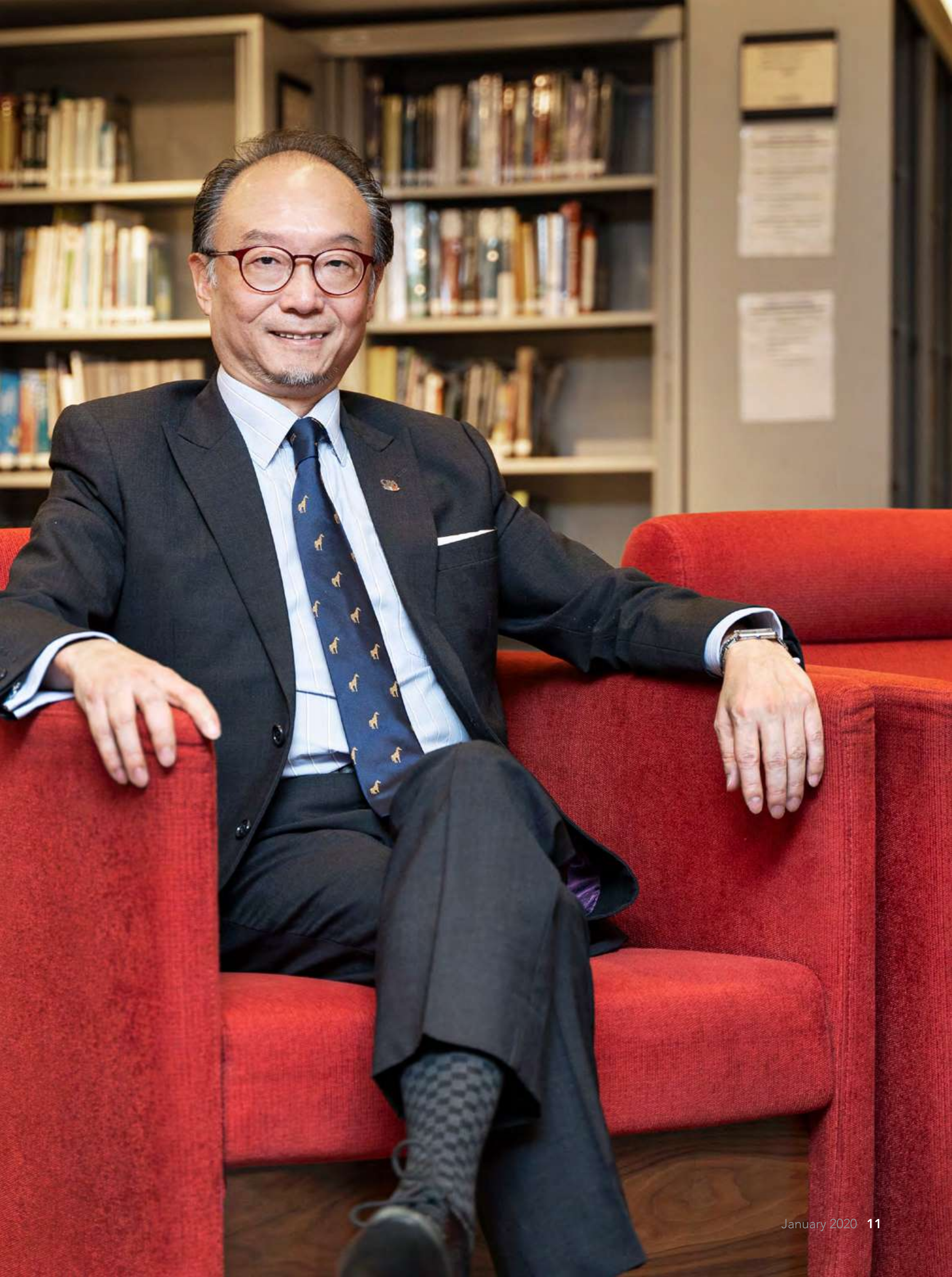
PFIZER AND GSK ANNOUNCES FUTURE IPO PLANS

Pfizer and GlaxoSmithKline announced this month plans to pursue an initial public offering (IPO) of its consumer-health joint venture in three to four years. The announcement was made by the Chief Executive Officer of Pfizer, Albert Bourla at the J.P. Morgan Healthcare Conference on 14 January. The two pharmaceutical giants combined their consumer healthcare units into a joint venture with the goal of creating the world's largest over-the-counter drug business. The deal closed in August 2019, and the venture became the largest seller of drugstore basics such as Advil painkillers, Tums stomach tablets, Sensodyne toothpaste and Nicorette gum. The funds from the IPO are expected to go towards developing new medicines that draw on research in genetics and other fields.

PLANNING FOR OUR FUTURE

Johnson Kong has been familiar with the ins and outs of the Institute for more than 25 years through leading and sitting on various committees. Based on that experience, the new President tells Jemelyn Yadao how he would like to help members prepare for a tough year ahead, and triumph by being specialists

Photography by Leslie Montgomery



It's 1993. Five partners stare at each other as they sit around a conference room table at lunchtime, bowls of wonton noodles steaming in front of them, and think about ways to expand the firm's services beyond traditional audit and tax. One of them, Johnson Kong, had just come up with an idea. "I opened up my mouth and said, 'Why don't we do liquidations? KPMG is doing very well with the Bank of Credit and Commerce Hong Kong job!' [Kong was referring to a global bank infamous for its secrecy and fraudulent activities.] They said, 'It's a good idea but who's going to lead it?'"

In the end, that big task was assigned to Kong, who had a mere three months' insolvency experience under his belt after a secondment during his time at Touche Ross in England. "That was how we started offering our first specialist advisory service, and I had to learn on the job. I hired a senior manager who had experience in that area, so I learned from him too," he recalls.

Kong notes how the Institute also played a role in helping him quickly grasp his new specialism. "In 1993, I joined my first Institute committee – the Insolvency Practitioners Committee. Through that I had the opportunity to learn from others and expand my network in the field. That was a great stepping stone for me."

Kong continued on the committee for many years and later represented the Institute on the international federation for insolvency practitioners INSOL Board between 2005 and 2011. He also helped establish and chaired the Institute's first faculty, the Restructuring and Insolvency Faculty in 2008, as well as introduced the first Specialist Qualification and Specialist Designation (Insolvency).

Since 1994, Kong has been actively involved in the Institute and sat on a wide range of committees. Last year, he was chairman of the Professional Conduct Committee, Small and Medium Practices Committee, Ethics Committee and Greater Bay Area Committee. He has also served on the Institute's Council since 2015 and was vice-president in 2018 and 2019. "Through being a Council member and two years of vice-presidency, I have gained a lot more knowledge about the Institute's operations, the practical problems that the management and our members face, and the ways to resolve it. With those experiences, I understand the bigger picture." This broad view has given him ideas on what he should try to accomplish this year as President.

Three goals

Developing and finalizing the Institute's Seventh Long Range Plan is first on Kong's list of priorities. "It is really long overdue," he says. "But we really need the involvement and buy-in of a Chief Executive to issue a long range plan for the next five years." With Margaret Chan now at the Institute as the new Chief Executive and Registrar, Kong is hopeful that the Institute can deliver more details on the new plan in the first half of the year.

Another important focus area for him is the improvement of membership services. "Being a membership body, I really want to do a lot more for our members. My intention is to develop a plan to achieve this with the Council," he explains.

With the Institute's incredibly diverse range of members, Kong has seen the difficulties of personally reaching out to all of them. "You could have 200 to 300 professional accountants in practice working in a large firm, making it easier for us to get to them. But in the commercial field, you may only have one member in a company. There are thousands of them so we should work differently to reach out."

Creating a new series of continuing professional development seminars or forums targeted at specific groups of members could be a way to address this issue, he says. "For example, we should have a members' forum for our students, and one for our retired members," he says. "We have a number of large corporate groups in Hong Kong, which will probably have a high number of members' within its staff. Why don't we run a forum specifically for that group? The same applies for government departments like the Audit Commission, Inland Revenue Department or the Treasury. So I would like to have more focused types of members' forums. Reach out to certain groups, listen to them, gauge their needs, tell them what we do, and answer their questions."

Kong is keen to help small- and medium-sized practices (SMPs). "For example, one of the problems they face is the lack of resources. I want to build an initiative that would help SMP firms in Hong Kong build a network or affiliations of firms, so that they can share resources."

Another idea Kong has to enhance the way the Institute connects with members is to set up more interest groups. "We currently have 15 sports and recreational interest groups, and should look into other areas such as cycling, wine appreciation and yoga," he says. "I would also like to see more professional and specialist interest groups, for example, a group for members working in the public and NGO sectors and another for the academic field. We could gear our seminars and activities towards their specific needs."

Kong also believes more work can be done to elevate the Institute's communications and image. "I think we need to have a bigger budget to do that. We really need to work with media outlets." Placing a significant emphasis on enhancing the image of accountants may help solve a problem the profession is currently facing, he says. "Many members have a low sense of belonging to the Institute, and one of the reasons for that is I don't think professional accountants have the high social status that they used to have in the past," he says. "We already interview a lot of successful members for *A Plus*. I would like to work with broadcast media and, for example, see if they can broadcast interviews with successful CPAs, because they are out there. We need to show not only our members but also the public that when you're a CPA, the sky's the limit. You can be Hong Kong's Financial Secretary or the former

“In the commercial field, you may only have one member in a company. There are thousands of them so we should work differently to reach out.”

Johnson Kong is the Managing Director of BDO Hong Kong. He specializes in financial investigation, forensic and litigation support, restructuring, receivership and insolvency related assignments.

Last year, Kong chaired the Professional Conduct Committee, Small and Medium Practices Committee, Ethics Committee and GBA Committee. He has served on the Institute's Council since 2015 and was vice-president in 2018 and 2019.

Chief Executive of Macau – they are all CPAs. These are just examples of ideas I have."

In terms of communication with members, "Outreach through social media is really the way forward," he says. "In addition, the Institute should also introduce new signature events and engage in more thought leadership work."

New learning…

This year sees the first examinations of the new Qualification Programme (QP), starting with its new Associate Level in June. Kong believes the revamped programme, which is open to students with non-accounting backgrounds and degrees, is more relevant to the current demands of markets and businesses. "If you're able to recruit students from a more diversified background, not only does it offer a selection of different talents, skills and experiences that may be of benefit to the organization and their work performance, it can also help foster creativity and offer a range of perspectives and ideas," he says.

After the launch, the work shouldn't stop there, he notes, particularly amid an ever-changing business environment. "I think we need to keep monitoring the syllabus and keep up in particular with IT advances and changes in our auditing and accounting standards. We really need to update our syllabus and study material on a regular basis."

He sees the QP as being vital in providing students with a breadth of knowledge and skills an accountant needs at a general level. "But I think as a way forward, one should really look into a specialization, and that's one thing I would really like to push as President. We need to introduce more specialist qualifications and designations to equip our members."

…But new challenges

Kong believes much of the year will bring difficulties for businesses and members, thanks in part to uncertainties brought by the United States-China trade war and a challenging macroeconomic environment. "The U.S. and China signed a trade deal this month, but that's only the first phase. There's also the social unrest we have in Hong Kong, which will likely become a normality going forward. With those backdrops in mind, I think the downside risks are high. We have seen the economic reports in the last quarter showing declining numbers of tourists and trade volume, initial public offerings slowing down, so it's going to be difficult year," he says.

Kong sees the weak economic climate having a negative impact on some members and less so on others. "Some members in the practising sector would be indirectly affected as clients will probably ask for reduction of fees or there will be fewer IPOs and mergers and acquisitions. On the other hand, insolvency and restructuring work is increasing based on my firm's experience."

To prepare themselves, members should remain agile and move away from their comfort zone, he says. "We have to take the opportunity,

> "We have to take the opportunity, no matter if we're in commercial or practising, to enhance our own value, branch out and diversify so we can be more competitive. It's really a game of survival."

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Moving members

One way for members to move out of their comfort zone is through exploring the potential business opportunities in the Greater Bay Area (GBA), says Kong.

After the central government issued the Outline Development Plan for the Guangdong-Hong Kong-Macao GBA in February last year, the Institute set up its Greater Bay Area Committee last July, with Kong as its chairman. "We have done a lot of research on the GBA in the last six months, and we've created the 'GBA Resource Centre' section of the Institute's website to display the information. We have also created a list of useful contacts that can be used when we start to push out our plans for the GBA.

"The GBA is such a big project. I don't think we alone can do the work ourselves. We have to collaborate with other organizations and other people, and governments including Hong Kong's Commissioner for the GBA and the steering units of each of the 9+2 cities."

As chair of the committee, Kong has led a number of delegations, gathering information for members, particularly those concerned about the hurdles of working and living in the GBA. "We've found out that there are a lot of schemes and concessions being implemented by various cities and municipal governments," he explains. These policies include free or low office and accommodation rents for start-ups and Hong Kong citizens, and cash allowances to cover travel costs.

With most of the preparation work done, Kong is keen to start using the information collected to kick-start projects that will help members interested in moving across the border. One thing he would like to do is develop informative seminars for members about livelihood issues related to working and doing business in the GBA. "For example, how do you get your work visa? How do you hire staff and rent an office space? How do you register for tax and social security? How do you open a bank account? We should provide this information to those who are interested.

"The second thing is, I want to give younger members an opportunity to try out working and living in the GBA. We have to work together with the local large enterprises, the state-owned enterprises in the Mainland and the large companies in Hong Kong with Mainland establishments. Providing those short-term employment opportunities to our younger members will give them first-hand experience of working and living there, and let them judge through that experience."

Keeping it in the family

For Kong, the decision to pursue an accounting career was made very early on. "I come from a rather poor family. My father passed away when I was eight years old so my mother brought me up single-handedly," he says. His mother wanted him to become a professional. "I'm not very good at science, so doctor was out. I'm not very eloquent or articulate, so lawyer was out too," he laughs. "But I'm really glad I'm an accountant. I've gained a lot from being an accountant. I've got a good career, I've got a good home, a good family."

In fact, he is part of a family of accountants. "My wife is a Canadian chartered accountant, my son is QP graduate and my daughter is a U.S. CPA. Hand on my heart, I've never steered them on what they should do in their future careers, but somehow they ended up in accounting. I must not be doing that bad," he laughs.

Kong is not into sports, fitness or the complex tasting notes of wine. He likes to eat – especially around midnight. "I enjoy going out for midnight supper or late night snacks," he says. "I enjoy driving my car from my home to, say, Wan Chai or Sheung Wan around 11:30 p.m. when it's nice and quiet. While I'm driving, I'll turn on the music that I like. It's a feast because I'll go to one shop for a bowl of noodles and then when I'm done I'll go to another shop for a bowl of congee." After eating his way through the city, Kong would be back at home around 1:00 a.m. "That's how I get work-life balance."

Choosing to slow down the pace once in a while is perhaps understandable for a person whose professional life has been mostly defined by fast-pace changes and growth. Kong qualified as a CPA in the United Kingdom in the 1980s and came back to Hong Kong in 1987, joining KPMG for 18 months. He then joined what would become BDO in 1989.

"I've been with this firm for over 30 years now. We started off as a local firm, not even a BDO member firm until 1997. I became one of five partners in 1991 and at the time we were a medium-sized local firm with less than 100 people," Kong remembers. "Now we have grown to more than 1,100 staff in Hong Kong and over 40 partners. Seeing the firm grow over the years and building up the entire non-assurance practice of the firm has been very fulfilling."

The Greater Bay Area Committee, which is chaired by Johnson Kong, has put together an ongoing collection of policies, research and event information from the Big Four, the government, institutes and chambers on the "Greater Bay Area Resource Centre" section of the Institute's website.

SECOND OPINIONS: WHAT SHOULD BE THE TOP PRIORITY FOR ACCOUNTANTS IN 2020?

JONATHAN LABREY
CHIEF STRATEGY OFFICER, INTERNATIONAL INTEGRATED REPORTING COUNCIL

The pressure on business to report increasing amounts of data on top of financial information has been felt around the world, including in Hong Kong. However, data is often reported without context and without real insight into how it is linked to the strategy and business model of the organization.

Academic evidence demonstrates that adopting an integrated reporting (<IR>) approach, as advocated by the International Integrated Reporting Council (IIRC), has led to companies experiencing a lower cost of capital, longer term investors and a better share price performance.

In November 2019, the International Federation of Accountants (IFAC) urged regulators and standard setters around the world to use the International Integrated Reporting Framework (International <IR> Framework) as a foundation for reporting, noting that it provides a basis for narrative information and metrics that enable organizations to more effectively communicate.

This evolution in reporting is crucial, especially given the World Economic Forum's assessment that the most pressing risks facing businesses are not financial but social, environmental and technological.

<IR> can be a skeleton for reporting, on which the different strands of reporting organizations currently publish are placed to create a single source of truth and a coherent value creation story – creating an antidote to the confusion that can be caused by producing a myriad of unconnected reports.

Bill Thomas, Global Chief Executive Officer and Chair of KPMG recently said, "We must be really clear on what success looks like. It must not be defined solely by the number of companies that claim compliance [in reporting]. Real success can only be found in the board room when <IR> becomes embedded in the systems and the processes that underpin decision making."

The key principle behind <IR> is the concept of multi-capitalism. That organizations have to think about and account for the natural, social and relationship, intellectual, human, financial and manufactured resources that they use, create or impact.

By managing these interconnected "capitals" effectively and efficiently, organizations are in a better place to take decisions that lead to long-term sustainable development and financial stability within the business. The International <IR> Framework offers the guiding principles and content elements for them to achieve this.

As the organization behind this movement, the IIRC is working with partners around the world, including Hong Kong, to support businesses make this transition to <IR> and take advantages of its benefits. Why not make 2020 the year your organization joins over 2,000 others, including CLP and Swire, in more than 70 markets by applying the principles of <IR>?

"Data is often reported without context and without real insight into how it is linked to the strategy and business model of the organization."

AMANDA WU
ASSOCIATE DIRECTOR,
MICHAEL PAGE HONG KONG

With rapidly changing technology in the modern world, marketing anything has become very different. So how should accountants market themselves for better career progression?

With the pace of digitalization and attention span, it is important to stay visible by sharing insightful business-related updates on your LinkedIn or other professional social media platforms regularly. Remember that your profile appears on the newsfeed of human resources directors, recruiters and potential employers in your network. From that, hiring managers will be made more aware of your background and approach you with new opportunities.

Take courses that relate to data analytics, data management and prep yourself to be more savvy with systems and platforms. You should also attend networking events and seminars to broaden your network especially with professions across different industries. You should attend events from the Institute, professional bodies and chambers of commerce to help raise your profile and branding.

Within an organization, it is also important to strengthen your personal branding. Companies are undergoing business transformation and traditional accounting is no longer needed in first-tier cities such as Hong Kong, Singapore and Shanghai. If you are in the traditional side of accounting processes, you would need to rebrand yourself and offer more.

However, you do not have to turn yourself into another person. More critical to your growth is demonstrating flexibility to the management team. Be more proactive in participating in new projects, raise your hand to take on new roles and responsibilities, and get yourself involved in working on business process improvements for the company whenever there is a chance.

If you are already in the newer functions of the accounting process, you would also need to constantly work on your personal branding. Keep yourself ahead of the newest industry trends, pay more attention to the macro economy and identify the potential effects within your own company. Be more vocal and proactive in sharing market or industry insights, and make suggestions for continuous improvement to business processes on a company level.

"Keep yourself ahead of the newest industry trends, pay more attention to the macro economy and identify the potential effects within your own company."

KEVIN FITZGERALD
MANAGING DIRECTOR – ASIA,
XERO

Hong Kong's economic downturn means that now, more than ever, accountants are being sought out by their clients to provide services that are over and above traditional compliance support. In particular, we are seeing that small- and medium-sized enterprises (SMEs) are increasingly turning to accountants for advisory services to help them ride out the economic slowdown.

"Accountants need to upskill and leverage data automation tools to streamline their basic workflow."

Advisory services are an incredibly valuable, and growing, revenue stream for accountants, which they need to capitalize on. We recently commissioned extensive research among accounting firms in Hong Kong and Singapore, and found that almost 40 percent of revenue in the Hong Kong accounting market was generated from advisory services.

While this is positive to see, other markets are already much further ahead. If we take Singapore as a comparison, advisory revenue is 38 percent higher than in Hong Kong. A significant difference. So, what is the reason behind this?

Leveraging the power of platforms could be one of the clear differentiators. In the business-to-business world, the rise of apps has allowed businesses to tailor a suite of tools that cater to their needs – in turn this also increases productivity and reduces costs. For example, our research data revealed that firms that are harnessing data automation apps to streamline and automate their work stream are also taking on more value-added advisory services.

Looking again at our data, we see that in Singapore, 67 percent of accounting firms are already using data automation apps, compared to only 48 percent in Hong Kong. This could in part explain the difference in revenue from advisory services.

Turning the spotlight back onto Hong Kong, our research shows that data automation has made the top performing accounting firms twice as efficient as regular firms. In fact, firms that have adopted data automation tools have cut down their client-servicing hours from the industry average of 518 hours to 249 hours per client.

Conversely, among the firms that have yet to adopt these tools, client over-servicing continues to be rife. These accounting firms still record or share financial data through labour-intensive and inefficient methods, such as storing physical receipts in bags or boxes and relying on the use of spreadsheets and journals to manually record transactions. These manual and repetitive tasks can prevent accountants from using their time to offer valuable business consultancy.

To successfully capitalize on the demand for advisory services, accountants need to upskill and leverage data automation tools to streamline their basic workflow.

WHAT'S THE PURPOSE?

Awardees of the Institute's Best Corporate Governance Awards last year have a purpose beyond profit. They tell Nicky Burridge how they use "business purpose" to do more for communities, and gain a deeper connection with staff and stakeholders

Illustrations by Ryan Inzana

Swire Properties is not just concerned about reducing its own energy consumption, it also wants to help its tenants become more environmentally friendly. As a result, it offers free energy audits to businesses leasing its offices advising them on how they can increase their energy efficiency. "We believe that having a purpose-driven business is very important to both the company and the wider community," Fanny Lung, Finance Director at Swire Properties, says.

Swire Properties reflects the trend of companies striving to connect to a meaningful purpose, which William Damon, Director of the Stanford Centre on Adolescence and author of *Path to Purpose* defines as "a long-term, forward-looking intention to accomplish aims that are both meaningful to the self and of consequence to the world beyond the self." Companies globally are increasingly interested in delivering positive social change alongside financial results in response to a growing demand from investors, consumers and even staff. The move can be highly beneficial, as purpose-driven businesses not only have the potential to have a significant positive impact on the communities they seek to help, but the approach can also lead to reduced risks, lower financing costs and improved staff recruitment and retention for the company itself.

Purpose-driven initiatives from last year's Best Corporate Governance Awards (BCGA) winners range from limiting the company's environmental impacts to promoting community development to teaching underprivileged children how to make the most out of toys that the company has donated. Swire Properties, a winner of the Sustainability and Social Responsibility (SSR) Reporting Awards, focuses its efforts in three core areas. Firstly, it strives to provide what it terms "creative transformation." This

strategy involves ensuring its new buildings are constructed to the highest green building standards, while also enhancing the communities in which they are located through providing green outdoor space and improving connectivity for local residents.

At the same time, it has set ambitious long-term decarbonization goals in line with the Paris Agreement, and it is exploring innovative solutions and new technology to help it reduce its energy consumption and carbon emissions. The company is also supporting the government's aim to establish Hong Kong as a green financial centre through issuing its first green bond in 2018, which raised US$500 million.

Quince Chong, Chief Corporate Development Officer at CLP Power Hong Kong, and a member of the group executive committee, CLP Group, explains that CLP's purpose is to power the sustainable development of the communities in which it operates by providing affordable and reliable electricity with minimal impact on the environment. It aims to be the leading responsible energy provider in the Asia-Pacific region.

She points out that the interests of repeat-BCGA winner CLP and its communities are closely aligned, and by providing electricity to customers in Asia Pacific, CLP is supporting the development of the world's fastest-growing region.

The company is also committed to taking action to help combat climate change, and under its updated Climate Vision 2050 strategy it has pledged not to invest in any additional coal-fired generation capacity, and phase out its existing use of coal by 2050. "We were the first power company in Asia Pacific to set carbon intensity targets in 2007 when we first launched the strategy," Chong says.

Other initiatives include providing electricity subsidies for underprivileged groups in Hong Kong, while in Mainland China and India it focuses on offering scholarships and support programmes for students, including providing daily lunches for 20,000 students near one of its solar farms in an area of high poverty in southern India.

Electronics manufacturer VTech Holdings, another SSR Awards winner, sees its social purpose in terms of the benefits it can bring to society through producing and designing high-quality products, such as telephones for older people with larger buttons and a higher volume. "We have teams in Hong Kong and China that carry out studies before we design and produce a product to help us meet the needs of the customer," Shereen Tong, Group Chief Financial Officer at VTech says.

It also places a strong emphasis on its environmental impact and reducing greenhouse emissions for both its own production and its supply chain.

Staff welfare is another area of focus, with VTech not only looking at how it can help employees develop their careers, but also encouraging them to engage in volunteer activities it carries out in the community. Tong explains that the toy manufacturer donates toys to underprivileged and remote communities in Mainland China and encourages staff to travel to these communities and hold workshops teaching children how to play with the toys. "We do not pay our volunteers and they do it in their own time, but a lot of people in our company love doing it," she says.

The Airport Authority Hong Kong (AAHK), another SSR Awards winner, focuses its efforts on building a sustainable airport and local community. As part of this goal, it has launched the Hong Kong International Airport Carbon Reduction Programme to report and reduce both its own carbon emissions and those of its business partners. After already reducing its carbon intensity by 25.6 percent between 2010 and 2015, it has set a new target to reduce it by a further 10 percent by the end of 2020.

It also has a food waste recycling programme, under which food waste from the airport, including hotels, restaurants and airline catering, is collected sent away to be processed into fish meal, while through a partnership with Food Angel, surplus food is collected and made into hot meal boxes for the needy. Since the programme started, more than 150,000 meals have been distributed.

In addition, the group operates a community investment project, Extra Mile, with its airport business partners, non-governmental organizations and neighbouring communities to help nurture talent and improve social mobility.

Establishing purpose

Award winners agreed that it was important to consult a range of stakeholders when deciding what their purpose-driven initiatives should be. VTech identified five focus areas, namely product responsibility and innovation, environmental protection, the working environment and welfare of employees, promoting sustainable operating practices in its supply chain, and community engagement, when it launched its first five-year sustainability plan in its 2014 financial year. It came up with these areas after holding an extensive consultation with its stakeholders, including shareholders, customers and employees, to find out what was important to them. The company then consolidated their answers into an index and created a matrix of priority areas of improvement for the coming five years, as well as initiatives that could help it achieve its goals.

The "boundary" of reporting, i.e. the extent of entities covered is also relevant. As a manufacturing company with several large plants in Mainland China, its environmental impact goals, which involved using more environmentally friendly materials and reducing water and energy consumption, were initially limited to Hong Kong and Mainland China,

"We believe that having a purpose-driven business is very important to both the company and the wider community."

where it employs around 20,000 people. Having met most of the targets set out in its original five-year plan, it is now in the process, of drawing up its next five-year plan, which will broaden its focus to include its operations in the United States and Europe.

Swire Properties also identified five priority areas when it introduced its initiatives: people, partners, economic performance, environmental performance and pacemaking. Each of these pillars has its own group chaired by a senior director, with Lung herself chairing the economic performance pillar. "Each of the pillars have their own strategic goals and initiatives. We engaged in internal and external discussions to find what the key focal area should be," she says.

Ricky Leung, Executive Director, Engineering and Technology, at AAHK, explains that AAHK decided to adopt an airport-wide approach when it introduced its initiatives, moving beyond areas that were under its direct control and engaging its business partners in order to multiply the impact. "We took a pragmatic approach, for example demonstrating the business case, and early engagement with key stakeholders to get their buy-in and support." He adds that it also created free and easy-to-use platforms to facilitate participation from its partners.

Measuring success

Setting quantifiable targets is an important way of measuring progress and success. Swire Properties has put more than 80 key performance indicators (KPIs) in place to measure the success of its initiatives. These KPIs monitor both tangibles outcomes, such as carbon intensity reduction and waste reduction, and intangibles, such as the increased liveability of an area. Some KPIs extend to partners, and monitor green procurement and energy saving among tenants. It also seeks regular feedback from its staff, investors and tenants to help it fine tune its strategy.

Tong says VTech set a range of both qualitative and quantitative targets to measure the success of its initiatives. Chong explains that to track the performance of its social and community activities, CLP invests a lot of time and resources in reporting.

She says the success of CLP's initiatives is measured in terms of the long-term sustainability of its business, as investments in the power industry typically have multi-decade lifecycles. She adds that in 2018, 84.5 percent of the economic value CLP generated was distributed back to its stakeholders, while its programmes benefited more than 730,000 people across the region.

Unsurprisingly, companies encountered a range of challenges when they introduced their purpose-driven initiatives. Lung says the biggest challenge Swire Properties faced initially was getting engagement from everyone in the company. "At first, only the sustainability department was driving the initiative and that did not work well. Staff communication and engagement was a priority we had to address, that is why in 2016 we set up a very clear SD 2030 strategy," she says. She adds that it was also important to communicate the strategy wider, to the tenants

and suppliers and the community to encourage them to also reduce energy usage.

For VTech, the biggest challenge revolved around collecting the data it needed to set meaningful targets and monitor its progress towards achieving them. "We had some basic data, such as water and electricity consumption, but for other things, including the hourly loss rate due to industrial injuries and greenhouse gas emissions from our supply chain, we did not. We also lacked data comparing one generation of our products to another generation, what we call the lifecycle reduction in carbon footprint," Tong says.

As a result, the first nine months of the five-year plan were spent gathering the necessary data. VTech now monitors this data on a monthly basis to ensure improvements remain on track, while it also holds quarterly meetings with its different business units and operational team to review progress.

Satisfying customer and employee demands

Award winners find that having a purpose-driven business can likely lead to employees being more motivated, engaged and satisfied with their work. Chong says CLP now has one of the largest corporate volunteer teams in Hong Kong with more than 1,600 members. "We notice that nowadays younger people are more interested to work for companies with a business purpose aligned with theirs. Our commitments on environmental, social and governance (ESG) helps us attract and retain a diverse, multi-generational workforce," she says.

Leung at AAHK agrees, saying: "Employees are generally proud to learn about and be part of sustainability initiatives which also constitute one of the key factors people care about during job searches."

Tong adds: "When employees see they are contributing to society, they are happy to stay in the company longer."

Lung says Swire Properties has also benefitted from increased staff engagement through its employees coming up with innovative ideas to help the company achieve its sustainable development goals. "In 2019, we received over 480 ideas through our Ideas@Work platform, with some ideas involving using new technology such as machine learning and blockchain to improve our sustainability," she says.

Swire Properties is also seeing increased expectations from customers that its offices will be environmentally friendly. Studies have shown that green buildings in first-tier cities can be leased for a 10 percent premium compared with other offices, suggesting tenants are prepared to invest in this area, according to Lung."One Taikoo Place, which is our newest office with the highest green building standard, had secured 100 percent occupancy before completion, so I think there is a relationship although it isn't always as quantifiable as this," she says.

Tong says sustainability issues are very important for the retailers VTech supplies, such as Amazon, Walmart and the big supermarkets in Europe, which visit its factories every year to carry out their own audits to ensure it meets their environmental and social standards.

There is also growing demand for socially-responsible business practices from investors. "Following the Paris Agreement in 2015, we have seen a substantial increase in investor interest in ESG initiatives. ESG was raised proactively in all the meetings CLP held with investors in the U.S., Canada, the United Kingdom and Japan after our 2019 interim results in August," Chong says.

Swire Properties, meanwhile, is receiving more questions about its sustainable development strategy and how it is linked to the

"Nowadays younger people are more interested to work for companies with a business purpose aligned with theirs."

company's performance. Lung expects the company's stock to trade at a premium to its peers over the long term due to its strong focus in this area. "Apart from higher returns, we also believe that having a better risk management system will enable the company to achieve a lower cost of capital," she says.

Advice for others

BCGA sees board-level commitment within companies as being another essential ingredient of sound SSR governance. For companies considering introducing a social mission, the winners agreed that support from the top of the organization was essential for its success. "For any company embarking on this journey, support from the board and senior management is crucial. At CLP, I am grateful for the strong support from the leadership for our social and community strategies, which has galvanized other colleagues into action to build a strong culture throughout the organization," Chong says.

Tong agrees: "The key is for it to be top down starting from the board, it cannot be bottom up. If you do it bottom up all you can do is collect the data every month and then report it." She adds that companies must also be prepared to revisit and reassess their goals to ensure they evolve. "In the past, our customers were mainly concerned with the safety and durability of our products. Going forward, we notice that consumers, especially the younger generation of parents, are more concerned about the materials we use being environmentally friendly." As a result, VTech has incorporated reducing the amount of plastic it uses in packaging into its new five-year plan, and is also exploring using bioplastics produced from renewable resources.

Leung suggests companies incorporate their social mission into all aspects of their business, from strategy and structure, through to employee development. He adds that the purpose and associated initiatives should also be able to deliver clearly defined business benefits, whether these are financial, operations, or just giving back to the community.

Lung thinks that staff engagement is important, pointing out that successful strategies cannot be executed by only a few people in the organization. Chong also encourages companies to consider how they can create partnerships and work with their stakeholders, as many of the key challenges the world faces, such as climate change, require big solutions that cannot be provided by individual companies alone.

All of the winners agreed receiving one of the Institute's BCGA would have a significant positive impact on their staff. "It is a great encouragement for our whole staff because it is recognition of their effort. I think this has set a higher bar for us to continue to jump to the next level and we will continue to drive more sustainable development initiatives and improve our disclosure," Lung says.

The award is particularly encouraging for VTech's accounting and finance staff who are members of the Institute, notes Tong. "It is not easy to get an award from the Institute. It is a very good achievement for us. It is excellent recognition of everything we have done in the past year."

Highlights from the Best Corporate Governance Awards 2019 Judges' Report

The judges' reviews for the Sustainability and Social Responsibility Awards highlighted six areas:

1. The number of sustainability reports and the overall standard of reporting had increased, due, in part, to an increase in the minimum standards issued by the Hong Kong Stock Exchange and companies appreciating the importance of their stakeholders' long-term success.

2. The need for companies to make clear their overarching sustainability vision and strategies, and the action plans and initiatives to implement sustainability strategies.

3. Companies should provide sufficient explanation of how their main stakeholders' concerns are addressed.

4. Companies should provide a balanced view of the positive and negative aspects of their sustainability performance.

5. More companies need to set performance targets and indicate their progress towards achieving them.

6. It is important to make clear the scope and coverage of any external independent assurance on sustainability reporting.

FRAMEWORK FOR SUCCESS

The Professional Development Framework for PAIBs was released in November last year. Nicky Burridge finds out how the new framework will equip members working in business with the necessary technical and soft skills while also leading organizations in nurturing future accountants

Photography by Leslie Montgomery

Christie Leung started her career at one of the Big Four, but, like many CPAs, she transitioned to the commercial sector after a few years. One thing she noticed after making the change was that it was no longer clear to her what skills she needed to further her career and how to go about acquiring them.

"The Big Four provide a lot of technical training, but when I jumped to the commercial side, it was a bit confusing because I had to find out what continuing professional development (CPD) I needed," says Leung, Senior Manager, Finance and Accounting Division, at Canon.

She is far from alone. Although 95 percent of respondent members to the Institute's 2018 Career Survey in the Big Four stated they had support or subsidies for their CPD, only 44 percent of members in corporates reported support. To help professional accountants in business (PAIBs) – who make up around 60 percent of the Institute's membership – in their personal development, the Institute's Professional Accountants in Business Committee developed the *Professional Development Framework for PAIBs*, which was released in November last year.

Jennifer Cheung, Executive Director, Hong Kong Conglomerates 1 Head, Institutional Banking Group at DBS Bank, Hong Kong Branch, and Chairman of the Institute's PAIB Committee, explains: "It is something we thought was missing from the Institute. The *Professional Development Framework for PAIBs* is very much a guide to help our fellow members have a structured framework to help them understand where they can develop their skillset going forward by using the Institute's CPD resources."

Creating the framework

The PAIB Committee began creating the framework in 2018. Their aim was to provide an accessible guide to the professional competencies, such as prerequisite knowledge, skills, attitude, practices and standards of behaviour that PAIBs will need throughout their careers – particularly as the role of PAIBs is evolving from providing technical support to creating value for the business. It is designed to help PAIBs shape their careers through identifying gaps in their knowledge and then take control of their learning using the extensive CPD courses the Institute offers.

"The Institute has put a lot of resources into developing our CPD offering, as CPD is one of the key requirements for members to maintain their membership (see *Building knowledge* on page 29)," Cheung says. "Not only does the framework provide a more structured way to help members understand which courses fit their needs, but it can also help the Institute shape the CPD that is being offered, such as through looking at which skills PAIBs need now, to help steer the resources to the gaps."

The framework is not only intended to be used by individual PAIBs, but also by businesses, as a structured guide to the skills their employees will need to boost the effectiveness of the finance function.

(From left) Christie Leung, Yan Yeung, K.M. Wong, Jennifer Cheung and Keith Ng.


Jennifer Cheung, Executive Director, Hong Kong Conglomerates 1 Head, Institutional Banking Group at DBS Bank, Hong Kong Branch, and Chairman of the Institute's PAIB Committee.


K.M. Wong, Chief Financial Officer at Hong Kong Electric Investments and Chairman of the Institute's Professional Development Committee.

From technical skills to ethics

The framework covers four areas:

- Technical skills enabling PAIBs to identify, collect, process and analyse the information that they will need to share with various stakeholders, such as the preparation and dissemination of external and internal reports.
- Business skills helping PAIBs to use their knowledge of business and the economic environment to transform this data into insights, evaluating the strategic positioning of a business and helping to identify strategies and opportunities for the future.
- Leadership and people skills covering the need for PAIBs to act as leaders and motivate other team members.
- Finally, ethics, integrity and professionalism covering the need for PAIBs to comply with the fundamental principles of professional ethics for accountants, as well as the relevant laws and regulations.

Each competency is broken down into three levels according to job seniority, so that members can see what skills they are likely to need at each stage of their career. For example, while PAIBs at the operational and supervisory level are likely to require only a basic understanding of business structures, operations and financial performance, by the time they progress to middle management, they will need to have acquired strong analytical skills and the ability to advise on strategy for the business. Those at senior management and leadership levels will require expert knowledge to develop a strategic vision for their organization and provide unique insights into the direction of the business.

K.M. Wong, Chief Financial Officer at Hong Kong Electric Investments and Chairman of the Institute's Professional Development Committee, points out that while technical skills are important, some of these can be acquired while people are still at university or early during their careers, and if accountants limit themselves to this area, they will just be a technical person. "I think the other skills are important. Without those you are not really going to be able to add value to a company and help to build the business," he says.

Leung, who sits on the Institute's Young Members Committee, agrees, pointing out: "As you progress to higher positions, the technical skills are really just the basics, so you also need to develop yourself to improve your communication skills and presentation skills. You need to be able to present your ideas to the board and also to the shareholders."

Keith Ng, Head of Capital Markets at Link Asset Management and Deputy Chairman of the Institute's PAIB Committee, stresses that understanding ethics and integrity is also crucial, as accountants must have their own bottom line.

Yan Yeung, Partner, Tax Services at PwC and Chairman of the Institute's Young Members Committee, agrees: "When you progress in your career, you are not just doing technical work – you need to use your judgement as well." As Cheung points out, members are required to uphold the ethical standards that are set out by the Institute. "As Institute members, we pride ourselves on upholding integrity. This is a key part of the framework," she says.

Upholding international best practice

The framework was created with reference to the competencies required by the International

"It can also help the Institute shape the CPD that is being offered, such as through looking at which skills PAIBs need now, to help to steer the resources to the gaps."

Christie Leung, Senior Manager, Finance and Accounting Division, at Canon and member of the Institute's Young Members Committee.

Federation of Accountants (IFAC), as well as its vision for transforming the finance function from accounting for the balance sheet to accounting for business. This vision includes ensuring accountants have a comprehensive understanding of business performance and results, and have a growth and change mindset, as well as having the insight, understanding of risk management and integrity at the centre of decision-making. Accountants must also have the necessary communication skills to make their views known.

Cheung points out that as a member of IFAC, the Institute must also be in line with international developments and standards in order to maintain its position, so it was important that the skills it was promoting for PAIBs to develop were also aligned with those requirements.

Being in line with international developments should also help members with international career mobility. Wong adds that as an international finance centre, Hong Kong has many companies and people from abroad, and, as such, it is important that the qualifications one attains from the Institute are in line with other standards. "Hong Kong actually has the highest concentration of CPAs in the world," he says.

All sectors, all roles

PAIBs are a very diverse group, and the framework is designed to help them regardless of whether they are working in the commercial, public or not-for-profit sectors, across industries, and at different levels of seniority. "We have kept it generic because we cannot have a 'one-size-fits-all' approach for all the different industries. Our members all do different things," Cheung says.

She points out that a lot of the skillsets in the framework, such as corporate governance, accounting and financial reporting, risk management and control, and business and planning strategy, are core competencies that most accountants at corporate organizations or even non-government organizations will need. "We hope to have designed the framework so that it brings awareness to members about what they need to think about it in order to advance their career," Cheung says.

Ng adds: "The framework is the crystallization of the thoughts of a lot of PAIB Committee members from very diverse backgrounds. Different companies may put emphasis on different aspects of the framework."

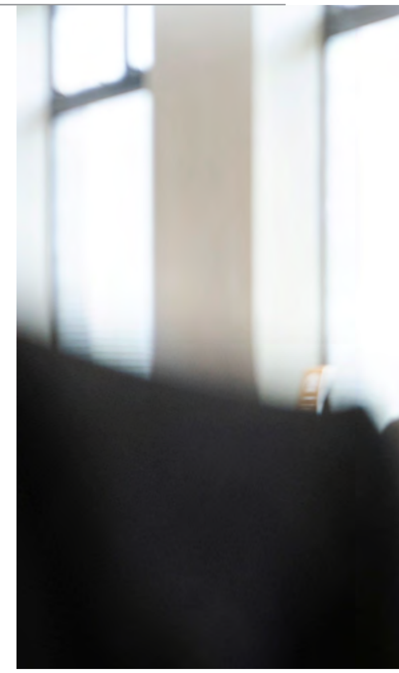
Shaping career planning

A key aspect of the framework is to help individual PAIBs plan their own careers. Cheung points out that while whether people achieve their career objective is very much up to the individual, the PAIB Committee hopes members will use the framework to carry out a self-assessment on where they are in their career.

The framework includes a section on self-assessment to help PAIBs identify any skill gaps they may have either in their current role or the position they aspire to, as well as to take into account any performance feedback they may have received from their employer or customers, and whether they have any gaps in the relevant statutory and legal requirements for a CPA. It also helps them to understand and prepare for any future changes that are expected, such as new regulatory requirements or professional standards, or the impact technology is likely to have on the profession.

Leung thinks this aspect is very important. "As accountants, we have multiple career prospects,

Yan Yeung, Partner, Tax Services at PwC and Chairman of the Institute's Young Members Committee.



for example, we can go into management accounting and corporate finance. I think the framework can develop our members' skillset. Whether they are management, senior management or supervisor-level, the framework can help them develop," she says.

Once they have completed the self-assessment, PAIBs are encouraged to take action to fill gaps through looking for one of the Institute's CPD courses.

Yeung thinks the framework can be particularly beneficial for the Institute's younger members. She explains that, many accountants start off in professional practice but once they have qualified and transition to a business, it is more difficult for them to gain direction on the training they need. "At the firms, we receive a lot of guidance and training, so we don't have to worry about CPD but once you join the commercial side, you suddenly find that you don't have any guidelines. The framework provides a good platform for younger members to find direction," she says. Cheung agrees: "When they move out of professional practice, we hope the framework will be a much easier way for them to understand where the Institute will come in for their professional development later on," she says.

Empowering organizations

The PAIB Committee hopes the framework will act as a guide for companies and organizations to set up their own training for employees. Ng says the framework should help to shape the expectations of management, as well as enabling them to better define the roles and responsibilities of accountants and the contributions they can make.

Wong points out that the Institute's framework can be used by companies to create their own frameworks or to identify skill gaps in their employees. "Having something established is a good starting point," he says. There are also resources to help organizations evaluate their own finance function against IFAC's vision.

Cheung hopes the framework will act as a catalyst to encourage companies to place more emphasis on identifying and filling skill gaps among their accounting employees. "We developed the Mentorship Programme a few years ago and one piece of feedback we got from fellow members was that because of the Institute pushing its Mentorship Programme, individual firms and small- and medium-sized practitioners had decided that they should push their own programmes. We hope the PAIB framework will act as a push as well," she says.

Evolving with the times

The PAIB Committee was very deliberate in its selection of the word "framework" for the initiative, believing this choice enabled it to be more flexible. It also stressed that the framework is not something that is fixed, but rather something that will need to be revised at intervals in response to changes and developments in the field. "We hope to refine the framework and develop it as time goes on and with input from members and organizations as they use it," Cheung says.

She notes that the role of accounting professionals has expanded significantly over time, from being largely focused on reporting and taxation in the past, to now playing a significant part in shaping business strategy and the framework must be agile enough to be able to respond to these changes.

Wong agrees. He points out that 30 years ago, the career path of an accountant was a lot more structured than it is today. "I think the framework gives members the tools to think about what they want to do. The profession is more dynamic than in the past," he says.

> "We hope to refine the framework and develop it as time goes on and with input from members and organizations as they use it."

Keith Ng, Head of Capital Markets at Link Asset Management and Deputy Chairman of the Institute's PAIB Committee.

"Things change very quickly, and all accounting and finance functions change over time. The skills people will need to move up in a company could be very different in a couple of years' time. When I was young, everyone talked about journal entry, nowadays no one does that because everything is put in the system automatically."

Ng points out that another area of accounting that has evolved significantly in recent years is corporate governance. "Ten years ago, we never talked about green financing. As an accountant at a big company you need to do a lot in this area now, even at smaller companies, the whole market is pushing in that direction and it is evolving as well," he says.

Digital transformation and new technologies, such as big data and artificial intelligence (AI), are also expected to have a significant impact on the role of accountants. "We can use AI to do some of the tedious work so that we can focus more on the analysis and the management skills," Yeung says. "But we will need to develop the skill set to use this technology in our profession." Wong agrees, pointing out that the Institute has a responsibility to show the public that it is leading in these new areas, and this will be reflected in the framework.

Next steps

Although the framework was only launched in November 2019, initial feedback has been positive. Cheung says: "It gives people a much more useful framework. We have so many online courses and so much face-to-face training, there is a wealth of resources available and this helps to inform what people use."

Wong is keen to see members making greater use of the framework now that it has launched. "We want to make it more popular and we really want members to use it," he says. The PAIB Committee is also keen to receive feedback from members on the framework. "The most important thing is that they give us feedback if they think something is missing or if something is insufficient," Wong says. "Getting the framework is the first stage, and we will develop programmes to ensure that our members are able to develop the skills they need."

Are you using the framework to guide your development? If so, and you have any feedback on the framework, please email *paib@hkicpa.org.hk*

Building knowledge

The Institute has significant resources to help members ensure their skills and knowledge remain up to date. All members are required to complete 120 hours of continuing professional development (CPD) every three years, with a minimum of 20 hours to be completed each year.

To help members meet this requirement, the Institute offers over 300 face-to-face events a year, and 500 online courses.

There is also a range of specialist training programmes in areas such as financial controllership, insolvency and taxation. CPD is not limited to attending courses and seminars and sitting professional exams, but also extends to speaking at seminars and writing technical articles and papers. Reading *A Plus* also counts towards non-verifiable CPD hours. It is up to individual members to use their professional judgement to decide what type of CPD activities they should undertake, highlighting the important role of the Professional Development Framework for PAIBs in helping them identify the areas in which they need to develop their knowledge, professional skills and professional values, with reference to both their current and future work.

K.M. Wong, Chief Financial Officer at Hong Kong Electric Investments and Chairman of the Institute's Professional Development Committee, says: "We have a high number of courses that we run to help our members. The framework will help members understand how to link it all together, and how building up their CPD, can be powerful."

COMBING THE DETAILS

Going from working at the Big Four to the commercial sector is a big jump for many CPAs. For Wallace Lau, Hong Kong Chief Financial Officer of Alès Group Asia, it was an exciting and challenging undertaking. He tells Jenni Marsh why he decided to delve into the world of haircare products and how his previous experiences help him continue to add value

Photography by Leslie Montgomery

When the pioneering, plant-loving celebrity hair stylist Patrick Alès passed away last May, aged 88, the haircare world collectively grieved. As a seven-year-old, the Spaniard had, with his family, fled the brutal civil war that swept fascist dictator Francisco Franco to power in his home country in the 1930s. Settling in Paris, Alès found fame at his in this Champs-Élysées salon after inventing the blow dry, then called *Le Brushing*. His idea involved voluminously sculpting wet hair with a brush and hand dryer, rather than using heavy hairspray to achieve the same effect with dry hair. Though now widespread, back then it was revelatory and saw legends such as French actress and singer Brigitte Bardot and then-first lady of the United States Jackie Kennedy lining up for Alès' talent.

At Alès Group, the botanical haircare brand Alès founded in the late 1960s, his passing was felt deeply, says Wallace Lau, Hong Kong Chief Financial Officer of Alès Group Asia. "He was very well-liked in the organization and was known to shake everyone's hand every day he came into the office," says Lau. Although he regrettably never met the late Alès in person, he stresses that the company is dedicated to continuing its founder's ethos of plant-based treatments that organically heal hair and soothe scalps. The first products for Alès' brand Phyto – meaning "plant" in Latin – were made on his kitchen table at his house in Provence, France, with his wife.

Wallace Lau started working with Alès Group Asia in August 2019. He is in charge of the company's Asia operations.

Continuing that personal mission is for important for Lau, too. "I've always found myself attracted to companies that make good products," he says, stressing that everything Alès puts out is made in France and comes from a base of scientific knowledge. "To me, it's always important to believe in the product."

Adding value

Since joining the firm in August 2019, Lau has been responsible for the multinational company's operations throughout Asia – the firm has operations in 13 countries. "The position offered a bigger challenge in a more comprehensive role. My previous positions were more focused on the finance side and Alès offered me a chance to build new skills," he says.

The role involves juggling a huge number of tasks and meetings, and Lau says his days are meticulously organized digitally, structured around the meetings he has for the week. "I was definitely encouraged to bring my own perspective and try to find better ways to do things," he says. For Asia, his priority was making sure the company hit its target for the year which, essentially, came down to good marketing and smooth logistics. Lau believes that being a CPA has been "extremely helpful" in this task. "The training and practical experience obtained in the process of obtaining a CPA puts you in a constant state of professional scepticism. 'Do these numbers make sense?' 'How do I make sense of the numbers?'" he says. "Constantly asking and answering questions I give myself offers the chance to have a deep understanding of our costs."

Lau also recently introduced new technologies and overhauled

what he calls the "people culture" – making sure the new hires were a good fit culturally and not just in terms of their qualifications. That overhaul in culture is one of Lau's biggest achievements – he has pushed for more collaboration between colleagues across regions, introduced a work instant messaging system to improve communication internally and set up routine meetings between departments to improve relations.

Leveraging the latest technology to make operations more efficient was also important. "We were doing too much manually," he says, adding how the company recently introduced data visualization tool Microsoft Power BI into their operation. "The business analytics software is a dynamic way of analysing data and slashes operations times," says Lau. "Data visualization is very helpful for non-finance users to interpret data and view trends. What attracted me to Power BI was the presentation of the visuals and how it lets my team focus on the maintenance of the data while the user could customize their reporting needs without much assistance from finance teams to create custom reports."

Alès carries seven brands globally, but in Asia that has been slimmed down to a more targeted offering, with botanical haircare and skincare products proving particularly popular. That isn't something Lau himself has had to try out. "Fortunately for me, I still have an abundance of black hair," he laughs. But he has tested out a range of the firm's other products, and his wife has been helping too.

"My wife has been testing and enjoying our products a lot. It's great to see firsthand someone enjoying the product that you help bring to life."

Hong Kong recession

At the end of 2019, the Hong Kong government announced that the city had entered its first recession in a decade. "Fortunately for us, we still have healthy year-on-year growth," says Lau. "Even in

> "The position offered a bigger challenge in a more comprehensive role. My previous positions were more focused on the finance side and Alès offered me a chance to build new skills."

recession, you still need to wash your hair and take care of your skin. But no business is completely recession proof."

Much of Alès' business comes from direct sales into Mainland China, and most of the brand awareness comes from its sales desks in luxury department stores such as SOGO and the company's boutiques in Singapore. "Some of our competitors are probably more directly affected as we don't have a strong reliance on tourist shopping," he says.

Still, Lau acknowledges that the beauty space is becoming increasingly competitive. "Consumers now have access to products from all over the world," he says. "Pretty much at the touch of a button. Our brands have direct interaction with consumers whether on social media or via our website. Traditional giants have to adapt to the new world. But brand loyalty is still key and I truly believe that the company with the

Patrick Alès' idea of creating a gentler hair-care product came in 1965 when he saw how shampoo chemicals damaged the hands of salon workers. He then spent many years studying plants and using the power of active botanical ingredients in his Paris salon, which still stands today.

best product will be successful."

Alès Group has also been experimenting with online video tutorials and short films to build its digital presence. With research and development at the brand's core, Lau says the key to Alès' expansion in Asia lies in more innovative products that stay true to Patrick Alès' commitment to plant-based haircare solutions.

East meets west

Lau's parents emigrated to Canada in the 1980s, when Hong Kong's future looked uncertain as the handover from British to Chinese rule loomed in 1997. The family later returned to Hong Kong, but Lau stayed in Canada to finish his education, majoring in accounting at the University of Toronto. "I've always been a numbers person," he explains. Even his hobbies revolve around statistics – a fantasy basketball league is his main pastime when out of the office. He also plays in the real world. "I play in a recreational basketball league with my friends. We've been going for over six years. However, it's been harder to keep the team together as we've aged."

> "In the business, as an auditor, you really get into the details and inner workings of a company. Especially as a fresh graduate, not a lot of other jobs will give you that chance."

Lau's blended background has become the backbone of his career. "Companies have always really liked the fact that I was able to bridge the 'East meets West' thing, being Canadian-born Chinese. That cultural bridge was always how I was able to differentiate myself. It's my niche," he says.

After graduating, Lau came to Hong Kong and worked at EY, during which he completed the Hong Kong Institute of CPAs' Qualification Programme exams and became an Institute member. "Being in audit really let me experience different industries, different companies, and see how everything worked," he says. "In the business, as an auditor, you really get into the details and inner workings of a company. Especially as a fresh graduate, not a lot of other jobs will give you that chance."

His qualification and association with Institute has "definitely helped," he says. "As accountants, our technical expertise is our craft, and we need to continue to sharpen our craft to keep up with the changing world, and changing accounting standards. I think the Institute does a good job of releasing material and giving us guidance on how to deal with it."

EY was Lau's "entrance ticket" to the world of accounting, but after three years, Lau found the confidence to go solo. His first role after EY was at Native Union, a Hong Kong-based electronics accessories brand founded by a Frenchman and a British man. "They were expats turned Hong Kong citizens and it was interesting to me that this was a homegrown Hong Kong brand, which manufactures in China and sells globally," says Lau.

Originally from Toronto, Canada, Lau came to Hong Kong after university and worked at EY for three years.

A short stint with a Swiss advertising company followed, but was cut short when the company had to restructure. Then came Lau's dream job of working for a wine start-up, which promised to be able to deliver a European wine to consumers at a reasonable price in under an hour via a mobile app. "Being a bit of a wine lover myself, it was very intriguing for me – and a chance to work at a start-up," he says. "Everything was hands on. You had to wear a lot of different hats. So, it was a great experience. And the free wine was nice."

Going forward, Lau says Alès hopes to continue growing the brand's presence in Asia, introducing great organic products to consumers that Patrick Alès himself would have been proud of.

Lau gave up all those free bottles of Beaujolais and Bordeaux to join Alès Group. Unlike wine, beauty wasn't necessarily an area Lau was actively interested in, but he felt he could learn. "Beauty is very relatable to everyone," he says. "It's hard to get excited about light bulbs, for instance. But everyone wants to be beautiful."

HOW TO...

by Dr Hannah Sugarman

The Hong Kong-based Clinical Psychologist provides practical steps for managers to identify, prevent or lend a helping hand to employees who are showing signs of burnout

Recognizing and preventing burnout as a manager

Burnout is a term that is used to describe a psychological and physical state of exhaustion. It is the result of chronic, unmanageable levels of stress. When someone is burned out, they eventually feel demotivated and detached from any sense of purpose relating to their role. It is a term that is usually associated with workplace stress, and can affect anyone who is exposed to prolonged stress in the workplace.

Unfortunately, burnout is thought to be on the rise. The proliferation of technology in the workplace has led to improved connectivity, which is great news for enabling agile working and international collaboration, but can be disastrous for self-care. In many workplaces, it is the norm to expect employees to be available for late night conference calls and be responsive to e-mails at the weekends or when they are on leave. This can make it very difficult for people to access the essential downtime that everyone needs to maintain good standards of physical and mental health.

What are the signs of burnout?

There are various physical and psychological signs that indicate someone may be at risk of, or experiencing, burnout. Some of the warning signs include:

- Feeling exhausted all the time.
- Frequent physical symptoms (getting ill more often, aches and pains).
- Eating considerably more or less than you usually would.
- Increased use of substances (drugs and alcohol).
- Constantly feeling overwhelmed or feeling like a failure.
- Feeling demotivated, procrastinating frequently.
- Feeling detached and indifferent about your role.
- Lacking a sense of achievement even when things go well.

Why is it important for managers to know about burnout?

Recognizing burnout is an important part of looking after the mental health of employees. Although burnout is not a diagnosable mental health problem, it can leave people more susceptible to mental health problems like depression and anxiety. Burnout is associated with presenteeism, where people continue to attend work despite physical or mental health difficulties that make it very difficult or even impossible to fulfil their responsibilities. There is also an economic argument for managers to recognize and prevent burnout: workplaces with high levels of burnout are likely to see higher staff turnover, reduced productivity and poor staff morale.

How to recognize and prevent burnout?

Stress is a part of the job in most workplaces, and many people find it to be a motivating factor, as long as it is manageable and does not exceed their ability to cope. There are very few roles where it is possible to significantly reduce or totally eliminate stress. However, if work stress is managed effectively, it does not have to lead to burnout. There are plenty of ways that managers can identify problems early and assist their employees' management of their stress. This can help to ensure that burnout and the associated consequences are avoided. Some suggested ways are:

- Get to know your team members. This way, you will be better-placed to know if someone is not acting like themselves.
- Hold regular check-ins with your employees. If someone is experiencing difficulties, they may not want to approach you to discuss this. However, if you are checking in with them in a genuine and caring way, this offers them a platform to speak up if something is wrong.
- Do not assume all is well with someone just because they are coming to work. Presenteeism is a huge problem in many workplaces, and someone could be struggling in ways that are not obvious to those around them.
- Prioritize well-being in a meaningful way to prevent burnout. This means creating an environment for healthy stress management strategies, and actively encouraging them. Ensure that someone can have regular time off to attend a gym class, or that you are frequently reviewing each of your employees' workloads to make sure that they are manageable.
- Ensure you know what support is available. If someone is struggling, make sure you know where to direct them for support. This may be via human resources, or your company might have an employee assistance programme that can help. Familiarize yourself with what is available so that you can point employees in the right direction.
- Set the tone as a manager by modelling good habits. If you are vocal about making time to go for a walk at lunchtime, leaving on time or switching your work phone off at weekends, people will see that it is acceptable to prioritize your well-being.
- Educate your staff so that they know what is and is not normal for them. Many of us are excellent at keeping an eye on changes in our physical health, but are less attentive to warning signs in our mental health. Encourage your employees to keep an eye out for signs of burnout, and let them know that you are there to support them if they are struggling.

by Sue Lloyd

The Vice-Chair of the International Accounting Standards Board and Chair of the IFRS Interpretations Committee explains the board's position on agenda decisions

Agenda decisions – time is of the essence

In December 2018 the International Accounting Standards Board confirmed its view that it expects companies to be entitled to sufficient time to implement changes in accounting policy that result from an agenda decision published by the IFRS Interpretations Committee.

Since then, I have received questions about why we have done this and what exactly we mean by "sufficient" time. For example, does this mean that entities don't have to do anything about agenda decisions for a number of years?

Why have we commented?

The committee publishes agenda decisions when, following consultation, it has decided that standard-setting is not required to deal with a question from stakeholders. This usually means that the committee has concluded that existing requirements in IFRS Standards are adequate to answer the question. When that's the case, the agenda decision explains how IFRS Standards apply.

Because explanatory material set out in an agenda decision reflects existing requirements, two questions are often raised.

1. Do companies that have applied IFRS Standards in a manner inconsistent with an agenda decision necessarily have a prior period error? The board has acknowledged that agenda decisions often provide *new* information that should be seen as helpful and persuasive (for example, by integrating requirements in the standards with material in the basis for conclusions and illustrative examples). This means that a company does not have an error simply because its application of IFRS Standards was inconsistent with an agenda decision.
2. Do companies have to reflect the agenda decision in their next set of IFRS financial statements no matter how soon that might be? Until now we have had nothing on record regarding how quickly companies are expected to implement an accounting policy change that results from an agenda decision. The board therefore decided to formally acknowledge that it may take time to implement such a change. The board has done this to reflect its expectations of what is reasonable for preparers, to assist companies in implementing any such change and, ultimately, to support consistent application of IFRS Standards by facilitating changes.

But how long is "sufficient"?

The short answer is that it depends on the particular facts and circumstances, including the particular accounting policy change and the reporting entity. Preparers, auditors and regulators will need to apply judgement to determine what is sufficient. But as a rule of thumb I think it is fair to say that we had in mind a matter of months rather than years.

The board's comments on timing relate to the time needed to implement accounting policy changes that result from an agenda decision. Once finalized they become a relevant piece of information in applying IFRS Standards. Explanatory material set out in agenda decisions, in essence, affirms the application of existing requirements. Therefore, companies need to consider agenda decisions and implement any necessary accounting policy changes on a timely basis – in other words, as soon and as quickly as possible.

Sometimes, assessing an agenda decision and implementing any accounting policy change may be straightforward and quick. In other circumstances, companies may need to undertake a number of steps, such as collecting additional information to apply the new policy or to provide disclosures, or to change processes or systems. If necessary, companies should be in a position to explain their implementation process and, if material, should consider if disclosures related to the accounting policy change are required.

Given that agenda decisions typically consider specific transactions or narrow fact patterns, reflect existing requirements and the committee has determined that standard-setting is not required, the board does not anticipate that companies would require extensive periods of time.

Some have asked whether sufficient time includes the time needed to undertake related steps, such as changing affected covenants in documents. Or whether companies should be allowed to wait to see whether any of the board's projects could remove the need to make an accounting policy change (to avoid two changes in accounting in a short period of time). To my mind, such considerations go beyond what the board intended.

Judgement and cooperation

In closing, I reiterate that consistent with the application of IFRS Standards more generally, the application of judgement is required. The board has sought to provide a mechanism that is reasonable to enable accounting policy changes to be effected on a timely basis and in an orderly manner. For this to work well, everyone involved in financial reporting needs to work together to ensure that an appropriate outcome is achieved and that collectively we work towards the goal of high-quality, consistent application of IFRS Standards.

Our comments on timeliness do not change the fact that companies need to be diligent in considering agenda decisions and implementing any resulting accounting policy changes. We expect a good faith effort to consider and address any effects of agenda decisions on a timely basis. Further information about the work of the committee and its agenda decisions can be found on its website.

A guide to working with listed companies

Based on her experience, Wanda Suen has prepared an e-series to equip members with the right knowledge on maximizing value, such as through performing acquisitions, fundraising activities, and making sure listed companies are in compliance with rules

Wanda Suen is Partner at Hastings & Co. After qualifying as a solicitor in 2001, she joined the Hong Kong Stock Exchange where she gained exposure to both initial public offerings (IPOs) and transactions. She joined Hastings & Co. in 2003 and became a partner in 2011. Her practice focuses on IPOs, transactions, compliance matters, investigations from authorities and shareholder disputes.

Taking a company from private to public opens up its directors to new opportunities, challenges and risks. Once public, the actions of the company will be under more scrutiny, and the way of working may need to be adjusted. Also, with the listing rules regularly changing, it is important that everyone involved in corporate actions, including the directors of a company, its accountants, and external advisors and auditors, are aware of their responsibilities.

The courses

The e-series courses are prepared from a legal perspective and presented with a practical approach developed from my personal experience. By following the courses, participants will be better-equipped to handle some common issues, and better advise their clients or employers.

In an initial public offering, the directors of a listing vehicle should familiarize themselves with listing rules, takeover codes and other relevant legislations before the submission of a listing application, as this will help to ease concerns regarding their rights and obligations after listing. My e-series course "All About Directors – from Appointment to Removal" serves as an introduction to what directors may come across during their tenure, including, but not limited to, dealing of securities and grant of share options. This e-series course also includes discussions on rare cases such as the removal of a director.

As a solicitor, I frequently work with auditors and financial advisors to provide our clients with comprehensive advice. Usually, clients want to achieve several goals in one transaction – for example, making an acquisition and raising funds to finance it at the same time. We professionals together advise – in compliance with listing rules – the percentage of shareholding to be acquired in order to gain control of the target company, the means of settlement of consideration with limited effect on the cash level, and the methods of fundraising with the least impact on the financial statements. To share my experience, I have prepared two e-series courses in relation to acquisitions and fundraising activities.

In the course "Practical Steps for Doing an Acquisition," I provide practical advice on performing acquisitions and how to comply with listing rules in different stages as the deal proceeds. As listed companies usually achieve growth by performing mergers and acquisitions, I'm able to provide insight on the documentation and speak on viable commercial measures to protect the interests of these listed companies. In "Common Types of Fund Raising Activities," I touch upon common fundraising methods such as subscriptions, placing and top-up placing of securities and the differences among them. I also advise on the different types of fundraising activities available and the pros and cons thereof. It draws attention to the potential pitfalls and how to avoid them.

In addition to performing transactions for listed companies, I also advise on a broad range of compliance matters. In some cases, the listed companies may experience internal problems involving board members and/or shareholder disputes and external difficulties in the form of complaints, litigation and winding-up petitions. These can all create headaches for senior management of the listed companies. My e-series course on "Troubles! How to be Handled by Listed Companies" aims to bring insight on how to handle these special circumstances. In this course, I also share my own personal experiences in dealing with hostile takeovers based on an actual case that I was involved in. Knowing the relevant rules and possible tactics can help to formulate strategies in dealing with future scenarios.

I hope members will find the courses relevant and useful when dealing with listed companies related matters.

Court of Final Appeal decision on employee payments

A look at why the benefits given to an employee were not for past services but were related to other matters

The case of *Commissioner of Inland Revenue v. Poon Cho-ming John* [FACV 1/2019] hinged on the fact that the payment for "something else" was essentially for the employee agreeing: not to take any course of action that might create unfavourable publicity for the employer; not to pursue threatened legal claims against the employer; and to simply "go away quietly."

Brief facts

Under an employment contract dated 20 October 1999 (the service agreement), the taxpayer was employed by a Bermuda company (the company), which was listed on the Stock Exchange of Hong Kong, as group chief financial officer (group CFO) and an executive director of the company. The service agreement was terminable by either party serving to the other a 6-month written notice.

Circumstances leading to the immediate termination of the service agreement on 20 July 2008

On Friday afternoon, 18 July 2008, the chairman of the company informed the taxpayer that the company was going to terminate the service agreement immediately and remove him from his directorship positions of the group, including that of the company.

The taxpayer was taken aback. His mood was combative, and he refused to go quietly. The taxpayer was of the view that even though the company could terminate his employment as group CFO, this was not the case with his position as executive director of the company and other group companies.

The taxpayer then threatened to take a two-pronged course of action. Firstly, he proposed to challenge the chairman's plans to remove him from his directorships by taking the matter to the shareholders with a view to delay his departure from the board, contrary to the wishes of the chairman and a majority of the company's board of directors. Secondly, the taxpayer was also prepared to take his claims to court, which would attract interest from the media, with consequential market reaction.

Although the parties were in an acrimonious relationship, after a weekend of negotiations involving lawyers on both sides, they eventually agreed to the terms for the termination of the service agreement, by way of a separate written agreement (the separation agreement).

Payments and benefits made to the taxpayer under the separation agreement

Under the separation agreement, the taxpayer was to be paid, in addition to payment in lieu of six months' notice and various other sums, a "payment in lieu of a discretionary bonus for the financial year ended 30 June 2008 – EUR 500,000" (sum D).

Furthermore, the separation agreement also provided that the vesting dates in respect of three tranches of options in the shares of the company, which were granted to the taxpayer under his terms of employment, were accelerated to the date of the termination of the service agreement on 20 July 2008. These options were duly exercised by the taxpayer resulting in notional gains of HK$43,250,400, calculated for tax purposes as being the difference between the market value of the shares on the date of exercise and the exercise price (the share option gain).

The taxpayer accepted that the sums and benefits to be given to him under the separation agreement were in full and final settlement of all claims and rights of action (whether under statute, common law or otherwise).

Issue in dispute

The Commissioner of the Inland Revenue (CIR) determined that sum D and the share option gain were "income from employment" chargeable to Salaries Tax in Hong Kong.

On appeal, the tax tribunal of the Board of Review (BOR) and the Court of First Instance (CFI) upheld the CIR's assessment of sum D and the share option gain. The Court of Appeal (CoA) however reversed the BOR's and CFI's decision and held that both sum D and the share option gain were not chargeable to Salaries Tax in Hong Kong.

The CIR then appealed the CoA's decision to the Court of Final Appeal (CFA).

Decision of the Court of Final Appeal

Legal test for determining what constitutes "income from employment"

In this regard, Mr. Justice Bokhary NPJ, delivering his judgement in this case, referred to an earlier decision of the CFA

held in *Fuchs v. CIR* (2011) 14 HKCFAR 74. In *Fuchs*, Ribeiro PJ stated that (and all other CFA judges on that panel agreed):

"...Income chargeable [under section 8(1) of the Inland Revenue Ordinance] ... embraces payments made... 'in return for acting as or being an employee,' or... 'as a reward for past services or as an inducement to enter into employment and provide future services.' If a payment, viewed as a matter of substance and not merely form...is found to be derived from the taxpayer's employment in the abovementioned sense, it is assessable..."

"It is worth emphasizing that a payment which one concludes is 'for something else' and thus not assessable, must be a payment which does not come within the test..."

"In situations [where taxpayers claimed that the payment fell outside the charge because it was not made in return for their acting as or being an employee but as a consideration for abrogating their rights under the contract of employment]... such a conclusion may be reached where the payment is not made pursuant to any entitlement under the employment contract but is made in consideration of the employee agreeing to surrender or forgo his pre-existing contractual rights..."

Sum D and the acceleration of the vesting dates of the relevant options were given to the taxpayer "for something else", and therefore were not income from employment chargeable to tax

Applying the above legal test to the facts and evidence of this case, Mr. Justice Bokhary NPJ held that (and all other CFA judges on the panel agreed) both sum D and the acceleration of the vesting dates of the relevant options leading to the share option gain were "not given to reward the taxpayer for past services. [Sum D and the share option gain] were plainly given for something else, being part of what was given to make the taxpayer go away quietly. In so far as it may be appropriate to approach the present case by reference to abrogation, it is to be observed that the separation agreement abrogated whatever rights the taxpayer may have had under his contract of employment and that he acquiesced in such abrogation in return for what was given to him to make him go away quietly..."

As such, and essentially endorsing the reasons given by the CoA for its decision, the CFA upheld the CoA's decision that both sum D and the share option gain were not chargeable to Salaries Tax in Hong Kong.

Before making the above conclusion, Mr. Justice Bokhary NPJ had considered but rejected the CIR's argument for the taxability of sum D and the share option gain on the following grounds.

Rejection of sum D being taxable under the substitution test

Counsel for the CIR argued that sum D, being "in lieu of a discretionary bonus" was taxable under the "substitution test" as explained by Lord Woolf in *Mairs v. Haughey* [1994] 1 AC 303.

Counsel argued that "[t]he payment of a sum [i.e., sum D] in true substitution of another [i.e., a discretionary bonus which the taxpayer would have received if the service agreement had not been terminated] is an acknowledgement and takes the place of, and has the same nature as, the latter [i.e., the discretionary bonus]." In other words, the nature of sum D should be the same as the discretionary bonus which would otherwise have been taxable had it been received by the taxpayer.

Rejecting Counsel's argument on the point, Mr. Justice Bokhary NPJ considered that sum D was paid "in lieu of a discretionary bonus" only in form but not in substance. As such, sum D was not paid in true substitution of a discretionary bonus and, thus, the "substitution test" did not apply.

Looking at the substance of sum D, Mr. Justice Bokhary NPJ noted there was no evidence that the financial results of the company for the year ended 30 June 2008 were considered in determining the amount of sum D. Nor was the work performance of the taxpayer for the year considered. These two factors were normally the substance when a discretionary bonus was considered and awarded.

Instead, the evidence was that the company told the Inland Revenue Department that: (i) the taxpayer was not awarded any bonus for the financial year ended 30 June 2008; (ii) Sum D was an "entirely arbitrary amount mutually agreed by the taxpayer and the chairman; and (iii) Sum D was paid to "eliminate any claim for unpaid bonus."

Rejection of the share option gain being taxable on grounds that the options were granted while employed

Rejecting Counsel's argument on this point, Mr. Justice Bokhary NPJ noted

that the "acceleration in question was not acceleration of the time when the taxpayer would receive something which he would receive, albeit later, even without any acceleration. It was acceleration without which he would *never* have received that thing at all [i.e., the options would otherwise lapse if the acceleration was not made]. On the evidence and the facts found, it is plain that the acceleration of the vesting leading to the share option gain was not given to reward the taxpayer for past services. It was, on the evidence and the facts found, plainly given for something else..."

Commentary

It is of note that both the BOR and all level of courts adopted the same legal test quoted above for determining whether sum D and the share option gain were income from employment.

However, when applying the legal test to the facts and evidence of the case as found, the BOR and the CFI held that sum D and the share option gain could not be said to be paid "for something else" other than past services of the taxpayer.

This is apparently because both the BOR and CFI did not consider the taxpayer had any valid claims against the employer under his employment contract.

Specifically, both the BOR and CFI considered that given that the company had already separately made a payment in lieu of six months' notice to the taxpayer, the service agreement was lawfully terminated by the company without the company breaching any terms of the service agreement.

Furthermore, both the BOR and CFI also considered that, under the terms of his employment, the taxpayer was obliged to resign from the directorships of the group upon the termination of the employment. The BOR had also earlier rejected the taxpayer's claim that he had a right to put the removal of his directorships of the group to the vote of the shareholders of the company under the relevant Bermuda legislation or the by-laws of the company.

Based on the above, both the BOR and the CFI did not consider that the taxpayer had abrogated or surrendered any rights under the service agreement. Viewing the matter in this light, apparently both the BOR and the CFI did not consider that the taxpayer's threatened two-pronged course of action against the company amounted to much of "something".

The CoA and the CFA, however, viewed the matter differently, considering that the taxpayer dropping his threatened two-pronged course of action against the company, and agreeing to go away quietly, did amount to quite "something".

Interestingly, Mr. Justice Bokhary NPJ also noted in his CFA judgement in the case that as "to claims and rights of action under statute, there was the possibility of a remedy available to the taxpayer under the Employment Ordinance (Cap. 57) if there was no valid reason for his termination". That may also explain why Mr. Justice Bokhary NPJ also tried to reconcile the "for something else" line of reasoning with the reference to that of "abrogation."

As illustrated in this case, the application of the legal principles for determining the taxability of payments or benefits given upon termination of employment is by its nature complicated. Furthermore, the terms and evidence of how termination payments or benefits were negotiated and agreed between the employer and the employee had a bearing in determining the taxability of such payments or benefits. Where necessary, employers and employees should seek professional tax advice.

This article was contributed by ***Tracy Ho****, Asia-Pacific Business Tax Services Leader at EY;* ***Patrick Kwong****, Executive Director, and* ***Kathy Kun****, Senior Manager, of Ernst & Young Tax Services Limited.*

Is paying taxes easy?

Governments worldwide increasingly compete through tax reforms. This article examines the methodology of the World Bank Group's *Paying Taxes* study and Hong Kong's ranking in it

Governments have been increasingly focused on improving the business environment, especially for small- and medium-sized enterprises which account for the majority of businesses worldwide. To capture these reform efforts, the World Bank Group publishes an annual *Doing Business* report to measure the regulations that enhance (and constrain) business activities across 190 economies from 11 perspectives. *Doing Business 2020* is available now.

"Paying Taxes" is probably the more detailed among the 11 perspectives. To help governments and taxpayers better understand how the *Paying Taxes* performance indicators are calculated and compared, the World Bank Group publishes a separate *Paying Taxes* report. *Paying Taxes 2020* provides a comparison of the paying taxes environment for the calendar year ended 31 December 2018.

Purpose and objectives of *Paying Taxes* study

The main purpose and objective of *Paying Taxes* is to identify good tax practices, raise awareness of all of the taxes contributed by companies, enable benchmarking of the tax systems on a like-for-like basis, and provide information to help policy decision making and tax reform. Following this purpose, the World Bank Group developed a methodology to measure the global ease of paying taxes.

As one of the data providers and co-publisher of the report, PwC has a deep understanding of the *Paying Taxes* methodology.

The case study company

To allow a like-for-like comparison of the ease of paying taxes in different economies, all economies covered by *Paying Taxes* use the same "case study company" with the same set of assumptions:

- A medium-sized domestic manufacturing company that performs general industrial or commercial activities, with some specific transactions, including a land transfer transaction.
- 100 percent domestically owned and not participating in foreign trade.
- Assessed in its second year of operation, with the first year making loss and the second year profitable.
- The key parameters of the company (e.g. start-up capital, turnover, etc.) are calculated using multiples of gross national income per capita of each country released by the World Bank Group so that the size of the company is relevant to each economy.
- In order to reflect the tax environment for general manufacturing companies, the case study company does not qualify for any incentives or benefits apart from those related to its age or size.

The four indicators

Paying Taxes uses four indicators to measure the tax costs and tax compliance burdens of the case study company in each economy, detailed below using Hong Kong's data and the global average as an illustration. All data is sourced from the *Paying Taxes 2020* report.

1. **Total tax and contribution rate** (TTCR) measures the amount of taxes and mandatory contributions borne by the case study company, as a percentage of its commercial profit in its second year of operation. The lower the TTCR, the less tax and contribution burden for the case study company.

   The taxes and contributions include common taxes and mandatory contributions borne by the case study company, such as corporate income tax (CIT), social security contributions and housing provident fund borne by the employers, property tax, real estate tax, etc. TTCR includes social security contributions and housing provident fund to reflect like-for-like comparison, as they are mandatory taxes in many economies and do affect the accounting profits of the business. The taxes and contributions withheld but not borne by the company, such as individual income tax (IIT), social security contributions borne by the employees, and value-added tax (VAT) borne by the end consumers are excluded.

   Commercial profit is the profit before all taxes and contributions borne, which is computed as income (including sales income, capital gains and interest income, if any) minus cost of goods sold and minus expenses (including salaries, administrative expenses, interest expenses, provisions and deprecation). It differs from the conventional accounting concept of profit before tax.

   So TTCR is different from statutory tax rate or effective tax rate that we are familiar with. Applying the statutory tax rates in its jurisdiction, TTCR reflects the total tax burden of the case study company conducting the business activities under the assumptions, divided by the commercial profit, which is designed to provide a measure of how much tax and contribution costs that the case study company bears to earn every dollar.

   Table 1 is a simplified example included in the report illustrating how to calculate the TTCR.

   Table 2 on p.44 calculates the TTCR of the case study company in Hong Kong and global average.
2. **The number of payments** reflects the total number of payments of taxes and contributions. It includes all taxes and contributions that are traditionally collected and paid by the case study company. Therefore, in addition to the taxes and social security contributions borne by the company itself, VAT, IIT and employee-borne social

Table 1: How to calculate the total tax contribution rate (TTCR)

TTCR example	Currency thousands	Formula
Profit before tax	1,000	[A]
Add back above-the-line taxes borne	275	[B] = [C]+[D]+[E]
Social security contribution	235	[C]
Property tax	25	[D]
Vehicle tax	15	[E]
Commercial profit (i.e. profit before all taxes borne)	1,275	[F] = [A]+[B]
Corporate income tax	220	[G]
Total taxes borne	495	[H] = [G]+[B]
Profit after tax	780	[I] = [A]-[G]
TTCR=total taxes borne/ commercial profit	38.8%	[J] = [H]/[F] = [K]+[L]+[M]
Profit tax TTCR = 220/1,275	17.3%	[K] = [G]/[F]
Labour tax TTCR = 235/1,275	18.4%	[L] = [C]/[F]
Other taxes TTCR = 40/1,275	3.1%	[M] = ([D]+[E])/[F]

security contributions also add to the administrative burden and are included in the number of payments indicator.

Where electronic filing and payment is allowed and used by the majority of medium-sized businesses, the tax is counted as paid once a year even if filings and payments are more frequent.

Where two or more taxes or contributions are filed and paid jointly using the same filing form, these joint payments are counted as one.

The number of payments in Hong Kong is three times per year since the case study company is required to pay once a year for profit tax, Mandatory Provident Fund contributions and rates respectively. The global average was 23.1.

3. **Time to comply**. How easy to pay tax is not just about the amount of tax paid and number of tax types. It also concerns the compliance and administrative requirements. The report measures in hours per year the time taken to prepare, file and pay three major types of taxes and contributions, i.e. CIT, VAT, and labour taxes (including IIT, social security contributions and housing provident fund).

Preparation time includes the time to collect and analyse all information necessary to compute the tax payable. Time spent maintaining systems, mandatory tax records and VAT invoices is also taken into account. Filing time includes the time to complete all necessary tax return forms and file the relevant returns at the tax authority. Payment time considers the hours needed to make the payment.

This indicator is directly related to the ease of filing and paying taxes, the use of digital technology for tax administration, etc.

Table 3 on p.44 shows the data for Hong Kong and global average.

4. **Post-Filing Index** is a supplement to the aforementioned three filing-related indicators. It measures certain processes that might take place after a tax return has been filed as there could be complex interactions between taxpayers and tax authorities in many economies to agree the final tax liabilities. The Post-Filing Index is based on four components:
   1) The time to apply for a VAT refund (in hours);
   2) The time to obtain the VAT refund (in weeks);
   3) The time to comply with a CIT correction after the annual CIT filing (in hours); and
   4) The time to complete a CIT correction, including dealing with any potential reviews such as tax audits (in weeks).

1) and 2) deal with the time required for

Table 2: The TTCR of the case study company in Hong Kong and global average

Description	TTCR	Formula
Corporate income tax (i.e. Profit tax) TTCR	16.54%	[A]
Mandatory contributions borne by the employers (i.e. Mandatory Provident Fund) TTCR	5.29%	[B]
Rates (an indirect tax levied on properties in Hong Kong) TTCR	0.11%	[C]
Hong Kong TTCR	21.94%	[D] = [A]+[B]+[C]
Global average	40.5%	

Table 3: Time to comply for the case study company in Hong Kong and global average

Description	Number of hours
Corporate income tax (i.e. Profit Tax) TTCR	20
Value-added tax	Not applicable in Hong Kong
Labour Taxes (i.e. Mandatory Provident Fund)	14.5
Total	34.5
Global average	234

obtaining a refund of excess input VAT incurred due to a large capital purchase, while 3) and 4) deal with an error in the calculation of tax liability which leads to an incorrect CIT return and consequently a payment of the underpaid CIT. The result of the four components is a score ranging from 0 to 100. The higher the score, the better the post-filing compliance process. If an economy does not have a VAT regime, it will not be scored on 1) and 2). If an economy has VAT but there is no mechanism to refund excessive VAT credit in place, the economy is assigned a score of 0 for 1) and 2).

Hong Kong is not scored on 1) and 2). Concerning 3) and 4), it is estimated that the case study company can complete the CIT correction in less than 3 hours and the current case is unlikely to give rise to a tax audit. As a result, Hong Kong scores high and accounts for 98.9 in Post-Filing Index. The global average score was 60.9.

All four indicators of each economy are converted into scores, and the final score is the simple average of the scores of the four indicators. The ranking of economies on the ease of paying taxes is determined by sorting their final scores. Hong Kong ranks No.2 in *Paying Taxes 2020* with a final score of 99.7.

Hong Kong's outstanding performance in *Paying Taxes 2020* is largely due to the fact that Hong Kong upholds a simple tax system with only three principal direct taxes, i.e. profits tax , salaries tax, and property tax. Salaries tax is also handled by individual employees on their own, rather than an administrative burden for the business. Hong Kong with its simple tax regime and relatively low tax rates has maintained its top rankings in *Paying Taxes* for years, and provides efficiency and certainty for commercial undertakings from tax perspective.

Limitations of the study

Like all academic studies, *Paying Taxes* has its limitations these include:

- The case study company is not a real company and does not represent the real business data in an economy, and does not cover all aspects of an economy's business environment.
- It does not include any incentives or benefits apart from those related to the age or size of the case study company. For example, although many countries have different kinds of tax incentives for high-tech/innovation, such incentives are not included in the report.
- The TTCR does not take into account timing difference as the data measured are only for the second year of operation.

A high TTCR does not necessarily mean a hurdle to the business environment, as TTCR is usually closely related to government spending and welfare system in an economy.

The takeaway

Despite the limitations of the study, *Paying Taxes* is still of great significance and serves as a good reference to governments in benchmarking the tax environments and promote tax reforms. It has witnessed substantial improvements in the ease of paying taxes over the past 15 years globally, especially in terms of the use of technology.

*This article is contributed by **Rex Chan**, Paying Taxes Team Leader, PwC China*

TECHWATCH 207

The latest standards and technical developments

Local updates

Financial Reporting Standards Committee minutes
Minutes of the 253rd meeting are now available.

Members' handbook update no. 235
Members' handbook update no. 235 relates to the issuance of the revised practice review statements 1.400 *Explanatory Foreword* and 1.401 *Review Procedures and Conduct of Members*. The statements were revised to mainly reflect the following changes in the practice review scope and procedures of the Institute's practice review programme:

- Scoping out public interest entities (PIE) engagements completed after 1 October 2019 by a PIE auditor for practice review following the enactment of the Financial Reporting Council (Amendment) Ordinance;
- Implementing an anti-money laundering and counter-terrorist financing (AML/CFT) compliance monitoring programme to evaluate a practice unit's level of compliance with the *Guidelines on AML for Professional Accountants* included in the Code of Ethics;
- Adding the procedures to be adopted during the conduct of a desktop review introduced since 2014 and an AML compliance review introduced since 2018.

Invitations to comment
The Institute is seeking comments on:

- Exposure Draft *Proposed Amendments to the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard* by 31 January.
- International Accounting Standards Board (IASB) Exposure Draft ED/2019/7 *General Presentation and Disclosures* by 22 May.

Illustrative examples on IPO sponsor fee income
The Institute has published illustrative examples on IPO sponsor fee income to illustrate application of the principles in HKFRS 15 *Revenue from Contracts with Customers*. These examples should be read in conjunction with the Institute's previously-issued Questions & Answers on recognition of IPO sponsor fee income under HKFRS 15.

International updates

Audit and assurance

- International Auditing and Assurance Standards Board's (IAASB) *Feedback Statement and Way Forward – Audits Of Less Complex Entities.*
- IAASB December 2019 meeting podcasts and highlights.

Ethics

- International Ethics Standards Board for Accountants (IESBA) December 2019 meeting highlights podcast.
- IESBA revisions to Part 4B of the *International Code of Ethics for Professional Accountants (Including Independence Standards)* for alignment with ISAE 3000 (Revised).

IFRS updates

- December 2019 IASB update and podcast.
- IFRS 17 *Insurance Contracts* podcast on December 2019 IASB meeting.
- November 2019 IFRS Interpretations Committee update and Q4 2019 podcast.

Professional accountants in business

COSO guidance on managing cyber risks
The Committee of Sponsoring Organizations of the Treadway Commission (COSO), in collaboration with Deloitte Risk & Financial Advisory, have recently published a new guidance entitled *Managing Cyber Risks in a Digital Age.*

The guide, aimed at board directors, audit committee members, executive management and cyber practitioners, discusses how organizations can apply COSO's Enterprise Risk Management – Integrating with Strategy and Performance (ERM framework), one of the most widely used risk management frameworks, to protect themselves against cyberattacks. It also provides insights into how organizations can leverage the five components and 20 principles of the ERM framework to identify and manage cyber risks.

Corporate finance

HKEX seeks views on review of listing regime for debt issues to professional investors only
On 6 December 2019, the Stock Exchange of Hong Kong (HKEX) released a consultation paper to seek views on review of listing regime for debt issues to professional investors only. Please refer to the press release for details.

The key proposals are as follows:

- Raising the existing issuer's minimum net assets requirement from HK$100 million to HK$1 billion.
- Introducing a minimum issuance size of HK$100 million.
- Requiring issuers to state explicitly in the listing document that the intended

investor market in Hong Kong is professional investors only.
- Requiring publication of listing documents on HKEX's website on the listing date.
- HKEX to issue disclosure guidance on certain special features in Chapter 37 debt securities and other disclosure-related matters, indicating what would be customarily expected by target investors to be included in the listing documents.
- Introducing other Listing Rules amendments to enhance the regulatory oversight over issuers and guarantors' in terms of their continuing obligations.

The deadline for responding to the consultation paper is 7 February.

HKEX to enhance pre-opening session and volatility control mechanism in the securities market

HKEX issued the consultation conclusions on the proposed enhancements to the pre-opening session (POS) and volatility control mechanism (VCM) in the securities market on 13 December 2019.

In order to provide adequate preparation lead-time to the market, VCM enhancements are proposed to be implemented first in the second quarter of 2020. After completion of the development and testing of relevant technical changes, POS enhancements are proposed to be implemented in the second half of 2020.

Please also refer to the consultation paper, consultation conclusions and press release for details.

SFC proposes changes to the open-ended fund companies regime

On 20 December 2019, the Securities and Futures Commission (SFC) published a consultation paper on enhancements to the open-ended fund companies (OFC) regime.

The proposed changes include (i) allowing licensed or registered securities brokers to act as custodians for private OFCs; and (ii) expanding the investment scope for private OFCs to include loans and shares and debentures of Hong Kong private companies. The SFC, at the same time, suggested to introduce a statutory mechanism for the re-domiciliation of overseas corporate funds to Hong Kong and require OFCs to keep a register of beneficial shareholders to enhance AML and CFT measures.

The deadline for responding to the SFC on the consultation paper is 20 February. Please refer to the press release for details.

Members are welcome to submit views or comments on the proposals in the consultation paper, together with your membership number and contact details, to the Advocacy & Practice Development Department at *apd@hkicpa.org.hk* by 31 January.

Corporate governance

HKEX publishes ESG consultation conclusions and its ESG disclosure review findings

HKEX published consultation conclusions on the Review of the Environmental, Social and Governance Reporting Guide (ESG Guide) and Related Listing Rules and the findings of its latest review of listed issuers' ESG disclosures on 18 December 2019.

Key changes to the ESG Guide and related Listing Rules include:
- Introducing mandatory disclosure requirements to include:
  - a board statement setting out the board's consideration of ESG matters.
  - application of Reporting Principles "materiality," "quantitative" and "consistency."
  - explanation of reporting boundaries of ESG reports.
- Requiring disclosure of significant climate-related issues which have impacted and may impact the issuer.
- Amending the "Environmental" key performance indicators (KPIs) to require disclosure of relevant targets.
- Upgrading the disclosure obligation of all "Social" KPIs to "comply or explain."
- Shortening the deadline for publication of ESG reports to within five months after the financial year-end.

The changes will be effective for financial years commencing on or after 1 July. Please refer to the consultation conclusions and press release for further details. Members may also refer to the Institute's submission and the consultation paper.

Restructuring and insolvency

Official Receiver's Office announces pilot scheme

The Subcommittee on Companies and Insolvency Matters of the Civil Court Users' Committee proposed that the Official Receiver (OR) make greater use of the power under Rule 198 of the Companies (Winding-Up) Rules to give sanction to specific actions of liquidators, under certain circumstances. The ultimate objective is to streamline procedures and save court time.

Following discussions with the Institute's Restructuring and Insolvency Faculty Executive Committee, the OR has announced a 12-month pilot scheme in relation to the appointment of solicitors by liquidators, where there is no committee of inspection. Starting from 2 January, the OR will accept applications from liquidators for the appointment of solicitors under certain circumstances. Please refer to the Official Receiver Office Circular No. 1/2019 for details.

Taxation

Announcements by the Inland Revenue Department
Members may wish to be aware of the following matters:

- Relief measure: Conditional waiver of surcharges for instalment settlement of demand notes for the Year of Assessment 2018-19; and the relevant Frequently Asked Questions.
- Stock borrowing relief – Filing of return of stock borrowing transactions.
- Hong Kong-Cambodia and Hong Kong-Estonia tax treaties in force.
- Annual Open Data Plan for 2020-2022.
- Country-by-country (CbC) reporting – Deadline for local filing.
- Inland Revenue Department (IRD) announced that for the first relevant accounting period, ending between 31 December 2018 and 31 March 2019, the IRD would accept the local filing entity or its service provider as having complied with the filing deadline under section 58B(3) of the Inland Revenue Ordinance (Cap. 112), provided that the CbC return is received via the CbC reporting portal on or before 31 March.
- E-Stamping of Share Transfer Instruments – E-Stamping Circular No. 1/2019; and stamping procedures and explanatory notes.
- Budget 2020-21 consultation.
- Reply to Legislative Council questions on relief measures for middle class and home-buying needs of Hong Kong people.
- Fifth Protocol to Avoidance of Double Taxation Arrangement between the Mainland and Hong Kong in force.
- Gazettal of Inland Revenue(Amendment) (Profits Tax Concessions for Insurance-related Businesses) Bill 2019.
- Stamp Duty statistics (November 2019).

Legislation and other initiatives

Anti-money lanudering notices
For the current lists of terrorists, terrorist associates and relevant persons or entities under United Nations (UN) sanctions, members should refer to the Institute's AML webpage which is updated regularly. The UN Sanctions webpage of the Commerce and Economic Development Bureau contains consolidated lists of UN sanctions currently in force in Hong Kong.

AML/CFT guidance
For mandatory guidelines and information from the Institute on the AML/CFT requirements for members, see the Institute's *Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants*. Member practices may also find the Financial Action Task Force's (FATF) *Guidance for a Risk-Based Approach for the Accounting Profession* to be a useful reference when developing their own risk-based approach to applying the AML/CFT requirements.

Members who are licensed to provide trust or company services should see the *Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers*, issued by the Companies Registry.

The FATF has recently published guidance, *Best Practices on Beneficial Ownership for Legal Persons*. The FATF notes that the results of mutual evaluations indicate that jurisdictions find it challenging to achieve a satisfactory level of transparency regarding the beneficial ownership of legal persons. This paper aims to provide suggested solutions to the disclosure of beneficial ownership, supported by cases and examples of best practices from delegations of member jurisdictions of the FATF.

The *Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report* (see, in particular Chapter 6, covering designated non-financial businesses and professions) indicates ML/TF risks and vulnerabilities in the Hong Kong market.

Please refer to the full version of TechWatch 207, available as a PDF on the Institute's website: *www.hkicpa.org.hk*

HAPPY TO HELP

Beyond offering support or doing the right thing, helping people simply feels good. Four Institute members tell Jeremy Chan about their foray into volunteer work, and how getting involved has not only made them happier but also brought them on some wild adventures

When Ron Pau received a rescue call to help move residents to a typhoon shelter on the morning Typhoon Mangkhut was making its approach to Hong Kong in 2018, he knew this was no ordinary mission. Without a second thought, he accepted the unnerving task and stepped outside, braving the piercing rain and fierce winds to catch a train to the Civil Aid Service (CAS) and report to duty.

Numerous CPAs, like Pau, make it a priority to balance volunteer and charity work with their busy work schedules, driven by a desire to do good and help others. Pau, Senior Manager, Advisory, at Grant Thornton is not your everyday accountant. He doubles as an Officer at the CAS, a government-funded emergency service made up of over 3,700 members who help regular front-line emergency forces in the event of natural disasters.

Pau has volunteered at the CAS since he was in secondary school. That "Operation Mangkhut" mission is always stuck in Pau's mind. "Each time the typhoon signal is eight or above, we are asked to report to duty. It isn't mandatory, but if you're passionate about what you do, you do it," he says.

After arriving at the training centre in Causeway Bay, his team of 28 were tasked with a rescue operation in Lei Yue Mun, a fishing village at the east end of Victoria Harbour. "There were some people living there who weren't willing to move – they thought it was going to be just another typhoon," he says. Pau remembers how the van journey – normally less than 20 minutes – took over an hour due to fallen trees, rubbish and debris blocking the roads. "While we were crossing the Island Eastern Corridor from Causeway Bay to the Eastern Harbour Tunnel, our van kept on shaking due to the very strong winds. It was quite scary."

After arriving at Lei Yue Mun, they waded through the water and knocked on doors to evacuate residents. "The water was up to our knees so my team and I had to bring each person from their homes to the shelter," he recalls. "Thankfully, there were no injuries that day."

Pau's early exposure to the CAS imbued a sense of loyalty and commitment to the organization and volunteer work. He joined the CAS Cadet Corps at age 14 where he learned basic first aid and foot drills. He continued through secondary school and took a break after entering university to focus on his studies, but it wasn't long until he decided to rejoin. He joined the CAS' adult section where he served in the Hong Kong regional section.

He was then promoted from junior member to his current position after seven years and then was assigned to help and mentor CAS cadets.

Though Pau intends to take a break from the CAS this year. He has his mind set on developing a new volunteering group he initiated at his firm Grant Thornton last September. Through activities such as visits to elderly homes, he is determined to foster a team committed to regular charity work. "I feel that being involved in charities with other employees nurtures better teamwork, stronger communication and a better sense of belonging to a company." He hopes other CPAs will start the year by giving back. "Doing volunteer work has changed the way I view life," he says. "You start dealing with real problems and meet people you wouldn't usually encounter."

Training the youth

For as long as he can remember, Paul Lo has always been a scout. His scout days date back to the 1970s when he was a secondary school boy and a frontline leader, leading a team of boy scouts age 12 to 16 after school.

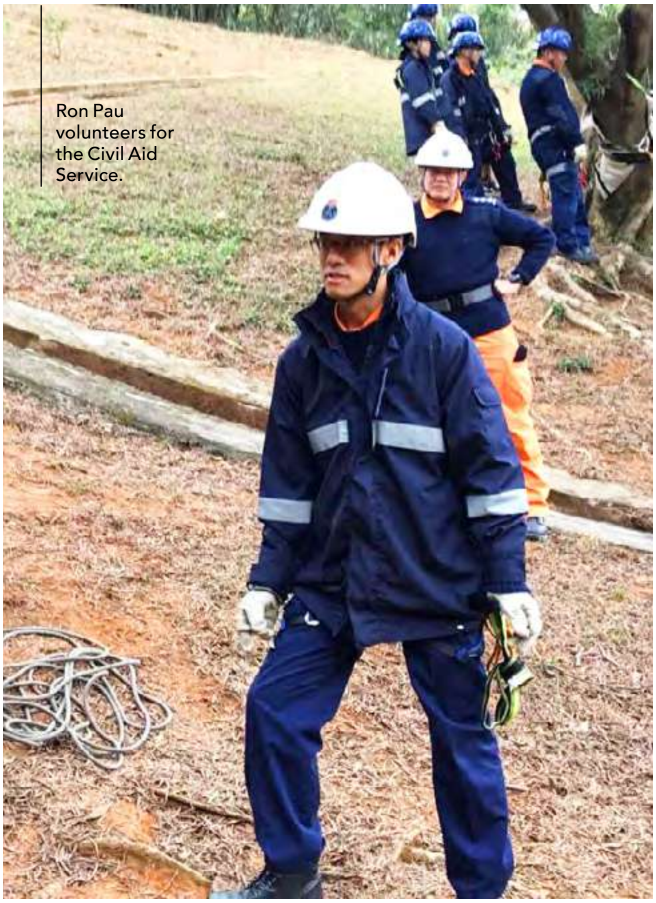
Through activities such as camping and knotting, he taught his team the importance of organization, teamwork and leadership. "We all learned that being a scout involves careful planning, especially when dealing with situations beyond our control – such as weather," says Paul.

After graduating from Hong Kong Polytechnic with a diploma in accounting in 1976, he worked at PwC as a senior accountant for four years before spending the next eight years at investment company Sun Hung Kai International Limited as senior manager of investment banking. He went on to pursue a part-time master of business administration and then worked at Jardine Fleming Investment Management, a Hong Kong-based investment bank for three years before joining the Securities and Futures Commission as senior manager – supervision of markets, where he set up a clearing house.

He then spent the next 13 years at Clearstream Banking, an international central securities depository, as key account manager and deputy to a regional director, where he promoted clearing, settlement and custodian businesses to financial institutions in Mainland China. He then worked at Eurex Frankfurt as head of its representative office. While at Eurex, he became an adjunct professor at the Chinese University of Hong Kong (CUHK) and also set up a clearing house at the university to provide students with hands-on experience in trading. "We had to persuade the Hong Kong Stock Exchange to provide the university with historical and real-time data to the free of charge," Lo says. "I also found a trader to teach – he would trade by day and teach by night. In the end, we had established a simulated trading group at the university." Paul also worked with Eurex in Frankfurt to offer one CUHK student a paid six-month internship each year.

He never stopped being a scout, even after secondary school and university. In addition to his frontline duties, he is a member of the Finance Committee of the Scout Association of Hong Kong, and is responsible for managing income expenses and reserves, and performing budgeting for scouting activities and training courses for the boy scouts and leaders.

Paul also helps with the financing and fundraising for the Hong Kong Island region. He spends his weekends helping out with the



Ron Pau volunteers for the Civil Aid Service.

Paul Lo has volunteered at the Scout Association of Hong Kong since he was a secondary school student.

Credit: Anthony Tung

scouts, and since retiring in 2012, he has been able to assist more frequently. He now leads boy scouts aged 18 to 26, known as rovers. "I love scouting. It's a fundamental need, especially among the youth," he says. "At the Scout Association, it is our goal to guide the youth to become good citizens for their own benefit."

He feels a great deal of satisfaction witnessing the scouts grow up. "Most, if not all of these boy scouts, have grown and matured during their time here, and some of them have even come up to ask me 'how did you put up with me at the beginning? I was such a naughty kid,'" he laughs.

Giving by example

For Roy Lo, Managing Partner at SHINEWING (HK) CPA Limited, charity work has always remained at the forefront of his professional and personal life. As a secondary school student, he volunteered as a leader at Hong Kong's Junior Police Call, an organization aimed at tackling juvenile delinquency. While studying at the University of Hong Kong, he got involved with the YMCA and organized visits to care homes during Chinese New Year and the Mid-Autumn Festival.

After graduating and beginning his career at PwC, he made time to help as a volunteer financial secretary for organizations such as Lions Club and Junior Chamber International Hong Kong. "I realized I could contribute my accounting skills to charity organizations," says Roy. "Many simply needed help with their finance functions, so I dedicated my free time after work or during weekends to helping with their budget, funding and even organized sponsorship activities."

Roy Lo enjoys being involved in flag-selling for Playright Children's Play Association.

Shortly after joining SHINEWING, Roy naturally wanted to involve members of the firm in more charitable activities. He worked with the firm to sponsor and raise funds through flag-selling for Playright Children's Play Association, an organization which seeks to enrich children's lives through quality play. The organization designs games, provides toys and invites children with special needs to learn through having fun.

By organizing charity-related activities during work hours, Roy realized more staff members would be eager to join. "For example, we'll take part in charity work on Friday afternoons. We made it clear that participation was not compulsory – otherwise it wouldn't be voluntary," he says. "The feedback was great. Many staff members hadn't done charity before, but after taking part, they saw how rewarding it was."

Roy has also influenced his daughter, a skilled harp player currently studying at university, to give back. "I told her, 'Not many people play the harp – and you're fortunate enough to play it so well,'" he says. "The sound of the harp is very therapeutic. I wanted to introduce charity to my daughter and also give back to the elderly through soothing music."

By asking his daughter to gather all the harp players she knew, Roy set up the Aspire Harp Charity Foundation two years ago. The harpists visit and perform at care homes for the elderly and underprivileged families on a monthly basis. "Though it was my daughter's first time being involved in a form of charity work, she later shared how happy it made her feel," Roy says. "This is why I believe charity work brings out happiness from the bottom of one's heart. Because I've spent so many years doing charity, I consider the work to be an essential part of my life. It keeps life balanced."

Irene Chu took park in the 75-km HSBC/KPMG Challenge Himalayas in September 2019, raising money for water conservation.

Making time to help

Irene Chu, Partner and Head of New Economy and Life Sciences, Hong Kong, at KPMG China, has combined her passion for charity work and the outdoors. An avid hiker and runner, Chu has taken part and raised funds for numerous charity runs over the years.

The most memorable hike for her was the HSBC/KPMG Challenge Himalayas she completed in September last year. The strenuous 75-kilometre trek brought 70 staff members each from KPMG and HSBC through the northern Himachal Pradesh region in the Indian Himalayas over four days. The event raised funds for Conservation International Hong Kong, a non-profit organization with the goal of protecting nature as a source of food, fresh water, livelihoods and a stable climate, and WaterAid, an international non-governmental organization focused on helping people living in areas with limited access to clean water, reliable sanitation and proper hygiene. "We could have just raised money and donated it, but having a challenging activity like this helped everybody to exercise and have fun together," Chu says.

The team hiked the 75-km trail in stages, covering 15 to 20 km a day and taking the time to rest every other hour. The intensity of the hike meant Chu and staff members had to encourage each other whenever spirits were down. "It was humid, rainy and very cold at night," she says. "Our clothes and shoes wouldn't dry overnight so everyone had to get dressed and hike in their wet gear the following morning."

But Chu looks back with a beaming smile, noting how the adventure was one to remember. "I spent time getting to know the staff at HSBC. We even brainstormed various business and collaboration ideas with them during the hike," she says. The event brought the team together in ways beyond their expectations. "We got to spend time at the local Indian villages, eat the local food and gain a better understanding of the people and cause we are supporting. We saw first hand how these villages struggle daily with water."

At work, Chu is also involved in various charitable roles. For example, she is the Hong Kong Regional Lead of KPMG's Inclusion and Diversity Council, which promotes gender, age, ethnic diversity in the firm, and also a mentor in the Women in Audit Mentorship Programme, which strives to help women in the firms seek a better work-life balance. "I've seen many young female professionals, especially young mothers, encounter challenges in balancing work and life. We aim to help them progress in their career and not leave the profession as soon as they start a family," Chu says. "As a female audit partner and a mother of two young children, I know how they feel." She also lends her accounting expertise to the World Wildlife Fund.

Chu admits it is a challenge balancing her responsibilities with charity work, but always remembers why she started in the first place. "I accepted all these roles because I love giving back and I learn from each experience," she says. "Once you get involved, you don't know what you are going to gain – until you have done it."

CPAs interested in giving back can apply on the Institute's website to become Accountant Ambassadors and volunteer in its "Rich Kid, Poor Kid" corporate social responsibility programme, which holds free seminars to educate young children and teenagers on positive financial management concepts and techniques.

STEFANIE CHEN

Internal Audit Manager at Bureau Veritas

Stefanie Chen's role as Internal Audit Manager at Bureau Veritas requires constant travelling and an ability to quickly adapt to new environments. She tells *A Plus* why she delved into the world of building trust, and why being a confident communicator is key to being a good internal auditor

What is your current role and responsibilities? How is it going so far?

I'm currently an Internal Audit Manager at Bureau Veritas, an international certification agency with offices in 140 countries. I have worked here since May 2018 and I'm in charge of the Asia-Pacific region. Our main business lies in testing, inspection and independent certification for consumer, electrical, wireless and automotive markets to ensure products, infrastructure and processes meet quality standards and regulations – and beyond to social responsibility. Our department works with Bureau Veritas' entities to ensure their financials and operations are compliant with international financial reporting standards and our company's policy. I'd say the job is going very well so far! I'm usually out of town for two weeks every month in places such as Australia, New Zealand, South Korea, Japan, Thailand, Mainland China, and Vietnam.

What are the most rewarding and challenging aspects of your role, and why?

The work can be very challenging. Being an internal auditor requires not just auditing skills but excellent communication skills. In addition to on-site audits, we need to conduct interviews with members of each entity's top management to determine the functions or operations they need to improve on. At the end of each two-week inspection, we meet with those members of management to present our findings. We need to be well prepared and truly understand the solutions we are offering, as some might challenge our findings. This means collecting all the relevant evidence and supporting documents. But the work so rewarding, especially when board members thank us for helping them to solve problems.

What has been the biggest challenge you have faced in your career so far and how did you overcome it?

One challenge I'm always faced with is finishing a project in a new country with completely new people – who may not speak the same language. I need to be a quick learner, and quickly adapt to new environments in order to manage different clients and build a good relationship with people right from the start.

What are the biggest lessons you have learned so far from work experience or managers?

The need to be a good listener. I try to really understand people and put myself in their shoes – this is especially relevant as a manager. I need to closely listen and respond to my team members, and understand their reasons behind shortcomings, such as a lack of resources or manpower. Luckily, we are all very open to share and speak up on issues that may arise.

Which continuing professional development (CPD) course was the most useful?

I attended the Career Conference: Young Accountants @tech in 2018 which involved guest speakers covering how technology is helping the accounting profession. I also took an online CPD course on internal assurance operational risk management, which is very helpful in my role.

How do you think the Qualification Programme has helped you in your career so far, or prepared you for your current role?

As an internal auditor, Module C business assurance was the most helpful as it taught us what documents are required during an internal audit, what sorts of questions to ask, and what to verify. The knowledge I gained is still very relevant today.

SPOTLIGHT ON JOHANNESBURG

Institute member Johnny Poon, General Manager of Mandarin Financial Service, shares his favourite places for your next business trip to South Africa's largest city

Have lunch at...

The Grillhouse Sandton

Established in 1995, The Grillhouse Sandton is famous for its selection of steak, fine wines and malts, and warm, hospitable atmosphere. "It offers succulent steak and ribs and even boasts a cigar bar. The food is amazing and well worth the price. The service is very friendly and professional," says Poon.

Relax at...

The Palace of the Lost City at Sun City Resort

The Palace of the Lost City at Sun City Resort is a luxury five-star hotel near the picturesque Pilanesberg National Park, just over two hours drive away from Johannesburg. "This hotel has integrated the natural beauty of its surroundings into its design, taking architectural and interior themes from the legend of a lost African tribe to capture the essence of The Palace. Along with three restaurants, this hotel has a full-service spa, two golf courses, water park, outdoor pools and a casino," says Poon.

EYES & EARS

Institute members on what music they are currently listening to and what books are worth reading


Jonathan Lee

What I'm listening to

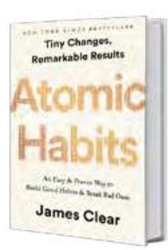
- Kane Wu, Co-founder of ThinkCol

Jonathan Lee is a Taiwanese musician and producer regarded as one of the most influential and respected figures in the world of Mandopop music. He has written more than 300 songs to date, either sung by himself or the over 70 artists he has worked with. "Recently, my vocal coach introduced me to Jonathan Lee's *The Price of Love*. Not only is it a challenging song to sing, but its lyrics are meaningful and insightful. I think that compared to many contemporary Cantonese love songs, the lyrics of this Mandarin song are more representative of an experienced life journey," says Wu.

What I'm reading

When life gets you down, maintaining a positive mind is crucial. *The Magic* by Rhonda Byrne introduces a 28-day gratitude exercise, which really helped me to switch to having a more positive mindset and also allowed me to see things from a different perspective. It provides simple practices that will open any reader's eyes.

- Juni Ngai, General Manager of eBRAM Centre Limited



I recently read *Atomic Habits: An Easy & Proven Way to Build Good Habits & Break Bad Ones*. As suggested by its title, the author shares systematic methods to build good habits and let go of bad ones in our daily lives. The four main principles to form a good habit are: make it obvious, make it attractive, make it easy and make it satisfying. The book is straightforward, well-organized and easy to follow as there are practical steps provided. I would highly recommend this to those who have been struggling to make a change in their lives.

- Joyce Chu, Group Internal Audit Manager at a semiconductor and electronics solutions provider

Author Eric Ries walks through some of the pitfalls that he encountered before launching his new product. This book is an ideal choice for those who would like to start their own businesses. There are so many entrepreneurs that are starting their own enterprises around the world and many of them have excellent ideas and products in mind, but not many are armed with the tools they need to build a sustainable business. If you want to arm yourself today, read this book! You will finish it before you know it.

- Joyce Fok, Founder of Joyce S. Y. Fok CPA

The human factor

Hong Kong's humorist on why you should never trust anybody – especially a computer – with your secrets

Nury Vittachi is a bestselling author, columnist, lecturer and TV host. He wrote three storybooks for the Institute, *May Moon and the Secrets of the CPAs*, *May Moon Rescues the World Economy* and *May Moon's Book of Choices*

I once had a speechwriting job that clashed with my religious beliefs.

My boss was an evangelist for technology. But I knew the truth: computers are the Spawn of Satan (to use the technical term).

He once asked me why I thought his artificial intelligence project was creepy.

"It's like it's got a mind of its own," I said.

Anyway, my job was to write speeches for him on the theme of Salvation Through Technology, but my preferred on-stage opening line was: "So! Doncha' just hate computers?"

Fortunately, my lines got him the biggest laughs (especially at computer conferences) so our partnership thrived.

This topic came to mind when I read an article which said technology would make accountants' lives immeasurably easier.

Instead of assembling data for you to process, the data would assemble itself, process itself, and post itself to your client's server.

All you have to do is press the button and take the credit. And, of course, the fees. Since the data would be constantly flowing from the business to the accountant, the auditing process could be done instantly.

Client: "I want you to audit my main holding company."

Accountant: "Okay. There. Done. Anything else?"

Downside: How do you charge by the billable hour when the entire task takes 0.75 seconds? Clearly you'll have to throw in a few client meetings over lunch or at the golf course to make up the time.

There are other challenges, too. Deep thought: Experience tells us that whenever technology gives us something, it takes away something.

A case in point is what happened to Canada's largest cryptocurrency exchange. It boasted of having perfect security – since only the founder had the password.

But then he died and the other side of that coin became apparent: no one else knew how to access an account said to contain US$190 million worth of cryptocurrencies.

The computer giveth and the computer taketh away, blessed be the name of computer.

The digital account holding the cash proved impervious to tears, pleadings and entreaties from creditors, colleagues, family members and friends. Human beings can be teased or cajoled or tortured or tickled into revealing secrets; computers can't.

That much made the international news. But the interesting thing is that the story didn't end there, for people curious enough to want to follow it.

Two groups of people set out to solve the problem. One was a cluster of "netizens" on Reddit, a social news aggregation website, who were determined to "find the truth." The other was an accounting firm, Ernst & Young.

After a few months, both groups came to completely different conclusions.

The web-surfers hacked text conversations of the dead man, and concluded that he wasn't dead at all but had faked the whole thing and was living in "Hong Kong or Monaco" laughing at everyone with the missing millions.

"Er, no," said the folk from Ernst & Young. They used good old-fashioned human financial detective work. They found that the company didn't even have a bank account, let alone any kind of accounting system, was run from the late founder's laptop, and the locked-away US$190 million didn't exist.

I admit that the accountants' version was much less movie-able than the Reddit version, but at least it had the advantage of being almost certainly true.

So, as the speeches I wrote for my technocrat friend said, in the long run we're going to need both technology AND the human factor. "Technology makes a good servant but a terrible master." (Those sorts of grandiose lines go down well in techno-evangelist speeches.)

Meanwhile, I note that all of the Big Four firms have announced that they will spend billions on artificial intelligence programs.

Okay, I get that, it has to be done, but be warned. Those things have minds of their own.

Don't blame me if something goes wrong and the computer refuses to talk about it.