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DRIVING BUSINESS SUCCESS

Issue 5 Volume 16 May 2020

PLUS:

PROFILE

Ken Siong, Senior Technical Director at the International Ethics Standards Board for Accountants

ACCOUNTANT PLUS

Keith Chan, Vice President and Chief Financial Officer of McDonald's Hong Kong

HOW TO

How to coexist with the coronavirus

TAKING CONTROL

Special report: As partner to the CFO and other senior leadership, financial controllers are more than ever playing a key role in decision-making processes

CPA

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"The profession's resilience and responsiveness continues to impress me, and that is a consequence of our individual actions."

Dear members,

Slowly it feels as if we're able to return to a level of normality. Although it is not quite the same as before, the loosening of social distancing restrictions in shops and restaurants and reopening of schools, gyms and beaches has allowed us to begin living again. I hope this continues, but we all must remain vigilant of our health, and take measures to protect the most vulnerable in society.

The Hong Kong economy is under unprecedented pressure. Q1 2020 gross domestic product (GDP) contracted by 8.9 percent from the year before. The unemployment rate has increased by 1 percent to 5.2 percent in April. As this is a three-month rolling average rate, this means that for April alone the unemployment rate has gone up by a staggering 3 percent. The outlook for Q2 is still very gloomy, and the full fiscal year GDP forecast has been significantly adjusted downward to -4 to -7 percent.

To preserve jobs and help businesses weather through the doldrums, the government this month announced the introduction of a number of measures through its Anti-epidemic Fund (AEF) and other ways to support the economy. Some of these also offer opportunities for our profession, both in taking advantage of the funding and also supporting the implementation of the schemes. The Institute's COVID-19 – CPA Information Centre has a subpage on the schemes containing relevant information on the measures. I urge you to explore it.

Implementation details for schemes under the AEF, including the Distance Business (D-Biz) Programme, and Catering Business (Social Distancing) Subsidy Scheme, were announced this month. Practising accountants have a role to play in these schemes by undertaking engagements to support applications for funding. Information about what is expected of them can also be found in the COVID-19 – CPA Information Centre.

I hope members explore the government's schemes for their own organizations. For instance, the D-Biz Programme offers HK$100,000 per project for up to three projects from 12 categories of IT solutions for developing distance business. The aim of the programme is to support enterprises to continue business and services during the epidemic. Members should consider whether they can take advantage of this and implement new technologies to support their success. Technology is integral to the future of accounting.

The Employment Support Scheme (ESS), which provides time-limited financial support of up to HK$9,000 per paid employee per month to employers to retain their employees, could also be of interest to some members. The application for the first tranche of ESS for three months from June to August commenced on 25 May and will last for three weeks.

One of the other major developments this month, which the Institute had been closely working on together with the relevant government departments, was the introduction of quarantine exemptions for some professionals with a need to travel to the Mainland, including practising members or employees of registered practice units who are required to travel to the Mainland to conduct audit work for companies listed in Hong Kong with Mainland operations. I'm pleased that this has been implemented as it will enable our members to carry out their vital tasks, and support Hong Kong's position as a leading capital centre through enhancing trust in our listed companies. The Institute is the administration body for the scheme, and the relevant practices have been contacted about the application process.

The Institute's Small and Medium Practices (SMP) Committee has just introduced a new scheme for SMPs to ask questions and receive guidance on technical issues affecting their work. Members-Help-Members will hold quarterly sharing sessions to discuss the questions. Please feel free to ask questions and take part in the upcoming events. SMPs are the backbone of our profession, and I am glad that we are doing more to help them, particularly during these challenging times.

Finally, at the end of the month, I took part in a panel organized by the Institute of Chartered Accountants in England and Wales. Although, as part of the new normal, it was held as a webinar not a physical event, it was still good to be able to talk about the developments in the profession and how the profession and the Institute have responded to the COVID-19 outbreak. The profession's resilience and responsiveness continues to impress me, and that is a consequence of our individual actions.

As we head into June, we are finalizing our financial planning for the next financial year. We endeavour to support our members at the dawn of this new normal.

Johnson Kong
President

CONTENTS

Issue 5 Volume 16 May 2020

20 **Guiding the way**

Ken Siong, Senior Technical Director at the International Ethics Standards Board for Accountants, on raising the ethical bar for accountants in a complex world

NEWS

01 President's message
04 Institute news
06 Business news

FEATURES

08 **Special report: Controllers of growth**
An in-depth look at the increasingly strategic and critical role of a financial controller

18 **Second opinions**
What's the best way to manage training needs?

20 **Leadership: Ken Siong**
The Senior Technical Director at the International Ethics Standards Board for Accountants on how he is helping to elevate ethics

27 **How to**
Tess Lyons, a marketing specialist, on how to coexist with COVID-19

29 **Thought leadership: Stathis Gould and Laura Leka**
Reporting and fraud risks arising from the COVID-19 pandemic that accountants need to be alert to

31 **Meet the speaker**
What to expect from an e-learning course focused on integrating ESG into business strategies

32 **Accountant Plus: Keith Chan**
The Vice President and Chief Financial Officer of McDonald's Hong Kong on digital transformation and the attraction of self-development

SOURCE

38 **Revised DIPN 39 raises controversies over an apparently inconsistent application of the source principles**
A look at the revised DIPN on the digital economy issued by the Inland Revenue Department

08 **Special report: Controllers of growth**

32

Life in the fast food lane

Keith Chan, Vice President and Chief Financial Officer of McDonald's Hong Kong, is in charge of the fast food giant's digital transformation initiatives

43 **Enforcing ethical conduct of PAIBs**
Past disciplinary cases show the serious consequences of unethical conduct by accountants in business

44 **TechWatch 211**

WORK-LIFE BALANCE

46 **Home truths**
Four Institute members share their work-from-home experiences

52 **Young member of the month**
David Chan, Senior Economist at the Office of the Government Economist

54 **Leisure Plus**
Spotlight on weekend activities; what members are currently reading and listening to

56 **Let's get fiscal**
Nury Vittachi is all about female empowerment

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.

CPA Hong Kong Institute of Certified Public Accountants 香港會計師公會

President Johnson Kong

Vice Presidents Lam Chi Yuen, Nelson, Fong Wan Huen, Loretta

Chief Executive and Registrar Margaret W. S. Chan

Head of Corporate Communications and Member Services Rachel So

Editorial Manager Paul Smith

Editorial Coordinator Maggie Tam

Office Address
37/F, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2287-7228 Fax: (852) 2865-6603

Member and Student Services Counter
27/F, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong
Website: www.hkicpa.org.hk
Email: hkicpa@hkicpa.org.hk

M&L

Editor Gerry Ho
Email: gerry.ho@mandl.asia

Copy Editor Jemelyn Yadao

Junior Copy Editor Jeremy Chan

Contributors Nicky Burridge and Liana Cafolla

Registered Office
2/F Wang Kee Building, 252 Hennessy Road, Wanchai, Hong Kong

Advertising enquiries
Advertising Director Derek Tsang
Email: derektsang@mandl.asia

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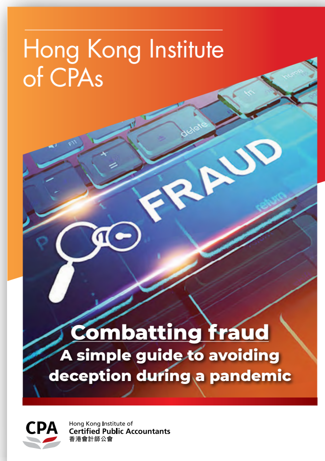
New guidance from the Forensics Interest Group Management Committee on commonly seen frauds

As COVID-19 continues to disrupt lives, opportunistic criminals are using the disruption to exploit vulnerable and unwary members of the public. This means that everyone, including members, needs to be more alert than ever to the risk of fraud. To help people to identify and avoid commonly seen deceptions and frauds, the Institute's Forensics Interest Group Management Committee has released a new simple guide, *Combatting Fraud*, available on the Institute's website.



Exemption from compulsory quarantine arrangement

CPAs (practising), partners, directors or employees of registered practice units who are required to travel to the Mainland to conduct audit work for companies listed in Hong Kong with Mainland operations may apply for exemption from the compulsory quarantine arrangement. The Institute is providing administrative support for the scheme, and has sent public interest entity auditors an email, information paper and forms for their completion, available through the Institute's COVID-19 – CPA Information Centre webpage.

HKICPA career portal launched

The Institute launched a new career portal, connecting university students interested in joining the profession with accounting firms. The portal also features career and job hunting advice, the latest updates on the accounting profession, and insightful videos.

Technical enquiry service for SMPs launched

The Institute's Small and Medium Practices Committee launched Members-Help-Members (M-H-M), a new technical enquiry service for small- and medium-sized practices (SMPs) who wish to obtain guidance and comments on technical issues from their peers. Any enquiry submitted to M-H-M will be considered by the committee's Working Group on Technical Issues on a pro-bono basis and may be addressed at a sharing session. Sharing sessions will be organized on a quarterly basis. SMPs can submit a technical enquiry to M-H-M through an online enquiry form. Those who have questions regarding the initiative can send an email to *ms@hkicpa.org.hk*.

Council meeting minutes

The abridged minutes from the April Council meeting are now available for members to read. They can be found in the "Members' area" of the Institute's website.

Institute's newsletters revamped

The Institute's newsletters and email templates have been updated to better connect with and inform members, students and other stakeholders. The e-circular, TechWatch, CPD Planner and Lifestyle emails have been replaced with newly designed and themed newsletters. There is also a new monthly newsletter called "CPA Pulse," which presents the latest news and happenings. The Institute will collect feedback in the future to use for further enhancements.

Resolutions by Agreement

Lam Pik Wah, CPA (practising), Yeung Kit Kam, Lesley, CPA (practising) and BDO Limited

Complaint: Failure or neglect by Lam and BDO to observe, maintain or otherwise apply Hong Kong Standard on Auditing (HKSA) 230 *Audit Documentation*, HKSA 500 *Audit Evidence* and HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*. Failure or neglect by Yeung to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements*.

BDO audited the consolidated financial statements of China Energy Development Holdings Limited, a Hong Kong listed company, and its subsidiaries (collectively, group) for the year ended 31 December 2013 and expressed an unmodified auditor's opinion. Lam was the engagement director and Yeung was the engagement quality control reviewer (EQCR).

The group acquired a subsidiary in Mainland China which had entered into a project for exploration, development and production of oil and natural gas in the Mainland. Approval to begin development of the project had not been obtained from the Chinese government. However, the group's interest in the project and the exploration costs incurred were recognized as assets in the financial statements.

The audit team engaged an independent valuer to assess the valuation of the project that had been undertaken by management. The working papers showed that the audit team did not perform adequate procedures, or prepare adequate documentation, in respect of assessing the independent valuer's and management's assumptions on forecast production and sales volumes, expected selling price of products and discount and risk premium rates used in the valuation.

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. Each of the respondents pay an administrative penalty of HK$25,000 and they jointly pay costs of the Institute and the Financial Reporting Council totalling HK$172,537.50.

Fok Joyce Sing Yan, CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements.*

Fok was the EQCR in the audit of the consolidated financial statements of Ceneric (Holdings) Limited (now known as TFG International Group Limited), a Hong Kong listed company, and its subsidiaries (collectively, group) for the year ended 31 December 2014 undertaken by a corporate practice that has now been deregistered.

The group entered into a very substantial acquisition during the year, and the assets acquired included a hotel in Mainland China of which the right to operate, manage and maintain had been granted to a hotel management company.

The audit engagement team failed to appropriately assess the audit risks associated with the transaction and hence the planned audit procedures were inadequate to address the risks of material misstatement in respect of the acquisition. Consequently, the audit engagement team failed to properly evaluate the fair values of the assets acquired. They also failed to identify the non-compliance with accounting requirements in relation to the gain on bargain purchase and the erroneous classification of the hotel. Those areas were material and involved significant judgements. As EQCR, Fok failed to properly perform an objective evaluation of the significant judgements made by the audit engagement team and the conclusions reached in formulating the auditor's report.

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

1. Fok acknowledge the facts of the case and her non-compliance with professional standards;
2. Fok be reprimanded; and
3. Fok pay an administrative penalty of HK$50,000 and costs of the Institute and the Financial Reporting Council totalling HK$50,403.

Disciplinary finding

Lo Hung Yan, CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principles of integrity, and professional competence and due care in sections 100.5(a), 100.5(c), 110.2 and 130.1 of the *Code of Ethics for Professional Accountants;* Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Related Conforming Amendments*; HKSA 500 *Audit Evidence*, HKSA 600 *Special Consideration – Audits of Group Financial Statements (Including the Work of Component Auditors)*, HKSA 700 *Forming an Opinion and Reporting on Financial Statements*; and Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*.

The Institute concluded a practice review on Antonio & Clayton CPA Limited. Lo was the former managing director of the practice and responsible for its quality control system. The practice review found that Lo colluded with a client to backdate an auditor's report in order to mislead the Inland Revenue Department into believing that a valid auditor's report existed on the audit report date, even though the audit had not been completed.

The practice review also revealed multiple deficiencies in the assurance and audit engagements carried out on an insurance broker and two other private companies. Those deficiencies demonstrated that Lo failed to ensure the practice had established and maintained a quality control system. They also cast serious doubts on Lo's ability to maintain the level of professional competence and due care expected of him to ensure his clients received competent professional service.

Decisions and reasons: The Disciplinary Committee reprimanded Lo and ordered the cancellation of his practising certificate, with no issuance of a practising certificate to him for 24 months, with effect from 20 May 2020. In addition, Lo was ordered to pay a penalty of HK$70,000 and costs of disciplinary proceedings of HK$67,776.

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

IIRC OPENS CONSULTATION ON REVISIONS TO THE INTERNATIONAL <IR> FRAMEWORK

The International Integrated Reporting Council (IIRC) kick-started its 90-day consultation on 21 May, calling for feedback on a new consultation draft proposing revisions to the International Integrated Reporting (<IR>) Framework. The IIRC called on stakeholders to share their thoughts on the consultation draft through an online survey and via participation in one of over 20 virtual roundtables hosted by the IIRC's partners globally. The Institute will be a co-host of one in Hong Kong. The revision is the first since the <IR> Framework's initial publication in December 2013. "The <IR> Framework Panel was unanimous in its voice to continue the revision process. If anything, the importance of integrated thinking has been further underlined by this pandemic," said Chair of the <IR> Framework Panel, Erik Breen. The feedback will be used to inform a revised International <IR> Framework which will be published in December.

U.S. PASSES BILL THAT COULD DELIST SOME CHINESE COMPANIES

The United States senate passed a bill that could block some Mainland Chinese companies from selling shares on American stock exchanges, and would require overseas companies to follow U.S. standards for audits. The new bill requires publicly traded companies to reveal whether they are owned or controlled by foreign governments, and require them to submit audits to the Public Company Accounting Oversight Board. While the bill applies to any non-U.S. company, observers say it is targeted at China. The measure has to be passed by the House of Representatives before being signed into law by President Donald Trump. It comes as U.S.-China tensions increase over the coronavirus pandemic. Media reports suggested the bill could lead to more fundraising applications towards Hong Kong, helping the city overtake New York as the global hub for initial public offerings.

HONG KONG ECONOMY SHRINKS RECORD

8.9%

IN FIRST QUARTER

Hong Kong's Secretary for Commerce and Economic Development Edward Yau has warned the city's economy could continue to suffer in the second quarter of the year, the *South China Morning Post* reported. "The second quarter will not be any better than the first quarter because the trend has been set and we're still suffering… so I don't see much light at this point," Yau told the *SCMP*. The city's battered economy suffered its worst decline on record, shrinking 8.9 percent in a preliminary estimate year-on-year in the first quarter. It is worse than the low point of 8.3 percent in the third quarter of 1998, during the Asian financial crisis.

CHARLES LI TO STEP DOWN AS HKEX CHIEF

Hong Kong Exchanges and Clearing Limited (HKEX) announced in early May that Charles Li will step down as its chief executive and will not seek reappointment when his current term expires in October 2021. Li will continue to lead the exchange while a selection committee headed by HKEX Chairwoman Laura Cha looks for a successor, and may leave earlier if a replacement is found sooner, according to the filing. Since Li was hired to head HKEX in January 2010, the exchange's market capitalization has doubled to HK$35 trillion, as of 1 May, and Hong Kong has been the largest initial public offering market in the world seven times in the past 11 years.

EY U.K. TO SPLIT OUT AUDIT GOVERNANCE

EY in the United Kingdom announced a shake-up of its leadership team, splitting responsibility for audit and assurance under two separate heads, as part of its efforts to improve quality following sustained criticism of the accounting profession. EY said it would split the roles governing its audit and assurance practice in "recognition of the societal importance of these functions and to ensure that audit quality continues to receive dedicated focus." Andrew Walton, who has been an EY partner for 15 years, will become the new head of audit in the U.K. and join its board of directors, and Kath Barrow will lead the assurance practice. The move to split the audit and assurance roles comes in response to claims of conflicts of interest in the profession. EY is under investigation by regulators over its audit work for failed travel operator Thomas Cook.

LUCKIN COFFEE DELISTED BY NASDAQ

Beijing-based Luckin Coffee received a notice from Nasdaq on 15 May that it was being delisted from the stock exchange. According to the coffee chain, which was founded in 2017, Nasdaq cited "public interest concerns" following the company's recent accounting scandal, and "past failure to publicly disclose material information" as the two key reasons it is being delisted. After an internal investigation in April, the company revealed that much of its 2019 sales of about 2.2 billion yuan (US$310.77 million) were fabricated by its chief operating officer, Jian Liu, and other employees. Luckin has since fired both Liu and company founder and chief executive officer Jenny Qian. The company plans to appeal Nasdaq's decision and says it will remain listed while pending an outcome of its request. Luckin, known as a major rival to Starbucks, joined Nasdaq in 2019 through a US$600 million initial public offering.

M&A ACTIVITY IN GLOBAL TRANSPORT AND LOGISTICS INDUSTRY SHOWS A REBOUND IN 2019

PwC's analysis of global merger and acquisition (M&A) activity in the transport and logistics industry shows a rebound in 2019. There were 254 deals, a 12 percent increase from the previous year. Meanwhile, the total deal value of US$143.3 billion exceeded 2018 by 23 percent. There were 29 megadeals in 2019 with a total deal value of approximately US$92.1 billion, compared with 21 megadeals announced in 2018, for a total of US$69.6 billion. The largest deal this year, where financial investor Blackstone acquired urban warehouse assets from global investment manager GLP in the United States, had a transaction value of US$18.7 billion.

LI NING'S MAJORITY STAKE BID DOUBLES BOSSINI'S SHARE PRICE

Shares of Bossini doubled on 21 May, following news of Chinese gymnastics star Li Ning offering to buy a majority stake in the company. Hong Kong-listed shares of Bossini rose by 99 percent to close at HK$0.5. A joint venture controlled by Viva China, a sports talent agency founded by Li, said it will buy 1.09 billion shares in Bossini, paying HK$46.6 million for 66.6 percent of Bossini's issued capital. Li's sportswear brand, Li Ning, is currently China's second-largest sportswear maker by market share. Meanwhile, Bossini, which operates 39 stores in Hong Kong and Macau, and 180 in Mainland China, has seen its performance deteriorate in recent years as it failed to adapt in an increasingly competitive consumer market.

SAMSUNG HEIR IN ACCOUNTING FRAUD PROBE

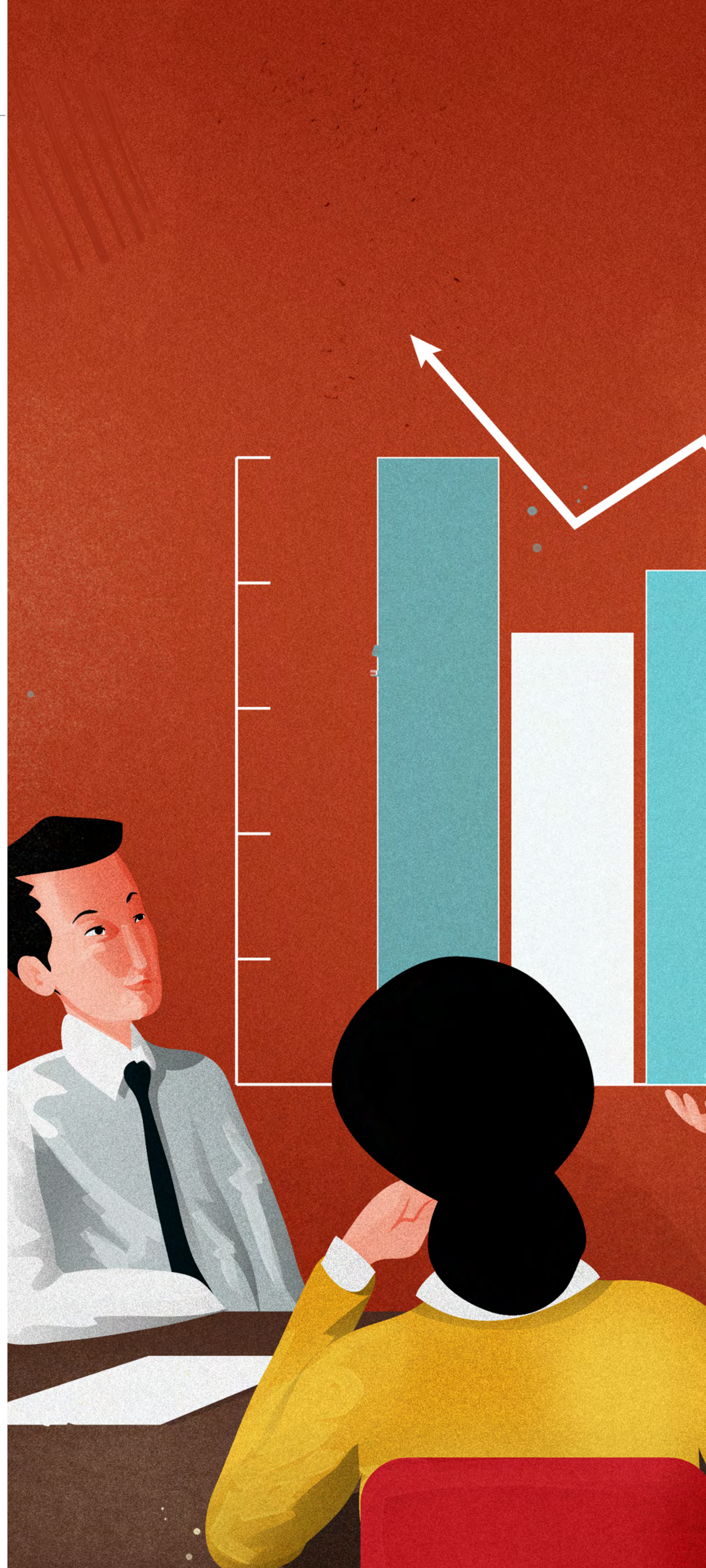
Samsung Electronics Co. Vice Chairman Jay Y. Lee was summoned in late May by prosecutors in South Korea who have been investigating alleged accounting fraud. The development is the latest cloud of a storm that has overshadowed the country's largest company for several years, which previously brought accusations of graft payments to the government, accounting malpractice and union-busting. The latest probe by the prosecutor's office is part of a separate investigation into whether there was foul play during a merger between Samsung C&T Corp. and Cheil Industries, which many observers say is the conglomerate's de-facto holding company. Lee is effectively Samsung's heir apparent, since his father's heart attack in 2014. He previously served about a year of a five-year sentence for bribery and embezzlement.

UNCERTAINTY BRINGS ACCOUNTING CHALLENGES FOR EVENT-TICKETING CFO

As organizers cancel and postpone events due to COVID-19, and with some events not being rescheduled, Eventbrite has been hit by an accounting challenge. The company, which provides ticketing services mainly for events, had to make additional forecasts on future refunds in order to prepare for forthcoming revenue losses from the rise in refunds for cancelled shows, reported *The Wall Street Journal* in May. "It was easy to figure out what the actual refunded ticket fees were in the quarter," Eventbrite Chief Financial Officer Charles "Lanny" Baker said. "What took more judgement from an accounting and finance perspective was estimating the future rate of refunds." The company's finance team looked at all tickets for events that haven't happened or haven't been canceled to determine an estimate of refunds over the coming months, Baker told *The WSJ*.

HEAD OF U.K. ACCOUNTING WATCHDOG LEAVES POST

The Financial Reporting Council (FRC) in the United Kingdom announced that its Chairman, Simon Dingemans, will leave the accounting watchdog just eight months after taking up the post. He will leave at the end of May and return to a full-time role in the private sector. His decision came as he was being prevented from taking on additional roles that may have conflicted with his duties at the FRC, a spokeswoman said. According to the *Financial Times*, Dingemans was making progress in strengthening the FRC's powers and resources and in restoring its reputation after a string of accounting scandals led to questions about its effectiveness in policing the U.K.'s Big Four firms. "We were pleased when Simon was appointed and, just at a time when the FRC is beginning to make real progress, this is clearly a setback," Michael Izza, Chief Executive of the Institute of Chartered Accountants in England and Wales, said. "We would hope the FRC will be able to appoint someone of equal stature in the near future."



Now more than ever, the line between financial controller and chief financial officer is blurring. Financial controllers are now seen as trusted advisors and business partners who have the unique expertise to guide a company towards growth. Jeremy Chan finds out how they are playing a more important role in the decision-making process, the skills they need to enhance to provide actionable insights across the company, and how they are keeping their finger on the pulse of a business

Illustrations by Gianfranco Bonadies

SPECIAL REPORT:

CONTROLLERS OF GROWTH

Every company needs a financial controller (FC). Traditionally seen as the lead accountant of any financial department, FCs play a key role in ensuring that a company's ledgers and financial statements reflect the true nature of cash flow in the organization. Their day-to-day puts them in charge of a myriad of duties – from the proper implementation of internal controls, completion of monthly statements, budgeting and forecasting, assisting with tax compliance and evaluation of a company's financial health. Most FCs report to the chief financial officer (CFO) and work closely with management to make key decisions in running and maintaining the business. In smaller companies, they are viewed as the CFO, while in larger companies, they serve as the bridge between the senior management and finance department.

Over the last decade, the role has seen significant changes, with FCs playing a more fundamental role in their companies. Though key decisions are still made by the CFO, FCs are increasingly sought after in the decision-making process. It is a role that now demands an even more diverse skill set, a broad business perspective and a highly refined expertise to drive change within any company.

This special report looks at the various factors shaping what it means to be a functional and successful FC today. It looks at how FCs working across different industries adapt to rapid – and often disruptive – market changes, and add value to their company. It also highlights the increasing number of risks FCs need to mitigate, the reasons why they are more involved in strategic planning, how FCs can maintain their relevance, and what is needed for them to ultimately become a CFO.

AN EXTRA PAIR OF EYES

Anthony Lin had no idea just how engaging yet challenging being an FC would be – until taking on the role. "It is a role that has kept on evolving since day one," says Lin, Financial Controller, Business Development, of Gammon Construction Limited and a member of the Hong Kong Institute of CPAs. When he joined the company, Lin thought he was going to be taking care of the company's books and records and performing market research on his own. Instead, he finds himself partnering up with the CFO to complete a variety of tasks. "As an FC, I do find myself making more recommendations in the decision-making process," he says. "For example, I advise the CFO on how to save on costs, and on what key performance indicators (KPIs) to set up to measure the performance of our team. I'm responsible for explaining the story behind the numbers."

Lin is among the majority of FCs who have recently experienced a focus shift in their role. According to the 2019 study *Understanding The Modern Controller* by market researcher Dimensional Research, 90 percent of those surveyed noted

"In a company, an FC is the one who connects well with the numbers. So we are in a unique position to help management make the right business decisions."

that FCs are spending more time on strategic planning than in the past. The study surveyed 306 accounting and finance professionals, including 202 FCs, and found that factors such as fast-evolving technologies, increased scrutiny on financial reporting, compliance requirements, less tolerance for errors and the general need to perform quicker, has upended the role and also added to the pressure of being an FC. Almost a third of those surveyed noted that their role has changed as a result of the CFO taking on a more strategic role, especially within the last decade. Data from a 2013 study, *Evolving Role of the Controller*, conducted by The Association of Accountants and Financial Professionals in Business, suggests that because CFOs are also taking on more important roles, they consider FCs to be their first port of call.

Lin is in charge of helping the company, a Hong Kong construction and engineering contractor, to expand into new international markets. "I help them to perform the evaluations, financials and calculations behind the scenes," he says. In a recent task, Lin says he had to advise the CFO on whether to expand their operations into a new location, and if it would bring long-term growth to the company. "Simply presenting information to a CFO doesn't help at all," explains Lin. "I needed to identify whether expansion would be a feasible solution by performing extensive market and geographical research. Based on the research I performed on the country's economics, policies and the numbers, I determined that it wasn't the best idea to expand into that particular market at that point in time. This was one case I felt I helped the most."

To save time, a CFO might walk up to ask an FC for advice instead of looking at financial figures, says Lin. "In a company, an FC is the one who connects well with the numbers. So we are in a unique position to help management make the right business decisions. We must be ready," he says.

Part of the reason why FCs are playing a more important role in the decision-making process is the changing role of the CFO. "CFOs are taking on more responsibilities and often work directly with the chief executive officer (CEO) and also the board to execute business strategies," Lin adds. "So, because the role of a CFO may have changed, the people working alongside the CFO have had to change too. We don't just interpret the accounting standards, we need to be critical thinkers and provide a value-added service in order to meet the requirements of the CFO, board and stakeholders."

Jonathan Chow, CFO of Yuk Wing Group Holdings Limited and an Institute member, agrees. As a CFO of a listed company that manufactures and sells industrial machinery, Chow says he has been busier than usual and needs to rely on the expertise of his FC. But he cautions that instead of merely shouldering the work of a CFO, it is crucial that both the FC and CFO work well together. "It is less about the CFO giving the FC orders, and more about working effectively alongside the FC as a team to resolve issues," he explains. "In a way, an FC is now a CFO's extra pair of eyes."

Chow notes how his FC's more detailed approach in analysis complements his skill of looking at the bigger picture. "I was recently involved in the assessment of revised financial reporting standard, Hong Kong Financial Reporting Standard 16 *Leases*," he says. "The FC at my company focuses on things from a more micro point of view, so she might look through the terms and details of each lease contract and calculate the financial implications. I would then review them on a more macro basis to determine whether it is reasonable or if there's anything that requires further discussion."

CONSCIOUS COMMUNICATION

FCs must have effective communication skills to succeed not just in working with management but across the company. "For example, they need to think about how they are going to explain a change in accounting rules to management or someone without a background in finance or accounting. This is probably one of the most challenging aspects facing FCs right now," says Chow.

Lin agrees, noting how inadequate soft skills could be the difference between an ineffective FC and one who makes a noticeable impact on the company. "FCs can't expect everyone to understand terms such as accounts payable and receivable or return on investment. They need to try to speak in each person's language," he says, adding how FCs should aim to serve as a bridge between the numbers and the business. "There are a lot of finance professionals – even seniors – who focus too much on the technical aspects of the role such as understanding accounting rules, standards and valuations, but aren't able to add value to the business simply because they lack the soft skills. If we don't

have those skills, this results in miscommunication and prevents us from providing that value-added service we are capable of."

Howard Cheung, Financial Controller, International Business, of CK Infrastructure Holdings Limited and an Institute member, says he improved his communication and people skills by taking leadership training courses in his spare time – ones which he would rely on in his career.

As the FC of Hong Kong's largest publicly listed infrastructure company, Cheung needs to work closely with the business CFO and also with the group FC. As he now frequently uses strong communication skills to work with the CFO in decision-making processes and in drafting proposals alongside the board, Cheung, like many FCs, is seeing his role develop into a mini-CFO. "I attend many board and committee meetings regarding our overseas business, and often have to attend meetings on behalf of my boss as well," he says. Cheung touches on the importance of brevity during meetings. "I've had to learn to be more concise, especially during board meetings which can sometimes stretch up to two hours," Cheung explains. "There could sometimes be 30 items on the agenda so you have to be careful with your words and be accurate when presenting. The board members might not be as close to the numbers as you think."

Chow advises how FCs can stay succinct during meetings with the board. "It's important to have meetings conducted and have your message delivered in the most efficient manner. You don't want to drag a meeting on for two to three hours with a busy CEO," he says. "CEOs are more focused on risks. If you have five risks you want to speak on, start by listing them out in point form. Say two of them are more important and you need more time to discuss them – focus on those two points during the meeting and elaborate on those points. If they're interested, they'll ask more questions."

FCs are usually the principle point of contact for external auditors, and are also relied on to communicate closely with tax accountants, bankers and lawyers to provide key information on the company. "As FCs, we are expected to have a firm grasp on the company's operations, so we work closely with our auditors in helping them to understand our operations and development," says Vince Law, Financial Controller of Sappi Trading Hong Kong Limited and an Institute member. "Our knowledge of the business and issues that lie in our operations help us to translate this into an analysis for our auditors and our senior management." Law also frequently communicates with lawyers when it comes to drafting agreements or contracts for their customers. She adds that though FCs aren't expected to be legal professionals themselves, they need to know how to understand lawyers and raise questions for discussion. "If you have basic legal knowledge too, that's also helpful," she says.

Sydney Chan, Financial Controller at Asia Grocery

Distribution Limited and an Institute member, frequently liaises with legal advisors. "For example, if we want to sign or terminate certain contracts, including but not limited to sales contracts, rental contracts and employment contracts, I need to determine whether it will trigger any legal consequences," she says. Her legal knowledge is also relied upon by her management. "The board frequently consults me on subjects such as Listing Rules, contract laws, the Employment Ordinance or matters concerning the new government policies and subsidies for companies. I have to provide advice on these," she says. "FCs aren't only involved in issues concerning the numbers anymore. It isn't common for most companies to have a legal department, so the board sees me as an accountant and their legal advisor."

FCs also need the soft skills to effectively and accurately explain financial reports to external parties, says Cheung, adding how financial reports are also closely monitored by members of the company's management. "In addition to looking at profit and loss, the management focuses on the cash flow and balance sheet to understand the company's capital management, liquidity, and its commitments and performance trends and benchmarking with industry peers." As a result, he urges FCs to make sure financial reports benefit both management and external parties. "As FCs, we need to ensure financial reports are prepared and in compliance with accounting standards and regulatory requirements. We should also interpret implications to the business and put forward our opinions on how to drive business and to impact our financial results," he says.

STRATEGIC PLANNING

With FCs involved in more key decisions, they need to rely on their skills to develop financial strategies for a company and reduce risks, as knowledge in this area enables FCs to help companies plan for the future. By analysing a company's past figures, they are able to perform financial projections, allowing them to adjust budgets accordingly and recommend suitable changes to the management team. These changes could ensure that a company's operations keep running, especially amid challenging business or market conditions. "To be an FC, knowledge in strategic finance is an essential element," says Lin at Gammon. As an FC working in the construction industry, he oversees thousands of employees working on construction sites locally and internationally. One challenge is making sure each employee is compensated on time. "In my company, knowledge and experience in capital planning and cash flow management is key." Inadequate capital planning, Lin notes, can lead to liquidity risks, and as a result, reputational risks. "For example, if we aren't able to pay our employees or staff, the company will make headline news, and not in a good way," he says.

Betty Wong, Financial Controller at Blue Cross (Asia Pacific) Insurance Limited and an Institute member, works closely with the CFO in treasury management and frequently makes recommendations for investments. Wong notes how she assisted the CFO in arranging collateralized repo loans with investment banks, or repos, to enhance investment yields for the insurance company. Repos are secured loans in which one party sells tradable financial assets, or securities, to another party and agrees to repurchase

Financial innovators

There is a growing need for FCs to have software competency in order to innovate and improve workflows within companies. *Understanding The Modern Controller*, a 2019 study by market researcher Dimensional Research, found that 78 percent of FCs have been dedicating more time to IT management within the last 10 years. Almost all respondents from the study noted how technology such as enterprise resource planning (ERP), cloud accounting and financial reporting software has assisted them in the decision-making process, with 91 percent citing how it increased the quality of financial statements and freed up time to take on other tasks.

With more data to work with, technologies such as robotic process automation (RPA) and dashboard-based software can help companies to save time, streamline processes and track progress in real time. Anthony Lin, Financial Controller, Business Development, of Gammon Construction Limited, notes how FCs can also do their part in introducing these technologies to the business. "FCs are now working in an ever-changing environment," he says. "Technology around them is changing, so they have to understand it, be on top of it, and know how to use it to add value to a company."

Lin has used his IT expertise to introduce new software to the company and automate processes. Having studied computer science in university, his knowledge of software and IT processes led him to make changes first within the finance department, such as by implementing RPA tools into their systems. "Since then, we've been able to automate more tedious processes within the finance department such as invoice matching and reconciliations. We also use optical character recognition tools," he says. He also introduced data visualization software Tableau, a dashboard-based software capable of analysing data and reports. "Data within the software is neatly illustrated in graphs and charts." Lin says the software helps to neatly illustrate data in graphs and charts, adding how the colourful charts have proven useful in presenting data during meetings.

The tool also helps Lin in performing financial reporting. "Financial reporting measures the heartbeat of the entire operation," he says. In preparing financial statements, Lin says the management tends to look at information such as cash flow, profit performance, trends over different periods and whether there are signs of financial distress. He makes use of the software to highlight key information to board members. "We can use those key performance indicators (KPIs) and create an individual dashboard for different teams and divisions," he says. "If people want to drill down to details, they can click on each of these figures and trace the source."

Beyond the finance department, Lin has also assisted other departments within the company in implementing and utilizing this tool. "Now other departments are using it to look at KPIs for factors such as safety measures, building progress and cost improvement initiatives."

those securities later, with the securities serving as collateral. "The insurance company was looking into investment opportunities and the CFO recommended this yield enhancement arrangement," Wong says. "This was a very challenging initiative for me at the time. I had to read through a large amount of documents and arrange the custodian bank for investment execution on a tight timeline. I was in charge of the investment compliance, initiation with the fund manager in addition to the accounting. Ultimately, we achieved this investment objective within a low interest rate environment."

Chan at Asia Grocery Distribution Limited adds how she pinpointed alternative forms of revenue to help her company, which was affected by the COVID-19 pandemic. The listed company Chan works for distributes food and kitchen products to restaurants, hotels, private clubs and wholesalers. "Our main business lies in the distribution of grocery and food products, and the demand for those products has decreased as a result of bad business of our customers or even business closures," she says.

But instead of waiting for the situation to improve, Chan thought of new ways. "By projecting our gross profit the following month, I performed extra budgeting and recommended ways to cut costs," she explains. Chan suggested the company postpone its expansion plans and also worked closely with the operations team to shift their focus to selling a now popular product – face masks. "During the past few months, we've turned to selling face masks and cleaning products to our customers. We've sold face masks before, but there wasn't much emphasis up until now," she says.

Law at Sappi Trading joined her company as an accountant in late 2000, becoming a local FC in 2002 and then taking on her current role in 2013. She is responsible for financial activities such as tax planning, group restructuring and the financial and annual reporting of her group, which is headquartered in Hong Kong and has offices in the United States, Latin America, Australia and Africa. Law works closely with the CFO in business development and heavily relies on her tax expertise to help the company's growth. "FCs are playing an even bigger part in business development," she says. "We are no longer just in charge of tasks such as financial reporting. We are more actively involved in the strategic and tax planning," she says.

She explains how knowledge in tax, especially across different jurisdictions, helps FCs like herself to provide valuable input. She uses her knowledge to make recommendations in working with the sales managers, the CFO, or members of the executive committee. "I also have to make sure we meet all statutory and commercial requirements. This is my main area of responsibility," Law says.

MANAGING RISKS

FCs are increasingly involved in helping companies to minimize risks – a task traditionally taken on by the CFO. In fact, 64 percent of CFOs indicate that their company's risk management team reports directly to them, according to 2017 study *The Role of the CFO* by McKinsey & Company. With FCs working closer or even directly with CFOs, they are relied upon to manage various risks such as credit, operational, liquidity and reputational risks. Nowadays, FCs also face the added pressure of mitigating cybersecurity risks. "Because FCs are part of the finance team, we are in charge of holding sensitive financial information," Lin at Gammon explains. "If this information is disclosed or leaked to an outside party, we are most liable. The senior management will come looking for us first."

To prevent this from happening, Lin says FCs need to strategize closely with their company's risk management team or IT department. For example, Lin has meetings with the IT department every two weeks to discuss informational security risks to make sure their data is properly managed and protected. "FCs need to challenge the IT department to determine what to upload, what not to upload, and which cloud solution is safe to adopt."

Cheung at CK Infrastructure agrees that cyber risks such as phishing e-mails are posing a challenge for modern-day FCs. "Now, we have to worry about cyber fraud, email leaks and hacks, as well as enterprise resource planning systems being breached," he says. Cheung recalls the repercussions of having one email leak while working in his previous role. "I remember sending an important email to the CEO at the time. In just one day, due to an issue in our systems, crucial information from that email leaked into the media and even into the market. It's was a huge issue for our headquarters to manage."

Cheung admits this issue could have been avoided had there been better internal controls put in place. "This is something FCs need to watch out for," he adds. "Usually,

"We are no longer just in charge of tasks such as financial reporting. We are more actively involved in the strategic and tax planning."

the CFOs are on top of all these risks, but now, they rely on the FC for advice on risk management. This is what I'm seeing more of." Cheung also regularly meets with the business risk committees to discuss preventative measures. "We have recently been discussing three emerging risks: cyber risks, environmental, health and safety risks (EHS) and regulatory risks," he says. "We identify how the risks will affect our business and make sure we have a mitigation plan in place."

With more responsibilities to take on, Chow at Yuk Wing Group says FCs are encouraged to speak up and voice potential business or financial concerns to the CFO or management. "Everyone's busy, especially management, so there's a risk of people overlooking important or crucial information," he says.

His FC previously brought concerns to light, which they were able to resolve together. "She spotted issues regarding a few financial statements that even I wasn't aware of at the time." By always staying alert and being vocal, Chow says FCs could help a company avoid potential setbacks. "The FC could help the company monitor risks by being mindful when they're at work and when they're off work," he explains. "Say, if they come across something in the news after work that might affect the company, they should voice it out, as it might affect the company. If it does – but they didn't voice it out to management – that could be worse."

Cheung adds why minimizing EHS risks are of paramount importance to companies, especially in light of the coronavirus. "We always say safety first. For instance, now if there's a single COVID-19 infection, business needs to stop for at least 14 days. So this is quite a critical risk that we discuss during meetings," he says. "Without safety, a business cannot thrive."

He says FCs should work together with their operations team to discuss mitigation plans for every potential risk. "We also have an oil business in Canada, and the biggest risk of this business is oil spills," he says, adding how he meets with the operations team to discuss the risks of pipeline defects. Cheung says spotting and addressing a risk like this beforehand is crucial, as it prevents environmental threats and saves on future costs. "Even though insurance partially covers spills, this incurs very high insurance premiums on the company. This is one example of why we need risk action plans."

FROM FC TO CFO

The CFO role is seen as a natural progression from FC. To make this happen, Chow at Yuk Wing Group says FCs must be all-round professionals who also have knowledge outside of their expertise. "Being an FC nowadays isn't just about looking at numbers and financial data anymore," he explains. "They have to be ready to take on new technologies and mindful about new developments." He advises FCs to continue building their own business network by participating in seminars and events organized by the Institute, as well as ones by other associations to gain knowledge from other industries. "This will allow you to meet more people, learn from them and keep yourself up-to-date on any recent developments within and outside the profession," he says. "You never know when the CEO or CFO will come up to you and ask for your opinion on something completely unrelated to your knowledge in finance and accounting. You have to know how to respond."

But as Law at Sappi Trading notes, younger CPAs should aim to first become an all-round and successful FC. She advises them to dedicate time to their company in order to be familiar with its operations and business. "You have to make use of every opportunity to understand the company's groundwork, development and also find time to learn by speaking with senior management," she says. "You won't learn everything in a year, but once you have this knowledge, you'll have a better chance of becoming an FC."

Lin at Gammon emphasizes having an open mind and getting into the habit of self-learning. "The role of an FC is ever-changing – IT knowledge is becoming really important, so try to gain new knowledge in new tools that can facilitate the business decision-making process," he says. "We have to understand the business and the story behind the numbers, so aim to work closely with the business and stay as open-minded and flexible as possible."

In addition to a strong foundation of technical knowledge in accounting, tax, treasury and financial management, Cheung at CK Infrastucture adds that future FCs must have the right business acumen. "They have to understand how factors such as economic environment, competition and the development of technology will impact financial results," he says, adding that a solid understanding of business processes will enable FCs to identify and resolve issues within a company. He adds that soft skills must also be polished. "Skills in people management, teamwork, communication and planning will be crucial to your success in the role."

THE FUTURE ROLE

The role of an FC is set to diversify even further in the future. With increasing expectations from the individuals and companies they work for, coupled with the need to thrive in dynamic business environments and new technological frontiers, FCs need to adapt and upskill in order to continue adding value to business.

Cheung notes how FCs can expect to take on more CFO-related tasks, as the role of a CFO will also evolve with time. "We'll always be the CFO's right hand man," he says. "I expect the CFO's role to change too. The board and executive teams will demand more from the CFOs in the future, which will, in turn, add pressure to the role of an FC. I imagine I'll be involved in more board meetings to engage in decision-making in addition to managing the day-to-day finance functions."

He adds how technology will be playing a bigger role in companies too, and how FCs should be equipped with those skills to speed up their workflows. "Tech will change our role," he says. "FCs also work long hours, so we'll be relying more on automation and artificial intelligence to increase productivity."

Lin agrees, noting how FCs will increasingly be the ones to utilize their knowledge of the business and numbers to lead technological changes. "FCs should go from being accountants to those who expedite and improve overall business processes using the latest technology," Lin says, suggesting how data gained from these tools could then be turned into actionable insights for FCs to aid in developing a company's business performance. "This could be done with automation and data visualization tools, not just in the finance department, but across all company departments. We should be the ones to push forward these initiatives to improve a business."

Though the added responsibilities have made the role more demanding, most FCs note it is a change they embrace. "On the other side of the coin, the more challenging it is – and the more pressure we go through – the more motivated we are to learn," adds Lin. "FCs should be ambitious and look forward to these challenges. With more challenges come more exposure and opportunities to learn and ultimately climb the corporate ladder."

Cheung agrees the role is much more stressful nowadays, but says with enough passion, one is able to excel as an FC. "You definitely have to step out of your comfort zone. Try to manage your time when taking on additional tasks," he says.

Wong at Blue Cross hopes FCs play an even larger role in the decision-making process going forward. "I enjoy being able to provide professional accounting advice and helping in the decision-making process of the company, and seeing improvements in profit margins of a particular business line," she says. "This is what's most satisfying."

A day in the life

Many FCs would agree that their day is varied and that no two days are the same. Anthony Lin, Financial Controller at Gammon Construction Limited, say his mornings may begin with the preparation of management reports and meetings with senior management of the company. "In the afternoons, I might discuss strategies with business units and prepare more papers from senior management and shareholders," Lin says.

Sydney Chan, Financial Controller at Asia Grocery Distribution Limited, prefers to start her days by checking her emails. "I need to see whether there are any issues to address from external parties such as auditors," she says. The rest of her day might be spent consolidating accounts and working on quarterly reports as part of the Listing Rules and having meetings with various teams. "Each day consists of two meetings – one with the sales and operations team to discuss business development plans and one with the board. I'm the one in charge of checking our directors' availability for each meeting."

A typical day for Vince Law, Divisional Financial Controller of Sappi Trading Hong Kong Limited, revolves around communicating with individuals across the world. "We have a lot of meetings. We work in a global environment, so normally in the afternoon I'll have online meetings with different regions of the company. For example, I can only speak with the European and South African offices in the afternoon, so I dedicate my afternoons to communicating with the different regions of our group," she explains. "During the evenings, I communicate closely with our team in Latin America."

Howard Cheung, Financial Controller, International Business, of CK Infrastructure Holdings Limited starts his day reviewing his to-do list. "I organize short 15-minutes calls or meetings with my team to review their priorities and resolve any issues," he says. Cheung also regularly attends company meetings with CFOs and different functional teams. "Subject to monthly reporting timelines, I review financial reports, board and committee papers and prepare for reports and analysis to support decisions," he says. Cheung is a busy FC, and though he occasionally finds himself popping into the office on the weekends to meet tight reporting deadlines, he says FCs should aim to strike a work-life balance. "After office hours, I try to avoid bringing work back home."

SECOND OPINIONS: WHAT'S THE BEST WAY TO MANAGE TRAINING NEEDS?

PETER NIXON
FOUNDER, POTENTIAL DIALOGUE INSTITUTE AND AN INSTITUTE MEMBER

Training today is completely different from what it was when I completed my master's degree in training and organization development years ago. In the early era of training, employees completed a training needs analysis, then the human resources (HR) department consolidated the results and sourced trainers to help upskill the staff.

With the rise of interactive meeting software like Zoom, the world of training is changing. I call it "fourth generation training," and it's possibly the best era yet.

A change was needed because the common reaction to traditional online learning was boredom. Now, managers have the opportunity to provide engaging virtual training to staff. For example, with Zoom, we can run interactive live sessions using breakout rooms, polling, chat functions, word clouds, surveys and all sorts of other apps, by using shared screens, and dual cameras to make training as engaging and interactive as possible, just short of actually being in-person. I have fallen in love with the newest technologies that allow me to transition from great face-to-face in-person training to great face-to-face online training.

I am also working with various training needs assessment providers who themselves are investing in leading edge technology to replace their previous online assessments, which now look completely out of date. Today, respondents get personalized feedback based specifically on their answers and tailored feedback based on the results of their colleagues in various project teams. This new technology extends the learning from the individual to the team, and provides expert trainers like me with additional insights to help organizations faster, at less cost and anywhere in the world, better than ever before.

Of course, before these virtual training sessions take place, HR and talent managers responsible for training need to know what skills and competencies the organization needs and which trainers or subject matter experts are best suited to fulfil these needs in a rapidly changing landscape. Case in point is one of my clients needing blockchain business development skills and the leading provider being a fintech lab in Singapore.

Trainers who have mastered content after years of dedication would do better than others in reading the audience and changing what they are doing if things are not working. I chose to become a subject matter expert and international trainer and author, and I am pleased that my clients have responded well to my efforts.

Companies today don't only need to know what their latest training needs are, but also who can fulfil these needs anywhere in the world. How do you do this? The solution is in the dialogue.

"Companies today don't only need to know what their latest training needs are, but also who can fulfil these needs anywhere in the world."

DR LOLITA EDRALIN
PROFESSOR OF PRACTICE (ACCOUNTING)
THE HONG KONG POLYTECHNIC UNIVERSITY
AND AN INSTITUTE MEMBER

Throughout my corporate life before joining academia, I always advised my staff to look for opportunities outside of the organization, not because I want them to leave, but because I want them to be competitive both internally and externally. Striving for promotion within the organization is not enough. We need to set ourselves up to be relevant and to know what is going on in the outside world. This also means that we should not stop learning. But how?

The Internet is a rich source of knowledge. Just-in-time self-learning is a fact of life. For example, most people do not attend advanced Excel training classes. If you need to create macros, do pivot tables, handle VLOOKUP or other Excel functions, you can learn from YouTube or other Internet sources and apply them immediately to your tasks. Knowledge on the latest buzz words such as big data, blockchain, machine learning or Python can be gained without the need to attend seminars or courses. This is the benefit of targeted learning – learning the things you need to know now.

"Before you commit to longer term advanced programmes, you need to evaluate the trade-offs in terms of time and money."

What if "you don't know what you don't know?" For example, if you are working with a big data set in Excel for the first time, you may not even know the existence of terms such as pivot table, VLOOKUP, INDEX or keyboard shortcuts to search for them on the Internet. With enough persistence and curiosity, you would eventually learn these and more by searching keywords like "advanced Excel functions" or "manage large data sets in Excel."

Does it mean that there is no need for formal education anymore? I believe that getting formal education like continuing professional development courses and advanced studies such as master's or doctor of business administration can help provide the discipline and structure that Internet searches and self-study cannot. It also provides the confidence and certification for career progression.

However, before you commit to longer term advanced programmes, you need to evaluate the trade-offs in terms of time and money. My advice to potential candidates who are deciding whether to proceed with further studying is this: Time does not stop. Two or three years from now, when you look back after gaining an MBA/DBA or something else, would you be able to say that you made the best use of that time?

AMY LEUNG
DIRECTOR OF TECHNICAL AND TRAINING, BDO
AND AN INSTITUTE MEMBER

Learning and development is important in an ever-changing world, and especially in our profession. Hence, developing a learning and development plan can help you to manage your training in an effective way because it can act as a roadmap for you to monitor and plan your learning path. In developing your plan, you should ask yourself the four "whats":

"In developing your plan, you should ask yourself the four 'whats.'"

You should start by asking yourself *"What do you want to achieve?"* By writing down your personal aspirations, career goals, current and future job and profession requirements, you will first identify the specific competencies (skills, knowledge, behaviours and attitudes etc.) required.

Based on the competencies required, you will then ask *"What are you now?"* to assess the "competencies gap" and identify what competencies and attitudes that need to be developed and mastered in order to achieve your objectives. This can be done not only by identifying areas for improvement, but also by getting feedback from your friends, colleagues, boss and even your clients to accurately gauge your learning and development needs.

This assessment should be reviewed on a regular basis by taking into account any changes in your role, organization, profession and business environment.

Based on the needs identified, you should ask "*What are the options available to achieve my expected learning outcomes?"* As there are a wide range of learning formats (e.g. classroom training, virtual, on-the-job, reading journals etc.), you have to consider your preferred learning format to decide the learning activities to undertake in order to achieve your expected learning outcomes. When deciding on the learning format, you should consider the types and complexity of skills or knowledge to be acquired and the appropriate ways to learn them; the timeliness of training needed, how long it will take to develop the skill and when you would need it by; whether you can maintain your drive and motivation; and your budget and resources.

To bring learning to awareness and to help with retention and regular use of what you have learned, you need to ask yourself *"What are the next steps going forward?"* Incorporate a next step plan in your learning and development plan by noting down a reflection on what you have learned; how to apply what you've learned to your daily life or work (how can I use it or apply it again?); and whether your objectives have been achieved.

Effective learning results in a return of value to you that is greater than the resources you invest.

GUIDING THE WAY

Current uncertainties are increasing the ethical challenges accountants face, says Ken Siong, Senior Technical Director at the International Ethics Standards Board for Accountants, based in New York. Nicky Burridge talks to him about his role in restructuring the code of ethics and in helping accountants maintain and heighten trust in the profession

> "For accountants it is not just about making sure they are supporting their clients or employers in an ethical manner, but they must also be on the lookout for fake applications, as unfortunately these are a fact of life in the times in which we live."

In just four months the coronavirus pandemic has had a significant impact on the world, leading to changes in the way we live, work and travel. It has also brought increased risks and uncertainty to businesses, creating new challenges for accountants to grapple with. But Ken Siong, Senior Technical Director at the International Ethics Standards Board for Accountants (IESBA), does not think the impact on the profession ends there.

Instead he warns that the coronavirus has also increased the ethical issues that accountants must be on their guard against. "A number of regulations have been put in place that deal with public health and safety, and accountants are not absolved from compliance with those regulations. There are also greater opportunities for fraud, for example we have seen reports of fraudulent medical products that don't meet safety standards and fake medicines, and accountants have to be on the alert for that as they have a responsibility to respond to non-compliance with laws and regulations under the code of ethics."

At the same time, he says many organizations have been badly affected and are reaching out to governments for emergency support, often turning to their accountants for assistance in applying for the schemes. "For accountants it is not just about making sure they are supporting their clients or employers in an ethical manner, but they must also be on the lookout for fake applications, as unfortunately these are a fact of life in the times in which we live." He notes that IESBA staff recently issued a Q&A publication that highlights these and other ethics and independence considerations for accountants in response to the pandemic.

Siong, a member of the Hong Kong Institute of CPAs, points out that accountants have an important role to play in terms of the public interest. "The profession has a responsibility under the code to act in the public interest. In these times of uncertainty, accountants should bear in mind they have an ethical responsibility to provide truthful information, no matter how bad that information might be," he says.

Pressures and incentives

Siong thinks ethical issues are something the profession has always had to deal with on a daily basis. He points out that no matter

what their goals or professional responsibilities are, accountants have to deal with pressures and incentives that might lead them to act contrary to the ethical expectations and obligations that apply to them as members of the profession.

He explains that because accountants are at the centre of the production of information, both financial and non-financial, they often have to navigate complex situations where they may come under pressure to misreport or underreport information, or act in certain capacities for which they might not have the right competencies. Siong adds that accountants may also face pressure from clients whose financial interests are at stake, or pressure from their own organizations to take certain actions that lead to certain unethical outcomes.

Meanwhile, they can also face incentives, such as compensation that is based on achieving certain outcomes, which can create inducements for them to put a favourable spin on numbers. "How to navigate those very complex behavioural situations is what we deal with here through the standards," he says.

Siong points out that ethical risks are constantly evolving, and technology has added a new dimension to the issues that accountants face, particularly as many practices now offer technology-related services. There is a risk of really stepping over the line in terms of maintaining independence, particularly regarding audit clients. He adds, "For example, a firm might partner with an audit client in developing or promoting tech-related solutions to the market, and that creates a business relationship which could raise some potential red flags in terms of self-interest or intimidation threats to the firm's independence."

Competing demands

IESBA is the independent standard-setting board for ethics for accountants and, among other things, it produces the International Code of Ethics for Professional Accountants.

On a day-to-day basis, Siong leads IESBA's team of six professional staff, directing the organization's work programme, and deciding which projects to prioritize. He also advises the board and planning committee on strategy and operations, works with task forces and coordinates with IESBA's sister board at the International Auditing and Assurance Standards Board (IAASB).

A large part of his work involves liaising with global accounting organizations, such as the International Federation of Accountants (IFAC), and carrying out stakeholder outreach with the regulatory community, national standard setters and professional accounting organizations, as well as other members of the financial reporting ecosystem, including corporate investors and directors. "It is a very varied job. I am involved in all of this, providing direction, insight and counsel," he says.

Unsurprisingly, the role also involves a lot of travel, with Siong on the road 10 to 12 times a year under normal circumstances. In the past year, he has travelled to the United Kingdom, Europe, Russia, Mainland China and Saudi Arabia.

Siong says he needs to be both a strategist and soother in his role. "We are the go-to place for international standards on ethics and our stakeholder base is the entire world. We can never please everybody, so it is always a matter of seeking the right balance."

On a strategic level, Siong says he is always having to deal with competing needs and priorities to enable IESBA to balance deliverables against its mandate and resources. "There is always more that we are asked to do than we have capacity to do, so my role is to try to strike the right balance in terms of priority and focus," he says. "We always have to get standards out as quickly as possible to the market for timeliness, but we have to balance this with the need to engage and consult with stakeholders and achieve their buy in.

"Sometimes, there are complex issues that are not fully within IESBA's remit to consider alone, such as the long-standing concern about audit firms providing a wide range of consulting and other services to their clients – the so-called 'business model issue.' IESBA has two projects nearing completion that are looking at aspects of this issue in terms of the permissibility of non-assurance services to audit clients, and fees charged to audit clients. However, it also recognizes that there are benefits to audit quality from the multidisciplinary model of audit firms. So, a holistic response to the issue will require a multi-stakeholder dialogue."

He adds that IESBA also has to be conscious of the market's capacity to absorb new standards and how much time it needs to give jurisdictions to do this. For example, its standard on *Responding to Non-Compliance with Laws and Regulations*, which became effective in 2017, is still awaiting adoption in Brazil pending finalization of legislation to provide accountants with protection if they report instances of non-compliance. But at the same time, he points out that as the world is constantly evolving, IESBA also has to ensure its standards keep up to stay relevant and continue to underpin public trust in the profession. "That is a constant issue we have to battle with," he says.

Another issue Siong says IESBA has to be sensitive to is what he describes as "aspirational standards." He explains: "IESBA is often pressed to strengthen the standards but sometimes there is only so far it can go. The standards have to be globally applicable, and standards that are capable of being

"There is always more that we are asked to do than we have capacity to do, so my role is to try to strike the right balance in terms of priority and focus."

Ken Siong with Stavros Thomadakis, Chairman of the International Ethics Standards Board for Accountants, during an outreach meeting with stakeholders in the United States

applied in the United States, U.K. or Hong Kong may not be readily operable in other jurisdictions because of different realities and contexts."

But Siong adds that these challenges and the diversity of the role are what keeps it interesting. "There is no single day that is the same because we deal with so many different projects and initiatives, in so many different areas."

Revising the code

One of the IESBA's recent major projects was revising and restructuring the code of ethics. The original code had been in existence for more than 30 years, during which time it has been adopted in more than 120 jurisdictions and translated into more than 40 languages. But Siong says that as the code evolved, it had become complex and difficult to follow. "We heard from the regulatory community that it had become difficult to enforce. The requirements were not as clear as they could be," he says.

At the same time, a survey carried out by IFAC's Small and Medium Practices Committee on the challenges smaller firms faced implementing the code also flagged up issues. "It had become wordy, with very long and complex sentences that were difficult to understand, especially for those for whom English is not their mother tongue," Siong says.

As a result, IESBA embarked on a four-year project to rewrite the code, with the new code becoming effective in June last year. "We came up with a completely redrafted and restructured code of ethics to make sure that we have a code that can be adopted, and consistently implemented, applied and enforced."

The restructured version aims to be clearer by flagging up the requirements themselves and distinguishing them from the application guidance. "We have clarified the particular responsibilities of firms and individual professional accountants, as previously in a number of areas of the code that was not as clear as it could have been," Siong says. "We have ended up with a code of ethics that is now a lot more clearly written, more user-friendly and more enforceable."

Siong, who had oversight of the restructuring project, coordinated the different strands of the work. "It was quite a complex coordination. I was also closely involved in terms of the technical content itself, providing

Siong coordinated the restructuring of the International Code of Ethics for Professional Accountants. He is pictured here at an IESBA board meeting.

input to our task force, to make sure that we did not change the meaning of the code itself," he says.

IESBA has also enhanced the conceptual framework that underpins the whole code, clarifying how accountants, including auditors, should think about threats to compliance with the fundamental ethical principles and, where applicable, to their independence. "We have enhanced the guidance and given additional support and illustrations on how to evaluate and address those threats, whether it is dealing with the circumstances or relationships themselves, or the safeguards that may be applied to address them," Siong says.

A number of areas of the code have also been substantively revised, such as the part that applies to professional accountants in business, which now includes a new section dealing with the different types of pressure they may face and how to navigate this. Another new section of the code deals with the preparation and presentation of information. "Accountants are a critical cog in the whole system of producing information, and information is the life blood of financial markets," he says. "So, we have really clarified the ethical responsibilities of accountants when they are charged with producing information, whether they are the preparer themselves or using others to prepare information."

This part of the code also clarifies the ethical expectations of accountants when they face inducements. "We have clarified that the critical thing is the intent behind the inducement, because not all inducements have a negative connotation to them. They can be positive inducements to complete or improve work. But there can be inducements to act unethically, including to commit fraud," Siong explains.

Changes were also made to the code for accountants in public practice, specifically auditors. "We have revised our independence standard that deals with the long association of auditors with their audit clients, and we have strengthened the partner rotation requirements for auditors when they have been associated with their clients for a long time."

One aspect of his job that Siong likes most is the technical challenges involved in writing standards. Another one is what he terms the "people side" of introducing them. "We have a very extensive network of partners, collaborators and stakeholders who we engage with on an ongoing

"We have clarified that the critical thing is the intent behind the inducement, because not all inducements have a negative connotation to them."

basis, and that is an aspect that I greatly enjoy because it gives me the opportunity to connect with people in different areas of the profession and the broader financial ecosystem. I discuss issues and proposals with them and hear their diverse perspectives. It is a really interesting part of the role and a constant appeal," he says.

The process for creating a standard is a lengthy one, and Siong says people are often surprised to learn that it can take three to four years before a standard can be put to the market. He explains that IESBA has a system of due process it goes through to ensure the final standard is high quality and has benefitted from as broad a range of input from stakeholders as possible. "We have to consider all possible angles to an issue, and we have to calibrate very carefully the balances we need to strike on some of the standards because their impact can be significant and far-reaching. It can be a painstaking process," he says.

The IESBA also recognizes that it takes time for jurisdictions to adopt new standards, and Siong says it will not begin any post-implementation review work on the code until 2022 or 2023. "We need to give it sufficient time to bed down," he says.

Siong highlights how national standard setters and professional accounting organizations have a very important role to play in promoting developments in international ethics standards and communicating the work IESBA is doing to their constituents and encouraging them to become involved. "The Institute is a very active member on our National Standard Setters Liaison Group. We are always keen to engage with Hong Kong because we always receive very valuable feedback in terms of how the standards are being applied in practice, and what challenges accountants in business and public practice are dealing with," he says.

Siong adds that in terms of the Institute's role as the professional accounting body, there is also a lot it can do to provide support and guidance to its members in dealing with ethical issues, and helping them to think through challenges and come to the right decision on what they need to do.

A bent for complexity

It was a fascination with complexity that attracted Siong to his current role and made him interested in the profession in the first place. Born and raised in Mauritius, he graduated with a Bachelor of Computer Science from the University of Bristol but decided to go into accounting. "It struck me that the profession is so influential. It plays so many different roles in the business world as an enabler, a trusted advisor, a guardrail, a facilitator, among others. It was something I really wanted to be involved in," he says. "There was so much for me to learn. I have not looked back ever since."

He trained and qualified with a six-partner firm in the U.K., working in its audit practice for around five years, before moving to Singapore and taking up a post with Deloitte.

After three years in Singapore, he was recruited by PwC in Hong Kong, where he spent two years as a senior manager in the assurance practice, managing transnational audits for clients in a range of different industries.

Siong qualified as a CPA in Hong Kong in 2001. He credits his training for giving him the foundational skills to understand how businesses operate. "We covered so much. Whether it is in terms of auditing, or financial reporting, or understanding the business context or the taxation angle, we developed a firm grounding to be a very productive and value-added member of society."

He adds that he really values the opportunities he has had to work with organizations of different types and sizes, as well as across a range of different industries.

After being in Hong Kong for two years, Siong had the opportunity to move to New York and take up a post with the IAASB, where he worked for 10 years and rose to deputy director, before moving to IESBA eight years ago. It was the technical challenges that these roles offered that attracted him. "I always had a technical bent to my quiver, and in practice I really enjoyed tackling technical issues," he says. "Financial reporting and auditing standards nowadays are very complex and the need to apply judgement is so critical to finding a position on a financial reporting issue that is defensible. I really enjoyed that and when the opportunity came up to move to New York, I grabbed it."

Siong does not have much free time, but when he does, he likes to take trips with his wife and four daughters, aged 17, 15, 12 and seven. "We like to travel. Last year, we spent time in California and went to Yosemite and drove along the Pacific Coast," he says. When he is not travelling, either for work or with his family, he tries to keep fit. "I like to jog and to swim, so that occupies my time along with the family."

He is also passionate about passing on what he has learned and mentoring people. "I have really learned so much and I am always of the mindset of giving back and passing on my knowledge and experience to others who are coming up on my heels."

CPD e-learning courses

The Institute has almost 550 online courses and programmes available through the CPD e-learning course webpage, visit it to explore courses from the Institute and other leading CPD producers on topics ranging from corporate finance to management accounting and leadership skills.

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The marketing specialist for schools and non-profit organizations on ways to stop the crisis from disrupting both work and personal lives more than it already has

How to coexist with the coronavirus

With Hong Kong edging towards its fourth month of coexisting with COVID-19, grocery store owners and Zoom shareholders seem to be the only apparent winners. In April, the city's unemployment rate hit a decade-high of 5.2 percent, while about 1,000 Hong Kong restaurants have closed since June 2019. With kids going back to school, summer holidays impossible to plan, and most of us wishing we could go back to the way things were, mental health has become a concern.

Until that happy day, and while we wait to see if the third wave of infections will indeed hit Hong Kong and COVID-19 statistics, here are five sanity savers to ride out this crisis.

1. Communicate with your team and clients

Employees usually either have a boss or colleague within close range, making brainstorming and communication simple. However, work-from-home arrangements and staggered office attendance have removed that effortless dialogue, which means teams need to intentionally communicate in order to work efficiently and harmoniously.

Everyone needs to understand their daily priorities. Set a time to speak with managers or your team online to discuss projects, status and assignments. A 15-minute morning meeting with the team will streamline and simplify everyone's day. A 10-minute meeting at the end of the day can also be beneficial.

2. Don't be a statistics stalker

In times of uncertainty, people tend to stay informed by increasing their news consumption. But there's a balance between being informed and being obsessed. Will dedicating a screen to a live coronavirus dashboard improve your life or simply increase your anxiety? A good rule of thumb to prevent information overload is to stick with three media sources and to check them a few times a day.

When speaking with family and friends, try to find other topics of conversation such as how your day went, or any TV shows you've enjoyed watching.

3. Focus on the good

Crises also give us the opportunity to see the best in people. Forget the hoarders and focus on news about people who are making a difference, such as those helping quarantined neighbours with their shopping and volunteers fostering animals when the owners were in hospital. The environment has also been given a much-needed breather, with cleaner skies, reduced smog and more wildlife seen in areas teeming with people only half a year ago. Look what those pandas at Ocean Park accomplished when they were given downtime! The coronavirus has given us blessings – albeit at a cost – so try to recognize them in your own life.

You can also be the good. Hong Kong has many sectors of society needing help. If you have extra time, consider volunteering for charities, for example by doing a Kindness Walk with ImpactHK, where you provide and distribute necessities to homeless people. You could also check on a neighbour who lives alone to make sure they're all right.

4. Respect others' choices

Hong Kong isn't locked down, and we need to respect that not everyone shares our personal definition of social distancing. Don't get worried or upset if your neighbours are having another family get-together or a party on the rooftop. Don't feel you need to defend yourself as you head into a restaurant and someone comments "what about social distancing?" The government has given residents a set of parameters – aim to do what works best for you and your family. Don't worry about what everyone else is or isn't doing. You don't know their situation and they don't know yours.

The same applies for the workplace. If you're already a work-from-home pro, don't assume that everyone else is. Some colleagues have not experienced it, which can negatively affect their productivity as they deal with feelings of isolation and working without a well-equipped office space. Allow extra time for them to adapt.

5. Better yourself, on your terms

Millions of people are using their COVID-19 downtime as an opportunity to expand their skill set. Online courses run by universities, including Harvard University and the University of East Anglia, and on YouTube, are just some of the options available for learning new skills or updating current ones. Online learning can be a great distraction, but bettering yourself isn't limited to more screen time. Catching up with loved ones, tidying up the closet, exercising and reading are also forms of self improvement – and so is taking the time to rest.

THOUGHT LEADERSHIP

by Stathis Gould and Laura Leka

Gould, Director, Advocacy, and Leka, Senior Technical Manager, Global Accountancy Profession Support, at the International Federation of Accountants on why CPAs need to be alert to the pressure exerted on them or by them on others

Reporting and fraud risk arising from COVID-19 pose significant challenges for professional accountants

Globally, the COVID-19 crisis is causing huge financial implications for many organizations, as well as exposing them to a variety of other emerging risks related to virtual operations, cybersecurity, and changes in relationships with customers and suppliers that put pressure on operations and service delivery. This new environment creates a heightened risk of fraud and improper financial reporting, as new opportunities and pressures can arise for both internal employees and external parties.

During the current crisis and its aftermath, the public interest obligation and professional judgement of professional accountants will be under greater scrutiny. This will particularly be the case for those who are board directors or in management roles given they have ultimate responsibility for the prevention and detection of fraud in an organization.

But in the coming weeks, months and years, it will also be critical for other professional accountants working across roles, including in finance functions, internal audit and external audit, to be more alert than ever to the risk of fraud and manipulation of accounting and reporting. The following are some key considerations in relation to reporting and fraud risk for professional accountants.

Tone at the top needs to be clear

As in the best of times, what is said and acted upon at the top of the organization sets the tone for behaviour throughout the organization. Employees are the first line of defense. Boards and management need to send a clear message to employees that the organization will be judged on how it handles the current crisis, and therefore its values and ethics are paramount. This extends to their reporting and accounting as well as to their concern for the interests of their stakeholders and how their reputation is perceived.

An effective ethics and compliance programme is underpinned by a positive culture, strong values and transparency. In a recent blog post on COVID-19, the National Association of Corporate Directors point out that while boards are responsible overall for overseeing the tone at the top, audit committees also play a key role: "Their challenge is to discern whether the tone that management communicates to the committee is really the tone that permeates the entire company. This is particularly important now that work is being done virtually – employees may feel isolated and disconnected, and messages can be misunderstood. Feedback from past employee sentiment surveys is unlikely to be indicative of the current environment."

Maintaining an effective control environment

Changes in working practices and remote working may impact the internal controls that are the foundation to the reliability of the financial reporting process and the credibility of reporting and disclosures. The control implications and challenges of any changes will vary by organization and may depend to an extent on whether controls were predominantly manual or automated before the crisis.

Boards and their audit committees, and management need to assess and continue to monitor a changed control environment, including key controls such as segregation of duties or systems access that may be weakened in a virtual work environment or due to workforce displacement.

A re-assessment of fraud and reporting risk focused on material areas

Guidance from Deloitte, *Forensic Focus on COVID-19 Financial Statement Fraud,* outlines examples of financial statement fraud risks that organizations should be conscious of, such as overstatement of revenue, understatement of allowances and reserves, manipulation of valuations and impairments, capitalization of expenses, and margin manipulation.

In response to these financial statement fraud risks, the audit committee, which usually has delegated responsibility for oversight of an organization's financial reporting process, needs to consider a number of key issues, for example:

- The nature of adjustments, including why the adjustments might be viewed as immaterial.
- Uncorrected misstatements, i.e. waived accounting adjustments.
- Accounting policies, practices, and estimates – are they defensible? Have any changed in light of the crisis, and if so, why and are the changes justified?
- The use of alternative performance measures (non-IFRS or non-GAAP) such as earnings before interest, taxes, depreciation, and amortization and whether these might mislead.
- Whether internal audit priorities have been, or should be redirected in response to COVID-19 related fraud and reporting risks. (A poll by the Institute of Internal Auditors on the impact of COVID-19 on internal audit found that three quarters of internal audit functions have updated their audit plans and over half have updated their risk assessment.)
- How to ensure the operational soundness of the organization's whistleblowing systems, which may become more critical than ever. Following up on suspicions of fraud or inappropriate practices will be critical, and using them as learning opportunities to enhance processes and procedures.
- Any other key areas of fraud risk e.g. bank transfer fraud.

It is incumbent on all professional accountants to ensure they are alert to how their training and responsibilities will be needed as companies deal with and emerge from COVID-19.

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Integrating ESG into your business

Given the increasing importance of sustainability considerations to companies, investors and the wider community, Patrick Chu covers ways to integrate environmental, social and governance issues into business strategies in an e-learning course

Patrick Chu is the National Head of Business Reporting and Sustainability at KPMG China. He is also National Head of Mining and Regional Head (northern China region) Industrial Manufacturing at the firm. Chu has more than 20 years of experience at KPMG providing audit and advisory services and is an experienced sustainability and environmental professional. He leads sustainability assignments across a range of sectors, namely power and utilities, real estate and transport and also completed the first green bond issuance in Mainland China in early 2016.

Over the past five years or so, there have been growing calls from mainstream investors for action to tackle environmental, social and governance (ESG) issues. Larry Fink, Chairman and Chief Executive Officer of BlackRock, the world's largest asset manager with over US$7 trillion under management, stated explicitly in his annual letter this year to CEOs that "climate change has become a defining factor in companies' long-term prospects."

In the letter, titled *A Fundamental Reshaping of Finance*, he wrote that ESG now plays an increasingly important role in how investors make their decisions, because investors are now "recognizing that climate risk is investment risk."

Fink's words reflect a paradigm shift in how the investment community views the role of business. Business leaders should recognize that ESG performance is no longer considered a burden, nor a nice-to-have addition, but can represent an opportunity for growth.

At the same time, companies need to respond on the regulatory front. In Hong Kong, we are seeing more stringent ESG disclosure requirements for listed companies following the release of the revised ESG reporting guide by the Hong Kong Stock Exchange (HKEX) last December, which will become effective for financial years commencing on or after 1 July 2020. The amendments represent a shift away from "reporting" to "management," with an emphasis on the role of the board in the governance structure for ESG matters.

So, amid rapid developments in the ESG space and increasing shareholder demands for improved ESG performance, it is essential for business leaders to adopt a proactive approach to holistically integrate ESG into their business. The effort should encompass corporate governance, strategies, reporting and more.

Sustainability never has been a question of "if." Rather, sustainability has always been a question of "how." For every company, the first step in integrating ESG into business is to set common ground for the company and its key stakeholders to agree on the definition of ESG and its importance to the company. When one tries to seek the buy-in and support from the board and senior management, it is important to speak the language of C-suite executives. For example, when talking to the chief financial officer it may be important to focus on efficiency improvements or cost reductions.

Finding a common language to communicate a company's approach to ESG is also essential because there are different terms about ESG that could broadly reference similar things but have different meanings to different people. There are terms such as corporate social responsibility, sustainability, corporate citizenship or shared value. So, it is necessary to make sure all key stakeholders, especially the board, are clear on what the company refers to and what each term means to the business as a practical matter.

Theoretically and ideally, materiality is key to meaningful and concise reporting as it enables readers to better understand a business' overall management of ESG issues. However, at the moment, there are still quite a number of companies that "fall into a 'box-ticking' approach whereby attempts are made to populate each provision with data without conducting a suitable assessment of each provision's materiality and relevance," as the HKEX described in its *Analysis of Environmental, Social and Governance Practice Disclosure in 2018*. In other words, many companies are disclosing too much immaterial information.

All issuers should keep in mind that there is no "one-size-fits-all" approach for ESG reporting. Whether to issue disclosures on certain issues depends on the industry, the geographical location of an issuer's operations and the actual situation of the company. While there is no standard number of material topics that a company should address, companies are suggested to focus on two or three strategically important ESG issues with the greatest impact on their business and stakeholders. Strategically focusing on key issues fundamentally improves the quality of disclosures and affects a company's competitive advantage.

E-learning

To help companies better understand and integrate ESG issues into their business strategies, I have conducted an e-learning course for the Hong Kong Institute of CPAs from a sustainability practitioner's perspective. "Understanding the latest ESG practices" is intended to help business leaders, including CEOs and CFOs, through step-by-step guidance and insights from companies with best practices to help corporates address the central issue of integrating ESG into their business. The course provides practical suggestions for incorporating ESG concerns into business strategies to meet stakeholders' needs and expectations, and thoughts on how to comply with the new reporting requirements.

For many finance professionals, becoming chief financial officer is the ultimate goal. But for others, it presents a crucial opportunity to elevate a company from good to great. The Vice President and Chief Financial Officer of McDonald's Hong Kong tells Jeremy Chan how he is driving the digital transformation of the fast food giant's operations, and how success is the result of continuous learning and staying true to oneself

Photography by Calvin Sit

LIFE IN THE FAST FOOD LANE

When Keith Chan took on the role of managing the finances for McDonald's Hong Kong, he had no idea that his palate would also be put to the test. "Before we decide to release a new product, I have the chance to taste it first, which is a real fun part of the job," says Chan, Vice President and Chief Financial Officer of McDonald's Hong Kong and a member of the Hong Kong Institute of CPAs. According to Chan, only a handful out of almost a hundred items make it through to the menu after rounds of taste tests. "After the menu team tries them, the company leaders have a chance to taste the food as if we were customers and provide feedback before it is launched to the public. It's all top secret," he adds. "Not even my wife or friends know what we are launching next."

But this taste test is an important aspect of Chan's role as CFO. Tasked with determining how much to invest in each product launched, Chan needs to be sure that the food appeals to local consumers. "We invest a lot of money in food and packaging, supply chain and marketing for new menu items, so we have to make sure the food tastes good and will sell," he says.

Chan is also in charge of ensuring the profitable growth and financial stability of McDonald's, Hong Kong's biggest and most notable fast food chain. The world-famous restaurant first opened its doors in 1948 in San Bernardino, California, selling cheeseburgers, chips, apple pies, fizzy drinks and coffee. It made its way to Hong Kong almost 30 years later, opening its first restaurant in Causeway Bay in 1975. Over the last 45 years, the restaurant has expanded ubiquitously and can be found in every district of the city and on a number of the outlying islands.

The company expanded its product line and services in the last two decades, such as by incorporating a cafe-style section to its restaurants called McCafé, introducing salads to its menus and offering 24-hour service and home delivery. In 2015, McDonald's added more new offerings to its menu, such as its "Create Your Taste" option, allowing customers to create a made-to-order custom burger, and opened a McDonald's flagship outlet in Admiralty, its first concept restaurant in the city. Two years later, it introduced new self-service kiosks, giving customers the choice of ordering their food through touchscreen menus. Every day, McDonald's over 15,000 employees and more than 240 restaurants serve over a million customers.

Return on innovation

Since Chan joined McDonald's Hong Kong in mid-2017, he has spearheaded the company's digital transformation. He is passionate about this area, and was focused on helping the company to introduce self-service kiosks in its restaurants when he first joined. "If you go to any McDonald's restaurant right now, you'll notice that they look much different from before and have a more high-tech, contemporary look," he says. "Each of these self-service kiosks required a large amount of investment. We also had to restructure each restaurant to accommodate them and ensure they would not only be convenient, but easy for customers to use."

The large investments were necessary, according to Chan. "McDonald's has been in Hong Kong for more than 45 years, so of course, there's a formula to its success. But the question is how to take it from good to great," Chan says. "The world is quickly changing, and we need to continuously innovate for growth. We simply can't keep doing what we've been doing all along."

He recognized the need to introduce digital self-service stations for consumers, especially younger, tech-savvy customers. It allows patrons to order food, customize their orders to their liking and save time by skipping queues. Chan adds how the company does not want to limit its customers to the self-service kiosks. "Our customers have choices," he says. "We've provided them with the convenience of ordering through kiosks, but we've also chosen to keep regular counters open for those who prefer ordering the 'traditional' way. It's not just young customers who are ordering through kiosks as well. We found that more mature customers are using them too. We make sure we have digital ambassadors near the kiosks to help anybody to order food." In light of the COVID-19 pandemic, Chan notes how all restaurants have beefed up their cleaning measures to ensure proper hygiene. "All self-service kiosks are sanitized hourly by our employees and there is also hand sanitizer in all of our restaurants for our customers to use," he says. "As alternatives, customers can also use our mobile app to order food for pick-up at our restaurants or have it delivered to their homes."

In 2018, the company launched their mobile app "McDonald's Hong Kong," which allows customers to place orders. Chan led the tech team to help develop and improve the app. He also guides his finance team to track key performance indicators of the app to ensure they meet their targets. "People can simply order before heading to a McDonald's restaurant, check in when they arrive and then pick up their food," he says. In 2019, McDonald's teamed up with mobile payment platforms, allowing customers to pay for their food using payment apps. "Right now, we have over 10

"The world is quickly changing, and we need to continuously innovate for growth. We simply can't keep doing what we've been doing all along."

Keith Chan is in charge of McDonald's digital transformation initiatives. He helped to bring the self-service kiosks to the city's restaurants in 2017.

different cashless channels in our stores. These digital transformation initiatives are all about providing our customers with convenience and making sure they are satisfied," adds Chan.

The company also uses data visualization tools to look at data generated from each digital and mobile food purchase. This helps the restaurant to decide on which items are more popular and which ones to promote in the future. "We've enhanced our internal restaurant management systems too," adds Chan. "Now, we have more data on what our customers order most. We also have data visualization tools for our management to see real-time data on sales, products, gross profit margins and labour percentage costs. These all create actionable insights."

These insights enabled McDonald's to quickly come up with strategies, especially in dealing with disruptions caused by COVID-19. On 25 March, McDonald's Hong Kong cut its dine-in services after 6:00 p.m. for two weeks in a bid to curb the spread of the coronavirus. To encourage customers to opt for the take-out services in the evenings, the restaurant reintroduced previously popular items such as burgers with doubled meat portions, but at discounted prices. The new data visualization tools help to pinpoint which items sold better previously and assist management in deciding last-minute menu changes, according to Chan. "The insights we attain from these tools help us to stay agile. They're particularly crucial in a volatile situation such as now," he says, adding why CFOs and financial controllers should aim to make use of these technologies as part of their work to create value. "CFOs are cross-functional leaders who have a holistic perspective of the business. These tools provide us with speed to insights, allowing management at all levels as well as our stakeholders to make better decisions anytime and anywhere."

Chan says each digital change was driven by the aim of securing future growth. "I needed to evaluate each business case and allocate the resources to ensure our return on investment is tracked. This helped us to ensure every dollar spent on digital transformation would ultimately bring long-term benefit." As Chan notes, the changes have paid off, with cashless orders and orders made through the self-service kiosks and app accounting for more than 40 percent of their sales. "It's clear that people find these new methods efficient," he says.

"Every decision we make is important because we are so close to the community. It's easy for us to see the impact in a short period of time." He adds why the careful allocation of resources is crucial. "This is a key role for me as a CFO. Together, with the chief executive officer and leadership team, we guide, offer our perspective and make sure resources are used well to benefit customers, employees and stakeholders. Each decision has to have its risk calculated and be carefully invested with the best return in order to create value for all."

Super-sized success

Chan set his goal of becoming a CFO at a major corporation early on. Throughout his extensive career, he has balanced his time between work, attaining a master of business administration, and studying various executive programmes to enrich his skill set. After graduating from the Chinese University of Hong Kong with a Bachelor of Economics degree in 1994, he began his career as a group management trainee at John Swire & Sons (H.K.) Ltd. "I was lucky enough to be picked out of thousands of job applicants who applied for that management trainee programme. I'm happy to be Swire management trainee alumni," Chan says.

He then joined Philip Morris International in 1996 as a senior analyst in charge of strategic planning. "This was my first taste working in a consumer products company," Chan says. "Back then they owned Miller Beer, Kraft and tobacco brands. I learned how they conducted consumer research, performed product analysis and profit management. We did very long-range planning." Chan also attained his MBA in 1999 from the Hong Kong University of Science and Technology Business School. The following year, he also completed the International Management Programme offered by the University of California, Los Angeles.

He then went to work at property developer Sun Hung Kai Properties in 2000 as a manager in charge of group financial control and business development. "My three years there gave me the exposure in managing a company's treasury, investor relations and mergers and acquisitions," Chan says, adding that he attained his CPA qualification in 2003. In 2004, he joined The Walt Disney Company at the Walt Disneyland Park and Resort Division as a senior manager of pricing and revenue management. He spent five years there, and the first year and a half working hard to ensure the successful opening of Hong Kong Disneyland, something Chan remembers fondly. "I was among the first 100 members of the opening team, which then grew to several thousand afterwards. Witnessing and being part of a grand opening of a park of that scale only happens once in your lifetime."

In 2008, Chan was approached by a headhunter for a role at automotive manufacturing company Volkswagen AG. With the German-based group eager to bring their own operations to Hong Kong, Chan was asked to be its finance director. "I would say this was my first taste of a CFO role," he says. "I was one of the first employees to join Volkswagen Group Hong Kong. Starting from scratch, we built and grew market share by about three to four times just within a few years." During his seven years at the company, Chan helped to integrate car brands such as Audi, Bentley and Volkswagen into Volkswagen Group's platform and introduced many customer-loved car models to the Hong Kong market. "By the

Chan graduated from the Chinese University of Hong Kong in 1994 with a Bachelor's degree in Economics.

"Don't just think about your next role – think about the one after too."

time I left, there were more than 500 employees working for this multi-billion dollar business in Hong Kong." Chan also led the digital transformation journey at Volkswagen and was later awarded the CFO Innovation Awards' "CFO of the Year: Excellence in Technology Innovation" by *CFO Innovation* in 2014. He also found time to complete the Asian International Executive Programme offered by Institut Européen d'Administration des Affaires, a graduate business school.

Chan then brought his expertise to take on the role of CFO, Asia Pacific, of Danish international shipping company Maersk Line. It is the largest container shipping company in the world by both fleet size and cargo capacity. "Maersk moves a lot of containers in and out of Asia, and Asia Pacific is the largest region for the company because of the sheer amount of goods being produced in Mainland China, Japan, South Korea, Southeast Asia and Australia," Chan says, adding how he was in charge of performance management and overseeing the commercial operations of this shipping giant involving 18 countries within Asia Pacific. The role required frequent travelling, with Chan overseeing a team of over 400 finance professionals across the region. "It was my first time working in a business-to-business company, and I got to meet a lot of different people around the world. This was truly a role with exceptional global exposure."

During his tenure, Chan completed the Global Leadership Programme offered by Switzerland's International Institute for Management Development Business School in 2016 and a course on disruptive strategy by Harvard Business School in 2017. He enrolled himself in these courses for both professional and personal reasons. "I've always been a curious person," he says. "All the inspiration and knowledge acquired through these programmes have equipped me with the skills to coach my team, benefit each company that I have worked for, and lead to concrete improvements."

As much as he enjoyed the role, the extensive travelling began to take a toll on Chan's personal life. "It felt like I was travelling around the world for work all the time. Seventy percent of my time was spent up in the air," Chan says. "And when I was back in Hong Kong, I was also busy, so that meant limited family time." The turning point was when his only daughter, who was seven at the time, came up to him and asked him to spend more time at home. "My daughter said, 'Daddy, you've already missed my annual school play twice. And when I turn eight next year, there will be no more annual performances.'"

Chan knew he needed a change in pace. "After getting a taste of everything, you start to realize what is most important to you. In my case, that was family," he says. "Once you miss your kid's early childhood, they might not spend as much time with you, especially when they grow up and become teenagers. So I had to make a deliberate choice. I had to prioritize my family."

With his current role at McDonald's, Chan is happy to be at home more – and even happier he made it to his daughter's school play in 2017. "At McDonald's, it's a very solid on-the-ground job," he says. "And by working at a global food and beverage leader, I treasure having the scale to make an impact on society."

Seeds to sow as CFO

Chan believes becoming a CFO took a combination of his education, diverse work experience, qualifications and passion to make a difference. "As a CFO, you need to understand every little detail and look at the big picture at the same time," he says, adding how his CPA qualification also provided a solid foundation. "The CPA qualification is one of the most well-known qualifications. You'll receive some of the best all-round training. In addition to providing me with the knowledge in financial management, it equipped me with analytical skills and made me a quick learner."

To succeed in life, Chan says one must set a well-defined goal. He advises professionals to get into the habit of establishing long-term thinking. "Don't just think about your next role – think about the one after too," says Chan. "The earlier you set your goals, the quicker you'll reach them." For example, for a financial controller to become a CFO, he says that one needs a commercial mindset and the ability to anticipate trends. "To me, CFO also stands for 'chief future officer.' We need to be able to tell a story using fact-based analysis. We are also a sounding board for the CEO and leadership team, so it's important for us to have a wide perspective of the overall business instead of only being a functional expert."

When Chan isn't working, he enjoys spending quality time with his family and friends, and also pursuing his love for photography. "I've been doing photography since I was in university – I started with a 35mm film camera and have since used various digital cameras," he says. "I enjoy taking photos from different perspectives and angles."

Chan also admits he can't resist the urge to enjoy a hearty McDonald's breakfast meal whenever he gets the chance. "My favourite item is the hotcakes," he laughs. "They're made fresh every morning and I feel great the whole day after eating them."

He looks forward to helping McDonald's flourish in the city, while also mentoring staff. "I deeply look forward to growing further with the company, and using my skills and experiences to coach the next generations of leaders," Chan says. "It's always rewarding to see people grow."

McDonald's opened its doors in Hong Kong in 1975, operating its first ever branch on Paterson Street, Causeway Bay. It sold its one millionth hamburger just two years later.

Revised DIPN 39 raises controversies over an apparently inconsistent application of the source principles

A look at the revised DIPN on the digital economy issued by the Inland Revenue Department

The digital economy is rapidly changing ways of doing business. For tax authorities worldwide, this is creating challenges to implementing or modifying existing tax rules to deal with digital businesses, where physical nexus or tangible presence such as headcount or assets are minimal. It is therefore welcoming that the Hong Kong Inland Revenue Department (IRD) has revised its Departmental Interpretation and Practice Note (DIPN) 39 on the digital economy, first issued in 2001. The revised version, *Profits Tax – Digital Economy, Electronic Commerce and Digital Assets,* published in March, provides more guidance on its view on taxation of digital businesses.

In a change from its previous position, the IRD indicates that a non-Hong Kong resident enterprise that only maintains a server in Hong Kong, without the involvement of human activities in Hong Kong, is now exposed to tax in Hong Kong.

Revised DIPN 39 also extends the scope of the old DIPN 39 to cover the tax treatment of digital assets, including the tax position of an issuer in an initial coin offering, and what constitutes a permanent establishment (PE) in the context of e-commerce (e.g. the potential application of the anti-fragmentation rule, anti-abuse rule for the specific activities exemption from constituting a PE, and the dependent agent PE).

Revised DIPN 39 also notes that the IRD's position may change as a result of the conclusion of the current international discussion regarding changing the rules for taxing the digital economy under the Organization for Economic Cooperation and Development's (OECD) Base Erosion and Profit Shifting 2.0 initiatives, with consensus expected to be reached by the end of 2020.

It is therefore worth noting that the IRD's position is based purely on how the IRD considers the current provisions of the Inland Revenue Ordinance (IRO) would apply to the issues covered by the revised DIPN.

Recent change in the definition of PE in the IRO

The IRO's definition of PE changed in 2018 to mean "a fixed place of business in Hong Kong through which the business of [a non-Hong Kong resident enterprise] is wholly or partly carried on..." This was from "a branch, management or other place of business... [in Hong Kong]." This current definition is modelled on how the term is defined under the *Model Tax Convention on Income and on Capital 2017* (MTC) for tax treaties of the OECD.

IRD's change of its position as a result of the change in the definition of PE

Under the previous definition of PE, the IRD considered that the words "branch, management or other place of business" implied a physical presence of a "place" and personnel.

Previously therefore, the IRD did not consider the presence of a mere server in Hong Kong, without the involvement of human activities in Hong Kong, of a non-Hong Kong resident enterprise would constitute a PE in Hong Kong. This would generally mean that such an enterprise would not be regarded as carrying on a business in Hong Kong and, therefore, would previously not be exposed to tax in Hong Kong.

However, under the current definition of PE, Revised DIPN 39 indicates that the IRD now follows the OECD's interpretation that the mere presence of a server in Hong Kong can constitute a PE in Hong Kong.

Only if a server "at the disposal" of an enterprise is "an essential and significant part" of the business would there be a PE

It should be noted that not all servers maintained in Hong Kong by a non-Hong Kong resident enterprise would expose the enterprise to tax in Hong Kong. That is, not all servers create a PE in Hong Kong.

Following the OECD's position in its commentary on the MTC, the IRD states that (i) it is only where a server is "at the disposal" of an enterprise, and (ii) "an essential and significant part" of the business of the enterprise is conducted through the server that the PE exposure exists. These two conditions are discussed below.

(i) **"At the disposal"**

Regardless of whether a server is owned or leased by an enterprise, the revised DIPN indicates that if the enterprise can have effective control over the use of, and access to, the server, i.e. it can operate the server on its own, the place where such a server is located can constitute a PE of the enterprise.

However, a website of a non-Hong Kong resident enterprise which is hosted on the Hong Kong server of a

third-party Internet service provider may not constitute a PE. This is because, under such a hosting arrangement, the enterprise would typically not have effective control over the use of, and access to, the server.

(ii) **"Core operations"**

Revised DIPN 39 indicates the core operations of an enterprise are those that "form an essential and significant part of the business," beyond preparatory or auxiliary activities. What constitutes "core operations" for a particular enterprise however has to be determined on a case-by-case basis considering the fact and circumstances.

While the revised DIPN also tries to be helpful by providing a list of "relevant" factors in considering the source rule, the list is not comprehensive for sophisticated digital businesses which have limited physical operations in Hong Kong.

Regarding e-commerce, revised DIPN 39 nevertheless states that an at-the-disposal "intelligent server" in Hong Kong of a non-Hong Kong resident enterprise, that is a server capable of concluding contracts, processing payments or delivering digital goods, even without the involvement of human activities in Hong Kong, would constitute a PE of the enterprise in Hong Kong. This is because the Hong Kong server represents "an essential and significant part of the business of the enterprise." The DIPN also gives examples of activities regarded as "preparatory or auxiliary in nature" including advertising, displaying a catalogue of products and providing information to potential customers.

An apparently inconsistent application of the source principles

Profits of a Hong Kong resident enterprise that performs all the core operations in Hong Kong (except a server outside Hong Kong) are fully chargeable to tax in Hong Kong

Similar to the position taken by the IRD in the original version, the revised DIPN states that profits of a Hong Kong resident enterprise derived from its performance of all the core operations in Hong Kong of an e-commerce business would be fully chargeable to tax in Hong Kong under section 14 of the IRO. The IRD has stated this would be the case even if such an enterprise operates an intelligent server that is at its disposal outside Hong Kong.

A literal reading of the DIPN would mean that notwithstanding that the functions performed by such an intelligent server outside Hong Kong can, in a sense, also be regarded as forming an essential and significant part of the business of the enterprise (see the above discussion), the IRD may disregard the server when considering the source of the profits of the Hong Kong resident enterprise if the other core operations performed by the enterprise in Hong Kong are more relevant and are the direct "profit-producing transactions" (the authoritative *ING Baring Securities* case on the source principles quoted in Revised DIPN 39 refers).

This position is further reinforced by the statement that "[i]rrespective of the e-commerce model adopted, it is usually the case that tasks undertaken through a server are performed according to pre-designed application software since the server cannot function by itself and human functions remain important in the carrying on of the e-commerce as a whole."

A non-Hong Kong resident enterprise that performs all the core operations outside Hong Kong (except a server PE in Hong Kong) – should none of its profits then be chargeable to tax in Hong Kong?

As far as the source of the profits under section 14 of the IRO is concerned, the position of a non-Hong Kong resident enterprise that performs all the core operations outside Hong Kong (except the location of a server PE in Hong Kong) may be regarded as the reverse position of the previous example.

As such, given the IRD's view that the profits of the above Hong Kong resident enterprise would be regarded to be fully chargeable to tax in Hong Kong (thereby effectively disregarding the location of the server as being relevant to determining the source of the profits), one may expect that none of the profits of a non-Hong Kong resident enterprise would then be chargeable to tax in Hong Kong.

However, by way of an example regarding a non-Hong Kong resident enterprise conducting business in the provision of online audio, video and web conference services, the DIPN indicates that the IRD takes the position that the functions performed by a data centre or server PE of such non-Hong Kong resident enterprise form an "essential and significant part" of the enterprise's business. This would be the case despite the enterprise having no service providers, employees or office in Hong Kong, i.e. all the other core operations and all the

human functions important to the business are performed outside Hong Kong.

The IRD then takes the position that profits attributable to the PE in Hong Kong of the non-Hong Kong resident enterprise, are ascertained based on the transfer pricing (TP) rules under the authorized OECD approach (AOA), and would be chargeable to tax in Hong Kong.

Commentary

Under the recently enacted section 50AAK of the IRO, a non-Hong Kong resident enterprise which has a PE in Hong Kong is regarded as carrying on a business in Hong Kong for the purposes of section 14 of the IRO.

However, to be chargeable to tax in Hong Kong under section 14, apart from carrying on a business, the relevant "profit-producing transactions" of such an enterprise must also be undertaken in Hong Kong – the territorial source principles as developed by the courts over the years.

It is true that under the TP rules, certain profits would normally be attributable to such a PE of a non-Hong Kong resident enterprise, generally based on the functions performed, the assets used, and the risks assumed by the PE.

However, DIPN 60 *Attribution of Profits to Permanent Establishments in Hong Kong* also explicitly acknowledges that the TP rules are only relevant to determining whether the profits as reflected in the accounts are arms'-length or adequate. Once the arms'-length profits are ascertained, Hong Kong's source principles need to be applied in order to determine whether those profits are chargeable to tax under section 14 of the IRO, based on the extent to which the relevant "profit-producing transactions" are undertaken in Hong Kong.

This process is referred to as the "two-step" approach to determining chargeability to tax under section 14 . Such a process is required given that the TP and the source rules may not converge in many instances.

The IRD has not given detailed elaboration in the revised DIPN on how source of profits would be determined subsequent to adopting the AOA to attribute profits to the Hong Kong PE, or how TP rules would interplay with the established source rules. However, a literal reading of the DIPN in effect appears to indicate that as a result of the recent change in the definition of PE, the IRD considers that the TP and the source rules will converge in the attribution of profits to a server PE.

However, as the example above showed, the profits attributable to the data centre or server PE in Hong Kong of a non-Hong Kong resident enterprise under the TP rules could be irrelevant to determining whether any of the profits of the enterprise can be regarded as being sourced in Hong Kong.

In fact, consistent application of the source principles in reverse would seem to require that if the source of the profits of the above Hong Kong resident enterprise is considered as being only located in Hong Kong, then the source of the profits of the non-Hong Kong resident enterprise should be considered as being located wholly outside Hong Kong. As such, none of the profits of the non-Hong Kong resident enterprise should be chargeable to tax in Hong Kong.

Taxpayers would welcome the IRD's clarification on the above apparently inconsistent application of the source principles to the two opposite scenarios as illustrated in the revised DIPN.

Organizations engaging in digital economy and e-commerce businesses should keep abreast of the rapid tax development in Hong Kong in light of DIPN 39. The new concept of a "server PE" can expose many non-Hong Kong resident enterprises to Hong Kong profits tax that was not previously applicable under the old DIPN 39. Therefore, it is important to seek professional tax advice where necessary to make sure the tax exposure is addressed appropriately.

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*This article is contributed by **Jo An Yee**, International Tax and Transaction Services Partner, Technology, Media and Telecommunications Tax Leader – Hong Kong at EY; **Patrick Kwong**, Executive Director and **Kathy Kun**, Senior Manager, of Ernst & Young Tax Services Ltd.*


HKICPA Source

Enforcing ethical conduct of PAIBs

Past disciplinary cases show the serious consequences of non-compliance

The Institute is responsible for regulating the conduct of its members – including professional accountants in business (PAIBs).

At the Institute's Financial Controllership Programme (FCP) held in November 2019, I talked about the Institute's regulations relevant to PAIBs, including some examples of disciplinary cases with emphasis on key learning points such as what could go wrong and how non-compliance with professional standards could result in serious consequences. While the participants were receptive to the learning points, some expressed surprise about the nature and outcome of the disciplinary cases.

In most of the cases discussed, the CPAs were not found to have intentionally committed wrongdoings. The root cause of the problems were that the CPAs failed to take full responsibility and the right actions.

Self-limitation

In one case, the CPA was a financial controller of a listed company based in Hong Kong. The company's main operations, including its accounting functions, were located in Mainland China. The company's consolidated financial statements contained various materially false information for at least five years, including fictitious sales and inflated bank balances.

The CPA had no knowledge of the fraudulent activities. In fact, the CPA had little or no knowledge of the company's operations in the Mainland, despite having long been the financial controller of the company and its group. The Market Misconduct Tribunal (MMT) found that the CPA's ignorance and negligence was one of the causes of the company's publication of false information in the accounts.

As the financial controller, the CPA was responsible for overseeing and supervising all financial information of the group, which included reviewing the accounts and records of all companies in the group. However, the CPA considered his role was only limited to the financial reporting at the group level in Hong Kong.

Even though the auditor had previously expressed concerns that the CPA's team in Hong Kong knew little about the financial position and business operations in the Mainland and recommended that the financial supervision and control should be strengthened, the CPA took no steps to follow the recommendation.

The CPA was reckless and wrong to have self-imposed a reduction in his role as the financial controller by not taking responsibility for the company's operations in the Mainland. Had he taken steps to address the auditors' concerns and strengthened the internal controls in the Mainland's operations, the problems could have been discovered or even prevented sooner.

The MMT found the CPA lacked full understanding of his professional obligations and failed in his duty of care to the company and the market. The MMT issued an order disqualifying the CPA from taking on the role of a director of a listed company because he lacked the strength of character to take on the more onerous duties of a director. The case was subsequently referred to the Institute and the Institute's Disciplinary Committee found the CPA's conduct fell below the standards expected of a professional accountant and as such, guilty of serious breach of professional standards. The committee ordered that the CPA be removed from membership.

In this case, the CPA was aware that there was a problem but did nothing to rectify the situation. He ignored and disregarded the responsibilities associated with his position as the company's financial controller. This example reminds us that doing nothing when something is wrong is as bad as doing something wrong. A professional accountant in similar circumstances should have taken steps to do the right thing. Otherwise, companies, as well as the investing public, suffer as a result.

Absolving responsibilities

Another case we shared at the FCP was to remind participants that the conduct of professional accountants in the preparation of financial statements is under the Institute's close scrutiny.

The Institute deals with a number of cases against auditors in relation to audit irregularities. Where cases involve improper accounting treatments, the Institute may also enquire into the conduct of the CPAs who are responsible for the preparation of the financial statements.

In one case, the CPA was an executive director and the chief financial officer of a listed company. He was responsible for supervising the financial reporting team and preparation of the financial statements. For two consecutive financial periods, the financial statements contained material accounting errors representing violations of multiple financial reporting standards. The errors stemmed from improper assumptions used by the accounting team that were clearly without basis and non-compliant with accounting standards.

As the head of the accounting team, the CPA simply accepted the team's work without appropriately assessing whether the accounting treatments were compliant with accounting standards. During the Institute's enquiry on this matter, the CPA blamed the auditor for not identifying and reporting on the errors. A CPA responsible for preparation of financial statements is required to comply with the relevant professional standards and be able to justify any departures. This responsibility cannot be absolved by solely relying on the auditor to identify non-compliance.

The Institute found the CPA to have acted in breach of the fundamental principle of professional competence and due care; and failed to have proper regard to professional standards in his work. He was reprimanded by the Institute under the terms of a Resolution by Agreement.

A CPA has full responsibility to act in an ethical manner and abide by the professional standards issued by the Institute. The conduct of the CPAs mentioned above breached the trust and confidence entrusted upon them by the public and shareholders of the company.

As these disciplinary cases show, there are serious consequences to unethical conduct by PAIBs, especially when they fail to take full responsibility.

This article is contributed by ***Elaine Chung****, the Institute's Head of Enforcement*

TECHWATCH 211

The latest standards and technical developments

Local updates

Invitations to comment

The Institute is seeking comments on:

- The International Auditing and Assurance Standards Board's (IAASB) Public Consultation on Proposed Guidance *Extended External Reporting Assurance* by 1 June.
- IAASB's Exposure Draft: International Standard on Auditing (ISA) 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* and Proposed Conforming and Consequential Amendments to Other ISAs by 14 August.
- The International Accounting Standards Board's (IASB) Exposure Draft: ED/2019/7 *General Presentation and Disclosures* by 21 August (extended from 22 May).
- IASB Request for Information: *Comprehensive Review of the IFRS for SMEs Standard* by 11 September (extended from 12 June).
- IASB Discussion Paper: DP/2020/1 *Business Combinations – Disclosures, Goodwill and Impairment* by 14 November (extended from 7 August).

Invitations submission

- IASB Exposure Draft: ED/2020/2 *COVID-19-Related Rent Concessions – Proposed amendment to International Financial Reporting Standard (IFRS) 16.*

International updates

Audit and assurance

- IAASB technical director update on COVID-19 response.
- IAASB staff audit practice alert: going concern.
- IAASB non-authoritative support material: audit documentation when using automated tools and techniques.
- IAASB videoconference audios for meetings held on 1 April, 8 April and 14 April.

Ethics

- International Federation of Accountants Exploring the IESBA Code Instalment 5: Independence.
- International Ethics Standards Board for Accountants (IESBA) Staff Questions & Answers: COVID-19 Ethics and Independence Considerations.

IFRS updates

- April 2020 IASB update and podcast.
- April 2020 supplementary IASB update – impact of COVID-19. At the supplementary meeting, the IASB decided to:
  - Propose an amendment to IFRS 16 *Leases* to help lessees account for COVID-19-related rent concessions, such as rent holidays. The Exposure Draft was published on 24 April with a 14-day comment period. The IASB expects to publish the final amendments to IFRS 16 in May and the Institute aims to respond quickly regarding equivalent amendments to Hong Kong Financial Reporting Standard 16 (see Institute submission for our comment letter, available on the Institute website);
  - Propose a deferral of the effective date of *Classification of Liabilities as Current or Non-current*, an amendment to International Accounting Standard 1 *Presentation of Financial Statements* (issued in January 2020), by one year to annual reporting periods beginning on or after 1 January 2023. The Exposure Draft was published on 4 May with a 30-day comment period. The Institute will monitor the IASB's redeliberations with a view to issuing equivalent amendments to Hong Kong Accounting Standard 1 once the IASB issues the final amendment to the effective date; and
  - Extend the consultation period of the three published consultation documents by approximately three months: Exposure Draft ED/2019/7 *General Presentation and Disclosures* to September, Request for Information *Comprehensive Review of the IFRS for SMEs Standard* to October and Discussion Paper DP/2020/1 *Business Combinations – Disclosures, Goodwill and Impairment* to December.

To coincide with the IASB's revised timelines, the Institute has also extended its own comment deadlines. Refer to the invitations for comment section for additional information.

- IASB education document on applying IFRS 16 to COVID-19-related rent concessions.
- IFRS 17 *Insurance Contracts* podcast covering the discussion at the April IASB meeting.
- Exposure Draft *General Presentation and Disclosures* investors webinar.
- April 2020 IFRS Interpretations Committee update.
- The IFRS Interpretations Committee second biannual *Compilation of Agenda Decisions* covering agenda decisions from October 2019 to March 2020.

Corporate finance

The model for an uncertified securities market

On 8 April, the Securities and Futures Commission (SFC), Hong Kong Exchanges

and Clearing Limited (HKEX) and the Federation of Share Registrars Limited jointly issued the consultation conclusions on the proposed operational model for implementing an uncertificated securities market in Hong Kong, which will:

- Enable securities to be moved into and out of the clearing and settlement system much more efficiently and cost effectively than present;
- Address concerns about settlement efficiencies being compromised, and the potential impact on market participants' funding needs; and
- Result in less market disruption and costs as it builds on existing processes, operational flows and infrastructure.

The SFC, HKEX and the Federation of Share Registrars Limited will further develop the model and the regulatory framework to support it with a view to implementing the uncertificated securities market regime from 2022.

For further details, please refer to the consultation conclusions and press release. You may also wish to see the consultation paper and the Institute's submission on the consultation.

HKEX extends deadline of consultation on corporate weighted voting rights

HKEX has announced an extension of the consultation deadline for the proposals on corporate weighted voting rights to 31 May (originally 1 May).

Restructuring and insolvency

Letter from the ORO regarding impact of COVID-19 pandemic

The Official Receiver's Office (ORO) has issued a letter dated 14 April aimed at officeholders, which, among other things, advises on actions that should be taken where officeholders may face difficulty in complying with specified timelines or other requirements, due to the impact of the COVID-19 pandemic, and encouraging provisional trustees and trustees to exercise their professional judgement in relation to the use of flexibility in administering cases.

Taxation

Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- Extended deadlines for tax payments.
- Interest on Tax Reserve Certificates.
- Latest arrangement for "Auto Tax Payment Service" under the "Electronic Tax Reserve Certificates" Scheme and "Save-As-You-Earn" Scheme.
- Profits tax return – fair value accounting.
- Tax Guide for Charitable Institutions and Trusts of a Public Character.
- DIPN 31 (Revised) on advance rulings.
- Gazettal of amendment notices made under Inland Revenue Ordinance.
- Stamp duty statistics (March 2020).
- Jail terms for two company directors.

Legislation and other initiatives

Anti-money laundering notices

For the current lists of terrorists, terrorist associates and relevant person or entities under United Nations (UN) sanctions, members should refer to the Institute's anti-money laundering (AML) webpage, which is updated regularly. The UN Security Council 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 Anti-Money Laundering/Counter-Terrorist Financing (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 need to be familiar with the *Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers*, by Companies Registry.

Members should be aware of the *Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report* (in particular Chapter 6, covering designated non-financial businesses and professions), which indicates ML/TF risks and vulnerabilities in the Hong Kong market. The *FATF's Mutual Evaluation Report on Hong Kong* is also a useful reference in terms of highlighting areas for improvement in the implementation of the AML/CFT regime in Hong Kong.

Please refer to the full version of TechWatch 211, available as a PDF on the Institute's website: *www.hkicpa.org.hk*

HOME TRUTHS

Amid the COVID-19 pandemic, working from home, at least some of time, has become the norm for many Institute members. It can sound like a dream: no commute, no suits, no meetings, and extra time with the children. But how does it work out in reality? Four Institute members tell Liana Cafolla their work-from-home stories and how they think the experience could impact the future of work

Photography by Anthony Tung

Since Chinese New Year, Parco Wu has spent a few days working from home. With a three-year-old son and a one-year-old daughter, it's been a mixed experience. "Honestly, it's been half-enjoyable and half difficult," says Wu, Founder and Managing Director of PW CPA & Co. "Though most of the time it was my wife looking after the children when we were at home, they were very eager to have me to play with them," he says. "I explained to my son that 'Daddy is not on holiday at home. Daddy is physically at home, but working.'"

Wu is one of many Hongkongers working from home amid COVID-19 concerns. In fact, up to 60 percent of Hong Kong employees have been asked to work from home as a result of the coronavirus, according to a survey conducted by accounting firm FastLane Group. Though the survey found that employees benefitted from the flexible arrangements such as fewer or less time commuting, it also found that most companies lacked the internal resources to support such arrangements.

When working at home, Wu breaks up his day to make time for the children. "I take breaks to play with them, talk to them and also watch cartoons with them."

He has weighed up the benefits of working in his bedroom, where theoretically he can have more privacy, or working at the dining room table. "I want to be visible to my children so I usually work in the dining room," he explains. "If I work in the bedroom, they may come more frequently to ask what I'm doing."

However, he does lock himself in the bedroom to take part in video conference calls with clients. But invariably, the children quickly notice his absence and make their presence heard. "When others are speaking, I mute my phone, but sometimes when I'm speaking, my son and daughter are screaming, or laughing, or crying in the background," Wu says. "Sometimes clients laugh and ask if I'm at home, and usually they understand."

Other times, he can hear the clients stifling a laugh without commenting. "That's actually more embarrassing, because I know they can hear," says Wu.

Parco Wu, Founder and Managing Director of PW CPA & Co., at home with his son and daughter.

Wu's strategy has been to make full use of the quiet hours of early morning while the children are still sleeping. He gets up around 6:00 a.m. and has the benefit of the time saved from commuting and dressing for the office. "Basically, I can just switch on my computer and start working straightaway," he says.

He has no doubt he prefers working in the office. "It's better for efficiency and effectiveness, and better communication because we're face-to-face and can talk together," he says. Although video

"Sometimes when I'm speaking, my son and daughter are screaming, or laughing, or crying in the background."

Gloria Yuen, Finance Director of Merlin Entertainments, and her son.

conferencing allows participants to see each other, share files and even give presentations, it lacks human contact and that's bad for business, he says. "It would not negatively affect the relationship, but it also wouldn't improve the connection. The feeling is different – we can't shake hands or express ourselves using body language." He says personal contact is particularly important for small firms like his. "When clients lose that personal touch from you, it becomes easy for them to choose any other firm," he explains. To make up for the lack of a physical connection, he has used Zoom and FaceTime to connect more closely with clients and help maintain the relationship. "We also sometimes had a phone call, even just a quick one, so that our messages can be passed directly and clearly to clients," he adds.

The work-from-home experience has given him new insights into his children. "When I work in the office, I never know what they are doing at home – how they play or get along with each other," he says. "Working from home, I can observe them. I feel I know more about my children. I'm still surprised when my son comes to hug me or climb on my shoulder when I'm working on the laptop, and when my daughter wants to play too. At the time, I asked them to let me work, but looking back now, I realize that they were just being affectionate. It's quite moving."

Blurred lines

Gloria Yuen has been working from home since the end of January and her nine-year-old son has been off school since Chinese New Year.

The biggest impediment to getting her work done is her son's expectations. With Yuen at home and her husband also working

> "I still find that face-to-face communication is the best way to interact with people."

from home occasionally, to her son, it feels like the weekend. "He expects us to be his companions while we are at home," explains Yuen, Finance Director of Merlin Entertainments. "While I have Skype calls, he likes to irritate me or create noises in the background." At times, he also interrupts her work calls to chat with her colleagues if he knows them.

Yuen says the nature of her job affords her the flexibility to work from anywhere. "Actually I don't need to work in an office," she explains. "My work is very flexible because most of my time would be spent on Skype calls talking to various colleagues from all over the world." However, she likes to go to the office to work with her direct team members because she enjoys the social interaction with her colleagues and the ease of communicating on work issues. Although distance makes calls a must for connecting with clients abroad, it's not her preferred means of contact. "I still find that face-to-face communication is the best way to interact with people," she says.

To avoid the office, she now plans ahead in more detail. "Now, I need to reorganize my calendar and prioritize my work tasks so that I can avoid going to office," she says. "This achieves the most efficient outcome and keeps me safe from COVID-19."

Yuen notes that the advantages of working from home include time gained by not needing to put on make-up, dress up for work or travel to the office. For the last few months, she has enjoyed spending more time with her husband and son and being able to have lunch and dinner together. Although she and her son sometimes argue about his studies, the family time has been special. "I will miss the time I spend with my son, as it is unlikely I would have that situation that we both have to stay at home for such a long period of time, until I retire," she says.

Family aside, she says the office environment is the more efficient option. "I see more disadvantages of working from home: non-stop working hours, less face-to-face interaction with people, less access to the external environment, no difference between 'work life' and 'home life' because there is no cut-off of 'I've finished my work, time to go home.'"

Balancing act

In normal times, Webster Ng has more than enough to do in running his own firm. But in the last few months of working from home, he has had to cope with many more challenges.

Ng's wife works part-time caring for the physically challenged in their homes, but with the onset of COVID-19, demand for her help has soared and she has been working full-time. Because of this, Ng has been taking care of their two sons aged 12 and eight since early February. As his elder son has been preparing for his primary six exams and his younger son needs a lot of supervision, Ng has had his hands full. On top of that, he still needs to run his business and supervise junior staff, and says he is constantly worried about his wife's exposure to the virus as a frontline worker.

To foster concentration and also set an example, Ng has his sons use the dining table to work alongside him. "Most kids can't concentrate for a long time, so I said, 'let's do it together,'" says Ng, Founder of Webster Ng & Co. "They do their homework and I do my work."

Their timetable, though, poses a challenge. His children are used to having two classes and then a break. "But when I'm reviewing figures for an audit, I need to focus and see if there are any errors," says Ng. "I

"Most kids can't concentrate for a long time, so I said, 'let's do it together.'"

only have small pockets of time to focus, so it makes the work longer. It's very difficult."

His phone is constantly buzzing too, with a mix of WeChat, WhatsApp, LinkedIn and other messages, and there is often no way of telling which ones are business calls and which can wait.

Another headache has been access to equipment. At home he has no photocopier or printer. "The school needs the boys to print out all their homework, so I have to print them at the office," he says. "Luckily, it's my office." He has also been able to lend the boys notebook computers from his business.

Once teachers started organizing online classes and scheduled lessons, things got easier. But technology brought its own problems, and revelations. When the younger son has a class, he turns on the Zoom dialogue box and then plays a game in another window, explains Ng. But his parents are well aware of what he's doing. "Of course I do not allow it," he says.

Face-to-face time with staff is very important, he says, and some client-facing meetings are essential. "Some cases may be very difficult and require lengthy discussion. For example, one client was investigated by the Inland Revenue Department, so I needed to have a very detailed discussion with her."

For Ng, working from home can be tough. In normal times, his clients contact him only during office hours, but now their expectations seem to have grown. "Many of my clients contact me at midnight and I'm still working," he says. "But I can't access some of the information at home because it's in the office."

Despite the pressures, there have been good times too. Ng enjoys having lunch with the boys and takes them out every day for some exercise. He also had time to teach his younger son to ride a bicycle. "It's good because they can see their father all the time and ask me questions when facing difficulties in school subjects such as mathematics," he says. "Most parents want to spend as much time as possible with their kids, so in this way, it's been very good."

To make a success of working from home with children, he says parents need to be on the same page. "You need to agree on a schedule, otherwise the kids will be affected and confused. They have no interaction with teachers or classmates, so they're relying on their parents even more than usual."

Same pace, different setting

Since February, Irene Chu has spent just over half her time working from home. Her husband still needs to go out to work, leaving Chu to supervise the schoolwork of their two sons, aged 11 and eight.

"In the beginning it was tough," says Chu, Partner and Head of New Economy and Life Sciences, Hong Kong, KPMG China. "The older one can take care of his own homework, but the younger one does need more support and guidance." Most of the time, Chu works undisturbed at the dining room table. If she has evening calls with clients, she goes to a quiet desk area beside her bedroom or she can step outside to her building's shared garden.

Glitches still occur, though, she says. "I had an important evening call with clients in the United States, a pitch. The two boys were arguing and one of them just shouted, 'shut up!' and I had to apologize. The client was laughing, and said 'don't worry.' I guess they understood."

The circumstances may be new, but the schedule has not changed much for Chu. Her sons usually study or play games quietly while she works, but she and her husband still need to find the time to help with homework and check their understanding. "We try to catch up on the homework at the weekend and in the evenings too," she says.

That's no different from normal times, she adds, but working from home means she can help her younger son more effectively. "At least at home, I can see where he might struggle. I feel that I know better how to help, though sometimes I have to delay it."

Chu says finding ways to make the situation work for everyone is a matter of trial and error, getting advice from others, and staying flexible. "We try something,

Webster Ng, Founder of Webster Ng & Co., working with his sons at home.

Irene Chu, Partner and Head of New Economy and Life Sciences, Hong Kong at KPMG China, with her sons taking a stroll near their home.

and if it's not working well, we try different strategies. I talk to colleagues and other parents working from home. There's so much advice out there, but every family is different so is the nature of everyone's work."

Chu recommends using the same work strategies at home: planning, good communication, and keeping to schedules. "At work, you schedule with your team. At home, I have to plan with my husband and the kids," she explains. "You need to communicate your plan and your expectations and you need a schedule."

At home, she says there's a big risk of working non-stop. "I had that for the first few weeks. But it can also happen in the office. The key is to be clear with your schedule."

While Chu's days remain packed, new pockets of time have emerged, particularly from the lack of a commute. "It takes me about an hour each way to get to the office. Now I can have a proper breakfast." At lunchtime, she goes for a walk with the boys to give them some exercise. Physical activity is also crucial for mental health, she says. "We're lucky in Hong Kong that we can go out and move around if we want to."

She says she misses the space in the office and also the human interaction. "I miss chatting with people when you're physically meeting, ice-breaking and socializing, and being able to take cues from people," she says. "Social interaction is key to building communication and engaging relationships."

"For CPAs, we need to make sure that the software we use is secure, that it's not prone to hacking or to unauthorized access and that the data is encrypted."

While her preferred method for communication is picking up the phone, technology now plays a bigger part in her communications. "For CPAs, we need to make sure that the software we use is secure, that it's not prone to hacking or to unauthorized access and that the data is encrypted," she says. "We need to be mindful of security."

Some changes from the work-from-home experience will probably last, she thinks. "We have managed to not travel and still be able to do our work. In future we may think more carefully about whether we need to fly or not for work."

The structure of market-facing and thought leadership events may never return to what it was, she believes. "We used to have hundreds of people come to learn something new and network. Now we have webinars and smaller topics. Big events might not be feasible in the near future. Interaction is different and we have to adapt."

She says working from home has strengthened her relationship with her sons. "Though we argue more, we also see each other more. We see how we can help each other. I need to learn how to see things from their perspective. It helps me to understand their emotions and hopefully build a stronger relationship with them."

Best of all, Chu's new schedule means she can have dinner with her kids. "I haven't had that for a long time," she says. "Now we can actually eat together. I have learned I need to be a better parent. I also hope to share that understanding with my team members who have kids."

Up to 60 percent of Hong Kong employees have been asked to work from home as a result of the COVID-19 pandemic, according to a survey conducted by accounting firm FastLane Group.

DAVID CHAN

Senior Economist at
the Office of the Government Economist

As a Senior Economist of the Hong Kong government, David Chan is perhaps experiencing the most challenging time of his career yet. His workload has intensified driven by the immediate need to help those impacted by the COVID-19 pandemic through government policies and measures. He tells *A Plus* how his skills as a CPA keep him focused during this time of uncertainty, and what excites him about the future of the profession

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

I'm a Senior Economist at the Office of the Government Economist, which is under the Hong Kong Financial Secretary's Office. I provide analysis on the Hong Kong economy and conduct economic research to help policymakers within government bureaux and departments to formulate their various policies and measures. I've been doing this for almost 10 years, and during the last two years I've been part of the Human Resources Planning and Poverty Coordination Unit. My role includes supporting the human resources and poverty alleviation committees with evidence-based research reports to aid their discussions. In terms of human resources planning, our research is focused on areas such as upskilling, talent flow and labour market development. With poverty alleviation, I conduct research related to economic growth and income distribution. I make sure statistics are collected from different sources and angles to ensure a holistic and objective research report. I enjoy the role a lot. Though we aren't policymakers ourselves, our findings help them to make key decisions.

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

My career in the practising sector required a rather strict adherence to the principles of professional standards. In my current capacity as a researcher for the government, instead of sticking to hard rules, I need to utilize different economic tools to analyse the complex and ever-changing real world problems. Because we provide secretariat support to high-level committees, it is rewarding to see our team's work reported and shared among policy decision-makers, and also made accessible to the public.

What inspired you to become an accountant?

After graduation, I, like many of my peers, was a bit lost when it came to choosing a career. But after going through job interviews, I was quite impressed by the professional image of the people I met in the accounting firms, so I chose to become an accountant. They were energetic, funny and had a great working attitude. While I majored in economics and was really interested in it, I saw that the two career paths had commonalities – both require a solid understanding of economic principles that are broadly applicable to human and business behaviours, and a mindset that is open to new knowledge and techniques to assist in problem-solving. Besides that, my career as an accountant gave me the opportunity to meet a number of lifelong friends and teachers who still selflessly support me today.

Where do you see yourself in the next five to 10 years in your career?

Our jobs are ever-changing. I think the new artificial intelligence (AI) developments will bring vast changes to the forms and ways of work in the next five to 10 years, even for us in professional services. We need to keep learning to not be left behind. In recent years, I have been attracted by big data analytics, machine learning and AI techniques, which I would like to apply to my work. I think these would allow me to explore new research horizons, extract more insights, and increase my efficiency at work.

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

I guess it is the situation that's happening now. COVID-19 brought a shock to our lives and work, and the whole world is combating this invisible enemy with unprecedented efforts. For example, different teams within the government are working hard to help individuals and businesses affected by the coronavirus with the two rounds of Anti-epidemic Fund measures. Due to immense expectation on public services, our workload has increased a lot and the pressure has gone up, from back office to frontline. I've also had to look at numbers carefully and use them to paint a picture of the latest situation facing companies, households and the whole economy.

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

The QP is a cornerstone of my career. From a knowledge-seeking perspective, the programme blends the theories and applications of accounting, economics and finance well, and the courses I attended were taught by open-minded and pioneering practitioners. The Institute allows students to have access to great learning and career resources, which are instrumental to their professional development even after graduating from the QP. For example, I've found the online resources on accounting standards very helpful.

SPOTLIGHT ON WEEKEND ACTIVITIES

Institute members recommend their favourite things to do in the city to unwind

The Verandah, Repulse Bay

"Visit The Verandah for delicious high tea and beautiful, uninterrupted views of the sea and sky. Try the triple-layer Classic Repulse Bay Afternoon Tea Set, which comes with savoury dishes such as smoked salmon and capers with sour cream on crispy bread, a truffle-scramble egg tartlet with a crab meat salad and sweeter options such as a lemon meringue tart, caramel chocolate pillow and homemade scones with cream and jam. Their champagne selection is also quite impressive. If it isn't too crowded, ask for a table near the windows for the best views," says Wong.

- Janet Wong, Senior Analyst of Internal Audit at Estée Lauder


The Verandah

Hong Kong Trail

"For those who want to work up a real sweat, I recommend the Hong Kong Trail on Hong Kong Island. It starts from The Peak and ends all the way in Big Wave Bay. Unless you plan on hiking or running the entire trail, which is 50-kilometres long, I recommend hiking stages of it. It's a 7-km walk to Pok Fu Lam Reservoir, a 4.5-km walk to Peel Rise and, if you still have some energy left, another 6.5-km trek to Wan Chai Gap. Because you can hike it in stages, it's suitable for both beginner and experienced hikers," says Lai.

- Kevin Lai, Head of Accounting at Richemont Asia Pacific


Pok Fu Lam Reservoir

Lau Shui Heung Reservoir

"I recommend heading to the Lau Shui Heung Reservoir, a part of Pat Sin Leng Country Park in the New Territories. You'll find a scenic and idyllic lake surrounded by thick woodland, home to various species of butterflies, dragonflies, freshwater fish and flowers such as the white-flower derris. There's a nice walking path along the lake and also barbecue sites. Hungry visitors can walk the 45-minute hike to Hok Tau Reservoir to find a store selling noodles and sweet potato and bean curd desserts." says Li.

- Irene Li, Financial Analyst of Tumi Asia


Lau Shui Heung Reservoir

EYES & EARS

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

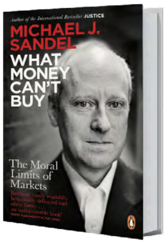

Diana Damrau

What I'm listening to

- Gloria Chan, Audit Senior at Edward and Stan Global Advisory Limited

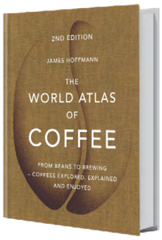
I'm an opera singer and *Die Zauberflöte* (*The Magic Flute*), composed by Mozart, is definitely one of my favourite operas to sing. As well as being a romantic love story, it contains an element of revenge sung by the Queen of the Night, a character in the work. It was a privilege of mine to take on the role of Queen of the Night and perform in an opera production. I also love listening to the second part of the aria *Der Hölle Rache*, and its interpretation by German soproano Diana Damrau. She played the role of the villain really well with her brilliant singing and acting in *The Magic Flute – Queen of the Night Aria* at London's Royal Opera House.

What I'm reading



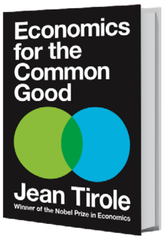
After reading Michael J. Sandel's *Justice: What's the Right Thing to Do?* I couldn't help but buy his other book *What Money Can't Buy: The Moral Limits of Markets*. In this world we are living in, it feels like most objects are defined by their monetary value – and we are used to that. However, have we ever tried to take a step back to think about whether we should define things that way? This book focuses on the importance of morality and explores the true value of humanity. It's a book that definitely shares many interesting insights.

- Thomas Lau, Manager, Education & Training at the Hong Kong Institute of CPAS



People say "A good day starts with a positive attitude and a great cup of coffee." I find that to be true, but I've also always wondered what a great cup of coffee is. *The World Atlas of Coffee: From Beans to Brewing – Coffees Explored, Explained and Enjoyed* by James Hoffmann, as the name suggests, covers everything you need to know about coffee, from the beans to the coffee in your cup. It introduces the differences between the types of coffee produced in 30 different countries. If you struggle with your local barista's daily question on whether you want Ethiopian or Colombian beans, this will help.

- Foreky Wong, Senior Director at FTI Consulting



Governments, regulators and business leaders are beginning to look ahead to shape the post-COVID-19 world. Things will be different certainly, but is this also a once-in-a-century chance for economies and societies to rethink their priorities before they rebuild? In his 2017 book *Economics for the Common Good*, Nobel Prize-winning economist Jean Tirole shows how a new economics agenda can help us realize the common good in areas such as the future of our society, global warming, the digital revolution, and striking a balance between the free market and regulation.

- Recommended by *A Plus* editors

Move over, guys

Hong Kong's humorist celebrates the women running the numbers game

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*

A half-heard reference to this being the 100th anniversary of the "first female accountant" got me searching on the Internet.

So, who was she?

Google highlighted a quick answer from Wikipedia: "Mary Harris Smith, born 27 November 1844 (age 175 years)."

I was amazed.

Here was a Wikipedia sentence with only one mistake in it. That's pretty good for them.

Or I may be being unfair. Perhaps Wikipedia got it right, and Ms Smith actually is 175 years old and going strong.

If so, she may be reading this – happy anniversary, Ms Smith! Looking forward to your 200th birthday, only 24 years away!

The Google link below that one said that Ms Smith gained her accounting qualification at the age of 76 – so I suppose it makes sense that she decided to cling to life to make the most of it.

But of course, she was only the first female accountant in a formal sense. There were many women through history who played important roles in society because they were fantastic with numbers.

I'm reminded of Grace Edwards, born in 1869, who was so good at mathematics that they had to list her in a book called *American Men of Science* – and no, they didn't change the title of that volume or the series, suggesting that they thought the presence of a "gal" was a temporary fluke.

In this part of the world, there was the polymath Wang Zhengyi, who was celebrated for her brilliance in the late 1700s, despite the fact that she died before the age of 30. Ms Wang may even have been to Hong Kong – old records say that she visited Guangdong, and of course this city was part of that province at that time.

I like to think that she came here and sensed what was coming.

"In this spot in the future will be a great city dominated by women who are good with numbers and who dress in black garments called 'Zara dress pants' and drink cold milky tea with black bubbles while browsing glittery phone cases."

Going back even further, to the 1600s, a talented number-cruncher named Marie Crous introduced the decimal point to France. Before that, fractions were vague and they'd have to say things like "I ate more than une baguette but less than deux baguettes."

Of course, these days we take it for granted that women can be accountants at all levels. The Hong Kong Institute of CPAs has a long list of high-achieving women among its past presidents, chairs of committees, its current chief executive and other top contributors. The board that runs the International Federation of Accountants is also mostly female. In terms of its members, the Institute has slightly more female accountants (23,000 plus) than male ones (about 22,000).

Yet, we forget just how recent this all was.

In the 1970s, when the Institute was set up, accounting was probably 99 percent male around the world, so the big change has only happened in the past 50 years.

It was pushed along by female empowerment, of course, but the job itself also changed. United Kingdom-based accounting firm Black and White Accounting says on its website: "An accountant often becomes a substantial part of your working experience; acting as confidante, advisor and friend."

I very much doubt that Chanakya, the sage who controlled the affairs of Emperor Chandragupta, founder of the Maurya Empire in ancient India around 300 BC, did it because he wanted to be the king's BFF, or at least not using that term.

But today, the emphasis does seem to have changed, and business people really may want accountants to be buddies. And women are famously better listeners, probably because men prefer to talk about themselves all the time.

So I think it's good that we should celebrate the woman who broke open the door to let her sisters invade an all-male preserve.

Earlier this month, a blue plaque denoting "historical location" was placed on a house in London where Mary Harris Smith, the world's first female accountant worked.

And, if we believe Wikipedia, possibly still does.