



DRIVING BUSINESS SUCCESS

Issue 8 Volume 17 August 2021

PLUS:

ACCOUNTANT PLUS

Helen Li FCPA, President of
The Institute of Internal Auditors
Hong Kong

PROFILE

Jennifer Tan FCPA, Chief
Executive Officer of AlipayHK

SECOND OPINIONS

How can SPACs help the
Hong Kong market?



STAYING CRITICAL



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

Special report: How CPAs
specializing in internal audit are
more valuable than ever in helping
to strengthen businesses



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“I would like to thank all of the respondents for sharing their views with us, as they helped the Council to understand the views of our members and future members about this important topic.”



Dear members,

I hope you are enjoying your summers. At the Institute we have spent this month preparing for a busy end of the year, with some major events due to take place.

The further regulatory reform of the profession continues to progress. This month, the Bills Committee on Financial Reporting Council (Amendment) Bill 2021 held two meetings on the government's bill, and we continue to monitor the progress of the bill through the legislative stage. We have also raised questions about the bill with the government and discussed it with the Financial Reporting Council (FRC).

Our survey on the proposals closed on 4 August, and received responses from members and Qualification Programme students. I would like to thank all of the respondents for sharing their views with us, as they helped the Council to understand the views of our members and future members about this important topic.

The majority of respondents agreed that a working group of the Institute, the Financial Services and the Treasury Bureau and the FRC should be set up to gauge views from stakeholders and to ensure a smooth transition; the government should conduct more consultation; and that the compliance burden of non-public interest entity auditors and CPAs may increase after the transfer of functions. Compliance costs are a major area of concern for practising members.

The reform will transform the role of the Institute, and it is important that we continue to offer value to our members after it takes place. Respondents suggested the top three areas for the Institute to focus on in the future as: encouraging and facilitating continuing professional development; representing the views of the profession; and ensuring the Institute's professional education and assessment matches changing practices and expectations.

We are working on our response to the bill, which will be sent to the bills committee soon. Members will be informed when it has been shared.

We believe that the Institute has an important role to play in collecting your views and reflecting them to the government. With this in mind, at our August Council meeting, the Council has resolved to hold an extraordinary general meeting (EGM) on Thursday, 30 September on the reform. The EGM notice will be posted on Wednesday, 1 September and relevant materials will be released on this date on the website. We hope that you will take part in this EGM and share your views about the reform with us. Don't forget to visit our webpage on the reform for the latest information.

It's been a long time since we have been able to hold large-scale physical events, which is why I am excited that we have two other important events soon.

I hope you will join us at the 72nd National Day Celebration for the Accountancy Profession, which we are hosting with the Institute of Chartered Accountants in England and Wales and Chartered Institute of Management Accountants on 28 September at JW Marriott Hotel Hong Kong. The event will be a good opportunity for our profession to come together and celebrate.

The second event is the CPA Conference 2021 on 2 October at the Grand Ballroom, Kowloon Shangri-La. This is our first conference for CPAs in both practice and business. Under the theme "Transcending together," the conference will bring together leading members of Hong Kong's business world, including many CPAs, to discuss the many ways that the profession has changed due to the COVID-19 pandemic, and how the profession will develop in the future. I want to thank the organizing committee for their efforts so far to put together such a renowned line-up and exciting programme. It will be a great opportunity to learn from our fellow CPAs, network, and consider the ways we can improve our own skills for our clients and employers.

I hope to see you at these events.

Finally, ahead of the Mid-Autumn Festival on 21 September, I wish you and your family good health and a bright future.

Raymond Cheng FCPA (practising)
President

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Helen Li FCPA, President of The Institute of Internal Auditors Hong Kong, on how the internal audit profession has transformed, and how internal auditors must adapt in order to continue adding value



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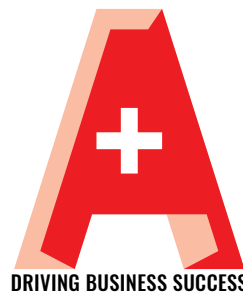




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Cashless is king

Jennifer Tan FCPA, Chief Executive Officer of AlipayHK, talks about how she expanded the company's services and Hong Kong's shift towards becoming a cashless city



About our name

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



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NEWS

Institute news

Business news

The CPA Conference 2021 to cover how COVID-19 has changed the profession

The Institute's debut conference for both professional accountants in business and professional accountants in practice will take place on 2 October at Kowloon Shangri-La, Hong Kong.

Themed "Transcending together," the conference will cover the business lessons learnt from the pandemic, doing business with purpose, the need for digital transformation, the future of the finance function, as well as the evolving skill sets and the path forward for the accounting profession. It will provide a platform for speakers to share their insights with members on the latest trends and issues having an impact on the work of CPAs in business and practice.

The event is divided into two sessions, with one in the morning and one in the afternoon, and will be conducted in Cantonese. More details about the conference and its panel discussions are available on the Institute's website. Online enrolment will close on 24 September.

Hong Kong CPAs and GBA Survey report out now

The Institute has published its findings of a survey aimed at collecting the views of members and Qualification Programme (QP) students about the Guangdong-Hong Kong-Macau Greater Bay Area (GBA) and the specific opportunities they think are in the area for Hong Kong CPAs.

The survey, which was conducted between May and June by the Institute for the GBA Committee, received responses from 166 members and 65 QP students. The results of the survey will be used by the committee to inform and evolve the Institute's GBA strategy and initiatives. The report is available on the Institute's website.



72nd National Day Celebration for the Accountancy Profession

The Institute will jointly hold the 72nd National Day Celebration for the Accountancy Profession with the Institute of Chartered Accountants in England and Wales and Chartered Institute of Management Accountants on 28 September at JW Marriott Hotel Hong Kong. Members are invited to come together to foster a much closer alliance and to promote unity and solidarity among those in the profession. Members can book their seats or become a sponsor via the Institute's website.

Call for new QP facilitators

The Institute is recruiting workshop facilitators for the QP who will play a key role in unlocking the potential of prospective CPAs and helping them become future-ready. Facilitators are required to have a minimum of four years' membership with the Institute; hold or recently held a responsible position in a professional, business, government or academic organization; have a working knowledge and have demonstrated technical competence in the module subject matter; and good command of spoken English.

The closing date for application is 31 October. For enquiries, email workshopadmin@hkicpa.org.hk.

New interns sections launched on HKICPA Source

A new internship opportunities section has been launched on HKICPA Source, the Institute's online portal of accounting and finance job listings. Companies offering internships to students or recent graduates are invited to publish the job posting on the online portal for free. Visit the Institute's website for details.

Institute rolls out tech survey

The Institute is conducting a survey on the technology usage by accountants in practice and business. The results will help the Institute's Digitalization Committee to develop strategies to support the profession's needs. Members and QP students should have received the survey invitation email. The survey will close on 26 September.

Minutes of Council meetings

The abridged minutes from the June and July Council meetings are now available. They can be found in the "Members' area" of the Institute's website.

Resolution by agreement

Hsu Shiu Hung, Kenneth CPA (practising) and Kenneth S.H. Hsu & Co.

Complaint: Failure or neglect to observe, maintain or otherwise apply Hong Kong Standard on Auditing (HKSA) 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, HKSA 330 *The Auditor's Responses to Assessed Risks*, HKSA 500 *Audit Evidence* and the fundamental principle of professional competence and due care in sections 110.1 A1(c) and R113.1 under Chapter A of the Code of Ethics for Professional Accountants.

The respondents expressed an unmodified auditor's opinion on the financial statements of a private company for the year ended 31 March 2019. They failed to perform appropriate audit procedures to evaluate whether some of the company's expenses were for genuine business purposes and properly approved. In particular, they failed to obtain sufficient appropriate audit evidence supporting lump sum payments for expenses made through a shareholder of the company. In addition, they did not evaluate how the company's inability to provide support for the payments would impact the auditor's opinion.

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

1. The respondents acknowledge the facts of the case and the areas of non-compliance with professional standards;
2. The respondents be reprimanded; and
3. The respondents jointly pay an administrative penalty of HK\$50,000 and costs of the Institute of HK\$15,000.

Disciplinary finding

Leung Wah CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of professional competence and due care in sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants, HKSA 300 *Planning an Audit of Financial Statements*, HKSA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, HKSA 500 *Audit Evidence*, HKSA 700 *Forming an Opinion and Reporting on Financial Statements*, 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*, and being guilty of professional misconduct.

Leung was the sole practitioner of Leung Wah & Co., a firm which is now de-registered, and the managing director of Hong Kong Wan Long CPA Limited (collectively, practices). The practices shared the same quality control system, audit methodology and staff resources. He was responsible for the quality control system of the practices. An initial practice review conducted on the practices revealed a number of

deficiencies both in the practices' quality control system and Leung Wah & Co.'s audit and compliance engagements.

The Disciplinary Committee further found that the multiple breaches of professional standards demonstrated that Leung disregarded the requirements of the professional standards, and his quality of work fell far below the standard expected of a CPA (practising). Such serious lack of regard to professional standards amounted to professional misconduct.

Decisions and reasons: The Disciplinary Committee reprimanded Leung and ordered the cancellation of his practising certificate, with no issuance of a practising certificate to him for 10 months. In addition, Leung was ordered to pay costs of the disciplinary proceedings of HK\$111,134. When making its decision, the committee took into consideration the nature of the breaches committed in this case and the respondent's admission of the complaint.

Settlement

Hong Kong Institute of CPAs settles regulatory proceedings involving a CPA (practising)

The Hong Kong Institute of CPAs has settled regulatory proceedings concerning alleged non-compliance of its professional standards involving Wan Hing Chuen CPA (practising).

The matter concerns audit deficiencies identified in a practice review conducted on Li, Tang, Chen & Co. Wan was the engagement partner of an audit of the consolidated financial statements of a Hong Kong listed company and its subsidiaries for the year ended 31 December 2016. The audit was selected for review as part of the Institute's practice review of the firm in 2018.

The practice reviewer identified significant deficiencies that showed that Wan failed to perform adequate audit procedure, and/or prepare adequate documentation, on a number of material items in the financial statements: available-for-sale financial assets, convertible bonds at fair value through profit or loss, and a gain on disposal of financial assets. As a result, Wan failed or neglected to observe, maintain or otherwise apply HKSA 230 *Audit Documentation* and/or HKSA 500 *Audit Evidence*.

Settlement agreement: The Council of the Institute has agreed with Wan that:

1. Wan acknowledges the facts of the case and areas of non-compliance with professional standards;
2. Wan be reprimanded; and
3. Wan pays a financial penalty to the Institute of HK\$75,000 and makes a contribution to the costs of the Institute in the amount of HK\$50,000.

The Institute considers a settlement on the agreed basis to be in the public interest. In the circumstances, the Institute is satisfied that there is no purpose to be served in pursuing disciplinary proceedings.

Details of the resolution by agreement, disciplinary finding and settlement are available at the Institute's website.

HKEX TO LAUNCH CHINA A-SHARE FUTURES

Hong Kong Exchanges and Clearing (HKEX) will launch index futures, a financial derivative for investors to hedge their risks of investing in China's A-shares market. The move was given the go-ahead by the Securities and Futures Commission this month, increasing the bourse's appeal to international investors. HKEX shares rose by 6.8 percent on 23 August following the announcement. The index futures will begin trading on 18 October after a more than two-year wait for regulatory approval from Hong Kong and Beijing. "This is significant for China as the new A-share derivatives products will drive even



more international investor interest into, and demand for, Mainland China equities," said Nicolas Aguzin, Chief Executive Officer of HKEX.

EY U.K. FINED £2.2 MILLION FOR STAGECOACH AUDIT

EY in the United Kingdom has been fined £2.2 million (US\$3 million) and criticized for shortcomings in its audit of London-listed transport company Stagecoach. The fine was issued by the U.K.'s Financial Reporting Council (FRC) and relates to the financial year ended April 2017, the first year EY audited Stagecoach. The FRC also issued a £70,000 fine and a severe reprimand against Mark Harvey, the former head of EY's Scottish business and the partner responsible for reviewing Stagecoach's financial statements. The penalty was originally set at £3.5 million, but reduced by the watchdog because of EY's cooperation and the firm addressing the failings identified, which led to an early resolution of the case.

KUAISHOU RECORDS 7 BILLION YUAN LOSS

Kuaishou Technology, Mainland China's second largest video-sharing platform, posted a loss of 7.04 billion yuan (US\$1.08 billion) in the second quarter, noting that its short-term revenue will be affected by Beijing's tightening regulations on the tech sector. The Beijing-based company also saw its share price plummet to one-fifth of its peak seen in February, the same month it launched its Hong Kong initial public offering (IPO). The loss is a stark contrast to its recorded revenue of 19.1 billion yuan last quarter. "We have maintained active and smooth communications with regulatory authorities, and have carried out compliance preparation very early in response to the bottom line and red line requirements related to business operations, including those relevant to data security," said Su Hua, Chief Executive Officer of Kuaishou Technology.



MTR POSTS PROFIT OF HK\$2.67 BILLION FOR FIRST HALF OF YEAR

Hong Kong's MTR Corporation recorded a profit of HK\$2.67 billion in the first half of this year. The figure, an improvement from a net loss of HK\$334 million seen during the same period last year that coincided with the emergence of the COVID-19 pandemic, came as the city's economy makes a significant recovery, the *South China Morning Post* reported. Despite the profit, border closures and near-zero tourist levels continue to pose challenges, according to Jacob Kam Chak-pui, Chief Executive Officer of MTR Corporation. "Cross-boundary traffic remains suspended and tourists have yet to come back to Hong Kong, while revenues from our railway station, commercial and shopping mall businesses have not fully recovered to pre-pandemic levels," Kam said.

DELOITTE U.S. TO REQUIRE ALL STAFF TO BE VACCINATED BY OCTOBER

Deloitte in the United States will require all staff to be vaccinated against COVID-19 to enter its offices beginning 11 October. The announcement came on 23 August, a day after the U.S. Food and Drug Administration (FDA) fully approved the Pfizer Inc.-BioNTech SE vaccine. Employees will have to disclose their vaccination status on a secure Deloitte website, said Joe Ucuzoglu, Chief Executive Officer of Deloitte U.S., in an email to staff. The firm, which employs more than 100,000 people, is among the first companies to take action in the wake of the FDA decision. "The ability to participate in the broader business ecosystem will be increasingly challenging for those who are not vaccinated," Ucuzoglu said in the email.





HONG KONG-BASED COMPANY BUYS FORBES GLOBAL MEDIA FOR US\$630 MILLION

Magnum Opus Acquisition, a Hong Kong-based special purpose acquisition company, will take over and merge with American publisher Forbes Global Media Holdings in a deal worth US\$630 million, according to a statement issued on 26 August. The acquisition, pending approval from Magnum Opus's shareholders, is expected to be completed in the first quarter of 2022 at the latest and will see Forbes Global Media list on the New York Stock Exchange where existing shareholders will own 22 percent of the combined company.

CHINA MOBILE EYEING 56 BILLION YUAN “HOMECOMING” LISTING

China Mobile is aiming to raise 56 billion yuan (US\$8.6 billion) when it lists on the main board of the Shanghai Stock Exchange, in what could be the biggest offering in the Mainland in more than a decade, according to a listing prospectus issued on 18 August. China Mobile was one of several companies delisted from the New York Stock Exchange over alleged ties to the Chinese military amid increasingly tense U.S.-China relations. The Hong Kong-listed company, and world's largest wireless network operator, proposes to issue up to 965 million A-shares, according to the prospectus. Proceeds from its Mainland listing will go towards financing its 5G infrastructure and other new network investments. The listing, which is still pending approval from the China Securities Regulatory Commission, will raise a record amount if it meets its fundraising target, exceeding Agricultural Bank of China's flotation 11 years ago.

HONG KONG ECONOMY FORECAST TO GROW BY UP TO 6.5 PERCENT

Hong Kong's economy will expand between 5.5 percent and 6.5 percent this year, according to data released by the Census and Statistics Department on 13 August. It noted that the city's gross domestic product (GDP) grew 7.6 percent year on year in the second quarter, indicating a steady economic rebound as a result of the stable COVID-19 situation in the city. Real GDP was up by 7.8 percent from the same period last year, according to the data. Factors such as domestic consumption, bolstered by the Consumption Voucher Scheme, and overall business sentiment would improve over the rest of the year, provided that more citizens get vaccinated and the current low number of coronavirus cases lasts, according to Andrew Au, Government Economist at the Hong Kong government: "The Consumption Voucher Scheme has stimulated the market, which has become more vibrant... It will also help the recovery of the job market and reduce the unemployment rate."

SENSETIME FILES FOR HONG KONG IPO AMID TECH CRACKDOWN

SenseTime, Mainland China's largest artificial intelligence (AI) start-up, filed for an IPO in Hong Kong on 28 August. The IPO filing, which aims to raise at least US\$2 billion, came as Mainland regulators continue their clampdown on their technology sector. The start-up is known for their facial recognition software, and has seen demand for their products such as temperature sensors and the ability to identify people wearing face masks increase as a result of the COVID-19 pandemic. Despite the crackdown on tech companies, regulators have shown support for AI, biotechnology and semiconductor industries and view companies in this area as vital in reducing dependence on technology from the U.S.

SEC CHIEF ISSUES DELISTING WARNING TO CHINESE COMPANIES

Gary Gensler, Chair of the U.S. Securities and Exchange Commission (SEC), has vowed to enforce a three-year-deadline for Chinese companies listed on the New York Stock Exchange and Nasdaq to allow their audit working papers to be inspected by the Public Company Accounting Oversight Board. If these businesses refuse, their shares could be delisted as early as 2024, said Gensler in an interview on 24 August. Gensler noted that investors need "full and fair" disclosures, and that he expects the same level of transparency from every Chinese company that sells stock in the U.S. Almost 300 companies from Mainland China and more than 100 from Hong Kong list their shares on exchanges in the U.S., and are subject to the Holding Foreign Companies Accountable Act.

SPECIALISMS

Internal audit

Whether working in-house or in an outsourced team, internal auditors have moved away from just looking for problems and instead are using their holistic view of business processes and controls to help improve organizations at a deeper level. **Nicky Burridge** finds out how CPAs in this specialist area work to ensure companies operate well in an increasingly complex business environment

Illustrations by Gianfranco Bonadies

From a compliance checker to an independent advisor, the role of internal auditors has evolved in recent years as companies recognize the value the function brings to their business. Sean Cheng CPA, Senior Manager of Group Audit and Management Services at a leading conglomerate based in Hong Kong, explains that the main role of internal auditors is to offer an independent view on an organization's risk management and internal controls, offering assurance that the business is operating within the boundaries and risk appetite of the company. Or, as Henry Lo CPA, Head of Internal Audit at Nan Fung Group, puts it: "Our main goal is to help the executive management team sleep well at night."

But the work of internal auditors does not end there, and a key aspect of their function is to protect and add value to a company through being a trusted partner who can offer impartial advice. Corwin Kwong CPA, Internal Auditor at The Salvation Army, explains: "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

Alva Lee FCPA, KPMG Partner and Head of Governance, Risk and Compliance Services Practice Hong Kong, agrees, pointing out that because internal auditors' work covers the entire organization, they have a more holistic view of the controls and processes than those who work in just one area of a business, or management who may be more focused on driving performance. "Companies are increasingly turning to internal auditors to provide insights, based on the data they gather. They can identify different themes and critical issues. Expectations have increased in this area."



An illustration of a man and a woman in business attire. The man, on the right, is wearing a dark suit, a light blue shirt, and a dark tie. He is leaning forward, pointing with his right hand towards a document on a table. The woman, on the left, is wearing a dark blazer over a red top. She is looking down at the document. The background consists of horizontal stripes in shades of blue and green. The overall style is modern and professional.

SPECIAL REPORT: PROVIDING GREATER CLARITY



The work of internal auditors is very different to that of external auditors. Cheng explains that while external auditors are mostly focusing on the numbers in a company's financial statements and ensuring they are prepared in a fair and transparent way, internal auditors have to really understand the business operations and strategic direction. "We have to provide recommendations that are practical and cost effective to help organizations properly manage their risks. External auditors have to apply auditing standards, while internal auditors have to apply more critical thinking and business acumen."

Kwong agrees: "Internal auditors are not just focused on the annual report and financial performance, we also check qualitative matters, such as systems, procedures and workflow. External auditors are concerned with whether there are any material misstatements in the financial statements, while internal auditors help the company

to maintain good internal controls, governance and risk management. We help the company to meet its goals and objectives."

Lee adds that while external auditors typically work closely with the chief financial officer or finance department of a company, internal auditors may have more opportunities to work with different departments in a company and are not just limited to the finance function.

To illustrate the difference between the work of internal auditors and external auditors, Helen Li FCPA, Group Chief Auditor at The Bank of East Asia Ltd. (BEA) and President of The Institute of Internal Auditors (IIA) Hong Kong (read her profile on page 28), gives the example of reviewing inventory. "If the inventory balance is down to zero, for an external auditor there is no financial reporting risk, but for the internal auditor there could be problems in the inventory management process because we

focus on the control process instead of the end result," she says.

Lo describes internal auditors as being the third line of defence in an organization. He explains that the first line of defence is the operation management, while the second line is the risk control or compliance function. "The third line of defence is us. We have to make sure the first and second lines are working in the right way, that they know their roles and responsibilities, and follow their risk assessment and risk prevention processes," he says.

Kwong adds that alongside ensuring a company's risk management systems and processes are working effectively, internal auditors also help uphold ethical standards and integrity. "The existence of a well-established internal audit department helps companies maintain a good checks and balances mechanism. Internal audit is particularly important to regulated and compliance-intensive industries."

AN EXPANDING ROLE

Internal auditors have evolved from something that is nice to have to a must-have for many companies. Lo says internal auditors are no longer regarded as being watchdogs but are now seen as trusted partners.

Li adds that the function has changed from doing the “very mechanical work of checking adherence to procedures and regulations,” to taking a holistic view of the business. “Given that internal audit represents a very small percentage of the total workforce, it is not effective assurance to check what other people are doing. Instead, we challenge the robustness of overall control mechanisms, including how management responds to changing risks. We take a high-level view on end-to-end processes and do a deep dive when necessary.”

Kwong points out that the importance of the work done by internal auditors has been

recognized by the Hong Kong Stock Exchange, with listed companies required to have either an internal or outsourced internal audit function. He adds that the internal audit functions must have independent organizational status to provide confidence to investors.

Cheng agrees that internal auditors have an important role to play in offering assurance that a company is run with good corporate governance. “Nowadays, the business environment is more complex than in the past, and investors, the public and other stakeholders are not just focusing on financial performance, but also on the whole governance of an organization, and whether business decisions and operations are aligned with the vision, mission and values of the company.”

But despite the listing requirement that the issuer should have an internal audit function

having been in place for years, Li says there is no requirement regarding the certification of internal auditors or conformance with the IIA’s international standards. At the same time, the internal audit function in many Hong Kong-listed companies still focuses on checking the operational compliance of historic transactions. “Internal audit is an important part of governance because we offer an independent, fresh perspective, but our positioning is not just determined by internal auditors themselves but by other stakeholders, regulators and the board and senior management, so we also have to demonstrate the value we bring to the table,” she says.

Cheng adds that it is important for internal auditors to educate company management about what internal auditors really do and how they can also create value.

“We challenge the robustness of overall control mechanisms, including how management responds to changing risks.”

IN-HOUSE VERSUS OUTSOURCED

Every company is different in terms of having in-house, partially co-sourcing or a fully outsourced internal audit team, according to Li. She adds that despite the fact BEA has a large internal team, she is still very open to co-sourcing. “It is really about what helps you to achieve your objectives in the most cost-efficient way. I am a strong supporter of co-sourcing. Banking is a heavily regulated industry so we cannot fully outsource, but by doing co-sourcing we can tap into external resources when necessary. This is also good to benchmark industry best practices.”

Lo favours having an internal team, pointing out that internal auditors need to have a good understanding of the company’s operations, culture and individual businesses. “For a long-term relationship, it is better idea to have an in-house team.” But he adds it can

be beneficial and more cost-effective to outsource or co-source specialist expertise to carry out a one-off exercise, such as ethical hacking.

Cheng points out that for companies with global operations, outsourcing may make sense considering the cost, as it may be expensive to set up an in-house internal audit function with a global reach. “If you outsource to one of the Big Four you can utilize their resources globally, so it is quite cost effective.” Although he adds that with an in-house team, the internal auditors are also the employees of the company, so other staff, particularly the senior management, may be more willing to share what is happening and view them as a business partner. “It is difficult for an outsourced function to build the dynamics with the senior management. An internal team can also be more agile in responding to

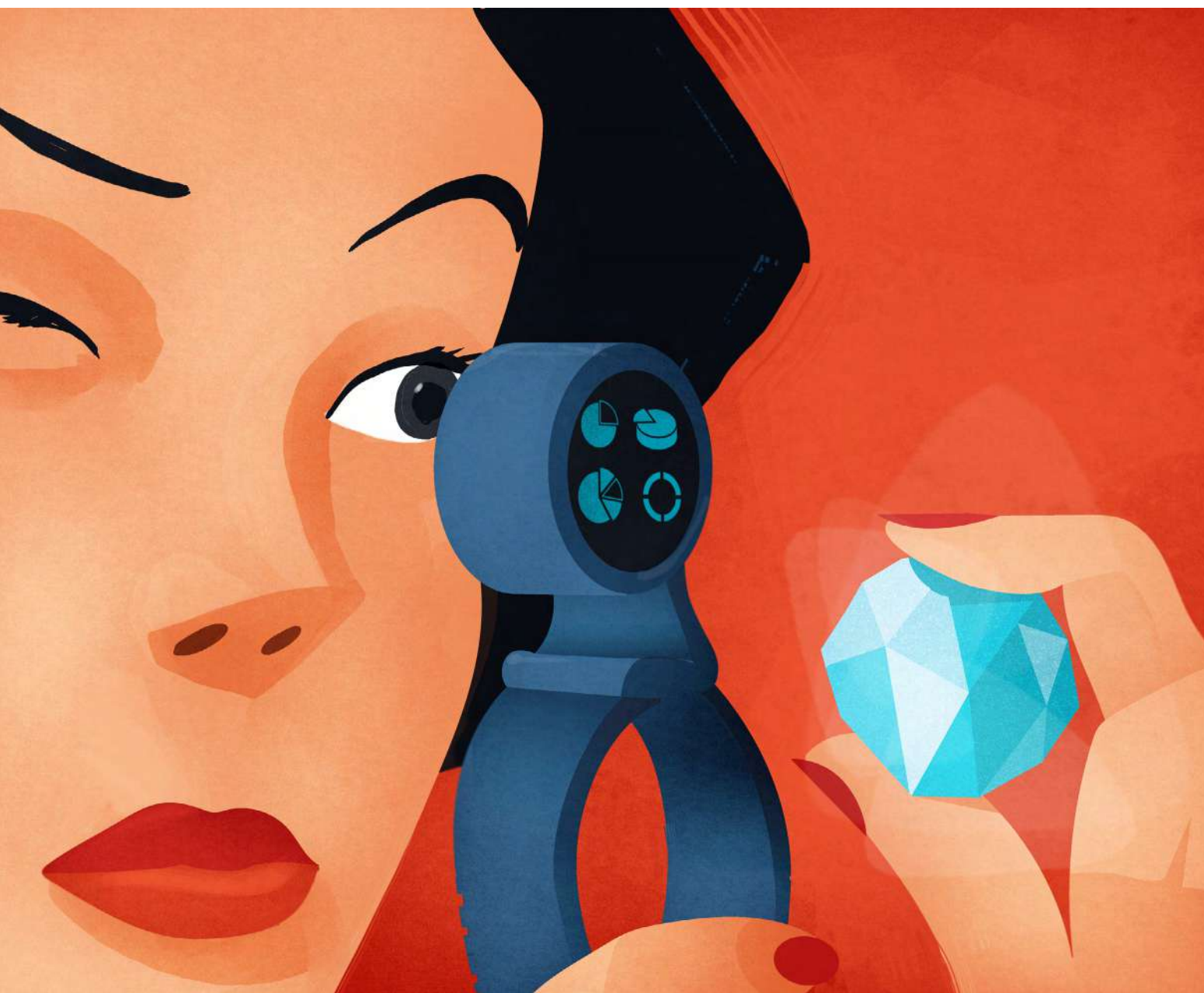
ad-hoc and urgent requests from the senior management,” he says.

Kwong points out that setting up an internal audit function from scratch can be costly, so companies may decide to outsource it initially, while gradually hiring their own talent and building up their own in-house team.

Smaller organizations or companies in sectors and industries that are less appealing to talent may also face challenges recruiting and retaining an in-house internal audit team, according to Lee of KPMG. She adds that for small teams, staff turnover could also lead to a significant loss of knowledge. “If organizations choose to outsource, although there may still be some turnover at the outsource firm, there will be a mechanism to ensure proper retention of knowledge and information,” she says. An outsourced team would also have

SPECIALISMS

Internal audit



greater access to market trends and best practices across the sector because of their exposure to more companies, Lee adds.

She also points out that there

are differences for internal auditors themselves between being members of an in-house team and an outsourced one. “Members of an in-house team would be

more focused in one corporate environment versus an outsourced one which would gain wider exposure to different companies and business environments.”

GETTING STARTED

Internal audit engagements vary from sector to sector, but may include an audit of leasing operations for a mall operator or production processes for a manufacturer. Lo of Nan Fung says an internal auditor at a property developer may conduct

a Safety, Health and Environment (SHE) audit. “The objective of this audit is to evaluate the adequacy and effectiveness of controls employed by the project team with respect to the safety, health and environmental management processes in a

construction project.” For a highly performing internal audit function, Cheng says it is important for internal auditors to set the tone at the top and ensure they are aligned with senior management’s expectations. “You have to understand the expectations

“You have to understand the expectations... whether they expect you to have a pure compliance checking role only or to go beyond that to add value.”

and get their buy-in, for example, whether they expect you to have a pure compliance checking role only or to go beyond that to add value and provide insights or assurance on strategic initiatives.”

Once this is clear, the next step is for internal auditors to carry out an assessment to devise a risk-based audit and allocate resources to priority areas, based on the level of risk they pose. Kwong of The Salvation Army points out that having a sound understanding of a company’s operations and the function of different business units is also important. “Internal auditors have to study the company’s objectives and associated risks, as they develop their audit plan with reference to a company’s risk register and risk appetite,” he says. Taking the time to understand an organization’s business operations, strategy and risk, as well as any recent developments, is particularly important if you are an outsourced team, according to Lee of KPMG. “You have to understand what is unique about a business and whether there are any organization-specific projects we need to consider when we develop our plan.”

Lo breaks down an internal auditor’s work into four Ps: purpose, process, product and people. He explains that the first step is for internal auditors to define the purpose of the internal audit, which includes the vision, mission and values of the internal audit team. He describes the second step, process, as being internal audit management, which includes planning, fieldwork, reporting and the follow up phases. The product of internal auditors could include the audit report containing their findings, potential risks they have identified and recommendations to address these.

Lo stresses that throughout the process, it is important that internal auditors focus on people. “You need to define who your stakeholders are and have regular meetings with them,” he says. Lo adds that alongside having formal meetings during an audit engagement, he also has informal coffees and lunches with the heads of business units at his company. “If we want to be their trusted partner, we can’t just turn up every one to two years and issue a report. We need to have a long-term relationship,” he says.

HARNESSING TECHNOLOGY

New technology has had a significant impact on the work of internal auditors. Li of BEA explains that artificial intelligence (AI) and data analytics enables internal auditors to review the whole population of something, rather than relying on random sampling. These technologies can also detect anomalies or areas that require further investigation.

She gives the example of sampling the work of staff selling investments in a bank’s call centre. “If staff are selling investment products, and an internal auditor wants to make sure there is no misselling, and staff are not overstating investment returns etc, they would traditionally sample 3 to 5 percent of the calls, maximum. Now with speech recognition technology, we can

A DAY IN THE LIFE

The typical day of an internal auditor involves doing testing, analysis and evaluation, having discussions with business units, and writing reports, according to Corwin Kwong CPA, Internal Auditor at The Salvation Army. “It may sound boring or routine, but the content and focus point of each audit assignment could be very different. For example, while testing in one assignment could focus on purchase of materials, testing in another assignment could focus on the protection of personal data,” he says.

Helen Li FCPA, Group Chief Auditor at The Bank of East Asia Ltd., describes her typical day as containing lots of meetings. “Internal auditors have a seat on many management committee meetings as an observer. I also have a lot of meetings with my team, brainstorming, planning and having checkpoint meetings discussing what we are going to do, our work approach and focus areas, as well as reviewing results.” She adds that there are also lots of interactions with different business units to understand key changes including the challenges they face. “Internal auditors can provide timely advice on governance and control matters as a result,” she says.

Sean Cheng CPA, Senior Manager of Group Audit and Management Services at a leading conglomerate based in Hong Kong, says most of an internal auditor’s time is spent talking to people and understanding business processes. “To perform an internal audit, we usually review the policy and procedures, perform data analytics on business transactions and check on the supporting documents. But the more interesting part of our work is talking to people to understand the exact challenges they face in the business, what issues they come across and how they manage them, and whether proper controls are in place. You really have to put yourself into their shoes and critically assess the practicality on the recommendations you are going to make.”

Internal auditors working in an out-sourced team may have multiple projects on hand at the same time, according to Alva Lee FCPA, KPMG Partner and Head of Governance, Risk and Compliance Services Practice Hong Kong. “You might be focused on the execution of one project, but still be waiting for follow up from the client on another one, and planning for the next engagement at the same time, so you have to multi-task,” she says.

Alongside doing their day-to-day work, Henry Lo CPA, Head of Internal Audit at Nan Fung Group, stresses that it is also important that internal auditors find the time to keep track of the latest industry developments, regulatory changes and any news, such as court cases, that may have implications for their organization. “All of these are relevant to us if we position ourselves as a trusted partner of the company and we are helping them on the risk and controls,” he says.

easily convert speech into text and cover the full population of calls. We can also measure the duration of calls and their emotional tone, and use data analytics to identify patterns or pick out anomalies.”

She adds that technology not only gives internal auditors better coverage for compliance checking, but it also drives a change in staff behaviour. “People realize they won’t get lucky and be the 95 percent that is not sampled any more,” she says.

Lo agrees: “Data analytics has made our work a lot easier. In the past we had to review a lot of documents, but now we can use IT systems to review the data in the documents for us.” He adds that automating this aspect of their work means internal auditors have more time to spend investigating potential anomalies, while they can also use the results of data analytics to provide recommendations to improve the

efficiency and effectiveness of the business operations.

Cheng says technology has also played a significant impact on audit procedures. “Take robotic process automation as an example. The bots can do tedious or repetitive work, like pulling data out from a general ledger and doing reconciliations with a pre-set schedule. This saves you a lot of time as an internal auditor, enabling you to focus on other things, such as offering insights from a governance perspective for the company’s strategic initiatives, or participating in more executive meetings to understand more about what is going on in the company, so that you can allocate your resources more effectively.”

But alongside assisting internal auditors in their work, Cheng says technology has also created challenges. He points out that as companies undergo digital

transformation, internal auditors have a role to ensure no critical issues or new risks arise, and that the company is still achieving its business objectives.

Li expects technology to play an increasingly important role in the work of internal auditors, and as result, she says it is essential that internal auditors are competent in this area and keep up to date with the latest developments.

Cheng adds that with technology increasingly being used in business processes, internal auditors need to keep themselves up-to-date on the technology application and ensure proper controls are in place to manage the emerging risks. Lo goes even further and predicts that in five to 10 years’ time, there will no longer be specialist IT auditors, but all internal auditors will have to be technology experts as part of their skill set.

IDENTIFYING FRAUD

Unsurprisingly, internal auditors have a significant role to play in helping companies identify and minimize fraud risks. One way in which they can do this is by using data analytics to review the transactions and identify any abnormal patterns, according to Cheng who works at a conglomerate. “The traditional sampling approach cannot meet the business needs to perform more focused and in-depth reviews on high risk transactions,” he says.

Lee of KPMG points out that internal auditors’ knowledge enables them to identify areas or transactions that are most at risk from fraud, while they can also use data analytics to highlight any potential issues that require more in-depth investigation.

Internal audit reviews can also identify when processes are not working as they should. Kwong says: “Three years ago, I found that

an employee misappropriated our company’s cash income. I found it through several tests, including trend analysis, reviewing the segregation of duties, and reviewing income records and bank-in records.” But he adds that there is no standard operating procedure for internal auditors to use to detect fraud risk. Instead, he says the most important thing is to maintain professional scepticism. “Internal auditors should not be expected to find out all frauds. We are not police or forensic accountants. However, we should be able to identify fraud risk and be alerted to potential fraud.”

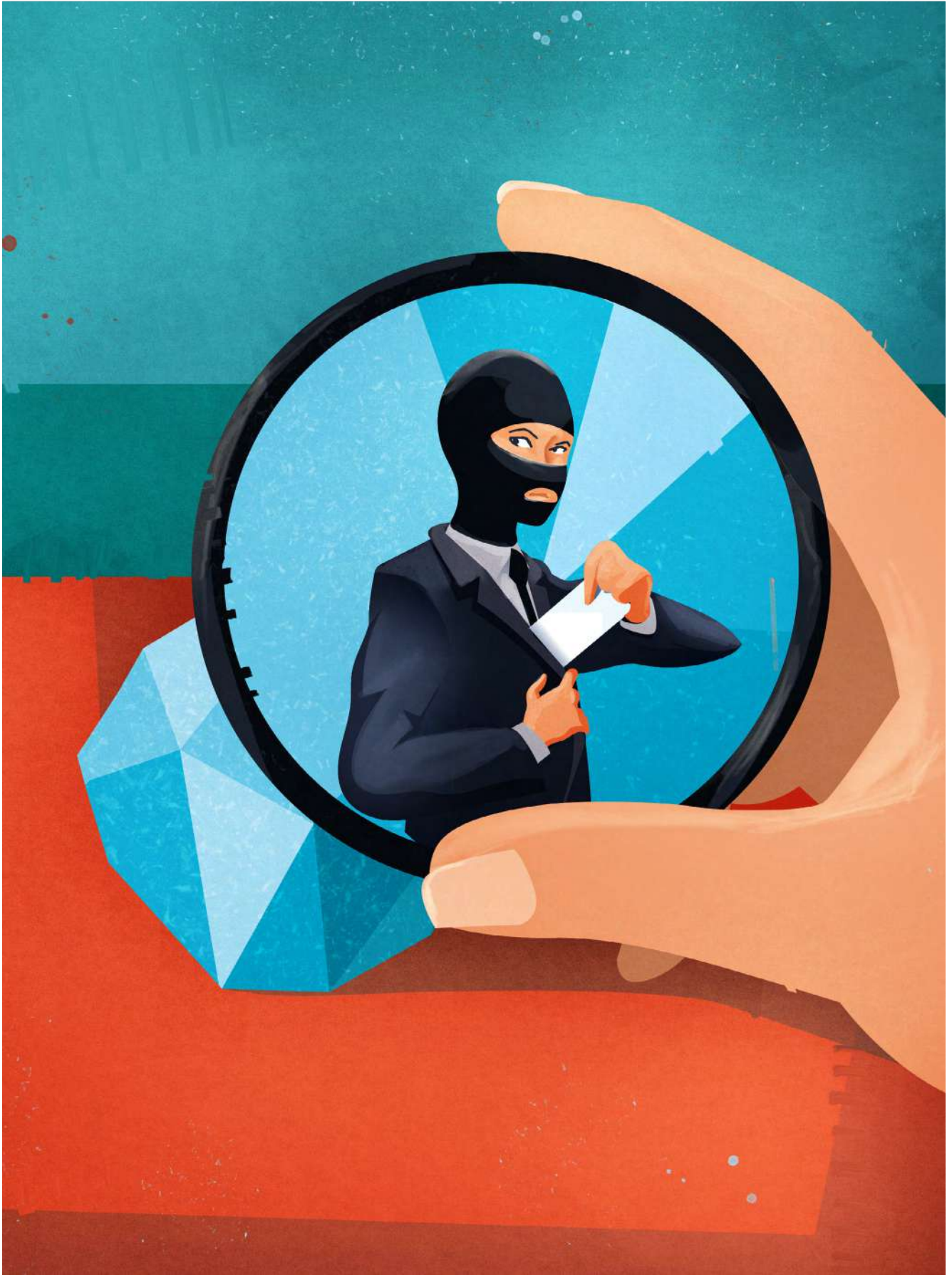
Lo points out that under the three lines of defence, it is the role of the first and second lines to monitor and prevent fraud, while the internal auditor should focus on the overall fraud management and mechanisms that are in place. He adds that they should also promote

fraud awareness training and help companies develop whistleblowing policies.

Li of BEA agrees that internal auditors can contribute by reviewing a company’s overall fraud risk management framework. “Fraud is very difficult to preempt, but should be managed to an acceptable level. To help prevent it, we look at both hard controls, such as systems, policies and procedures, and the soft side of controls, such as the tone from the top.”

She adds that some of the warning signs internal auditors need to look out for include people cutting corners as conduct is contentious. “It may not have an immediate financial impact but could cost an organization dearly if such undesirable behaviour is not rectified in a timely manner. The really hot topic for internal auditors is conduct risk, culture and ethics, which are much harder to audit.”

“We are not police or forensic accountants. However, we should be able to identify fraud risk and be alerted to potential fraud.”



VARIED CHALLENGES

Cheng thinks the biggest obstacle is getting management buy-in for the internal audit function. “If senior management does not see internal audit as a business partner, they will not give you the resources you need to carry out your work, and they will be quite defensive and treat you as a policeman looking for problems. If that happens it can be quite difficult for an internal auditor to add value. Yet this culture is quite common in Hong Kong,” he says.

Kwong considers advancements

in technology to be the biggest challenge that internal auditors currently face. “New systems and technology are being innovated every day, which companies use to enhance their operating efficiency. Internal auditors have to be quick learners and be responsive.”

Lo thinks the main challenge is remaining up-to-date in the changing business world. “My company used to be focused on property development, so some people in my team came

from engineering and surveyor backgrounds. Now we have expanded into property leasing, such as malls, as well as finance and life science investments. As an internal auditor you need to stay relevant and on top of all of these businesses.”

Lee agrees: “From the impact of COVID-19 to business transformation and new technology, the business environment is changing very quickly. Stakeholders have an expectation that we will keep up to date with these changes,” she says.

COURAGE AND SCEPTICISM

While internal auditors may need some of the same technical competencies as external ones, they do not have to come from an accounting background. Instead, it is more important for them to have good business acumen and a range of

soft skills. “To effectively carry out the internal audit function, internal auditors must understand their company and different departments, and business functions well. Good listening and communication skills are important,” Kwong says.

He adds that while there is no absolute “skill set package” for internal auditors, and the skills they need will vary according to the industry and the operations of their company, they do need sound financial and accounting knowledge,

GAINING THE MOST OUT OF INTERNAL AUDITORS

Internal auditors should be viewed as trusted advisors if companies are to gain the most benefit from them. “Organizations need to really appreciate the internal audit function and feel comfortable accepting an independent view on how their business is operating and which areas could be improved,” Alva Lee FCPA, KPMG Partner and Head of Governance, Risk and Compliance Services Practice Hong Kong, says. She adds that it is also important that management share their business strategy and plan with internal auditors to ensure their focus is aligned with that of the board’s.

Sean Cheng CPA, Senior Manager of Group Audit and Management Services at a leading conglomerate based in Hong Kong, suggests internal auditors should work closely with senior management, get themselves a seat in executive meetings to understand the business strategy. “We need to understand the strategic direction of the company so that we know what is important to the company. If we don’t

have management buy-in, the internal auditor can only review past transactions or review operations, they do not add value.”

Corwin Kwong CPA, Internal Auditor at The Salvation Army, thinks that for a company to get the most from its internal audit function, the organizational status of the internal auditor must be clearly established and respected. He adds that setting the right tone from the top is also critical to enable the internal audit function to be effective.

He points out that internal auditor administratively report to the CEO, but functionally report to the audit committee. “Managers or business units may be hostile to internal audit. Some may also complain that internal auditors disrupt their money-making operations. It is important the leaders and management stay neutral at such moments.”

Henry Lo CPA, Head of Internal Audit at Nan Fung Group, stresses that it is important that management trust internal

auditors and understand they are on the same team. “We are not there to pick out errors and mistakes. We are part of the team to help them solve problems and achieve their business objects,” he says.

Helen Li FCPA, Group Chief Auditor at The Bank of East Asia Ltd., suggests organizations should continuously adapt to the changing environment instead of operating in a hierarchical way. “I believe in teamwork and collaboration. There are always better ways of doing things. I think everyone has to be really open minded including challenging their own thinking and practices to embrace change,” she says.

Li also encourages internal auditors to be seconded to different departments to gain an insight into their operations, as well as to have talent from other departments join the internal audit function as guest auditors. “It is very easy to criticize, especially with hindsight, but you have to be constructive and forward-looking. I think that exchange of experience really helps,” she says.



“We need good communicators with the courage to speak out. We have to be candid but in a diplomatic manner.”

strong writing and presentation skills, and professional scepticism. “It is also important that they are a quick learner and are flexible so they can adapt to changes,” he says.

Cheng agrees: “Internal auditors need critical thinking and business acumen to understand the business context and identify any control deficiencies, inefficiencies and make practical recommendations balancing the cost and controls. They also need to be tech-savvy to understand how the adoption of different technologies is impacting the business and identify the relevant risks.”

Lo also thinks it is important that internal auditors have good soft skills, particularly those in persuasion and collaboration. “If you highlight an issue to a site manager who may have been there for 30 years, you may need a lot of persuasion to help them see why something needs to be changed, especially when you have been in and out and for only a few weeks,” he says. Lo adds that collaboration is also important because a lot of issues cannot be fixed by just one person or one team. “Sometimes you need

help from the IT team, the human resources team and the project team. You need to ensure all of these parties collaborate,” he says.

Lee thinks it is essential that internal auditors are good communicators and are able to write succinct reports that clearly convey their findings, the implications of any issues they have uncovered and their recommendations to remedy them in order to get buy-in from management. “The ability to adapt and learn quickly is also important for internal auditors, as we look at such diverse processes and functions. Even if we specialize in one industry, different organizations have different set ups.”

Li points out that the top skills in demand are business acumen, critical thinking, data analytics, and IT knowledge. In terms of soft skills, she says: “We need good communicators with the courage to speak out. We have to be candid but in a diplomatic manner. Internal auditors also need good interpersonal skills as we are dealing with people all the time.”

Accountants interested in becoming internal auditors could consider obtaining The Certified Internal Auditor (CIA), a professional designation issued by the IIA, the global professional body for the industry. “Taking the exam and getting the CIA designation can provide you some basic knowledge on internal audit. In fact, IIA has organized a number of CIA Challenge Exams with other professional accounting bodies like Hong Kong Institute of CPAs to provide a fast track route for those with a CPA designation to gain the CIA designation,” Lee says.

Cheng suggests working in an audit or consulting firm would be a good place to start, while Li suggests taking advantage of the rotational programmes some companies offer, such as taking part in a guest audit programme. “A short-term secondment as an internal auditor is used as a training ground for talent development in many organizations. People may consider such programme to get a taste of being an internal auditor.”



Read more about internal audit in this month's Accountant Plus on Helen Li FCPA, President of The Institute of Internal Auditors Hong Kong, and Group Chief Auditor at The Bank of East Asia Ltd., on page 28.

SECOND OPINIONS: HOW CAN SPACS HELP THE HONG KONG MARKET?

“Hong Kong would benefit from becoming a destination for SPAC listings, particularly given the growing number of merger and acquisition opportunities in Asia Pacific.”



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Special purpose acquisition companies (SPACs) have been one of the hottest capital market topics this year. Interest in SPACs – shell companies created to raise capital via initial public offerings (IPOs) with the proceeds used to acquire operating companies – has surged, with 412 transactions this year so far globally, compared with 248 in the whole of 2020 and a mere 56 in 2019, according to Spacinsider.com.

With such a surge in interest, the introduction of SPACs in Hong Kong is now a possibility, although a rumoured public consultation has yet to materialize.

Some caution is warranted, as the long-term success of Hong Kong's stock exchange, the quality of its listed companies, its integrity and investor protection should always be held paramount. That said, and assuming mechanisms are put in place to uphold these principles, SPACs would benefit Hong Kong's capital market in several ways.

Since the launch of the new listing regime by Hong Kong Exchanges and Clearing (HKEX) in 2018, innovative companies have flocked to list in Hong Kong. This, in turn, has increased investors' acceptance and understanding of companies with vanguard technologies and innovative businesses. However, traditional listings, which focus on historical results, are often not possible for fast-growing new economy companies with substantial earnings upside.

Compared to traditional listings, where pricing is affected by market volatility and investor sentiment, SPAC transactions provide greater certainty, as pricing and valuation are determined up front. They also allow sponsors to raise additional capital from private investors in public equity to finance a substantial proportion of a target's acquisition price and provide post-merger operating cash. SPACs are also appealing during times of high market volatility, as they allow companies to forego a traditional IPO for upfront pricing and an accelerated timeline.

These factors have prompted a sharp uptick in companies across Asia considering SPAC transactions in the United States, as they seek to mitigate the above-mentioned challenges of traditional IPOs, and the substantial investments of management time and cost such listings demand.

Hong Kong would benefit from becoming a destination for SPAC listings, particularly given the growing number of merger and acquisition opportunities in Asia Pacific. This will also help the development of family offices and private equity funds in Hong Kong that have been setting up SPACs as sponsors to access public markets. So long as the interests of smaller investors are protected, SPACs in Hong Kong would capture new opportunities, benefit capital market participants and become a viable alternative to traditional IPOs.



JAMES CHENG CPA
INVESTMENT DIRECTOR,
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INSTITUTE'S CORPORATE FINANCE ADVISORY PANEL

SPACs recently became a preferred way for many experienced management teams and investors to take their businesses public, in particular since 2019. There's no doubt that SPAC listings benefit many of the usual players in the IPO value chain – the listing targets, IPO sponsors, lawyers, accountants and so on – but other professional investors and entrepreneurs can also benefit from a Hong Kong SPAC regime.

Professional investors, including angels, venture capital funds and growth private equity funds, consider listing as a common way to realize their investments, and often impose listing obligations on entrepreneurs in their investment agreements.

But these investors love and hate traditional IPOs as an exit route. While on one hand listing a company through an IPO is the most traditional, recognized way of gaining public company status, the road to a successful listing is most of the time full of ups and downs and can take years, often affected by market sentiment and other factors. The longer the process takes, the more likely it will be hit by adverse events. Also, as professional investors measure their returns based on when the cash flows happen, the uncertainty around IPO timing and the time needed for an IPO directly translates to uncertainty around investors' key performance indicators.

With the SPAC alternative, the listing journey can take as short as three to five months, with increased certainty. This means less risk and better returns at the same time for investors, versus traditional IPOs.

Currently the most likely jurisdiction for a SPAC listing is the U.S., which involves a plethora of considerations: tax, Public Company Accounting Oversight Board audit rules, U.S. Securities and Exchange Commission filing requirements, class action lawsuit risks, just to name a few.

A SPAC regime in Hong Kong will add an important element to the city's investment ecosystem: an exit route with higher certainty and a shorter listing timeframe. It will remove the considerations around listing in the U.S. and make our city more attractive for investors. And with higher investor-friendliness, entrepreneurs and start-up founders looking for investor capital will more likely find the investors they need in the city.

Needless to say, Hong Kong retail investors are not yet familiar with how SPACs work. Proper education and disclosure will be key to SPACs' success in Hong Kong.

“A SPAC regime in Hong Kong will add an important element to the city's investment ecosystem.”



MASON CHING
PARTNER,
MASON CHING & ASSOCIATES

SPACs, an unknown “creature” in Hong Kong, have shown themselves to be promising investment vehicles in the U.S. Basically, investors put their funds in a SPAC managed by a team of investment experts and the SPAC lists on a stock exchange without any business. Within a time limit, the SPAC has to acquire a business or return the funds to the investors.

Companies with good track records and prospects may not always find it affordable and smooth to raise funds through IPOs in Hong Kong. It is very costly preparing for IPOs because of the high professional fees of a team of sponsors, lawyers and accountants etc.

By the time many regulatory hurdles for the approval of the HKEX and Securities and Futures Commission have been overcome, IPOs may still fall through if there is a lack of interest from investors due to adverse market condition or other reasons. This is a particularly great risk for medium-sized companies. The financial burden of an aborted IPO may simply be disastrous for a company. SPACs offer a good solution as the funding is readily available and can be quickly tapped into without the company incurring huge costs.

Hong Kong is the preferred choice of listing to many companies with great prospects in Mainland China. For companies elsewhere, Hong Kong's capital market is also attractive. However, in the end, it is the certainty of funding that may decide where companies will go for listing.

The place of listing of a SPAC is fixed at the outset. Therefore, a business getting funding from a SPAC to achieve an IPO does not have a choice when it comes to the listing venue. If Hong Kong does not have SPACs, a potential IPO candidate for Hong Kong will be taken by other capital markets through SPACs. If it does, it can take IPO candidates from competitors.

On the other hand, a few Hong Kong billionaires have already invested in SPACs in the U.S. Meanwhile, Singapore is going to have its first SPAC soon. This new investment vehicle has drawn capital away from Hong Kong and this trend will continue if we do not do anything about it. With appropriate regulatory protection, SPACs may help Hong Kong to maintain its competitiveness as a fundraising hub.

“If Hong Kong does not have SPACs, a potential IPO candidate for Hong Kong will be taken by other capital markets through SPACs. If it does, it can take IPO candidates from competitors.”



CASHLESS IS KING

Cashless payments are the future, says Jennifer Tan FCPA, Chief Executive Officer of AlipayHK. She tells **Jeremy Chan** how she helped bring the digital wallet service provider to Hong Kong, how her accounting background has been the bedrock of her continued success, and the satisfaction that comes with helping society through innovation

Photography by Calvin Sit

Jennifer Tan FCPA was looking forward to retiring. After over three decades in the workforce – and more than 20 of those years with CK Hutchison Holdings Limited, where she worked her way up to the role of chief operating officer – she almost called it a day.

But in the midst of negotiating a joint venture between CK Hutchison and Ant Group to offer their services through a new digital wallet provider, Tan was, to her surprise, invited to take the helm of the new business. “I came up with the strategy and proposed the business plan, so in the end I was told: ‘since you’re the one proposing, you should be the one delivering!’” remembers Tan, who then accepted the role of Chief Executive Officer of AlipayHK. “I thought I was going to retire – I didn’t think I was going to work at another company.”

In hindsight, Tan is grateful she didn’t. She took on the role in October 2017 and was tasked with bringing Alipay’s services to the city and building the company’s Hong Kong division from the ground up. This included hiring and training a team, partnering with merchants, and, above all, ensuring AlipayHK establishes a firm foothold in the city. “It’s our objective to be a leading wallet service provider in Hong Kong,” says Tan.

Building awareness

Over the years, Tan has worked with regulators and set out the company’s strategy and vision. “We have a stored value license which is regulated by the Hong Kong Monetary Authority (HKMA), so I’m in charge of risk management and compliance at the company,” she says. “Before we launch any new services, the regulator wants to ensure everything is safe end-to-end from a risk management perspective.”

Today, AlipayHK has over 2.7 million users in Hong Kong and has partnered with more than 100,000 merchants in the city. Alipay, the mobile and online payment giant under Alibaba Group, was founded in 2004, and has over 1.3 billion active users globally, with more than 900 million of those users in Mainland China.

With the city's mobile payment industry still relatively new in 2017, finding talent presented a challenge. "At the beginning, I was focused on building the team. We specifically needed people who specialized in business and product development, but those individuals were hard to find," she says. "So we decided to train new recruits. We recruited those who were passionate about fintech, energetic and also willing to invest their time in a fintech company. After we found this talent, we let them learn on the job."

Tan says her biggest challenge was ensuring the app and its service offerings appealed to the public. "Hong Kong is a modern city and an international financial centre, but paying with your phone is still quite new here," she says. "Though we have cashless payment options such as paying with Octopus cards or credits cards, QR codes only took off around 2017."

To address this, Tan worked on building public awareness about the company's app and QR code scanning. "The majority of smartphone users in Hong Kong didn't use or have an e-wallet, so it was about informing them," she says. "We ran marketing campaigns on Facebook and YouTube and on print to spread awareness. We had to incentivize people to use the app."

An ocean of opportunities

At the same time, Tan was focused on partnering with different merchants around the city. Fortunately, AlipayHK already had a head start in this area as a result of the joint venture. "CK Hutchison's size as a big conglomerate and well-established retail network helped us to penetrate the retail market rather quickly at the beginning," she says, adding how its network includes ParknShop, Watsons, FORTRESS and 3HK. "Our QR codes found their way to their stores, and customers could pay using Alipay. This gave us immediate exposure." Users

make payments by either having merchants scan their QR code or scanning the merchants' QR code, entering the amount, and confirming the payment on their smartphone. The user is then notified once the payment is complete with a transaction screen, which they can show the merchant or individual in charge as proof of payment.

Tan didn't want to rely on connections alone, and knew that there was a sizable and untapped chunk of the market to seize. "In Hong Kong, most people use their Octopus cards for micropayments and their credit cards for high-value transactions. Both options are focused on a specific market," she explains. "Around 40 percent of the retail market in Hong Kong still relies on cash. We want to capture this middle space – it is our blue ocean."

The company focused on rolling out their services to large chain stores, supermarkets, restaurants and convenience stores. This involved installing point of sale (POS) scanners or terminals for transactions to take place between merchants and customers. The initial challenge, Tan recalls, was getting the buy-in from merchants that only accepted cash, such as wet markets, local pharmacies and taxi drivers.

Her team identified one key pain point – most merchants, especially small and medium enterprises, were interested in the idea of accepting mobile payments, but were

dissuaded by having to invest money in implementing these systems and learning how to manually scan QR codes to perform transactions.

It was up to Tan and her team to inform and educate cash-reliant vendors that adopting AlipayHK's low-cost merchant QR code services would enhance convenience and hygiene, and that customers or passengers would be the ones scanning the QR codes to pay. "All

"Around 40 percent of the retail market in Hong Kong still relies on cash. We want to capture this middle space – it is our blue ocean."

that vendors need to do is have their QR code on display and customers can simply scan the code. This requires minimal investment on the merchant's side," she says. "It was about understanding our merchants' pain points and providing them with a solution that helps with their operations."

Creating benefits

Another challenge, Tan says, was integrating their services within Hong Kong's public transport system. This would involve setting up a separate terminal for mobile



AlipayHK is one of nine digital wallet providers available for use in Hong Kong. Residents can also choose from Wechat Pay HK, PayMe, Tap & Go, TNG Wallet, Octopus Wallet, Apple Pay, Google Pay and UnionPay Mobile QuickPass.



Jennifer Tan FCPA was appointed Chief Executive Officer of AlipayHK in October 2017 after developing the company's business strategy.

transactions on buses, minibuses, ferries and the MTR. "When we decided to introduce our services, we had to help the public transport service operators understand why and how another payment option would be beneficial, especially since the Octopus card has been in use for years," she says.

Tan and her team came up with EasyGo, a function within the app that lets users pay transport fares using their AlipayHK e-wallet. But Tan knew that they would need more features to win over potential users and public transport

service operators. The team made it possible, for example, for users to check minibus arrival times in real-time and even pay with the app despite having insufficient value. "It was about providing our customers with services on top of a payment option and enhancing the user experience," Tan elaborates. "Passengers can check when the next minibus is coming and route information as well. We gather all this info from minibus operators and provide this in our app." In the case of green minibuses, which has AlipayHK's POS system installed,

Tan made sure their EasyGo service would also benefit minibus operators in return. "Our terminals are all equipped with WiFi, which helps with the management of minibus fleet," she says. "So if a minibus is stuck in traffic or running late, the minibus operators can receive real-time information about traffic conditions. They could then deploy extra minibuses to ensure passengers are picked up on time."

Tan says the company has integrated its services within more than 500 buses and minibuses from operators including CityBus, KMB, New World Buses. In January, AlipayHK brought their services to the city's MTR system, allowing users to travel using EasyGo. The company aims to cover 70 percent of the city's transport system by the end of the year.

Beyond using the app to pay bills and fares, and transfer money locally, Tan wanted to make it possible for users to remit money overseas. She helped to establish a partnership between AlipayHK and GCash, a Philippines-based mobile wallet and payment platform owned by fintech company Mynt – also under Ant Group – to create a cross-border remittance service. The aim, Tan notes, was to address the long-existing inconvenience that domestic helpers in the city face when sending money back home. "In Hong Kong, there are thousands of domestic helpers, and all of them need to send money home at least once a month," she explains. Indeed, there are around 200,000 Filipino domestic helpers in Hong Kong as of September 2020, comprising almost half of all domestic helpers found in the city, according to a study by HLC Group. "They only have a day off every week and many of them use that day to find a remittance centre with the best foreign exchange rate, and even more time queuing up."

The remittance service, which AlipayHK launched in June 2018,

PROFILE

Jennifer Tan FCPA

uses blockchain technology and lets users in Hong Kong securely remit money over to the Philippines at low rates. “It’s the world’s first cross-border wallet-to-wallet remittance service, and a very important milestone for us,” Tan says, adding how the transfer only takes seconds. “By using blockchain, we don’t go through a middleman, so the transaction fees are very favourable. Users can transfer money anytime and anywhere, so you can imagine the benefits, say, if their family needs money for an emergency, or if a relative is in hospital.”

Tan says that though the mobile payment industry in Hong Kong has made headway within the last four years, there is still plenty of room for growth. She also understands that paying with cash may be a habit for many people, especially the middle aged and senior citizens, but believes the city’s largely tech-savvy residents and upcoming regulatory developments will spearhead the shift to a truly cashless city. “Hong Kong has a very high smartphone penetration rate, and with this popularity, we’ll be able to pick up the pace quite quickly,” she explains.

On 8 June, the HKMA announced its plans to study the practicability of introducing a digital currency or “e-Hong Kong dollar” as part of Fintech 2025, its fintech plan for the next four years. The plan hopes to promote the provision of fair and efficient financial services for the benefit of Hong Kong citizens and the economy. “We’re very interested in this and would like to participate in the study,” Tan says. “The HKMA also indicated that the digital currency would not only work at the wholesale level but also extend to the retail level. We think the digitalization

of currency will speed up as more and more countries are joining the trend.”

The city’s Consumption Voucher Scheme will also further promote e-wallet usage in the city. The scheme, which was announced by the Hong Kong government in June as a means to encourage spending by the public to boost the economy, was also launched this month and lets citizens choose from either AlipayHK, Tap & Go, Octopus and WeChat Pay to spend the allocated HK\$5,000.

Risk management mentality

Tan says she wouldn’t be the CEO she is today without her accounting background and the business acumen she has honed over the years. After graduating from The Hong Kong Polytechnic University

with a professional diploma in accounting, she began her career as a junior auditor at Arthur Andersen, where she worked for four years. “My time there taught me how to analyse risks,” she says. “Even now, as a CEO, I have an eye for internal controls. So when I talk to the team or when a senior talks to me, I first look at the risks and decide whether something is right or wrong; I have a ‘risk management mentality’ when it comes to growing a business. It’s in my blood.”

She also appreciated being able to audit clients from different industries, noting that it was valuable exposure as a fresh graduate. “My clients came from the banking, hospitality, manufacturing and fast-moving consumer goods industries. I learned a lot about these industries in a





Tan worked at Colgate-Palmolive Hong Kong Limited and then Kraft General Foods Asia before joining Hutchison Telecommunications Hong Kong Holdings Limited, where she stayed for more than 20 years.

short period of time.” Because of this, Tan encourages accounting graduates to start their careers at a firm. “It will provide them with the right training. If they ever decide to change industries down the line, they’ll have a better idea of which one to choose.”

Tan then took her accounting knowledge and made the jump into the commercial sector, joining Colgate-Palmolive Hong Kong Limited in 1989 and then Kraft General Foods Asia in 1993. The switch, she says, required a shift in perspective and taught her about the ins and outs of business. “You need to really understand the business. You’re no longer an outsider,” she explains. “You need to understand its vision, long-term targets, the key performance indicators of different departments, the market itself, and how its competitors are performing.”

In 1996, Tan joined Hutchison

Telecommunications Hong Kong Holdings Limited as a senior finance manager. As she remembers, it was her first big step into the tech sector, and one that would define her professional life for the next 25 years. “Working at Hutchison helped me to understand the importance of providing services through technology,” she says. “When I first joined, mobile phones were used for phone calls only – there was only 1G coverage at the time and people still used pagers.” Over the years, she was able to witness first-hand the roll-outs of 2G, 3G and 4G mobile coverage in the city. “It felt like I was working for a new company every three or four years because of these advancements,” adds Tan. “These rapid changes kept me on my toes for those 20 years – I had to keep learning.”

Tan became managing director of fixed line services in 2012, a role that, she says, taught her a key lesson. “I realized that regardless of how good technology is, if you don’t have the right applications or services to provide to users, it’s pointless. This role helped me to question the opportunities found through innovation,” she says.

Tan says this mindset and knowledge – coupled with her business experience and accounting background – has been vital in helping her to guide AlipayHK’s steady growth over the years. “In the business world, numbers are important and CPAs are sensitive to numbers – we have the skills to look at a financial statement and notice if something’s not right,” she says. “When I look at a statement, I can understand very quickly what’s happening behind the scenes, such as the key drivers of cost and revenue. If I want to manage a cost

or drive revenue, I’ll know which areas to work on.”

But passionate as she is about her role, Tan also stresses the importance of maintaining a work-life balance. “No matter how hard you work, have some time for yourself too. Know when to distance yourself from your work. You can’t work 24/7,” she says. To wind down, Tan enjoys reading, cooking, gardening and doing yoga on the weekends. She is also a keen painter and used to frequently travel to places such as Europe and

“I have a ‘risk management mentality’ when it comes to growing a business. It’s in my blood.”

Japan. “I’ve been doing Chinese ink painting since 2002, and also took lessons. I’m inspired by the beautiful scenery I see on my travels and try my best to paint what I see.”

With no plans to retire anytime soon, Tan is excited to continue growing AlipayHK. She is humbled to see how quickly the company has grown within the last four years, and says she owes it all to her hardworking team, who are just as keen to grow the company. “Sure, there were a lot of late nights at the beginning, but everyone is still very passionate, energetic and we all work closely together,” she says. “I make sure we are one team working towards one goal and vision.”





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by Ada Chung FCPA

The Barrister and Privacy Commissioner for Personal Data on why companies need to demonstrate their commitment to fostering a respectful culture of privacy



Implementing a Personal Data Privacy Management Programme to gain customers' trust

In the words of Jack Ma, “We collect data from selling things. Data is the most valuable asset of Alibaba.”

With the exponential growth of digitalization in the past decade, the collection and use of personal data has become of unprecedented importance for most businesses, and particularly those that provide online services and products. It is self-evident that the importance and priority that a company places on the handling of personal data privacy directly affects the confidence and trust that customers have in the company and, in turn, its competitive edge.

Against this background, my office, the Office of the Privacy Commissioner for Personal Data (PCPD), advocates that companies should develop their own Personal Data Privacy Management Programme (PMP) and appoint a data protection officer in order to institutionalize a proper system for the responsible use of personal data that is in compliance with the Personal Data (Privacy) Ordinance (the ordinance). A PMP can help companies gain trust from customers and other stakeholders. With trust garnered, companies will be rewarded with loyalty from their customers and business partners, which is all the more important in a fast-changing business environment.

Directors have a unique and pivotal role in implementing the PMP as an essential part of their companies' commitment to good corporate governance. Indeed, in the *Guide for Independent Non-Executive Directors*, newly published by the Hong Kong Institute of Directors, companies are encouraged to implement a PMP as one of the drivers for the adoption of environmental, social and governance management.

Benefits of implementing a PMP

With a PMP in place, companies can:

- Minimize the risks of incidents in relation to data security;
- Handle privacy breaches effectively with established procedures and protocol to minimize the damage arising;
- Manage collected personal data effectively;
- Ensure compliance with the ordinance;
- Demonstrate the companies' commitment to good corporate governance and building trust with customers and relevant stakeholders; and
- Enhance corporate reputation, competitive advantage and potential business opportunities.

What are the components of a PMP?

A PMP should consist of the following three sets of components at the minimum:

1. Organizational commitment
2. Programme controls (for example, personal data inventory, internal policies on personal data handling, etc.)

3. Ongoing assessment and revision (for example, development of an oversight and review plan)

Establishing organizational commitment is vital to a PMP

“Organizational commitment,” as a key component of a PMP, is of particular relevance and importance to directors, as directors are effectively the stewards for promoting the success and good governance of their companies. This is explained below.

To enhance accountability, a top-down approach is necessary for companies to demonstrate their commitment to fostering a respectful culture of privacy and determination to protect personal data privacy. It is recommended that directors work with the management to ensure that internal policies and procedures on the protection of personal data are followed.

The PCPD also recommends that companies appoint a data protection officer to oversee the companies' compliance with the ordinance and implementation of the PMP. For a large corporation, the data protection officer should be a senior executive, whereas for a small business, this can be the owner or manager.

Resources should be allocated to training and developing the data protection officer in the protection of personal data privacy.

Reporting mechanisms are indispensable for oversight by the company's board. In this regard, companies should establish internal reporting mechanisms, stating clearly the structure and procedures for reporting the overall compliance situation, the problems encountered, the complaints in relation to personal data privacy received and incidents of possible data breaches.

An effective reporting mechanism is imperative at times when the escalation of personal data issues is needed, such as when a major data breach takes place or a large number of complaints relating to data privacy are received.

Conclusion

With the ever-rising expectation of customers and stakeholders on the responsible use of personal data by companies, the protection of personal data privacy should no longer be seen and merely managed as a compliance issue. After all, doing the least to comply with the legal requirements is no longer the cure nor the global trend. The commitment of directors and management is paramount in building and maintaining a PMP so as to ensure that privacy is built in by design in initiatives, programmes or services, and data protection is practised throughout the company. Such a proactive approach can lead to a win-win outcome for companies, their customers as well as other stakeholders.

For examples and practical guidance on how to devise and implement a comprehensive PMP, please refer to the *Best Practice Guide on Privacy Management Programme* issued by the PCPD.

A VIEW FROM THE INSIDE

Helen Li FCPA, President of The Institute of Internal Auditors Hong Kong (IIA HK) and Group Chief Auditor at The Bank of East Asia Ltd. (BEA), is on a mission to change people's perception of internal auditors. "People used to think of internal auditors as being policemen, but we should be the trusted advisors to collaborate with management to help achieve organizational goals," she says.

She explains that with the world becoming increasingly complex and volatile, internal auditors must be much more proactive and agile to identify systemic issues with wider implications and emerging vulnerabilities. Internal audit (IA), she adds, should critically challenge the status quo and provide quality challenges, not just in hindsight, but with insight and even foresight. "As an independent function in an organization, IA is the outsider to all other internal functions. The value of IA is that fresh perspective with insider knowledge of the organization. It doesn't mean that internal auditors are better salespersons than frontliners or more familiar with systems than IT professionals. Even the most intelligent people have blind spots. While people are busy with their responsibilities, internal auditors look at the end-to-end process to see if anything is missing or doesn't make sense," she says. "It is also our job to educate key stakeholders and the public at large about what IA can do and how to use IA to provide more value."

Promoting internal audit

IIA HK is the local chapter of the global Institute of Internal Auditors (IIA), which has more than 200,000 members worldwide.

As President of The Institute of Internal Auditors Hong Kong, Helen Li FCPA is a passionate advocate for the internal audit profession, which aims to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. She talks to [Nicky Burr ridge](#) about how internal audit has evolved to provide more value, and how a career break changed her life

Photography by Calvin Sit



Li's role as President of IIA HK is a busy one. As Chairman of the Board of Governors, she oversees the organization's different committees. At the same time, she handles a lot of the administration work that keeps the organization running, as IIA HK is one of few chapters in Asia that has no staff, with daily operations primarily supported by volunteers.

Li also acts as the bridge between IIA HK and the global headquarters as well as its regional body, the Asian Confederation of Institutes of Internal Auditors (ACIIA), which has 17 affiliate members, including chapters in Mainland China, Japan, and Australia. Li has served on the ACIIA executive committee, and is currently a member of the IIA Global Nominating Committee.

"It was a great experience attending IIA regional and global meetings, speaking at conferences and forums and exchanging ideas with incredible volunteers across the globe. I remember calling for volunteers to organize IA conferences in Cambodia and Vietnam, places with no local IIA chapter. After witnessing how eager people in other parts of Asia were to learn, I started to be truly grateful for what I used to take for granted."

Her vision as President of IIA HK is to promote the internal audit profession, as well as good governance and practices of the local IA community, she says.

IIA HK currently has over 900 members, although Li adds there are many more internal audit practitioners working in Hong Kong. "We'd like to attract people to join IIA HK by providing value to members. We are trying to serve as a platform for experience and knowledge sharing to promote better practices, as well as for networking," she says.

Li considers the biggest challenge of her role to be achieving her vision for the organization with limited resources. She overcomes this by leveraging on the resources

of the IIA's regional and global organizations where she can. Li adds that she is most grateful to all the IIA HK governors and other volunteers, as well as strategic partners like the Hong Kong Institute of CPAs for their help to promote the IA profession, Certified Internal Auditor certification and better practices.

She is trying to recruit more volunteers as the IIA HK continues to expand its service offering locally. "When I first joined IIA HK, there were only three dedicated committees. Now we have six and this will increase to seven next

year, thanks to all our wonderful volunteers."

Learning to survive

With digital transformation reshaping businesses and every aspect of our lives, continuous learning is essential for internal auditors to stay relevant in this disruptive landscape.

Li says a key aim of IIA HK is to promote a learning and improvement culture among the IA community. "During the pandemic, we offered free webinars to support members. We also leverage on the global and Asian network to



Helen Li FCPA acts as the bridge between The Institute of Internal Auditors Hong Kong and the global headquarters as well as the Asian Confederation of Institutes of Internal Auditors.

offer live-streaming and playback webinars from other IIA affiliates. It has been well received by our members.” IIA HK has also been collaborating with the Institute to promote the IA profession and better practices, such as its recent Joint Webinars – Internal Audit Series.

Li places a strong emphasis on the need for internal auditors to make the most out of new technology. “Embracing technology and big data is not optional. Harnessing technology is not just about enhancing efficiency, it is really for survival to meet increasing customer and employer expectations and remain competitive in the fast-changing environment.”

She points out that internal auditors need to understand how organizations are using technology – as well as the associated risks – so that they know how to audit relevant systems and processes.

Li supplements that the extent of using technologies varies among industries, giving the example of deploying blockchain, artificial intelligence (AI) and machine learning in the insurance claims process. She adds that internal auditors must understand these new technologies and their implementation in business operations before they can effectively audit them. Li also emphasizes that cyber threats are growing in volume and sophistication. “Cyber risk is on the board agenda for all companies,” she says. “IA should evaluate the effectiveness of a company’s cyber resilience governance, management and processes covering not only risk identification, prevention and detection, but also responses and recovery from cyber incidents. As this area is highly technical and fast evolving, using external expertise is necessary, such as static penetration tests and dynamic ethical hacking.”

At the same time, Li says internal auditors must harness technology to assist them in their own work to enhance audit efficiency and

effectiveness. “Traditionally, accountants and auditors talk about sampling, but if you sample 100 transactions, it may still be a very small percentage of the total. Now, you can harness big data to provide insight from analysing the entire population instead of a tiny slice from traditional audit samples.”

To help its members get up to speed, IIA HK’s webinars and annual conference cover new technologies, such as AI and big data. Li had to make sense of these technologies herself. “I do not come from a tech background, but started to learn more about it a few years ago. At first, I had to Google a lot to follow what the speaker presented at most conferences I went to. But after some time, I started to understand it. So when people sigh that it’s too hard to learn technologies, I would say: ‘if a middle-aged working mum with kids can do it, so can you.’”

Adding value

To add value to business, internal auditors must audit smartly, Li says. “Due to its unique positioning, IA has the authority to audit anything in a company, but even a sizeable IA function represents merely 1 percent of the total workforce. Therefore, it’s critical for IA to have the right focus, instead of trying to audit everything in an organization. Leading IA functions embrace technologies and change as businesses do.

“Apart from hard controls such as processes and systems, modern IA functions place more focus on assessing soft controls such as culture and ethics, which are much harder to audit.”

Senior IA executives participate in management meetings to stay on top of the latest developments and adjust the audit approach and focus in a timely way when necessary. With access to many data points in the organization, IA can and should connect the dots to present the bigger picture.”

Li adds that internal auditors need the business acumen and courage to advise what stakeholders need to know, including the ugly truth. “Apart from hard controls such as processes and systems, modern IA functions place more focus on assessing soft controls such as culture and ethics, which are much harder to audit. Internal auditors should add value to companies by focusing on what really matters to the board and C-suites, such as strategic risk management. At the very least, they can look at the strategic risk management framework to ensure a good governance process is in place.”

She adds that internal auditors can also add value by acting as a sounding board on the internal controls and risk management matters. For example, IA can play an active role in promoting good governance and risk culture, such as through sharing common lessons learned and better control practices.

Li thinks internal auditors can also play a role in helping companies with their environmental, social and governance (ESG) strategies, for example on the assurance side, in terms of assessing the control mechanisms in place on data quality for ESG reporting. “Internal auditors can also be involved on the advisory side, such as helping companies identify the steps they need to take to move into the next ESG rating agency tier,” she says.

She adds that internal auditors must stay on top of industry trends, emerging risk areas and the latest professional developments to continuously upskill themselves to stay relevant and to critically challenge the status quo in an organization, including their own



The Institute has been collaborating with The Institute of Internal Auditors Hong Kong for their members to take the CIA Challenge Exam, a fast-track route to gain the Certified Internal Auditor designation. “This accelerated version of the CIA exam is an excellent opportunity to show a CPA’s achievement and expertise in the internal audit field,” says Helen Li FCPA. The exam is open for applications until 30 September. Find out more information on the Institute’s website.

thinking and way of doing things to really add value.

From finance to internal audit

Li never planned to have a career in auditing. While studying business at the Chinese University of Hong Kong (CUHK), she found her first accounting course very useful, as she was helping to close down her family business, which could not afford an accountant. Li later requested a transfer to major in professional accountancy. “I was rejected because my grade point average was too low, so I sat in the CUHK professional accountancy courses and took the Institute’s Joint Examination Scheme (JES), offered in partnership with the Association of Chartered Certified Accountants at the time, during the summer holidays.”

In the year Li graduated, she completed the JES, which helped her land an external audit position at KPMG two years later. “I was truly fortunate as KPMG gave me a lot of opportunities in different services including financial audit, technical accounting advisory, mergers and acquisitions etc. For example, after the Asian Financial Crisis, I spent months on financial due diligences in South Korea and Thailand. I participated in the initial public offerings and consulting projects for many large Chinese entities after my secondment in London,” she recalls. “My last position at KPMG was consulting partner offering risk governance and compliance management services, including IA co-sourcing work, as well as external quality assurance on the IA function.”

But when Li’s second child was about one year old, she decided to take a career break. “I was struggling with how to strike a work-life balance. I felt that I was not a good enough professional and not a good enough mother. I thought that a one to two year career break would help me think through the next move for a proper balance. I was so happy for the first

month with no work then got so bored, feeling life wasn’t balanced,” she remembers.


When Bank of China (Hong Kong) (BOCHK) approached her months into her career break, Li started her IA practitioner career, first to implement recommendations for BOCHK’s audit function she made while she was a KPMG consultant. She stayed at BOCHK for two years, before moving to join BEA as Group Chief Auditor, overseeing around 100 internal auditors based in Hong Kong, Mainland China and overseas. Li feels particularly grateful to BEA, which gives her the freedom to transform the group audit function and is supportive of her work, including volunteering at the IIA.

Regarding the differences between internal audit and external audit, Li comments that IA’s assurance role focuses on the control mechanism covering all risks facing an organization, while external audit assesses the truth and fairness of financial statements, mostly focusing on the end results and financial risk.

Work-life balancing act

Li first got involved with the IIA HK as a speaker at its annual conference 10 years ago. “After I left KPMG, I had a lot more time, so I thought I should do something to serve my profession. I thought I would be helping others but I was wrong, I was the one who benefited.” Li then started chairing the committees before being invited to join the IIA HK board and the ACIIA executive committee.

“Because of the IIA work, I have met with many leading practitioners and consultants across the world. This has helped me to continue to learn and improve on both professional and personal fronts,” she says. “I have learned more about leadership from my volunteer work than from my day job, for example how to manage industry leaders you’ve barely met and motivate staff not on your payroll. It inspired me to rethink what leadership



“I thought I should do something to serve my profession. I thought I would be helping others but I was wrong, I was the one who benefited.”



Li, who previously worked at KPMG, is also Group Chief Auditor at The Bank of East Asia Ltd., overseeing the bank's internal auditors based in Hong Kong, the Mainland and overseas.

means. A lot of volunteers are very capable, passionate and selfless; they are just trying to give back to the community. Working with them is a great pleasure and some have become lifelong friends," she adds.

She remembers doing IIA work on her iPad at weekends while her children were playing at the museum or theme park. "To be honest it's a lot of work, but it didn't feel like working because I really enjoyed it. I used to think in terms of a work-life balance, but now I have realized it is more about having work-life integration, which requires more discipline about having me time and family time," she says.

When she is not working, Li enjoys sports and family time. She used to be a keen dancer, taking part in amateur Latin dancing competitions, but she had to give up due to injuries. "I was training like crazy and developed problems as a result. It was hard quitting dancing, but it also gave me more time to be with family which was lovely."

A promising future

In terms of personality attributes for internal auditors, she says they should be curious, persevering, and have strong critical thinking and communication skills. She adds that the qualities of a good internal

auditor are not much different from other professionals.

Li points out that IA can be a very promising career, as successful internal auditors often go on to become chief financial officers, chief operating officers and even chief executive officers. "Many leading organizations use the IA function as the training ground for future leaders. IA is probably the only function that gives you the breadth to see an organization holistically and the option to dive deep into any business process. It gives you a very good gateway if you want to move into another function," she says.

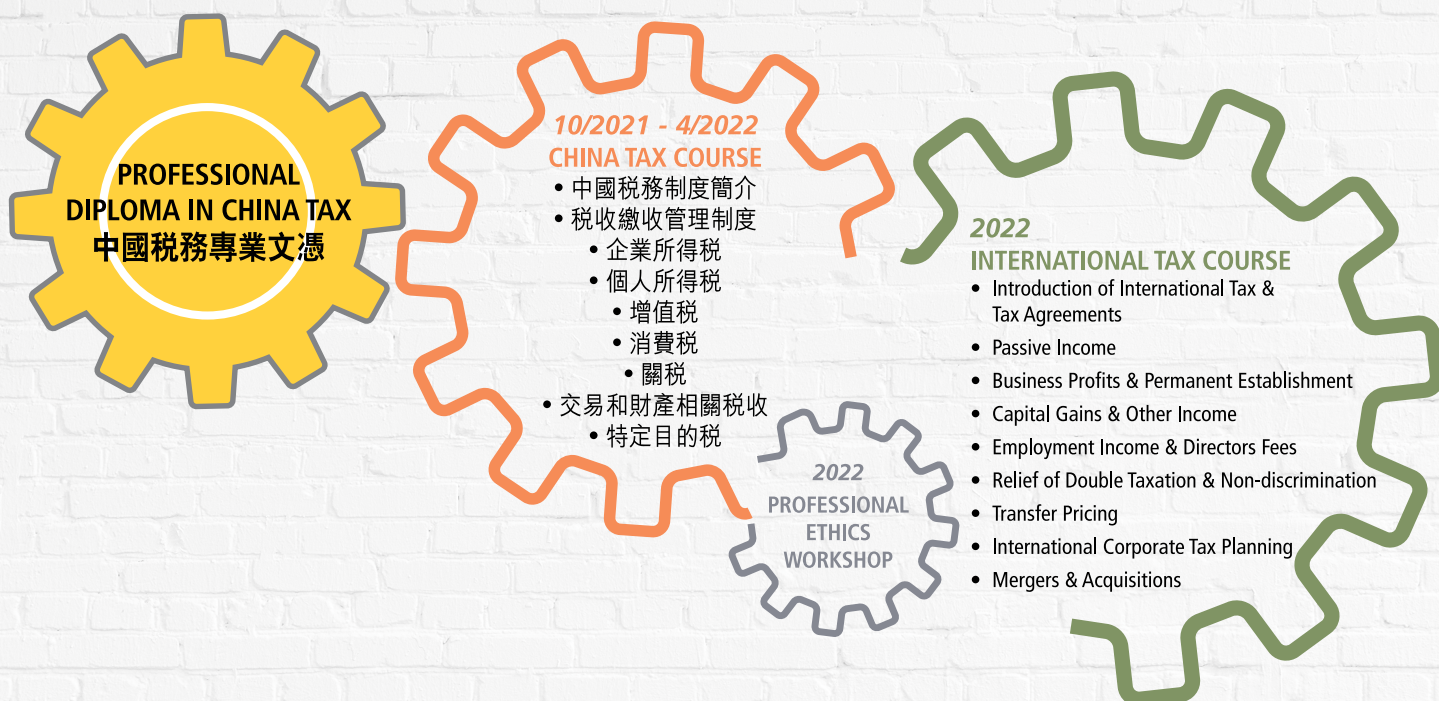




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The report this month from the United Nations' Intergovernmental Panel on Climate Change delivered stark warnings on global warming. The Chair of the IFAC Professional Accountants in Business Advisory Group writes on how CFOs can steer companies towards decarbonization

How to empower CFOs to drive climate action

The mainstreaming of climate as a systemic risk with potentially enormous financial consequences has led to investors scrutinizing climate risks. The result is that companies will increasingly position climate and sustainability under the chief financial officer's oversight. For CFOs, there are four key areas of focus to be able to oversee the climate response in their organization:

1. Know your emissions

Emissions arise from all aspects of an organization's business model. Both absolute emissions reduction and carbon intensity provide a benchmark for targeted actions for decarbonization. Assumptions about emissions affect accounting estimates and asset values.

Establishing a reliable carbon footprint for an organization, or for a product, can be a complex task but is critical. A carbon footprint (or greenhouse gas (GHG) emissions inventory) measures the energy consumption of an organization's activities and the GHG emissions associated with the business model. A huge challenge for companies and investors is understanding the absolute emissions arising from its business model including across its value chain (i.e. beyond its direct emissions and electricity indirect emissions).

Setting key performance indicators (KPIs) that improve performance and linking these to incentives is also critical. For example, an airline might be reducing its emissions per passenger mile travelled, but its overall emissions might be increasing because of increased number of passengers. CFOs need to ensure that GHG management plans are in place so they can prioritize carbon reduction projects, quantify them, and place numbers on cost savings, carbon savings, and implementation costs.

2. Integrate climate information into strategy and risk management

Incorporating climate risks and opportunities in strategy and risk analysis is the foundation for decision-making that leads to decarbonization.

A comprehensive understanding of climate risk assessments and scenario modelling supports robust analysis of risks and opportunities in relation to different transition pathways. Scenario analysis is a critical element in bridging strategy and risk management and provides useful insights into how resilient strategies and business models are in the context of physical and transition climate risks.

Risk assessments help to quantify climate impacts and their potential financial impact in relation to revenues, expenditures, assets and liabilities under various climate scenarios. The adaptive capacity of the business model in different scenarios is highlighted by the extent to which weather events and increasing carbon costs impact expected cash flows and asset valuations. In turn, information on climate risks needs to be embedded in strategic decision-making processes such as capital investment.

3. Understand your decarbonization options

Decarbonizing a business requires knowledge of climate financing and new ways of doing business.

In terms of business models, it is important to be familiar with various options for permanent carbon reduction and removal, and their associated cost and benefits. Investments in low-carbon and novel solutions can often appear economically unviable because of high up-front capital costs, so measuring economic returns and other potential benefits over a longer period becomes important. Investments in research and development and innovation can be directed at enabling greater resource and energy efficiency, migration to circular business models, avoiding the use or production of virgin materials (e.g. using bio-based raw materials like mycelium leather), and the diversification into other energy forms.

Climate finance is the key to unlocking resource mobilization and capex decisions to finance low-carbon investments and products such as electric fleets or renewable energy generation. Mobilizing equity or debt finance to support new technologies and processes is usually critical to changing business models and supply chains.

4. Tell the story

Communicating how a company is becoming compatible with a net-zero economy is going to be part of a CFO's conversation with boards, investors and other key stakeholders. This involves being able to explain the business risk and opportunities from emissions, targets and KPIs being used to track progress, where capital investment is prioritized to support the transition of the business model, and the financial impact of climate change.

The current valuation challenge exists because companies are generally not incorporating material climate-related matters in financial reporting under existing financial reporting standards. As the transition risk escalates with new taxes and regulations and changing consumer behaviour, climate change will likely have a material effect on financial performance and position, particularly for high emissions industry sectors. The CFO is the person to explain how the strategy and risk management on climate change relates to the accounting estimates and judgements used in the preparation of financial statements and reports.

For climate to move beyond a marketing exercise to one that provides the information that boards and investors need to enable economies to decarbonize, CFOs need to be part of the equation and be empowered by their chief executive officers.

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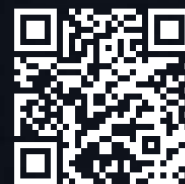
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Navigating the twists and turns of a company spin-off

What to expect from an e-Series course on executing successful corporate spin-offs



Jeremy Lau FCPA is a Managing Director of Grande Capital Limited and a sponsor principal approved by Securities and Futures Commission. He has 15 years of experience in corporate finance, audit and advisory. Lau has served as a responsible officer in a couple of sponsor firms, and actively participated in numerous mergers and acquisitions, initial public offerings and spin-off projects in various industries such as consumables, technology products, media, securities, property management and construction.

Every business goes through different phases in its life cycle: launch, growth, maturity, and eventually, decline. In order to extend its growth phase, an enterprise needs to constantly expand and explore new areas, otherwise it will eventually be driven out of the market by competition. The saying “to stand still is to fall behind” not only applies to personal development, but is also the motto of many successful enterprises.

Companies maintain their business expansion through a series of mergers and acquisitions (M&As), disposals and spin-offs. Enterprises may expand vertically to develop their business scope in the value chain, or horizontally into new markets or business sectors through M&As, which may come in the form of a share investment, an asset acquisition, a business acquisition, or a reverse takeover. When the newly acquired business further develops in terms of scale and market share and then matures, its management may consider listing it separately on a stock exchange in the form of an initial public offering (IPO). This will help the company find independent external financing, delineate business areas and release shareholders’ value, and therefore promote sustainable development. It is also important for enterprises to divest any old business and focus its resources on new areas with better potential to maintain momentum.

This is indeed the success formula for many enterprises to grow, expand their reach and create new value for shareholders. A well-planned spin-off allows a company to raise capital for an expanding business and provide an exit of any non-core business, enabling the parent company to focus its resources on other opportunities and seek further growth in future. The company being spun-off will also have direct access to the capital market, diversify its financing sources and reduce reliance on the parent company. It will also increase the accountability of the independent management team and incentivize them by introducing a share incentive scheme.

Hong Kong is renowned for being an active and sophisticated hub for M&A and IPO activities. M&A activity involving Hong Kong companies saw the strongest first half in four years, as deal-making picked up amid the economic recovery in Hong Kong and Mainland China. Seven hundred and thirteen deals worth a combined US\$55.4 billion were announced in the first half of 2021. In 2020, there were 18 successful spin-offs, including nine Hong Kong-listed companies spinning-off new

businesses in Hong Kong and nine others spinning-off new businesses in other markets such as in Mainland China, the United States, Thailand, India and Norway.

But bear in mind that it takes years to formulate and carry out a successful M&A or spin-off. It often involves carefully selecting investment targets, consolidating and segregating businesses, restructuring the group and organization structure, and rationalizing business transactions in order to fulfil relevant M&A and spin-off requirements. There are also various regulatory constraints under the Hong Kong Stock Exchange’s Listing Rules and the Securities and Futures Commission’s Takeovers Code for listed companies to take note of. There are different classifications of acquisitions under the Listing Rules, and various ways of executing an acquisition and relevant requirements to be considered in planning and structuring an M&A. One must therefore take a holistic approach in planning a future M&A or IPO.

Financial centres exist to nurture new business and to help them prosper. They raise funds and financial resources for business expansion, provide platforms for business cooperation and acquisition, and offer professionals the help needed to formulate and execute corporate actions. Thanks to Hong Kong’s well established financial infrastructure and regulatory framework, a clear mission, careful planning and assistance from suitable advisors, enterprises can go up the upward spiral of sustainable growth through M&As and spin-offs.

About the e-Series course

To help accountants, entrepreneurs and professionals understand the dynamics of M&As and spin-offs, I have conducted an e-Series course “Understanding Spin-off for Accountants and Market Practitioners” specially designed for business leaders, financial controllers of listed companies and market practitioners involved in various M&A or spin-off activities. The course explains the basic frameworks governing M&As and spin-offs of a listed company, as well as the risks, requirements and merits of typical M&A and spin-off structures. I also share some practical tips on how to determine a suitable business for spin-off and segregate it in the early planning stage, how to plan and execute the spin-off, and how to achieve its business objectives within regulatory frameworks. Finally, I share real-life examples of some unique or landmark cases, which illustrate key areas that participants should consider when planning their potential spin-off transactions.

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A step towards international sustainability standards

The Institute responds to the IFRS Foundation's proposed new board

In April, the International Financial Reporting Standards (IFRS) Foundation published two documents related to the creation of a new sustainability standards board. The first was a feedback statement on its September 2020 *Consultation Paper on Sustainability Reporting*, which the Institute had responded to in a comment letter available on our website.

Feedback to the consultation paper indicated that there is broad support and demand to work towards creating a new international sustainability standards board. The Trustees of the IFRS Foundation have decided on their strategic direction for sustainability reporting, which includes: (i) a focus on enterprise value for investors; (ii) initially prioritizing climate-related reporting; (iii) building on existing frameworks; and (iv) leveraging a building blocks approach that will provide flexibility for integrating with other sustainability reporting requirements.

The second document was the Exposure Draft (ED) *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards*. The ED addresses due process and governance issues and paves the way for the creation of a new sustainability standards board. The ED proposes:

- Expanding the IFRS Foundation's remit to allow it to create a new board that will set IFRS sustainability standards;
- The structure of a new board – an International Sustainability Standards Board (ISSB) under the IFRS Foundation's governance structure to set IFRS sustainability standards; and
- Making consequential amendments to the IFRS Foundation's governance charter.

The Institute responded to the ED in July after a local public comment period. This article provides a high-level summary of our response. Readers may refer to the Institute's full comment letter on our website.

The Institute broadly agrees the proposed governance structure will provide adequate oversight of the ISSB, and considers that the amendments are proportionate to the Trustees' strategic direction. The Institute's response,

summarized below, helps contribute to enhancing Hong Kong's position as a leader in sustainability and support the future development of the ISSB if and when it is set up.

Expanding the IFRS Foundation's remit to create a sustainability standards board

We think the IFRS Foundation offers a robust governance structure with requisite processes, experience and relationships to support a new board, and recommended that the IFRS Foundation continue with its intention to leverage on the expertise of existing initiatives.

The scope of sustainability reporting can be wide and involve a large range of stakeholders. We recommended the Trustees consider key terms such as "sustainability," "multi-stakeholder sustainability reporting" and "other users" to best clarify the objectives and scope of the ISSB, and avoid confusion among stakeholders. We also noted the importance of considering the interdependency between enterprise value-focused sustainability reporting and broader multi-stakeholder sustainability reporting, and the ability for entities to leverage on the same information for both types of reporting.

We further commented on a number of areas including on governance objectives needed to achieve full and fair consultation (e.g. to make the threshold for voting on major publications congruent with that of the International Accounting Standards Board (IASB)), the processes surrounding the ISSB's initial work plan and proposed temporary exception to standard due process, and certain drafting issues.

Naming of the new board and its sustainability standards

We noted that the ED proposes to retain the IFRS Foundation's current name, and have two boards setting IFRS standards – "IFRS sustainability standards" by the ISSB, and "IFRS accounting standards" by the IASB. While we considered that these names describe the relevant functions of the boards, we suggested the IASB to consider various issues, e.g. will existing IFRSs need to be renamed to avoid confusion with the new IFRS sustainability standards? What

abbreviations does the IFRS Foundation expect will develop in practice? We also recommended that the IFRS Foundation take care to be clear in its communications and labelling so as to avoid engendering misperceptions and confusion among stakeholders who view sustainability matters more broadly.

Other amendments to the IFRS Foundation's governance

We agreed with the proposed amendment to stipulate that the Executive Director of the IFRS Foundation should be appointed by the Trustees after consultation with the chairs of the IASB and ISSB. We also suggested clarification to be made as to the staffing authority of the IASB and ISSB chairs.

We further suggested that as the two boards will work in parallel with each other, there will be interaction among them and hence there should be a due process in place to enable each board to leverage off the other's expertise. Consideration should further be given to the scope and how overlapping issues will be resolved, and what interim measures will be in place to handle interpretation issues prior to the existence of an interpretations committee for sustainability standards.

IFRS Foundation's next steps

The Trustees are currently planning to make a final decision about whether to create the new board at the November 2021 United Nations Climate Change Conference. In addition, the IFRS Foundation:

- Is currently seeking nominations for the Chair and Vice-Chair of the proposed ISSB.
- Has established an Eminent Persons Group to provide strategic advice to the Trustees.
- Has joined the International Platform on Sustainable Finance as an observer.
- Has created two working groups (Technical Readiness Working Group and Multilateral Working Group) to provide advice on the proposed ISSB.

*This article was contributed by **Tiernan Ketchum**, Deputy Director, **Norman Chan FCPA (practising)**, Associate Director and **Anthony Wong CPA**, Associate Director, of the Institute's Standard Setting Department*

The future of tax management: data driven or tax control governance driven?

A look at the OECD's recent publication on digital tax administration and the steps organizations can take to prepare themselves

In recent years, we have observed that tax authorities are all going through journeys of digitalization, each with their own approach. In Hong Kong, the Inland Revenue Department (IRD) is also focused on e-filing, with the IRD strengthening its infrastructure, including plans to build tax portals by 2025 including a Tax Representative Portal. These portals will enable the submission of financial statements and tax computations. Like other tax authorities, the goal is to improve the efficiency and the volume of digital information collected, streamlining tax administration and compliance through the use of automation and data analytics.

Globally, the Organization for Economic Cooperation and Development (OECD) has shared its vision on the future tax administration in its recent publication *Tax Administration 3.0: The Digital Transformation of Tax Administration* (TA 3.0) focused on bringing digital tax administration to the next stage. In parallel, the OECD continues to promote cooperative compliance programme initiatives, which promote trust and mutual transparency between tax authorities and taxpayers and hence achieving compliance by design.

What does tax administration of the future look like?

In TA 3.0, the OECD highlights a few key trends. Tax authorities are moving away from both electronic and paper forms. Tax administration is relying more on data, especially transactional data, for tax compliance and administration.

Furthermore, tax authorities of the future will look to build interoperable ecosystems with key players (e.g. banks, welfare agencies, international agencies, retail, citizen data, etc.). It enables data exchanges across multiple parties and hence reduces the compliance costs from both taxpayers and tax authorities and enhance data accuracy. An example

of which is the Inland Revenue Authority of Singapore. They have introduced the "No-filing services." That is, taxpayers falling under certain criteria are exempted from filing an income tax return. This is a government joint effort. The tax authority will leverage the data they have access to (e.g. tax-deductible donations, central provident fund, etc.) prepare the assessment to the taxpayers directly.

One of the major themes in the OECD's model for the tax administration of the future is that "adapting taxation processes to fit in the taxpayers' natural systems will facilitate compliance by design and 'tax just happening.'" By doing so, tax authorities will be able to collect real-time transactional data from taxpayers' business systems, which enable tax to happen closer to when the transaction is made. Coupled with advanced data analytics, tax authorities will be able to validate the data and collect tax when business happens. This can potentially reduce tax administration costs on both sides.

The Australian Taxation Office (ATO) has pioneered in this space with its Single Touch Payroll (STP). With STP, organizations can report employees' payroll information including salaries and wages paid, taxes withheld and pension contributions to the ATO when they pay the employees through STP-enabled software. This can reduce the administrative burden in preparing annual reporting e.g. summary report or employee payment summaries.

Continuing development of the cooperative compliance programme initiatives

Although tax authorities are collecting more digital data and running data analytics to detect anomalies, tax authorities are also relying on a tax control framework to assure the reliability of the internal governance process, rather than checking every individual transaction. In recent years, we have noticed that tax authorities

are requiring or recommending tax technology and data governance to be part of an organization's tax control framework especially with a focus on data accuracy and completeness. For example, whether an organization establishes information technology control policy is considered by Germany, Italy, Netherlands, Poland, and others. Moreover, tax authorities are beginning to consider controls over tax calculation accuracy and how to ensure transactions are properly accounted for in the business systems.

Some tax authorities are even looking for access to data as part of the cooperative compliance programme. In Russia, the tax authority has launched its cooperative compliance framework since 2016. The key building block of this cooperative compliance framework is granting the tax authority with remote access to the taxpayers' accounting and tax reporting systems as part of ongoing due diligence and monitoring.

Developments in Hong Kong

Although Hong Kong does not currently have extensive digital reporting requirements, the IRD is expected to catch up and be able to play its role to support global transparency. With the increasing demand for global transparency, tax authorities are under the pressure to collect digital data for fulfilling their obligation as international players especially for exchange of information. With Base Erosion and Profit Shifting (BEPS) 2.0 initiatives, it is expected that the IRD will also take this opportunity to impose additional digital reporting requirements.

How should organizations get ready for future tax administration and global transparency?

In this new world of transparency and digital tax administration, organizations



need to get their data on hand and ready for compliance and tax authorities' scrutiny. The ongoing BEPS 2.0 project, for example, aims to provide new taxing rights to jurisdictions over organizations with market but no physical presence, and ensure organizations are subject to a global minimum tax rate. Organizations that wish to evaluate and substantiate if they are subject to any tax adjustment under BEPS 2.0 are likely to face challenges to collect extensive data for analysis. The starting point is usually to group generally accepted accounting principles financial data, related party transaction details, tax losses, tax credits, tax payable, etc. Most of these data are already available within organizations' enterprise systems, the main one being enterprise resource planning (ERP).

Leveraging natural systems and enterprise systems is key to ensure data readiness and accuracy at source systems. With the use of enterprise performance management (EPM) systems, data from different legacy systems can be consolidated into a single tax data source globally. The tax data can then be used for various purposes including tax reporting, tax compliance, country-by-country reporting, BEPS 2.0 compliance, and monitoring. Leveraging "a single source of truth" for various reporting could ensure data accuracy and consistency. Upon a tax audit, data could easily be collated and provided to the tax authority.

From the organizations' point of view, the approach of leveraging enterprise systems makes good commercial sense – with no need for additional tax software, minimized reconciliations, user familiarity and above all, a great foundation for value-added management reporting and analysis.

How to implement and operationalize the cooperative compliance framework initiatives

Other than leveraging enterprise systems

for accurate data, enterprise systems can connect the key components of a cooperative compliance framework, including process, workflow, people, data and document in one single location.

In general, tax authorities are taking a holistic view on a cooperative compliance framework which covers tax control strategy, internal control policy, risk appetites of management and technology. For instance, tax authorities may request the group tax strategies covering all tax types, board involvement, group legal structure, internal control reports summarizing the process for tracking and reviewing tax risks and the risk matrix, etc. A recommended approach to a cooperative compliance framework is a top-down approach with a clearly defined risk control and monitoring matrix and documentation underpinned by enterprise systems.

Many organizations already have workflow and document management technologies in place which could be used to enable control frameworks. Workflow or process management functionality is embedded in core financial systems which enable financial processes such as ERP or in other enterprise tools like Microsoft SharePoint, ServiceNow, Pega, etc.

The Federal Tax Service of Russia is a good example of operationalization. They use a maturity assessment model to evaluate an internal control system under tax monitoring comprising five key components including control environment, identification and assessment of risks, control procedures, information system, and monitoring and evaluation of effectiveness. During an audit, documentation is required to be provided to substantiate the control effectiveness (e.g. register of risk identified for tax monitoring, register of taxpayer's control procedures performed for tax monitoring, analysis report on the control procedures performed, etc.). Furthermore, a key highlight of tax monitoring is granting of the remote access to the accounting and

tax reporting systems through application programming interfaces to the tax authority. We expect to see this more and more, so organizations need to get their governance and data ready as part of good tax governance and tax risk management.

Conclusion

In conclusion, modern technology has significantly enhanced our ability to manage and process very large data sets. So, it may soon be possible to automate the accuracy of accounting records and production of regulatory compliance. Tax administrations are collecting more digital data than ever. Hence, it is expected that future tax administrations will lean more towards data that is backed by a governance framework. Then tax administration and taxpayers can focus on the principled areas of the application of complex law to complex facts to arrive at the correct tax treatment.

Here in Hong Kong, the IRD is also embarking on the journey towards digital tax administration. Organizations should start to assess their data readiness and accuracy for digital reporting obligations, and on the other hand, ensure their tax controls are in place and effective for monitoring tax risks and future scrutiny by tax authorities. This journey can start with leveraging the enterprise systems as a tax data warehouse and building up a single source of truth for tax reporting, overlaid with a tax governance and monitoring platform on top for risk management. Start with a current state and gap analysis that will naturally identify a transformation road map and business case for building an intelligent tax function.

*This article was contributed by **Albert Lee**, Asia Pacific Tax Technology and Transformation Leader, and **Agnes Fok CPA**, Director, Tax Technology and Transformation at EY Hong Kong.*

TECHNICAL NEWS

The latest standards and technical developments

Members' handbook

Update no. 264 relates to:

- Consequential amendments arising from the following standards, which were previously set out in the appendices to the respective standards but are now incorporated into the text and basis for conclusions.
 - *Interest Rate Benchmark Reform – Phase 2: Amendments to Hong Kong Accounting Standard (HKAS) 39 Financial Instruments: Recognition and Measurement, Hong Kong Financial Reporting Standard (HKFRS) 4 Insurance Contracts, HKFRS 7 Financial Instruments: Disclosures, HKFRS 9 Financial Instruments and HKFRS 16 Leases.*
 - *COVID-19-related rent concessions beyond 30 June 2021: Amendment to HKFRS 16 Leases.*
- *The Preface to Hong Kong Financial Reporting Standards* is updated for the issuance of invitations to comment on International Financial Reporting Standards (IFRS) Interpretations Committee tentative agenda decisions.
- HKAS 36 *Impairment of Assets* is updated for editorial corrections.

Financial reporting

Invitation to comment

The Institute is seeking comments on the International Accounting Standards Board (IASB) Exposure Draft ED/2021/7 *Subsidiaries without Public Accountability: Disclosures* by 17 December.

Institute submission

The Institute has submitted comment letters on:

- IASB Discussion Paper DP/2020/2 *Business Combinations under Common Control*.
- IASB Exposure Draft ED/2021/1 *Regulatory Assets and Regulatory Liabilities*.

Recording of the IASB webinar on Exposure Draft Management Commentary

A recording is now available for a webinar held by the IASB on Exposure Draft ED/2021/6 *Management Commentary*,

which sets out a proposed comprehensive framework for companies preparing management commentary in response to investors and creditors' changing information needs and developments in narrative reporting. Members can submit comments on the exposure draft to the Institute by 8 October.

Recording of the IASB second webinar on BCUCC discussion paper

A recording is now available of the IASB second webinar on the Discussion Paper DP/2020/2 *Business Combinations under Common Control* (BCUCC), which discussed feedback the IASB received in the initial outreach activities and addressed some of the frequently asked questions from stakeholders.

July IASB and joint IASB-FASB update and podcast

The *July IASB and joint IASB-FASB Update*, highlighting the tentative decisions reached at the IASB monthly meeting and discussions from the joint meeting with the Financial Accounting Standards Board (FASB), and the July podcast, focusing on the IASB discussions at its monthly meeting, are now available.

July IFRS Interpretations Committee podcast

The July IFRS Interpretations Committee podcast, highlighting the committee's key activities at its July meeting, is now available.

Auditing and assurance

IAASB proposes new standard for the audits of LCEs

Less complex entities (LCEs) are important constituents of economies worldwide, and account for the great majority of entities. At the same time, increasingly complex structures and transactions need to be addressed in the International Standards on Auditing (ISAs). As complexity in the ISAs can pose challenges for audits of LCEs, the International Auditing and Assurance Standards Board (IAASB) has developed a draft standard that is proportionate to

the typical nature and circumstance of an LCE audit.

The Institute is seeking comments on the IAASB Exposure Draft *Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)* by 31 December. To facilitate responses, the IAASB has prepared an optional response template.

Learn more about the proposed standard by reading the overview article from the International Federation of Accountants (IFAC) and the IAASB webpage.

Auditing and Assurance Technical Bulletins

The Institute has published Auditing and Assurance Technical Bulletin (AATB) 6 *Non-Authoritative Guidance on Applying HKSAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements*, in convergence with from the IAASB's own guidance. It covers a broad spectrum of EER assurance including information prepared outside the requirements of the Hong Kong Exchanges and Clearing Limited (HKEX). Additional support material on EER is also available from the IAASB.

The Institute has also revised AATB 5 *Environmental, Social and Governance (ESG) Assurance Reporting*, which is tailored with reference to the ESG reporting circumstances in Hong Kong and the ESG information prepared under the requirements of the HKEX.

Auditor's reporting requirements for the Funding Scheme for Children's Well-being and Development

The reporting requirements for the *Funding Scheme for Children's Well-being and Development* require auditors to report on certain aspects of the funded organizations following Hong Kong Standard on Related Services (HKSRs) 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* and the specimen agreed-upon procedures report developed by the Commission on Children. In order to report the findings required by the commission, the Institute's alert suggests practising members to consider performing procedures beyond the scope of HKSRs 4400.

Institute's Auditing and Assurance Standards Committee meeting minutes

Minutes of the meeting held in May is now available.

IAASB June and July board meeting

The meeting highlights of the IAASB June board meeting and the audio recording of the IAASB July board meeting are now available.

Exploring the impact of disruptive technology

Technological changes affect auditors and audited entities and can cause significant disruption. A summary of the IAASB's work exploring how the board could respond appropriately to support audit quality and how it leverages technology to improve its own standard-setting activities is available on its Technology focus area webpage. A summary of the disruptive technologies' roundtable is also available in the meeting papers from January.

Auditor's responses to the risks of material misstatement arising from estimates made in applying IFRS 17 Insurance Contracts

The Global Public Policy Committee, consisting of representatives of the six largest accounting networks, published a paper on the auditor's approach to auditing estimates and associated judgements made in the application of IFRS 17 *Insurance Contracts*, taking into account the enhanced audit requirements in ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures* to identify and assess the risks of material misstatement and audit responses to the identified risks, including the degree to which auditors plan to evaluate and rely on controls as part of their testing strategy.

Ethics

Invitation to comment

The Institute is seeking comments on the International Ethics Standards Board for Accountants Exposure Draft *Proposed Quality Management-related Conforming Amendments to the Code* by 5 September.

Keeping up with Changes to the International Code of Ethics for Professional Accountants: A Primer for SMPs and SMEs

The article on the IFAC website highlights the key changes to the code of ethics and the role and mindset expected of professional accountants.

Sustainability

Institute submission

The Institute has submitted its comment letter on the IFRS Foundation Exposure Draft *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards*.

Recordings of the IFRS Foundation Trustees webinars on its sustainability project

Recordings are now available of the IFRS Foundation Trustees webinars on its project setting up an International Sustainability Standards Board.

Recording of the panel debate from the G20 Venice conference

A recording is now available of the panel debate on regulations, disclosures, financial risk and private financing for the green economy from the G20 Venice conference. The panel debate featured the IFRS Foundation Trustee Chair Erkki Liikanen, and was organized by the Italian Ministry of Economy and Finance and the Bank of Italy to coincide with the G20 Finance Ministers and Central Bank Governors' meeting.

IFRS Foundation response to G20 finance ministers' and central bank governors' communique regarding global sustainability standards

The IFRS Foundation provided comments on the communique issued by the G20 finance ministers and central bank governors that referenced ongoing work of the trustees to consider the formation of a new sustainability board within the governance structure of the IFRS Foundation.

A4S launches Navigating the Reporting Landscape

With the awareness of environmental and social issues increasing, sustainability reporting is shaping the future of business reporting. To help finance professionals stay updated, the Prince's Accounting for Sustainability Project's (A4S) Accounting Bodies Network, of which the Institute is a member, has published *Navigating the Reporting Landscape*. The guide sets out how the corporate reporting landscape is changing, and how these developments are impacting the role of the accountant.

Introduction to the Value Reporting Foundation

The International Integrated Reporting Council and the Sustainability Accounting Standards Board merged to form the Value Reporting Foundation. A video features Janine Guillot, the CEO of the foundation, discussing the new body and the global reporting landscape.

Corporate finance

Transitioning away from LIBOR

The Hong Kong Monetary Authority (HKMA) and the Treasury Markets Association recently issued a leaflet reminding corporate treasurers to make suitable preparations for the transition away from The London Interbank Offered Rate (LIBOR) as an interest rate benchmark. Further information can be found on the HKMA's website.

SFC to introduce investor identification and OTC securities transaction reporting

On 10 August, the Securities and Futures Commission (SFC) released consultation conclusions in relation to a consultation paper, issued in December 2020, proposing to introduce investor identification for the securities market in Hong Kong and require reporting over-the-counter (OTC) securities transactions. To summarize:

- Licensed corporations and registered institutions have to submit to HKEX the names and identity document information of clients placing securities orders on HKEX.



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- Information on OTC securities transactions in ordinary shares and real estate investment trusts listed on HKEX will be reported to the SFC under a separate regime.

Please refer to the press release for details.

Corporate governance

Findings of brief research on ESG assurance of HSI companies

To better gauge current practice in ESG assurance, the Institute recently conducted research on the status of the 49 Hang Seng Index (HSI) constituent companies that had published their sustainability/ESG report, or incorporated a sustainability/ESG section in their annual report for 2020/21, as at 28 June. Of these companies, 23 also sought external assurance on the information disclosed. The research found that the assurance provider and the scope of information assured varied among companies.

We will be conducting a similar research on all the December year-end listed companies for 2020/21 and will share the findings in due course.

Insolvency

Implications of the government's Consumption Voucher Scheme for provisional trustees under the Bankruptcy Ordinance

The Official Receiver's Office (ORO) issued a letter to the Institute on 2 July, aimed at members who are insolvency practitioners and appointment takers, acting as the joint and several provisional trustees/trustees under the Bankruptcy Ordinance. The letter advises on factors that should be considered in determining whether or not it would be appropriate to lay claim to the consumption vouchers received by an undischarged bankrupt as after-acquired property.

The ORO reminds officeholders that they should not apply an across-the-board decision to all cases. They are encouraged to exercise their professional judgement and use flexibility and discretion when assessing the basic domestic needs of bankrupts and their families, particularly

at this time, given the impact of the pandemic.

ORO tender notice

The ORO has issued a tender notice to invite interested parties to submit tender for providing services to complete Preliminary Examination in Bankruptcy Cases. The deadline for tender submission is 12:00 noon, 7 September.

Taxation

Electronic filing of Profits Tax Returns

Corporations and partnerships satisfying the conditions specified by the Commissioner of Inland Revenue can file their Profits Tax Returns for any year of assessment from 2015/16 to 2020/21 and attach supplementary forms to Profits Tax Return S1, S2, S3 and S4 electronically through eTAX. Please visit the Inland Revenue Department's (IRD) website for details.

Announcements by the IRD

Members may wish to be aware of the following matters:

- Internet business in business registration.
- HKMA releases guideline on fund certification for carried interest tax concession.
- Tax obligations of taxpayers and employers.
- Taxpayer jailed for false claims for dependent parent allowances.
- Tax issues arising from the COVID-19 pandemic.
- Automatic Exchange of Financial Account Information: Self-certification form and meanings of terms and expressions in the form.
- Legislative Council question on registration of business by online auction platform users.
- Legislative Council question on tax-exempt charities.
- Legislative Council question on latest developments in international tax landscape.
- Legislative Council question on Voluntary Health Insurance Scheme and health expenditures.
- Stamp Duty statistics (June and July).

Legislation and other initiatives

Institute's Anti-Money Laundering and Counter-Terrorist Financing Series – Practical solutions to implementing the AML/CTF requirements (re-run)

The workshops exploring practical solutions to facilitate compliance with anti-money laundering and counter-terrorist financing (AML/CTF) requirements will be rerun as webinars on 9 and 15 September. Join the webinar and learn about the AML/CTF obligations for accountants.

Announcements by the government

Members may wish to be aware of the following matters:

- Gazettal of Personal Data (Privacy) (Amendment) Bill 2021 which aims to combat doxxing.
- Phase 1 of new inspection regime for personal information on the Companies Register will come into effect on 23 August. From that date companies may replace the residential addresses of directors with their correspondence addresses, and replace full identity card numbers (IDNs) of directors and company secretaries with their partial IDNs on their own registers for public inspection.
- The expiry dates of various regulations under the Prevention and Control of Disease Ordinance (Cap. 599) will be extended to 31 March 2022.

AML notices

United Nations Sanctions (Libya) Regulation 2019 (Amendment) Regulation 2021 was gazetted on 9 July.

For the current lists of terrorists, terrorist associates and relevant persons/entities subject to United Nations sanctions, members should refer regularly to the Institute's AML webpage. Other useful documents and guidance can also be found on the same page.

Please refer to the full versions of Technical News on the Institute's website: www.hkicpa.org.hk



"I hope [Siobhán's] victory sets a good example to all young swimmers that if they work hard, they can achieve their goals."



SWIMMING TO VICTORY

Swimming may be the sport of the moment in Hong Kong after its wins at the Tokyo Olympics, but for many of the Institute's members swimming is a lifelong passion. [Erin Hale](#) talks to some of them about the constant pursuit for improvement and how beyond being a highly effective form of exercise, the sport teaches one to stay afloat in all aspects of life

Hong Kong's swimming clubs got a huge boost this month as Hong Kong-born swimmer Siobhán Haughey swam into history at the Tokyo Olympics by winning Hong Kong their first ever medals in the pool, with two silver medals in the 100-metre and 200-metre freestyle races. It was a great moment of pride for swimmers all across the city and will no doubt inspire parents to sign their kids up for swim class this year in the hopes that they, too, could one day become an Olympian.

But even with the anticipated uptick in interest this summer and autumn, swimming has long been a Hong Kong passion.

"We are all very proud of Siobhán. An Olympic medal has been the goal for the Hong Kong swim team for many years. Unfortunately, many of us, including myself, have not achieved this goal, so it was exciting to see that someone from our city has done so. I hope her victory sets a good example to all young swimmers that if they work hard, they can achieve their goals," says Andy Luk CPA, a Senior International Tax Manager at

Alibaba Group and a former member of the Hong Kong national team.

Luk fell in love with swimming as a student. Since the age of 12, he has competed in local and international competitions representing his school, university, and then Hong Kong, specializing in the 100-metre and 200-metre breaststroke. While working hard to perfect his swimming technique, strength, and endurance at the time, Luk also picked up many more life lessons.

"In life, we go through many ups and downs, but even when you are at the bottom, you can still climb back up again. I've experienced the same as a swimmer. I've had a lot of ups being a Hong Kong top swimmer – breaking a lot of records, winning medals and awards – but at the same time I also had a lot of downs, such as losing in some major competitions or being unable to reach my personal record for a long period of time," he says. "I always trust one thing, which is that I need to be prepared at all times so when the chance to improve comes, I can grab it immediately."

In one memorable incident, Luk says,

Andy Luk CPA

WORK AND LIFE

CPA swimmers



“When I’m in the water, I focus on swimming and nothing else. It’s calm, and it’s a break from work and life.”

Erica Lai CPA
(left) and Henry
Kwan CPA (below)

he was crushed when he was not chosen to represent Hong Kong at the 2006 Asian Games in Doha, until his coach reminded him that there would always be another competition down the road. Luk says this lesson taught him to keep persevering in any challenge, and he credits it as one reason why he still trains today with the same club four days a week.

“A few months ago, my coach told me that I am the only one from my team who is still training with him. I think the reason why I do so is because I am not afraid of failure anymore,” he says. “It’s a very important lesson because many new swimmers encounter some difficulties and then give up if their results don’t meet their expectations. But because of my coach’s words, I keep on fighting. I can have any goal in front of me and achieve it.”

Reaching for success

Erica Lai CPA, Manager at the Securities and Futures Commission, says she hopes that Hong Kong’s historic success at the Tokyo Olympics, where the city scored an unprecedented six medals, will encourage both the government and schools to allocate more resources to extracurricular sports.

As a student, Lai says she struggled to get support from her school until her swimming team began to do well. “A lot of people learn



how to swim, but not many of them stay in the sport because it requires continued practice and a lot of time in the water, so many local schools are afraid it might affect students' academic performance," Lai says. "I hope that Hong Kong will change its attitude after such remarkable results at the Olympics."

Far from impacting her studies, Lai looks back fondly on her time competing on her secondary school swim team and then at the University of Hong Kong and also her local team, where she would mainly take part in the 200-metre breaststroke races. Starting out at the age of nine, she recalls struggling to keep her head in the water. Eventually, however, she says she came to appreciate the feeling of improvement she would get from sustained practice.

"I always think swimming is a long-term commitment because it feels so different when you are in the water and fine-tune every single detail in a stroke. If you don't give up, say after a few months of training, you can really see your hard work paying off in the next race," Lai adds. She thinks being a competitive swimmer has helped her to build up some good qualities – to be persistent, calm, confident and flexible in dealing with problems.

Since entering the workforce, Lai tries to keep up with swimming, and trains with her friends at the Kennedy Town Swimming Pool when her schedule allows. She has also continued competing in events like the 50-metre breaststroke at the Hong Kong China Swimming Association's (HKCSA) (previously known as Hong Kong Amateur Swimming Association) Masters Swimming Competition. Besides swimming, she is also part of the Royal Hong Kong Yacht Club's dragon boat team, and hopes more people can appreciate swimming and water sports like she does.

"When I'm in the water, I focus on swimming and nothing else. It's

calm, and it's a break from work and life," she says. "What's more exciting, of course, is that there's always room for improvement such as one's stroke technique and overall strength. When you try to address these issues and then see results, you feel more confident in yourself and want to keep pushing your limits."

Keeping pace

Henry Kwan CPA, a Senior Associate at PwC's Deals – Restructuring and Insolvency Department, is glad to have kept up his passion for swimming and fitness after all these years. Kwan began swimming at the age of 12 when he first represented his school in competitions. His skills took him to Hong Kong's Junior Swimming Squad and later the National Swim Team, as well as the Chinese University of Hong Kong and King's College London swim teams while he was pursuing his undergraduate and graduate degrees. "When I was around 15, I used to train 12 times a week. I'd have a morning workout at 5:30 a.m., an afternoon workout at 4:30 p.m. and rest on Sundays," he says.

Kwan's regular workouts have allowed him to keep competing in city wide competitions like the Hong Kong Open Swimming Championships. Even when COVID-19-related measures forced swimming pools to close, Kwan kept fit by doing long distance runs and high intensity interval training exercises. "Thanks to my firm's WeFlex initiative, which provides flexibility for me to achieve a work life balance, I can still pursue my interests and passions, and I'm able to arrange time for training with my coach," he says. "I schedule morning and night workouts with weight training depending on my work schedule."

Swimming is also a welcome counterbalance to many of Kwan's obligations at work and a place to maintain his confidence as he is

"I feel very satisfied when I figure out ways to maintain a good body position in the water to swim faster. Every little detail makes such a huge difference."

always steadily working towards a goal. "I feel very satisfied when I figure out ways to maintain a good body position in the water to swim faster. Every little detail makes such a huge difference. There is something so calming about being underwater – and how it's just you and your thoughts and the sound of water – that I missed a lot," he says. "I enjoy the process of working on things that I don't do well on and challenging myself to be a better version of me. The massive encouragement I get from my loving parents and friends at competitions is what I enjoy the most about swimming."

Joining the club

Jason Ma CPA, a Senior Associate at Deloitte's restructuring team, first learned to swim as a seven-year-old child to help him deal with respiratory problems. In the process, he learned new breathing techniques, and enjoyed the sport enough to join his primary school's swimming team. "At the beginning of my swimming career, I lost a lot of races. But after practicing for about one to two years I started to win in those competitions and felt my hard work was beginning to pay off," Ma says.

He continued to swim competitively in secondary school and then on the Hong Kong University of Science and Technology swim team, where his main events were 50-metre breaststroke and relay events. During the off season, he joined his university's track and field team,



“It taught me how to concentrate on each task so I could get everything done well, and in time.”

competing in the 100-metre and 200-metre dash.

Besides learning about the importance of persistence, Ma says his after-school athletics taught him the invaluable lesson of time management to balance his many commitments. “It was quite hard as a competitive swimmer back then because I had homework and also training. It taught me how to concentrate on each task so I could get everything done well, and in time,” he recalls. “During primary and secondary school, when I finished studying at school I would go to the swimming pool to train for two hours. I’d then go home and do my homework until 10 or 11 p.m. I really had to learn how to manage my time.”

Ma now belongs to a local swim

club and encourages Institute members to consider joining one if they want to return to the sport. Swim clubs, which can be found across the city, take some of the stress out of planning by booking dedicated swim lanes at public pools before and after work hours.

Ma says this regular training keeps him up to speed so he can also participate in annual events like the HKCSA Masters’ 50-metre races. The swim club, he says, has also been a great way to branch out socially and competitively. “There are quite a lot of swimming clubs here, and some offer professional training with the help of a coach. They are also a great place to meet some friends as well because everyone there loves swimming,” Ma says.

Getting back in the pool

While many of the Institute’s members have kept swimming throughout their careers, it was joining swimming classes organized by the Institute that motivated Christine Chen CPA, Senior Consultant at Pan CPA Limited, to return to her passion of swimming after nearly 30 years. She swam competitively in school and university, where she was the captain of the women’s swim team and won the “best female swimmer” award at City University, and even served as a volunteer lifeguard and race volunteer. But she found herself busy after starting to work as an auditor at Deloitte, and had to put swimming on hold.

“I really like swimming but I don’t like swimming in public pools. There



Jason Ma CPA
(left) and Christine
Chen CPA (right)

“If you want to win, you should learn how to lose first. When you lose, you learn how to get up and try again.”

are too many people in the lanes and I also don't like swimming without friends,” she says. “The Institute’s classes had a coach and two lanes at the pool – one for new swimmers to just learn the basics, and the other lane for people like me who knew how to swim and wanted to be trained to swim faster. It brought back all my memories of childhood because I had teammates and a coach to encourage me.”

After such a long hiatus, she realized it would take some time to retrain her muscles and develop the physical endurance needed to swim long distances and at a good speed. “Swimming for me is not as easy now because the muscles you use to swim are totally different muscles used in daily life. If you don't swim for a couple of years, you can lose them. I was quite unhappy at first when I got back into the pool again. I thought to myself: ‘Wow, where are my old skills and techniques?’ but I knew I just needed to practice more frequently.” Chen took a break from swimming due to pool closures and instead went hiking. She plans to sign up for the Institute’s next swimming

class and get some much-needed time in the water.

Though her first time back in the water was tough, one thing Chen has not lost is her competitive spirit and the desire to keep trying in the face of adversity. She knows, like many long-term swimmers, that her harshest critic and toughest opponent is herself in any training session. “The desire to win is very important, but you need to have goals. If you want to win, you should learn how to lose first. When you lose, you learn how to get up and try again,” says Chen. “Because at the end of the day, you are competing against yourself, not others. That’s something I learned through swimming.”



The Institute regularly offers structured swimming classes for beginners, intermediate-level and advanced swimmers. Watch out for updates on the Institute’s next classes.

YOUNG MEMBER OF THE MONTH

Jonathan Kong CPA

JONATHAN KONG CPA

Investment Associate at an
asset management company



As Investment Associate at an asset management company, Jonathan Kong CPA is responsible for finding investment opportunities, creating investment returns while generating value for the companies it has chosen to invest in. He tells *A Plus* how he adjusted to working in the commercial sector, and how his CPA background and skills continue to help him add value in the private equity industry

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

I am involved in the full investment cycle of an investment, from origination and execution, to post-deal monitoring and exit. In particular, we look for companies that are worth investing in, which we help to grow once investing in them. We are always supportive of the new products, technologies and services of the portfolio companies that we invest in. I joined the group two years ago and though it hasn't been easy, it has been an extremely eye-opening and rewarding experience so far. Before this, I worked at a Big Four for three years in its audit team, and then at another Big Four for two years in its transaction services deal advisory team. There was a lot to learn after switching to the commercial sector. At the beginning, it was about learning how to think like and communicate with the people in this field, most of whom came from an investment banking background. I had to shift from looking at the details to looking at business from a more commercial perspective, while also identifying my strengths, and knowing where and how I could add value with them.

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

The most challenging aspect is indeed identifying the best companies to invest in and helping after investing in them. This requires performing due diligence work, so looking at the financial, commercial and legal risks of investing in each one. If the risks are low, I need to identify the company's merits and ask questions such as "will investing in them bring substantial financial returns? Will it grow commercially? Will it help society?" If I see potential and choose to invest in a company, I need to negotiate with the counterparty for the best investment terms, which includes identifying a suitable valuation. After investing, I face different challenges every day since each company is different. For example, one company might need help with a financial projection, while another company – say an overseas start-up – could need help understanding rules and regulations before entering the Mainland market. It's my job to find the right solution to support them. What is most rewarding is seeing these companies, especially start-ups, to grow from zero to one. Some of them might have good products and solutions that can benefit the society – but haven't reached the market because they lack the funding and support. So I find it very meaningful and interesting to use my skills in accounting and investment to help them out.

What inspired you to become an accountant?

It would be my family. Both my mum and dad are also CPAs, so when I was a kid, they'd often talk about their day at work over dinner, which I found interesting. I was also good with numbers in school, so I decided to major in mathematics in university, where I took a few accounting modules. With my passion for numbers and family background, I knew that being an accountant would give me a strong foundation. During my time at the Big Four, I began investing money in the securities market on the side and became interested in knowing how to evaluate a good company, and what separates them from those that appear to be doing well. You can say that's where my interest in investing came from, and why I eventually decided to switch to working in this field.

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

It would be going from a professional services firm to a corporate. When you work at the Big Four, you go through a lot of training and the work was more systematic at the junior level, and it was relatively easy to ask for help. In the commercial world, though you may have your bosses and your team, you'll often be expected to work and figure things out on your own. The work and the environment is so dynamic at all working levels. So the challenge was adapting to this new environment while changing my mindset from a more financial back-office mindset to a more front-office one, and learning how to look at all factors – not just financial ones – when evaluating a business and helping it to grow after investing.

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 had a huge impact on me. I didn't have much of an accounting background when I attended the programme three months before I started to work in audit – I didn't even know what debit and credit are! The QP gave me that foundation of accounting and financial knowledge, which I still rely on today. If not for the programme, I wouldn't know how to evaluate financial statements as quickly as I do now. All four QP modules were really useful, but module B corporate financing is particularly helpful in my role now. It covers valuations, cash flow, forecasting, discount and cash flow models, which is knowledge I need at work. Currently, whenever people have questions about accounting, corporate finance and audits, they come to me.

SPOTLIGHT ON VEGETARIAN CUISINE

Institute members recommend their favourite places to have a healthy, plant-based meal

Luk Yung Sin Kwun Vegetarian Restaurant

“I recommend Luk Yung Sin Kwun Vegetarian Restaurant, located in Jordan. The food is very traditional and authentic, and most importantly, healthy and delicious. In fact, I’ve been eating at this restaurant for over 10 years. The ambience isn’t fancy, but I like it because it’s reminiscent of what Hong Kong restaurants looked like decades ago. The dish I like most is the deep-fried taro (五柳仙斑). It has a soft and sweet taro filling and is crispy on the outside, which comes in the shape of a fish. You must have it with the sweet and sour sauce – it’s amazing,” says Wong.

- Lenny Wong CPA



Deep-fried taro

Shang Shan Vegetarian Restaurant

“If you want affordable yet tasty Chinese vegetarian food, Shang Shan Vegetarian Restaurant in North Point is a good choice. They offer an array of traditional Cantonese dishes similar to what you’d get in a Hong Kong-style café, except they use plant-based meat. You can find everything from vegetable fried rice, braised “pork” with preserved vegetables to “lamb” stew with bean curd sheets. They also give out free lunch boxes to the senior citizens regularly, reminding us to contribute to the community. Every single effort counts,” says Fu.

- Sammi Fu CPA, Wealth Management Manager of AIA International Limited



Vegetable fried rice

Triple O’s

“I love the Impossible Burger at Triple O’s. While this isn’t exactly a vegetarian restaurant, I recommend this burger, especially to those who are transitioning from meat-eaters to vegetarians, or those considering cutting down on meat consumption. The burger, which comes with the restaurant’s signature Triple O’s sauce, is so good that you won’t be able to distinguish it from actual meat without the ‘Impossible’ flag,” says Ngai.

- Juni Ngai FCPA



Impossible Burger

EYES & EARS

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

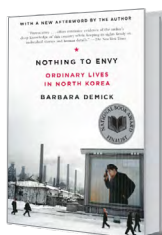


What I'm listening to

- Karen Poon FCPA (practising),
Managing Director at Amba
Partners CPA Limited

"If God had a singing voice, he would sound a lot like Andrea Bocelli," Céline Dion once said. I've been moved by Andrea Bocelli's voice since I was young, and some of my favourite songs are *Con Te Partirò* and *Amapola*. Bocelli is a tenor singer, and though most of his songs are in Italian, his duets with world famous pop stars, such as *Time to Say Goodbye* with Sarah Brightman, and *The Prayer* with Céline Dion, are songs that will grab your attention and draw you into the world of opera," says Poon.

What I'm reading



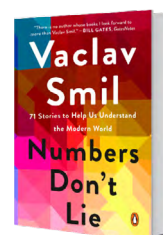
I recommend *Nothing To Envy: Ordinary Lives in North Korea* by Barbara Demick. Through interviews with refugees from the city from various social status and walks of life, the author paints a picture of what life is like in Chongjin, a city in North Korea. We see hardship as well as brighter moments, albeit few and far in between. The book will make you realize that the problems that you face in life simply cannot compare to not having basic necessities such as adequate food, clean water and shelter.

- Kenneth Ho CPA, Finance Director at
Oracle Systems Hong Kong Ltd.



I recommend *The Midnight Library* by Matt Haig, which I read during the Christmas holiday last year. This novel is about Nora Seed, a depressed young lady who takes her own life, but instead of dying, wakes up in a library. The book is a reminder that the life I am living has its own logic to it, and contains a future of multifarious possibilities where anything can happen. I highly recommend this book to those who are looking for something heartwarming and inspiring to read.

- Summer Li CPA, Manager at
Alvarez & Marsal (Disputes and
Investigations)



I'm currently reading *Numbers Don't Lie: 71 Stories to Help Us Understand the Modern World*, another great book written by Vaclav Smil. The whole book is divided into 71 standalone short stories. One chapter, for example, explains why technical progress takes longer than you think. It is definitely a good book for any busy professional who enjoys reading and wants to learn some interesting facts about our world. I highly recommend reading it.

- Dick Tang CPA, Manager at EY-
Parthenon's Turnaround and
Restructuring team

It was nice working together

Hong Kong's humorist on the most brutal – yet arguably creative – ways of letting people go



Nury Vittachi

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

I knew I was about to be fired when a secretary said the head office had hand-delivered a document for me. I was in the head office at the time, which meant the newspaper boss was doing something that had to be done in writing.

It meant I was either being promoted or sacked. And I could guess which.

Not all companies give staff their “marching orders” in a formal way. I remember some years ago reporting about a struggling Singapore company. The owner rang the fire alarm to get everyone out of the building, and then locked the doors. Permanently. There you have it: the whole company, instantly “downsized.”

Accounting firms, of course, behave better. Or do they?

A firm in the United States recently sacked a woman by phone. The staff member, who worked at the Florida office of a company called 1-800Accountant, clearly didn't like getting the bad news that way. Her colleagues noticed she was repeatedly pressing one button on her computer keyboard: the delete key. When she had finally left the scene, it was discovered that she had deleted 17,000 files.

That news item from Florida coincided with one about accountants in Australia being advised by specialists that they should fire people more often – not staff, but clients. A consultancy called ChangeGPS told an audience of accountants this month that during these difficult times, it was more important than ever to sack clients who misbehave, as there was enough stress around already.

Meanwhile on the other side of the world, accountants in the United Kingdom discovered that one of the most common perceived forms of accounting misbehaviour – claiming outrageous items on expense accounts – might not be such a big problem after all. A larger number of people have the opposite problem. A study conducted by The Accountancy Partnership showed that 65 percent of small business owners in the U.K. failed to file their expenses because they were put off by anecdotes of cheeky claims getting people into trouble. The research

showed that claims had been filed for pink tutus, a cremation, live lobsters, and a tantric workshop session. I remember a school administrator in Hong Kong who notoriously got sacked for trying to put a meal of oysters and wine on his expense account.

Yet the big picture suggests that business owners and their accounting advisors erred too far on the side of caution, the researchers said. “A mass purchase of sex toys from China may have led to some giggles at Her Majesty's Revenue and Customs but, as an expense for an e-commerce business, it is legitimate and allowable,” wrote Alexis Davis, a commentator on the study.

Still, after years as a journalist, I think people in finance and accounting generally fire staff more elegantly than folk in the media. One newspaper company I worked for in Hong Kong sacked me and most of the rest of the staff by FedEx one weekend. We all got “surprise packages” hand-delivered on a Saturday morning containing letters telling us that we were no longer needed.

That was considered relatively polite by media standards. A journalist friend at another newspaper was irritated to discover one morning that his staff card wouldn't let him through the turnstiles at the building where he worked. The woman next to him had the same problem.

The guard stepped forward. “Card not working, you sacked,” he explained. To speed up a restructuring process, the boss had simply turned off security access for half the staff.

Yet there was a recent sad tale from the finance world too. A New York broker named Bruce Reid took out a “wrongful termination” lawsuit after he was sacked in 2014. The case has been repeatedly delayed, and still hasn't had a single court hearing.

He recently discovered why, *Bloomberg* reported. His lawyer never actually got around to filing the case. By coincidence, the law firm he used was called Sack & Sack.

He's now suing the people who sacked him, and Sack & Sack too.



A world of communications

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