



**DRIVING BUSINESS SUCCESS**

Issue 11 Volume 17 November 2021

**PLUS:**

## **FILING FOR THE 21<sup>ST</sup> CENTURY**

Tax experts respond to the Inland Revenue Department's project on electronic filing of profits tax returns

## **IT CONFERENCE 2021**

Speakers at this year's conference discuss technology tools and trends for a post-COVID world

## **SECOND OPINIONS**

How can companies achieve their decarbonization targets?

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# **NURTURING TRUST**

Masahiko Tezuka,  
Chairman and  
President of the  
Japanese Institute  
of Certified Public  
Accountants, on his  
biggest challenge:  
meeting society's  
expectations of CPAs



Hong Kong Institute of  
**Certified Public Accountants**  
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# At Your Service From Start-up to IPO and Beyond

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**“2022 will be a transformative year for the Institute with the development of the regulatory reform, and Council playing a vital role in directing the activities of the Institute and helping the profession to develop and excel.”**



Dear members,

The first meeting between the Financial Services and the Treasury Bureau, the Financial Reporting Council (FRC) and the Institute was held this month to kick start preparation for the transitional arrangements, and to discuss the implementation of the new regulatory regime. The FRC will be developing its own guidelines, and the Institute will seek to offer its expertise and experience.

In November we hold important annual events of our Institute, including two major conferences and one of our major outreach events.

Supporting our small and medium practices (SMPs) and helping them to develop is an important task of our Institute. Providing training opportunities and updates on the latest developments helps SMPs to prepare for the future. At the 2021 SMP Symposium, held as a virtual conference on 26 November, we discussed topics of importance to our SMPs including the latest developments at the International Federation of Accountants, the regulatory reform, important issues for Trust or Company Service Provider licensees, taxation matters, financial reporting and auditing standards, digitalization and practice reviews. A recording of the symposium will be available at a later date if you missed out on the live event.

The Young Members Conference

was held as another virtual conference on 6 November. The discussions at the conference covered the skill sets young CPAs need in the artificial-intelligence-enhanced world, where automation carries out mundane tasks and there is a growing emphasis on the corporate social responsibility of organizations. It is important for all of us – no matter what stage of our career we are at – to continue to develop the skills we need to serve our employers or clients. The world continues to change, and we must change with it.

The annual Mentorship Programme is back for 2022-23. Since its launch in 2015, the programme has paired over 1,400 mentors and mentees together to learn from one another. Join as a mentor or as a mentee to develop yourself. More details are available on the Institute's website.

The HKICPA Business Case Competition promotes our profession to university students. The competition sees students from Hong Kong, Mainland China and Macau, and this year for the first time from overseas universities, compete in two competitions for attractive cash prizes and internship opportunities. The competition tests entrants' academic competencies and business know-how to solve real-life challenges. This year we had over 650 entrants taking part in the two competitions, over 250 in the Hong Kong competition

and over 400 in the Mainland, Macau and overseas competition. It is good to see the competition continues to attract so many students, and it was a wonderful experience to be part of the judging panel for the Hong Kong part of the competition, and crown the winners.

You may notice some changes to *A Plus* this issue. We've introduced two new Q&A profiles of two members, one in business and one in practice, asking five questions about their careers. I hope you enjoy these new features.

The Council election is an important exercise for our Institute. 2022 will be a transformative year for the Institute with the development of the regulatory reform, and Council playing a vital role in directing the activities of the Institute and helping the profession to develop and excel. I urge you to exercise your right to choose by voting for those candidates. Voting closes at 5:30 p.m. on 6 December.

Also do consider viewing the annual general meeting (AGM), starting at 5:30 p.m. on 9 December. The meeting will be livestreamed, and you can submit your questions to the Institute before the meeting, with answers posted online afterwards.

More details about how to vote in the Council election or watch and take part in the AGM are available on the Institute's website.

**Raymond Cheng** FCPA (practising)  
President



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With the Inland Revenue Department setting out proposals for its project on electronic filing of profits tax returns, tax experts discuss what it means for Hong Kong



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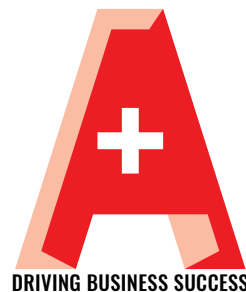
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## Adding balance to life



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## Leisure



DRIVING BUSINESS SUCCESS

### About our name

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



President Raymond Cheng

Vice Presidents Rosalind Lee  
Ken Li

Chief Executive and Registrar Margaret W. S. Chan

Director of Corporate Communications Dr Wendy Lam

Associate Director of Corporate Communications Paul Smith

Editorial Coordinator Maggie Tam

### Office Address

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

### Member and Student Services Counter

27/F, Wu Chung House, 213 Queen's Road East,  
Wanchai, Hong Kong  
Website: [www.hkicpa.org.hk](http://www.hkicpa.org.hk)  
Email: [hkicpa@hkicpa.org.hk](mailto:hkicpa@hkicpa.org.hk)



Editor Gerry Ho  
Email: [gerry.ho@mandl.asia](mailto:gerry.ho@mandl.asia)

Managing Editor Jemelyn Yadao

Copy Editor Jeremy Chan

Associate Editor Nicky Burridge

Contributor Jolene Otremba

### Registered Office

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

### Advertising enquiries

Advertising Director Derek Tsang  
Email: [dereksang@mandl.asia](mailto:dereksang@mandl.asia)

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# NEWS

Institute news Business news

## Council election and annual general meeting

The Council election is an important exercise for the Institute. Members are urged to exercise their right by selecting seven candidates to join the Council for the year following the annual general meeting (AGM) on 9 December. Voting for the election closes on 6 December. The candidates' Personal Information Sheets and additional campaign materials, if any, are available on the Council election 2021 webpage on the Institute's website. Members can cast their votes either by ballot paper or by e-voting, but not both.

More information on registration to attend or view the livestream of the AGM, submission of questions prior to the AGM and the proxy form, are available on the Institute's website.

### Mandatory CPD requirements for 2022 membership renewal

The 2022 renewal notice was

sent to members on 8 November. Members are required to file their annual return with their continuing professional development (CPD) declaration and pay their annual fee by 15 December to renew their membership. Members must complete 120 hours of CPD in a three-year rolling period, of which 60 hours must be verifiable. Renew or check renewal status via the Institute's website.

### The Compliance 2021 Annual Report out now

The Compliance 2021 Annual Report is now available on the Institute's website. The report outlines the Compliance Department's key activities and statistics for the year ended 30 June 2021. It also features the process review of the department's operations carried out by the Institute's Regulatory Oversight Board.

### Learn more about LegCo representative candidates

A virtual forum will be organized on 6 December where the candidates for the accounting functional constituency will present their election platforms ahead of the Legislative Council (LegCo) General Election, which will be held on 19 December. There are four candidates standing for election: Man See-yee, Wong Chun-sek, Edmund, Wong Wang-tai, and Yung Kin. Join this forum to learn more about the candidates' election platforms before voting for your LegCo representative. Enrol by 2 December.

### Mentorship Programme 2022-23 open for applications

Join the Mentorship Programme 2022-23 to enrich your professional development or contribute to the profession. Members with less than seven years of post-qualification experience may apply to become a mentee, while those with seven or more years, a mentor. Visit the Mentorship Programme webpage to learn more about the programme and how it has helped both mentors and mentees. Applications must be submitted by 14 January.

### Council meeting minutes

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



## Settlements

### Chan Shek Chi CPA (practising) and Yu Kwong Fat CPA (practising)

The Hong Kong Institute of CPAs has settled regulatory proceedings concerning alleged breaches of its professional standards by Chan Shek Chi CPA (practising) and Yu Kwong Fat CPA (practising).

The matter concerns audit deficiencies identified from the Institute's practice review of Cheng & Cheng Limited. The review covered the corporate practice's audit of the consolidated financial statements of a Hong Kong listed group for the year ended 31 December 2016. Chan was the engagement director, and Yu was the engagement quality control reviewer.

The practice reviewer found that the audit team failed to obtain sufficient audit evidence, and prepare adequate documentation, on material sums of deposits paid by the listed group for investment opportunities. Deficiencies were also noted in audit procedures performed and documentation prepared on trade and other receivables, inventories, deferred tax liabilities, stock options issued, legal claims, and property, plant and equipment. Furthermore, certain relevant audit working papers were left out of the final assembled audit file.

As a result of the above:

- a) Chan failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Auditing (HKSA) 230 *Audit Documentation*, HKSA 500 *Audit Evidence* and the fundamental principle of Professional Competence and Due Care in sections 100.5(c) and 130 of the Code of Ethics for Professional Accountants; and
- b) Yu failed or neglected to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements*.

**Settlement agreement:** The Council of the Institute has agreed with Chan and Yu that:

1. Both of them acknowledge the facts of the case and areas of non-compliance with professional standards; and
2. Both of them be reprimanded; and
3. Chan pay a financial penalty of HK\$100,000 and costs of HK\$25,900, and Yu pay a financial penalty of HK\$50,000 and costs of HK\$12,950.

### Chan Chi Kwong, Dickson CPA (practising) and Sum Chun Ho CPA (practising)

The Hong Kong Institute of CPAs has settled regulatory proceedings concerning alleged non-compliance of its professional standards involving Chan Chi Kwong, Dickson CPA (practising) and Sum Chun Ho CPA (practising).

The matter concerns significant audit deficiencies identified from the Institute's practice review of JH CPA Alliance Limited. The practice review covered an audit of the consolidated financial statements of a Hong Kong listed company and its subsidiaries for the year ended 31 December 2016. Chan was the engagement director, and Sum was the engagement quality control reviewer.

The practice reviewer found that the audit team failed to obtain sufficient audit evidence, and prepare adequate documentation, on a number of material financial statements items pertaining to the subject company's acquisition of a business. Those items comprised a promissory note issued by the company as part of the consideration paid, a profit guarantee given by the vendor of the business, and impairment of the goodwill acquired.

As a result of the above:

- a) Chan failed or neglected to observe, maintain or otherwise apply HKSA 230 *Audit Documentation*, HKSA 500 *Audit Evidence* and HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*; and
- b) Sum failed or neglected to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements*.

**Settlement agreement:** The Council of the Institute has agreed with Chan and Sum that:

1. Both of them acknowledge the facts of the case and areas of non-compliance with professional standards;
2. Both of them be reprimanded; and
3. Chan pay a financial penalty of HK\$75,000 and costs of HK\$63,000, and Sum pay a financial penalty of HK\$60,000 and costs of HK\$31,500.

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 settlements are available on the Institute's website.

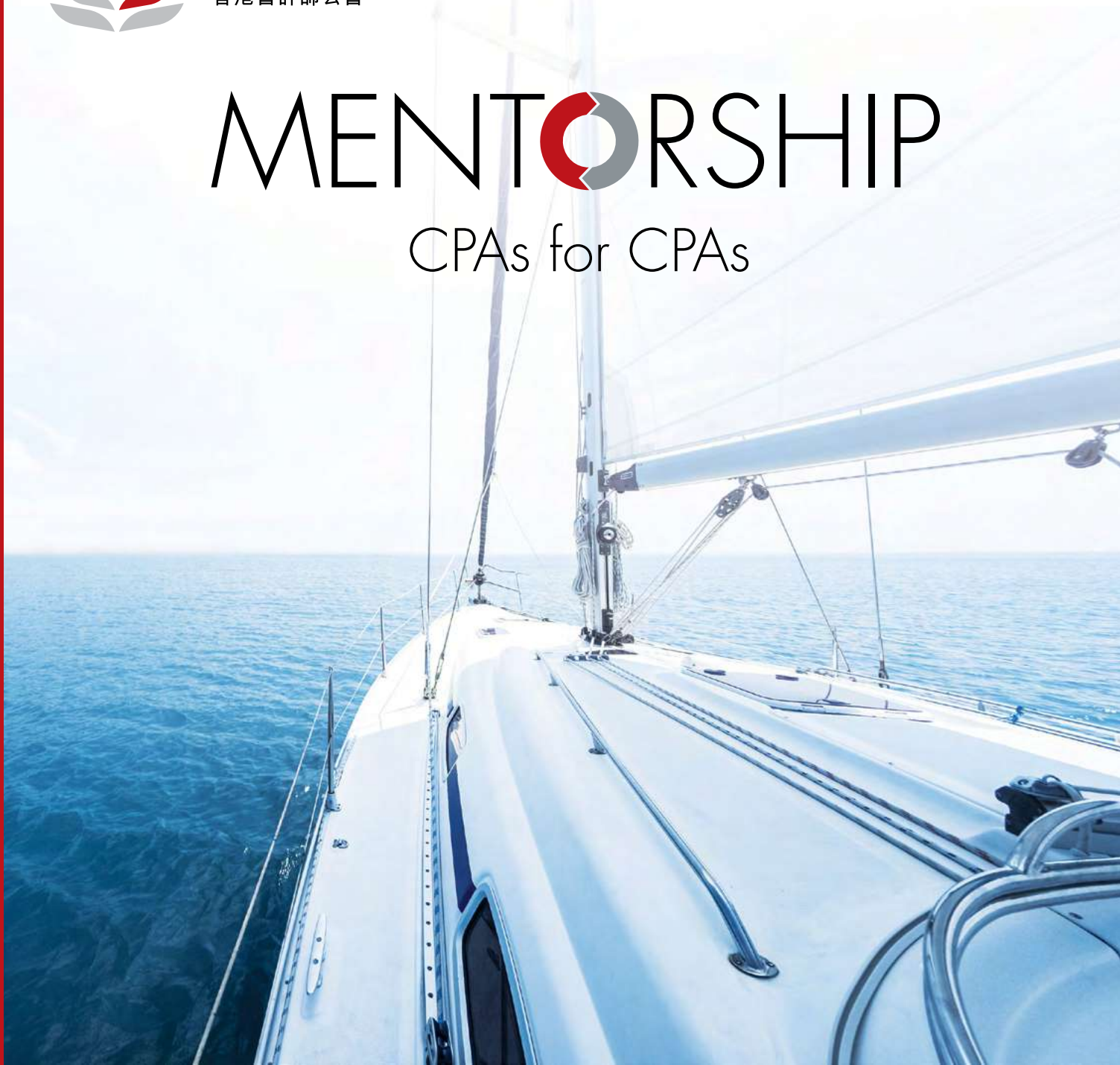




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# MENTORSHIP

## CPAs for CPAs



The Mentorship Programme offers members the opportunity to learn from one another.

- **Mentees** with less than 7 years' post-qualification experience can enrich their knowledge and address specific career and personal development goals.
- **Mentors** with over 7 years' experience can develop their coaching skills, and stay in touch with the latest developments in the profession.

Join the programme by 14 January.

Find out more: Go to [www.hkicpa.org.hk/mentorship](http://www.hkicpa.org.hk/mentorship) for details.





# US\$17.2 BILLION

Value of Nissan's vehicle electrification plan, as the Japanese carmaker seeks to dominate the electric cars market. Nissan's plan includes the proposed introduction of 23 electrified vehicle models by 2030, 15 of them fully electric.

# US\$94M

The annual fee for auditing HSBC. The heads of the bank in London invited the Big Four to tender, following the end of PwC's contract after 10 years in 2025, but found the firms were reluctant to bid for the bank's audits, according to the *Financial Times*. The role will last 10 years, but a number of firms are concerned with the resources required, the report said.

***Proposed  
International  
Standard on  
Auditing for  
Audits of Financial  
Statements of Less  
Complex Entities***

Title of the International Auditing and Assurance Standards Board exposure draft. The Institute is seeking comments on it by 31 December. More details on *Technical News* on page 36.



Shares in International Airlines Group, which owns airlines including British Airways, fell by 14 percent on 26 November after new COVID variant Omicron triggered restrictions on travel from southern African countries.

# 20,000

Number of new jobs PwC will create in Greater China over the next five years, doubling its workforce in the region as part of a US\$1.25 billion investment. PwC's plan is part of its New Equation global initiative aimed at creating 100,000 jobs globally.

# 2.8 MILLION YUAN

The amount Tenpay, an online-payment unit of Tencent Holdings, was fined for violating foreign exchange rules, according to the State Administration of Foreign Exchange branch in Shenzhen.

**“Capital markets can have an essential role to play in reaching net zero. But that can only happen when sustainability information is produced with the same rigour, assurance of quality and global comparability as financial information.”**

– Erkki Liikanen, Chair of the IFRS Foundation Trustees, during his speech at COP26 on 3 November. He announced the formation of a new International Sustainability Standards Board to develop high-quality sustainability disclosure standards.

# eCode 2.0

The enhanced version of the eCode, a digital tool to access and navigate the *International Code of Ethics for Professional Accountants*, has been launched. More details on *Technical News* on page 37.

# 49%

The percentage of the 43 initial public offerings that raised US\$1 billion or more this year in London, Hong Kong, Mumbai and New York trading below their issuance prices, according to Dealogic data.



# FILING FOR THE 21<sup>ST</sup> CENTURY

The Inland Revenue Department is rolling out the e-Filing Project as part of its journey towards digital transformation. Experts tell **Jolene Otremba** why the digitalization of profits tax returns is long overdue, and how businesses both big and small and individuals can benefit by preparing for this necessary shift

Photography by Calvin Sit

**T**he last two years can be defined as an era of digital transformation, driven by the pandemic, where companies and businesses around the world have been in a race to supercharge and digitalize their services and operations.

Hong Kong's Inland Revenue Department (IRD) is no exception and has embarked on a major digitalization process to implement electronic filing of profits tax returns, which it calls "the e-Filing Project." To expand on details, the Hong Kong Institute of CPAs hosted a live webinar this month titled "The IRD's eTAX Journey," where William Chan CPA, Tax Partner at Grant Thornton and Chairman of the Institute's Taxation Faculty Executive Committee, welcomed Benjamin Chan CPA, Acting Deputy Commissioner (Technical) of the IRD, who explained the purposes, objectives and key benefits for going digital as well as the IRD's proposals for taking forward the e-Filing Project.

Currently, due to limitations of the IRD's existing information technology (IT) infrastructure, only a small number of profits tax returns can be furnished electronically through the existing eTAX Portal, and most profits tax returns are submitted in paper form.

According to the IRD, one of the main reasons for implementing the e-Filing Project is to strengthen its IT infrastructure and to keep pace with global trends. "It's really about modernizing and digitalizing our tax administration," says Benjamin Chan. "This is an important initiative for our city, and this will benefit everyone including practitioners and businesses."



Experts in the field agree and say it would be a welcome move, seeing that many businesses are still filing profits tax returns in paper format and have to visit the IRD's office to submit their returns in person. "The world is online, so we need to go online," says William Chan. "We have been asking for this and a timeline for quite some time."

Timothy Chuk, Director of Asia Pacific Tax at Triseo and Hong Kong Vice President of the Tax Executives Institute, agrees, saying that the move would save time and that COVID-19 has highlighted the inefficiencies of submitting tax returns in person to the IRD's office. "These visits were made a lot harder during COVID-19," he says. "There's only one location for taxpayers to speak to someone or to submit their documents. It just doesn't make sense."

### Why should the IRD digitalize?

Aside from these conveniences, there are also a host of reasons why the IRD has been actively pursuing the e-Filing Project.

Firstly, there is a need to comply with international standards. The Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) published its second *Peer Review Report on the Exchange of Information on Request of Hong Kong (China)* in March 2019. The Global Forum recommended that Hong Kong should take measures to ensure that all accounting records of all relevant businesses are made available.

"The peer review report highlighted a problem that we need to address. Quite a number of companies in Hong Kong don't need to file their profits tax returns annually for a number of reasons, for example, newly incorporated companies, and companies that have sustained losses continuously or have been dormant for the

past few years," Benjamin Chan says. Given that there are around 1.4 million locally incorporated companies registered with the Company Registry in Hong Kong, he says that submitting all profits tax returns along with audited financial



Benjamin Chan CPA,  
Acting Deputy  
Commissioner  
(Technical) of the  
Inland Revenue  
Department.

**"We must utilize technology in our businesses, and the IRD needs to do the same."**

statements and tax computations in paper forms – the way it is done now – would make universal filing of tax returns a cumbersome task to manage. “Tremendous manpower resources would be required for processing paper profits tax returns, and on top of that we need to think about the storage, so in this area, we really need to think of a way that we can manage the processing of returns effectively and efficiently without paper,” he says.

To cope with this, a full adoption of electronic filing of profits tax returns for businesses has to be implemented. “Given what is needed, we really need to improve our uploading capacity for audited financial statements and tax computations and the inline eXtensible Business Reporting Language (iXBRL) format is, in our view, a viable option,” Benjamin Chan reiterates.

Another reason to go digital, according to the IRD, is to improve operational efficiency and service performance. The implementation of digital services could help the IRD streamline the administrative processes.

Digitalization will also seek to upgrade the IRD’s current infrastructure and ability to provide more e-services to help facilitate the tax filing process, which may translate into a higher adoption rate of e-filing by taxpayers.

“For multinational corporations, the entire profits tax compliance process from preparing the working files for the tax return to internal reviews are all done online already, yet the Hong Kong government still requests a paper copy of tax return, audited financial statement and tax computation when everything is already digital,” says Chuk. “We must utilize technology in our businesses, and the IRD needs to do the same.”

“The IRD can increase their operational efficiency and have better usage and management of data collected during the tax filing

process. This will also benefit taxpayers, who can do e-filing from anywhere; they don’t have to bother with opening hours of the IRD’s office or get to a post office,” says Anita Tsang CPA, Director of Tax Policy and Knowledge Management at KPMG Tax Services Limited.

Local initiatives are also adding pressure on the IRD to go digital. The Hong Kong government has been investing heavily in its Smart City Initiative with the launch of the Smart City Blueprint. With a mission to make Hong Kong a world class smart city, the Office of the Government Chief Information Officer already has the “iAM Smart” platform, which brings together personalized digital government services that allow users to conduct online government and commercial transactions, and manage their tax filing using a single digital identity and authentication.

### Implementation of the project

The e-Filing Project will take place in two phases. The first phase, which is to be completed by 2023, will involve enhancing the existing eTAX Portal to enable more businesses to voluntarily and digitally file their profits tax returns together with financial statements and tax computations in iXBRL format. The next phase is to develop a new business tax portal, which is expected to be completed by 2025. Taking into consideration and observing how other jurisdictions have made the transition, the IRD has set out a timeline that aims at full implementation of electronic filing of profits tax returns, tentatively by 2030.

“This is seen as a positive move as it means that the government is taking a careful and calculated approach, rather than a rushed implementation,” says Tsang. “These are all moves in the right

**“The IRD can increase their operational efficiency and have better usage and management of data collected during the tax filing process. This will also benefit taxpayers, who can do e-filing from anywhere”**

direction as this is a long-term plan,” added Chuk.

According to the industry, in order for the project to be successful, changes have to be made in a number of areas. These include technological, legal and procedural changes, and a mindset change.

### Technological changes

Experts agree that the e-Filing Project will present challenges, noting that having the technology in place and getting it right will be the IRD’s greatest challenge. But Tsang thinks the IRD has an advantage as other countries have successfully implemented similar digital solutions. “Hopefully, migration won’t be that painful, as other parts of the world have already been using it for some time. The IRD can learn from other countries’ experience,” she says.

Now is also a good time for organizations to implement technology and adopt new infrastructure for tax, according to Albert Lee, Global Co-Leader and Asia Pacific Leader –Tax Technology & Transformation at EY, because the IRD will be relocating its offices to the Kai Tak Development Area. The move will take place in phases starting in late 2022. “This change will attract new skills and talent in a new environment, but it can also help change their departments’ teams frame of mind and be more inspired to transform,” Lee says.

The Inland Revenue Department commissioned a consultancy study on the Departmental Information Technology Plan in August 2018 which was completed in June 2019. The study recommended the department to develop a Business Tax Portal to facilitate e-filing of tax returns by businesses with accounting and financial data.

**“People are used to paper-based files. Even though most Hong Kong people are tech-savvy, corporations and individual taxpayers are still used to the old way of doing things when it comes to tax.”**

The IRD has been working on the development of a taxonomy package that will help facilitate Hong Kong businesses to tag their financial statements and tax computations in order to generate iXBRL data files. The IRD has sought the views and feedback through a consultation process and has included them in its IT development and proposals.

“This is necessary for us to adopt, and aside from tax reporting, it has a lot of good uses especially in data analysis,” Benjamin Chan explains. “Sixty jurisdictions around the world have already adopted the iXBRL reporting requirements for regulatory and supervisory purposes.”

The XBRL is the worldwide standard for tagging business data for computers to process intelligently, making it easier to do business reporting and evaluation. Benjamin Chan explains that the iXBRL data would be human-readable and structured, as well as machine-readable data. This helps enterprises improve their accountability and transparency of business performance, and ensures that investors can easily understand their financial data. According to Tsang, the key benefits are a faster

review process and a much better handling of data and analysis.

Despite the potential for change, there continues to be concerns among some businesses and user groups, such as the elderly, regarding the shift to e-filing. But William Chan says that this has all been taken into account, and that vendors will develop something that’s easy to use, even for small and medium enterprises and other users. “Not everyone has the latest version of software like the big companies, so hopefully it’s compatible even with older computers,” he says.

#### **Legislative changes**

“The Inland Revenue (Amendment) (Miscellaneous Provisions) Bill 2021 was enacted this year to enhance the statutory framework for furnishing tax returns in Hong Kong. It included provisions to allow service providers to furnish returns for or on the behalf of taxpayers, as well as setting out the legal obligations and liabilities of taxpayers and service providers,” says Benjamin Chan. “The ultimate goal is to help the government to reduce its cost in revenue collection, and with this digitization, if something is unreported, it can be detected very easily,” Chuk says. “This will consequently improve taxpayers’ systems and processes for external reporting,” Lee adds.

Benjamin Chan says: “It’s important that everyone understands their legal obligations, especially practitioners who are appointed by taxpayers to furnish tax returns for them or on their behalf.”

#### **Procedural changes**

The IRD recognizes that getting all businesses on board could be tricky, especially when faced with too many technological barriers, or if it impacts the design of a company’s accounting software. As such, the IRD has been proactively encouraging businesses to upgrade or develop their own computer programmes that are capable of converting audited financial statements into iXBRL format for tax filing purposes. Tsang calls this an “all-important change” that requires the government’s full support.

“We understand that this could be an area of concern for some people, but we have put in place various kinds of IT support to help taxpayers and practitioners adjust. These include offering an IT support service hotline to help taxpayers or interested parties to upgrade their computer systems, a provision of free conversion tools, a provision of an e-concierge service, and an invitation for a trial run,” says Benjamin Chan.

Tsang applauds the IRD’s phased efforts, and says that the provision of free conversion tools to help businesses convert their files into iXBRL format, and the provision of an e-concierge are all the right approaches. “This way, smaller businesses that have limited resources have more time to prepare for change, and this will offer some flexibility to do e-filing and plan ahead,” she says.

#### **Mindset change**

While technology might feel like a hurdle to some businesses, Lee

**“Sixty jurisdictions around the world have already adopted the iXBRL reporting requirements for regulatory and supervisory purposes.”**



**“The world is online, so we need to go online. We have been asking for this and a timeline for quite some time.”**

argues that, in some ways, it is the easiest part of this change, noting that the biggest impact is actually in relation to change management. “People are used to paper-based files. Even though most Hong Kong people are tech-savvy, corporations and individual taxpayers are still used to the old way of doing things when it comes to tax,” Lee explained.

### **What are the major benefits?**

The e-Filing Project aims to enhance the efficiency, reliability and accuracy of collecting accounting and financial data from businesses.

“Through this, the IRD hopes to achieve a better user experience, greater compliance with international standards and better alignment with government initiatives,” says Benjamin Chan. “The wider use of automatic processing of tax assessments means that the IRD can streamline its administrative process, save or redeploy resources, and reduce paper usage. This will help the overall tax administration become more environmentally-friendly,” he adds.

The experts agree, with Lee adding that the completion of the project would modernize Hong Kong’s tax authority. Tsang adds that if the IRD can achieve this, the data gathered through the tax return filing process would provide insight on the tax incentives introduced, allowing the government to deliver better promotions, education of those incentives, and to find new ways to assist taxpayers to make use



William Chan CPA,  
Tax Partner at Grant  
Thornton and Chairman  
of the Institute's  
Taxation Faculty  
Executive Committee.

of them. “Really, this is a win-win situation for all.”

Moving forward, William Chan advises taxpayers to be open-minded and accept that this is the way going forward. “Everyone has to accept that there will be a period of adjustment,” he added, reiterating

Benjamin Chan’s points that the government has put in place the necessary legislative framework and IT support to help businesses make the transition. “Everyone has to bite the bullet. Once everyone gets the hang of it, it will make life easier.”



## PROFILE

Masahiko Tezuka

# SERVING SOCIETY



The world is facing many pressing challenges, including climate change, and accountants will play a valuable role in managing them and developing solutions, says Masahiko Tezuka, Chairman and President of the Japanese Institute of Certified Public Accountants. He tells **Nicky Burridge** about his own challenge of supporting CPAs in Japan as they meet evolving expectations, and focus areas for his organization

Photography by Benjamin Parks

**M**asahiko Tezuka, Chairman and President of the Japanese Institute of Certified Public Accountants (JICPA), believes CPAs should serve society. Creating the right conditions for them to do so is a key part of his vision for JICPA, a member of the Global Accounting Alliance (GAA), an alliance of leading professional accounting bodies of which the Hong Kong Institute of CPAs is also a member. “When I assumed the position of Chairman and President in 2019, I set out a vision for ‘A professional organization, trusted by both its members and society, that makes the greatest possible contribution to sound economic development and the realization of greater well-being throughout society,’” Tezuka says.

To achieve this vision, he has set five strategic targets for JICPA to meet. The first two are to build confidence in CPAs, and build up relationships with stakeholders, including promoting constructive dialogue with them. The third target is to secure and develop talented human resources, while the fourth is to meet society’s needs, and the final one is to enhance the productivity and transparency of JICPA’s operations.

JICPA is Japan’s only self-regulatory body of CPAs and more than 33,000 CPAs in the country are required to register with it by law. “We uphold the professionalism of

our member CPAs and audit firms, as well as guide, connect, and supervise them,” Tezuka says.

Its main functions are to establish ethical and auditing standards, provide training and continuing professional development, and conduct quality control reviews on audit firms. In performing these functions, it liaises with a wide range of stakeholders, including individual CPAs and firms, as well as regulators in Japan such as the Financial Services Agency, and the Certified Public Accountants and Auditing Oversight Board, and the preparers and users of financial statements, academics, and other groups of experts.

### International collaboration

Tezuka considers a key part of his role at JICPA to be strengthening relationships with other GAA members and exchanging information on current issues and how to address them. “In circumstances where the environment surrounding the industry is changing internationally, the relationship with the GAA has become increasingly important for JICPA to look into the future of the industry from a global perspective and take adequate and timely actions,” he says.

He points out that the GAA plays an important role in examining what is currently happening in the industry in different countries, what matters are likely to



## PROFILE

Masahiko Tezuka

Before becoming the Chairman and President of JICPA in July 2019, Masahiko Tezuka served as a partner at Deloitte. At the firm, he held the positions of IFRS advisory group leader, integrated reporting advisory leader as well as managing partner in charge of industries.



affect the future, and what actions accounting professionals should take to manage them. Among the issues currently being discussed are audit reform – particularly in Europe – and the development of international standards for non-financial information disclosure relating to sustainability, as well as the impact of technology, such as artificial intelligence, on the profession.

JICPA takes part in GAA events, such as the roundtable event for GAA's Tax Directors Group, which was hosted by the Institute before the pandemic. "GAA events, such as roundtable discussions, give us great opportunities to exchange

views and understand legal systems and practices in each region in depth. In addition to that, we can develop relationships with not only GAA members, but also other organizations and relevant parties through panel discussions with guest speakers," Tezuka says.

It is also involved in GAA initiatives to further promote diversity and inclusion in the profession, and leveraging its GAA membership to support its members who are expanding the sphere of their activities, particularly for professional accountants in business. Tezuka explains that the GAA currently has working groups looking at the areas of

tax, education, and sustainability. "We also have regular deep dive discussions on specific topics such as diversity, equality and inclusion. We share ideas and information discussed in the session with JICPA directors and groups in charge, and we leverage the ideas and information to develop our own strategy to strengthen our support for our members," he says.

### A holistic view

Tezuka started his career in 1986 as an auditor with a member firm of PwC, where he became an audit partner within 13 years. He continued to move up the ranks, becoming chief operating officer of

the firm with responsibility for its overall management between 2005 and 2007.

In October 2007, he joined Deloitte Touche Tohmatsu LLC as a managing partner. “I led the launch of new businesses, including setting up a group that supported the application of International Financial Reporting Standards (IFRS) and forming a consulting team for integrated reporting,” Tezuka says. He also served as an industry leader, supervising the four business lines of audit, consulting, tax, and financial advisory services, forming teams and marketing these services.

In 2016, Tezuka became an executive board member of JICPA, and took on his current position as Chairman and President three years after.

Looking back over his career, Tezuka says one of the most memorable moments was assuming a senior management position at an audit firm shortly after a major accounting fraud by a client had been discovered. He was tasked with reforming the firm. “Such an experience was a great asset for me,” he says. Tezuka also remembers being in charge of due diligence for the acquisition of a major listed company in the days when mergers and acquisitions (M&As) of Japanese companies were rarely conducted. “It was a very hard task, but it helped me a lot in my later career,” adds Tezuka.

He thinks his previous experience has been valuable preparation for his JICPA role, giving him a good insight into the practical aspects of managing a global audit firm. “I believe that my knowledge is helpful in communicating with firms and strengthening relationships with the International Federation of Accountants and other overseas institutions. Having engaged in providing audit and consulting services to Japan’s leading corporations is a strength in developing a relationship with the economic community,” he says, adding that during his career he has performed diverse duties in addition to audit work, which has enabled him to view the accounting profession from a holistic standpoint.

Tezuka’s work as Chairman and President of JICPA is wide-ranging. His days are packed with meetings with various stakeholders, while he regularly

**“Having engaged in providing audit and consulting services to Japan’s leading corporations is a strength in developing a relationship with the economic community.”**

attends events and social gatherings in the evenings, although the COVID-19 pandemic has meant many of these have been moved online. Unsurprisingly, the pandemic has had a significant impact on CPAs in Japan, and Tezuka says when COVID-19 first struck, JICPA had to work with government bodies and other organizations to secure adequate time for them to close corporate accounts and auditing for the fiscal year ending 31 March 2020. It also issued guidance on practical audit considerations under remote work conditions for its members.

He considers the biggest challenge of his work to be meeting society’s expectations of CPAs. “Their work ranges widely from audit, assurance, consulting, tax and M&A services to fraud investigations. Going forward, sustainability-related services will expand,” he says. “To meet such needs, it is essential to deepen communication and cooperation with various stakeholders including the economic community, government bodies, councils, academics, and international institutions. JICPA especially focuses on stakeholder engagement.”

### Future challenges

Looking forward, Tezuka thinks society faces many pressing long-term challenges, such as climate change and digitization. To identify these future challenges and steadily put in place measures to help manage them, JICPA is currently working on a vision paper looking 10 years ahead.

In the meantime, it published a Sustainable Development Goals declaration earlier this year, under which it sets out how CPAs can contribute to the three areas of economy, society, people and environment, such as

In Japan, the CPA system was introduced in 1948 under a new set of policies seeking to dissolve the nation’s industrial and financial cliques (*zaibatsu*), to popularize securities trading with citizens, and to increase the number of individual shareholders. The JICPA started as a voluntary organization in 1949 and later became a corporation under the CPA Act in 1966. Today, it has more than 33,000 members.

through ensuring the reliability of corporate information, promoting innovation, and fostering awareness of sustainability. “As a professional partner, we will nurture trust, create a prosperous society, and build a brighter future,” Tezuka says. He adds that JICPA is also working on a CPA branding project to help people understand more about the value of CPAs. In addition, it is a signatory of Accounting for Sustainability’s Accounting Bodies Network Net Zero Commitment, under which 14 accounting bodies have pledged to achieve net-zero emissions within their own organizations and help their members to do likewise. “The JICPA has formed a cross-sectoral team to promote our commitment to achieve net-zero emissions. The team is working to formulate an action plan,” he says.

A key area for CPAs going forward will be the provision of non-financial information in relation to sustainability, Tezuka notes. “In recent years, society’s needs related to corporate disclosures have become more comprehensive, extending beyond the disclosure of financial information. Not only should we provide high-quality financial statements audits, but we should also examine how non-financial information should be assured in the face of increasing needs for such information,” he says.

With this in mind, JICPA is preparing a training curriculum to help its members develop sustainability literacy, particularly in terms of standards being developed on the disclosure of sustainable information, such as by the recently announced International Sustainability Standards Board of the IFRS Foundation.

JICPA has previously set up a Special Committee on Corporate Disclosure and Governance, and in June, it published a report looking at how to enhance the usefulness and trust in corporate disclosures, making recommendations such as

increasing the scope of mandatory disclosures and introducing standards for non-financial reporting. “JICPA has conducted research on sustainability for almost 20 years and published the findings to support practices. Most recently, we published two research reports, one for introducing the basic issues of climate change and the other one relating to green bonds,” Tezuka says.

## Technological change

Another area Tezuka thinks requires attention from the profession is technological developments. “While the advancement of technology has brought numerous benefits, such as increasing the efficiency of auditing, I think it has also created new challenges, for example, changes in required competences for auditors such as IT skills, due to the digitalization of audited companies,” he says. As a result, JICPA has been focusing on providing IT-related education for its members, and it is working on research looking at the skill set that CPAs will require in the future, as well as the education and training members will need in this area.

The pandemic, Tezuka adds, has accelerated digitalization both for the economy and for society. “With such changes, there are not only members promoting the digitalization of auditing processes from the standpoint of auditors, but also many members engaged in the transformation of corporate business processes from the standpoint of professional accountants in business or consultants.”

He points out that the CPA system in Japan was established more than 70 years ago to fulfil the need for experts in financial statements audits. “For that reason, Japanese CPAs have been recognized as ‘experts in audits’ by society,” he says. But since then, societal expectations for CPAs have expanded into other fields. “I believe that, in order to

**“The key is to keep working hard and stay humble. Then, broaden your horizons to find new opportunities and take on bold challenges.”**

continue to meet the changing needs of society, it is essential that every CPA continues to pursue self-improvement. Needless to say, CPAs must have knowledge in accounting and auditing, but they also need to demonstrate a positive attitude and action to expand the sphere of their activities, as the range of fields where they can make social contributions has now expanded,” Tezuka says. He adds that JICPA supports this development of skills through providing the necessary information and training.

He says that young CPAs first need to believe in their abilities. “The key is to keep working hard and stay humble. Then, broaden your horizons to find new opportunities and take on bold challenges. If you can keep these up going forward, I am sure you will have a bright future,” Tezuka says.

## An enthusiastic golfer

When he is not working, Tezuka used to be a keen footballer, but he has not played in recent years to avoid injury. “I now put my enthusiasm into playing golf. I really enjoy playing golf under the blue sky with my close friends or other golf club members on weekends. I am struggling to improve my scores though,” he says.

Tezuka adds that he also loves dogs, although he no longer has one after his beloved pet passed away five years ago. “I watch dog videos on YouTube to relax, instead of getting a new dog. If I had a little more time, I would love to have another dog.”





Tezuka, who graduated from the School of Economics of The University of Tokyo, became an executive board member of JICPA in 2016.



# NEW SOLUTIONS FOR THE

In this technology-driven reality, shaped by the pandemic and the need to meet customer demands, accountants must take up the right tools and transformation initiatives to work effectively. Speakers and panellists at the Institute's IT Virtual Conference 2021 cover innovative technologies and trends that could help businesses succeed in the new normal. [Nicky Burrridge](#) reports.

In the next decade, the economic performance of every business will be defined by the speed of their digital transformation over the next few quarters, according to Vyin Ng, Chief Financial Officer of Microsoft Hong Kong and Macau. The COVID-19 pandemic has accelerated the pace of digital change, with two years' worth of transformation happening in the space of just a couple of months, she told the Hong Kong Institute of CPAs' IT Virtual Conference 2021 held in October and themed "Coming out from Virtual Reality to the New Reality."

"The trend we are seeing in the market is that customers are very proactive about exploring how to digitally transform their business, not just their normal operations, but how to grow bigger and faster, to keep pace with the market," she said.

Ng pointed out that data is now abundant, and businesses rely on finance

professionals to provide reports and insights based on this data. But she added that legacy systems in most companies have lagged the pace of data growth, while mergers and acquisitions have led to systems across large corporations being disconnected, and many systems offer only a static view and are not interactive. "If the tools do not change, finance becomes involved in data reconciliation as a manual process that is very inefficient and creates a lot of errors," she said.

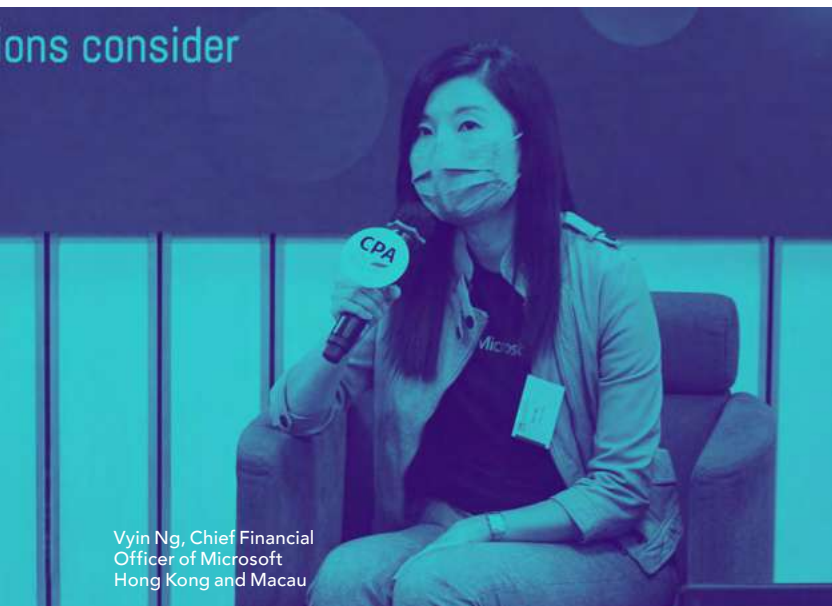
In a keynote address, "Modernization of finance in the new normal," Ng said the first stage of digital transformation is for companies to enable remote work, including helping teams to collaborate virtually and share files and data in a secure way. The next stage involves optimizing processes by reducing those that do not add value, and managing risk. A key part of this stage is setting











Vyin Ng, Chief Financial Officer of Microsoft Hong Kong and Macau

up a common data platform. The final stage of digital transformation involves reimagining work, using artificial intelligence (AI) to gain insights from data, machine learning for forecasting and automating routine tasks such as bookkeeping and invoicing to ensure accuracy and enabling these tasks to be conducted at scale around the clock.

Creating a common data platform is a key part of the process, Ng told the conference. She explained: "At Microsoft, we have a common data platform that connects all the revenue scorecards and key performance indicator metrics, historical information and future pipelines. It can be seen by all employees with their role-based security access." For example, a regional sales director could go to

the platform and see dashboards on their territory, while someone in the global corporate office could see worldwide data, she said.

AI is then used to extract critical information from the data, to provide insights to inform business decisions, while machine learning is employed to forecast what may happen in the future. "When teams go into business reviews, they need to prepare different scenarios. Our database helps us come up with interactive dashboards and data by geography and products, overall business performance and budget attainment. There is more granularity because data has been structured in a way that allows these 'drill down functions,'" she said.

Ng explained that the combination of the data and machine learning enables the finance team to predict future revenue performance of different areas of the business, helping management to allocate resources in a way that best supports business growth. "With all of this digital transformation, we in finance can transform ourselves by deprioritizing manual activities and elevating ourselves into business partners who drive impact and influence."

## Transforming the workforce

The pandemic has not only accelerated digital transformation, but it has also changed both client and employee expectations, according to a panel discussion session on "Innovative trends and best practices on the future of work."

Jason Yau CPA, Partner, Technology and Management Consulting at RSM Hong Kong, who was moderating the panel, said: "Clients are expecting us to leverage on the power of technology to provide services more effectively and efficiently, and employees are expecting us to provide more flexibility and understanding, and to help them reskill."

Ng described remote working as being the first stage of digital transformation, and Sammie Shum, Partner at Deloitte Consulting and Future of Work Leader, commented that Deloitte had already started to shift to virtual working before the COVID-19 pandemic. "We wanted to reinforce a culture of trust and empowerment in response to the new generation in the workforce who want more flexibility and autonomy." To ensure a successful transition the firm invested not just in infrastructure, but also in helping to change the mindset and capabilities of everyone across the organization. To help both clients and employees make the transition, Shum said it is very important to model best practice during virtual meetings, and ensure that clients have good visibility on projects. She explained that this is necessary, as while some clients expect remote working to lead to a productivity gain, others are concerned it will be less effective.

Jonathan Lo, Partner, HR Transformation Lead and Lead HR Target Operating Model Architect at KPMG China, agrees that employees need training to adjust to virtual working: "No one is naturally used to working completely virtually. We

**"We in finance can transform ourselves by deprioritizing manual activities and elevating ourselves into business partners who drive impact and influence."**



Above, from left (clockwise): Aaron Ma, Partner at PwC Mainland China and Hong Kong; Jonathan Lo, Partner, HR Transformation Lead and Lead HR Target Operating Model Architect at KPMG China; Jason Yau CPA, Partner, Technology and Management Consulting at RSM Hong Kong; Willy Wong, Partner – Technology Consulting at EY Mtel; and Sammie Shum, Partner at Deloitte Consulting and Future of Work Leader.

try to teach them virtual etiquette, such as the way you greet people, or run a meeting. We need to lead by example,” he said. Aaron Ma, Partner at PwC Mainland China and Hong Kong, added that PwC has offered similar training, looking at both hard skills in terms of how to use the technology, but also soft skills, such as conducting an effective virtual meeting. Going forward, the panel expect a hybrid model of working to become the norm, creating a new set of challenges. Yau added: “The future of work will not be one way or another, it will be hybrid. We need to adapt to different people’s needs, such as those of employees, clients and managers.”

Willy Wong, Partner – Technology Consulting at EY Mtel, pointed out that under this new model of work, employees will need better digital tools to enable them to mix on-site and remote work. He said EY’s office in Quarry Bay uses digital tools to help enhance productivity but also maintain social distancing when necessary. “We have adopted hot-desking; even partners don’t have their own room, and there are open areas for collaboration. We have installed more than 3,000 sensors so employees can use an app to see the occupancy rates of each floor. We have sensors to measure humidity, CO2 and temperature,” he said. “We also collect data on the employee

experience and behaviour to see how we can improve the experience for them, as well as monitoring efficiency and productivity,” he said.

Wong pointed out that as more work takes place remotely, it is important not to lose sight of the importance of helping staff achieve a work-life balance. “Technology can be too efficient. Clients expect you 24/7. Even if there is a typhoon, you might still have 10 meetings. We need to build tools to monitor well-being and work-life balance.” Ma added that while some people will prefer to work from home, others will prefer to work on-site. “From a management perspective, there are three angles – people, processes and tools. We have to help

employees maximize their working effort, empower them with the right tools, and have a fair process policy for all employees.”

Shum noted that going forward, virtual working also raises questions about talent retention. “It means we can source talent from outside of Hong Kong, but Hong Kong talent can also apply for jobs elsewhere. It raises questions about how you manage people across different locations and time zones, how you manage compensation, and how you translate it into a business model,” she said.

For small and medium practices that want to digitally transform, the panel suggest having the right mindset is as important as having the right tools. Yau added that trust is also key. “It can’t just be the group pushing for digital transformation; the employees also need to have this digital mindset,” he said. “There are a lot of tools out there that are reasonably priced and easy to implement. So, having the courage to make that first step and using a digital mindset to move forward is very important for smaller firms.”

Shum suggested taking a gradual approach, such as starting with

certain elements or job functions that are easy to perform virtually and building from there. Lo added: “Millennials have a lot of ideas. Let them have some options; let them pilot something small. It gives them a lot of ownership and momentum.”

Overall, Wong thinks people, rather than technology, are the most important aspect of making virtual working effective. “People are the key asset in a company to create long-term value. We need to put people at the centre. Listen to their feedback, understand their pain points and create a better experience for them.”

### Supporting innovation

For firms interested in implementing new technology, the conference heard that Hong Kong Science and Technology Parks Corporation (HKSTP) has a new Technology Validation Platform to help them. “We would like to become your technology partner throughout your technology adoption journey,” Dr Crystal Fok, Head of STP Platform, HKSTP, said in her keynote address, “Technology Validation Platform: Invisible to visible.”

**“Technology validation helps you to choose the most suitable vendor for your project.”**

She explained that the typical technology adoption journey consists of three stages, namely the exploration stage, the proof of concept stage, and the deployment stage. The Technology Validation Platform can help companies at each of these stages. Fok said one of the issues companies face during the exploration stage is finding the right solution for their problem, as there are likely to be many technology providers in the market. “If you give us your problem statement, we can help you by setting up a technology challenge and through this, you will know what is available in the market,” she explained.

The next stage of the process is the proof of concept stage, during which HKSTP can help identify a good vendor through hosting a tender assessment or feasibility study. “This stage requires data, so we can set up a virtual environment with data in which vendors can test their algorithms, and fine tune them to improve the accuracy. We create a virtual environment to turn an AI solution from being invisible to visible,” she explained.

Fok gave the example of proof of concept run for the Electrical and Mechanical Services Department, which wanted to digitize investigation reports written by contractors about the elevators it manages. HKSTP set up a virtual environment in which vendors were given samples of these documents, both typed in English and handwritten in Chinese, on which to test their optical character recognition technology.

Vendors were able to identify the words in the typed reports with an accuracy of up to 91 percent, but for the written ones the accuracy was only around 65 percent. “They







Eric Yeung, Chief Executive Officer and Co-founder of Skyzer VC Group

achieved this with only a small amount of data, but they think if they had more data, they could train the AI model and achieve accuracy of 80 percent or higher,” Fok said. Finally, the platform can help organizations at the deployment stage by assisting them in the final selection of the vendor.

Fok explained to the audience that HKSTP performed a validation exercise for the Food and Environmental Hygiene Department using image recognition software to count rodents. One vendor was able to count them with 94.8 percent accuracy, the other one with 91.1 percent accuracy. Although the second vendor had a slightly lower level of accuracy, the cost was half the price of the first one. “Technology validation helps you to choose the most suitable vendor for your project,” she said.

Fok added that the platform uses federated learning technology, a machine learning technique that builds algorithms using decentralized data pools. “The accounting world involves a lot of data, and in the past if you wanted to train AI, you needed to bring

that data to a central system. But with federated learning technology, you don’t need to upload the data to a platform; you allow the AI algorithm to go to your data. When the task is complete it takes the insights with it but not the data,” Fok explained. She added that this approach helps to change the mindset around data sharing and create more comprehensive AI models.

### Playing virtual games

The conference also heard that it is not only work that is likely to be increasingly carried out virtually in future, but also sports. Eric Yeung, Chief Executive Officer and Co-founder of Skyzer VC Group, described the current trend as being e-sports 2.0 in his keynote address, “Virtual sports vs. traditional sports.” He explained that traditional sports are turned into electronic games through using virtual reality

**“VR technology will not only change the gaming industry, but will rock the traditional sports industry as well.”**

(VR) and simulation technology to emulate real-life sport, including the amount of effort the participant needs to put in. He gave the example of someone playing virtual golf using a real golf club and golf ball, but hitting it into a screen. “It is one of the hottest topics in the world right now. We believe it is the future of sport,” he said.

Yeung is predicting double-digit annual growth in e-sports in the coming years. He explained that this growth is being driven by a combination of VR devices becoming cheaper, and sensors becoming more accurate, meaning VR technology can be used in competitions.

He added that the take up pattern of virtual sport is very similar to one seen for mobile games 12 to 15 years ago. “VR technology will not only change the gaming industry, but will rock the traditional sports industry as well,” he said.

Yeung told the audience that e-sports offers several advantages over traditional sports, such as lower barriers to entry, particularly for sports that tend to be expensive, like golf. “By using the new technology, you enable young people and grassroots people to play and enjoy sport.” He claimed another benefit is that it is easier to engage fans, as it is cheaper and simpler to broadcast an event, while fans can also choose their own viewing angle, a development that is already being offered to fans who use a VR headset to watch live National Basketball Association games.

Yeung said the next stage in the development of e-sports will be the creation of more professional competitions and leagues, such as the ESL Play VR League, which has a prize pool of up to US\$1 million. “The line between traditional and virtual sport will become more blurred in future. This technology will appeal to a new kind of athlete and create a new and exciting market,” he said.



A recording of the IT Virtual Conference 2021 will be available on the Institute’s website in December.



# SECOND OPINIONS: HOW CAN COMPANIES ACHIEVE THEIR DECARBONIZATION TARGETS?

“The decarbonization journey for every company is different, and depends on their industry’s development and production processes.”



RICKY CHENG FCPA

DIRECTOR, HEAD OF RISK ADVISORY, BDO, AND  
MEMBER, THE INSTITUTE'S SUSTAINABILITY COMMITTEE

To achieve the global goal of net-zero by 2050, companies are recommended to speed up their pace of decarbonization. However, the decarbonization journey for every company is different, and depends on their industry's development and production processes.

Below are some ways companies may achieve their decarbonization targets.

**Perform a holistic review of production processes and product design:** The carbon footprint of a company's product can be a combination of many factors including production processes, inputs, fuel mix and transportation.

The purpose of a production process review is to streamline production procedures and reduce the unnecessary use of energy and the emission of carbon. A product design review assesses if there are any alternative sustainable or low-carbon raw materials that can be used as inputs to reduce a product's carbon footprint, or indirect emissions that occur in a company's value chain (called scope 3 emissions). Scope 3 emissions include the extraction and production of purchased materials; transportation and distribution of products; waste disposal and use of products and services. Often, these emissions can be significantly reduced by sourcing raw materials and parts locally.

**Use energy-saving equipment and smart technology:** Companies can strive to reduce energy consumption by using energy-efficient equipment certified by ENERGY STAR. ENERGY STAR is a programme run by the United States Environmental Protection Agency and Department of Energy to promote energy efficiency. ENERGY STAR has certified over 75 different product categories including computers, servers, appliances, heat and cooling systems, lighting and equipment, etc.

There has been an increasing application of smart technology in energy management. Smart lighting, smart thermostats and sensor-based heating, ventilation and air conditioning (HVAC) systems of the new generation are designed to automatically maintain ideal conditions and optimize energy use. Internet-of-Things-based sensors and meters can also be used to monitor the performance of energy consumption for better energy management.

**Use of renewable energy:** Fossil fuels are used to generate the majority of electricity worldwide. To reduce reliance on fossil fuel-based electricity, companies can consider switching to renewable sources. For instance, companies can consider investing in commercial solar panels on the roof of properties to generate electricity for everyday use.

**Carbon offsets:** Having used the above methods to reduce carbon emissions, any residual carbon emissions can be offset by purchasing carbon credits to achieve net-zero carbon emissions. Currently in Hong Kong, carbon credits can be purchased from electricity providers such as CLP.



**GIGI LEE CPA**  
SENIOR MANAGER, ESG & CORPORATE  
SERVICES, DAH SING BANK

Since the Mainland China and Hong Kong governments announced their targets to be carbon neutral by 2060 and 2050 respectively, there has been growing awareness and attention on decarbonization locally. But before answering the question on how to achieve decarbonization, it is worth noting that establishing a baseline and a target reduction trajectory is equally important.

There are a few common approaches for companies to achieve decarbonization targets. As a best practice, a company should always follow a mitigation hierarchy in this sequence: energy saving, energy efficiency, renewable energy, low carbon electricity and carbon offset.

Most companies' energy consumption is from the use of electricity. Common energy reduction measures include switching from fluorescent lighting to light-emitting diode (LED) lighting, choosing products with higher energy efficiency, encouraging employees to turn off computers, lighting and air-conditioning before leaving the office, etc. The use of technology, such as smart meters that can analyse and provide better insights of electricity consumption patterns, can help a company identify consumption hot spots and potential reduction opportunities. Some service providers even offer a user-friendly dashboard to showcase performance and arrange staff engagement activities to motivate behavioural change.

**“It is much more effective when changes come from a genuine sense of belief.”** Speaking of behavioural change, a company should not overlook the importance of awareness building among all employees. It is much more effective when changes come from a genuine sense of belief than a set of policies and procedures required by the company.

While many companies nowadays still focus more on operations emissions, some pioneers have already set decarbonization targets that cover value chain emissions, including major upstream and downstream emissions, especially in industries such as real estate development and manufacturing. This requires a company to influence its suppliers and empower its customers to transit to low-carbon economy together through education, innovation and partnership.

By taking in account factors such as order quantity, use of low-carbon alternatives, and their supplier's environmental commitment when making a procurement decision, a company would create demand and consciousness among their suppliers to actively manage their own emissions. Similarly, if a company can provide products and services that promote or even incentivize conscious decision-making to its customers, it will also encourage more and more customers to join this decarbonization journey. After all, transiting to decarbonization requires a collective effort.



**EDDIE NG CPA**  
PRINCIPAL, BUSINESS REPORTING AND  
SUSTAINABILITY, KPMG CHINA

Companies are facing more pressure than ever to develop and execute a net-zero strategy. Below are the key elements that companies should consider when developing a decarbonization plan.

**Governance:** Boards should have oversight of decarbonization efforts and set the right tone from the top. They should discuss the plan and determine how to monitor and oversee progress. The management's role in the set-up, monitoring and implementation should also be clarified.

**Targets:** In addition to determining the target year for the net-zero commitment, companies can also set an intermediate target that is closer on the horizon for investors and stakeholders. This will create a sense of urgency for companies to act. Businesses should take a leaf from the Hong Kong government's medium- and long-term decarbonization targets: to reduce total carbon emissions by half before 2035 and achieve carbon neutrality before 2050. The Science Based Targets initiative is also helpful in helping companies to define achievable pathways to reduce emissions on a year-by-year basis.

**Strategies:** There are a number of ways to put a decarbonization plan into action. It can start from energy efficiency campaigns, for instance through LED light retrofits or HVAC upgrades. Companies can also invest in renewables, move towards circular business models, transform their product portfolio and shift to business partners that set science-based targets.

Like any other corporate strategy, companies should determine how their plan should be funded, for example by leveraging the expansion of green finance and impact investing mechanisms. In addition, the decarbonization plan should become a core business strategy, incorporated into business planning and aligned with its overall strategy.

**Measure and report:** It is critical for companies to set metrics to measure, track and report on its progress. Stakeholders will likely want to know what has been achieved and how the organization compares with its peers.

A decarbonization plan touches on many different aspects within a company such as strategy, business models, research and development, supply chain, and people.

This information is also relevant to investors to understand the financial implications of the plan as well as the risks associated with not reaching the target. Businesses need to develop a robust and reliable system to gather and analyse data that gives a clear picture of their carbon footprint.

**“Companies can also set an intermediate target that is closer on the horizon for investors and stakeholders.”**



The Chief Financial Officer at theCLINIC, and a mentor of the Institute's Mentorship Programme, on building a successful mentor-mentee relationship during COVID times



## How to make mentorship work in a hybrid world

**W**ithin the last two years, many new norms have been created as a result of COVID-19. One of these is the prevalence of hybrid working, where employees have the flexibility of working at the office or remotely.

While some employees have returned to the office, others have chosen to work from home. This shift can pose a challenge for mentors to engage and connect with mentees, the way they are used to in person.

Having been a mentor for many years in Hong Kong, Singapore and in different universities and professional institutions, the biggest challenge I've faced is making mentorship work under the current "volatile, uncertain, complex and ambiguous" or VUCA environment.

### Set goals and have a plan

For the mentorship to be a success, both mentor and mentee need to clearly define their expectations for the mentoring relationship. By meeting in person or virtually via tools like Zoom, they can discuss what they want to achieve from the mentorship, how and when to communicate and how they can both help each other. Every meeting, be it virtual or in-person, should also have an agenda. Both mentor and mentee should have questions prepared and topics ready in advance to discuss. If there are specific topics to discuss in length, make that knowledge in the beginning or prior to the call to ensure adequate time can be allocated.

### Add colour to video

In today's hybrid world of work, Zoom calls are increasingly replacing face-to-face meetings. Though helpful, it is not a sustainable way to maintain the relationship. There can be a lack of motivation to arrange Zoom call after Zoom call, and the lack of personal touch won't help to strengthen the bond.

To make video calls more engaging, mentors can start each virtual meeting with an icebreaker such as by asking how their day or week is going or what they have planned for the weekend. Spend the first few minutes building rapport and ensuring that the mentee is comfortable.

To build rapport, you can include a virtual lunch, a happy hour with beer and wine, or just a chat over coffee. Putting in the extra effort can go a long way. Though it may feel a bit weird at first, try to step away from being a "traditional" mentor and view these Zoom gatherings as a fun and fruitful way to connect with your mentees.

### Advice for mentees

What can mentees keep in mind? Though the current COVID-19 situation may deter mentees from meeting their

mentors in person, it's important for mentees to be proactive and initiate Zoom meetings too. By staying in contact, even over video calls, they would be able to gain more knowledge than expected from their experienced mentors.

However, if these virtual meetings continue to be boring even with a theme, mentors and mentees can consider other ways of bonding, such as through playing mobile games together. This idea was suggested by one of my mentees, and so we did it. The experience was interesting, gave us something new to talk about and provided an opportunity to bond and get to know each other in a different light.

Before wrapping up each virtual mentoring session, mentees should also take the initiative to schedule the next meeting, and discuss any actions they need to take before then.

### Balancing virtual and physical contact

With the gradual easing of restrictions in the world and some countries opting to live with the coronavirus, mentors and mentees can also opt to have in-person meetings. A hybrid model of the interaction between mentor and mentee is evolving.

Not only is the physical interaction important between mentor and mentee, but also amid mentees themselves. My mentees have tried to gather in person in pairs, and then dialled in to Zoom to connect with four other pairs in order to make a 10-person virtual group. This arrangement brought back physical interaction, while limiting the risk of being in a large group. After finishing the group call, the small group (mentor-mentee or mentee-mentee) continued working together face-to-face.

### Provide honest feedback and maintain trust

By providing quality feedback, mentors can influence future actions, help mentees stay on track and achieve their goals. This can be tricky to get right, especially virtually. Mentors should opt to give feedback over a video call instead of email, as they can convey their points better through body language and also through the tone of their voice. Strive to give sincere and specific feedback as soon as possible.

By creating a line of communication based on trust, it will be easier for the mentor and mentee to move beyond surface level conversations more quickly, and establish long-term trust. Allow room for both technical and open-ended discussions. This will help both sides to gain a greater understanding of each other, and ultimately deepen the mentoring relationship, even virtually.

*The Institute's 2022-23 Mentorship Programme is now accepting applications. Visit the Institute's website for details.*

The Institute's Executive Director on the profession's role in providing transparency and insights on the financial impacts of climate change



## The impact of climate risk on corporate reporting

**T**he accounting profession's focus on and role in sustainability, and environmental, social and governance factors as core consolidations in business risk identification and management, strategic planning, financing and corporate reporting has grown significantly over a number of years. In the last 18 months, the prominence and pace of development of this trend has increased dramatically.

During the 2021 United Nations Climate Change Conference (COP26), held earlier this month in Glasgow, the IFRS Foundation announced that the International Sustainability Standards Board (ISSB) would be established to develop and maintain global sustainability reporting standards as proposed and the first standards would be issued next year, focusing on climate-related risk and general disclosure requirements. The prioritization by the ISSB of climate risk is understandable given the global significance of the threat posed by climate change and the recognition by governments and regulators of the urgent need to address the risk. Another good example of this is how the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) recommendations on disclosure of climate-related information are in the process of being mandated in certain jurisdictions. In Hong Kong, the Green and Sustainable Finance Cross-Agency Steering Group announced in July that progress is being made towards mandating climate-related disclosures aligned with the TCFD framework by 2025 across relevant sectors.

So how does all of this affect the 2021 reporting cycle and the work and responsibilities of professional accountants?

### IFAC statement

In September, the International Federation of Accountants (IFAC) issued a statement *Corporate Reporting: Climate Change Information and the 2021 Reporting Cycle*. This followed *Climate Action Point of View* issued in 2019 highlighting climate change as an urgent, global issue and the influence and responsibility accounting bodies and professional accountants have in driving climate-related reporting.

Although many jurisdictions are subject to a wide variety of statutory or regulatory requirements on non-financial reporting and despite the issuance of various guidance and educational materials by standard-setters, professional standards for reporting and assurance of climate and sustainability information have not changed. Nevertheless, as many companies are already taking action to assess and address climate risk and these actions result in material financial implications, they need to be reflected in a company's financial reporting.

The statement recognizes that increasing regulatory and investor scrutiny on businesses' response to the climate crisis is challenging professional accountants – both in business and in practice – to play an active role in determining the way climate change information is reported. This needs to be done within the existing reporting framework and in compliance with current professional standards. The statement covers three areas, explaining the “why, what and how” of climate-related information in corporate reporting.

### Information concerns of investors, regulators and policymakers

Inevitably and understandably the potentially serious impact of climate-related matters on organizations' business models, financial performance and resilience has resulted in demands from investors, regulators and policymakers for more consistent, comparable, reliable and decision-useful climate-related financial disclosures.

Investors have been clear in their demands for greater transparency through groups such as Climate Action 100+ and statements by individual investment firms like BlackRock. Uptake of the TCFD framework and recommendations is monitored and reported annually. The European Commission has issued a proposed Corporate Sustainability Reporting Directive, while the United States Securities and Exchange Commission is consulting on climate change disclosures and China's central bank has plans to implement mandatory disclosures of climate and carbon emission information.

### Standard-setter responses

To meet these demands, companies will need to consider whether they need to report additional information and disclosures to enable investors and others to understand the impact of climate-related matters on financial position and performance.

Standard-setters, including the International Accounting Standards Board and the International Auditing and Assurance Standards Board, have already provided helpful clarification and analysis of existing obligations in financial reporting and auditing standards in respect of climate-related matters.

### How professional accountants can address these concerns

Transparency is at the heart of the public interest role played by all professional accountants. With respect to climate-related reporting, professional accountants can take a leading role in the following ways:

- Align and integrate climate-related information and disclosures in internal planning, decision-making and corporate reporting.
- Quantify, wherever appropriate, financial impact – translate risks and opportunities into numbers.
- Ensure climate-related disclosures comply with reporting requirements.
- Support global initiatives to enhance climate and broader sustainability-related reporting.

COP26 has brought the climate crisis to the forefront of media headlines, reporting that the danger it poses to society is irrefutable. The IFAC statement is written for the global profession and it is as relevant for Hong Kong as any other jurisdictions. It provides guidance and encouragement for the accounting profession to take a leading role in addressing this grave threat using skills and standards that are at the heart of being a professional accountant. The Institute recommends members use the statement to meet this challenge in the 2021 reporting cycle.

## FIVE QUESTIONS

PAIB & PAIP

**What have been the three biggest lessons in your career so far?** The most important lesson is continuous studying and learning. I graduated in civil engineering then studied accounting and then law. The last two allowed me to work well in the area of compliance. Secondly, be proactive. Don't be shy to take up more responsibilities at work as you can learn a lot. Lastly, think outside the box. I left a stable job in banking to join a fintech company because I was determined to play a part in changing traditional banking for consumers.

**What attracted you to the industry?** One of my friends joined a fintech payment company that specialized in cross-border payments, and I found out that my helper was using its services. She used to queue up at Western Union or MoneyGram outlets to transfer funds back to her family once a month. With the payment app, she can deposit and transfer money any time at a convenient store. This speed and efficiency, and seeing how these technologies are disrupting the market, attracted me to join a fintech.

**In what ways has your CPA qualification helped you in your career?** I have a good understanding of different aspects of the company. As a chief operating officer, I oversee compliance, marketing, tax, legal, company secretary, accounting and capital fundraising. A lot of these job responsibilities are closely related to accounting or my CPA knowledge.

**HKVAX is currently obtaining SFC licenses to deal in securities and provide automated trading services. What has your role been in the licensing process?** I'm the key person responsible for handling all SFC submissions and enquiries. My compliance



## FIVE QUESTIONS FOR PAIB Sam Fok CPA

co-founded Hong Kong Virtual Asset Exchange Limited (HKVAX), a trading platform, as the Securities and Futures Commission (SFC) was introducing a virtual asset-related licensing regime and guidelines. He shares how his compliance background, which included being an investigator at the Independent Commission Against Corruption, is helping the company get to the next stage of growth

background is useful in front of the regulator and in my discussions with them. Previously, the biggest problem in the virtual asset market was the lack of transparency on the full records of asset owners. Know-your-customer onboarding, transaction monitoring, market surveillance and record-keeping, the full anti-money laundering framework – I have extensive experience with these in the bank and can now bring it into the virtual asset space. Since we started the company in 2018, we have been involved in numerous discussions with the SFC on how to regulate the virtual asset market. We are one of four market players that has been accepted by the SFC for license applications. Once we get the license, our investors will be able to use our platform to trade virtual assets and security tokens. Our goal is to build a strong marketplace that investors can trust.

**How do you view Hong Kong's future as a digital asset centre globally?** Even with Mainland China's recent clampdowns on crypto, I am still cautiously optimistic. As an international financial hub, Hong Kong has a sound financial, legal and tax system, and the professionals to support it. But despite our competitive advantages, the global minimum tax rate of 15 percent endorsed by the G20 and an increasingly globalized world means these advantages will gradually fade. I strongly believe Hong Kong should continue to foster fintech innovation without compromising investor protection. We should consider allowing retail investors to trade virtual assets with proper product and risk disclosures in place, and also expand the product offering (i.e. staking or virtual asset lending/borrowing) in a regulated regime. For Hong Kong to become a crypto hub, innovation and regulation have to come together.



**What have been the three biggest lessons in your career so far?** Be passionate in what you do. As you may be facing long hours and multiple deadlines, choosing a meaningful path will serve you well in the long run. I've also learned to hold a mindset of continuous learning. Going from working with annual audit and initial public offering (IPO) clients to taking up environmental, social and governance (ESG) advisory, ESG assurance, and green finance reporting work entailed a learning curve – but I learned the important lesson of embracing change and a growth mindset through my career. Lastly, learn from others' experiences. It can be particularly helpful to receive advice from individuals who have been in your shoes. I am especially grateful to several partners for sharing their valuable experiences with me, which continue to help me in my work today as a young partner at the age of 35.

**What do you like most about specializing in ESG or ESG-related assurance?** Similar to many individuals, I began my career focusing on assurance and IPOs. With ESG continuing to grow as a hot topic and global issue, I'm glad I had the chance to get involved in this topic. While my work primarily focuses on Mainland China and Hong Kong, I also have the chance to work with the global team. This enables me to take into account our firm's global ESG developments and consider how the global landscape affects our local work.

**In what ways has your CPA qualification helped you in your career?** As a CPA, quality is the number one priority. My analytical skills are important too. They allow me to identify key issues within a short time



## FIVE QUESTIONS FOR PAIP

### Cyrus Cheung CPA (practising)

Partner, ESG Services at PwC, advises listed companies to develop and improve their ESG performance. He shares how a mindset of continuous learning took his career from audit to the global issue of sustainability

span, which helps me to share views and best practices with clients. Through auditing, I also had the chance to work with many individuals from different cultures. Through these interactions, I've honed my communication skills as a CPA, which is essential across industries and continues to be vital in my ESG work.

#### **What is one of the most critical things for companies to get their journey to net-zero right?**

Many companies are still at the beginning stage of their net-zero journey. At this stage, it's critical to have clarity on a company's current status, which includes understanding its existing carbon emissions and areas that generate the most significant emissions. Emission sources are not limited to the company itself, but are also related to a company's indirect emissions, such as from business travels and its suppliers. Taking stock of this current status may sound elementary, but it is an important initial step before moving on to setting specific targets and actions of reducing emissions.

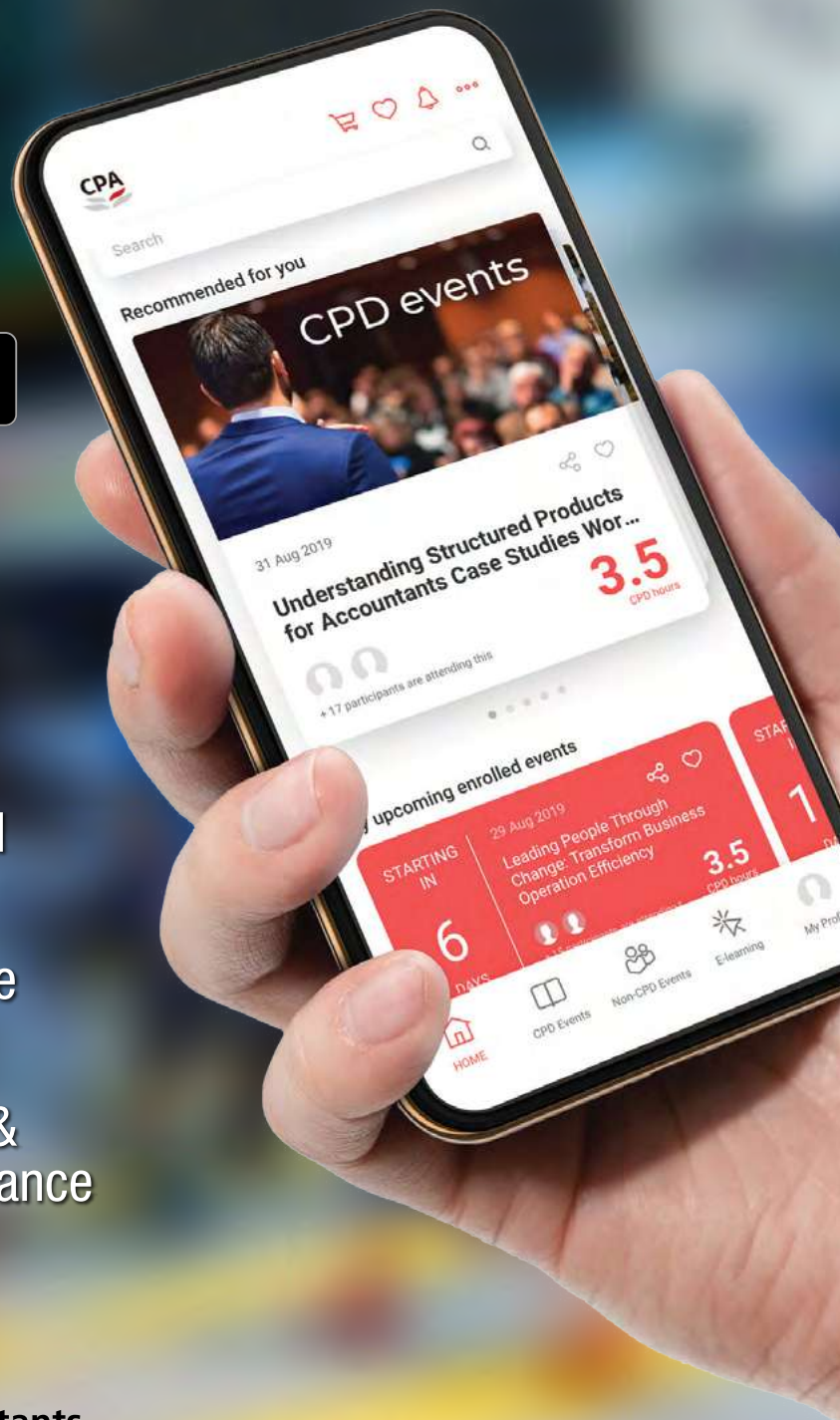
**The IFRS Foundation recently announced the formation of a new International Sustainability Standards Board. What does this news mean to you and the work you do?** Setting common ESG reporting standards and frameworks will help to draw insightful comparisons between company reports and provide useful information to investors, regulators, and other ESG stakeholders. This will help to enhance disclosure quality and operational efficiency. The focus will be placed on mandatory key performance indicators to be scientifically measured and disclosed, and with these being standardized, I look forward to increased alignment and continued growth in the ESG space.

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# 2021 Compliance Forum: “Risk Management: Corroborating Evidence is a Key to Success”

How CPAs can benefit from the 2021 Compliance Forum, available as an e-Seminar on applying risk management techniques and performing assurance engagements based on real-life examples



Linda Biek, the Hong Kong Institute of CPAs' Director of Compliance, leads the department responsible for handling complaints about the conduct of Institute members and member firms. She is an accountant with more than 20 years of international regulatory experience.

Risks are all around us and managing them requires exceptional critical thinking skills. However, your brain may be playing tricks on you: Did you know your brain makes some decisions automatically? You may think you are in control, but neuroscience has proven otherwise. For example, a person may have texted their friend but no reply was received. A confident person might conclude that their friend was busy and been unable to respond. Alternatively, a less secure person may conclude their friend was ignoring them. Often, these thought processes occur without any cognitive effort on our part. Confirmation bias may be the culprit that contributes to different responses from the same set of facts.

Confirmation bias is the tendency to seek out and process information that is consistent with one's beliefs. This tendency to distort reality can have serious influence on decision-making. Auditors are required to **maintain objectivity** when performing professional engagements. However, studies have shown they often seek out information that supports their **original assessments** about a client, an account, or internal control – ignoring disconfirming evidence that could point to material fraud or misstatement.

Imagine visiting the doctor for an annual body check. You look good. You feel good. Your diagnostic tests are good, except for one. Your blood pressure is 180/120 mmHg (considered stroke level). What if the doctor ignored the disconfirming evidence and concluded you were fine because most of the information supported his original assessment that you looked good? Unfortunately, that decision might prove to be fatal because of that one piece of disconfirming information and the doctor's confirmation bias.

Think about this next time you are gathering evidence for an audit engagement and discover something that is contrary to previously gathered evidence or inconsistent with your expectations. To resolve the conflict, you can: a) revisit your understanding of the circumstances; b) consider whether corroborating evidence can be obtained; and/or c) gather *persuasive* evidence, not just more pieces of evidence. Remember, the survival of the company may depend on you.

The International Ethics Standards Board for Accountants recently amended the *Code of Ethics for Professional Accountants* to emphasize the influence of bias in decision-making, noting that objectivity may be compromised by bias. The revisions also call attention to bias when applying the *Conceptual Framework for Financial Reporting*, warning professional accountants that “conscious or unconscious bias affects the exercise of professional judgement” and give examples of the potential biases such as automation bias, groupthink and overconfidence bias, to look out for.

The code of ethics suggests the effects of bias may be managed by seeking advice from experts to obtain additional insight, consulting with others to ensure appropriate challenge, and receiving training about bias identification. Research shows that bias awareness is the first step towards bias mitigation.

Educating yourself about potential biases may help improve your objectivity but there are other engagement risks demanding your attention. They may arise during planning, evidence gathering, or finalizing an audit.

## About the forum

“Risk Management: Corroborating Evidence is a Key to Success” was the theme of the 2021 Compliance Forum, which is now available as an e-Seminar. The forum provides a closer look at how to apply risk management techniques when performing assurance engagements. Real-life examples help demonstrate effective concepts and procedures that can be applied during different phases of the audit process.

Watch the recording to learn how to increase effectiveness during the planning stage of an audit by identifying high-risk areas or threats, and responding with appropriate audit procedures. Actual case scenarios are examined to demonstrate how to effectively audit acquisition transactions by clients and assess clients' available-for-sale investments. The speakers highlight points to consider as they share information about the cases. In closing, participants are reminded to “begin with the end in mind” to ensure that they have developed a robust plan that leads to an audit opinion, properly supported by persuasive evidence and documented accordingly.



# Breaches to the code of ethics: A case study for PAIPs

A look at how the *Code of Ethics for Professional Accountants* highlights the importance of scepticism for professional accountants in practice

This is the second of two case studies in *A Plus*, developed by the Institute's Ethics Committee. The first case study, covered in last month's issue, covered a situation in business, while this covers one in practice.

## Case 2: Engagement quality control reviewer

John was the sole proprietor of a firm and the engagement partner of DEF Limited, a Hong Kong-listed company. The firm audited the consolidated financial statements of DEF Limited for the year ended 31 December 2018 and expressed an unmodified auditor's opinion thereto. Arthur was the engagement quality control reviewer (EQCR) of the audit.

During 2018, DEF Limited entered into a sale transaction which allowed the buyer to settle the payment by interest-free instalments over a period of 20 years. DEF Limited recognized the revenue and trade receivable of the transaction at the invoiced amount without taking into account the discounting effect of the transaction.

DEF Limited had two overseas subsidiaries that were a substantial portion of the net assets of the group. The overseas subsidiaries were audited by a local branch of an international accounting firm (the overseas auditor).

During the audit:

- The firm did not identify the company's non-compliance with the relevant accounting standard on the treatment of the transaction.
- The audit documentation did not contain evidence that John had discussed significant matters of the audit, in particular the discounting effect of the transaction, with Arthur.
- In response to the firm's group audit instructions, the overseas auditor provided the firm a summary of audit procedures performed on the overseas subsidiaries and the corresponding findings.
- As John was simultaneously working on multiple engagements and work commitments, he requested Arthur to consider and review the overseas auditor's summary of work and findings,

without first evaluating them himself as the engagement partner. At John's request, Arthur recorded his review and conclusion with respect to the overseas auditor's work in a working paper and reported his findings to John.

- John considered Arthur's review of the overseas auditor's work and findings to be part of Arthur's work as an EQCR to review significant judgements made, as opposed to the responsibilities of the engagement team.
- John asserted that the independence of Arthur from the engagement team could be assured because the overseas subsidiaries had been audited by a Big Four accounting firm.

### Consider the following with reference to the code:

1. Which fundamental principles did John and Arthur fail to comply with?
2. What were the deficiencies committed by John and Arthur in carrying out the audit engagement?
3. Do you agree with John that Arthur's review of the overseas auditor's work and findings was part of the work of an EQCR? Why or why not?
4. Do you agree with John's explanation that Arthur's independence as an EQCR could be assured? Why or why not?

John and Arthur had breached the fundamental principle of **professional competence and due care** as well as **the independence requirements**.

- They failed to identify the accounting non-compliance of DEF Limited's consolidated financial statements but expressed an unmodified auditor's opinion, which might have a bearing on users of the audited financial statements.
- **John** failed to challenge the appropriateness of the accounting treatment of the transaction with a sceptical mind and evaluate whether accounting estimates pertaining to the transaction were reasonable in the context of the applicable financial reporting framework and perform

adequate audit procedures thereof. The investigation also noted that John did not communicate to the audit committee his views on the qualitative aspects of the transaction, which involved significant judgement and estimation.

- **Arthur** failed to act competently and diligently, i.e. he did not objectively evaluate the significant judgements made and the conclusions reached by the engagement team in the capacity of an EQCR.
- Arthur violated the independence and objectivity of an EQCR by reviewing the audit work and findings by the overseas auditor. This involved significant judgements and was an integral part of the audit procedures to be carried out by the engagement team in a group audit, being far more extensive than an evaluation by an EQCR. Consequently, this gave rise to a self-review threat because Arthur involved in the significant judgements made in the audit engagement that were subsequently reviewed by him in the capacity of an EQCR.
- John's view of the role and responsibilities of the engagement team and EQCR in a group audit engagement demonstrates his lack of understanding of the relevant requirements. He failed to ensure that the work required for a group audit engagement was properly performed. He also failed to ensure the EQCR was independent from the audit engagement team.

### What does the code say?

According to paragraph R113.1 in Chapter A, a professional accountant shall comply with the principle of professional competence and due care, which requires an accountant to:

- (a) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and

- (b) Act diligently and in accordance with applicable technical and professional standards.

### What do the professional standards say?

Paragraph 40 of Hong Kong Standard on Quality Control (HKSQC) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* requires a firm to establish policies and procedures designed to maintain the objectivity of the EQCR. Paragraph A49 continues that such policies and procedures provide that the EQCR:

- Where practicable, is not selected by the engagement partner;
- Does not otherwise participate in the engagement during the period of review;
- Does not make decisions for the engagement team; and
- Is not subject to other considerations that would threaten the reviewer's objectivity.

Hong Kong Standard on Quality Management (HKSQM) 2 *Engagement Quality Reviews* is effective for audits and reviews of financial statements for periods beginning on or after 15 December 2022, and effective for other assurance and related services engagements beginning on or after 15 December 2022. When HKSQM 2 becomes effective, it replaces the extant provisions relating to engagement quality reviews in extant HKSQC 1 and Hong Kong Standard on Auditing (HKSA) 220 *Quality Control for an Audit of Financial Statements*.

- According to paragraph 9 of HKSQM 2, the EQCR is not a member of the engagement team. The performance of an engagement quality review does not change the responsibilities of the engagement partner for managing and achieving quality on the engagement, or for the direction and supervision of the members of the engagement team and the review of their work. **The EQCR is not required to obtain evidence to support the opinion or conclusion on the engagement, but the engagement team may obtain further evidence in responding to matters raised during the engagement quality review.**
- According to paragraph 13(a) of HKSQM 2, **an engagement quality review is an objective evaluation of the significant judgements made by the engagement team and the conclusions reached thereon, performed by the EQCR and**

completed on or before the date of the engagement report.

- According to paragraph A14 of HKSQM 2, **a self-review threat may be created when the EQCR previously was involved with significant judgements made by the engagement team, in particular as the engagement partner or other engagement team member.**

### What should John have done?

John, as the engagement partner, should have:

- Determined that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the audit engagement, the firm's policies or procedures, and any changes that may arise during the engagement (paragraph 25 of HKSA 220 (Revised) *Quality Management for an Audit of Financial Statements*).
- Taken reasonable steps to ensure members of the engagement team collectively have the appropriate competence and capabilities to perform the audit engagement (paragraph 26 of HKSA 220 (Revised)).
- Applied professional knowledge and skill with sound judgement and professional scepticism, including the application of HKSA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures* in auditing accounting estimates and requirements in HKSA 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* with respect to a group audit engagement.
- Ensured relevant ethical requirements including those relating to independence have been fulfilled (paragraph 21 of HKSA 220 (Revised)).
- Determined that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued, through review of audit documentation and discussion with the engagement team (paragraph 32 of HKSA 220 (Revised)).
- Ensured a consultation is undertaken on difficult or contentious matters (paragraph 35(a) of HKSA 220 (Revised)), such as the accounting treatment of the transaction.
- Ensured that significant matters and significant judgements arising during the audit engagement are discussed with

the EQCR (paragraph 36(c) of HKSA 220 (Revised)).

- Communicated the auditor's views about significant qualitative aspects of the entity's accounting practices and significant matters arising during the audit with those charged with governance (paragraph 16 of HKSA 260 (Revised) *Communication with Those Charged with Governance*).

### What should Arthur have done?

Arthur, as an EQCR, should have:

- Applied the conceptual framework of the code to identify, evaluate and address threats to his independence and objectivity as an EQCR.
- Acted competently and diligently as an EQCR in accordance with the relevant professional requirements, including but not limited to:
  - Notified the appropriate individual in the firm when he becomes aware of circumstances that impair the EQCR's eligibility (paragraph 23 of HKSQM 2).
  - Discussed with the engagement partner and other members of the engagement team significant matters and significant judgements made in planning, performing and reporting the engagement (paragraph 25(b) of HKSQM 2).
  - Evaluated the basis for the engagement partner's determination that relevant ethical requirements relating to independence have been fulfilled (paragraph 25(d) of HKSQM 2).
  - Evaluated whether the engagement partner's involvement was sufficient and appropriate throughout the audit engagement to provide the basis for significant judgements made and the conclusions reached (paragraph 25(f) of HKSQM 2).

*This article was contributed by the Institute's Standard Setting Department. This guidance is for general reference only. The Institute, Ethics Committee and the staff of the Institute do not accept any responsibility or liability in respect of the guidance and any consequences that may arise from any person acting or refraining from action as a result of any materials in the guidance. The department welcomes your comments and feedback on this guidance, which should be sent to [commentletters@hkcipa.org.hk](mailto:commentletters@hkcipa.org.hk).*

# TECHNICAL NEWS

## The latest standards and technical developments

### Financial reporting

#### **Institute's webinar on presentation and disclosures of financial statements**

A live webinar on 3 December will provide an overview of recently issued/amended Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Interpretations and HKFRS Practice Statements in relation to the presentation and disclosures of financial statements. It will also provide an update on the development of related International Accounting Standards Board (IASB) projects and findings from the Institute's practice review programme on presentation and disclosures.

#### **Institute's webinar on considerations in performing impairment assessments**

A live webinar on 14 December will discuss how to perform an impairment assessment and the related considerations for applying the requirements of Hong Kong Accounting Standard 36 *Impairment of Assets* and Hong Kong Standard on Auditing 540 (Revised) *Auditing Accounting Estimates and Related Disclosures*. The speaker will also share tips on reviewing valuation reports and common pitfalls in performing an impairment test.

#### **Institute's webinar on IFRS Interpretations Committee agenda decisions that are relevant to Hong Kong**

A live webinar on 15 December will cover several IFRS Interpretations Committee agenda decisions/tentative agenda decisions that may have wider implications in Hong Kong. The speaker will explain how the applicable principles and requirements in the International Financial Reporting Standards (IFRSs) apply to specific fact patterns.

#### **IASB webcast on Exposure Draft Subsidiaries without Public Accountability: Disclosures**

The IASB has published a short video that introduces the proposals for a new

accounting standard that would permit eligible subsidiaries to apply IFRSs with reduced disclosure requirements in their financial statements.

#### **IASB webcast series on Exposure Draft Management Commentary**

A series of bitesize webcasts on Exposure Draft *Management Commentary* has been produced to address frequently asked questions about the IASB's proposals for a new framework for preparing management commentary.

#### **IASB article on BCUCC**

Ann Tarca, a member of the IASB, published an article that explains the IASB's preliminary views for accounting for business combinations under common control (BCUCC). The IASB's proposals aim to reduce diversity in practice and to improve the information provided to investors.

#### **IASB October podcast and October update**

The IASB October podcast, with its chair and vice-chair highlighting the projects discussed during the October meeting, and a summary of the October meeting, are now available.

#### **October IFRS Interpretations Committee podcast**

The IFRS Interpretations Committee podcast, highlighting the committee's key activities during the third quarter, is now available. Topics discussed include non-refundable value-added tax on lease payments, accounting for warrants that are financial liabilities on initial recognition, demand deposits with restrictions on use and cash received via electronic transfer as settlement for a financial asset.

### Auditing and assurance

#### **Invitation to comment**

The Institute is seeking comments on International Auditing and Assurance Standards Board (IAASB) Exposure

Draft *Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (LCEs)* by 31 December. Members may be interested in the following regarding the proposed standard for LCE audits:

- Take part in the Institute's survey, which highlights the key attributes of the exposure draft followed by yes/no questions. The survey can be found on the Standard Setting Department's "What's new" webpage.
- IAASB LinkedIn livestreams.
- Follow the IAASB on LinkedIn for the next upcoming LinkedIn Live LCE session.
- An optional response template.
- A podcast by the Institute of Chartered Accountants in England and Wales (ICAEW).

#### **IAASB Quality management webinar series**

Watch the recording of the IAASB's webinars that take a deep dive into aspects of the International Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*.

#### **Institute's Auditing and Assurance Standards Committee meeting minutes**

Minutes of the meeting held in September is now available.

#### **Financial Reporting Council reports**

The Financial Reporting Council issued its *Annual Investigation and Compliance Report*, covering the 18-month period from 1 October 2019 to 31 March 2021. It also published its *Interim Inspection Report* in the middle of its first three-year inspection cycle.

#### **IAASB October board meeting**

The audio recording of the IAASB October board meeting is now available.

#### **IAASB first digital handbook**

The IAASB's digital handbook of



pronouncements is now live on its website. It is designed to meet stakeholders' needs, allows for quick reference to other standard-setting boards' standards and related resources.

### **Joint report on fraud, going concern and the expectation gap in audit**

A report by the Association of Chartered Certified Accountants, Chartered Accountants Australia and New Zealand, Chartered Professional Accountants of Canada and the Canadian Auditing and Assurance Standards Board examines the auditor's role in the areas of fraud and going concern and the related expectation gap and identifies recommendations to narrow this gap.

### **ICAEW audit and assurance resources**

The ICAEW has the following material that may be of interest to members:

- The recording of ICAEW's Financial Reporting, Audit and Assurance Conference to explore a wide range of technical topics.
- Technical articles on fraud and audit; improving audit quality etc. through ICAEW's *Audit and Beyond October 2021*.

Institute members can also subscribe to ICAEW's International Standards for free to access a wide range of resources on auditing and ethics.

## **Ethics**

### **2021 IESBA Handbook**

The International Ethics Standards Board for Accountants (IESBA) has released the *2021 Edition of the Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards)*. It contains recently approved revisions to the code, including:

- The revisions to Part 4B to align terms and concepts used in the code to those in International Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* that became effective in June 2021.
- The revisions to Parts 1 and 2 to promote the role and mindset expected of professional accountants that will

become effective in December 2021, with early adoption encouraged.

Approved revisions that are not yet effective have been included in the back of the handbook. These revisions will become effective in December 2022 and include:

- Revisions to the code addressing the objectivity of an engagement quality reviewer and other appropriate reviewers.
- Revisions to the non-assurance services provisions of the code.
- Revisions to the fee-related provisions of the code.

### **Using specialists in the COVID-19 environment**

A publication by IESBA, IAASB and the American Institute of CPAs provides guidance to assist professional accountants in business and in public practice determine when there might be a need to use the services of a specialist to assist in perform specific tasks and other professional activities within their employing organizations and in serving their clients in the COVID-19 environment. It also highlights relevant ethical considerations for accountants when thinking about using a specialist, as well as circumstances that indicate a need for a specialist during an audit of financial statements.

### **Launch of eCode 2.0**

The IESBA launched eCode 2.0 using the e-International Standards platform. In addition to providing electronic access to the authoritative standards developed by the IESBA, it provides access to non-authoritative resource materials, including staff-prepared basis for conclusions, and questions and answers publications.

## **Sustainability**

### **Formation of a new International Sustainability Standards Board and other updates related to sustainability standards development**

At the 2021 United Nations Climate Change Conference (COP26) on 3 November, the IFRS Foundation Trustees announced the formation of a new International Sustainability Standards Board, a commitment to

consolidate with the Climate Disclosure Standards Board and the Value Reporting Foundation, and the publication of prototype climate and general disclosure requirements developed by its Technical Readiness Working Group. The speech delivered by Erkki Liikanen, Chair of the trustees, and a recording of a panel discussion from COP26 on this topic are now available.

### **Free webinar: Sustainability offers new opportunities for SMPs**

A free live webinar on 15 December, co-hosted by the European Federation of Accountants and Auditors for SMEs and the International Federation of Accountants, will cover recent developments focused on small- and medium-sized practices (SMPs) and small- and medium-sized enterprises (SMEs) and involve a distinguished panel covering how SMPs can get started, and examples of those taking action in sustainability.

### **ICAEW sustainability articles**

The ICAEW has the following articles that may be of interest to members:

- *Climate change: the basics on getting started*: How businesses can get started on making a positive change for the climate.
- *How SMEs can take steps towards net zero*: A finance director of an SME explains what the company has done so far, and how other SMEs can follow suit.

## **Corporate finance**

### **Institute submission on HKEX consultation on SPACs**

The Institute issued a submission in response to the consultation paper published by the Hong Kong Exchanges and Clearing (HKEX), seeking public feedback on proposals to create a listing regime for special purpose acquisition companies (SPACs) in Hong Kong.

The submission agrees that the listing of SPACs is an issue that merits consideration by the HKEX. However, the view is that, if a new listing regime for SPACs is introduced, we should proceed with caution in the first instance, given the specific characteristics of the Hong Kong market, which still has a substantial proportion of retail investor participation. This also takes into account



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[www.hkicpa.org.hk/en/members-area/hkicpasource/](http://www.hkicpa.org.hk/en/members-area/hkicpasource/)

that regulatory changes relating to SPACs in the United Kingdom and Singapore are still very recent, and that the surge in SPAC listings in the United States over the past couple of years has been accompanied by increased regulatory scrutiny and warnings to investors from the U.S. Securities and Exchange Commission.

Under the circumstances, the proposed restrictions, including limiting investment in SPACs to professional investors, until they have merged with a substantive business that meets most of the normal listing requirements, are understandable from an investor protection perspective. In addition, the Institute's Corporate Finance Advisory Panel commented on a number of the detailed proposals, putting forward suggestions aimed at making the future market in SPACs more active, liquid and viable.

#### **HKEX consults on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers**

HKEX has issued a consultation paper seeking market views on its proposal to extend Chapter 17 of the Listing Rules to also govern share award schemes, in view of the increasing adoption of these schemes. HKEX, in particular, proposes changes to specific requirements in Chapter 17, such as the definition of eligible participants and the requirements for scheme mandate refreshments, to align them with the purpose of share schemes and to improve disclosure of grants of share options and share awards. The deadline for submissions to HKEX is 31 December.

#### **SFC's consultation conclusions on conduct requirements for bookbuilding and placing activities**

On 29 October, the Securities and Futures Commission (SFC) released consultation conclusions on the conduct requirements for capital market transactions in Hong Kong, which clarify the roles of intermediaries and set out the standards expected of them in bookbuilding, pricing, allocation and placing activities.

The amendments to the *Code of Conduct for Persons Licensed by or Registered with the SFC* and *Guideline to sponsors, underwriters and placing agents involved in the listing and placing of GEM stocks* become effective on 5 August 2022.

Please refer to the press release for details.

Please also refer to the Institute's submission, generally supporting the underlying aims of the SFC's proposals.

### **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:

- Arrangements relating to Application for Business Registration Documents.
- Stamp Duty statistics.

### **Legislation and other initiatives**

#### **Announcements by the government**

Members may wish to be aware of the following matters:

- Government welcomes passage of Financial Reporting Council (Amendment) Bill 2021.
- Government welcomes passage of Mandatory Provident Fund Schemes (Amendment) Bill 2021.
- Standing Committee on Company Law Reform publishes annual report.
- Hong Kong Monetary Authority announces list of eligible banks in Hong Kong for launching Cross-boundary Wealth Management Connect Pilot Scheme.
- Government welcomes Organization for Economic Co-operation and Development's announcement of Base Erosion and Profit Shifting 2.0 implementation plan.
- Government announces Hong Kong's Climate Action Plan 2050.

#### **AML news and notices**

FATF publication on high-risk and other monitored jurisdictions

The Financial Action Task Force (FATF)

published a statement on 21 October regarding High Risk Jurisdictions Subject to a Call for Action, calling on its members and all jurisdictions to continue to apply specific measures and actions on Iran and the Democratic People's Republic of Korea.

The FATF also issued a notice on Jurisdictions under Increased Monitoring, referring to other jurisdictions that have been identified to have strategic anti-money laundering/counter-terrorist strategic deficiencies and that are working with the FATF to address these deficiencies. Following recent reviews, Botswana and Mauritius are no longer subject to increased monitoring and updated statements are provided for some of the remaining 20 jurisdictions on the list. In addition, Jordan, Mali, and Turkey have been newly included on the list.

#### *Sanctions update*

The List of individuals and entities published under section 43 of the United Nations Sanctions (Libya) Regulation 2019 (Cap. 537CF) was updated on 26 October. See the relevant United Nations Security Council press release.

The United Nations Sanctions (South Sudan) Regulation 2019 (Amendment) Regulation 2021 was gazetted on 29 October.

The United Nations Sanctions (Central African Republic) Regulation 2020 (Amendment) Regulation 2021 was gazetted on 29 October.

#### *Others*

AMLbites, produced by the ICAEW, contains the basics on popular money laundering topics. The videos are aimed at money laundering reporting officers, compliance principals and people in regulatory roles.

For the current lists of terrorists, terrorist associates and relevant persons/entities under 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](http://www.hkicpa.org.hk)



## WORK AND LIFE

### Sports and recreational interest groups



The Hong Kong Institute of CPAs' Sports and Recreation Committee (SRCom) takes care of all matters related to the provision of all recreational activities for members. Convenors and organizing committee members of the sports and recreational interest groups under SRCom tell *A Plus* about their favourite activity of 2021, and how their interest groups kept spirits high despite a challenging year

Photography by Leslie Montgomery

(From left)  
Barry Tam FCPA  
(practising),  
Gavin Yuen CPA,  
Agnes Ho CPA,  
Allen Lam CPA and  
Cynthia Chan CPA.



# ADDING BALANCE TO LIFE

**F**or the Hong Kong Institute of CPAs' Sports and Recreation Committee's (SRCom) interest groups, events and competitions were a constant, until the COVID-19 pandemic put a damper on gatherings. However, with the gradual loosening of restrictions this year, members have begun to take part in their favourite sports and activities again. The convenors and the organizing committee members of the interest groups, who are responsible for organizing events and gatherings, commend the patience of interest group members, who have eagerly waited to meet up again and enjoy their favourite sports and activities.

Convenors and organizing committee members share their highlights of the year.

**Barry Tam FCPA (practising),  
Athletics Interest Group Convenor**

"I was appointed as Convenor of Athletics Interest Group (AIG) for the first time this year. The main annual event of the AIG is the Oxfam Trailwalker, one of the largest fundraising events and my favourite sports event in Hong Kong, and one which I have participated in since 1996. Apart from

charity, the event sees CPAs working together to make it through the 100 km challenge and stay healthy. Despite the event shifting to a "virtual" run this year, it is very exciting to see our three CPA teams remain committed to this challenge after training for months. We are all anxiously waiting for the next one."

**Gavin Yuen CPA, Bowling Interest  
Group Convenor**

"This year has been a memorable one for me. We finally got the green light from the government and the Institute to resume bowling games at the South China Athletic Association in March. I was finally able to gather with my bowling friends and other Institute members who are interested in bowling and bowl together. I hope all of us can continue to enjoy our hobbies and sports activities."

**Agnes Ho CPA, SRCom Chairman and  
Singing Interest Group Convenor**

"My favourite 2021 activities are the singing technique classes and e-seminars in various topics. The technique classes helped us to sharpen our singing skills while

**“Regardless of how sporty you are, you should be able to find one or more activities hosted by these 15 interest groups that suits you best. Don’t wait – come join us!”**

the e-seminars helped to expand our knowledge in different areas including sports therapy and yoga.”

**Allen Lam CPA, Snooker Interest Group Co-convenor**

“My favourite activity were the Snooker Interest Group’s (SnIG) training courses, which resumed in April. All activities for the SnIG were suspended for almost a year, and we also missed the Recreation and Sports Club for Hong Kong Professional Bodies’ (RSCP) snooker tournament in 2020, so it’s great to have been able to resume our training courses while staying healthy. I am looking forward to the RSCP tournament in 2022.”

**Cynthia Chan CPA, Tennis Interest Group Convenor**

“We all felt frustrated after all the events were cancelled in 2020 and longed to play again. Fortunately, tennis training courses have resumed since May, but we’ve had to decrease the number of enrolments. However, our Tennis Interest Group members remained passionate for the sport, and all classes were full upon the first two days of enrolment. We are all so excited to continue taking part in tennis courses and events such as internal tennis tournaments and Tennis Fun Day.”

**Thomas Lau CPA, Basketball Interest Group Organizing Committee member**

“Though courts can be closed and games can be suspended, the burning desire of playing basketball will never vanish. The resumption of the Institute’s Basketball Competition is undoubtedly the most exciting activity of Basketball Interest Group (BIG) for our members this year. It is a blessing to see basketball-loving Institute members gather together once again and enjoy the games.

I think seeing the happy faces of members and the reunion of friends is the best part about organizing this competition. On behalf of BIG, we hope everyone stays safe and healthy, and we look forward to offering more activities in 2022!”

**Joanne Hui CPA, Bridge Interest Group Convenor**

“My favourite activity was the Bridge Team Tournament held on 4 September. Five teams participated in the tournament and all teams played in a multiple team movement. The team with the most accumulated victory points was the winner of the tournament. The last round of competition determined the winning team. In the end, the champion team only won by a slim margin. The event ended with a prize presentation and group photo-taking session. Members enjoyed the game and suggested that we should organize more team events in the coming year.”

**Chris Chen CPA, SRCom Deputy Chairman and Football Interest Group Convenor**

“Although we are not able to organize or participate in major football tournaments due to COVID-19, I am happy to see that matches are now resuming. As SRCom Deputy Chairman, instead I pick the CPA Virtual Run 2021 as my favourite activity of the year. With the absence of so many sports events and activities due to the pandemic, the Institute launched a new virtual run event this year, allowing participants to complete the race anywhere and anytime. The CPA Virtual Run 2021 was one of the best events, as it gave me a reason to motivate myself to keep training and stay in good shape. On top of that, the flexibility to start the race at convenient times allowed me to

pick the best day and conditions to achieve the best results.”

**Tony Wan FCPA (practising), Photography Interest Group Co-convenor**

“Our lifestyle has changed a lot due to COVID-19. In order to comply with the relevant legislative requirements in Hong Kong, activities of the Photography Interest Group were suspended since the beginning of the pandemic. However, we have resumed some activities via an online class since September. We are still looking at how we can restart more activities in 2022.”

**Brenda Chan CPA, Badminton Interest Group Convenor**

“The annual CPA Badminton Championship on 31 October was my favourite sports activity in 2021. There were men’s doubles, women doubles and mixed doubles for the event this year. Because most activities were either cancelled or postponed, we all treasured this opportunity to meet with old friends and players, and to show our talent in a competition. The event was a great success as the participants came and played with such great enthusiasm. Players were very professional, and the scores were neck and neck for many matches. A crowd gathered to support the contestants and were pleased to experience a wonderful display of talent and exciting games.”

**Roger Ng CPA, Table Tennis Interest Group Convenor**

“Most of our Table Tennis Interest Group (TTIG) members started playing table tennis when they were in secondary school. Though a few are now retired, they have begun playing table tennis again. We have now made it a habit to play table





(From left)  
Thomas Lau CPA,  
Joanne Hui CPA,  
Chris Chen CPA,  
Tony Wan FCPA  
(practising), and  
Brenda Chan CPA.

tennis several times a week to help maintain our physical agility and mental sharpness. According to the National Health Service in the United Kingdom, table tennis is a social sport that stimulates many areas of the human brain simultaneously and offers a huge range of mental benefits even for patients who suffer from Alzheimer's and dementia. This is echoed by published research in the United States, Australia and Japan. As Convenor of the TTIG, I would highly recommend table tennis to everyone, as it is an enjoyable social game for all ages. It is not too late to start playing, finding a coach and making friends who are just as passionate about the sport."

#### **William Kong CPA, Sailing Interest Group Convenor**

"The most memorable moment was finishing the 'Around the Island

Race' on 14 November with the quickest finishing time since 2007. Despite the boat's late arrival and only having 20 minutes to set up, we got off to a good start. However, the spinnaker caught the spreader a third of the way in and ruined all our efforts earlier. Despite the challenges, we finished fourth in the class counting elapsed time. We were inches away from winning! Above all, the team spirit and close bond of all CPA sailors gave us a lasting memory of achievement."

#### **Lawrence Lee FCPA (practising), Golf Interest Group (tournament) Co-convenor**

"Though golf tournaments are usually associated with prize money, it's also a great way to keep fit and meet new people. You get to enjoy the smell of grass on the golf course, experience playing on different

courses and ever-changing climate. It's a highly challenging sport, yet very relaxing. We held the 2021 CPA Golf Tournament in November, which saw an overwhelming response. All 24 participants enjoyed a wonderful day, full of smiles and big hugs, cheers and claps, photos and memories. Our next event will be the 22nd Annual Golf Tournament with Hong Kong Medical Golfers Association in December. We appreciate your support and participation."

#### **Boris Lam CPA, Golf Interest Group (non-tournament) Deputy Convenor**

"I consider the golf days at Kau Sai Chau Public Golf Course to be the most memorable activity of this year. Golf is a sport where people can socially distance themselves yet have fun together. The Golf Interest Group (GIG) has reserved tee times

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## WORK AND LIFE

### Sports and recreational interest groups



(From left)  
Roger Ng CPA,  
William Kong CPA,  
Lawrence Lee FCPA  
(practising),  
Boris Lam CPA,  
Jeanie Wong CPA and  
Eric Wong CPA.

with the Kau Sai Chau Public Golf Course throughout the past two years, which provides a convenient way for GIG members to play golf together, make new friends and enjoy a good time with fellow CPAs. This also attracts new GIG members and reunites existing GIG members who previously preferred to play golf elsewhere. Every month, we have more than 40 players on the course, which is fantastic, as every golfer knows how painstaking it is to find a tee time now."

#### **Jeanie Wong CPA, Dance Interest Group Convenor**

"With the pandemic well under control in Hong Kong finally, we were able to reopen the regular Dance Interest Group dance classes in April and offer jazz, ballroom and Latin dance classes. I'm thrilled to

dance again with my CPA friends and, more importantly, say goodbye to my belly. Of course, in order to protect all participants, we must wear face masks and keep a safe distance from each other during each class."

#### **Eric Wong CPA, Dragon Boat Interest Group Organizing Committee member**

"I appreciate each dragon boat activity, from demanding training sessions to intense competitions. Our dragon boat training resumed in August in preparation for the October CPA Cup – National Day Celebration Dragon Boat Invitational Race 2021. The training lasted for about two months, where we provided regular training. However, the competition was eventually cancelled amid health and

safety concerns. I enjoy dragon boat racing because the sport comes with both physical and mental benefits. We can develop our physical fitness and strength and improve our cardiopulmonary function, and since this is a group sport activity, it requires a high level of team spirit, cooperation and sacrifice. We also meet weekly as a social activity after training."

Agnes Ho, the SRCom Chairman, says: "The Institute has a total of 15 sports and recreational interest groups that organize different activities for members to join. Regardless of how sporty you are, you should be able to find one or more activities hosted by these 15 interest groups that suits you best. Don't wait – come join us!"



The Institute's Sports and Recreation Committee was set up to promote a better work-life balance for members. There are 15 different interest groups to choose from, and each group organizes events such as training events, friendly games, and tournaments. Visit the Institute's website for details.



## YOUNG MEMBER OF THE MONTH

Kevin Li CPA

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# KEVIN LI CPA

Head of Finance  
at Feeld





Kevin Li CPA, Head of Finance at Feeld, a dating app incorporated in the United Kingdom, has helped to strengthen the finance function since joining the start-up. He tells *A Plus* about the importance of leadership skills as a finance professional and why a business mindset is crucial to driving growth in any company

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

I'm the Head of Finance at Feeld, a United Kingdom-incorporated start-up that runs a dating app. My role covers the full spectrum of the finance functions such as operations, reporting, financial planning and analysis, and business partnering. Things have been exciting so far. Since joining in April, I've been focused on leading a project to relaunch its finance team to drive growth. We've since expanded the team and scaled processes and deliverables quite quickly. I've been doing my best to deliver results, all while learning new things each day and adapting to the culture and the environment in the company. It was equally important to keep a business mindset and familiarize myself with our app's users. We have an inclusive community and there are more than 20 gender and sexuality options available. Most of them were completely new to me at the start.

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

The biggest challenge is definitely relaunching the finance function. In particular, leading and transforming it into a strategic finance department that could support decision-making – something beyond traditional finance operations. We are achieving it by enhancing the team's business and financial acumen, and establishing ourselves as a trusted partner to the business. During the transformation, on one hand, I have to keep up with the pace of business growth, and on the other hand, I am playing catch-up with areas that need improvement. It is about knowing how to do both simultaneously. The most satisfying thing is looking back at our accomplishments over the past seven months and seeing how quickly the finance team has developed. I was running it alone at the start, but I've since hired a finance manager to support me on projects, manage external contractor resources, and grow the team together.

**What inspired you to become an accountant?**

I was a science student in secondary school. In form six, I began learning about the principles of accounting and wanted to know more. I pursued an accounting and finance degree at the University of Hong Kong and decided to become an accountant, so I joined KPMG where I stayed for nearly four years, before moving into the commercial sector and joining a multinational technology company.

**Where do you see yourself in the next five to 10 years in your career? Which field do you plan on specializing in, and why?**

I'd like to stay in a leading role of finance function and also focus on business partnering – I enjoy supporting businesses decisions with my finance expertise. I also appreciate how skills in finance are transferrable. Since each industry has different performance metrics and business models, it's important to engage in self-study and to also learn from colleagues to fully understand the business. By doing so, I am able to help my current and previous companies to build finance functions that suits their needs and growth plans.

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

The QP is a very systematic programme that equips professionals with a strong foundation in accounting and finance and also trains one's mindset. For example, the financial reporting module taught me the need to always refer to principles as well as apply professional judgement when facing complex scenarios. This mindset continues to guide me in my career today. Last but not least, the CPA qualification is a highly recognized qualification in Hong Kong and overseas.



## AFTER HOURS

As recommended by Institute members



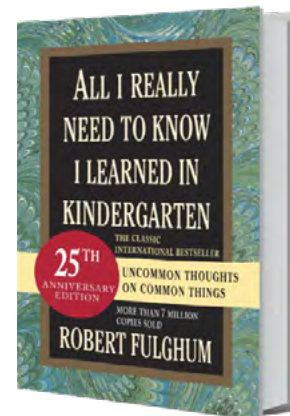
### Eat

“I recommend having a cappuccino with churros on the side at Miles by MMT, a new cafe in Tai Hang. The coffee was very well balanced with a hint of nuttiness, which went well with the snacks. They have a very good range of food and drinks on their menu, so I’m definitely going back!” – Desmond Chun CPA, Senior Tax Associate at PwC

Address: G/F, 8-10 Wun Sha Street, Tai Hang

### Read

“I recommend *All I Really Need to Know I Learned in Kindergarten* by Robert Fulghum. In this book, the author explains how what we learn in kindergarten comes up again and again in our lives – but in far more complex forms. He writes on how life will continually test us to see if we have understood and have practiced what we were taught that first year of school, which makes it an interesting read. I do agree with the author that imagination is stronger than knowledge; that myth is more potent than history; that dreams are more powerful than facts; that hope always triumphs over experience; and that laughter is the only cure for grief.” – Bryan Ho FCPA, Chief Financial Officer at iFund



### Listen

“I have always been a fan of Cantopop and my recent favourite song is *Galactic Repairman* (銀河修理員) by Hong Kong indie band Dear Jane. Listening to this song after a long stressful day at work – and singing along sometimes – really pumps me up!” – Kenneth Ho CPA, Finance Director at Oracle Systems Hong Kong





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