INTELLIGENCE & INSIGHT FROM CA SRI LANKA

the Abacus

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LIEN FOR ACCOUNTANCY PROFESSIONALS

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THE ECONOMY IS STABILIZING

CA
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

the Abacus

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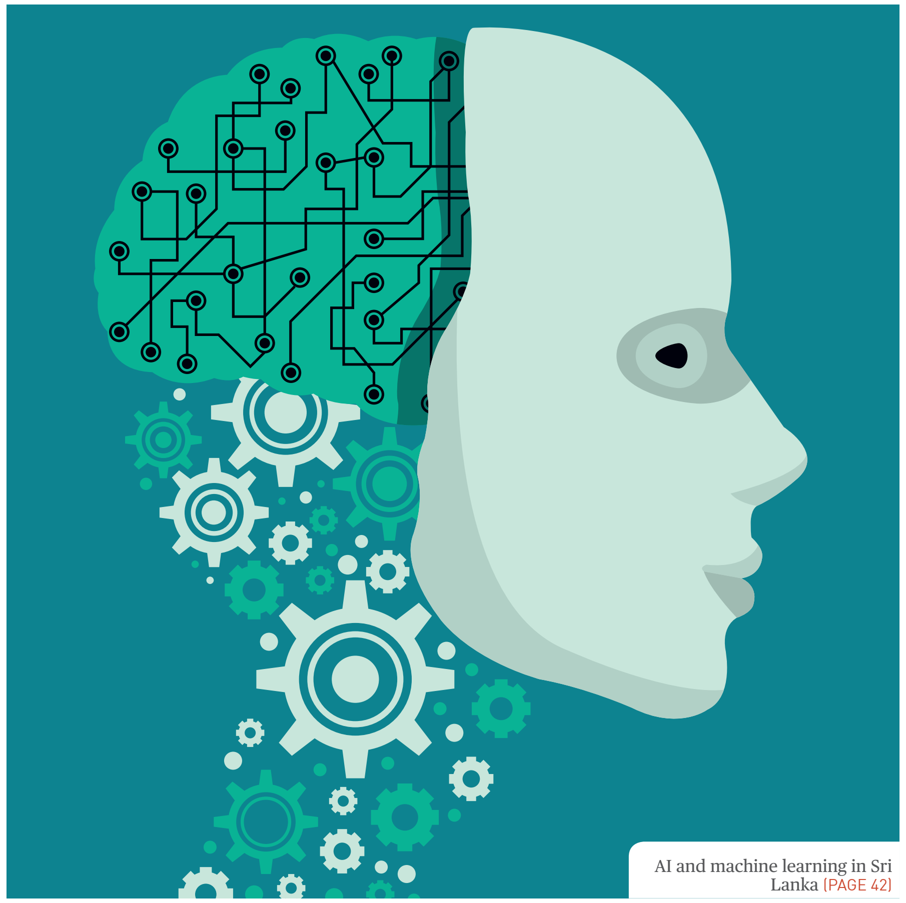

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A word from the President

Reflecting on the past, planning for the future

For us, as professionals, it is also an important time to re-evaluate our roles and focus on renewing our skills and knowledge as we step into a new year. We firmly believe that every country must adhere to international standards and regulations, as well as keep up with local and global trends.

The dawn of a new year is a time to reflect on the past and plan for the future. For us, as professionals, it is also an important time to re-evaluate our roles and focus on renewing our skills and knowledge as we step into a new year.

Having observed the net operating surplus for the 9 months ending 2018, which has increased to Rs83 million against Rs17 million for the same period in the previous year, the Council decided to invest a substantial amount towards the professional development of our members, focusing specifically on technology and leadership development skills, to ensure that they will continue to be the best in the business.

CA Sri Lanka took a series of landmark decisions in 2018 in our continuing efforts to enhance and strengthen the standing of our members. Accountancy is a global profession, and Chartered Accountants are globally mobile. Thus, to strengthen their standing further and to help them enjoy the perks of a truly global profession, CA Sri Lanka entered into an agreement with Chartered Accountants Australia and New Zealand (CA ANZ), and renewed existing agreements with the Institute of Chartered Accountants in England and Wales (ICAEW) and CPA Australia to ensure that our members can enjoy the best of both worlds as distinguished members of the accountancy profession.

Meanwhile, to further strengthen our presence across the globe, the Council also took a decision to form several new overseas chapters for the benefit of our members residing outside of Sri Lanka. In this regard, two overseas chapters of CA Sri Lanka will be established in Sydney and Melbourne, which will benefit more than 600 members currently residing in Australia, as well as a chapter in Saudi Arabia. The overseas chapters are an important platform to facilitate the activities of our overseas members and to help them strengthen their skillsets.

The Institute also took necessary steps to conduct Viva Voice interviews via Skype for the benefit of students working overseas and unable to attend the interviews in Colombo physically.

We firmly believe that every country must adhere to international standards and regulations, as well as keep up with local and global trends. In our capacity as a member of IFAC, we are committed to IFAC's broad objective of developing and enhancing a coordinated worldwide accountancy profession in line with international standards such as the Code of Ethics for Professional Accountants. In this regard, CA Sri Lanka will adopt the new International Code of Ethics for Professional Accountants 2018, which will come into effect worldwide on 15 July 2019. Therefore, in order to enhance the knowledge of our members on this, awareness sessions will be conducted from January 2019.

Jagath Perera
President
CA Sri Lanka

BLUE OCEAN GROUP, MARCHES TOWARDS GREAT ACHIEVEMENTS…

Sivarajah Thumilan Group Chairman (ACA, ACCA, ACMA (UK), CGMA, CPA (AUS), MCSI (UK), FM AAT (SL) ACS - Chartered Accountant) commenting on the status of his Group said,

There is a general speculation in the real estate trade that Sri Lanka has no promising future because a very high competition prevails among a large number of construction companies. But Blue Ocean Group had negated this theory with its tremendous success in this trade. The Group had proved beyond any doubt that the demand for condominium apartments in Sri Lanka is on rapid increase and the industry has good prospects in the long run.

People prefer to go for condominiums in consideration of their highest security, low maintenance costs and trouble free life. Many Sri Lankan families are now moving into cities like Colombo for better employments, business and higher educational opportunities for their children. As it is rather difficult and time to find separate houses for such purposes, condominiums become their easiest and quickest solution while saving their money, time and energy.

Commenting on the group's continuous success in the real estate trade, Group Chairman Sivarajah Thumilan (ACA, ACCA, ACMA (UK), CGMA, CPA (AUS), MCSI (UK), FM AAT (SL) ACS - Chartered Accountant) said,

It is true that there is a high competition in the real estate trade in Sri Lanka but we have achieved tremendous success through our untiring efforts to the extent of conquering many international awards. We dedicate this chain of success to our clients as we take these achievements as the reflection of the unshakable trust they have kept in us. We have established our brand name firmly since our inception by which today we have become the first choice for anyone who thinks about owning an apartment in Sri Lanka.

Our member company Link Engineering is currently handling 35 private, projects and 38 public projects all over the island. Meanwhile, Blue Ocean is doing 35 large projects in 10 cities, targeting 1250 residences at a stretch. For year 2018 alone we handled nearly Rs.55 Billion worth of projects which is supposed to be a historic record for a private construction company. It is the first-ever record in Sri Lanka's real estate history for a single group to undertake such a large number of projects, at one stretch.

As another feather to its cap, Blue Ocean Group had set an impressive record of completing the six multiple condominium projects simultaneously. Within the last 3 – 4 months we have completed over 175 condominium units in De Alwis Avenue, Mount Lavinia, Barnes Avenue, Mount Lavinia, Lillan Avenue, Mount Lavinia, Beach Road, Mount Lavinia, De Alwis Place, Dehiwala, Inner Flower Road, Colombo 03, Gregory's Road, Colombo 07. In addition, another 125 Condo Units to be completed within the next 2 months.

There are many reasons behind this situation. Firstly, we give high importance to the locations we select for our complexes. We give maximum focus on a trouble free, decent, secure, hygienic and uncongested environment suitable for a peaceful living. Our general idea is to create an atmosphere for the residents that they are far away from the dusty, noisy and disturbing city life.

Also, to suit the customer's financial capacity we have taken an additional step to classify our apartments into three categories – First Class, Business Class and Economy Class and carry out our construction works with a highly qualified team and using high quality materials.

With our experience, technical expertise and manpower we provide a constructive customer service with our own team of professionals, comprising 05 Chartered Architects, 08 Chartered Engineers, 04 Chartered Accountants, 42 Civil Engineers, 25 MEP Engineers, 58 Quantity Surveyors and 335 Staff of other professions in the Construction trade.

Our Group is now technically further strengthened with the joining of M.R. Jeyachandran (MPM(Aus), MBA(Aus) ,PG. Dip(B&F.Mgt), B.Sc(Hons), C.Eng.MIE(SL) as the new Chief Executive Officer. Being the former Director General of the Buildings Department and former Chairman of C.I.D.A, Jeyachandran is a highly experienced and successful team leader. His wide experience in the construction related field will be of a definite advantage to our Group.

The Group's consistent year on year improvement in financial results is a clear indication of the financial sustainability of our business model. To ensure the sustainability of the social and environmental aspects associated with our business, we continue to embrace best practices for social and environmental management. From a social perspective, our infrastructure projects across the country have a significant bearing on the communities in the area and has improved the standard of living of our stakeholders. Our work to empower these communities has made Blue Ocean Group a brand name and an exemplary corporate citizen of Sri Lanka.

Intelligence & Insight from CA Sri Lanka

Skills that empower

Greetings! May the new year be productive and prosperous. We bring you the first edition of The Abacus for 2019 with an important new section: Soft Skills. This edition features Professor Ajantha Dharmasiri, a well-known management guru who heads the Postgraduate Institute of Management of the University of Sri Jayewardenepura, speaking on the importance of developing conceptual and people skills into core technical competencies.

Professional organisations that have a heavy technical focus need much more than exceptional domain knowledge and skills if their members are to add value and become change agents in a competitive world. Imagination, innovation and people skills are emerging as more important drivers of success in personal and professional lives, helping businesses thrive.

The popular mantra 'Think Global, Act Local' is no longer valid. We need to 'Think Global and Act Global', and it's soft skills that will make technical competencies relevant and effective. This is just the transformational attitude that could realise Sri Lanka's true potential. But, change starts with individuals. We hope this edition of The Abacus inspires you!

CA THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Chartered Accountants of CA Sri Lanka are known as a brand of unique and versatile professionals, with the ability to steer any business successfully.

CA Sri Lanka has 6,000 members, who are sought after both locally and globally for their professional integrity, exceptional technical and perceptive skills, as well as financial discipline and out-of-the-box thinking, which helps them add value to the organisations they serve.

The portfolio of CA Sri Lanka members comprise Chairmen, Partners, Managing Directors, Vice Presidents, CEOs and CFOs among other high-profile designations, who serve across top corporates in Sri Lanka and overseas.

In its capacity as the national body of accountants and an influential professional organisation in the country, CA Sri Lanka continuously focuses on enhancing the professional skills of its members in ensuring that they continue to play a significant role in partnering businesses, and thereby contributing to the success of the profession, as well as the public and private sectors, and thereby to the national economy of Sri Lanka.

CA Sri Lanka has also been identified as the preferred and recognised destination for accountancy education in the country. As testament to this, the Institute currently has over 40,000 students who are aspiring Chartered Accountants.

CONTRIBUTORS
Avanti Samarasekera
Chandeepa Wettasinghe
Devan Daniel
Shamindra Kulamannage

DESIGN & LAYOUT
Indika Sriyan Gammudali
Yomal Vajrajith Payagala

CA JOURNAL'S publications consultant is Capital Media (Pvt) Ltd., No, 15 Station Road, Colombo 03 Phone 0112577387

JOURNAL COMMITTEE
Heshana Kuruppu
Nadun Fernando
Thivanka Jayasinghe
Pyumi Sumanasekara
Ramesh Jayasekara
Nilangi Dilrukshi (CA Staff)
Tharushi De Silva (CA Staff)

CA SRI LANKA
30A, Malalasekera Mawatha, Colombo 7, Sri Lanka
T : 0094-11-2352000
F : 0094-11-2352060
E : secretariat@casrilanka.com

Periscope

Millennial finance professionals feel threatened by automation

A large number of millennials working in the finance sector believe that the automation of core processes could potentially threaten their employment. This was revealed in research by the financial analytics company Metapraxis. Their survey covered over 400 millennials from both the US and the UK.

As many as 67% of finance professionals were concerned about automation and its impact on their careers. However, 78% believed that greater automation would add strategic value to finance departments and overall business. Around half saw potential in the field of advanced analytics to transform finance.

According to Accountancy Daily, the respondents had disparate views about which technologies will have the most impact.

67%
OF FINANCE PROFESSIONALS ARE CONCERNED ABOUT HOW AUTOMATION WILL AFFECT THEIR JOB ROLES

A little over half felt that advanced analytics, which includes data mining, would be the most transformational technology.

Cloud services (47%), data visualisation (39%) and AI/machine learning (33%) also ranked high. Interestingly, only a quarter of respondents regarded blockchain as a transformational technology.

CEO of Metapraxis Simon Bittlestone said it has been known for years that finance employees feel threatened by the impact of new technologies on their day-to-day role and job security. He added, "It is no huge surprise that even digitally native millennials feel the same; however, what our research shows is that, unlike their predecessors, these individuals clearly understand the value that data and analytics can bring to the finance function, which is particularly encouraging." ■

Brexit a big risk for global financial stability, warns IMF

The International Monetary Fund (IMF) recently stated that financial institutions have to step up their preparations for a post-Brexit landscape and prepare for the worst case scenario — a no-deal Brexit. The UK crashing out of the European Union without any agreements in place would throw into question the rules surrounding cross-border trade, immigration and financial services, reported Yahoo Finance UK.

According to the IMF, a disorderly Brexit could also badly affect market sentiment and set off sharp tightening of global financial conditions. It also stressed that the continuity of financial contracts is one of the most pressing issues for derivatives in the short-term, namely through the transition period. The UK will leave the EU in March next year and the transition period is tipped to end on 31 December 2020. The derivatives contracts in question centre around euro clearing, which is worth £817 billion (€930 billion, $1 trillion) in daily business, stated Yahoo Finance UK. ■

Accountants say businesses are not doing enough to protect ethics whistleblowers

Nearly two-thirds of accountants think that businesses don't do enough to protect employees who report ethical misconduct. This was revealed in a survey by global job board CareersinAudit.com. Furthermore, half of accountants have been pressured, or know somebody who has been pressured, into not making necessary account adjustments.

According to Economia, this supports research by the Chartered Institute of Public Finance and Accountancy, which recently found that over half of public sector accountants have come under pressure to do something professionally unethical at some point in their careers.

The survey also revealed that over 35% of the accountants surveyed conceded that they were aware of a senior staff member at their workplace who knowingly made a commercial decision that could be considered unethical.

Just over half believed that those who deliberately sign off on misleading statements should be "banned from practising in the profession," while one-tenth felt that doing so should be punished with imprisonment. The survey also found that 38% would directly confront bosses they suspected of unethical conduct. ■

38%
OF ACCOUNTANTS WOULD DIRECTLY CONFRONT BOSSES THEY SUSPECTED OF UNETHICAL CONDUCT

Periscope

Tax evasion unaddressed by FTSE 100 companies

Most FTSE 100 companies fail to mention how they manage the risks of tax evasion. According to Economia, a survey by law firm Pinsent Masons found that over half of the 100 largest companies in the UK don't include their strategy to combat tax evasion in their tax strategy documents; annual reports; environment, social and governance policies; or other related documents. Around a third of financial services businesses in the FTSE 100 failed to mention tax evasion. Companies are criminally liable if their employees facilitate tax evasion, it was noted.

Pinsent Masons warned that financial services businesses could face the greatest challenges in preventing the facilitation of tax evasion as they handle numerous financial transactions for high-net-worth individuals and corporations, "who tend to have the most complex tax affairs."

A partner at law firm Jason Collins stated that FTSE 100 firms failing to publicly address tax evasion could raise questions for stakeholders over their management of reputational and financial risks. He said, "Compliance practices at FTSE 100 firms are increasingly under scrutiny now that they are liable for tax evasion at any level. Financial services firms in particular will be under the spotlight - it comes with the territory."

According to Collins, given the potential for unlimited fines, it's not surprising that shareholders and other stakeholders will want reassurance that big businesses have got the risks of tax evasion under control. Economia reported that the UK government, in its Finance Bill last year, proposed tough new sanctions for accountants, lawyers, tax planners and advisers who provide advice on how to avoid tax. Several months ago, EU finance ministers approved new measures to ensure that accountants, advisers, lawyers and banks bring "potentially aggressive" tax avoidance schemes to the notice of the authorities. ■

Tariffs, land stumbling blocks for new factories in Sri Lanka

State regulations, protectionist para-tariffs and lack of industrial land in Sri Lanka have prevented competitive new industries from taking root in the island, research from US-based Harvard University shows. "Because of taxes, para-tariffs and the limited land in industrial zones, the government had to regulate who came in and went out," Harvard University's Center for International Development Research Fellow Tim O'Brien said. "It favoured Sri Lankan companies with proven track records rather than newer companies."

He also said there was a broad environment of policy uncertainty. "Tax policy and land policy tended to promote existing industries in Sri Lanka as opposed to new industries," he added. The Harvard team found that the lack of industrial land, in the form of zones, was the biggest stumbling block for Sri Lanka in attracting foreign direct investments for competitive export products.O'Brien said that with more industrial zones planned, and the BOI expected to move away from regulation of investments to attracting investments, new competitive industries such as solar panel and medical equipment manufacturing are expected to start in Sri Lanka. ■

UAE PLANS TO INTRODUCE INITIAL COIN OFFERINGS

In order to provide companies with a new means of raising money, the United Arab Emirates aims to introduce initial coin offerings (ICOs) in 2019.

"The board of the Emirates Securities & Commodities Authority has approved considering ICOs as securities. As per our plan, we should have regulations on the ground in the first half of 2019," stated the CEO of the securities regulator, Obaid Saif al-Zaabi. According to Reuters, in ICOs, companies issue cryptocurrency tokens to investors in much the same way they issue shares in an initial public offer of equity. The authority is drafting regulations for ICOs with international advisers and working with Abu Dhabi and Dubai stock markets to develop trading platforms for the offers. "Weak equity markets, coupled with low oil prices over the last several years, have severely constrained IPOs in the UAE and the Gulf Arab region as a whole," Reuters reported. ■

ISCA RELEASES FRAMEWORK FOR FINANCE PROFESSIONALS

A framework released by the Institute of Singapore Chartered Accountants (ISCA) outlines the development priorities it considers vital in preparing the accountancy profession for the future business environment. According to *The Accountant*, ISCA's Professional Accountants in Business Framework (PAIB) was developed to provide finance professionals with an overview of five 'DNAs' that a finance professional should possess to stay relevant and competitive in a changing business environment.

The five 'DNAs' are as follows:

- Future Finance: Professionals must be adaptable to emerging technologies as well as changing corporate reporting such as sustainability reporting.
- Business Acumen: Professionals are to be more business aware to take on a business partnering role.
- Professional Values and Ethics: Finance professionals must act ethically at all times.
- Technical excellence: To be proficient in the knowledge and application of accounting and other professional standards.
- Leadership and Personal Empowerment: Professionals must take ownership of their professional development through continued learning, as well as developing leadership and management skills. ISCA Vice President Yvonne Chan stated: "In today's world, where new skills and job roles are continually being created, the only way to thrive is to embrace lifelong learning. ISCA developed the PAIB Framework and PAIB Learning Roadmap to equip finance professionals for the digital age and foster a mindset of continuous learning."

She added that, with the Learning Roadmap, finance professionals can now take charge of their professional development and career planning with a progressive learning plan. ■

Qatar allocates $2 billion to attract multinationals

In a move aimed at rivalling Dubai's financial hub, Qatar has allocated $2 billion to lure multi-national companies to its financial centre.

Companies that establish a hub in Doha will be given free offices and tax incentives, as well as seed capital to cover five years of operating expenses in return for a commitment of at least a decade, said CEO of Qatar Financial Centre Authority Yousuf Al Jaida. According to Bloomberg, Doha is working toward taking on rivals in the Gulf Cooperation Council by trying to attract overseas investment and growing into a bigger financial hub. It noted that Saudi Arabia and the U.A.E. are using the same tactics, including plans to relax company ownership rules and grant foreigners permanent residence.

The Qatar Financial Centre is targeting companies from fellow Arab states Kuwait, Oman and Iraq. ■

Periscope

PUBLIC COMPANY AUDITORS TRUSTED BY INVESTORS - REPORT

A survey report released recently by the Center for Audit Quality (CAQ) shows that public company auditors are the group most trusted by investors to protect their interests. According to the *Journal of Accountancy*, respondents to the Main Street Investor survey kept independent auditors of publicly traded companies in the top spot among entities they trust most to look out for investors. Just over 80% of respondents said they have some, quite a bit or a great deal of trust in public company auditors. Independent audit committees of public companies came a close second.

CAQ Executive Director Cindy Fornelli stated, “The public company auditing profession works hard each day to build investor confidence, and we are pleased to see that a strong majority of investors view independent auditors as effective parts of the system of investor protection.” The other most-trusted groups were financial analysts (79%), stock exchanges (77%), financial advisers and brokers (75%), and credit rating agencies (71%), reported the *Journal of Accountancy*.

MOST TRUSTED BY INVESTORS TO PROTECT THEIR INTERESTS

PUBLIC COMPANY AUDITORS	80%
FINANCIAL ANALYSTS	79%
STOCK EXCHANGES	77%
FINANCIAL ADVISERS AND BROKERS	75%
CREDIT RATING AGENCIES	71%

Sri Lanka to create **special economic zone law, financial court**, for Port City

Sri Lanka is wrapping up laws to create a ring-fenced special economic zone in the reclaimed Port City with a cutting edge legal system and a financial court. While it is planned to ban property expropriation, the hiring of experts from any part of the world will be allowed. It was also stated that there will be no restriction on foreign ownership of companies.

Expropriation is a key problem in Sri Lanka; it is discouraging foreign investors. Monetary instability from a soft-pegged exchange rate regime is also restricting both trade and capital flows, analysts have pointed out. The reclaimed land will be owned by Sri Lanka and will be vested in the Urban Development Authority. Out of the 269 hectares, 116 will be developed by the CHEC Port City, the reclamation firm. The government will develop 62 acres and own another 91 hectares of common space.

There will be modification in some areas of contracts and commercial transactions if there is a lacuna in existing laws. Investors will be offered a cutting edge legal framework not inferior to those offered at other international financial centres in the region.

British business leaders support preferential deals with the EU

Most British directors prefer that some sort of free movement of people continues after Brexit as it is important to their organization. According to Economia, research carried out by the Institute of Directors (IoD) showed that the business leaders surveyed thought that having a preferential deal with the EU was very important (38%) or important (24%).

“While the government may be ending free movement as we know it, a preferential deal with the EU on what replaces it simply must be on the table,” said the institute’s Director General Stephen Martin. He noted that their close geography and interwoven supply chains make continued access to EU talent an urgent matter for British businesses.

Economia reported that, while most business leaders are keeping their fingers crossed that the government can negotiate a softer Brexit, an increasing number are being pragmatic and making preparations for no deal at all.

NEW HOTEL PROPOSALS ALMOST DOUBLE IN SRI LANKA

Sri Lanka’s growing tourism industry has attracted a lot of investments during the first eight months of 2018, with new hotel proposals almost doubling, a report released by the Central Bank said. Of the 29 hotel projects that were granted approval during this period, 24 have already started. The projects that started will add 878 rooms in total. The Sri Lanka Tourism Development Authority (SLTDA) received 100 new hotel project proposals worth US$830 million in the first eight months of this year, compared to the 53 projects worth US$261 million last year. Tourist arrivals to Sri Lanka grew by 11.6 % to 1.7 million in the first nine months of 2018.

Earnings from tourism also grew by 11.6 % in the first nine months, compared to the previous year, to reach US$3.2 million. Targeted promotion campaigns, improved service quality and a lower base the previous year were the reasons for the growth, the half yearly report stated.

HOTEL INDUSTRY

INVESTMENTS IN THE FIRST EIGHT MONTHS OF 2018

NEW HOTEL PROJECT PROPOSALS RECEIVED BY SLTDA	100
HOTEL PROJECTS GRANTED APPROVAL	29
PROJECTS ALREADY STARTED (WILL ADD 878 ROOMS IN TOTAL)	24

BRITISH COMMERCE BODY URGES THAT MAKING TAX DIGITAL BE DELAYED

The British Chambers of Commerce (BCC) has urged that Making Tax Digital (MTD) be delayed until April 2020. It believes that low awareness and its proximity to Brexit could cause a strain on firms and on HMRC to deliver compliance effectively on the flagship tax digitisation project

According to Economia, the BCC earlier this year published a survey which showed that almost a quarter of businesses were not even aware of the coming MTD changes; just 10% said they knew “a lot of details” about the switch. The Institute of Chartered Accountants in England and Wales (ICAEW) has also expressed concern about the issue. Its technical tax manager Anita Monteith stated, “The lack of awareness among businesses about MTD is of concern and needs to be addressed: the communications on MTD do not appear to be getting through to VAT-registered businesses.”

She pointed out that MTD for VAT is a major change in tax administration and it is important for the UK tax system that it is a success. She said that “this is too important to be rushed.”

Periscope

Significant pay gap between male and female finance directors

£71,986 – Men

£42,674 – Women

Average annual pay of finance managers and directors

Female financial managers and directors earn £29,312 less than their male counterparts annually - a gender pay gap exceeding 30%. The women earned an annual average of £42,674 while the men earned £71,986.

"The pay gap is particularly led by an "unnecessary focus" on existing salary when negotiating pay, according to a survey by Global Accounting Network," Economia reported.

Adrian O'Conner, founding director at Global Accounting Network, noted that when women return to work after a career break, the institutional practice of basing new job offers on incremental increases on their previous salary can have a negative effect.

"'How much do you currently earn?' is a standard interview question, but the practice means that existing pay gaps can persist as individuals move roles," he said. He added that if employers continue to ask the current salary, the cycle will never be broken and even companies that are non-discriminatory can be unconsciously perpetuating the gap.

"As a result, the recruiter suggested that job offers be made based solely on how a candidate benchmarks and what their value will be to the business, rather than as a percentage increase on existing pay," stated Economia. ■

Sri Lanka sees more FDI firms exiting than entering: Study

Many firms registered with the Board of Investment (BOI), which regulates foreign investments, have exited Sri Lanka, especially after the war ended, amid rising labour costs, incentive shopping and ad-hoc changes to policies, a research study said.

Since 2009, when the war ended and Sri Lanka's economy expanded rapidly, 410 firms registered with the BOI had exited, while 202 new firms have entered, a report by the Institute of Policy Studies stated.

"The number of firms that exited Sri Lanka between 2002 and 2016, and between 2009 and 2016, is nearly twice as many as those entering into the economy," stated the report titled 'Firm-Level Analysis of Manufacturing Sector Investment in Sri Lanka.'

The exits were mainly from the apparel sector, while food and beverages and other manufacturing industries also saw a large number of investments pulling out.

It stated that local policy inconsistencies had also hurt investment. "While the three-decade-long civil war hampered the realisation of the country's investment potential, the country appears to have fallen short of expectations even in a post-conflict environment - largely owing to inconsistencies in the policy regime," it noted. It said that ad-hoc policy changes related to land and public enterprises undermine investment security. ■

CFOs worried about the impact of Brexit - Survey

A recent survey by Deloitte has revealed that CFOs are increasingly worried about the long-term impact of Brexit than at any time since the referendum.

Almost 80% of CFOs expected the long-term business environment to be worse as a result of leaving the EU. Only 13% felt more optimistic about the prospects for their company than they were three months ago, and just 12% felt that now is a good time to be taking risk onto their balance sheets.

According to *Accountancy Daily*, the survey polled 95 CFOs of FTSE 350 and other large private companies. The combined market capitalisation of the 66 UK-listed companies that participated is £383 billion - around 15% of the UK-quoted equity market.

The CFOs polled were quite worried about the impact of Brexit on their businesses. Rating risks on a scale of 0 to 100, the effects of Brexit scored at 67, *Accountancy Daily* reported.

Half of the CFOs polled said Brexit will result in slowing hiring over the next three years, while 44% said capital expenditure will slow. ■

NEARLY

80%

OF CFOS IN THE UK THINK BREXIT WILL WORSEN THE LONG-TERM BUSINESS ENVIRONMENT

IMF predicts 7.3% growth rate for India this year

The International Monetary Fund (IMF) has predicted a 7.3% growth rate for India in 2018 and 7.4% in 2019. Last year, the country achieved a growth rate of 6.7%.

"Reform initiatives such as demonetization as well as implementation of the national Goods and Services Tax, the Insolvency and Bankruptcy Code, and steps to liberalize foreign investment among others taken by India's prime minister Narendra Modi have been applauded by global economists," Zacks stated.

It added that these reforms should make India's economy more transparent, making it easier to invest in and carry out business in India.

The implementation of the Goods and Services Tax has removed layers of taxation by putting into effect the National Sales Tax. This has increased the government's tax revenues, increased business competitiveness and reduced the cost of production of goods, among other benefits, noted Zacks.

India's economy is driven by solid growth in manufacturing and consumer spending. The service sector also remains strong. ■

IMF growth predictions for India

(6.7% growth achieved in 2017)

7.3% 2018

7.4% 2019

IMF DOWNGRADES GLOBAL GROWTH PROJECTIONS AMID TRADE WAR

Blaming rising trade tensions and stresses in emerging markets, the International Monetary Fund (IMF) cut its global growth projections for the first time in over two years. It forecasts a global expansion rate of 3.7 % in 2018 and 2019, a decline from the 3.9% projected a few months ago.

"While the global economy is still on track to match last year's pace, which was the strongest since 2011, the new outlook suggests fatigue is setting in, and the overall performance masked divergence with mounting weakness in emerging markets from Brazil to Turkey," Bloomberg reported.

The fund stated that risks to the global outlook have increased. These include the escalating trade war between the US and other countries (including China) and a higher-than-expected increase in interest rates, which would hasten capital flight from emerging markets.

"There are clouds on the horizon. Growth has proven to be less balanced than we had hoped," stated IMF Chief Economist Maurice Obstfeld. He noted that not only have some downside risks they identified in the last World Economic Outlook (WEO) been realized, the likelihood of further negative shocks to their growth forecast has risen.

According to the IMF, the continuation of the trade war could adversely affect global growth. The decline in global output could exceed 0.8% in 2020 and stay at 0.4% below its trend line over the long term if US President Donald Trump acts on all his threats, including global duties on cars. According to the fund's model, output in 2019 could drop by over 1.6% in China and over 0.9% in the US. ■

3.7% IMF'S GLOBAL GROWTH PROJECTION (2018 AND 2019)

Japanese carmaker Honda to invest $2.75 billion in GM's self-driving unit

While companies keep partnering in the race to develop autonomous vehicles, Japanese carmaker Honda is to invest $2.75 billion and take a stake in GM Cruise - the self-driving unit of General Motors. Honda hopes to develop a self-driving car that could be mass produced. Under the tie-up with General Motors, Honda will contribute around $2 billion over 12 years to self-driving vehicle initiatives; this, together with a $750 million equity investment in Cruise, brings its total commitment to the project to $2.75 billion. "Earlier this year, Japan's Softbank invested $2.25bn in GM Cruise. Honda's investment in GM Cruise, together with Softbank's recent investment, values the firm at $14.6bn," BBC reported.

Softbank has also announced a partnership with Toyota to provide "new mobility services," which includes the development of autonomous services. Toyota and Softbank have also initiated a joint venture partner called MONET - short for mobility network. "Possibilities include demand-focused just-in-time mobility services, such as meal delivery vehicles where food is prepared on the move, hospital shuttles where onboard medical examinations can be performed, mobile offices," the companies stated. ■

Periscope

ECONOMIST WHO PREDICTED US-CHINA TRADE TENSIONS SEES DEAL IN 2019

An economist who predicted the increasing trade tensions between the US and China believes the dispute is likely to be resolved next year. Danske Bank A/S chief analyst and China economist Allan von Mehren thinks that a trade deal may be reached at some point in 2019 as tariffs will start to hurt the US, Bloomberg reported.

Mehren believes there's a 60% chance of a positive outcome from a planned meeting between US President Donald Trump and Chinese leader Xi Jinping at the Group of 20 summit in Argentina from Nov. 30-Dec. 1. A positive outcome would mean "a clear framework for negotiation with a list of demands and a plan to go work on them one by one."

Tensions may yet worsen before a deal can be reached, as Trump is likely to expand US tariffs against Chinese imports, Mehren said, according to Bloomberg. "The US is preparing to announce by early December tariffs on all remaining imports from China if talks at the G-20 meeting fail to ease the trade war," people familiar with the matter told Bloomberg.

Mehren was quoted as saying, "Trump's goal is a deal. Tariffs are just a weapon." He added that the tariffs and Chinese retaliation will also hurt the US economy, so it is not sustainable.

Late last year, Mehren stated that the risk of a tit-for-tat trade conflict over the coming year had risen and that the US may take action in areas such as intellectual property rights, aluminium and steel, triggering retaliation by China. Since then, the US has levied tariffs on $250 billion of imported Chinese goods, Bloomberg reported. "An escalation of the trade war has driven the yuan to its weakest level against the dollar in a decade and led to losses of nearly 20 percent in the Shanghai Composite Index," it added.

According to Mehren, barriers to a possible trade deal remain as Beijing will continue to push ahead with its Made in China 2025 plan -the state-driven strategy to boost China's high tech industries. He however felt that Trump may be compelled to make a deal if tensions start to hurt the US economy and American companies are sidelined in China.

Venture capital funding in Southeast Asian start-ups hits record high

Venture capital investments in Southeast Asian startups reached $3.16 billion over the first eight months of 2018. This was a significant increase from the $2.72 billion recorded for the whole of last year.

Thomas Lanyi, chairman of the Singapore Venture Capital and Private Equity Association, said, "The environment has become much more vibrant with a number of players pouring money into the sector."

According to Reuters, technology startups are sprouting up across Southeast Asia - home to about 640 million people - as companies seek to offer a range of services including ride-hailing, online payments and e-commerce, with consumers rapidly coming online.

A Google-Temasek report estimates that Southeast Asia's internet economy will exceed $200 billion by 2025. This is a fourfold increase from $50 billion estimated in 2017. "Companies have attracted investment from local VCs such as Golden Gate Ventures and Vertex Ventures, along with global technology giants including Alibaba, Tencent Holdings Ltd, Alphabet Inc's Google and Japan's SoftBank Group Corp," Reuters stated.

$3.16
BILLION
VENTURE CAPITAL INVESTMENTS IN SOUTHEAST ASIAN STARTUPS IN THE FIRST EIGHT MONTHS OF 2018

Sri Lanka bolsters tax audits of multinationals, transfer pricing

Sri Lanka's revenue authority has asked for aid from an international tax audit and compliance initiative that aims to prevent tax dodging and transfer pricing abuses by multinationals and improve collections.

The Tax Inspectors Without Borders (TIWB) initiative has already helped the Inland Revenue Department (IRD) reduce cross-border tax avoidance and collect taxes due from multinational enterprises in the island, a report said.

A joint initiative of the Organisation for Economic Co-operation and Development (OECD) and the United Nations Development Programme (UNDP), it aims to boost domestic revenue mobilisation by improving tax auditing and tightening compliance efforts across Africa, Asia, Europe, Latin America and the Caribbean.

The IRD has now asked for a full TIWB programme to build effective international tax auditing skills, particularly in transfer pricing, and to prevent tax base erosion and profit-shifting, known as BEPS, after the success of the initial project.

The TIWB programme deploys qualified experts in developing countries to strengthen their ability to effectively tax multinational enterprises, boosting domestic revenue mobilisation.

TIWB provides a significant return on investment with over $100 in additional tax revenues recovered by host administrations for every dollar spent on TIWB operating costs between 2013 and 30 April 2018, on average, the UNDP report said.

"Tax Inspectors Without Borders is delivering excellent value for money, and while the immediate impact on revenues is important, we are even more excited about the long-term positive outcomes," said TIWB

Head of Secretariat James Karanja. He also stated that the transfer of skills now underway is driving organisational change in tax authorities worldwide, which will prompt much great taxpayer compliance in the future. "We are developing a model for systemic change that puts developing countries in the driver's seat for better using taxation to raise revenues so badly needed for economic and social development," he added.

Soft skills in great demand for accountants – Reed Financial survey

Finance recruiters consider soft skills more important than technical and analytical abilities. Economia reported that a survey by Reed Financial found that accountancy and finance businesses are prioritising the recruitment of people with strong communication skills rather than "just number crunchers."

It stated that oral and written comprehension were ranked the most valuable skills for finance professionals. Economics, accounting and deductive reasoning were ranked the fourth and tenth most important. Rob Russell, director at Reed Finance, said, "Businesses are in direct competition for employees that can bring 'human' skills to the table, not just technical accounting and number crunching." According to him, the influx of AI in the workplace is helping enhance the numerical skillsets within these teams, so there will be greater time for high-level creativity.

Chinese leader pledges to cut import tariffs

Chinese President Xi Jinping recently pledged lower import tariffs and steps to make it easier for foreign companies to access the economy. This comes as China attempts to deal with criticism that it abuses the global trading system.

In a speech at a Shanghai trade expo recently, Jinping also defended the global free trade system which he said was "under attack." This was likely a reference to the US, which has hit China with heavy import tariffs.

He also stated, "In a world of deepening economic globalisation, practices of the law of the jungle and winner takes all only represent a dead end." He added that inclusive growth for all is the right way forward.

US President Donald Trump has blamed China's "unfair" trade policies for helping to create a huge trade deficit. China has also faced criticism for its alleged intellectual property theft.

BBC reported that Jinping promised to take steps to boost imports, by cutting tariffs, facilitating customs clearance and reducing "institutional costs." It added that he did not make clear which countries' imports will benefit from the lower tariffs, and whether the US was on the list.

ACCOUNTANTS AS CYBERCRIME FIGHTERS

AS THE PROFESSION GRAPPLES WITH QUESTIONS ABOUT ITS FUTURE RELEVANCE, THE DIGITAL AGE MAY BE LESS OF A THREAT

-VAIBHAV KOUL

The technological boom is unprecedented and it is unlocking huge opportunities for everyone–from big multinationals and banks, right down to self-employed individuals. However, fraudsters and criminals are also cashing in on the boom. In 2018, cybercrime was estimated at $1.5 trillion and is estimated to balloon to $6 trillion annually by 2021, which is as large as the combined GDP of France and the UK.

"The challenge is that while technology continues to evolve at a fast pace, so do the types of frauds and the modus operandi of cybercriminals, " says Vaibhav Koul, Director of Cyber Security and Digital Forensics of Protiviti India. Cyber security has become a boardroom priority for most businesses and this presents some challenges along with extensive opportunities for the accounting profession, Vaibhav believes: Challenges- since cybersecurity is now one of the basic expectations for continual growth of organizations and accounting professionals must continue to upskill and support this expectation while still being the backbone of businesses. Furthermore, the opportunities come in the form of roles and requirements for corporates, government agencies and consultancies related to proactive assessment of cyber security, impact assessment of cyberattacks, cyber insurance and post-breach activities such as digital forensics, communication with the stakeholders and money trailing.

Excerpts from the interview are as follows:

We've heard of several instances of hackers compromising banks, business and even government agencies. How big of an issue is cybercrime?

Koul: The high-profile cyber attacks in 2018 include the incidence of Facebook reporting that over 30 million users' accounts had been compromised by hackers, while 150 million Under Armour customers were similarly exposed. T-mobile reported that 2 million of their customers had been exposed to hacks. British Airways saw credit card details being stolen from 380,000 of its customers. Japan lost over lost $530 million to crypto hacks, and $6 million was stolen from a Russian bank via a SWIFT system.

> **The challenge is that while technology continues to evolve at a fast pace, so do the types of frauds and the modus operandi engineered by cyber criminals.**

The total loss from cybercrime is estimated at $1.5 trillion in 2018, and is expected to increase to about $6 trillion annually from 2021. There's an estimated $2 trillion in laundered money worldwide and cybercrime's share is estimated at around $200 billion, so the impact of cybercrime is significant.

All confidential and privacy-related data is worth something in the underground market. For instance, recent instances indicate that a social security number is worth around $1, subscription data up to $10, credit card details up to about $15, medical records up to $1,000 and personal passport details can fetch around $2,000.

While cyberattacks are becoming more and more sophisticated, attackers don't always need to be technical experts to perpetrate cybercrime. There are entities acting as service providers that offer cyber-crime-as-a-service, as wel as offer to sell spyware, malware and specialized hacking services on the underground market and dark net to anyone willing to pay the price.

The challenge is that, while technology continues to evolve at a fast pace, so do the types of frauds and the modus operandi engineered by cyber criminals.

The landscape of frauds has gradually evolved from physical theft to cybercrime. Processes that were earlier manual are now computerised. Online banking and payment gateways are moving where manual receipts and payments dominated the commercial world. On-premise IT infrastructure is transitioning to the cloud and Internet of Things. Standalone applications have been increasingly replaced by integrated systems like ERPs, which may later be replaced by blockchain-based systems or other technologies. While these technological shifts have created immense value for businesses, fraudsters and criminals have kept up to speed, shifted their playground and evolved their modus operandi of cybercrimes. It only makes sense that businesses keep pace as well, in terms of security. A silo-based approach to cyber security is not advisable to detect and prevent fraud. Cyber security has to be a policy priority and needs to be embedded in every aspect of a business.

Do you think businesses are doing enough to protect themselves against cybercrime?

Koul: Unfortunately, it is never enough. Cybersecurity is not always able to match with the speed of digitization within companies and it becomes a continuous game of catch-up. However, there is definitely a change that has happened over the last few years. Earlier, there used to be a lot less focus when it came to cyber security and related investments, mainly because cyber risks were limited to just on-and-off disruptions, minor defacements or virus-attacks. These were denoted as "IT issues" and were not considered critical enough to be regarded as major business risks. However, with cybercrime touching headlines for major disruptions, litigation claims, reputational and financial losses, businesses have woken up with a rude shock; cyber security is now critical and has become a boardroom agenda. Businesses are now more aware of cyber risks than they used to be.

However, there still needs to be more focus on having a dynamic cyber security framework coupled with the right skillset and technology adoptions for better preventive controls and swift response measures.

Furthermore, we need to keep in mind that cybersecurity hygiene is only part of the solution. It doesn't prevent all attacks or guarantee complete protection, but definitely assists in reducing the risk to an acceptable level so that the business can focus on issues that are more critical.

Most people take it for granted that the IT guy or tech department will take care of cyber security. Why do you believe that finance teams ought to have a proactive approach to cyber security?

Koul: This is a valid question that we are often asked. While IT teams provide support wherever they can in order to secure the business, the accountability from a business standpoint also lies with the individual departments. Furthermore, given the dynamism of cybercrime, IT departments can't always fend off attacks on their own. For instance, the IT team might deploy cyber security-related processes and controls on application, network and end-point level, but in the end, if the user departments are not fully aware and diligent, the organization is only as secure as its least aware employee. The probability of a breach increases significantly if the users are not aware.

Finance and business teams handle some of the key processes within the organizations. A good chunk of breaches, nowadays, result in fraudulent fund transfers. The responsibility of the finance and business teams lies in being diligent and observant because they are the ones gathering, storing and analysing critical data and handling key processes. For example, business processes should be improved so that multiple levels of authentication and signatories are ensured before large transactions, a validation is done prior to changing the account details of suppliers, and be observant to identify suspicious emails to avoid fraudulent transactions.

Further and more importantly, the finance and business teams need to advise and guide IT and technology teams on the criticality of the data and systems they are handling, so that the level of security controls can be appropriately enhanced and optimized for each segment of a business.

As instances of cybercrime are increasing and directly impacting businesses, cyber security has become a basic expectation to support organization growth. So, it's imperative for finance and business teams to play an active role in ensuring that cyber security is embedded in the processes that they are responsible and accountable for.

But do you see finance teams actually taking ownership of cyber security, or is it still the reserve of the IT department?

Koul: Cybercrime has become an issue boardrooms are taking more seriously today. C-level executives including CEOs and CFOs are getting more involved in securing their organisations from cybercrime, and boardrooms expect nothing less.

The cost of a cyber breach - be it through direct financial loss, regulatory sanctions or reputational loss - can be enormous. So, CFOs do certainly have a good reason to be concerned. As the key business and finance decisions makers understand the criticality of the data and the business processes, they

> **In many cases, the Chief Executive Officer, Chief Financial Officer, and other C-level executives are held accountable in case of breaches.**

are becoming more aware of cyber risks and tend to be the driving force to actually secure the organization from breaches.

There are cases when organizations haven't approved budgets for cyber security solutions and process enhancements, and are left susceptible to attacks. In such cases, the blame of the breach tends to fall on those who make the financial decisions. Furthermore, when an organization is impacted by a breach, the decision on how to respond to the breach also lies with the C-level executives.

In many cases, the chief executive officer, chief financial officer and other C-level executives are held accountable in case of breaches. Additionally, they are responsible for how the organization manages post-breach activities such investigating the root cause, performing impact assessment, and recovering the operations and communications to the board, regulators and customers.

Breach prevention and cyber security have now become continuous tasks within the organization. The role of financial decision makers is significant, especially in pursuing critical investments for cyber security ensuring long-term growth and mitigate the risk of potential breaches.

The IT team, Chief Information Security Officer (CISO) and the Data Security and Privacy personnel are there to implement solutions and processes, but they can't do it without the backing of the financial decisionmakers and executive management.

The IT/ IS team or a single department alone is no longer responsible for cybersecurity. This has now become a shared responsibility of staff across departments with significant involvement and inputs from the financial decisionmakers and C-suite.

As trusted business advisors, accounting personnel have an understanding on what is critical to the business. This is very helpful in determining what's at risk in case of a cyberattack.

How about accountants as forensic auditors and investigators of cybercrime?

Koul: In the past, forensic auditors and investigators were trained to find the paper trails in their investigations; now, transactions take place virtually on digital platforms, leaving limited physical traces, so fact finding activities now focus on gathering evidence from electronic sources such as computers, mobile phones, applications servers and other technology infrastructure. To be better equipped for handling new age frauds, forensic auditors and investigators should be aware of the various data points to be covered and processes to be followed for evidence collection, preservation, analysis and reporting.

For instance, if there is a case of unauthorized fund diversion through a cyber-attack, the investigators would need to collect systems and security logs, and forensic copies of data from the potentially affected systems. This data is to be collected by following detailed chain of custody procedures that are accepted in a court of law. The recovery of existing/deleted data and its analysis helps in identifying traces of the attack and its overall impact. Furthermore, wherever linkages to money laundering are seen, forensic auditors and investigators still do work on finding the money trail.

Another instance, if a person suspected of fraud has a company-provided mobile phone or laptop, a forensic acquisition and analysis of these devices is an important step.

The technology specialists may assist in the process, but the investigators and auditors will have to drive the hypothesis development and the analysis, as they are aware of the processes and know what to look for.

In my experience, most investigations - be it around hacking, data theft or conventional fraud - are usually routed through the chief financial officer or CEO or other C-level executive.

Is cyber security opening new opportunities for the accounting profession?

Koul: It certainly is. With increasing cybercrime, and the related business and financial impact, the role of finance chiefs and teams is now becoming more diverse and demanding.

As trusted business advisors, accounting personnel have an understanding on what is critical to the business. This is very helpful in determining what's at risk in case of a cyberattack.

So with the right skillset, there are opportunities both at the proactive and response side of cyber security. There are several opportunities for assisting in proactive cyber security measures such as cyber risk assessments, data privacy assessments, security and privacy-related regulatory checks and benchmarking basis international standards. Furthermore, they can contribute a lot in helping employees' better understand cyber risks based on the business context, thereby enhancing the security awareness posture of key departments in the organization.

On the reactive side, if there has been a cyber-attack or fraud, or resulting non-compliance to regulations, there has to be a detailed impact assessment and remedial course of action mapped out. Companies need information and guidance on how to handle these situations with their customers, regulators and the board. Decisions are to be made on how to respond to the breaches, when and how to investigate the incident. In case of instances of unauthorized payments, forensic investigations may require knowledge of analysing and identifying money trails. Finance and accounting professionals with the right business context and skillset can assist in these activities.

Consulting, accounting and audit companies such as ours maintain a diverse team comprising technology experts as well as business and finance professionals to adequately advise companies in such situations. The opportunities for the finance and accounting professionals to contribute are immense.

You spoke of cybercrime syndicates; have any of them been broken up?

Koul: It is not a simplistic task to break up syndicates as these tend to comprise of individuals and teams from across geographies. The investigations require cooperation between law enforcement agencies across borders and, hence, tend to take a lot of time, effort and expenses. Authorities may nab a few individuals, but may not always be able to break the entire syndicate. Business activities and communication of many of these syndicates happen anonymously and in the deep web, which makes them difficult to track. However, there have still been some instances where cybercrime syndicates have been identified and broken after a lot of efforts and coordination across agencies and geographies. One of the recent publically known cases was that of a syndicate that had allegedly stolen over $1.2 billion from bank accounts over more than 4 years. This was done by infecting the bank's computer systems with a malware in locations across Russia, Belarus, Azerbaijan, Ukraine and Taiwan. The key perpetrators were identified after a joint investigation by Spanish National Police, US FBI, Belarusian and Taiwanese law enforcement authorities, and cyber security consulting companies.

So, for organizations, the idea is to be proactive and try to identify risks on a continuous basis to reduce the chances of being affected, i.e. prevention and continuous monitoring is better than the cure in this particular case.

Do you think accounting curricular should have a cyber security component, and around technologies like blockchain?

Koul: Certainly. Considering that cybercriminals do tend to hit where the money is, finance professionals must have peripheral vision in cases and scenarios of such attacks, to be better prepared. Furthermore, as a lot of breaches result in bank transfers and money laundering, and an accounting professional should be able to assist in such situations.

From the perspective of finance and accounting, blockchain is a digitized, decentralized public ledger technology. There are many use cases and benefits linked to this technology. Notable ones being faster cross-border transactions, reducing clearing and settlement time for transactions, having a transparent and accessible system of records, and immutable records for better accuracy.

These and other applications will have far reaching impacts on the way business is done. Data analytics is another area that accountants can build expertise around, as it will be a key skill considering the amount of data being handled these days.

Artificial intelligence and Robotics Process Automation (RPA) will help optimize a lot of the complex, repetitive tasks performed by accountants.

Over the next few years, Robotic Process Automation is going to be one of the key drivers of cost optimization and business efficiencies across industries. Finance professionals will benefit by developing know-how around these technologies because they will be the ones defining the use-cases for these technologies to enhance and optimize processes.

Technology professionals will build the necessary platforms and programmes, but the direction as to what AI or RPA must achieve from the perspective of the finance and accounting functions must come from respective professionals.

While it's a good skill to have, every accountant may not need to know how to program AI or bots, but being more technologically savvy is something that helps.

Some of these technologies and topics may be recent, but have a direct implication on the way businesses function. *Enhancing the skillset to include understanding of cybersecurity, blockchain, Artificial Intelligence, Robotic Process Automation (RPA) and advanced data analytics is indispensable for matching up to the changing digital environment.* ■

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LIEN FOR ACCOUNTANCY PROFESSIONALS

Accountants and auditors have a particular right over documents belonging to their clients

By Dr. Wickrema Weerasooria

Before we discuss whether accountants and auditors have a lien, it is important to explain what a 'lien' is. The word 'lien' is a legal term that is not normally used in lay language. The dictionary meaning of 'lien' is a right you have over another's property to protect a debt owed to you on that property. The term originates from the Latin word ligamen meaning 'bound' and the French word ligare 'to bind.' In a more technical sense, a lien can be defined as a creditor's right to retain possession of the debtor's property until the debtor pays what he or she owes the creditor.

LIEN IN BUSINESS TERMS

Both businessmen and lawyers use the term lien loosely, applying it to several rights of quite different types. For instance, (i) equitable liens such as a seller's lien on the land sold for the balance of the purchase money and (ii) maritime lien, which is the right of an interested party to hold a ship or its cargo, or to have it sold in satisfaction of a maritime claim (for example, repairs done to a ship while in harbour). Strictly speaking, the above liens are called possessory liens because they give the right to hold the property of another as security for the performance of an obligation or the payment of a debt. Admittedly, it is very clear that a lien applies only to a movable property and not to immovable property such as a land or building.

In a lien, the person who has the possession of the goods or securities is called the lienee. The person who is the owner of the goods or securities is called the lienor.

POSSESSORY LIENS

There are two types of possessory liens - particular and general. A particular possessory lien entitles the holder to retain the property until payment of the particular debt or expenditure incurred in relation to it. Good illustrations are (i) common carriers who have a lien for unpaid freight on goods carried by them and (ii) innkeepers (for example, proprietors of motels and hotels) who have a lien on the goods of guests for unpaid room charges and accommodation. Hotels have a lien to hold on to any items of value of the guests such as their suitcases and clothing until the bill is paid. Nowadays, because of the use of credit cards to pay bills, resort to liens by hotels has diminished. It is now customary that before a guest goes up to his room, his credit card is taken and swiped with his permission by the hotel. Thus, if he has left the hotel with any unpaid bill, the hotel will fill up the swiped credit card with the amount due and claim it. It will be difficult for the card owner (hotel guest) to deny the debt even though he or she has not signed the vouchers.A general possessory lien entitles the holder to retain the property as a security for payment of the full indebtedness of the owner irrespective of the account on which it may be due. Such general possessory liens are exceptional. Common examples of those who enjoy general possessory liens are solicitors, stockbrokers, insurance brokers, factors and bankers.

Of all liens known to law, the best known is the banker's lien, and the most number of judicial decisions on the applicability of a lien relate to the banker's lien. In these judicial decisions, the entire subject of the lien - how it arose and how it developed and its legal recognition - is clearly outlined, and these cases are useful to any lawyer who is involved in a case relating to a lien. Later on in this article, we outline the banker's lien in greater detail.

SOME ILLUSTRATIONS OF A LIEN'S APPLICABILITY THAT EVEN A LAYMAN CAN UNDERSTAND

Let us say you have asked an attorney-at-law (lawyer) to do some legal work for you; for example, to write a deed for a land you want to buy. Let us assume that the lawyer has done the work as requested by you and has the deed ready, but you have failed to pay him his fees as agreed. In such a case, the lawyer has a lien on the deed he has prepared for you plus your documents such as title deeds that you gave him to prepare the deed. The lawyer can hold on to all these documents by exercising his lien until he is paid by you for the work he did.

Similarly, an architect has been asked by you to draw up a plan for a new house. In order for him to prepare those plans, you have given him several survey plans of the land. Now the architect has completed the plan of the house, but you are not paying him the architect's fee as promised. In such a case, the architect can both hold on to the plan he has prepared, as well as the survey plans you had given him to prepare the plan until his fee is paid.

LIENS ARE A PART OF THE LAW MERCHANT, AND ARE NOW JUDICIALLY RECOGNIZED

There is no parliamentary statute or legislation on the subject of liens. Rather, liens are part of the lex mercatoria or law merchant from early English times.

There are two types of possessory liens - particular and general. A particular possessory lien entitles the holder to retain the property until payment of the particular debt or expenditure incurred in relation to it.

BANKER'S LIEN

Apart from the illustrations of a lien given earlier, the best illustration of a lien in business is the banker's lien. This is a general possessory lien. Every banker has a lien on all securities deposited by his customer and can hold on to such securities until all monies due to the bank have been settled by the customer. The judges have observed that the banker's lien is one of the oldest and widest liens recognized in English law and it also applies in Sri Lanka. It is considered to be part of the law merchant and has been judicially recognized as such. The courts will take notice of it; it is not necessary to lead evidence to prove its existence. It is binding upon the bank's customers (clients) whether they know of it or not. It is an incident of the banker-customer relationship. It arises automatically when a person becomes a customer of a bank. The customer need not and invariably does not expressly agree to be subject to the lien. The banker's lien was first recognized as early as 1794 in the English case of Davis v Bowser (1794) ER 275. In 1846, in Brandao v Barnett (1846) 12 CI & Fin 787, the House of Lords confirmed its existence. In a case decided in 1885, namely in Anderson v The Oriental Bank Corpn (1885) 7 Supreme Court Circular p77, the Supreme Court of Sri Lanka also recognized that banks have such a lien over their customers' securities.

CIRCUMSTANCES EXCLUDING A LIEN

A lien will not arise if the parties have expressly agreed that no lien will apply. Thus, in the case of a banker's lien, the bank can expressly agree with a customer that they will not exercise their customary lien. It is unlikely that a bank will do so, but in the case of an important customer, they may agree to do so. In such a case, the bank forfeits or loses the right to exercise its lien.

So also the banker's lien will not apply to any articles or goods that have been specifically left for safe custody or safekeeping. In such cases, the law implies that those goods will be returned and will not be subject to a lien.

IN A LIEN, WHO IS THE 'LIENEE' AND 'LIENOR'?

The person who has the possession of the goods or securities is called the lienee. The person who is the owner of the goods or securities is called the lienor. As a general rule, the lienee has no right to sell the goods that are the subject of the lien. He can only hold onto them until his debt is paid. If he is not paid and he wishes to sell the goods to recover his debt, he must apply to a court of law and obtain the court's permission to sell the goods.

TERMINATION OF A LIEN

A possessory lien can be extinguished or terminated in the following ways:

1. By loss of possession of the goods or documents.

2. Payment or tender of payment of the debt by the lienor for which the goods were retained.

3. By the lienee accepting another security from the lienor which shows that the new security was taken in substitution for the lien.

4. By abandonment of the lien by the lienee.

ACCOUNTANTS/AUDITORS LIEN

Keeping in mind the general principles relating to liens, we now turn to a special consideration of the accountants/auditors lien.

It is now well established by custom, convention, practice and legal decisions that accountants and auditors have a particular possessory lien over documents belonging to their client in respect of which the accountants/auditors have performed work for, which they have not been paid the fee as promised or agreed by the client. The courts have held that this lien belongs to a category of a possessory particular lien and have taken the view that it is equitable to recognize such a lien.

The most well-known English case on this subject is the Woodworth v Conroy (1976) Queens Bench p 884. In that case, Lord Justice Lawton (with whom the rest of the court agreed) said: "I would adjudge that accountants in the course of doing their ordinary professional work of producing and auditing accounts, advising on financial problems, and carrying on negotiations with the Inland Revenue in relation to both taxation and rating, have at least a particular lien over any books of account, files and papers that their clients delivered

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to them, and over any documents that have come into their possession in the course of acting as their client's agents in the course of their professional work."

The judicial views expressed in the above case have not been dissented from and have been accepted as established law on the subject.

CONDITIONS FOR THE EXERCISE OF THIS PARTICULAR POSSESSORY LIEN BY AN ACCOUNTANT OR AUDITOR

A right of a particular possessory lien will exist only where all four of the following circumstances are present:

1. The documents retained must be the property of the client who owes the money and not of a third party, no matter how closely connected with the client;

2. The documents must have come into the possession of the accountant/auditor by proper means in the normal course of business;

3. Work must have been done by the accountant/auditor upon the documents and a fee memo or note must have been rendered; and

4. The fees for which the lien is exercised must be outstanding in respect of the work on the documents and not in respect of other unrelated work.

SPECIAL CASES WHERE AN ACCOUNTANT'S LIEN WOULD BE EXCLUDED

There are various special cases where the normal position regarding the existence and enforcement of such liens does not apply. Special cases may arise as a result of the provisions of a particular statute, or from considerations of general public policy and include the following.

STATUTORY BOOKS OF COMPANIES

An established line of authority exists in which the courts have held that no lien can exist over books or documents of a registered company which, either by statute or by the articles of association of the company, have to be available for public inspection, be kept at the registered office or some other specified place, or be dealt

with in any special way. The main cases are Re Capital Fire Insurance Association (1883) 24 Ch.D.408 and Re The Anglo - Maltese Hydraulic Dock Co Limited (1885) 54 L.J. Ch. 730. Although those cases concerned solicitors' liens, the same principles should apply in the case of accountants. Examples of documents that those cases held could not become the subject of a lien are the register of members and directors' minute books, which the articles of association would almost certainly, expressly or impliedly, require to be kept available at all material times for the use of directors.

BOOKS OF ACCOUNTS/ACCOUNTING RECORDS OF COMPANIES

A lien would probably not be upheld in relation to the books of account that a company must keep in order to comply with statutory priorities of the Companies Act. Such records are documents that must by reason of the statute kept by the company and must be kept at the registered office of the company or at such other place as the directors of the company think fit, and must at all times be open to inspection by the directors. It should be appreciated that the 'books of account' covers a wide range of documents: See DTC (CNC) Ltd v Gary Sargeant & Com (1996) 2 A11 ER 369.

LIQUIDATORS

It would appear that an accountant is not deprived of an existing lien by the appointment of a liquidator, although he cannot acquire a lien over documents that come into his possession after the commencement of the liquidation. In a compulsory liquidation, however, the court has power to require an accountant to produce any books and papers in his custody or control. Where the accountant claims any lien, the production is to be "without prejudice to that lien, and the court shall have jurisdiction in the winding up to determine all questions relating to that lien."

This writer was able to find one statutory provision on "professional misconduct" in the second schedule to section 20 of the Institute of Chartered Accountants Act No. 23 of 1959, which refers to a lien. Rule 2.28 of the second schedule says that it would constitute professional misconduct for an auditor to draw his fees from the client, money held by the auditor without the client's prior approval. However, he could do

A right of lien is a right to retain possession of a property belonging to someone else, pending payment of an outstanding debt.

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so if he has a lien, to quote the rule itself.

Accordingly, it is clear that the Institute of Chartered Accountants has recognized the common law rule that accountants and auditors have a lien as set out in this article. As a member of the Institute's Ethics Committee, I can state that, on one occasion, there was a complaint that a member of the Institute was holding on to a document of the client and that he was not entitled to do so. The member had in his reply to the complaint stated that he had a lien on the documents because his fees had not been paid. The Ethics Committee recognized the member's right to the lien.

THE ONLY REPORTED SRI LANKAN JUDICIAL DECISION OF AN AUDITOR SUING FOR FEES

In the concluding parts of this article, I refer to the only reported judicial decision on auditors in Sri Lanka. However, no issue of a lien arose in that case. This case was in 1943. The name of the case is Liquidator of Turret Motors vs Charles and Another reported in volume 44 New Law Reports at page 451. There, a firm of Accountants (Charles and Another) had sued the liquidator of Turret Motors for the sum of Rs550 as unpaid fees for auditing the company's accounts. The Supreme Court denied the auditors their claim because they had, at the request of the company, prepared the company's balance sheet as well. In the court's view, they should not have done this.

The Supreme Court emphasized that the preparation of a company's balance sheet is a duty cast on the company's directors and not the auditors. For the auditors to prepare a balance sheet even for additional remuneration would be at the very least a very undesirable arrangement, because under Company Law, auditors have to report and comment on the balance sheet. So how can they comment on what they themselves prepared! Thus, the auditors claim for remuneration was denied. The auditors then asked that they be paid on what is called a quantum meruit basis - that is, a claim on equitable grounds for the actual work done and expenses incurred because otherwise the client would be unjustly enriched. Even this claim was denied because the company had, by then, gone into liquidation.

English Institute Of Chartered Accountants On The Lien

The English Institute of Chartered Accountants has issued a very useful booklet on *'Exercising a Right of Lien for the Guidance of Members.'* This document can be found on the Institute's website.

The booklet states that its Code of Ethics comprises the Right of a Lien. To quote:

"Section 240.4F of the ICAS Code of Ethics confirms that Chartered Accountants may be entitled to exercise a lien over client books and papers where fees have not been paid. This means that, in general terms, there is nothing unethical in pursuing this course of action.

Chartered Accountants will sometimes encounter clients who are reluctant to pay fees. While there are a number of options to enforce payment, one is to refuse to release books, records or other documents belonging to the client that are in the Chartered Accountant's possession. The legal basis for this practice is derived from the right of lien. By highlighting the practical and ethical issues that need to be considered, this help sheet aims to provide guidance on the exercise of a right of lien by a Chartered Accountant."

WHAT IS A RIGHT OF LIEN?

A right of lien is a right to retain possession of a property belonging to someone else, pending payment of an outstanding debt. The property could belong to a person, partnership, company or any other legal entity.

While the law makes a distinction between general and special (or particular) liens, only special liens are likely to be relevant to a Chartered Accountant. A special lien is a lien over property that may be retained until a particular debt due in respect of that property is paid.

A Chartered Accountant may exercise a special lien over documents belonging to a client if the Chartered Accountant has performed work on those documents and the client has not paid the resulting fee. In this guidance all subsequent references to lien are to be a special lien.

How a lien prevented Oscar Wilde from leaving England

To conclude this article on the auditor's lien, I would like to relate an anecdote about the importance of a lien from English literature. In 1891, English playwright Oscar Wilde lost his case for defamation, which he had filed against Lord Queensbury. Wilde was to be criminally prosecuted for sodomy, then (not now) a crime in England. His friends came to the hotel where Wilde was staying and pleaded with him to cross the English Channel and go to Paris so the English police will not be able to arrest him. Wilde agreed and was about to leave but had not paid his hotel bill. He had no money. The hotel exercised the innkeeper's lien and prevented him from taking his bags and other luggage. So Oscar Wilde was unable to leave London and was soon arrested by the police, prosecuted and jailed for two years. He died a few years later. This writer relates this account to students at academic lectures to show how a lien caught up with a man who is now regarded as the greatest literary genius of England.

We publish this in honour of the late Dr. Wickrema Weerasooria. We wish to extend our deepest gratitude to this well-known legal academic who is commended by many for his contribution to the profession. Dr. Wickrema Weerasooria was also a member of the Ethics Committee of the Institute of Chartered Accountants.

WHEN CAN THE RIGHT OF LIEN BE EXERCISED?

While exercising a right of lien can sometimes be legally complicated, there are a number of general points that Chartered Accountants should take into consideration.

The documents must belong to the client
A lien cannot be exercised over property owned by a separate third party, even if that party is connected to the client. It is important to distinguish between work undertaken for a company and services performed for its directors in a personal capacity. If the directors have paid their fees but the company has not, only documents relating to the work undertaken for the company can be the subject of the lien.

A fee must be outstanding
Work must have been undertaken by a Chartered Accountant in connection with an instruction from the client and a fee note rendered. If an invoice for this work has not already been issued to the client, this should be done at the earliest opportunity to ensure that the client is aware of the amount and basis of the fee.

The fee must relate to the documents
There must be a direct link between the documents being retained and the fee that is outstanding. For example, if the unpaid fee relates to company accounts preparation, a Chartered Accountant should not retain papers relating to separate tax work. Similarly, if the outstanding fee relates to company accounts preparation for 2015, it may not be acceptable to retain company accounts papers for earlier years.

Acquisition of the documents
The Chartered Accountant must have come into possession of the documents by proper means in the course of normal business. For example, if a client provided the documents to the Chartered Accountant in error, or they were forwarded by a third party without the client's knowledge, a lien may not be appropriate. ■

THE ECONOMY IS STABILIZING

Central Bank Governor outlines the challenges and way forward for the economy

Dr. Indrajit Coomaraswamy

DR INDRAJITH COOMARASWAMY OUTLINES THE HEALTH OF THE FINANCIAL SECTOR

Sri Lanka's economy is expected to recover in 2019, Central Bank Governor Dr. Indrajit Coomaraswamy says, as macroeconomic fundamentals improve with activity picking up across agriculture, manufacturing and services. "There is a reasonable chance of realising this growth because there will be a positive base-effect growth in 2018, provided there is a little stability, and we also now have better weather," the Governor told The Abacus in an interview last November. He said that the Central Bank was also seeking greater autonomy, tighter fiscal controls, and enhanced research and forecasting capacity for flexible inflation targeting. Dr. Coomaraswamy also outlines the health of the financial sector and technological disruptions, and the importance of trade liberalisation.

Excerpts from the interview are as follows:

Can you paint us a picture of the state of the economy, and where we are heading?

We have been making reasonably good progress in terms of stabilizing the economy, but growth has been lower than ideal. Inflation, which is an indicator of stability in the domestic economy, is below our target rate of 4-6%. Core inflation, which is something that the Central Bank can influence, is in fact lower than that. So we have no concerns on the inflation front, and that is a good reflection of the fact that there is domestic stability.

On the external side, the current account of the balance of payments is going to be higher than we anticipated, at about 3.6% of GDP, which we expected to be 3%. Three things caused the trade account to deteriorate, which then fed through to increasing the current account deficit: gold, motor vehicles and oil. Those three items have resulted in the trade deficit increasing by more than Rs1 billion over the last eight months. If you consider each item, on the first two, we have already taken corrective action. The spike in gold imports was driven by the duty difference between India and Sri Lanka. We had a zero tariff and India had 15%, so people were importing duty-free gold and smuggling it into Sri Lanka. Once we closed that duty differential and took away the arbitrage opportunity, gold imports have come down.

On motor vehicles, there was a sharp spike because of the duty structure mainly on small vehicles and subsidized petroleum products. Certain macro financial measures have been taken to curtail motor vehicle imports. There is a two-month lag in trade data, plus it takes a bit of time for these measures to take effect. First, imports from the letters of credit that were opened earlier will need to come through the system. It will take a couple of months to assess the real impact of the measures we have taken; and in terms of the importation of motor vehicles, we are reasonably confident that we have done enough. The third item that caused the deterioration of the current account is oil. There again, some favourable developments took place towards the end of 2018 where oil prices came down sharply in the world markets. Also, our reservoirs are pretty full and we should be able to get a significant share of power generation out of hydro. So that has a favorable impact on the balance of payments. In addition, power generation is a high-value addition activity, so it gives a boost to growth. There has been some pressure on the external front. However, we feel that the measures we have taken will help stabilize the situation going forward. In addition, the depreciation of the exchange rate will bring about the much-needed adjustment through promoting exports and curtailing imports. I am confident that, going forward, the economy should be more stable as far as the trade deficit and balance of payments are concerned. Do we have enough external reserves to repay our debt, prevent disorderly depreciation of the currency and maintain a sufficient level of reserves to give comfort to investors and rating agencies? I would say we do.

> **The IMF is looking for greater clarity on the government's commitments to some of the reforms and targets the programme entails. I believe the IMF programme is very useful because it compels us to keep our house in order.**

The official US dollar reserve position is estimated at about $7.0 billion at end-2018. There are some inflows expected in early 2019, which will help us achieve the above objectives. The Central Bank recently led a mission to the Middle East, and the CEOs and chairmen of five important banks came with us. We anticipate that the Bank of Ceylon, People's Bank and NSB, between them, would bring in $750 million of the $1 billion. In addition, having settled all liabilities in 2018, there will be a carry-over of about $650 million. These funds will help us pay off an international sovereign bond of $1 billion maturing in January. A term loan of $500 million from the China Development Bank will help us settle another maturing bond for $500 million in April. We've already received a $1 billion term loan from China Development Bank, but the agreement would allow us to borrow up to $1.5 billion. So, these are the two big payments due in the first four months of 2019. I would also like to point out that the Active Liability Management Act, which was passed in April 2018, gives the Central Bank additional flexibility. We can borrow over and above the borrowing requirement of the government as set out in the appropriation bill. This enables us to borrow extra money purely for liability management under this new Act, provided we receive parliamentary approval. On 26 October 2018, a resolution was passed in Parliament approving the borrowing of up to the equivalent of Rs310 billion for liability management.

The Central Bank is also exploring the Chinese, Japanese and Middle Eastern bond markets to raise funds. We will also offer the usual US dollar-denominated international sovereign bond whenever market conditions are conducive. We're also working on swap arrangements with the central banks of China, Oman and Qatar. There are heavy external debt payments in 2019 of $5.9 billion, but through these various avenues, I am confident that we can raise the necessary financing.

What about the IMF-extended fund facility?

The IMF programme has been on hold since October 2018 due to political uncertainty. The IMF is looking for greater clarity on the government's commitments to some of the reforms and targets the programme entails. I believe the IMF programme is very useful because it compels us to keep our house in order. We have about two more tranches worth $500 million.

What are some of the outstanding commitments of the IMF programme?

The IMF is closely watching how the

People keep accusing the Central Bank of blocking PayPal, but it's not true. PayPal doesn't see a business case for coming to Sri Lanka just yet, but we are talking to them.

Central Bank is managing the currency and external reserves. They also attach priority to revenue enhancement-based fiscal consolidation. In addition, there are a number of structural benchmarks.

What's the Central Bank's forecast for 2019?

We estimated economic growth at around 4% in 2018, but later downgraded that to 3.6% owing to lower-than-expected industrial, mining and construction activity. However, we expect GDP to grow 4 -4.5% in 2019. There is a reasonable chance of realising this growth because there will be a positive base-effect from low growth in 2018 provided there is a little stability, and we now have better weather. The agriculture sector will have a better year. With rains improving, the Maha season will be successful. Manufacturing, particularly apparel, will do alright because there seems to be some additional demand because of the China-US tensions. I believe there is hope for a higher level of economic activity across agriculture, manufacturing and services.

What about credit growth?

Credit growth spiked in September. We saw some importers such as motor vehicle dealers trying to beat the import curbs. There was a big increase in credit in September, but overall credit growth is under 15%, which is okay. We don't want it to go any lower. Current credit growth is sustainable. In November 2018, we brought the statutory reserve ratio, but we also increased policy lending rates. The Monetary Board had two issues to contend with. First, there was a severe liquidity shortage of about Rs140 billion, and second, we had to make a call on whether to continue with the neutral monetary policy stance after reducing rates in April 2018. The statutory reserve ratio was reduced, which immediately released Rs90 billion to money markets; this helped address the liquidity crunch. At the same time, we raised monetary policy rates so that the overall effect would be neutral. If we didn't do this, growth would have been further constrained. Sri Lanka's nominal and real interest rates are very high and economic growth is low compared to other countries in the region like India, the Philippines and Indonesia. Market lending rates are even higher, so there was no merit in pushing up rates further at the time.

What kind of policy environment would we ideally need to attract the required FDI to propel growth?

Macroeconomic fundamentals have to be sound. In recent years, there's been an effort to put in place clear macroeconomic frameworks and institutionalize them. On the fiscal side, there's an effort to improve revenue from direct taxes, reform tax administration and consolidate spending. The government was broadly on track before the political disruption that occurred in October. We had a primary surplus in the budget for only the second time since 1954. Going forward, the critical question is whether the government can maintain discipline?

The Central Bank has presented a concept paper that will give teeth to the Fiscal Management Responsibility Act. There will be specific conditions under which government and state institutions can miss fiscal targets, such as natural disasters, severe external shocks and recessions, but there also has to be a clear path set out as to how things will be brought back on track. We envisage greater autonomy as well as accountability for the Central Bank. For instance, going forward, the Central Bank will not accept Treasury bills to finance the government whenever they require. The treasury will have to manage on its own for financing. The Central Bank is also strengthening its forecasting and modeling capabilities for flexible inflation targeting. On the exchange rate, we are trying to work out certain parameters within which the rate will be managed. We will have a flexible exchange rate policy and we will certainly be concerned about intervening in the market to prevent adjustments due to imbalances in the current account. Otherwise, you end up depleting reserves and depreciating the currency. As I said earlier, there were three reasons why our current account came under pressure, but capital outflows have created pressures as well. Sri Lanka's foreign exchange market has a daily volume of around $50-100 million, so if there is a $10-20 million outflow from the bond market, there is an imbalance between demand and supply, creating pressure on the exchange rate. If we allow the currency to depreciate, it will end up incentivizing greater outflows of capital. The overall policy is to intervene only to prevent a disorderly adjustment of the exchange rate.

Can you give us an overview of the health of the financial sector, particularly banks?

Banks are in relatively good shape. Sri Lanka is ahead of many developing countries in rolling out Basel III standards and IFRS 9. It's been uneven across banks, but by and large the sector is in good shape. Bad loan provisioning will be higher and could impact profitability in the short term, but will result in stronger banks in the long term.

The one area that requires careful monitoring is non-performing loans (NPLs), which have increased from 2.5% to 3.6% in under a year. The trend is not favourable.

Consolidation is also on the table. Sri Lanka has too many banks. We're steadily increasing capital requirements so that, over time, there will be organic consolidation rather than a short-term spurt of mergers and acquisitions.

Non-bank financial institutions are more challenging. There are 48 non-bank financial institutions. There are six companies that are distressed, of which two have had their licenses revoked. A third has got an investor. ETI Finance has also found an investor to bolster its capital, but we need another investor to get the business going. We're also looking for investors for The Finance PLC, which is challenging. Entrust Securities is another company that needs to be resolved. The Central Bank is trying hard to resolve issues in these companies and proactively deal with other potentially fragile institutions.

Banks tend to be popular among foreign investors in the equity market. However, banks have increasingly become easy targets for governments looking to raise tax revenue, and this makes it difficult for bank directors to generate the kind of returns that investors expect. Should there be a change in government policy towards banks?

In the old days, when the tea industry drove the economy, it used to be heavily taxed. People expect free education and healthcare, but don't want to pay taxes to support them. It doesn't add up. Around 83% of tax revenue comprises indirect taxes, which are not based on the capacity pay. We have one of the most regressive tax systems in the world. At the moment, there is probably a heavy burden on the financial services sector and we don't agree with all the taxes that are being imposed. But for that to change, professionals must pay their taxes. I don't know how many doctors, lawyers, architects and other professionals are paying what they should in terms of taxes. It is easy to hit the banks, because they are listed and maintain transparent accounts. If we have a better culture of paying tax, then it becomes more possible not to impose too much of a burden on some of these sectors.

Where are we on payment gateways like PayPal?

We are keen to have them. People keep accusing the Central Bank of blocking PayPal, but it's not true. PayPal doesn't see a business case for coming to Sri Lanka just yet, but we are talking to them. I think they would like to see higher volumes of business before they set up here; that's my understanding. We have no restrictions on PayPal. The new Foreign Exchange Act also provides greater flexibility. We will keep trying. Spirit has also been approached.

What are your thoughts on the new Inland Revenue Act?

I think it's a step in the right direction to restructure and simplify the tax system. We need to shift the balance between indirect and direct taxes from 83:17 to 60:40, and the recent tax reforms have broadly aimed to achieve that over a period of time.

How important is trade liberalisation to Sri Lanka?

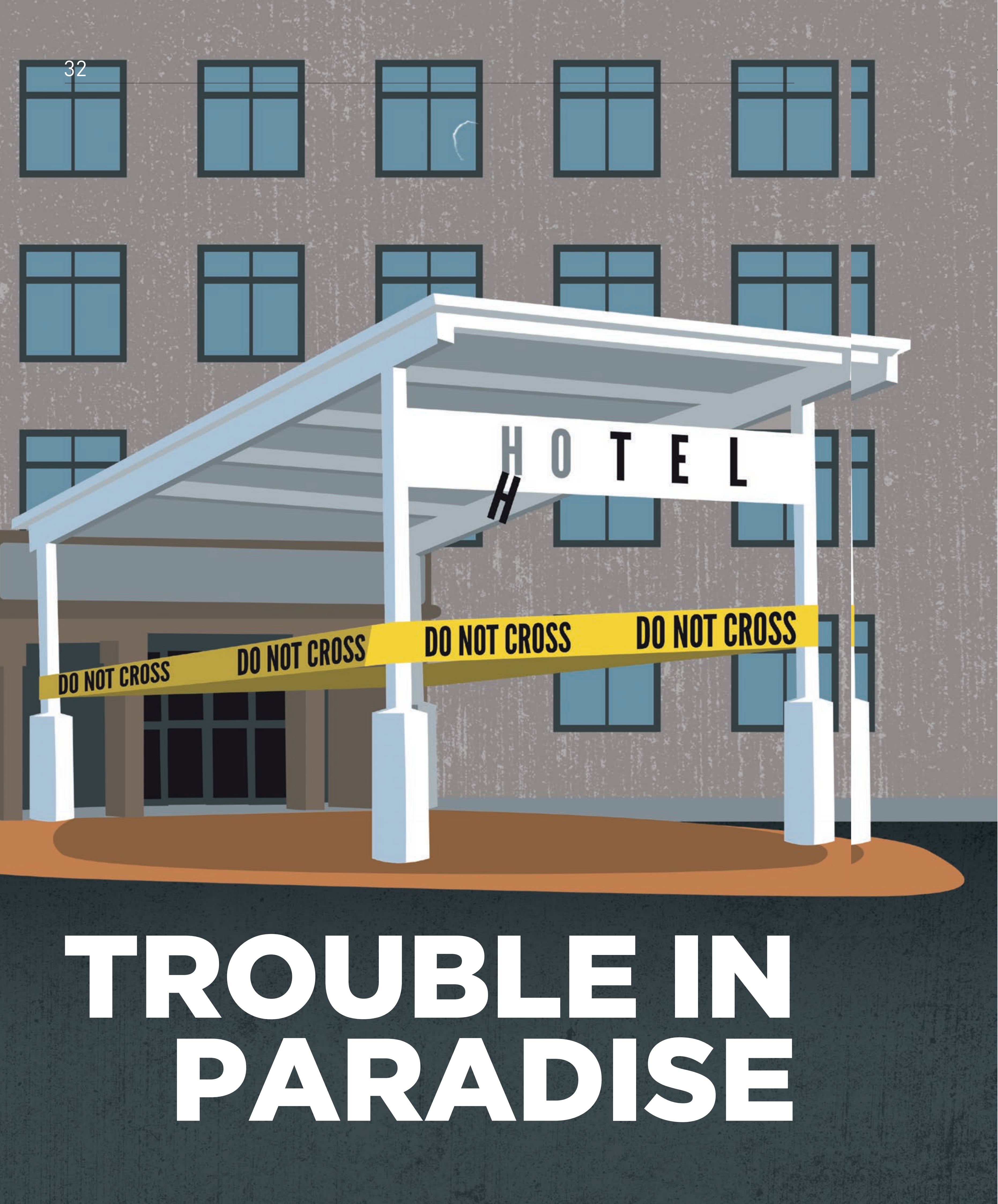
I think we should liberalize gradually and steadily. The shipping industry is one area. We have to take a view on whether we want to be an Indian transshipment port or a regional and global hub. Right now, 75-80% of the throughput of cargo is transshipment to India, and if we are happy with that, that's fine. But then, we are vulnerable. When the Indians develop their own ports or for some reason they think strategically it's too much of a risk to have this dependence on the Port of Colombo, then we will be seriously affected. If we want to be a global hub, then we have to attract global players to set up businesses here. It's the same for manufacturing and services. Over 50% of global trade comprises cross border supplychains. If we impose para tariffs, we become uncompetitive, which is one of the main reasons why we haven't been successful in growing our exports and don't have a presence in regional and global supplychains. It's in Sri Lanka's long-term interest to reduce and eventually eliminate para tariffs, because in modern trade, the distinction between exports and imports is blurred and they deter opportunity to penetrate cross-border production networks.

How about foreign exchange liberalisation?

The new Foreign Exchange Act did liberalize things quite a lot. Current account transactions have been liberalized for a long time, and capital accounts to some extent. The thing about capital account liberalization is that the fundamentals must be strong. You can't be a twin deficit country and have capital account liberalization. There is constant pressure and money goes out. If you have sound fundamentals, then you can have the confidence to open the capital account.

Is the Central Bank looking at fintech firms and other technologies like Blockchain and crypto currency?

We've set up two committees, one on fintech firms and the other on Blockchain. We are also setting up a regulatory sandbox for fintech companies. There are lots of banks with strong brick and motor networks. Fintech firms are disrupting this model. They have the technology that reduces costs, but banks have the customers. So, it is necessary to bring them together. The challenge for the regulator is to embrace fintech firms without destabilizing the entire financial system. This is a tough balance to strike, but it has to be done. ■



TROUBLE IN PARADISE

MANY HOTELS STARTED IN A POST-WAR BOOM ARE STRUGGLING TO MAKE ENDS MEET

By Chandeepa Wettasinghe

Most Sri Lankans avoid risks. Many daydream of Sri Lanka imitating the progress of countries like China and Malaysia, but few are willing to take the risk. Entrepreneurs make up less than 3% of Sri Lanka's population, well below 7% in China and 20% in Malaysia.

Yet, many choose to shed their thick skin against risks in bouts of irrationality. Desolation and despair ensue when they play follow the leader by buying a hot stock at its peak or deposit money in third-rate financial institutions, all for a quick return.

One thin thread ties together these fleeting moments of risk-taking: a herd mentality.

When a risk-taker triumphs, many fall under an illusion that somehow a market aberration exists. The herd's latest seduction has been the tourism industry.

"In the 1990s, everyone got into the garment business. Since 2010, everyone has been opening hotels," said Jetwing Group Chairman Hiran Cooray, who helms the country's largest family-run hotel business.

With the pace at which new hotels were built over the last few years and the number of tourists visiting the country, one could be forgiven for thinking that the situation was well in hand. However, whispers of trouble among some hotel owners are only growing louder. Quite soon, the market is likely to experience a flurry of acquisitions and mergers, as disappointed hotel owners seek to rid themselves of failed investments.

"Some investors who entered the market after 2010 may look to divest after witnessing lower-than-expected room rates and occupancy," said John Keells Holdings Deputy Chairman Krishan Balendra, who will take leadership of Sri Lanka's largest conglomerate in 2019. The pebble that starts the avalanche may have rolled down the mountain this August, when Anilana Hotels and Properties Plc was snapped up by Singapore's SOMAP International.

Anilana, a newcomer, constructed two hotels in the post-war boom, and secured the rights to a villa and a number of properties including islands. Anilana had grand ambitions to operate a large hotel chain. However, it has run in the red since commencing operations in 2013. Accumulated losses now top Rs2 billion over 6 years. New hotel developments have been halted. Anilana isn't alone among public companies that have burnt their fingers entering into hospitality.

The leisure arm of Laugfs Gas PLC too continued an unbroken run in losses since its inception in 2014. The parent company spun off the hotels into a standalone company in early 2018. Its management says the businesses were separated because international investors in Laugfs - an energy company with interests in downstream LP gas - were concerned of its diversified interests. Laugfs Leisure's second hotel in the east coast was unrealistically overpriced when it opened in 2016. Inadequate marketing, maintenance and operational experience too played roles in the chain buckling under pressure.

Management forecasts that the leisure segment will breakeven over the next two years. A tall task. Laugfs Leisure had invested Rs4.5 billion to build the two hotels, and sustained nearly Rs1 billion in losses since 2014.

Another chain facing headwinds is media mogul Dilith Jayaweera's Citrus Leisure PLC. Better managed compared to its two peers, Citrus reported a Rs474 million profit in 2018 following five consecutive years of losses. However, Rs561 million in income from a real estate associate propped up profits. Citrus planned to construct a third hotel in Kalpitiya. It floated a new company on the Colombo Stock Exchange in 2012 with an initial public offering. However, this Citrus subsidiary never utilised the funds, prompting the capital market regulator, the SEC, to direct the company in 2016 to device alternative plans to utilise public money effectively.

Initial designs for Citrus Kalpitiya included a high-end resort and a theme park. Now, it is pursuing a low-cost ayurvedic spa and resort. Six years after collecting public money, it was absorbed into another Citrus subsidiary in a group restructure. Return on capital employed (ROCE) of these three new entrants, when pitted against an established player, Serendib Hotels PLC, starkly contrasts their operational performances. Anilana, Citrus and Laugfs Leisure have generated negative ROCE compared to the positive ROCE of Serendib. For instance, Jetwing Yala, which opened in 2014, moved into the black within 18 months of launching, a testament to Jetwing Group's scale and experience.

Akin to the predicament of large corporations entering hospitality, a strong undercurrent is building up among small businesses, with market buzz of dozens of hotels available for sale. Many are depending on banks for help in matchmaking investors. Others are looking towards established giants for support and guidance.

"Jetwing gets at least three business calls every week from hotels in trouble. They want our help," Cooray said.

Amid death throes, these hotels are hoping that a final spurt in room rates and occupancy would attract more palatable deals. In the immediate post-war boom, established hotel companies experienced a windfall. Until then, room occupancy had been below 50% on average. Hotels filled up, with average occupancy rising to 70% in 2010 and peaking at 77% in 2011. More tourists were attracted by low prices and the mystique of a relatively undiscovered destination. In 2010, tourist arrivals grew 46%, and the following year by 31%.

Net profits at the Sri Lankan resorts of market leader John Keells Holdings - which operates hotels under the Cinnamon brand - nearly tripled in the 2011/12 financial year, turning heads. John Keells also operates hotels in the Maldives.

Government mandarins highlighted how the industry will play a pivotal role in Sri Lanka's economic progression - creating thousands of jobs, and providing and earning billions in foreign exchange income. Tourism seeped into the national consciousness as the goose that lays the golden egg. Tourism revenue grew from $576 million in 2010 to $3.9 billion in 2017, a 577% increase, overtaking Sri Lanka's traditional exports and closing in on the biggest sources of foreign exchange. In comparison, earnings from tea, Sri Lanka's second-largest export, grew just 15% in the same seven years to $1.5 billion. Sri Lanka's leading export, apparel, increased 43% to $5 billion in the same period. Tea and apparel growth were volatile in that period, rising some years and falling in others in contrast to tourism earnings that shot upwards consistently. Unshackled ambition soon had the effect of an expectation that industry earnings can eclipse the top foreign exchange source, remittances from Sri Lankans overseas. Anyone with resources to spare wanted an early toehold.

From the outset, many novice investors made fundamental errors. "Those with cash started buying land and building hotels. Those owning land borrowed to build. They just hired an architect and started building," Cooray said.

Many investors approached hospitality as an extension of a real estate investment, oblivious to nuances. They were unaware that designing and constructing a hotel is best achieved with input from experts in units that take care of guests like food & beverage, engineering & operations, and housekeeping.

Independent experts are also rarer in Sri Lanka for new investors to consult. Useful

In the immediate post-war boom, established hotel companies experienced a windfall. Until then, room occupancy had been below 50% on average. Hotels filled up, with average occupancy rising to 70% in 2010 and peaking at 77% in 2011.

research was thin then–and still is–exacerbating challenges. Some hotels were well located, but many were not. However, money was generally cheaper. Lifting war-time risk premiums and bouts of Central Bank money printing nudged would-be hoteliers into plunging. Banks lent enthusiastically because there were assets to hold as collateral. The government egged the unwary with optimistic projections of 2.5 million tourists annually in 2016 and 4.5 million in 2020. Arrivals are well short of the early target, at just 2.1 million in 2017.

Most new hotels commenced bookings from 2012 onwards. It didn't take long for investors to realise that running a hotel was more complex than building one.

Hotel jobs were plentiful and low unemployment meant that there were few new people to entice, resulting in a challenging environment for retaining staff. Overheads increased as employees moved frequently for better pay, as some hotels were struggling with thin or negative margins. Staff turnover in 2017 at Laugfs Leisure was 60%, while it was 20% at Citrus Leisure. High employee turnover constraints the delivery of good service consistently, which is required for a premium price. Instead, it increases recruitment and training costs. According to the Sri Lanka Tourism and Hospitality Workforce Competitiveness Roadmap 2018-2023, the industry will create 25,000-30,000 new jobs every year, but only 10,000 workers can be trained given the current capacity. Meanwhile, as more hotels commenced operations between 2012 and 2017, competition increased.

In the southern coast, international brands such as RIU, Shangri La, Anantara and Marriott launched with clearly positioned hotels. Their global balance sheets, international experience and loyal customer base made it possible for these brands to quickly emerge as leaders in their segments. Many global players here don't own the real estate, and only brand and manage the hotels. With greater competition, room occupancy, which peaked in 2011, declined and plateaued at 70% despite arrivals and tourist spend rising. The daily spend of a tourist grew from $98 in 2011 to $170 in 2017.

Many millennial travellers opt to stay in guesthouses, hostels and homestays, all part of the informal sector, unregistered with the government. However, price isn't the only factor tilting the balance in favour of the informal sector. Owners of these businesses provide an authentic experience of local culture, a stark contrast from the uniform offering at hotels. Even the government now recognises the potential of the informal sector, partnering Airbnb in August 2018 to offer experiential packages through the online platform. Airbnb - a platform allowing people to rent their homes or spare rooms to tourists - is at the cusp of a disruptive technological wave, impacting people's choices of where they want to travel and stay. Room aggregators have allowed small businesses with low overheads to grab market share away from hotels. The number of tourists staying in hotels fell from 69% in 2009 to 51% in 2016. Technology emboldens the informal sector to supply more rooms.

"It is estimated that the number of units in the informal sector, which continues to be unregulated, is almost equal to the number of units in the formal sector," Citrus Leisure Chairman Prema Cooray said in 2017. By June 2018, there were 36,381 rooms in the formal sector, of which 23,338 were in sizeable hotels.

Prema Cooray, one of two architects of listed Aitken Spence group's successful early entry into the Maldives hotel business, wants tighter control of digital booking companies like Airbnb and booking.com to stem the tide. Online booking companies opened the hospitality industry to market forces. Friends and family of travellers will view their review and hotel ratings as having greater credibility than regulated star ratings. The latest champion of overhauling government-sanctioned star ratings in favour of market-driven mechanisms is Prime Minister Ranil Wickremesinghe, who backs the competition. However, in the country's capital, most hoteliers defend star ratings-linked price controls. The lobbying is led by the Colombo City Hoteliers Associ-

Even the government now recognises the potential of the informal sector, partnering Airbnb - a platform allowing people to rent their homes or spare rooms to tourists - in August 2018 to offer experiential packages through the online platform.

ation, which is vociferously demanding that the government stick with price controls. The price controls were started in 2009, as many hoteliers were afraid that 5-star hotels would use their scale to undercut prices of 4-star and 3-star hotels to drive them out of business. John Keells, which has the largest portfolio of 5-star rooms in Colombo, has contrary views, with Balendra favouring market pricing. There was a time when minimum regulated rates served a purpose, but now, market forces should prevail, he says. Classical economics suggests that price controls stifle innovation, which many hotels seem to be in great need of, according to evidence of online reviews. Price controls in Colombo also prevent hotels from competing with the informal economy.

A one percent charge on hotel revenue and one third of airport taxes are siphoned into the Tourism Development Fund, established for marketing Sri Lanka as a destination and to fund operations of four state tourism authorities. Despite Rs2 billion collected for destination marketing, an international promotional campaign was delayed. Ad hoc efforts since 2010 have generated mixed results.

Tourist arrivals have fallen short of projections over the past three years. Arrivals growth trickled to 3.2% in 2017 due to a partial airport closure, floods and a dengue epidemic.

"Promotional campaign delays have pressured the entire hotel industry," says Tourist Hotel Association President Sanath Ukwatte, who controls the colonial Mount Lavinia Hotel. He says planned promotional campaigns boost arrivals, perhaps taking them closer to the now forecast 4 million mark in a couple of years.

"If tourist arrivals grow, the current room supply will be absorbed. But it will take some time," Balendra said.

Tourist arrivals have fallen short of projections over the past three years. Arrivals growth trickled to 3.2% in 2017 due to a partial airport closure, floods and a dengue epidemic. At new hotel launches during 2017, the slowdown in arrivals caused occupancy to slip.

Informal sector competition is set to increase. State banks will offer subsidised loans to these businesses as part of a government initiative to encourage hospitality entrepreneurship.

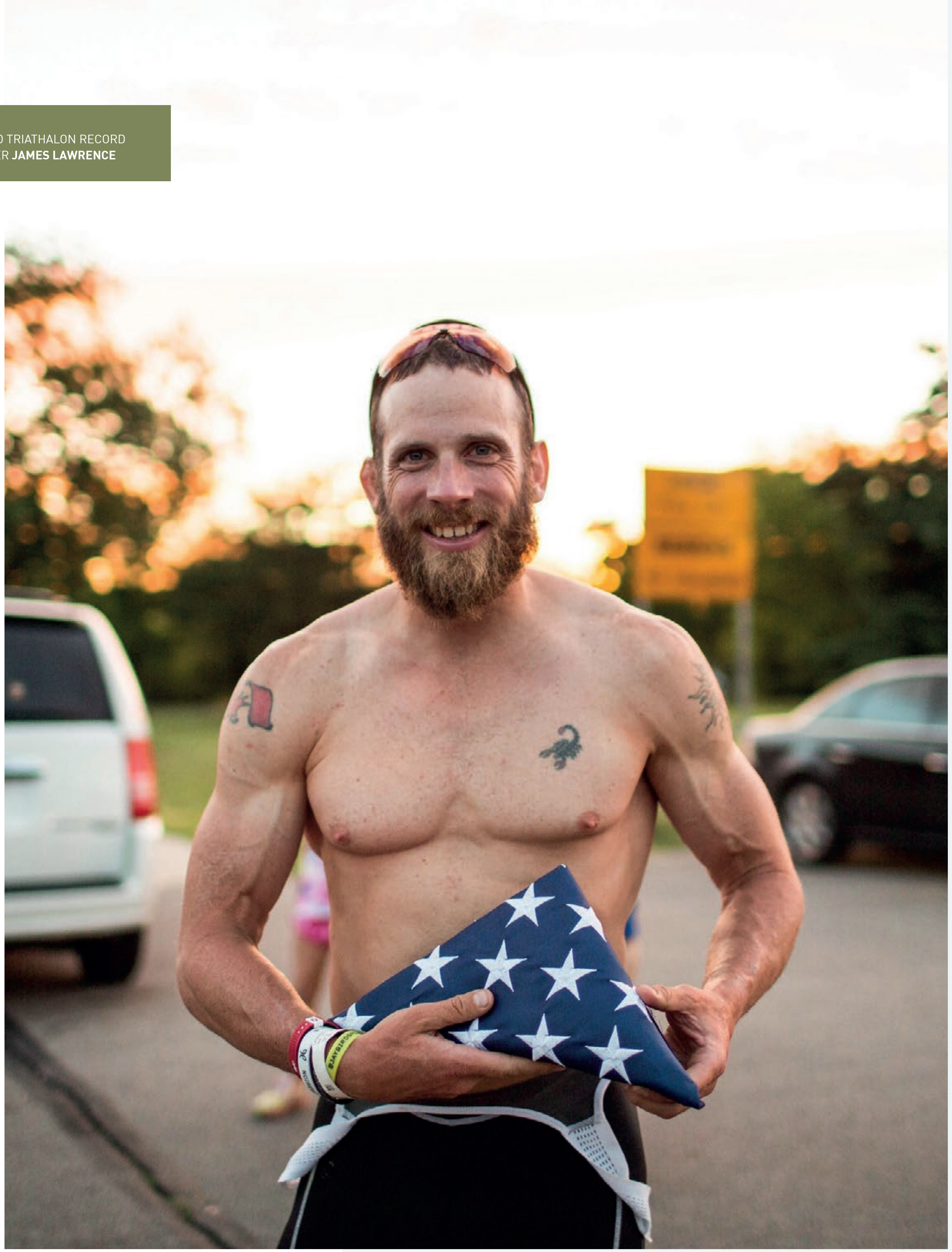
Hotels need to be refurbished every five to seven years. Laugfs Leisure and Anilana haven't announced refurbishment plans at their older hotels. Citrus' first hotel, which was an acquired 30-year-old property, was last refurbished in 2016. In contrast, at John Keells' city hotels alone, Cinnamon Lakeside was refurbished in 2011 and 2016, while Cinnamon Grand received the same treatment in 2011 and 2017. Even during the war, hoteliers recovered an investment in less than 10 years. However, with the peace dividend, many greenhorns have yet to even post profits for a quarter, let alone get a whiff of breaking even, 6 years on.

"In fact, feasibility studies show return on investments now extending from 10 to 12 years, as against six to eight years in the early 2000 period," Prema Cooray had admitted. Who is most likely to acquire ailing hotels? Ukwatte believes both foreigners and locals are interested in acquisitions.

"There is renewed interest in the hotel industry, especially from local companies. They're testing the market and prices," he said. Established hotel companies controlled by John Keells, Aitken Spence and Jetwing are busy building their own new hotels. According to Hiran Cooray, hotels with bad fundamentals would not interest foreign investors, as they lack the patience to invest further to renovate and market properties.

"Owners of better designed hotels in prime locations would be able to recover most of their capital, as land prices have appreciated. Poorly designed hotels will be sold at a bargain," he said.

Having now burned their fingers, a section of hoteliers are demanding that the government restrict the new development pipeline. In 2017, the Tourism Minister said that he was considering such a policy. The informal sector has also become a piñata, and the Central Bank has responded, banning finance companies from lending to them. Competition is expected to intensify before easing in the future. Compared to 171 hotels where $1.6 billion was invested between November 2010 and June 2018, another 115 are under construction, with investments topping $1 billion. ■



WORLD TRIATHALON RECORD HOLDER **JAMES LAWRENCE**

Photo courtesy of hkicpa.org.hk/Leadership profile | Photography by Kim Ji Won

SHOW UP EVERY DAY: JAMES LAWRENCE'S MANTRA FOR SUCCESS

PEOPLE CAN DO ANYTHING THEY SET THEIR MINDS TO, BUT FEW REALISE HOW TRUE THIS IS

James Lawrence lost everything to the 2008 subprime crisis in the US, which triggered a global financial crisis. Undaunted, he pursued his passion for endurance sports and broke two triathlon world records in two years. In 2015, Lawrence accomplished what most people thought impossible: he completed 50 Ironman-distance triathlons in 50 days, in each of the 50 United States. Lawrence travels the world sharing his experience, often speaking to corporate teams about doing the impossible. He was invited to address the 39th National Convention of Chartered Accountants organised by CA Sri Lanka in October 2018. What prevents athletes from succeeding is the same thing that prevents people from realising their personal and career goals. The challenge is the same at home, in office or out in the field. "Most people are so paralyzed and scared

of whatever they are about to do. In their mind, they make it seem bigger than it is," Lawrence said in an interview with The Abacus.

Lawrence says athletes learn how to draw from an inner store of strength, even as the body gives out. This is something people everywhere in whatever circumstance can learn to do.

Excerpts from the interview are as follows:

Have you ever wanted to give up at any stage?
Lawrence: I think it's human nature for us to give up. Each of us tends to be toughest on ourselves. I think the more we experience doing difficult things, we get better at having conversations with ourselves about not giving up. I always say we are one decision away from a good outcome. We either decide to press forward or give up. We either decide to recommit ourselves to a goal, or we decide to quit. Those are conversations we have with ourselves every day. Everybody's 'hard' is different. You just need to start what is hard to do today so you get the experience to do something harder later. But you have to start today.

What prevents most people from achieving what they want in life?
Lawrence: Fear. People are just scared and this prevents them from starting. They are so paralyzed and scared of whatever they are about to do. In their mind, they make it seem bigger than it is. They're getting in their own way. Everybody should just start. Pick the easiest and smallest goal, and build on that.

Fear of failure can be paralyzing. How can one overcome it?
Lawrence: It's not only fear of failure. For most people, it can be fear of success. Lots of people are scared of becoming successful. Deep in people's mind, it's not always failure, it's also success and what comes with success. They are worried about being able to maintain and sustain that level.

I have found that, as humans, we have a tendency to get stuck and limit ourselves. We are our toughest critics. My goal is to help people get out of their own way and start believing in themselves, that they are more capable than what they thought of themselves.

I share my story and it opens up people's minds to what they can accomplish. By realising that they need to believe in themselves, getting out of their own way, and building a team around them that share a common goal, achieving success is possible. This applies to every aspect of our personal and professional lives. The first thing you want to do when your body is giving out on you is to quit and make the pain stop. When your body starts to shut down, we still have 40% more to give; this is a stat I've heard from the Navy Seals and others. At that point, our mind takes over. You need to be able to tap into that inner strength. However, most people choose to quit without ever using that additional 40%.

It's at the point of breaking down that we adapt and evolve. Just think of it this way: let's say we tapped into 120 or 130 percent, and that's our normal. But you push yourself to tap into that extra 40 percent. Now you are performing at 170 or 180 percent, and that becomes your new normal. We've evolved into someone better. So what truly is the human potential? If you can keep evolving and adapting, it's limitless.

What's it like to be in that 40 percent zone?
Lawrence: It's a scary place to be in. Taking your mind somewhere else is scary because you have not been there before. But you will get used to it, and knowing that, you can go where few people are willing and can go.

It makes sense, but most people haven't experienced that zone to know.
Lawrence: It's a choice. Choose to experience it. Put yourself in a position where you want to experience it, physically and mentally.

What about a country? How can a country achieve its goals?
Lawrence: I understand that Sri Lanka has some economic challenges. My family and I lost everything in the 2008 economic crisis in the US. We had to start over. It wasn't fun. It was scary. It was unknown. People who are resilient, persistent, and those who show up every single day, are the ones who will get through such an experience and emerge the other side. If Sri Lanka is going through a challenging period, then that's the kind of circumstances that will end up defining people. You will find out who you are with what's going on in the country.

When you speak to accountants, what do you think their challenges would be?
Lawrence: I am not talking to accountants, I am talking to people. I don't care if you are a model, a police officer or an accountant, you're still a person. It doesn't matter to me what your profession is. You have emotions, you have feelings, and you have goals, desires and inhibitions. That's who I am talking to, not just accountants.

I think that's important for people who want to take their country forward to think like citizens, as well as individuals. Sometimes we tend to compartmentalize people.

I think you are seeing a lot of use of technology, which can be scary for accountants. They have been in a people-driven sector. So individuals need to be forward-thinking and say: 'Hey! If this is the shift that is happening, how do I position myself so that I can have a sustainable career?' You have to be looking for ways to evolve to remain relevant. You need to be willing to change.

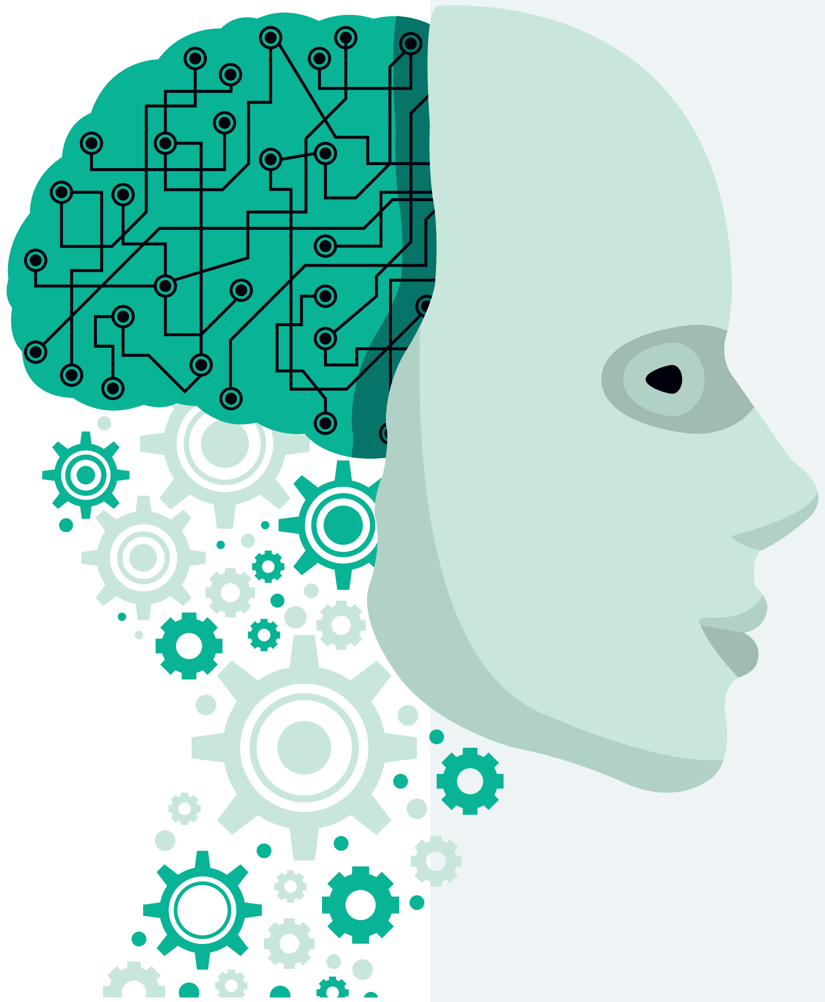
I have seen people fail because they are too rigid. They have one thing in mind, when all they have to do is be flexible and creative and adapt to the circumstances. We all have the same 24 hours. You have to sacrifice something else to do something you enjoy.

We need to figure out what's important to us, how to prioritise our time and get better organised. Why are some people unable to achieve as much as others? It comes down to them not being willing to make sacrifices.

Just show up. Every day. And you'll succeed.

AI AND MACHINE LEARNING IN SRI LANKA

A GLIMPSE OF THE FUTURE AT HYPERLEAP: CA SRI LANKA'S 39TH NATIONAL CONFERENCE



Artificial intelligence, big data analytics, machine learning and internet of things (IoT) are more than just buzzwords, not only disrupting traditional business models across banking, insurance, agriculture, healthcare, logistics and others, but also challenging many professions including accountants.

Professor Lalith Gamage, president and chief executive officer of the Sri Lanka Institute of Information Technology, and Guest of Honour at CA Sri Lanka's 39th National Conference themed 'Hyperleap' in October 2019, gave a taste of some of the exciting developments in high-tech in Sri Lanka, providing a glimpse of the future possibilities for the accounting profession. Technology will improve human lives, but it will also challenge various professions and jobs, he said; all the more reason why people must learn to adapt and up-skill themselves for a better future.

Excerpts of Professor Gamage's speech edited for brevity are as follows:

"Technology is solving problems beyond human capacity. Let me give you an example. I remember as unusual problem to solve in my Advanced Level mathematics paper: It rains on Poya days–true or false. I remember thinking that this had nothing to do with mathematics. Then, I realised that it was a question about data analytics and probability. The more data you had, the more accurate your conclusion would be. If you can include historical data over a long period of time and add other parameters, you will be able to conclude if it rains on Poya days in January each year, or for instance how it rains in leap years. The more data you have, the harder it is to make sense of it. This is where technologies like artificial intelligence and machine learning come in.

Machine learning can solve a lot of problems. Technology has evolved a lot since the classical computer science days where you looked at a problem and converted them into a set of logical rules. In the early days, it had its limitations, when you had many facts or occurrences; however, artificial intelligence has changed all that. Then came expert systems with data that captured human expertise, futuristic and classical knowledge, and so on.

We began to look at how the brain learns and how context helps people perceive things in different ways and developed neuro-networks to do the same. These networks would mimic natural learning. For instance, you have a data set that is labeled, and you know what each bit of information looks like; this is called supervisory learning. Once you start to input lots of data, this system will learn. When I was reading for my PhD in mechatronics, which combines IT with engineering, I was invited to solve a problem for a fish processing company in British Columbia. It was losing around $5 million annually to wastage, especially when the heads were removed from the fish. I had thought my assignment would be confined to IT or electronics, but I had to get much deeper. I needed data, lots of it. We interviewed various people familiar with fish processing, particularly salmon, and how the slicing contour should be if we were to get the maximum cut. It has to be right behind the collar bone and the right contour. We collected lots of data on morphological features like length and width. We created a database and an artificial intelligence system comparing it with other various systems, and we created our own machine. We had to process two fish per second.

I later moved on to develop a system for a Japanese company specializing in fish roe. We had to develop a system that measured the crunchiness of roe without causing any damage to it. We used sound sensors, and the system we designed also looked at colour and shape, which were as important for good quality fish roe. As I said before, the more data you collect, and the faster you can analyse it, and the more accurate your predictions become, leading to more efficient solutions. We're working on several projects around data analytics and artificial intelligence here in Sri Lanka.

We are combining data and technology to predict landslides and sea erosion before they happen and using drones to drive productive gains in agriculture. Another area of interest is robotics. A baby needs about a year to learn to work. It took decades to teach robots to walk, but since 2005, progress in this field has been rapid. Today, we're making robots intelligent.

We began to look at how the brain learns and how context helps people perceive things in different ways and developed neuro-networks to do the same.

Sleep apnea can erode the quality of life and lead to cardiovascular disease, strokes and even death. There are three types of sleep apnea: one is where your air passages collapse, making breathing difficult; central apnea is where your brain forgets to tell your breathing muscles to work and breathing can stop for around 30 seconds; the third type is when breathing is slow. People can find out if they have sleep apnea by visiting a hospital, but it's expensive and you have to deal with the hospital environment and long waits. We are developing sensors in collaboration with British Columbia that can determine sleep apnea while you are sleeping at home. Our task is to collect data from these sensors. We have come up with a neural network that can detect if you have sleep apnea.

We're working on a wearable device that will help people detect cancers early. This will be especially useful to those who have a family history of the disease. Around 15-20% of cancers are caused by genetics.

We're also working on a project to predict stock markets. We are trying to combine macroeconomic data and political factors with historic data to predict how people behave. Stocks are volatile and tend to be driven by investor reactions.

ACCOUNTANTS NEED TO EVOLVE INTO STRATEGIC THINKERS

SUVASISH MOHAPATRA

Nearly half or more members of any finance team spend most of their time gathering data, checking and revalidating data of their colleagues, and this will soon change. "Most accountants see themselves as transactors, but they need to become strategic thinkers instead, and I believe that change will happen," says Suvasish Mohapatra, Managing Director of Operations for AAPAC at Accenture.

"Some functions will be automated, but others will be more important to boardrooms going forward," he told The Abacus, as technology rapidly transforms the world of business.

Excerpts from the interview are as follows.

What are some of the key trends shaping the business world, especially in the region?

Mohapatra: Accenture is one of the largest global professional services firms. We have five business areas - consulting, strategy, technology, digital and operations - and serge five broad industry groups - financial services, communications and media, products, resources, and health and public services. Under Accenture Operations, our offerings include business process services with the power of analytics, robotic process outsourcing, and artificial intelligence. All of these are embedded into process efficiencies and driving business outcomes, adding value to the organizations we serve.

> **An important trend in the region, and this may depend from country to country, is the realisation that education and corporate training systems have to change, evolve and the workforce reskilled for the future.**

In terms of some of the trends we're seeing, first, we're seeing an emergence of reverse-multinationals and new brands coming out of markets like Asia. A decade or two earlier, we used to see brands from developed countries like the US setting up operations in the region, but now there are more home grown brands becoming multinational firms, which have the scale to challenge established global brand names. The second trend is that consumers are increasingly purchasing goods online, and this is changing the way companies do business. Traditional businesses are investing in digital platforms so that they can reach more customers. Earlier, because the level of connectivity and information was varied across regions, companies had to have different strategies for different markets, but this is not the case today. The region, in fact the world, has become a much smaller place and businesses have to respond to consumer behaviours quickly.

Another interesting trend is the emergence of successful digital native companies, in the payments space for example. If you look at most of the cricket series in the region, they are increasingly sponsored by online companies. There's a lot more platform sharing among tech companies, which is driving growth. While traditional businesses jealously guard their IPs (intellectual property), digital native companies are more willing to open up their IPs to others. There's more collaboration and value created for consumers. They are opening new frontiers rather than fighting for the same piece, unlike traditional businesses that become less profitable as they run each other into the ground.

An important trend in the region, and this may depend from country to country, is the realisation that education and corporate training systems have to change evolve and the workforce reskilled for the future. People's expectations have dramatically shifted as well.

Few want to work for 40 years and save money - they want it here and now, as a result, people and companies are embracing disruption a lot more. Data has emerged as the new currency because companies with the ability take both structured and unstructured data, understand it, and put it to effective use; those who do this well will be the differentiators in the future.

How will these trends shape the accounting profession?

Mohapatra: When people speak of disruptions, we keep hearing how advanced technologies like artificial intelligence, blockchain and Internet of Things among others are disrupting legacy businesses. When it comes to professions, like accounting, we're also constantly hearing how they have to evolve as well from changing what they learn and how.

Finance is a profession that has multiple disciplines: advisory, analysing, reporting and planning. Data gathering, analysing and reporting are functions that can be automated and centralised. It is the value-added functions requiring decision-making that will have more relevance. An organisation may have all the data, but the challenge is making sense of it and having insights in a way that can help boardrooms make informed decisions.

Most accountants see themselves as transactors - half or more members of any finance team check each other's work to make sure there are no errors - but they need to become strategic thinkers instead, and I believe that change will happen. Going forward, we may not see layers of managers either. Finance teams will comprise of practitioners who can deliver strategic insights. For instance, you need to be able to take quantitative data that a finance division will have and amalgamate it with qualitative data from the marketing team to generate deeper insights.

Going forward, the fail-fast method of decision-making will be more prominent because no one will have the luxury of market-testing products for months; they will have only a few days, so the value of the insight that a finance person brings will make or break a company basically. And there is no opportunity to recover because lifecycles are rapid. So, I think bringing together structured and unstructured data to derive insights is what will drive the accounting profession, and will play a more advisory role.

If you look at this part of the world, are businesses taking proactive steps, or are they just waiting for the disruption to happen?

Mohapatra: There's been a lot said about fintech firms disrupting traditional banking, but no bank has closed down because a fintech firm ate into its business. Instead, banks and other legacy businesses for that matter have been forced to think differently. Disruption can sometimes be an abused word and a bit of scaremongering happens as a result.

The fact is that disruption can be understood and managed, and it can be leveraged to create new opportunities. It all depends on how organizations prepare for it. Let me give you the example of an online hotel portal in India, an online hospitality company. It's one of the world's largest hotel chains by access to number of rooms, but it doesn't own a single hotel. How did that happen? It's a very simple value proposition. There are little towns and villages in India with five-room or ten-room hotels, where the proprietors don't have access to a platform.

> **Finance is a profession that has multiple disciplines: advisory, analysing, reporting and planning. The data gathering, analysing and reporting functions can be automated and centralised.**

This company gives these proprietors access to the platform to sell their rooms on a revenue-sharing model. Hotels have to maintain some basic standards like Wi-Fi connectivity, clean towels, clean sheets, etc. In this sense, this firm has been successful because it identified the needs of both hotel owners and travellers who can't afford five-star accommodation. As long as you solve a problem, you will be relevant. Has this firm disrupted the market? Yes - it has changed the dynamics and the market composition to some extent and opened up options for people who couldn't afford established chains. Yet, large hotels are not really affected, and continue to cater to a particular segment.

Similarly, the accounting profession will need to look at adding value for it to be relevant and thrive. Organisations are increasingly insight-driven and accountants should be able to deliver those insights. I believe audits should be a value-add function rather than just a thing that you have to do to be compliant. This is where disruptions happen, when someone comes along to challenge the status quo. ■

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THE DANGERS OF TUNNEL VISION AND HOW TO AVOID IT

Prof. Ajantha S. Dharmasiri, Professor in Management, Director and the Chairman of the Postgraduate Institute of Management of the University of Sri Jayewardenepura, discusses the importance of developing conceptual and people skills, and global perspectives into core technical competencies in professions like accounting.

Can you explain the concept of tunnel vision and how it impacts professionals like accountants?
A professional is supposed to have three types of competencies: technical, conceptual and people. From among these, the backbone of any profession is technical competencies. In the case of chartered accountants, it's related to knowledge and skills in accounting and finance. Conceptual competency is a person's ability to envision the future and be able to analyse and diagnose problems and challenges. People skills relate to the ability to build relationships and share a common vision. Tunnel vision sets in when a professional is too focused on just the technical competencies. In the drive to becoming a technical expert, conceptual and people competencies get little attention. This is a narrow way of developing a professional career. You may be the most sought-after expert in finance, audit or taxation, but you've narrowed yourself to doing just that. That's tunnel vision. You can always be something more.

Can businesses succumb to tunnel vision?
Of course. Since the 1960s, tunnel vision has explained in a concept called myopia where businesses lack foresight or insight. For instance, a hospital could see itself as a place that cures people; that's being myopic. If it can envision itself as a caregiver, it opens up to a lot more opportunities. Tunnel vision is a perennial issue in the business world, where many companies have gone through natural decay and eventually shut down because they didn't see the bigger picture. Kodak is a famous example. The camera maker missed two opportunities because it was so focused on its range of expertise, which was manufacturing cameras and film.

The first was the photocopying revolution and the second was digital photography where Kodak failed to adapt: it was a typical camera company, and it was not going beyond that. Some companies overcame tunnel vision and transformed into successful businesses. FedEx used to deliver documents, but today, they provide an array of logistics solutions. So it's a matter of broadening yourself, moving beyond being myopic and having a macro perspective of business realities. For me, the key is to have a holistic view: look at things from multiple dimensions, consider multiple implications and have a bird's eye view in strategy making.

A manifestation of tunnel vision can take the form of being blindsided by competitors who come up with new strategies or use technology to disrupt markets and established business models. Nokia is an example of this. Nokia was complacent about being the largest mobile phone manufacturer globally. Samsung emerged from Asia and stole Nokia's crown. Nokia is still struggling to make a comeback in markets it once dominated. Complacency and tunnel vision are complementary, but technically different. Sometimes, even with a broader, holistic vision, you can still have complacency.

As an academic, can you comment on how prevalent tunnel vision is in Sri Lanka, and in the professional and corporate worlds?
Clearly, tunnel vision is not a unique phenomenon in Sri Lanka. However, there is increased emphasis on moving beyond tunnel vision, simply because of competitive pressure from being more globally connected. You can't survive having tunnel vision in an increasingly competitive world. For instance, you need to be plugged into value chains, establish solid supplier-customer partnerships, and have forward and backward integrations. The world is

Photographs by : Pamod Nilru

moving in a direction where you are compelled to go beyond tunnel vision.

I know of some companies in Sri Lanka that have been in construction and manufacturing, which are no longer in existence because they couldn't survive. Most of them were family-controlled businesses. Some have moved beyond tunnel vision by divesting into other areas of business by infusing new thinking, innovation and setting up dynamic management teams, and introducing a culture of professionalism.

I also know of multinational oral care manufacturers who experienced falling market share to newer herbal-based products. They had to develop their own herbal brands and build niche markets for them. Airbnb and Uber have also threatened established businesses in Sri Lanka.

How can accounting professionals break free from tunnel vision to move up their careers and become value creators and change agents that organisations are increasingly expecting them to be?

As I pointed out earlier, technical competence is just one of three ingredients for being a well-rounded professional. You need to develop conceptual competencies, like being imaginative in strategy making and diagnosing challenges. You also need to develop people skills because leadership and teamwork are essential in establishing common values and reaching common goals. Be emotionally intelligent. Empathise with people, care for them and nurture them. They will then give you their best. You need dynamic professionals to ensure that the organisation doesn't contract tunnel vision.

There is no quick fix. Professionals and businesses need to start by challenging the stratosphere. Challenge your assumptions. Challenge the fundamentals. That is the very reason, the very basis of disruption. You've got to disrupt your business model. Past successes don't guarantee future success. The future may demand new expertise and skill-sets, and different attitudes and approaches to work. You can no longer 'think global and act local'. We need to be thinking and acting globally. That's the new world order.

For businesses, I always point out the example of the apparel industry. The way the apparel industry survived the phasing out of the multi-fibre arrangement and then the challenge of having GSP Plus withdrawn. To reshape itself and become lean in the relentless search for value is a classic example of the kind of resilience and vibrancy businesses need to possess.

These transformations were people-led: visionary leadership, highly talented people and the right place.

How can professional institutions like CA Sri Lanka enhance these soft skills among students and members?

From an outsider's perspective, I think it's time they revisit what they do. Perhaps a disruption of what they do. Revisit the curriculum: while retaining the strong technical core, embed conceptual and people skills. Case-based learning and team projects can help develop these skills around a technical grounding. Help people develop their communication skills because that is how individuals unleash their potential. You can probably have some mandatory components consisting of non-technical areas. This can be applied to any professional organisation. Apart from a curriculum change, professional institutes need to introduce well-thought-out extracurricular activities, like speech and drama, music and dancing, and even sports. That will create a vibrant culture and help students realise that technical skills alone don't matter anymore.

It's also critically important to develop a worldview and global perspectives. I would suggest two things. First, seeing is believing, so give them exposure to the outside world. I strongly recommend arranging study tours, if possible, because when you are exposed to a better market, country or system, you get inspired. Then, you can come back and implement them here. The second thing is to take a virtual tour. Use the internet and other virtual media to be aware of what's happening around the world. Can they discuss and analyze global cases like Brexit? Are they in touch with global events? Do they know the yellow jacket movement in France? However, we must first have the right resource persons to teach. We need to train resource personnel before changing the students. If they come with an archaic mindset, they may teach disruption, but the students won't believe it. All these are easier said than done. One reason why few people pay attention to soft skills development is because it is not tangible and difficult to quantify in exams or bottom-lines. However, a direct link between soft skills and results has been established. Soft skills are no longer just enhancements or nice-to-have qualities. Research in the US has repeatedly shown that technical skills contribute only 15% to success, while non-technical skills, or conceptual and people competencies, or soft skills, contribute 85%. ■

Update

Auditing Standard of CA Sri Lanka for the audits of Non-Specified Business Enterprises is the first ever in South Asia

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) recently launched the Sri Lanka Auditing Standard (SLAuS) for the audits of Non-Specified Business Enterprises (Non-SBEs).

Chief Guest at the launch, Minister of Industry and Commerce Rishad Bathiudeen commended the Institute for making Sri Lanka the first country in South Asia to launch a landmark new auditing standard for the benefit of Non-SBEs. "This is an important milestone for Sri Lanka, as we are the first in South Asia to develop this standard," he said.

While commending CA Sri Lanka for developing this new standard, the Minister also said that the launch of the standard is a major step towards linking the country's informal sector, including Small and Medium Sized entities (SMEs), with global markets.

"SMEs are considered an important part of Sri Lanka's economy as it plays a vital role in the economic development

The three-year programme is the only applied accounting degree offered in Sri Lanka and offers a two-year internship to ensure that graduates have practical experience and clear insights into demands of the workplace

and employment sector. We have a little more than 1 million registered SMEs, with each employing 3 people. When we add unregistered SMEs to the total, the importance of this sector in our annual GDP is clearly evident," Bathiudeen said.

He also urged the Institute, which is the sole authority in the country that promulgates accounting and auditing standards, to focus on including the country's newest informal sub-sector to Sri Lanka's economy, identified as social enterprises.

"This auditing standard has been a longstanding need, and therefore, I urge the audit practice to extend their support to this important initiative, and laud CA Sri Lanka for taking various steps to develop the SMEs and SMPs sectors in Sri Lanka," he added.

Speaking at the event, President of CA Sri Lanka Jagath Perera said that this was the first time that a separate auditing standard was developed specifically for Non-SBEs. "There has been a need for this standard for several years, but we didn't have the sufficient mechanisms to justify how we can come up with a standard for this sector, as there were no other standards to match this requirement," he said.

However, he said that the Institute's immediate Past President Lasantha Wickremasinghe, who was the brainchild behind this initiative, had at a meeting found that NORDIC countries were using a similar standard. "So, we used that as a guideline, but the new SLAuS was completely developed by a local technical team," Perera added.

He also pointed out that, in the world of auditing, there are lots of new standards coming in day by day and the requirement for an audit is continuously expanding. "Even this standard is not going to be there forever, instead, if and when there is a requirement, it will be upgraded while also addressing any lapses. Our ultimate aim is to ensure that all standards are revised and upgraded as per the requirement," he said.

Speaking further, Perera emphasized that the accounting profession was going through some revolutionary changes, and therefore it was necessary for everyone to accept these changes, as they are ultimately aimed at bettering the profession. "If we don't change, it will change us. Therefore, we must change," he said.

Perera also said that it was time to focus on automation for auditing, as it will be easier and more cost effective. "I have already assigned a team to look into this and come up with a solution," he said.

Current Chairman of the SMP Task Force of CA Sri Lanka Lasantha Wickremasinghe said that they had to go through a series of deliberations in developing the standard. "We had some 20 sessions to deliberate, debate and come up with proposals. It was not an easy task because we were doing something for the first time our history. India tried their level best, Pakistan tried, but they are still struggling," he said.

He also extended his appreciation to the Chairman of the Sub-Committee to Develop an Audit Framework for SME Audit of CA Sri Lanka Sanath Fernando and his team for the vision and support in ensuring the successful completion of developing the standard.

The first copy of the Auditing Standard (SLAuS) for the audits of Non- Specified Business Enterprises (Non-SBEs) was presented to Minister Rishad Bathiudeen by Lasantha Wickremasinghe in the presence of Jagath Perera and Sanath Fernando. ■

CA Sri Lanka scholarships for 141 high-achieving students

CA Sri Lanka recently awarded scholarships to 141 outstanding students in the country, including the highest achievers at the 2017 GCE Advanced Level examination, to help them kick-start their career in chartered accounting.

At the 2018 Annual Scholarship Awarding Ceremony, scholarships were granted under several categories, with 10 students receiving scholarships under the 'GCE Advanced Level Island Top Ten Scheme' and another 19 students receiving scholarships under the 'GCE Advanced Level District 1st Scheme'.

The event was held under the patronage of Vice Chairman of the University Grants Commission Prof. P.S.M. Gunaratne, President of CA Sri Lanka Jagath Perera and Chairman of the CA Foundation B.R.L. Fernando.

CA Sri Lanka also awarded 70 students with scholarships under the 'L. A. Weerasinghe Memorial Scholarship Scheme', while another 32 students received scholarships under the 'Business Level Trainee Scheme'. Another 10 students who aspire to be Chartered Accountants received scholarships from the Institute under the 'National Conference Scholarship Scheme'. This year too, as in previous years, scholarships were granted to deserving students who have obtained 3 A passes at the GCE Advanced Level exam, with an annual family income of less than Rs360,000.

In 1988, CA Sri Lanka launched the scheme to award scholarships for the benefit of students based on their achievements and requirements. The CA Foundation was subsequently founded in August 2010, with the aim of strengthening the Institute's scholarship scheme. Since 2010, the Institute has supported over 860 students by awarding scholarships annually. ■

Update

CA Sri Lanka IT Forum emphasizes the need for organisations to go digital if they are to remain successful

CA Sri Lanka IT Faculty Chairman Wasaba Jayasekera

The need for businesses to embrace a digital transformation was highlighted at a recent forum organised by CA Sri Lanka where experts emphasized that changing with futuristic trends was important if an organisation is to continue to be profitable and successful.

Speaking at the forum, Chief Operating Officer of Sanje (Pvt) Ltd Wasantha Weerakoone noted that the digital transformation helps organisations become efficient. "It's like giving a dose of steroids to a business and helping it progress to the next level," he told CXOs, IT and finance professionals.

We conducted a survey and found that there are certain gaps in the industry and with our members, therefore, we have taken steps to revive our programmes and go beyond traditional delivery methods.

Weerakoone said that the current fourth industrial revolution is going to create many new opportunities for organisations and people, and there will be new businesses born while some businesses will die. "The digital transformation is not just about document management or converting papers into digital, it is converting everything that affects us - our business and our customers - it's the whole chain."

He said that, today, we are in an era where, instead of manually switching off a light, we have the ability to do it automatically. Therefore, he said, this is why it is important even for organisations to look at automation than only depending on manual processes. "We have the cloud, automation and robotic processes, as well as artificial intelligence, blockchain and cognitive computing, all of which are in the forefront of today's technological transformation, which we can take advantage of," Weerakoone.

He said that winning is not just about becoming number one, but adapting with trends and remaining relevant. "Winning is about fulfilling the fundamental digital transformation strategy where you can create value for everyone in the organisation and create satisfaction at every level, and ensure that the business can continue in the event of even a disaster," he added.

Chairman of the CA Sri Lanka IT Faculty Wasaba Jayasekera noted that his faculty has decided to conduct a series of programmes especially catering to the benefit of the Institute's young members. "We conducted a survey and found that there are certain gaps in the industry and with our members, therefore, we have taken steps to revive our programmes and go beyond traditional delivery methods," he said. He added that the Institute's ultimate aim is to transform Chartered Accountants into Digital Chartered Accountants.

The forum concluded following a panel discussion featuring Partner of Moore Stephens Aiyar Tishan Subasinghe and Chief Financial Officer of Commercial Bank of Ceylon PLC Nandika Budhdhipala, moderated by Member of the CA Sri Lanka IT Faculty Jayanath Jayawardena Herath.

The 39th National Conference of Chartered Accountants inaugurated in the presence of visionaries, business leaders and entrepreneurs

The biggest business summit in Sri Lanka, the 39th National Conference of Chartered Accountants was inaugurated on Monday, 8 October 2018, with the country's corporate glitterati including locally and internationally acclaimed visionaries, decision makers, business leaders and entrepreneurs in attendance.

The conference, organised by CA Sri Lanka, was held under the patronage of the British High Commissioner to Sri Lanka James Dauris, who was the chief guest, while Vice-Chancellor and Chief Executive Officer of the Sri Lanka Institute of Information Technology (SLIIT) Prof. Lalith Gamage who revolutionized IT education in Sri Lanka was the guest of honour.

The keynote address was delivered by Sri Lankan IT visionary Tony Weeresinghe, who stakes claim to building some of the world's most sophisticated trading systems, including the current platform for the London Stock Exchange. He is the Founder of MillenniumIT and the Chairman/CEO of Ustocktrade, LLC, as well as Co-Founder/Director at The Cainan Foundation.

This year's conference set a new record, having attracted over 2,000 participants at the event's main venue, and on live broadcast and webcast. The conference, which concluded on 10 October following two days of technical sessions, revolved around the theme 'Hyperleap', focusing on technological disruption and the rapidly changing global economy among other factors that challenge the business world.

President of CA Sri Lanka Jagath Perera said that there has been a considerable impact on the role of the accountancy profession with the influence of disruptive technologies. "This has renewed the call for us as professional accountants to comprehend the need to adapt with time, while understanding that technology is here to stay and we have to work beside it, and not against it. This is why it has become increasingly important for professionals including Chartered Accountants to take bold strides and leap forward to evolve in their professional roles," he said.

Chairman of the National Conference Committee Dulitha Perera said that technology has impelled finance professionals to grow at a rapid speed in order to stay relevant, keep up and thrive in this ever-evolving landscape, and Chartered Accountants must evolve and change with it if they are to remain relevant. He noted that, while technology is here to stay, this means that computers can do the same functions of a human. "It would be impossible to program a computer or create a software programme with the ability to exercise the judgement a fully trained, senior accounting professional has at their disposal. But, nevertheless, there are renewed complexities and challenges. Being an accountant means becoming an elemental force to the organisation's governance and strategy execution," he added.

Chairman of the National Conference Technical Committee Moiz Rehmanjee said that, with heavy-sounding punchlines such as artificial intelligence, blockchains, machine learning technologies, millennial wave, social media revolution and changes to the global economic order, the single unanswered question remains as to what this means for everyone. "The blunt reality is that no one quite knows exactly what all this entails for our future, but what we do know is that big changes lie ahead, and to ride this tide, we need to be prepared to change ourselves, boldly. The topics discussed at the conference will focus on our capabilities as professionals and a nation to not be subdued by the disruptions but to emerge in better shape than before," he said.

The National Conference of Chartered Accountants has once again attracted Sri Lanka's top business leaders and c-suite executives including top accounting professionals. The two days of technical sessions were steered by highly acclaimed speakers and panelists recognised both locally and internationally, taking bold leaps towards success without being shackled by neverending changes to the business ecosystem.

Update

CA Sri Lanka produces 327 new Chartered Accountants to take over the reins

CA Sri Lanka conferred the distinguished Associate Chartered Accountants (ACA) designation to 327 new Chartered Accountants, enabling them to take over the reins of the business world and steer its uccessfully with their unique and perceptive skills.

The 327 new Chartered Accountants received their membership at the annual convocation of the Institute held on 1 October 2018 under the patronage of Minister of Industry and Commerce Rishad Bathiudeen, who was the chief guest, while Chairman of the Securities and Exchange Commission of Sri Lanka Ranel Wijesinha was the guest of honour.

During the convocation, 158 existing members of the Institute were conferred with the prestigious Fellow Chartered Accountant (FCA) status, elevating them to the highest stratum in their professional careers.

Issuing a congratulatory message, Minister Rishad Bathiudeen said that Sri Lankan Chartered Accountants are reputed both at a local and international level, and as members of CA Sri Lanka, the integrity they demonstrate is widely known. “I commend the Institute for propagating the importance of this qualification in every part of Sri Lanka, thereby affording the opportunity to the youth in the country, both rural and urban, to realise their professional dreams, while commanding local and international recognition and respect.”

Speaking at the convocation, President of CA Sri Lanka Jagath Perera said that the Institute takes great pride in producing world-class Chartered Accountants who are known as a brand of unique and versatile professionals with the ability to successfully steer businesses both nationally and internationally.

“Whether you are a member just entering the accountancy profession or an experienced member, you are expected to deliver a service of distinction, which you need to ensure is up-to- date and in line with the latest standards and regulations. To continuously progress in your professional role, you also need to update your skills and knowledge to remain relevant. Because, it is with knowledge, skills and experience that you will have the ability to convert challenges into opportunities and continue to be an integral part of not just the organisation but also the profession, all while serving your country,” he said.

Chairman of the Member Relations Committee Sanjaya Bandara said that Chartered Accountants bear a great responsibility towards its profession and nation. “Therefore, I call on our new members to bear this in mind when performing their professional duties,” he said.

Bandara said that he was certain the new members will play an important role in helping propagate the importance of the accounting profession. He also urged the new fellow members to continue playing an influential role, all while safeguarding CA Sri Lanka’s impeccable standing in the finance world. ■

Distinguished Chartered Accountants to nurture aspirations of young members

Some of Sri Lanka’s well-known Chartered Accountants have come onboard to build the capacity and nurture the aspirations of young members of CA Sri Lanka.

The ‘Nurturing Aspirations’ Mentoring Programme organised for a third time kicked off recently, with over 100 mentees in attendance. The three-month programme is recognised as an important platform to help young and new members of the Institute to reach their full potential in the profession, develop skills and improve performance to progress. The mentors are also expected to give guidance to the young CAs so that they can go on to be effective business partners and leaders.

Well-known corporate leaders and high profile finance professionals will steer the programme to help the young CA members achieve their full potential as globally sought-after Chartered Accountants.

The mentors for the 2018 programme are Director/Chief Financial Officer of Chevron Lubricants Lanka PLC Anura Perera, Former Group Chief Executive Officer of Singer Asoka Peiris, Group Chief Financial Officer of Maliban Biscuit Manufactories (Pvt) Ltd Dilum Bellana, Executive Deputy Chairman of Bogawantalawa Tea Estates PLC Jayampathy Molligoda, Independent Director and Audit Committee Chairman of Sierra Cables PLC M. N. Gunasekara, Managing Director of Lanka Ceramic PLC & Lanka Tiles PLC Mahendra Jayasekara, Chief Executive Officer of Brandix Apparel Solutions Ltd - Casualwear Nadun Fernando, Chief Financial Officer of Commercial Bank of Ceylon PLC Nandika Buddhipala, Chief Financial Officer of Aitken Spence Group Nilanthi Sivapragasam, Managing Director of BDO Consulting (Pvt) Limited & Independent Chairman of First Capital Holdings PLC Nishan Fernando, Director Operations - Main Board Director of Dipped Products PLC Pushpika Janadheera, Deputy General Manager of Corporate Banking at Seylan Bank PLC Ramesh Jayasekara, Managing Partner of BDO Partners Sujeewa Rajapakse, Chairman of the Finance Commission of Sri Lanka U. H. Palihakkara, Deputy Managing Director and Chief Financial Officer of Ceylinco General Insurance (Pvt) Ltd Upali Witharana, Group Chief Executive Office of Sri Lankan Airlines Vipula Gunathilaka, and Deputy Managing Director of Hayleys Aviation and Projects (Pvt) Ltd Wasaba Jayasekara.

During the three months of mentoring, the mentors will help the mentees reach their full potential by sharing knowledge and guidance on the core areas that are important for a Chartered Accountant. This year’s programme will focus on several areas including leadership skills, attitudes, teamwork, motivation, soft skills, career progression, ethical issues, managing difficult situations and how to adapt to cultural changes. ■

Update

Pathway to membership of CA ANZ available for members of CA Sri Lanka

CA Sri Lanka and the Chartered Accountants of Australia & New Zealand (CA ANZ) signed a landmark agreement in November 2018 to strengthen the scope of CA Sri Lanka members.

The agreement was signed by CA Sri Lanka President Jagath Perera and CA ANZ Chief Executive Officer Rick Ellis in Sydney, Australia, in the presence of Consul-General for Sri Lanka in Sydney Lal Wickrematunge, President of CA ANZ Jane Stanton, Vice President of CA Sri Lanka Manil Jayesinghe, Immediate Past President Lasantha Wickremasinghe, and Council Member N. R. Gajendran. The signing ceremony was also witnessed by the Institute's past presidents Yohan Perera, Arjuna Herath, Prof. L. R. Watawala and several members of CA Sri Lanka who reside in Sydney. The agreement paves the way for members of CA Sri Lanka and CA ANZ to obtain membership from either Institute, while also allowing Chartered Accountants of both bodies to enhance their preeminence of the CA designations and continue to be an important contributor to the organisation and the country they serve in.

A leading professional accounting body with more than 120,000 members spread across Australia, New Zealand and many other countries, CA ANZ is recognised as an Institute that empowers its members to become leaders and shapers of finance and business in Australia, New Zealand and other parts of the world.CA Sri Lanka enjoys agreements with some of the world's top international professional accounting organizations, including the Institute of Chartered Accountants in England and Wales (ICAEW), the Chartered Institute of Management Accountants (CIMA) and CPA Australia, in an effort to further enhance and strengthen the standing of members of CA Sri Lanka. ■

CA Sri Lanka's APFASL confers CPFA qualification to 89 public sector officials

In an effort to strengthen the public financial management practices within the country's public sector, CA Sri Lanka's Public Sector Wing, the Association of Public Finance Accountants of Sri Lanka (APFASL) conferred the Chartered Public Finance Accountancy (CPFA) qualification to 89 public sector officials on merit basis. The CPFA Convocation 2018 was held recently at the BMICH Colombo under the patronage of Auditor General Gamini Wijesinghe and Chairman of the Finance Commission of Sri Lanka Uditha Palihakkara. The CPFA qualification is jointly developed by APFASL and the Chartered Institute of Public Finance and Accountancy (CIPFA) London for the benefit of accountants, auditors and assessors in Sri Lanka's public sector to help them enhance their professional skills. CIPFA is the leading accountancy body for public services, providing education and training in accountancy and financial management. ■

Nine public sector organisations recognised at CA Sri Lanka's APFASL Best Annual Reports & Accounts Awards 2018

Several of Sri Lanka's top public sector organisations, including universities, ministries and departments among others, were honoured for their high-quality financial reporting at the second Best Annual Report and Accounts Awards for the public sector, organised by the Association of Public Accountants of Sri Lanka (APFASL), the public sector wing of CA Sri Lanka.

A total of 26 public institutions were honoured at the awards ceremony, with nine public sector organisations winning the main awards, which was categorised into nine sectors covering universities, research institutions, statutory boards, ministries, departments, provincial councils, urban councils, municipal councils and pradeshiya sabhas.

The University of Moratuwa was adjudged the winner under the universities category, while the University of Peradeniya was adjudged first runner-up and the University of Sri Jayewardenepura was second runner-up. The Open University of Sri Lanka, Wayamba University, Buddhist and Pali University, the University of Colombo and the University of Sabaragamuwa received compliance awards.

Under the research institutions category, the National Engineering Research and Development Center was adjudged the winner, while the Industrial Technology Institute was the first runner-up. In the statutory board sector, the winner was the Sri Lanka Accreditation Board for Conformity Assessment, while the Marine Environment Protection Authority was the first runner-up and the Coconut Cultivation Board was second runner-up.

The Ministry of Provincial Councils and Local Government won under the Ministry category, while the Excise Department was adjudged the winner under the department sector, with the Sri Lanka Air Force coming in as first runner-up. Under the provincial councils sector, the North Central Province Provincial Council was adjudged the winner, while the Northern Province came in as first runner-up. In the urban councils sector, the winner was the Balangoda Urban Council, while the Kalutara Urban Council was the first runner-up. Under the municipal councils category, the Dehiwala Mt. Lavinia Municipal Council was adjudged the winner, while the Kandy Municipal Council was the first runner-up.

A total of four awards were given under the pradeshiya sabha sector, with the Manmunai Pradeshiya Sabha - Arayampathy being adjudged the winner, while the Naththandiya Pradeshiya Sabha was adjudged first runner-up and the Karuwalagaswewa Pradeshiya Sabha second runner-up. The Nikeweratiya Pradeshiya Sabha received an award of compliance in the same category.

The Best Annual Report and Accounts Awards was held alongside the annual Chartered Public Finance Accountancy (CPFA) Convocation, where public sector accountants and auditors were conferred with the qualification especially developed by APFASL and the Chartered Institute of Public Finance and Accountancy (CIPFA) London to help strengthen public sector financial management in Sri Lanka.

President of CA Sri Lanka Jagath Perera said that the Institute has always been conscious of the critical anchor role the public sector plays in the economic development and progress of the country, and therefore, to fulfill an important need, CA Sri Lanka, together with its public sector wing, took steps to strengthen the public sector, and the skills and expertise of public sector officials by launching various important initiatives including the public sector awards and the CPFA qualification.

President of APFASL V. Kanagasabapathy said that the association has launched the Best Annual Report and Accounts Awards for the Public Sector in an effort improve the quality of annual reports and accounts published by the public sector, thereby helping to improve transparency and accountability in financial reporting. ■

Update

CA Sri Lanka President congratulates new IFAC President

CA Sri Lanka renews agreement with CPA Australia

CA Sri Lanka renewed the Mutual Recognition Agreement (MRA) with CPA Australia recently, in an effort to enhance the standing of the members of both accounting bodies.

The agreement was signed by CA Sri Lanka President Jagath Perera and CPA Australia President Peter Wilson in Sydney, Australia. The MRA between CA Sri Lanka and CPA Australia removes barriers, allowing appropriately qualified members of each body to apply for membership from the other body, together with the opportunity for closer collaboration and cooperation between the two accounting bodies, in an effort to enhance the accounting profession. Meanwhile, CA Sri Lanka President Jagath Perera, Vice President Manil Jayesinghe, and Council Members Lasantha Wickremasinghe and N.

R. Gajendran met the newly appointed President of the International Federation of Accountants (IFAC) Dr. In-Ki Joo in Sydney to congratulate him on his appointment. The meeting took place during the sidelines of the IFAC Council & Board Meetings. During the meeting with Dr. Joo, Perera highlighted the steps taken by CA Sri Lanka to enhance the accounting profession and the standing of its professionals in Sri Lanka. CA Sri Lanka is the oldest Sri Lankan member of IFAC, holding membership in the global organisation since 1978. ■

150 Chartered Accounting students awarded CA Sri Lanka CBA & CSBA Certificates

CA Sri Lanka recently awarded certificates to 150 Chartered Accounting students who had completed the Certified Business Accountant (CBA) and Certified Senior Business Accountant (CSBA) levels of the benchmark CA programme.

At the certificate awarding ceremony, prize winners of the CA Sri Lanka Business and Corporate Level examination held in July 2018 were also awarded certificates for their achievements.

Speaking at the event, President of CA Sri Lanka Jagath Perera highlighted the need for professionals and accounting students to re-strategise if they are to face future challenges successfully. He said that technological and regulatory changes are the two major factors that are affecting the accounting profession. "If you don't understand these two changes, then you will not be able to sustain and you will not be accepted by the business community because you no longer have the knowledge and insight to add any value," he said.

The CA Sri Lanka qualification is offered at three levels, with two early exit routes known as the Certified Business Accountant (CBA) and the Certified Senior Business Accountant (CSBA).

Perera said that some of the functions that were carried out by accounting professionals will be taken over by Artificial Intelligence or other technological tools. Therefore, he urged the students to continuously update their knowledge because what is learnt today will be outdated in a few years. "This is why

continuous knowledge gathering is important if accounting professionals are to continue to play an important role across organisations," he said, as more drastic changes from the technological era will be unleashed over the next few years, as early as within the next 5-to-10 years. "So we need to plan on how we are going to sustain and move forward," he said.

"If you are between the ages of 20 and 30, you must immediately embrace the changes and get ready to face them. If you are between 30 and 40, you may quickly learn some of these changes because it is a requirement for your survival. If you are above 40 years, then at least try to specialize in what you know so it will help you sustain for another 10-15 years," he added. While the knowledge the students have gathered at present is definitely useful as it creates the foundation, Perera reiterated the need to continue to gather knowledge. "I tell members and students that this is the time to unlearn what you have learned and relearn. So you may have to unlearn what you did yesterday and relearn based on the future requirements. We can win the game if we manage the situation carefully," he added.

The CA Sri Lanka qualification is offered at three levels, with two early exit routes known as the Certified Business Accountant (CBA) and the Certified Senior Business Accountant (CSBA), while the Associate Chartered Accountant (ACA) is the Institute's benchmark qualification. ■

CA Sri Lanka grants gold and silver status to 12 accredited learning partners and certificates to 60 registered lecturers

CA Sri Lanka granted gold and silver status to 12 of its accredited learning partners, while 60 lecturers who are delivering the Institute's benchmark programme in chartered accounting were recognised at a certificate awarding ceremony held under the patronage of Dr. Wijayadasa Rajapaksa, Minister of Higher Education & Cultural Affairs.

The Institute for Accounting Studies (Pvt) Ltd, Inspiro Business School (Pvt) Ltd and JMC Jayasekera Management Centre (Pvt) Ltd, which conducts lectures for all three levels of the CA Programme, were elevated to gold status. IBA Campus, Institute of Business Management, National Institute of Co-operative Development (NICD) and Sipwin Institute, which conducts lectures for the Executive and Business Levels, were also elevated to gold status. The MBS Education Institute, which conducts lectures for the Executive Level, was also recognised as a gold partner.

Knowledge Base Business Studies (Pvt) Ltd, which conducts lectures for all three levels of the CA programme, received silver partner status, while three other colleges Institute of Professional Management, Institute of Professional Creation (Pvt) Ltd and Institute of Vision Launch (IVL), which conducts lectures for the Executive level, were granted silver status. A total of 60 lecturers were recognised as registered lecturers of the institute and received certificates

Speaking at the event, Minister Dr. Wijayadasa Rajapaksa commended the Institute for its futuristic vision, and for maintaining the quality assurance and accreditation of the institute and its qualifications. "When I look at the activities of the Institute, it shows that our local university system is far behind," he said.

The minister also said that, going by the figures of the Institute's annual intake which is between 7,000 to 10,000, it was clear that CA Sri Lanka was rendering a great national service without being a burden to the public.

Update

"Your service to the country is extensively admired and appreciated," Dr. Rajapaksa said.

He added that accountancy is an essential component of the economic system in any country, and in the absence of a proper accounting system, one cannot expect any kind of development in a country. He also emphasized the need for public sector accountants to show more commitment when carrying out their responsibilities.

Speaking at the event, President of CA Sri Lanka Jagath Perera commended the role of the learning partners and the lecturers who add value to the success of the accounting profession. "Your contribution adds real value to our success," he said.

He said that the Institute has always been a self-funded organisation that not only provides knowledge but also provides various services to the country including in its capacity as the sole authority to promulgate accounting and auditing standards in Sri Lanka.

He said that the Institute has consistently and continuously taken steps to enhance its qualifications by maintaining the quality. "To benchmark our qualification, we assigned the task to NARIC UK, which is a government organisations in the United Kingdom, and after an independent review, they benchmarked our CA qualification as comparable to a Master's Degree standard," he said.

Perera also disclosed that the Institute was currently in negotiation with several international universities to obtain additional qualifications for the benefit of the members of the Institute, so that they not only have a recognised professional qualification, but will also gain a postgraduate qualification from a university, which will ensure they are also academically qualified. "CA Sri Lanka is not just an organisation providing qualifications, but we are also provide tremendous support to the development of the national economy," he added.

The main objective of the accreditation process is to strengthen the mutual relationship between CA Sri Lanka and its stakeholders, to meet international requirements, and to uplift the quality of the CA programme. ■

CA Sri Lanka's Business Plan Competition to nurture entrepreneurial skills among Advanced Level students

With entrepreneurs being identified as an essential pillar to solve unemployment and help strengthen economic development in a country, the CA Sri Lanka Business Plan Competition will kick off Season 3 next month in an effort to nurture entrepreneurial skills among the country's student population.

The Business Plan Competition 2019, organised by CA Sri Lanka for the third consecutive year, is calling for applications from schools across the country to compete at the competition, which will commence in January 2019.

The competition is open to students sitting for their GCE Advanced Level examination in 2019/2020 from the commerce stream. Schools interested to participate in the competition can submit their applications to the Institute from October to December 2018. Each participating team must comprise four students who must present a business plan to the panel of judges in English at both the regional and national levels.

QUT Business School of the Queensland University of Technology (QUT), Brisbane, have once again come onboard as the Strategic Partner of the 2019 competition, which is organised in association with the Sri Lanka and Australia Chamber of Commerce (SLACC). The winner of the grand finale of the Sri Lankan competition will fly to Brisbane, Australia, to take part in the BlueShift Case Competition organised by the QUT Business School of the Queensland University of Technology, which will be held in May 2019.

Speaking at a press conference, President of CA Sri Lanka Jagath Perera said that it is the collective responsibility of professional bodies such as CA Sri Lanka to ensure that Sri Lanka transitions towards an innovation-driven economy that can be spearheaded by entrepreneurs with a unique vision. "In an era of disruption, where even traditional value chains have diminished, we need to think out of the box and embrace innovativeness, and this is why it's important to inculcate the importance of these skills from a very early stage," he said.

Assistant Dean (International) of the QUT Business School Andrew Paltridge said QUT has been committed to developing business skills in students at all levels through the use of competitions for many years. He said the university runs the largest international case competitions in Australia at both Bachelor and Master levels, and the largest high school competition in BlueShift. "Once again, the QUT Business School is looking forward to partnering with CA Sri Lanka and SLACC to run the CA Business Plan competition. This is the third year that QUT has been involved and we will once again sponsor the winning Sri Lankan school to come to Australia to compete in the BlueShift Business Case Competition for high schools," he said.

He said that the previous two winners of the CA Business Plan competition, Mahamaya Girls' College and Ananda College, have both been worthy winners of the local competition and had the opportunity to travel to Australia, where they have undertaken a series of social and professional development activities in addition to competing in BlueShift.

President of SLACC Kalum De Silva said that the Chamber is thrilled to partner with CA Sri Lanka and QUT to launch the CA Business Plan competition for Sri Lankan schools for the third year in a row. "This time, the competition has grown to another level with over 130 schools from around Sri Lanka expected to take part. We believe this will not only help showcase the potential of our future generation, but also enable us to foster greater relationships between Sri Lankan and Australian educational institutions. We are excited to see what is in store this year," De Silva said.

Chairman of the Media & Communication Committee Laknath Peiris said that Sri Lanka has a severe dearth of entrepreneurs, even though the country is blessed with talented individuals. "With Sri Lanka transitioning into upper middle-income status, there is an increasing need to create more entrepreneurs who can be the change makers and steer Sri Lanka in its ambition of becoming a global player," he said. With this objective in mind, Peiris said that the Institute is taking every effort possible to create visionary entrepreneurs who will ultimately lead Sri Lanka to reach its true potential. ■

Update

The need for Chartered Accountants to boldly leap despite continuous disruptions takes centre stage at CA Sri Lanka's National Conference

As disruption becomes part and parcel in today's continuously evolving world, the increasing need for Chartered Accountants to boldly leap forward, if they are to thrive in the professional realm, was highlighted at the recently concluded 39th National Conference of Chartered Accountants organised by CA Sri Lanka.

Delivering the keynote address at the inauguration, Sri Lankan IT visionary and pioneer, Chairman/CEO of Ustocktrade, LLC, and Founder of MillenniumIT Tony Weeresinghe elaborated on the continuously changing times and roles of professionals including accountants. Kicking off his presentation, Weeresinghe said that the world is changing so fast that the future goes as fast as the present. "The only thing constant is change, so you have to hyper leap," he said, while adding that big will no longer beat small, instead the fast will beat the slow.

Highlighting the future role of accountants amid reports that by 2030 some 2 billion jobs will disappear, Weeresinghe explained that accountants including Chartered Accountants will not fall into the redundant category. "According to me, you are more important than ever because you are the number crunching people, and only you understand numbers well," he said. Speaking further, he added that, instead of serving a single company as they are known to do traditionally, accountants may in the future work for multiple organisations under new job roles, while moving away from the conventional finance director or CFO designations. Elaborating on his point further, he said that his company, Ustocktrade, trades over $2 billion and is regulated by the world's strictest regulators with connections to all major banks. "But, I don't have a full-time accountant," he said.

Weeresinghe further noted that, due to the nature of his company, he has to give the regulators an audited report every month. "I have a part-time accountant who comes every month for four hours to check the books and then I have a Fin Op, who is similar to a CFO or finance director, who comes once a month to look at the report and sign off. This is the reality," he said.

British High Commissioner to Sri Lanka James Dauris, who was chief guest at the event, said that it pays to think bold and look beyond what shackles one's ambitions. "Success lies in not ignoring the barriers and constraints, but recognizing them for what they are and getting past them and leaping over them," he said.

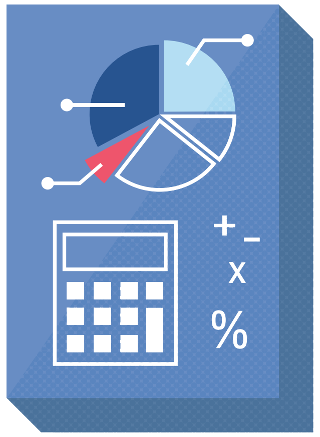
Dauris also urged Chartered Accountants to play their part in encouraging and fostering a climate favourable for wealth creation, and entrepreneurial activity. He said that holding the government to account and representing the interest of the business community are critical functions of business leaders in any country. "Speak out against things that are not good enough. Speak out about the things that improperly get in the way of your business ambitions. Your voices as captains of the business industry, as Chartered Accountants, matter. You need to promote professionalism and enhance the levels of integrity and ethical business conduct, and push for the same from the government," he said, adding that if united, then Chartered Accountants will have the power to be a formidable force.

Vice-Chancellor and Chief Executive Officer of the Sri Lanka Institute of Information Technology (SLIIT) Prof. Lalith Gamage, who was the guest of honour, shed light on several projects he was currently handling with the assistance of robotics. Among the projects, Prof. Gamage said he was working on a stock market index predictor and two devices, one to detect sleep apnea and the other to detect cancer early. ■

Ethics Committee Review

The Ethics Committee received 5 new complaints during the period September 2018 – December 2018. These matters are currently before the Ethics Committee:

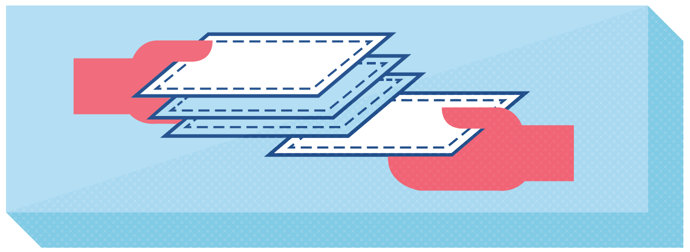
1 **A COMPLAINT WAS** made against a member who was employed at a stockbrokering company. The complaint alleged that the member had, inter alia, made unauthorized changes to the customer details in the system, including name changes and changes to the portfolio balances (number of shares) to some client accounts, and undertaken share trading for personal benefit, although he was not expected to do so. The accused member had also willfully submitted false reports to the Board of the Company, the SEC and the CSE, and had misled all parties. This resulted in are violation of many regulatory requirements applicable to a share brokering company.



2 **AN ANONYMOUS** complaint was received against a member, which alleged that the accused member had, inter alia, orchestrated a fraud to the tune of Rs70 million with the help of other officials in a State Bank; had knowingly violated accounting and auditing standards, rules and regulations of the relevant State Bank as well as the Central Bank, and knowingly violated ethical standards of CA Sri Lanka, etc.

3 **A COMPLAINT WAS** lodged by the Practical Training Division of CA Sri Lanka against a member who had approved training records of a student after the accused member resigned from his place of work. The training records approved related to a period after the accused member had resigned.

4 **SRI LANKA ACCOUNTING AND** Auditing Standards Monitoring Board (SLAASMB), as a part of its routine activities, had conducted an inspection of the audit of a leasing company and found that the auditors had failed to exercise the fundamental principle of due care when conducting the audit of that company. Accordingly, a warning letter was issued to the accused member to act diligently and in accordance with the requirements of the applicable auditing standards when conducting audits.



5 **A COMPLAINT WAS** received from a Director of a private limited liability company alleging that the auditors issued unmodified, unqualified audit opinion although there were several material misstatements in the financial statements.

PERFECTION AT A PRICE

Whether it is a seamless gaming experience, smooth daily running or high-definite ultra sounds, the perfect equipment is hard to find. But these gaming and all-round renowned items are a few that provide the best experience that money can buy...

Razer Blade 15 (2018)

Good things come in small packages, just like the Razer Blade 15 (2018). As sleek as a MacBook but with the horsepower of a gaming desktop, the Razor has a 144Hz Full HD display and 100% sRGD colour support. It might actually be without any downsides... save for the price. But, what would you pay for the best of both worlds? **redline.lk**; **LKR382,500 upwards**

MacBook (with Retina Display)

One of the most impeccably created laptops, it boasts of one of the best multi-touch support systems in its class thanks to its silky smooth touchpad. With 226 pixels per inch, images are crisp and possess an incredible sense of depth. For its size, a real-world battery life of seven hours is easily achievable. **btoptions.lk**; **LKR320,500 upwards**

Wharfedale Diamond Active A1

The Wharfedale Diamond Active Series couples innovative, convenient wireless technology with an award-winning loudspeaker formula for tremendous bass delivery and scintillating high frequencies.There is no need for bulky amplifiers and trailing wires anymore. Combined with Wharfedale's proprietary Woven-Kevlar bass driver and textile soft-dome tweeter as seen in the multi-award winning Diamond 200 series, the jaw-dropping sound is usually associated with more complicated audio setups. **Multiform Interlining**; **LKR145,000**

Microsoft Surface Pro 4

While not the latest in the line-up, and priced accordingly because of it, the Surface Pro 4 is a proper hybrid, working well as both a tablet and a laptop. The Surface Pen will satisfy the creative professional on-the-go, and the Pro packs enough performance while remaining thin, light and portable. **lapzone.lk**; **POA**

Audiolab M-DAC Mini

The M-DAC Mini's design deliberately blurs the line between home hi-fi DACs and pocket-size portable units. It is ideally sized to sit discretely on a desk or table, with accessible, easy-to-use controls and a traditional analogue volume knob, as well as untethered to the main supply thanks to its rechargeable battery. **Multiform Interlining**; **LKR70,000**

Focus On - Technical

Amendments to Conceptual Framework for Financial Reporting

The Conceptual Framework for Financial Reporting (Conceptual Framework) describes the objective of and concepts for general purpose financial reporting. It is a practical tool that helps the Council of the Institute of Chartered Accountants of Sri Lanka (Council) to develop requirements in Sri Lanka Accounting Standards (SLFRSs) based on consistent concepts. Consideration of these concepts, in turn, should result in the Council developing SLFRSs that require entities to provide financial information that is useful to investors, lenders and other creditors.

The Council-approved Conceptual Framework for Financial Reporting included revised definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation, and disclosure.

The revised Conceptual Framework includes:

- a new chapter on measurement;
- guidance on reporting financial performance; and
- improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The Council also approved references to the Conceptual Framework in SLFRSs by issuing Amendments to References to the Conceptual Framework in SLFRSs. This was done to support the transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no SLFRSs applies to a particular transaction.

The amendments, where there are updates, are effective for annual periods beginning on or after 1 January 2020.

The 2018 Conceptual Framework is structured into an introductory explanation on the status and purpose of the Conceptual Framework, eight chapters, and a glossary:

CHAPTER	TOPIC
	Status and purpose of the Conceptual Framework
1	The objective of general purpose financial reporting
2	Qualitative characteristics of useful financial information
3	Financial statements and the reporting entity
4	The elements of financial statements
5	Recognition and Derecognition
6	Measurement
7	Presentation and disclosure
8	Concepts of capital and capital maintenance
Appendix A	Glossary

A summary of the main aspects of the Conceptual Framework

New	
Measurement	Concepts on measurement, including factors to be considered when selecting a measurement basis
Presentation and Disclosure	Concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income
Derecognition	Guidance on when assets and liabilities are removed from financial statements
Updated	
Definitions	Definitions of an asset and a liability
Recognition	Criteria for including assets and liabilities in financial statements
Clarified	
Prudence	Stewardship
Measurement Uncertainty	Substance over Form

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