

AñNORMaIL

Navigating through shattered norms

41st National Conference of Chartered Accountants

Insights from the 41st National Conference
Institute of Chartered Accountants of Sri Lanka





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According to the Chaos theory, the butterfly effect signifies how small shifts in our thinking and small changes in our energy can dramatically influence the end result.

The corona pandemic, which was initially thought to be confined to Wuhan in China, snowballed into a global pandemic creating chaos in the corporate world. Businesses in some industries were severely affected. Risk management and continuity of business gained priority for almost all of us. The void created in fulfilling the necessities of consumers and businesses, especially in times of lockdown, were predominantly filled by SMEs. Many businesses were compelled to adopt innovative business practices. The pandemic has opened up new opportunities and fresh ways of doing business, which were never thought possible before. They could be called "new normal" or "abnormal". Will abnormal be the right normal?

The 41st National Conference of Chartered Accountants will deliberate on the changes, opportunities and abnormalities stemming from the crisis. We have lined up an eminent panel of speakers and panellists to stimulate your intellectual curiosity and question the way we do business in an attempt to explore adoption of new business practices which may be what we really need in these abnormal times.

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President, CA Sri Lanka: Manil Jayesinghe

Vice President, CA Sri Lanka: Sanjaya Bandara

CA Sri Lanka Conference Chairman: Tishan Subasinghe

CA Sri Lanka Conference Technical Committee Chairperson: Anoji De Silva

Message from the President of CA Sri Lanka

I am pleased to share this message for the outcome report of the 41st National Conference of Chartered Accountants, which is Sri Lanka's biggest business summit with a history spanning over four long decades.

Bounded by uncertainty, the world is facing its biggest challenge known to mankind due to the COVID-19 global pandemic, the ripple effects of which has impacted every business and professional community including Chartered Accountants.

The pandemic has plunged the world into the deepest recession in 150 years, as businesses both big and small across the world fight to survive. As a leading professional organisation, we believed it was imperative for CA Sri Lanka to help businesses rebuild while becoming an important catalyst to our professional community so that they can navigate through these uncharted territories. Therefore, the 41st National Conference of Chartered Accountants was identified as an important platform to discuss the changes, opportunities and abnormalities stemming from the COVID-19 crisis.

The road to recovery both at a global and local level is likely to be long and arduous due to the scale of the impact. While the world is engulfed in desolation, due to the pandemic, I believe the pandemic has also created new opportunities in a business sense. Since COVID, we watched how businesses including SMEs who had zero presence on even social media quickly adapt to technology and other innovative business practices to survive. The pandemic no doubt opened new avenues which up until a year were not considered feasible.

COVID-19 has also created an opportunity for us all to start fresh, evaluate the challenges, learn from them and utilise it to create new opportunities for our long term sustenance and success under the ongoing 'abnormal' situation. Abnormality is here to stay, but, if we are willing to remain agile and adapt with the new normal while embracing innovation, creativity and choosing to remain responsible as citizens and professionals, I am confident we will bounce back stronger.

I hope the readers find the outcome report of the 41st National Conference of Chartered Accountants a worthy read.

Manil Jayasinghe

Message from the Chairman of the National Conference Committee and Chairperson of the National Conference Technical Committee

Undeterred by complexities, contingencies, and the challenges facing us amidst COVID-19, CA Sri Lanka's flagship annual event, the 41st National Conference of Chartered Accountants was held in January.

Although the year 2020 was heralded with much expectations, it turned out to be one of the most extraordinary years of our lifetime due to the pandemic, and the economic crisis which brought the world to a standstill. Even as we inch closer to the half way mark of 2021, unfortunately not much seems to have changed since last year.

The past year has been a learning curve to us. The normal life we took for granted has turned into something 'Abnormal' in the past two years. The COVID 19 pandemic has no doubt turned our world upside down and we have had to come to terms with situations that were, are and will be quite 'Abnormal' for a long time to come.

But is 'Abnormal' all bad or negative? The answer is, 'No'! While it has disrupted the smooth flow of our day to day activities and businesses, it has also been a remarkable experience. In our opinion it is not a 'new normal' but 'Abnormal' that will be our future - adapting to sudden changes, learning new skills and technology on the go, coming up with innovative solutions to suit fast changing opportunities while being more socially conscious.

Therefore, as the thought leaders to the nation, CA Sri Lanka decided to adopt 'Abnormal' as the theme for the 41st National Conference in our efforts to challenge the negativity surrounding the word and to start a conversation within the business community on how we can rethink and craft our future and build better businesses.

The conference no doubt helped us understand our new and redefined roles, while also refocusing on the corporate culture. Our role as professionals gained momentum and the pandemic has become a unique opportunity to showcase our contribution towards building businesses that are not only about shareholder profit but also of true stakeholder capitalism.

The conference was an important stepping-stone to stimulate and inspire the participants on how to move forward and create new opportunities amidst the 'abnormal' and we are certain that this outcome report developed from the technical sessions of the conference will be extremely useful to the participants who connected with the event.

Tishan Subasinghe and Anoji De Silva

Message from the Chief Executive Officer of CA Sri Lanka

I am delighted to share this message for the outcome report of the 41st National Conference of Chartered Accountants organised by CA Sri Lanka.

2020 and 2021 will go down in history as two of the most challenging years known to us, due to COVID-19 and the related economic crisis. The global pandemic has been an extraordinary challenge to us all, immaterial of our status or standing and whether we live in a developed or developing country.

But, amidst the casualties and the increasing number of patients across the globe, the pandemic has also become an opportunity for businesses to understand the importance of adapting and adjusting with changing times, while also embracing agility in an unprecedented situation. COVID-19 has shown us why we need to increasingly rely on technology amidst strict health regulations including social distancing and working remotely.

In times of great challenge, professional bodies too have a critical role to play in helping businesses move forward. Therefore, having understood our critical role as an influential professional body, CA Sri Lanka took the responsibility to inspire and lead the professional accounting community in these times of great challenge.

The 41st National Conference of Chartered Accountants was held at a very opportune time and for the first time in the event's history, the conference followed a hybrid format attracting over 2000 participants who connected with the 3-day event virtually. The conference covered a range of inspiring and topical subjects which immensely benefited Chartered Accountants including business leaders and c-suite executives. The conference was also seen as an important enabler in leading the change amidst these unprecedented challenges, to ensure corporates and the country will continue to enjoy greater and sustainable success on the long term.

Dulani Fernando

Executive Summary

The 41st Annual Conference of the Institute of Chartered Accountants of Sri Lanka was themed *Abnormal: Navigating Through Shattered Norms*, which was attended by over 2000 participants mainly comprising members. The key message that kept reverberating was as Sri Lanka emerges from the pandemic, the country should not miss the opportunity to innovate, reimagine, repurpose and recalibrate business in order to be relevant and drive growth in the new normal. Actions recommended for the Government, CA Sri Lanka corporates and members are summarized below and signposted to the relevant session briefs.

Government	CA Sri Lanka	Corporate	Chartered Accountants
Establish the credibility and stability of Sri Lanka to drive economic resurgence (page 16)	Support policy reform with insights (Page 17)	Adopt 21st Century Leadership Model (Page 12)	Adopt the 3 imperatives to become a 21st Century leader, beyond financial expertise. (Page 12)
Carve Sri Lanka a niche. Brand as a skill's hub for manufacturing and services. (Page 11)	Review curricula to drive appreciation of sustainability in business. (Page 14)	Build purpose driven businesses. Adopt Sustainable and Ethical manufacture. (Page 11)	Step up and be relevant. Continually update knowledge. (Page 14 and 36)
Reduce food loss, waste. Urgently establish a national cropping calendar. (Page 27)	Capacity building to nurture 21 st Century Board Leadership Mindset (Page 14)	Think Global (Page 21)	Be conscious of responsibilities towards country. Assist in driving Government's economic agenda. (Page 09)
Solve structural problems and think global (page 21)	Drive necessary reforms to uphold the societal contract and trust in the profession (Page 35)	Reimagine Virtual Engagement to foster productivity and motivation, in a WFH/ hybrid model. (Page 42)	Maintain work-life balance, for optimum productivity. (Page 43)
Expedite the E-agenda to support efficacy, speed, and transparency in business. (Page 27)	Support sustainability challenges with credible metrics and methodologies (Page 35)	Support national economic recovery through public-private sector partnership. (Page 8)	Uphold public trust in profession (Page 37)
Leverage the agility of SME's to play a pivotal role in the resurgence. (Page 14, 25 & 27)	Support members' transition through shattered norms (Page 36)	Increase female labour force participation by providing flexible work arrangements. (Page 10)	Step up to the sustainability challenge (Page 35)
		Adhere to principles in accounting standards for financial reporting through shattered norms (page 37)	Be part of the digital transformation (Page 36)

1 Introduction

1.1 The Conference

The Annual Conference of the Institute of Chartered Accountants of Sri Lanka is now in its 41st year and typically attracts an audience of over 2000 participants. Around 2000 participants were connected via live streaming of the video engaging members not only in Sri Lanka but its diaspora as well and is the largest conference of a professional body in the Country. This year the conference was a hybrid conference with limited physical attendees and others on Zoom as we adapt to a new norm. We were encouraged by the registration of nearly 2000 participants despite the change in format.

The continuing interest in the conference reflects the relevance of selected topics and the value of ideas and ideals presented by carefully selected thought leaders of global repute complemented by practical views of panelists drawn from both local and global business leaders. This policy paper seeks to capture the ideas presented, their potential to impact our socioeconomic progress together with the recommendations in an action plan for CA Sri Lanka and recommendations for the corporate sector and policy makers.

1.2 The Theme

According to the Chaos theory, the butterfly effect signifies how small shifts in our thinking and small changes in our energy can dramatically influence the end result.

The Covid pandemic, which was initially thought to be confined to Wuhan in China, snowballed into a global pandemic creating chaos in the corporate world. Businesses in some industries were severely affected. Risk management and continuity of business gained priority for almost all of us.

The void created in fulfilling the necessities of consumers and businesses, especially in times of lockdown, were predominantly filled by SMEs. Many businesses were compelled to adopt innovative business practices. The pandemic has opened up new opportunities and fresh ways of doing business, which were never thought possible before. They could be called “new normal” or “abnormal”. Will abnormal be the right normal?

The 41st National Conference of Chartered Accountants deliberated on the changes, opportunities and abnormalities stemming from the crisis. An eminent panel of speakers and panelists stimulated our intellectual curiosity and questioned the way we do business in an attempt to explore adoption of new business practices. This maybe what we really need in these abnormal times.

The Conference

*41st National Conference
Sri Lanka*

*Largest accounting
conference in Sri Lanka*

*Live streaming to over
2000 participants*

*Covers corporate
leaders and CA
members in Sri Lanka
and its diaspora*

The Theme

*Small shifts in our
thinking and small
changes in our energy,
can dramatically
influence the end results
- The butterfly effect.*

*The pandemic has
shattered norms,
elevating uncertainty*

*It also opened new
opportunities and ways
of doing business,
creating a new normal*

*Conference will explore
how we can thrive in the
new paradigm*

Speech made by Guest of Honour

Sri Lanka made a remarkable, rapid move to move higher education online after all national universities were forced to close down in March 2020 due to the COVID-19 pandemic. The level of access to online education advanced significantly and inspiring digital transformation took place within the university system which transformed these seats of education in a relatively short space of time.

The lack of constantly steady, high-speed internet access was the most significant challenge for students and universities in continuing online higher education during the early commencement of COVID-19. Some students had to access online education through smartphones, using mobile data packages that many could hardly pay for. The condition in Sri Lanka was, however, much better than other countries as most of the internet service providers facilitated free access to university web servers, as the universities worked with the service providers to address the students' challenges. Additionally, student engagement for online learning sessions increased significantly in comparison with the traditional way of conducting lectures. This increased the capacity of the university system in Sri Lanka and the University Grants Commission increased the intake of students by 10,000 in 2020. It is expected that the intake in 2021 will increase by another 10,000 IT undergraduates as a result of an MoU between UGC & SLASSCOM, which will include job opportunities as well.

An important area requiring attention at present is the online assessment of high-stakes exams, which should be addressed very carefully including the use of new technologies.

Finally, responding to COVID-19 provided opportunities for Sri Lanka's university system. It witnessed zero level of complaints and protests which was the norm before the pandemic. The university education system is to become more resilient against unforeseen future challenges.

Guest of Honour



SENIOR PROF. SAMPATH
AMARATUNGA

Chairman, University Grants
Commission

Key Messages

Sri Lanka's university system adapted swiftly to address the challenges stemming from the COVID-19 pandemic.

Universities worked with private sector service providers to provide free wi-fi to university servers.

Online learning increased the capacity of the university system in Sri Lanka enabling increased enrolments by 10,000 students in 2020.

MoU between UGC and SLASSCOM enhanced capacity by a further 10,000 in 2021

Online assessments for high stakes examinations requires a more robust solution

2. Perspectives on Embracing ‘Abnormal’ and Navigating Through Shattered Norms

Navigating through shattered norms. This is not unfamiliar to the Government. During its previous tenure from 2006-2014, the Government faced many difficulties and navigated through these events carefully. This expertise holds the Government in good stead today.

Overall, the pandemic has had a profound impact on the nation’s economy, on lives and livelihoods, resulting in significant challenges to overcome. Managing this crisis has been a Herculean task undertaken by the public servants. Although quick to be condemned as inefficient, Government Officials have carried out a significant amount of work considering the urgency of the situation, and this must be appreciated.

Having transitioned through the pandemic, Sri Lanka is now more courageous and resilient in managing and withstanding these challenges, than at the onset. The State Minister briefly explained some of the initiatives taken by the Government, in responding to the crisis.

- **Economic stabilization** - The Government’s priority was to preserve confidence and ensure immediate stabilization of the economy. Extending a debt moratorium to COVID-19 affected businesses and individuals, the Government stepped in in a timely manner, to ensure the financial sector was not unduly disturbed.
- **Humanitarian support** - Simultaneously, the Government provided immediate humanitarian support to vulnerable communities through financial and material relief. This included payment distribution of a Rs 5,000 allowance to low-income families and distribution of provisions to families in isolated areas.
- **Co-ordinated and comprehensive strategy** - The Government sought to revive the economy in the new normal, as soon as possible, combining short, medium, and long-term initiatives. This included adopting timely measures to minimize the impact on the agriculture sector. Other economic sectors and industries were also carefully managed under a coordinated strategy. Organisations were encouraged to recommence business to support economic activity. There is a need for a coordinated public-private sector partnership in the recovery plan of the country.
- **Balancing Competing Interests** – Competing interests, from health and economic considerations when reopening the

Chief Guest



HON. AJITH NIVARD
CABRAAL

State Minister of Money and
Capital Markets and State
Enterprise Reforms

Key Messages

Public servants have carried out a significant amount of work in responding to the pandemic, and this must be appreciated.

There is a need for a coordinated public-private sector partnership in the recovery plan of the country.

In any challenging situation, to be successful, it is important to get the right balance amongst competing interests. The Government is conscious of this requirement in decision making with respect to the recovery of the country.

Chartered Accountants should assist in realizing the opportunities present in the country, to drive economic growth.

economy to elements of the fiscal and monetary policies adopted, impact decisions. Hon Nivard Cabraal contended the lesson, in any challenging situation, and what is important for success, is getting at the right balance amongst competing interests. The Government seeks to do this in taking decisions for the country, to create an overall environment that is conducive for business and which will foster economic growth.

- **Attracting investment for growth-** The Government is focused on attracting foreign direct investments to drive development and growth. Alternatively, he opined there are ten trillion rupees worth of deposits at various banks in the country. These internal funds can be used to fund growth, eliminating the need for external investors. He believes Sri Lanka is ripe to transition into the next phase, where capital markets can provide the funds for local businesses to thrive and prosper.

Hon Nivard Cabraal urged all Chartered Accountants to assist in realizing the opportunities the country presents including those of the Colombo Port City and Hambantota Industrial Zone.

3 Walk the Talk

The SME sector accounts for more than 75% of the total number of enterprises, provides 45% of the employment and contributes to 52% of the GDP of the Country. The lockdown demonstrated the agility and power of SMEs as they “walked the talk” effectively and more efficiently than their larger corporate counterparts in servicing their customers.

Craft to Empower, Innovation to grow

3.1 What is Seyln?

A leader in Sri Lanka's handloom industry, Selyn is a successful fair trade certified, social enterprise within the Small and Medium Enterprises (SME) sector, exporting handicrafts to customers across the world.

The company was founded in 1991 in Kurunegala with 15 employees and driven by a strong belief that empowering women through a sustainable business model will lead to social change in Sri Lanka. Today, the company provides consistent employment and fair wages to an island-wide network of 1000+ artisans, a majority of who are women.

3.2 The Business Model

Selyn offers women with flexible working modalities to access work from their own villages or homes. Providing flexibility is important, given non-availability of flexible working arrangements is a key reason for the poor female labour force participation rate in Sri Lanka. Further, the Company believes, providing opportunities to access work alone is insufficient to empower and uplift living standards; and extends their artisans with skills to stay at work, including health & wellness, financial management, leadership & entrepreneurship development.

Seyln is different to other garment manufacturers. The Company;

- operates in the crafts industry, dominated by the informal sector.
- offers employment to women who are unable to find work in urban areas and in mainstream industries, and who may have otherwise sought migration, at significant social risk.
- as an SME, is agile in adapting to an evolving business landscape.

3.3 Beating the Pandemic

With the onset of the pandemic in March 2020, Selyn lost business and had zero income. Although advised to lay off staff and protect capital reserves, the company opted instead to retain its employee base and stay true to its purpose of helping the local community.

To survive, the organisation adapted its core offering and pivoted into creating fabric face masks - the first in the local market to produce eco-friendly masks providing protection similar to N-95 masks. The organization's agility supported quick adaptability, and the company was able to offer work to its artisan base. Capitalizing on first mover advantage and marketing of the product under the #PeoplesMask global initiative, demand soared from local and export business. Since then, Selyn has sold almost 250,000 masks, successfully branding the product as socially and environmentally responsible, and appealing to the increased shift in global consumer trends towards demand for more sustainable practices and products.

Keynote Speaker



Ms. Selyna Peiris
Director, Business
Development, SELYN
Exporters (Pvt) Ltd

Key Messages

Identify the organisation's purpose and always be true to it. Success will follow.

Maximize profit while creating value for people and planet, by innovating products and processes.

Increase the female labour force and truly empower women. Provide them with not only opportunities to access work on flexible arrangement, but also the skills and facilities to stay at work.

Provide greater focus to SME's in recalibrating the economy and driving exports

Create Sri Lanka as a niche and project the country as an ethical and sustainable hub

Inspired by success in creating products with a purpose, Selyn continued to innovate, designing impactful products, that offer solutions to social issues. It is noteworthy that the organisation's reusable sanitary napkin has been endorsed by UN agencies.

3.4 Long term value creation

Although the company will end with a net loss for the year, Selyn draws satisfaction from their greatest achievement, that none of their employees were laid off - no one was left behind. The Company remained true to its core mission and placed people first.

Today, Selyn believes it is future ready, and stronger than ever before. Having re-strategized towards an export led growth and with new products into premium global markets, Selyn is confident of realizing its Vision.

VISION 2030

To be Sri Lanka's leading ethical manufacturer of handloom for like-minded global brands and designers, catalyzing growth in Sri Lanka's craft industry, thus improving the livelihoods of Sri Lankan artisans, women in particular.

Ms. Peiris shared her thoughts.

- **Recalibrate to sustainable business models.**
As the country recalibrates following the economic downturn, organisations must make virtual manufacture a key part of their offer.
- **Consider new growth avenues.**
The country is relying on industries that are currently in peril to take it forward to realize the envisioned future for the country. New avenues of growth must be considered.
- **Leverage people's skill for competitive advantage.**
Sri Lanka must invest in and leverage people's skills to create competitive products and services of higher value and quality. This has been the country's strength through its key industries - garments, tourism etc. It is what Selyn has achieved. It will also contribute to reduction in economic inequality.
- **Position Sri Lanka as a skill's hub**
Business leaders must then collaborate, share experience, and ensure the country is projected as an ethical and sustainable hub, aligned to global consumer trends.
- **SME's can play a pivotal role.**
A point of attention (for the Government of Sri Lanka) is the need to provide more focus on how the strengths of the SME sector can be truly leveraged to contribute to industry and growth. How can, people centric SME's be driven to export?

4 Defying the Normal

Although the triple bottom line has been a buzzword, the blunt reality is that no one quite understands how to make it work. The pandemic exposed these cracks and left businesses with little choice but to regroup, rehash and revitalise. There is a need to explore a practical framework for 21st century leaders that meets the expectations of all stakeholders and is resilient to unforeseen challenges.

4.1 Introduction

Organisations are exposed to increased levels of risk, and a rapidly growing urgency to manage these risks. However, research has highlighted that Boards.

- Demonstrate a significant knowledge gap over major risk areas impacting their organisations.
- Knowledge was primarily limited to finance expertise.
- Spent 90% of the time reviewing the past as opposed to navigating the future.

Dr. Fernando argues Boards need to change their approach to business leadership, to succeed.

Act with Urgency and ...

1. Develop an Appreciation of Science

Enables comprehension of reality, and increased awareness of the rising threats and opportunities.

2. Adopt Triple bottom line (TBL) mindset

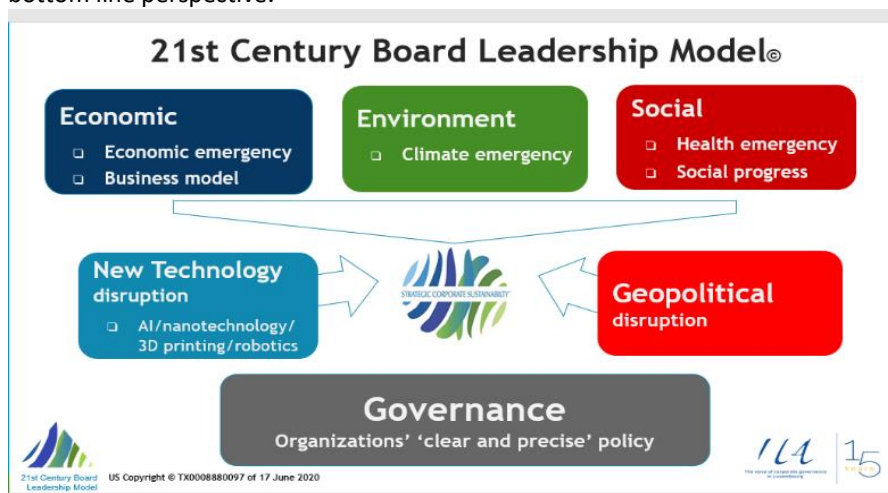
Mindset to “Meet the needs of the present without compromising the ability of future generations to meet their own needs.”

Leaders of the past have compromised future generations of their resources, dramatically.

3. Think 21st Century Leadership Model

Enabler to remain relevant and think clearly on the real business challenges that will impact the business and nation in the future, as described in the model below.

While it is impossible to ‘eliminate’ risk, 21st Century Board Leaders will ‘proactively’ mobilize strategies and actions plans to ‘minimize’ risk from a scientific and triple bottom line perspective.



Presenter



Dr. Ravi Fernando
Chairman, CEO, Global
Strategic Corporate
Sustainability (Pvt) Ltd

Session in Brief

Research highlights that business leaders lack knowledge and understanding over the major risk areas impacting their organisations.

*To be successful, business leaders must **act with urgency** and*

- Appreciate science.
- Adopt Triple Bottom Line mind set.
- 21st Century mindset

Appreciation of science is a mandatory requisite to acquiring leadership positions.

Step up and be relevant, remain relevant - by continually updating knowledge.

Adopt business models / brands with a purpose - that embrace sustainability. Planet and People on par with Profit.

• Position Sri Lanka exports higher up on the value spectrum. Generate sufficient profits to support people and planet.

• Invest in technology and sustainable innovation.

Climate Emergency Strategy

Climate Change risk is colossal, real and underrated. All business leaders must collectively be part of the solution and commit to transitioning their organisations to 100% Renewable Energy. How many companies in Sri Lanka generate over 30% of their energy requirement from renewable sources?

Health and Social Emergency

Organisations must have a “Code Red Strategy” in place to cope with Health emergencies from extreme weather patterns to pandemics.

- **Inequality: 1% of the world’s population controls 52% of the world’s wealth.** Business leaders should drive inclusive growth strategies to change the status quo in the communities their organisations operate in.

Economic Emergency

“If you do the right thing, you can do well and do good at the same time.”

Organisations must adopt sustainable business models to generate strategic profits. Sustainable innovation attracts investors. Example: Tesla: focus on energy innovation

Geo-political Disruptions

- Organisations must understand the geopolitical risks that impact Sri Lanka and their countries of business, and formulate strategies that maneuver these disruptions.
- Ex: Seek opportunities to exploit China’s Belt and Road Initiative and enhance national exports.

New Technological Disruptions

- Boards must be continually alert to the disruptive technologies reshaping their sectors, and use technologies such as digital analytics, artificial intelligence (AI) and Nano Technology/Graphene to rethink competitive strategies.
- Ex: Holland’s adoption of precision agriculture - world’s second largest agricultural produce exporter, despite size. Can Sri Lanka learn from this?

Governance Strategy

- New governance paradigm is the commitment to sustainability. Organisations cannot, at any cost, compromise planet (or people) for profit.
- Ex: European Investment Bank (EIB) ‘s new energy lending policy will cease to fund fossil fuel projects by end-2021, foregoing billions of dollars’ worth projects in the pipeline, for the planet.

4.2 Learnings from Case Study I

English Tea Shop (UK) (ETS)

A leading, premium organic tea brand with presence in over 50 countries. Organic and Fairtrade certified.

Adopts “Creating Shared Value” concept focused on achieving economic, social, and environmental sustainability outcomes by sharing value with and empowering its supplier communities and team of 350 employees.

4.2.1 Uplifts small organic farming communities.

Offers Fairtrade prices, invests in knowledge-based agriculture, Good Agriculture Practices (GAP)

4.2.2 Nurtures entrepreneurship amongst employees. Redefining productivity.

ETS trains their employees in finance literacy, marketing, to understand the “relevance” of business initiatives implemented, of their roles and how their work relates to business outcomes. Open book management supports transparency while crowdsourcing of strategy drives innovation and growth. All employees are involved in the creation of wealth, and wealth is then shared better and bigger.

4.2.3 Escaping the low economic complexity. Compromising profit in the short term for TBL growth.

Low economic complexity impacting tea was a concern. ETS culled the existing value-added tea export business overnight to launch a premium positioned brand that sold quality, sustainably produced organic tea to niche markets. The many awards and accolades since received, is a testament to ETS's success.

4.3 Learnings from Case Study II

Citizens Development Business Finance PLC (CDB)

From a negative net worth position over 20 years ago, the company has since grown to stand among the top 5 largest Non-bank financial institution (NBFI) s in the country.

4.3.1 Triple Bottom Line Approach to value creation.

A net lender to the rural economy, has offered financial inclusivity to base of the pyramid markets, creating a more equitable society. Drives renewable energy financing.

4.3.2 Adopting disruptive technologies

CDB leverages digital technology to make finance more accessible and relevant to communities. Was able to secure rapid competitive gains during the pandemic.

4.3.3 Small and Medium Enterprises (SMEs) obstacles to growth

- Many industries are yet at a primitive state. Transform these industries from basic commodities to high end, value added products supplying niche export markets.
- Create an enabling platform. Embrace a scientific approach to design and production. Invest in technology and automation, branding and global marketing.

4.4 Way Forward

- **Be Relevant** - Business leaders should adopt a learning mindset and continuously update knowledge to remain relevant to the risks and opportunities impacting their businesses (nurture 21st Century Board leadership mindset). Chartered Accountants must aspire beyond financial expertise, which alone is irrelevant.
- **Be part of the solution and not of the problem. Urgently.** - Appreciate science. Understand the real challenges impacting business and nation. Adopt sustainable innovation that address the nation's most pressing challenges while driving organisation success. Develop business models / brands with a purpose.
- **Increase access to sustainable financing.** - Elevate sustainable finance to mainstream. Leaders of finance institutors must appreciate climate emergency and adopt policies that support strategic solutions as opposed to short term profits.
- **Review curricula to drive appreciation of sustainability in business.** -Amend all curricula, particularly tertiary and including those of CA Sri Lanka, to prioritize teaching sustainability and triple bottom line approach to accounting. Create greater awareness of climate emergency amongst existing and future business leaders.
- **Escape low economic complexity. Boost exports earnings by adopting business propositions positioned higher up the value spectrum,** similar to the model adopted by ETS.
- **Drive SME growth by investing in technology and sustainable innovation.**

Panelists and the Moderator of Defying the Normal

		
<p>Mahesh Nanayakkara Managing Director/Chief Executive Officer Citizens Development Business Finance PLC</p>	<p>Suranga Herath Chief Executive Officer English Tea Shop</p>	<p>Moiz Rehmanjee (Moderator) Group Chief Financial Officer Hela Clothing</p>



5 New Economic Order

The impact of the recession stemming from the COVID-19 pandemic is expected to be devastating across the world with the economic impacts to some countries and businesses being more severe than others. IMF predicts major setbacks to living standards and warns that extreme poverty is likely to rise for the first time in more than 20 years.

Governments across the globe have responded with huge stimulus packages defying all known economic theories. What will be the effect of these bail-out strategies and how will the new economic order play out in the aftermath of COVID-19?

5.1 Introduction

As the lyrics from the song “As time goes by” from the film Casablanca remind us, “The fundamental things [still] apply, as time goes by”. It is important to recognize that all the rules of economics have not been suddenly altered despite the many changes in the world.

This maxim, that fundamental things still apply, holds true in determining Sri Lanka’s priorities for economic recovery as well. In Sri Lanka, there are three fundamental foundations of economic management that require focus in the present context:

- Credibility
- Stability
- Opportunity

5.2 Step 1: Credibility

Establishing credibility is the first step. Credibility is a form of currency. The trust that you engender from the world has real economic value. Credibility makes a large difference in the ability to overcome economic challenges Sri Lanka has been through a period in which credibility has been neglected and rebuilding credibility will be critical to its economic improvement. A few examples serve to highlight the ways in which credibility is being eroded.

*“This day and age we are living in
Gives cause for apprehension
With speed and new invention
And things like fourth dimension
Yet we get a trifle weary
With Mr. Einstein's theory.
So we must get down to earth at times
Relax relieve the tension
And no matter what the progress
Or what may yet be proved
**The simple facts of life are such
They cannot be removed.**
You must remember this
A kiss is just a kiss, a sigh is just a sigh.
**The fundamental things apply
As time goes by.”***

*Written by Herman Hupfeld 1931,
from the film Casablanca in 1942*

Presenter



Dr. Nishan De Mel
Executive Director & Head
of Research,
Verité Research (Pvt) Ltd

Session in Brief

Fundamentals apply even in during shattered norms

Sri Lanka needs to focus on three priorities to drive economic recovery:

Credibility – Address the following:

- Inconsistency in key numbers
- Improve track record of estimates
- Ensure forecasts are rational
- Avoid re-statements
- Ensure completeness, accuracy in reporting

Stability – Address the following:

- Reconsider applicability of MMT
- Sustainability of debt servicing
- Increasing inflation
- Funding budgets
- Defending the rupee

Opportunity

- Support high productivity
- Solve structural problems
- Think global

a. Inconsistency in key Budget numbers

Figure 1: Inconsistency in Budget Numbers Across Documents

Values in LKR Billions

	Budget Speech Pg 44	Budget Speech Annexure - Pg.46	Difference
Revenue	1,961	2,029	68
Expenditure	3,525	3,594	69

Source: Verité Research (2020). Public Report on the 2021 Budget: Assessment of the Fiscal, Financial and Economic Assumptions used in the Budget Estimates. Available at: <https://www.veriteresearch.org/publication/2021-budget-public-report-sri-lanka>

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b. Track record on estimates

The Committee of Public Finance puts together an alternative estimate using informal resources to those presented by the Ministry of Finance which proved to be more accurate overall as depicted below, despite the higher levels of resources available to the Ministry. This highlights the need to improve the budgetary processes to establish credibility in budgets.

Figure 2: Comparison between Estimated & Projected Revenue for 2017 (LKR Billions)

	2017 Ministry of Finance Projections	2017 COPF Observations	2017 Projected Revenue	Over projection		Estimation
				Ministry of Finance	COPF	Greater Accuracy
Total revenue (incl. PCs, excl. Grants)	2,088	1,962	1,989	5.0%	-1.4%	COPF
Total revenue (excl. PCs & Grants)	2010	1,884	1,901	5.7%	-0.9%	COPF
Tax revenue	1,821	1,695	1,749	4.1%	-3.1%	COPF
Income tax	335	297	308	8.8%	-3.6%	COPF
Corporate tax	158	132	150	5.3%	-12.0%	MoF
PAYE	51	39	35	45.7%	11.4%	COPF
Taxes goods & services	1,086	1,038	1,054	3.0%	-1.5%	COPF
VAT	380	390	450	-15.6%	-13.3%	COPF
Excise	575	517	481	19.5%	7.5%	COPF
Liquor	180	158	115	56.5%	37.4%	COPF
Motor vehicles	230	194	200	15.0%	-3.0%	COPF
Taxes on external trade	400	360	387	3.4%	-7.0%	MoF
Import & cess	225	200	217	3.7%	-7.8%	MoF
PAL & SCL	175	160	170	2.9%	-5.9%	MoF

Source: Committee on Public Finance Report

- c. The Budget forecasts a GDP growth of 1.5% for 2020 which is higher than Central Bank's forecast and those of the International Monetary Fund and World Bank which are even lower. As the forecast was presented in November after 3 quarters of negative growth, Sri Lanka would need to record 19% year on year in the 4th quarter growth to achieve this projection which has not happened historically. To assume that this could be achieved amidst a second wave of the pandemic challenged credibility of the government budget. Forecasts must be rational to be credible.

Figure 4: 2020 GDP Growth in Budget

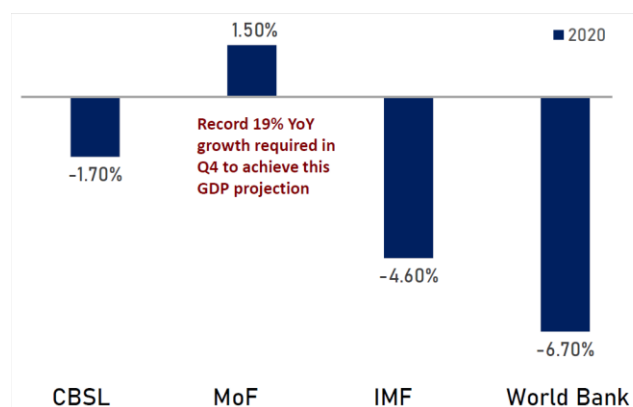
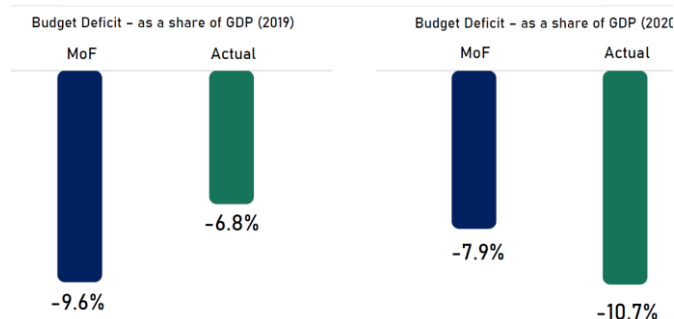


Figure 4: Restatement of Budget Deficit

- d. The Government also restated the budget deficit for 2019 which had been already audited and published in the CBSL reports. It had taken spending in 2020 and taken it to the past. Consequently, 2020 was also then incorrect. This misleads policy making, decision making and strategising to the detriment of the country's interests.



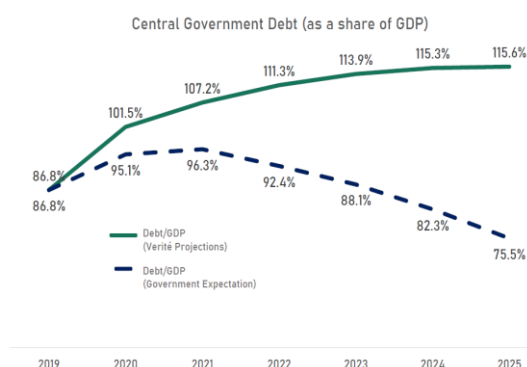
Source: Verité Research (2020). Public Report on the 2021 Budget: Assessment of the Fiscal, Financial and Economic Assumption Available at :<https://www.veriteresearch.org/publication/2021-budget-public-report-sri-lanka>

- e. Debt to GDP forecast by Verité using optimistic assumptions (given below) also differ widely from those of GOSL as shown in Figure 5 which also dents the credibility.

Figure 5: DEBT to GDP Verité Projections based on

Slide 1: Optimistic assumptions for projections

1. Negative 4.4% GDP growth expected in 2020 and positive 5% thereafter.
2. Depreciation effect on foreign debt - 4.4%.
3. Revenue increasing at the rate of nominal GDP + 5% from 2022 onwards
4. Expenditure increasing only at the rate of Inflation 2022 onwards
5. Inflation assumed to be government's expectation of 5%
6. Domestic Interest rates are expected to decrease to 5% in 2021 and 2022 and increase up to 6.5% thereafter
7. Short term to long term debt is 30:70.



Source: Verité Research (2020). Public Report on the 2021 Budget: Assessment of the Fiscal, Financial and Economic Assumption Available at :<https://www.veriteresearch.org/publication/2021-budget-public-report-sri-lanka>

- f. There are three problems noted in reporting the debt of the country.
- The debt of State Owned Enterprises (SOE) are not included in debt reporting. If SOE debt is included, the country's debt increases by 65%.
 - Debt is being transferred from the Ministry of Finance to the books of SOEs and back again
 - Misplacing of debt in transfers between the Ministry of Finance and SOEs

Whatever the economic order, old or new, credibility is fundamental.

Sri Lanka needs the Institute of Chartered Accountants, the National Audit Office and Auditors to rebuild credibility. This is an area in which CA's can contribute with their specialized skills. There is a need to create structures of audit around budgets, that ensures responsibility and credibility of the national budgeting process. Democracy works when there is adequate oversight and CA Sri Lanka can contribute towards improving citizen oversight by finding independent ways to support the GOSL to improve credibility.

5.3 Step 2: Stability

5.3.1 Modern Monetary Theory

Can Modern Monetary Theory (MMT) be a new economic strategy for Sri Lanka? As set out in Slide 2 inset alongside, the expectation of stabilizing an economy through modern monetary theory methods is predicated on very specific conditions. Unfortunately, these conditions don't pertain to Sri Lanka. Attempting to adopt new economic management methods without adequate study or understanding can destabilise the economy.

Slide 2: 2 x 2 on Modern Monetary Theory (MMT)

Understanding of MMT

1. An emergent, slightly new, macro-economic policy framework that applies only under a specific set of contexts and conditions.
2. The core approach is low fixed interest rates coupled with using budget deficits and taxation to increase economic output and reduce inflation.

Applying MMT to Sri Lanka

1. We are not aware of any research paper or study analysing applicability of the MMT hypothesis to the conditions and context that exist in Sri Lanka.
2. Policies stated in the latest budget are not consistent with MMT - e.g. entrenching reduced taxes is not consistent with the adoption of MMT.

5.3.2 Emerging Risks to Stability

Emerging risks threaten the economic stability of the country as summarized below.

Emerging Risks			
Sustainability of debt servicing	Increasing inflation	Budgets are not fundable	Rupee is not defensible

#1. Sustainability of debt servicing

Sri Lanka pays 6% of GDP on interest

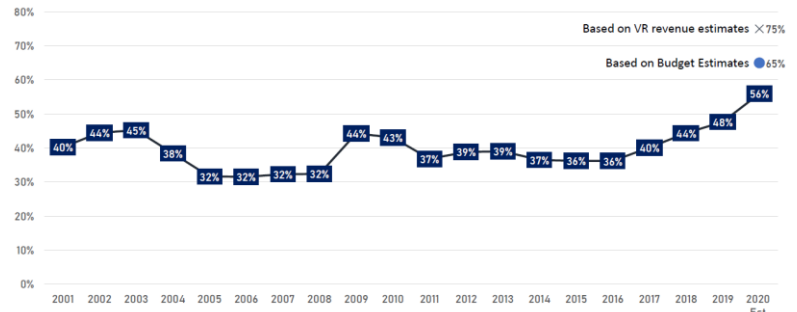
Sri Lanka has steered itself to low levels of revenue and interest payments account for 60% of revenue, an unprecedented cost of debt servicing

Figure 6: 2020 Interest Payments

LKR Billion	Budget Speech	Draft Budget Estimates
Interest Payments	866	1,000
Interest share of GDP (Real GDP growth 1.5 percent)	5.4%	6.3%

LKR Billion	MoF Estimate	VR Calculations
Revenue	1,547	1,330
Interest share of Revenue (Budget Speech)	56%	65%
Interest share of Revenue (Budget estimates)	65%	75%

Figure 7: Interest Payments as a % of Government Revenue



Source: Verité Research (2020). Public Report on the 2021 Budget: Assessment of the Fiscal, Financial and Economic Assumption Available at :<https://www.veriteresearch.org/publication/2021-budget-public-report-sri-lanka>

#2. Increasing inflation

Money supply increased by 20%

Figure 8: Overnight Outstanding Liquidity (LKR Bn.)

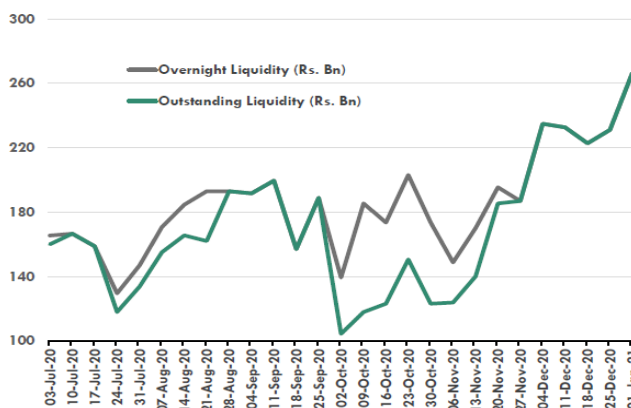
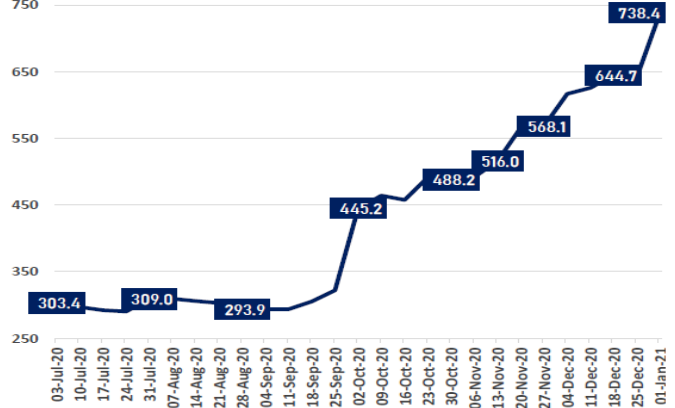


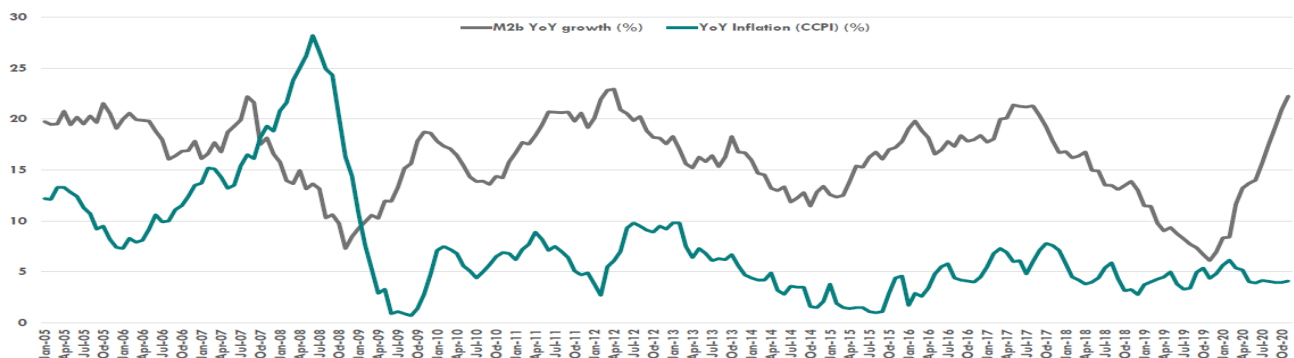
Figure 9: CBSL Holdings (Face Value) (Rs.Bn.)



Source: Central Bank of Sri Lanka

CBSL is lending to GOSL. Money printing. This does not lead to inflation. The lag effects

Figure 10: Inflation can have a long lag after Money Supply growth



Source: Department of Census & Statistics, Central Bank of Sri Lanka

#3. Budgets are not fundable

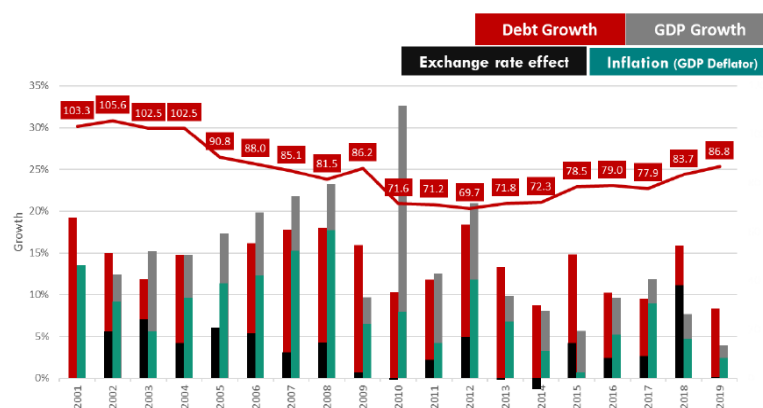
Government revenue is not sufficient to even pay salaries after interest payments

Figure 11: Government revenue in 2020

	LKR Billions	Share of Revenue (VR projection)	Share of Revenue (MoF Projection)
Interest	1,000	75%	65%
Salaries and Pensions	1,094	82%	71%
Other Expenditure	1,476	109%	94%
Total Expenditure	3,550	267%	229%

Source: Calculations based on Draft Budget Estimates 2021, based on government projections of inflation (5%).
Note: 2020 expenditure on retirement benefits by the department of pensions are taken as pension expenditure

Figure 12: Past Performances in debt management



Source: Author's calculation based on CBSL Annual Report for various years

#4. The Rupee is not defensible

Rupee weakened in December but Central Bank intervention has prevented continued downward trend – this cannot be sustained

Figure 13: Spot Exchange Rates LKR US\$

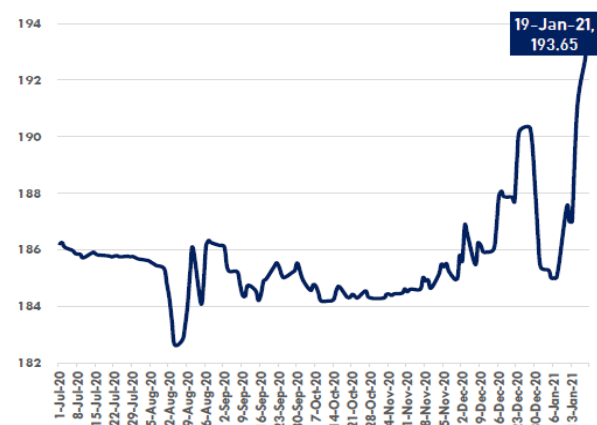
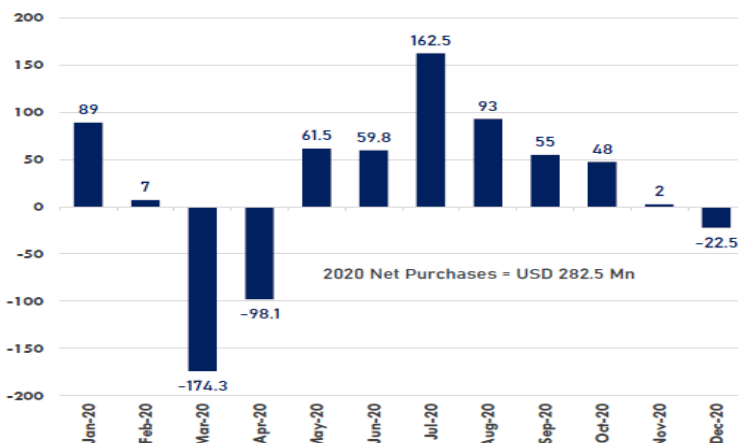


Figure 14: Net Dollar Purchases (USD Mns)



Sources: Central Bank of Sri Lanka/Colombo Stock Exchange

How long can the balance of payments crisis be delayed? Reserves are US\$ 5.5 Bn. Sri Lanka cannot delay it too long – maybe 2021.

Figure 15: Reserve Position

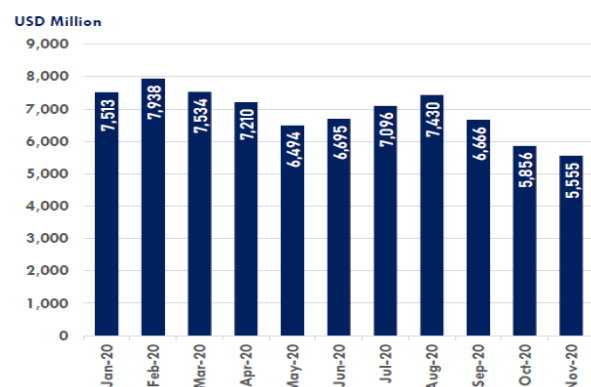
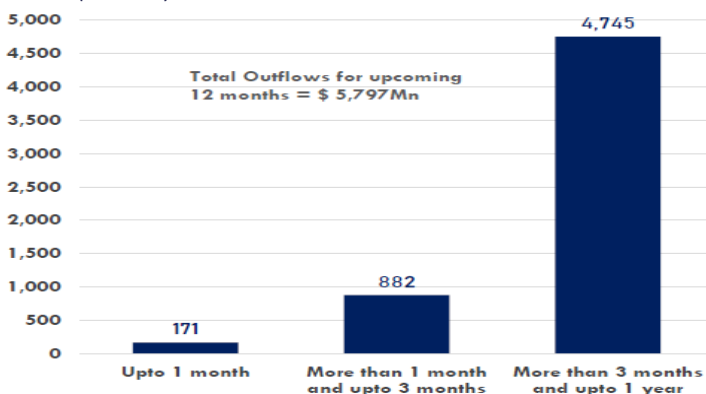


Figure 16: Breakdown of Upcoming Short-Term Foreign Currency Drains* (USD Mn)



Sources: Central Bank of Sri Lanka/Colombo Stock Exchange

* Reserves include USD1.4 Bn worth of swaps that will mature in 12 months

Poor data and poor policy lead to actions that create instability

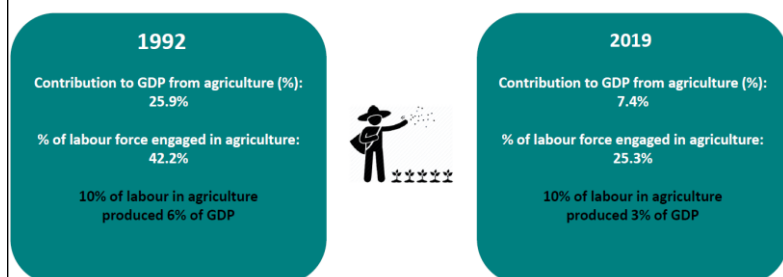
5.4 Step 3: Opportunities

#1. Support high productivity instead of subsidizing low productivity

Slide 3: Agriculture sector productivity

Agriculture Sector is Ripe for a Productivity Transformation

Relative Productivity of Agriculture Labour has Halved Since 1992

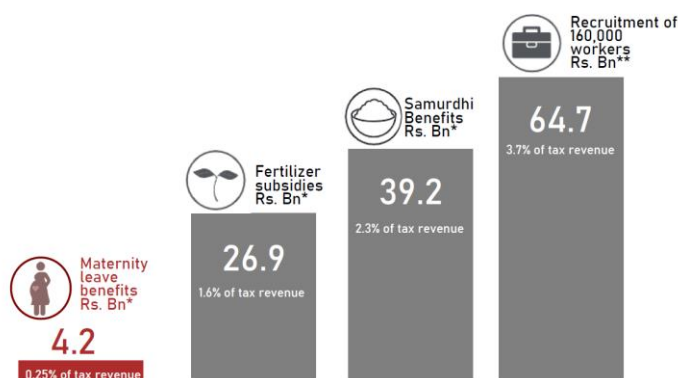


Source: Central Bank of Sri Lanka

- Sri Lanka has an opportunity to transform productivity on agriculture using new technology, it is almost a free lunch
- Reduce post harvest loss which accounts for over 20% of harvest. Most countries deploy plastic crates to do that. Government can fund the cost of plastic crates. It needs to be combined with a logistics operator to manage the crates. This can increase GDP by 1% -- it is virtually a free lunch.

#2. Solve structural problems

Slide 4: Cost of Maternity Leave Benefits compared to other subsidies





- Women labour force participation at 35% is a structural problem.
- Govt can pay for the maternity benefits of women in private sector to facilitate greater employment.
- There is research to show that when governments pay for maternity benefits, women labour force participation improves

*Costs were calculated from data in the labour force survey (2018) and compared to 2018 tax revenue

**The cost was calculated by Verité Research using data from Ministry of Finance Annual Report (2019) and Central Bank Annual Report (2019) and compared to 2019 tax revenue

#3. Think global, not local

	Exports of goods and services	Number of FTAs	Trade openness Index Ranking (2019)*	COVID Cases (as of 18 th January 2021)	GDP Growth 2020
	2000: USD 6 Bn (39% of GDP) 2019: USD 19 Bn (23% of GDP)	7	140/141	53,062	Q1: -1.6% Q2: -16.3% Q3: 1.5%
	2000: USD 17 Bn (54% of GDP) 2019: USD 280 Bn (107% of GDP)	14 (with major economies: ASEAN, EU, China, UK, Japan, Korea and Australia, India)	91/141	1,537	Q1: 3.8% Q2: 0.4% Q3: 2.6%

- Sri Lanka is weak in relation peer countries such as Vietnam with respect to realizing export opportunities
- In February 2020, the EU Parliament ratified a free trade agreement (FTA) and an investment protection agreement (IPA) with Vietnam

	<p>c. Vietnam looks for opportunities to grow, not to protect, aligning to the needs of the global markets</p> <p>d. Vietnam is leveraging the decoupling of US & China and is making real progress</p>
<p><i>* Trade Openness -Sub-index of the Global Competitiveness Index. consisting prevalence of non-tariff barriers; trade tariffs; complexity of tariffs; Border clearance efficiency</i></p> <p><i>Sources: Exports (World Bank); Number of FTAs: WTO RTA Database; Covidcases: Worldometers; Trade Openness: WEFForum: Global Competitiveness Report; GDP Growth: Trading Economics</i></p>	

#3. Think global, not local (Continued)

- The US China Trade War and COVID 19 has exposed the vulnerability of heavy reliance on China and firms are seeking to diversify their production and sourcing away from China
- This presents an economic opportunity for developing countries like Sri Lanka to become a potential supplier of product such as Apparel that were previously sourced from China
- Yet amidst China's declining apparel market share between 2015 and 2019 Sri Lanka's market share has remained constant, while Vietnam has seen considerable increase in its share in the US

Figure 17: Apparel Market Share in the US

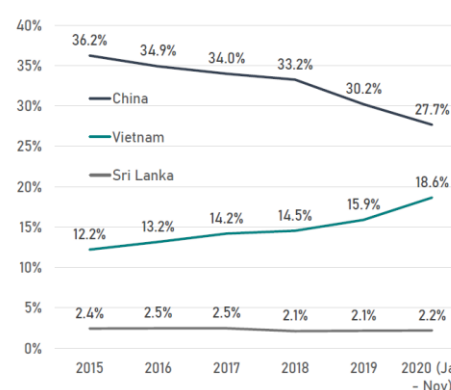
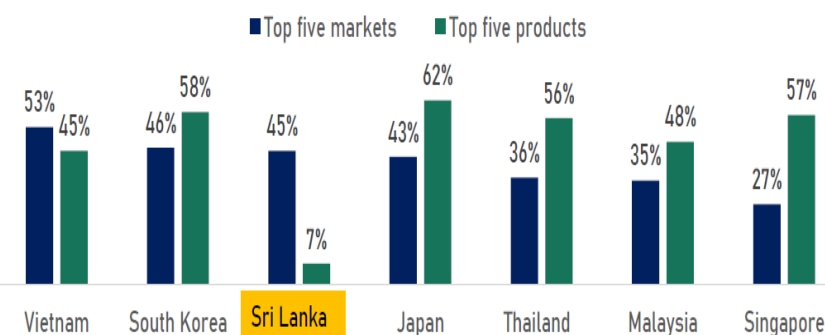


Figure 18: Export concentration of selected Asian markets in world top five markets and top five product categories (2016)



Source: Veritè Research: Sri Lanka's Export Problem, Not Concentration but Composition, 2017

Sri Lanka is positioned in the top markets but not the top products. While a significant portion of Sri Lanka's exports end up in leading world markets, only a small portion of the country's exports belongs to the top five product categories traded in the world. The country's top two exports (HS 61 and 62 –Apparel) are not even among the top ten products traded in the world. In contrast, the top two exports of the Asian countries selected for this analysis fall within the top five product categories traded in the world.

If we are to shift focus to growth in Asia, we need to move away from tea, rubber and apparel as these are what Asia exports to the West. We need new products to grow in new markets.

The new economic order is what we look for and COVID-19 has had a big impact. However, in the new normal the fundamental rules of economics still apply: Building credibility, stability and looking out for opportunity is the path forward for Sri Lanka.



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Global Rubber Industries (Pvt)
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CHEC Port City Colombo (Pvt)
Ltd



Tishan Subasinghe
(Moderator)
Managing Director
Moore Stephens Consulting (Pvt)
Ltd
Chairman, SANASA Insurance Co.
Ltd
Director, Amāna Bank PLC



6 The Perfect Link

The Pandemic has rendered Supply Chain Management, the prime driver of businesses rather than being a behind the scene enabler. This was accentuated by countries realizing that they needed to be more independent when it came to meeting their own food security requirements and being less dependent on imports; Sri Lanka was no exception. During these sudden disruptions and changes, the larger players were found to be perhaps too inflexible to respond to the situation whereas the smaller players and SMEs stepped up to the challenge reminding us that it was not only scale and size, but also the ability to be innovative and be flexible that will lead to building successful businesses. “The Perfect Link” will talk about the future of supply chains and how we should rethink to innovate flexible supply chains with new models.

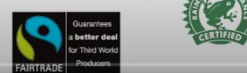
6.1 Introduction



Efficient, speedy, cost effective, transparent, agile, and ethical/sustainable supply chains enable the firm to be more competitive in the marketplace. The coronavirus pandemic has forced organizations to rethink their supply chains. Organizations must map and understand their supply chains from end to end, leverage strengths to seize opportunities for growth while remediate vulnerabilities that can strain and disrupt business.

Getting the 8R's of the supply chain right is key to success and along with it comes the increasing need to manage the sustainability of supply chains. Visibility throughout the supply chains is a key imperative as every business needs to understand and manage the potential risks and opportunities as we come under increasing scrutiny by society and governments.

- The **Right Product**
- At the **Right Customer**
- At the **Right Place**
- At the **Right Price**
- At the **Right Time**
- At the **Right Quality**
- In the **Right Quantity**
- In the **Right Way**



6.2 Developing supply chain resilience

In improving supply chain resilience, a risk-based approach involving systematic classification of risks and development of related response strategies should be adopted. Risks should be mapped on a matrix against likelihood of occurrence and severity of impact and accordingly managed.

Presenter



Ms. Gayani De Alwis
Global Chairperson,
WiLAT, Immediate Past
Chairperson, CILT, Non-
Executive Independent
Director, Singer Sri Lanka
PLC, Management
Consultant & Lecturer

Session in Brief

Map and understand supply chain from end to end. Leverage strengths to seize opportunities for growth while remediating vulnerabilities that can strain and disrupt business.

Conduct risk assessment and address BCP at Board meetings regularly. Action with clear responsibilities and accountability.

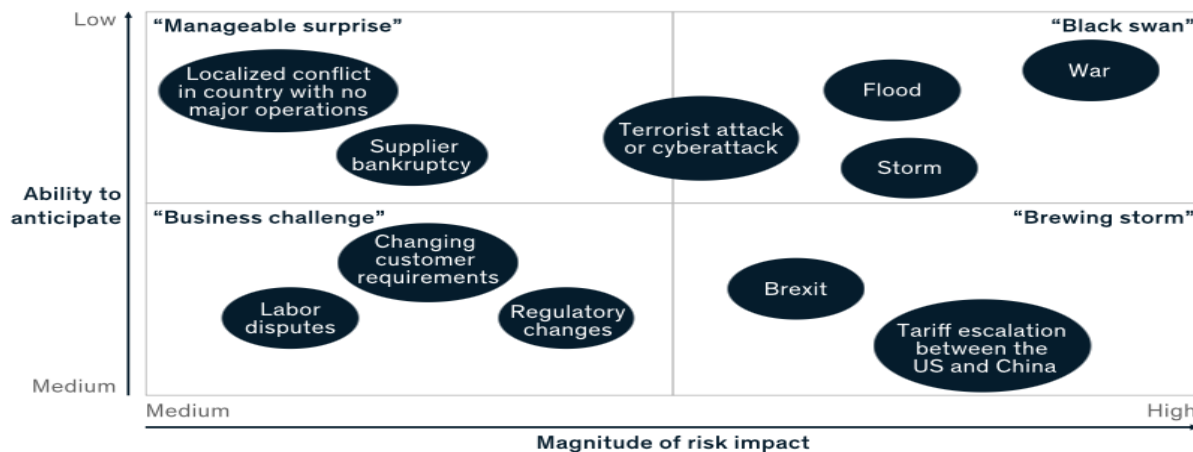
Build trust and commitment with supply chain partners

Invest in knowledge and technology to drive sustainability and efficacy.

Reimagine, repurpose supply chain, recalibrate to drive resilience.

The risk matrix should be addressed at Board level and a business continuity plan (BCP) actioned with clear responsibilities and accountability. The Speaker commented that at many organization' s BCPs were not sufficiently (and regularly) addressed at Board level.

RISK MATRIX



Source: McKinsey & Co

6.3 Opportunities on Supply Chain Management Arising from the Pandemic

- **Emergence of trade shifts** - Global manufacturers shifting sourcing and production activities out of China - leverage our strategic position and tap into the global supply chain opportunities. I.e. for near shoring to India, Distributed Offshoring - Foxconn's move to India.
- **Changing consumer behaviour** - More conscious on cost, environment and social responsibility, hygiene, safety, transparency, and visibility
- **Repurposing supply chain** - Agile and flexible organizations were able to repurpose supply chains. innovated and pivoted into new products that met new market requirements.
 - Seyln - face masks
 - Atlas Axilla – robots
- **Reconfiguration of supply chain assets** - Example: Singapore Airlines: Aero planes as pop-up restaurants
- **Resurgence of e-commerce** - Transparency and visibility! Many failed due to lack of understanding over their supply chains and the capabilities: Last mile delivery challenges.
- **Agile SME supply chains** - SME's are agile and can easily adapt to business challenges.
- **Collaborative partnerships** - Collaborate for synergies i.e., Hemas, EFL and Emirates for vaccine supply chain solution.
- **Food security**

SUPPLY CHAIN TRENDS

- Digitalization -Benefits from cost savings, efficiency, speed, visibility, and data driven analytics
- Robotization of manufacturing & logistics – i.e., Use of drones for stock taking.
- Sustainability - environmental and social responsibility embedded into business model.
- Vaccine Management - requires end to end critical management. Collaboration between government and private sector.

6.4 Case Study I - Achieving Global Success

Expolanka Freight (Pvt) Ltd.

- Ranked among the top 30 air forwarders and within the top 50 ocean freighters in the world.

- Digitalized entire supply chain system.
- Nurtures strong, trusted relationships with partners and customers. Focus on satisfying customer needs – reliability, efficiency, visibility/ transparency, speed.
- Drive a sustainability agenda, integrated into business model. Chooses partners – aligned to company values.
- Have a vision, think big. Take risk.
 - EFL was willing to expand overseas when industry peers were reluctant.
 - Established network in formidable markets.
 - Rationalized customer base – more eggs in fewer baskets. Focused on growth markets, industries.
- Strong leadership team. Driven. Empowered to take decisions. Always accessible.

6.5 Case Study II - Beating the Pandemic

Expolanka Freight (Pvt) Ltd & Hayleys Agriculture Holdings Ltd.

- Sri Lanka's largest fruit and vegetable exporter, accounting for 43% of the country's exports

- Robust business model - Agile business structure. Expansive Networks. Strong Team.
- COVID-19 Pandemic exposed inefficiencies. Rectified them. Transformed into stronger companies.
- Remained relevant. Understood reality of evolving business dynamics. Was ready to seize any opportunity to grow business.
- Value driven Relationship management - Placed relationships before profit. Was sensitive to supplier / customer needs and supported during difficult times. Met commitments, even if delayed or at loss to the Company. Nurtured confidence, trust, and loyalty.
- Leveraged network. Had presence in the right markets, end to end of the supply chain. I.e., apparels/ PPE: from manufacturer to buyer

6.6 Way forward

6.6.1 Brand Sri Lanka as a global hub for supply chain services

Key stakeholders to engage as a team in making this vision a reality; to study the operations of similar hub operators such as Singapore and Dubai and implement a cohesive strategy.

It was the opinion of a panelist to entice companies to use the country for commercial hub operations, by allowing them to engage in international business within the country. However, protectionist measures by local businesses/ entrepreneurs were highlighted as a key impediment to progress.

6.6.2 Reduce food loss and waste.

30-40% harvest is lost within the food supply chain. Lack of planning, from pre-harvest through post-harvest to distribution; was identified as the key reason. The following suggestions were made.

- Establish a national cropping calendar - the country is blessed with many agro-ecological regions with similar characteristics. Crops can be rotated within the regions to produce harvest throughout the year. While a crop glut can be avoided, farmers will benefit from gaining commercial value for their output.
- Improve yield and quality of produce, by driving agri-modernization through effective use of technology and systemic and scientific knowledge-based agriculture.

Department of Agriculture was in the process of compiling a database for each agro-ecological region. This should be expedited, and an effective cropping calendar implemented urgently.

6.6.3 Expedite the Government's E-agenda to support efficacy, speed, and visibility within the supply chain.

Ensure a sense of urgency and a real commitment at every step, to drive digitalization of State departments. Policies, legislature, and infrastructure to be established.

Although, the Department of Customs has been automated on a temporary basis to support business during the pandemic, absence of new policy legislature to permanently enact the changes was noted, and concern voiced over deviating back to the archaic system. Who will take the responsibility to urgently drive policy amendment?

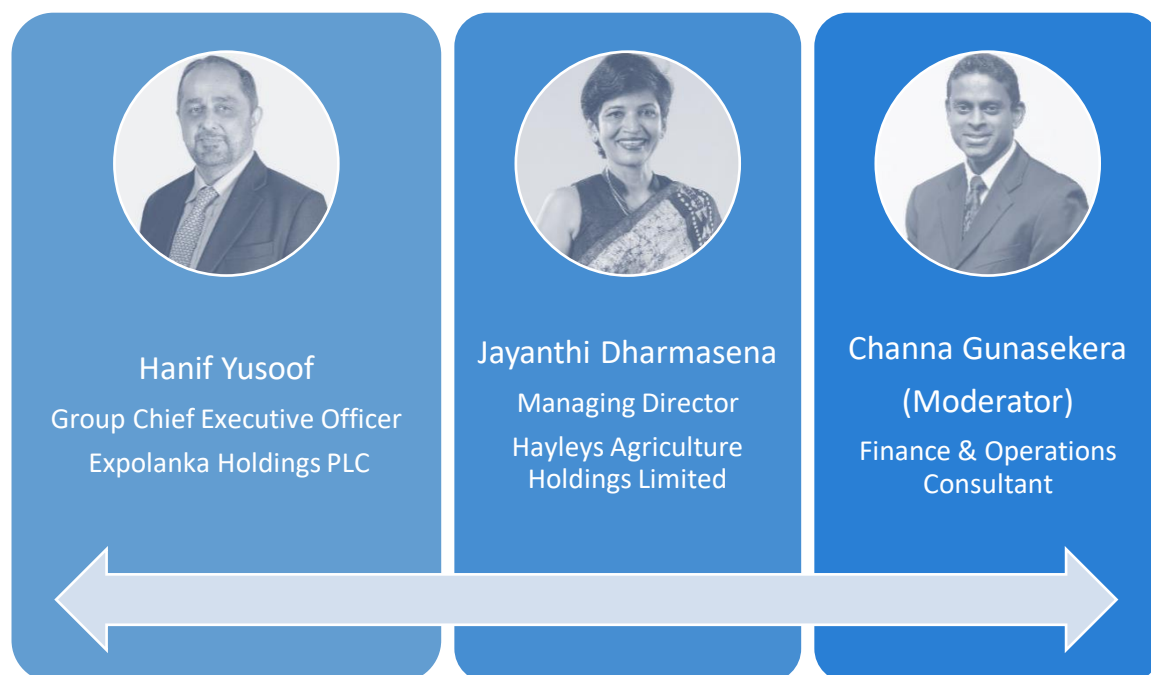
6.6.4 Engage in Co-petition, for industry growth.

Sri Lankans are averse to Co-petition- Collaboration among business competitors, although global archrivals including FEDEX and UPS, Samsung and Apple are collaborating to drive synergies, efficiencies (energy) and cost savings. For example, by collaborating on container space, transportation of containers, significant savings and efficiencies /reduced impact to environment can be achieved.

6.6.5 Develop SME Supply Chains

SMEs lack access to knowledge, technology, know-how to progress and grow. As the country recalibrates post pandemic, it is an opportune time to strategically invest in SMEs.

Panelists and the Moderator of The Perfect Link



7 Adopt Me

The pandemic has accelerated the need to find new ways of working and doing business. Technology is forming the bedrock to navigate this rapid change. Speed, agility and innovation are of paramount importance to survive the next decade. Fast adoption of technology and constantly redesigning the way you do business becomes the art of staying ahead of the curve and most importantly staying relevant to be relevant by finding ways to use technology and future proof your business.

The impact of the COVID-19 pandemic has been significant with GDP estimated at -5.5% for 2020 and forecast to be 4.1% in 2021 by the Asian Development Bank. While inflation remains fairly flat, the Sri Lanka Business Confidence Index which rose to a historical high after Presidential elections has now declined. It is a troublesome time for business and responding to customers and stakeholders is a challenge and this has been exacerbated by the downgrading of the country's sovereign rating. However, we all know that the world's biggest problems are the world's biggest opportunities. When you look at problems from a solutions point of view, that can be a business opportunity as well. The most resilient and winning economies in the post-Covid era will be the ones with the most digitally-ready governments and businesses. Are you ready for the journey to Adopt Me?

The experience of SDB during 2020 was about adopting digital technologies.

1. CA Sri Lanka was in discussion with SDB Bank to develop the SME sector which accounts for 52% of country's GDP, to teach them the skills required for financing, forecasting, taxation etc., when the lockdown happened. However, we signed the MOU via video conferencing call using digital signatures without delaying this important initiative.
2. SDB was raising capital through a rights issue. We could not reach out to our local and international shareholders through usual postal mail channels due to lockdown that prevented delivery of documents.
3. We also held our first ever hybrid Annual General Meeting using technology which also went smoothly.
4. We were at home but working and talking to our staff and international partners. This continues to this day with people from all parts of the country participating, eliminating tedious journeys to attend meetings in Colombo. Transportation costs were saved and travel time was saved increasing productivity.
5. In a Bank, traditionally signatures are required for numerous approvals. Several processes were digitized with internal campaigns and expert legal advice. The first loan agreement was signed digitally in separate locations and digital signature is now a thing in the organisation. This has ramped up our personal effectiveness and organisational productivity.

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Digitalization is the Post COVID-19 survival tool and all companies would have done some digitalisation. We need to maintain this momentum. Exponential growth of technologies and tools facilitated the acceleration of digitalisation in 2020, changing the world for the better. Technologies are

Presenter



Mr. Thilak Piyadigama
Chief Executive Officer
SDB bank

Session in Brief

World's biggest problems are the world's biggest opportunities

The most resilient and winning economies in the post-Covid era will be the ones with the most digitally-ready governments and businesses

Digitalization is the Post COVID-19 survival tool and we need to maintain the momentum gained in 2020

Sri Lanka is ready for digital technologies as significant progress has been made in key digital enablers

Digital technologies change the Local and Linear growth model to a Global and Exponential growth model through a 6D pathway

Take charge of your digital journey to gain competitive advantage

slide 5: Digitalisation Opportunities

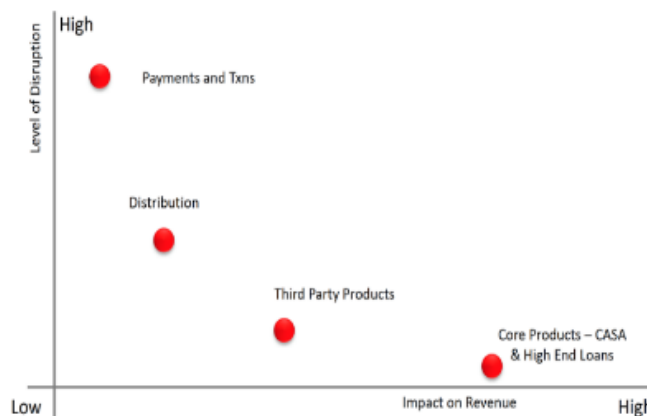
Digitalization - Opportunities

- Process Automation
- Process Reimagination
- Transformation of operating models
- Business Model Transformation

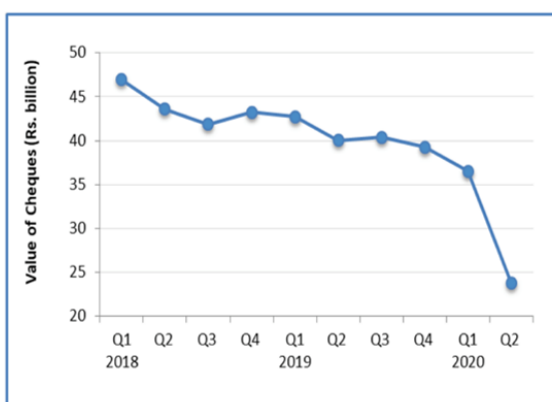
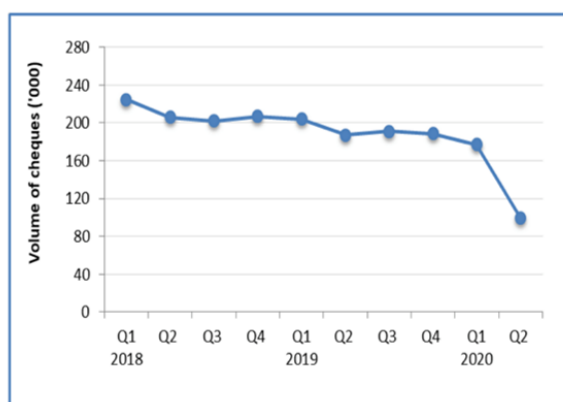
converging to transform businesses, industries and our lives. Additionally, bandwidth was also growing and costs were reducing. The Opportunities for digitalisation are set out in Slide 5.

In the banking industry, if we didn't adopt technology, we would be disrupted and areas of our adaptability is mapped on Slide 6. For accountants, the payments industry can disrupt and lower your costs drastically. The sharp decline in cheque volumes and values and the increase in CEFTS transaction volumes and values are evidence of the digital transformation in payments.

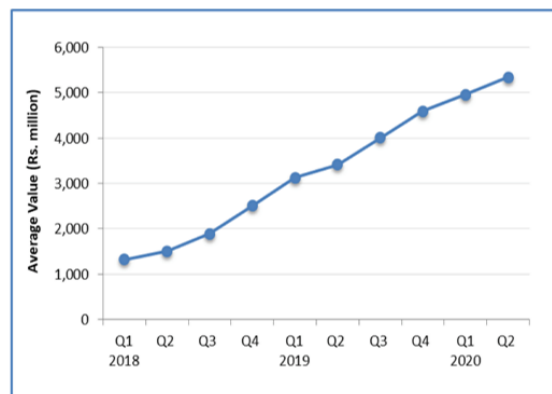
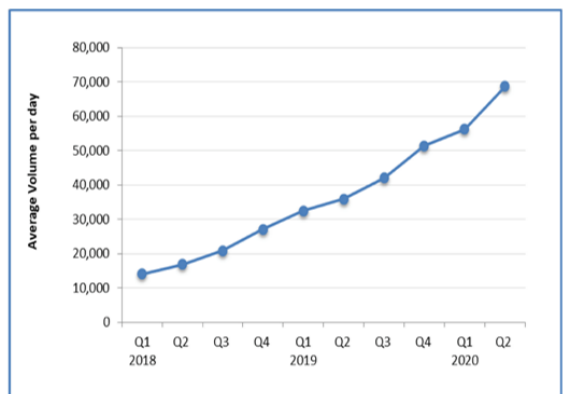
Slide 6: Adopting Technology in Banking



Slide 7: Average Cheque Clearing Volumes & Values



Slide 8: Average CEFTS Volumes & Values



Everyone, everywhere is connected at gigabit speed and ultra-low cost. Only 6% people had internet in 2000. It is projected that by 2022, 66% of population will be connected. This is estimated to be 100% by 2025 connecting 5 Bn minds. This presents both opportunities and challenges as the 5 bn minds will cocreate, discover, consume in new ways. It is not just people that are being connected – we are connecting everything, everywhere. In 2020, it is estimated that over 20 Bn devices were connected which had more than 1 Tn sensors. By 2030, this is forecast to be over 500 Bn devices connected to 100 Tn sensors.

McKinsey estimates that the Internet of Things will create \$6.2 Tn of new economic value by 2025 and these present opportunities for us. As highlighted by the New York Times, Uber, the world's largest taxi company owns no vehicles, Facebook, the world's most popular media owner creates no content, Alibaba the most valuable retailer has no inventory and Airbnb, the world's largest accommodation provider owns no real estate.

Is Sri Lanka ready for the digital transformation? Yes. Our digital enablers are set out in Slide 9 and I believe COVID-19 has enhanced our readiness. CSE has enabled online account openings and customs has enabled digital signatures. Our payment transformation is another fascinating example. Sri Lanka's fintech scene is growing rapidly and there are lot of new ideas coming out. Local companies are providing solutions for even digitalisation of global stock exchanges as we know. The government is also supporting the journey with a number of initiatives. Our progress is demonstrated below in slides 10 and 11. Mobile Phone density and internet users have increased significantly during the two year period, reflecting the progress made in readiness for adopting digital technologies.

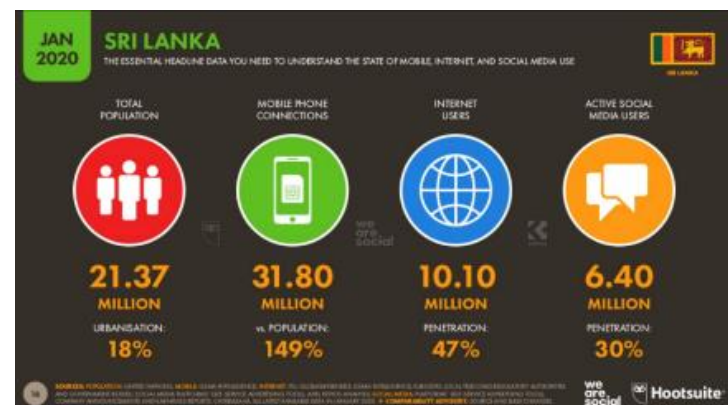
Sri Lanka's financial sector progress has also been encouraging and would have increased sharply during 2020 although the statistics reflect progress prior to pandemic related lockdowns in March 2020. The financial inclusion factors have improved since 2018 as depicted by slides 12 and 13 alongside.

Human Development over 150k years was local and linear. This has now changed exponentially and its global and exponential. For example, Dialog and SLTMobitel compete locally but they are also competing with WhatsApp and other players globally. This shows your business boundaries can get altered due to technological advancements.

slide 10: Sri Lanka Social Statistics 2018 January



slide 9: Sri Lanka Social Statistics 2020 January



slide 12: Sri Lanka Financial Inclusion Factors 2018

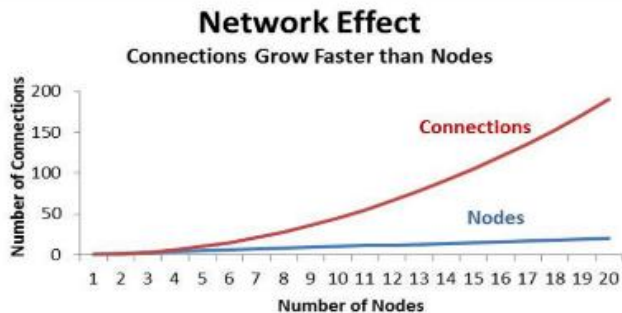


slide 13: Sri Lanka Financial Inclusion Factors 2020



Platforms leverage network effects and number of connections on a platform grow exponentially while nodes will continue to grow in a linear manner. Platforms provide open participative infrastructure for interactions and governs them while rating systems can eliminate poor providers.

slide 14: Network Effect



The 6Ds to Exponential Growth are given in Slide 17. Organisations that do not understand the linear exponential story can disappear. For example the rise of Instagram and the bankruptcy of Kodak. Today, many devices fit in your pocket and come virtually free on your smart phone which are examples of dematerialization and demonetizing. Examples of disruptors in this phase include WhatsApp and iTunes. The final stage of Democratisation is where everyone can have access to the technology as it comes at a low price point. It is worth reflecting a while on the time taken by innovations to reach 50 Mn users. Airlines took 68 years while Pokémon go took just 19 days, demonstrating the power of digitalisation to connect everyone, everywhere.

Number of Years it Took to Reach 50M Users



Slide 15: Platforms

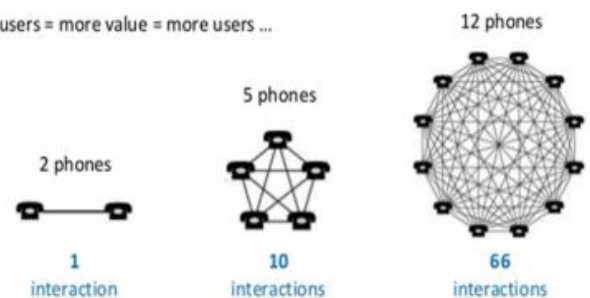
What is a Platform??

- A business based on enabling value-creating interactions between external producers and consumers
- Platforms provide an open, participative infrastructure for interactions and governs them
- Platform leverage Network Effects
- Matches users needs and facilitate the exchange of goods, services and create value for all participants
- Platforms can scale more efficiently by eliminating gatekeepers

slide 16: Platforms Leverage Network Effects

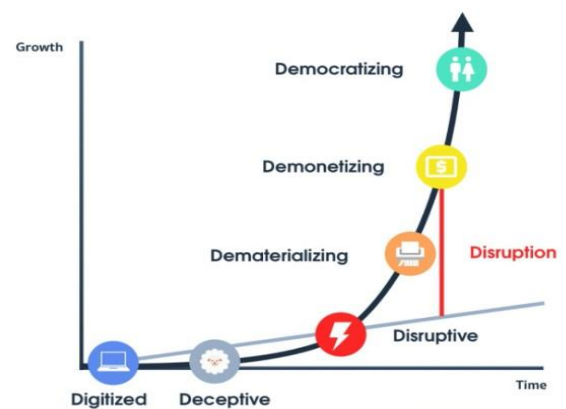
PLATFORMS LEVERAGE NETWORK EFFECTS

More users = more value = more users ...

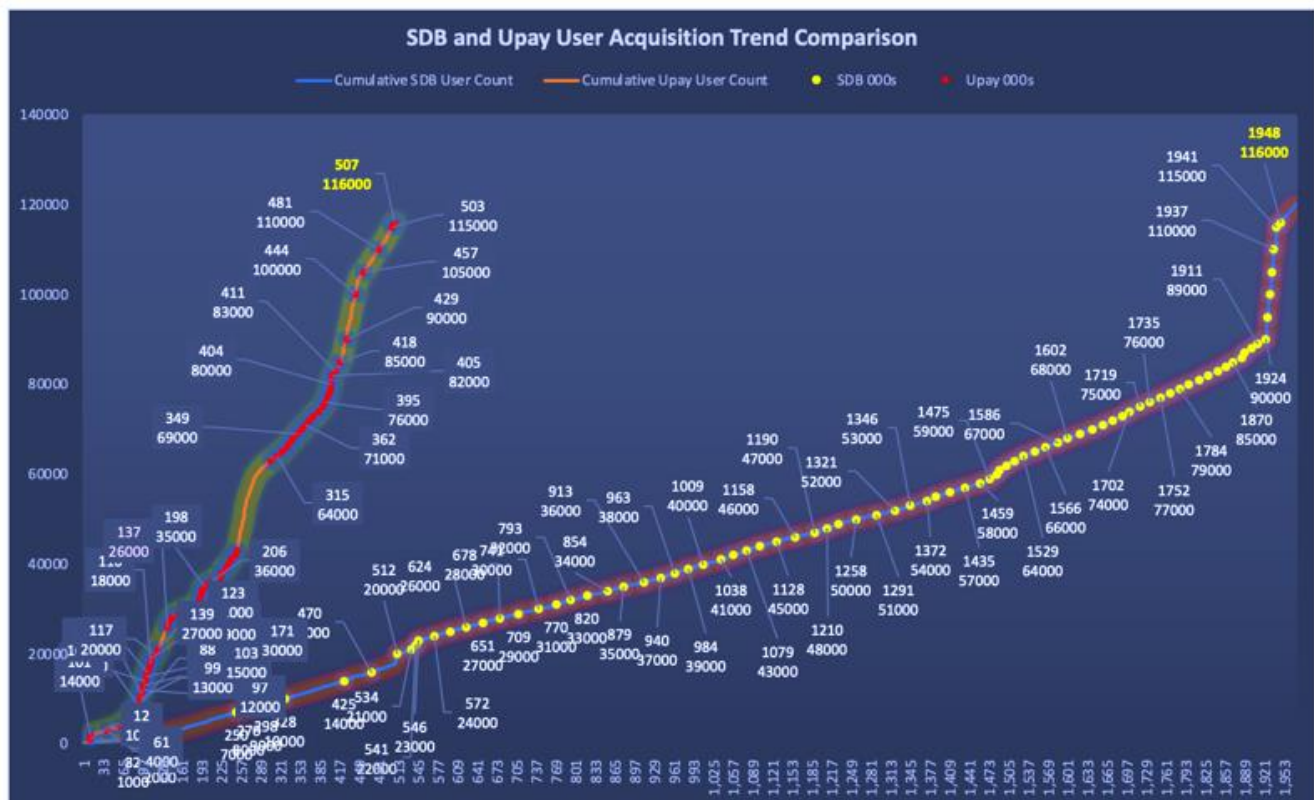


slide 17: 6Ds to Exponential Growth

6Ds to Exponential Growth



Upay the payment platform launched by SDB is an example of exponential growth as it was 4.5xx faster than the traditional banking as reflected in the graph overleaf.



7.1 The Way Forward

- Maintain the momentum on digitalisation - During the current crisis, businesses have worked faster and better. Maintaining that will be a competitive advantage
- *Have a start-up mindset* - This favours action over research, and testing over analysis
- *Purpose-driven customer playbook* - Companies need to understand what customers will value, post-COVID-19, and develop new use cases and tailored experiences based on those insights
- *Accelerating end-to-end value-chain digitization*
- Accelerate digital adoption to enable reimagination
- *Use data, Internet of Things, and AI to better manage operations*
- Make people, management and culture the main drivers of digital
- Own your digital journey and gain competitive advantage by properly defining how digital technology is to be used to shape your organisation, and customise your products and services

			
Suren Fernando Chief Executive Officer MAS Holdings (Pvt) Ltd.	Nikhil Advani Chief Executive Officer AIA Insurance Lanka Ltd.	Jayomi Lokuliyana Chief Executive Officer zMessenger (Pvt) Ltd.	Naresh Abeysekara (Moderator) Founder / Chief Executive Officer SECQUORO

8 Financial Integrity in Uncertain Times

Faithfully representing the future consequences of our business decisions, in monetary terms, involves striking a balance between doing what is convenient and doing what is right. In an abnormal time like the present, information available to make decisions keeps on changing making it harder to strike the right balance. In this session, we deliberate on how Chartered Accountants should maintain financial integrity and sustain the reliability of information reported to stakeholders, however volatile the business environment poses to be.

8.1 Perspectives from ICAEW

8.1.1 Integrity of the Profession & Audit Reform

The dictionary defines integrity as the quality of being whole and complete or the quality of being honest and having strong moral principles that you refuse to change. When we talk of financial integrity, the starting point is the role of chartered accountants in ensuring the accuracy and transparency of financial reporting, whether as preparers or as auditors. It is a cornerstone for investors and businesses, particularly relevant at times of volatility and uncertainty like the present. More importantly, accountants play a crucial role in building sustainable economies that are strong and resilient. CAs also ensure that businesses identify and manage risks, formulate strategies and achieve goals. Importantly, as stakeholder needs evolve and the contract between business and wider society changes, accountants have a more meaningful role to play and we need to adapt to remain relevant to societal needs if we are to be trusted.

It is important that the public have confidence in our actions and we need to demonstrate that we conduct ourselves ethically. ICAEW has its own code of ethics that all members must adhere to. In the UK, ICAEW also serves as a regulator and we have established a separate independent regulatory board. We also need to ensure that our actions match the standards we uphold and serve the public interest, distinguishing our profession from others.

There has been talk of an expectation gap in audit in the aftermath of corporate failures and scrutiny by regulators, media and the public, across a number of countries. Regulatory reviews have been undertaken globally but I will focus on the UK.

“People want to know whether a company is being honestly run and whether they have a future.”

Sir Donald Brydon

The UK Government has recently published proposals on the future of audit and auditing in the UK. The profession recognises the need for improving audit quality, and the role of audit firms, professional bodies and regulators in achieving this. The UK’s FRC (Financial Reporting Council) has moved ahead with large audit firms to publish a framework of 22 principles for the separation of audit and non-audit businesses. The regulator is also streamlining its own governance and processes. ICAEW has been active and engaged in the reviews and has also offered its own insights. The pandemic presented more challenges with regard to audit,

Presenters

Mr. David
Matthews
President
ICAEW



Mr. Manil
Jayasinghe
President CA
Sri Lanka &
Senior
Partner, Ernst
& Young Sri
Lanka



Session in Brief

Accountants play a crucial role in the sustainability of economies

We need to uphold the public trust in the accountancy profession

There is significant audit reform taking place globally in the aftermath of corporate failures

Accountants have a larger role to play in addressing the sustainability challenges and the digital transformation

We have to report honestly, consistent with the principles of the accounting standards despite the consequences arising from the pandemic

Preparers of financial statements must provide clarity, transparency and context regarding assumptions used in the preparation of financial statements

Auditors need to devise new ways to handle the additional volatility and uncertainty while upholding public trust in the quality of audits

particularly in assessing the going concern of businesses and addressing the practical challenges of auditing remotely. It is also important to note the growing trend for assurance over non-financial information, which is likely to increase with the demand for more information on Environment, Social and Governance by governments, investors and society at large.

CA's must be responsive to stakeholder needs and be relevant. During the next decade we will have to deal with many challenges, particularly with the impact of COVID-19 as the economic legacy will linger for many years. However, the global challenges were significant even before that, with sustainability, technological transformation, nationalist economic policies impacting trade and the changing social contract.

CA's have a vital role to play in addressing all of these and our success and visibility is essential to upholding the trust and reputation of the profession. ICAEW response is a case in point. While our Initial focus during the pandemic was on staff welfare and our ability operate, it shifted to three areas as set out alongside. ICAEW's response demonstrates our agility and the trust in the integrity of our profession in difficult times. We must ensure that it must be upheld.

8.1.2 Accountants & Sustainability

"Accountants can save the world"

Peter Bakker

*President, World Business Council for Sustainable Development
2013*

ICAEW Corona Virus Response

1. Using coverage of our members and their knowledge of UK businesses and their issues in accessing the various forms of support provided by the government and feeding it into government for refining the same.
2. Working with government and regulators to further refine those schemes and identify what further forbearances might be needed in meeting reporting and regulatory requirements while also providing guidance to preparers and auditors of financial statements.
3. Establishing our own Corona Virus Hub which provided information on the support schemes and how they could be accessed which became the most widely accessed online source for information on these matters in the UK.

Sustainability and the SDGs



- Increasing focus on sustainability
- SDGs can provide framework to build around
- Chartered accountants helping businesses transition
- ICAEW carbon neutral

We also have a larger role to play in the sustainability challenge as it is clear that some businesses may do little more than pay lip service to change. We know that as individuals and businesses that we can change dramatically as proven by the response to the pandemic. The Sustainable Development Goals provide a framework to build around and for measuring the success of our recovery.

CAs have a key role to play in addressing the sustainability challenge. At the level of the profession, we can support the development of internationally accepted metrics and methodologies that will enable governments, societal and business decisionmakers to address the economic and business challenges presented by the SDG's, supporting a systemic transition to sustainability. At an individual level, many of the core skills of accountants are relevant to help businesses meet their own transitions in support of national goals. They can create trusted information and insights, helping businesses understand risks, define goals, formulate strategies and also measure their success. ICAEW itself has taken the initiative to lead by example by becoming carbon neutral to lead with trust and integrity.

UK is hosting the 26th UN Climate Change Conference in November 2021 and Alok Sharma, Secretary of State and President of COP26 and the two Ministers supporting him in this are all ICAEW Chartered Accountants.

8.1.3 Accountants & Technology

We possess a global reputation for understanding the immediate effects and the wider perceptions and for enabling governments and businesses adapt with greater confidence. For many, it will seem as if the transformation has been playing out for most of our lives while younger CA's would not know anything different. What is different in the volume of data being created and stored, the availability of this data for businesses of all sizes and the technology and computing power that allows this raw data to become useful information. CA's will play a major role in this transformation although we may not be the sole guardian. By collaborating using our expertise in controls to ensure the integrity of data, helping colleagues pull out what matters from the data and making sure that information is used within ethical parameters are just part of what we bring and why we remain relevant. We should not underestimate the skill of taking this information and explaining to colleagues what it means and what needs to be done. This skill is often undervalued although it is second nature to many and crucial in the pandemic. The technologies to make the data usable are developing all the time. The profession will need to stay close to those organisations which are improving and developing business technologies of all types. The growth of data available will continue to increase and as a profession, we should be open to widespread use of data beyond the general ledger in to other structured and unstructured data sources.

Digital transformation

- Chartered accountants analysing data, ensuring integrity
- Protect against technological risk, cyber security
- ICAEW partnering with firms, organisations and governments

However, malign forces in the form of state actors, criminals and hackers exploit their ability to paralyse organisations, damage reputations and destroy value. Businesses of all sizes all over the world are vulnerable and our members whether as employees, government or advisors, need support in the constant quest to remain vigilant. The ICAEW brought this to the attention of members, partnering with member firms and governments to grow the knowledge, develop know how and demonstrate thought leadership. ICAEW's work with the UK Government and with the Shanghai National Accounting Institute in China, the Institutes of Chartered Accountants in Singapore and India are an example.

8.1.4 Meeting Today's Challenges

If we are to make difference in a meaningful way in addressing new challenges, we will need new skills and knowledge. For this reason we need to ensure that our qualifications not only adapt but also that our existing members have the necessary support to enable them to adapt as well. As a professional body, we have an obligation to ensure that we provide training, insights and guidance to our members on technical matters, policy and know how on these new areas. Accountants will need to understand the new methodologies needed to measure and report non-financial information, be quipped to exploit the professional and business potential of data, in ways consistent with the public interest and train as necessary to prevent and detect criminal activity inside the domain. The qualification also needs to move in sync not just in content but in its form. For this reason we have moved to computer based exams and, accelerated by the pandemic, to remote invigilation, a great achievement in difficult circumstances. The same principles have been applied to our other accreditations which support individuals enhance their financial knowledge. It is also necessary for the profession to recognise that those we accept into the profession will need different skills as well as looking at different places to identify the talent needed in order to ensure that the profile of our members better reflect the society it represents regardless of gender, ethnicity, sexual identity or social background. While the profession has achieved progress in this area, there is much more that we can do and this is one of the challenges for the future.

- Acquire new knowledge and skills
- Evolve our training and qualifications
- Support our members to adapt
- Increase diversity of talent

8.1.5 Summary

- Ensuring financial integrity is our business, which sustains businesses and economies. It takes on a whole new meaning at a time of crisis. Exercising that integrity and helping businesses and economies through that crisis will play a fundamental role in building our reputation and building public trust.
- There are massive societal and economic challenges ahead including sustainability and digital transformation.
- Chartered accountants are not only well placed to play a leading role but must do so in order to remain relevant and trusted. We must be at the forefront of thinking and ensure that all of our members have the requisite knowledge and skills to make the contributions that the public and private sector will need.
- Qualifications, CPD and high technical and ethical standards must keep pace with changing social contracts.
- If we grasp this opportunity, our profession has a bright future.

8.2 Why Does the COVID-19 Pandemic Pose A Challenge to Accountants?

*Integrity in relation to financial statements is the result of both the integrity of the preparers and the robustness of the processes by which they are prepared. Accounting is the foundation of businesses and lack of integrity in accounting can cause businesses to collapse like a building with a weak foundation. Such a crash can have disastrous consequences to innocent people who happen to be at the wrong place at the wrong time. Hence, despite the many issues raised by fellow accountants for waivers on accounting, even in difficult times, **we have to report what has happened honestly.***

8.2.1 Preparation of Financial Statements

Users of financial statements expect entities to base their estimates on assumptions consistent with management expectation of business performance and operating environment. These assumptions used in accounting estimates must be reasonable and supported with available information. Users expect transparency into the key assumptions used in f of users. Post COVID era will create a huge competition for capital. In such a scenario, we need to maintain integrity of financial statements to access that capital.

3 Aspects to consider		
How do we report the events that took place as a consequence of the pandemic?	In a time of shattered norms, how do we predict the future?	Uncertainty surrounding the sources of estimation

Given below are the key considerations in preparation of financial statements, taking into account the aspects outlined above:

1. Going concern – Pandemic created uncertainty. We need to assess whether the entity is a going concern in the current stressed environment. Does the entity have the resources to survive? These questions are going to be fundamental to the company preparing Financial Statements on a going concern basis. We need to take into consideration information available which include factors such as temporary shutdowns, import restrictions and the reliefs provided to assess going concern.
2. Impairment considerations for non-financial assets – Cash generating capability will be key to determining the value in use.
3. Inventory and impairment - Aspects to consider as to whether value is recoverable include loss of orders, loss of customers, impacts of pandemic on key customers. LKAS 2 states that Inventories shall be measured at the lower of cost and net realizable value.
4. Measurement of financial assets – These include debtors, bonds and securities. Financial statements must reflect the deterioration in credit quality in line with SLFRS 9. Determination of estimated

credit losses (ECL) depends on historical data such as days past due. However, moratoriums have changed that and model validation becomes more critical and the data used for the model becomes more important than days past due. Special considerations for banks and NBFIs are set out alongside.

5. Contract modifications – Considerations include determining whether alterations to an existing contract represent either a substantial modification or contract extinguishment. This could involve a higher level of judgement.

If a modification is considered, ~~is it~~

- Substantial: original asset is derecognized & a new asset is recognized
- Not substantial: the resulting DAY 1 loss is recognized immediately in P&L

6. Fair Value measurements – This has wide ranging impacts as there are many accounting standards that require or permit fair value measurement. Key consideration in this regard is inset.
7. Use of appropriate discount rates - Present value techniques are used to measure an asset or liability at fair value, value in use or other current value. Discount rates used should reflect current market assessment of the time value of money.
8. Revenue recognition - Variable consideration should be recognised only when it is highly probable that amounts recognised will not be reversed when uncertainty is resolved. Variable consideration estimates may have changed due to Covid-19 due to changes in expectations. It must be reiterated that revenue is recognized ONLY where it is probable that the customer will pay the transaction price when it is due, net of any price concession.
9. Deferred tax - The deferred tax asset is based on the recoverability of the asset and the questions of uncertainty discussed above remain relevant in this case as well. Additionally, Sri Lanka has a unique problem due to the confusion over the enacted rate and the rate announced where the standard is very clear that the rate used should be the enacted or substantively enacted rate.

Users of financial statements still expect the same reasonable financial statements despite the uncertainty. They also need to understand how preparers have come to the judgements made in preparing financial statements. Therefore, everything revolves around disclosures by preparers.

8.2.2 Auditing Financial Statements

Auditors' responsibility has increased due to the level of uncertainty at present. This has been exacerbated by the requirements of SLAuS 540 (Revised) Auditing accounting estimates and related disclosures. They also face practical considerations such as the availability of documentation, as even the most sophisticated systems still require some level of documentation. Auditors can't access some locations due to the (COVID – 19) pandemic which restricts the auditor and have to devise alternative methods of verification. CA Sri Lanka provided guidance on use of technology to overcome these challenges including use of electronic methods to view processes etc.

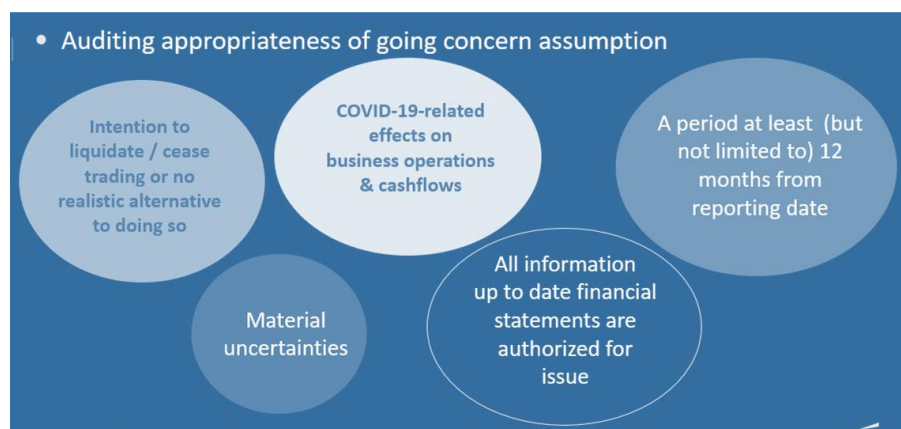
Fair Value Measurements

- Fair value reflects market's current expectation of future conditions at the measurement date
- In the current environment there could be little or no market activity
- When measuring fair value,
 - Maximize use of relevant pricing inputs observable from orderly market transactions
 - Use unobservable (or level 3) inputs to measure fair value ONLY when relevant observable inputs are not available

Special Considerations for banks

- Measurement of ECLs
 - Portfolio segmentation
 - Multiple macroeconomic scenarios (MMS)
 - Probability weightings assigned to MMS
 - Loss Given Default (LGD) and
 - Probabilities of Default (PDs)
 - Exposure at Default (ED)
- Accounting Implications of Relief Measures
 - Depends on the nature of the relief measure and its impact on the net economic value of the loan
- Risk Management
 - Additional disclosures under SLFRS 7 Financial Instruments: Additional disclosures for risk concentrations and risk management

There are other concerns as well. Lockdowns also created delays in reconciliation processes increasing the risk and therefore auditors need additional assurance. Working from home (WFH) adds another layer of complexity. How do we address confidentiality and IT risks such as cyber security. While there are benefits in the new paradigm, there are additional risks which need to be addressed as well. Going concern referred to above in preparing financial statements will be a key issue.



There is also a heightened risk of fraud including basic fraud and cybercrime as the current environment has created the ideal conditions for fraud. People are under stress and remote working has necessitated changes in controls and control environments. Auditors must review the effectiveness of internal controls to gain sufficient confidence in these circumstances.

8.2.3 Developments in 2021

The focus will be on issuing more guidance and preparation for insurance standard. Development on regulatory matters will be halted as there will be enough challenges to prepare financial statements in accordance with the principles embodied in the accounting standards, with integrity.

Accounting Standards

Adoption of Interest Rate Benchmark Reform (Phase 01 and Phase 02) – effective for Annual reporting periods beginning on or after 1 January 2021 which includes amendments to SLFRS 9, SLFRS 7, LKAS 39, SLFRS 4 and SLFRS 16.

Create public awareness and handle industry issues related to the SLFRS 17 Insurance Contracts which will be effective for Annual reporting periods beginning on or after 1 January 2023.

Further, deliberations of the amendments issued to SLFRS 17 are continuing at the Accounting Standards Committee of Sri Lanka.

Create public awareness on following IFRIC Agenda Decisions:

- Compilation of Agenda Decisions—Volume 1 published by the IFRS Interpretations Committee
- Compilation of Agenda Decisions—Volume 2 published by the IFRS Interpretations Committee

Auditing Standards

Create public Awareness and Issue Illustrative Examples on Latest Developments in Auditing Standards;

- SLAus 540 (Revised)
- SLAus 315 (Revised 2019)
- SLSRS 4400 (Revised) Agreed-Upon Procedures Engagements

Deliberations on Revised Quality Management Standards issued by IAASB in January 2021.

KEY CONSIDERATIONS FOR PRACTITIONERS

Auditing accounting estimates & related disclosures

- Current environment increases subjectivity, complexity and estimation uncertainty
- Requirements of SLAus 540 (Revised) *Auditing accounting estimates & related disclosures*

Operating effectiveness of controls throughout period of review

- Remote working & changes in controls (including delays in performing controls)
- Changes in ITGCs and application controls
- Entity's readiness to embrace IT
- Cyber security

Alternative or non – traditional methods of gathering audit evidence

- Traditional audit methods are heavily dependent on physical documents
- Social distancing may cause planned audit procedures impracticable (e.g. Physical verification of cash and inventory).
- Untraditional format / different means of gathering evidence (e.g. virtual counts, etc.)
- Considerations of authenticity of evidence obtained from management

Code of Ethics

Adoption of the 'Code of Ethics of CA Sri Lanka' based on the latest IESBA Code, with few modifications to deal with the local context.

In summary, reporting in times of heightened uncertainty require:

- Clarity in what we are doing
- Transparency in what we have done
- Context to what we are doing

The Moderator of Financial Integrity in Uncertain Times



Nilanthi Sivapragasam
(Moderator)
Chief Financial Officer
Aitken Spence PLC



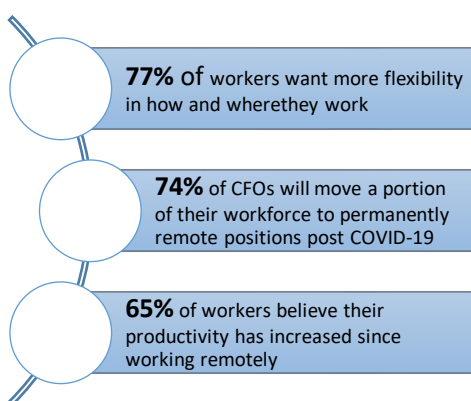
9 The Most Valuable Resource ?

Covid19 is a catalyst to reinvent the way we work, and organisations across the world have been forced to transform their workplaces in ways they never considered before. Working from home (WFH) is more a reality than ever before, but not every job can be performed remotely. Companies are at a crossroad; those that determine the right policies and practices to enable new ways of working will be able to attract and retain the right talent while those that fail to change will be left behind. Reskilling of employees, changing leadership and management competencies, building a culture of trust and openness are some of the areas that companies will need to focus on in this context. In this session we will discuss the challenges faced by companies due to the pandemic and how they are adapting to the future dynamics of work.

9.1 Introduction

COVID-19's impact on workers and workplaces across the globe has been dramatic. In adapting to the pandemic, many organisations rapidly shifted to temporary remote working arrangements, as they grappled foremost with the challenges of ensuring the safety and well-being of employees, while maintaining business continuity and securing the financial and operational resilience of the company.

Work from Home (WFH)	
Benefits	Challenges
<ul style="list-style-type: none">Increased employee productivity - from time saved in commuting, wider adoption of digital tools and a degree of flexibility employees would not have in office.Ability to attract a diverse talent pool.Significant cost savings from relocation of real estate offices. In the USA this has been estimated at USD 11,000 saving per person per annum.	<ul style="list-style-type: none">Employee engagement and related concerns over recruitment, remote management, company cultureContinuous remote work extends the workday, diffuses work-life boundaries, and reduces mental wellbeing.Data securityInnovation



The benefits of WFH Work from Home (WFH) model are proven and the case for a permanent change is building fast. (Source: Deloitte Architecting Work Models, Nov. 2020)

Organisations have begun to reimagine "where & how work will get done", and are gravitating towards a hybrid mix of onsite and remote working models.

Presenter



Dr. Archana Arcot
Associate Vice President,
Head of Client Business &
Talent Integration, Infosys
McCamish Systems LLC

Session in Brief

The benefits of WFH model are proven and the case for a permanent change is building fast.

Managing employee productivity is a key challenge in the WFH model. Requires managers to trust employees and delegate more.

Productivity concerns arise when employees find it difficult to balance work and life.

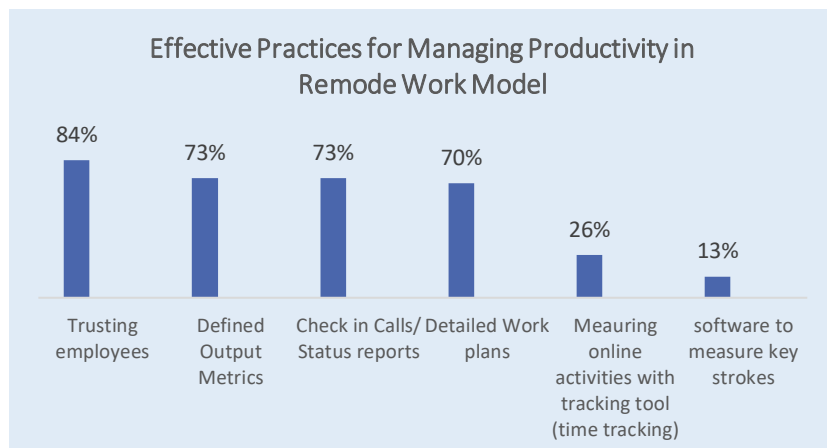
Flexibility arrangements offered to employees will become a significant talent and employer differentiator.

A hybrid model should be designed considering business imperatives, beyond cost.

Virtual engagement is of critical importance in keeping all employees motivated and productive and ensuring organisational success over the long term.

9.2 Managing Productivity

- Managing productivity in a remote work model requires a change in mindset of managers.
- Managers need to learn to trust their staff more and learn new skills of delegation and empowerment, in providing subordinates greater autonomy over their work. Organisation systems and practices including performance management systems should be redesigned to support the new work model.
- 30% of companies believe the right cloud collaboration tools also improve productivity.
- Employees who find it challenging to maintain work-life balance, have blurred lines between work and personal life, have experienced lower levels of productivity.



Source: Everst Group 2020 Work From Home For Outsourcing & Business Survey Services

9.3 Hybrid model @ Infosys

Infosys has announced adoption of a hybrid work model, having considered key business imperatives, beyond cost, including client service levels and employee productivity and moral. The shift to the new model will be successful only if it can translate into positive business outcomes. Key considerations are still being finalised. What should be the hybrid norm? 3 days of remote working and 2 days from office?

9.4 Humanizing work and building social capital

The foremost lever in managing a virtual workforce is engagement. With 99% of 240,000 employees working from home, virtual engagement has been very important to Infosys to make the new reality work well for the organisation. Infosys has reimagined their employee engagement work book, and redesigned HR tools to harness virtual ways to connect, Collaborate and Care in building employee morale, driving productivity and assimilating new hires.

Connect	Collaborate	Care
<ul style="list-style-type: none"> • Employees need to feel connected, engaged and have a strong sense of belonging. • A host of digital tools facilitates formal and informal connectivity. • Infosys trains managers with the skills to engage with virtual teams including practicing empathy and managing virtual meetings, conferences, and developmental conversations. 	<ul style="list-style-type: none"> • Refers to how teamwork, learning, agility is effectively carried out at the organisation. • Employees displayed greater ownership over self-learning and skills development • Infosys learning platform offers over 50,000 courses. Yet new courses were introduced relevant to skills and knowledge needed in current context. 	<ul style="list-style-type: none"> • Managers need to place greater trust in the team and delegate with balanced oversight. • This was a challenge for those used to managing physically present teams. Significant amount of training was conducted on shifting the mindset. • Training was also provided to managers in driving compassionate leadership.

Assimilating new recruits

To avoid a potential loss in social capital, Infosys reimagined and redesigned the internal onboarding programme “to create an immersive and integrated onboarding experience” for new recruits, over 4 personas.



9.5 HR Trends in the Next Normal of work

- **Flexibility arrangements will be a key consideration, with focus shifting from location to time.** Talented employees will make career choices based on the flexible working arrangements at organisations. Flexible arrangements will become a talent differentiator, employer differentiator.
- **Employers will shift from managing employee experience to managing life experience of their employee** - Productivity is only possible if employees have a sense of well-being. Greater visibility into the personal lives of employees has resulted in employers willing to support employees manage their lives at the extended workplace -the home, and not just their experience as employees. Organisations are providing employees with assistance to set up home offices or shift to enabling environments.
- **New regulations will limit employee monitoring** - A balance needs to be met in monitoring employee activity. However, there will always be a fine line between privacy and what can be monitored through digital tools.
- **Mental health support is the new normal** - According to Forbes, 72% of American adults have had their mental health negatively impacted, post COVID-19. Many organisations have commenced conversations on mental health, not commonly spoken about before and are investing in supporting employees. Organisations are adopting policies and a structured approach to “switch off ” times to assist employees maintain boundaries between their personal and professional lives.
- **Leading companies will make bulk purchases of the COVID vaccine for employees** - These companies are likely to get a competitive advantage over others.

9.6 Way Forward

Employees are the most valuable resource. Employers should focus on enhancing the human experience, vital in creating a sustainable business model.

- Virtual engagement should be prioritised as a mechanism for driving productivity, motivation and preserving corporate culture. Engagement programmes should be reimagined and redesigned to be relevant in the new normal.
- Future work models are gravitating towards hybrid. Organisations must design models that translates into positive business outcomes having considered business imperatives, beyond cost.
- Employees must be conscious of and engage in maintaining work-life balance. Blurring of boundaries between work and personal life has been identified as a key reason for poor productivity.
- Employee stress linked to the pandemic is high. Employers must provide mental health support to all employees.

Where possible, organisations should endeavor to look after employees being laid off, given the limitations of the Government in bearing any burden considering the current economic crisis.

- Employers will need to build a work force that is resilient and future ready. In addressing this requirement and hiring new talent, key considerations include determining consumer trends, skills required to be relevant, understanding the fallout from the pandemic on their youngest — and future — employees, the Gen Zs.

Panelists and the Moderator of the Most Valuable Resource?



