

INTELLIGENCE & INSIGHT FROM CA SRI LANKA

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THE FINTECH ACCOUNTANTS ARE COMING



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CA



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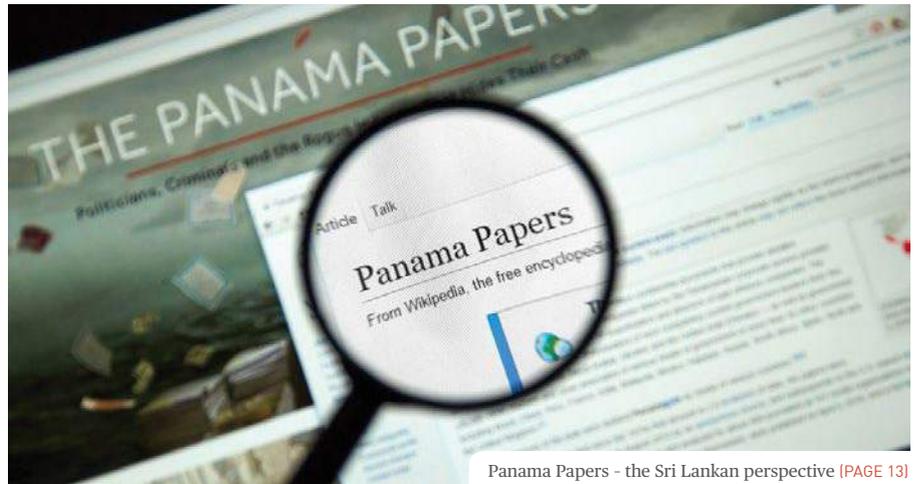
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Intelligence & Insight from CA Sri Lanka

SMPs and the cloud

Small Sri Lankan accounting firms must adapt to sweeping changes brought about by financial technology, or risk losing business to internet start-up companies providing accounting services on the cloud. The global financial services industry is under threat, with machines running on software taking on professional skills in banking, fund management, market research and even accounting. The title of a 2015 Wall Street Journal article, 'The New Bookkeeper is a Robot', says it all.

Financial technology start-up companies, known as fintechs, providing online financial services are at the forefront of replacing humans with machines. You may love them or hate them, but fintechs are popular; venture capitalists invested \$19 billion on fintechs in 2015, according to KPMG, five times over \$4 billion two years ago.

Fintechs provide a range of financial services impacting a wide array of sectors including lending, personal finance, retail investment, consumer banking, remittances, payments and ecommerce, institutional banking, equity financing, market research, and accounting.

Fintechs like Xero, Free Agent, Salarium, Jurnal, Happay and FlowAccount provide online accounting services, and are successful because they are more accessible and cheaper, and popular with small and medium-sized businesses, the lifeblood of a majority of traditional accounting firms worldwide that are small and medium partnerships. For accounting professionals, the debate is around how they should respond to the fintech challenge. The obvious and popular option is to invest in technology. Larger accounting firms are already doing this, but this only gives machines an extra leg into the domain of human skill. On the other hand, investing in financial technology will only help the profession remain relevant and grow.

Fintechs could easily take away small and medium-sized business clients from Sri Lanka's small and medium practitioners (SMPs) with more accessible and cheaper online accounting services that run on the cloud and don't need huge investments and space for servers. However, there is tremendous opportunity if practitioners can invest in technology to provide added value online and automated services to clients. Sri Lanka has a challenging and complex policy, regulatory and taxation environment. The first fintech or accounting firm that can successfully provide online services and automation in such an environment has a vast market to gain with early bird advantage.

As the economy grows and businesses become more sophisticated, demand for fintechs will grow. The disruption they will cause the accounting profession here will seem to happen overnight unless preparations are made now to welcome it; embracing fintechs can help firms ride the wave, not to do so means being left behind.



Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is one of the largest professional organizations in Sri Lanka in which 5,400 chartered accountants have obtained membership. The Institute provides insight and leadership to the accountancy and finance profession in Sri Lanka as well as globally. Our well-qualified members are trained to provide financial knowledge and guidance based on the highest professional, technical and ethical standards, thereby assisting communities and organisations gain long-term sustainable economic growth.

ETHICS COMMITTEE

The Ethics Committee received 10 complaints during 2015. The Committee inquired into these complaints, and out of the 10 cases, investigations on 6 cases were concluded and the balance 4 cases are still being inquired into. These complaints primarily relate to alleged professional misconduct given in the Second Schedule of the institute's Act of Incorporation.

DISCIPLINARY COMMITTEES

During the period, on the recommendations of the Ethics Committee, four Disciplinary Committees were appointed, of which three committees concluded its proceedings and recommended the Council to take appropriate action on the basis of which the Council has communicated the outcome to the complainants and respondent members. The three Disciplinary Committee proceedings that were concluded related to the violation of laid-down procedures in accepting an assignment for professional services. The Council warned the respondent members to adhere to all requirements given in the Act when accepting an audit assignment, and in the event any further complaint is received against them in this regard, the Council would take immediate steps to suspend and/or disenroll their membership in the institute.

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A word from the President

President's Message



●● The success of our profession will depend on the respect that we as Chartered Accountants gain from the business community, the government and society. ●●

In complex times and amid heightened competition, the role of the accountant has evolved drastically, from that of a conventional number cruncher to a business leader and investigator.

Remaining relevant in a versatile profession such as ours is very important, and in our capacity as both the national body of accountants and a leading professional body in Sri Lanka, it is the duty of CA Sri Lanka to ensure that our members remain relevant and progressive.

Chartered Accountants are a unique breed of professionals who have, over the years, earned an exemplary reputation for their use of exceptional technical know-how in conducting business, which has given them an edge not only to excel in their conventional role, but also giving them the opportunity to take on more challenging roles in corporate management.

An integral part of our strategy is to develop and enhance small and medium sized practices to ensure Sri Lankan SMPs are on par with international standards. We have already started a programme with the support of the International Federation of Accountants (IFAC) and the South Asian Federation of Accountants (SAFA), and inaugurated the CA Sri Lanka-SAFA-IFAC SMP Regional Forum in Colombo.

The success of our profession will depend on the respect that we as Chartered Accountants gain from the business community, the government and society. Therefore, as professionals who are known as 'gatekeepers', we have an important role to play in assisting the government, the public and the business community to prevent fraud and corruption by utilising our technical skills. Increasing competition we have witnessed the world over has

opened avenues for more unscrupulous activities, with heightened corruption and the lack of accountability. It is, therefore, to address this growing concern that CA Sri Lanka launched the Certificate Course in Forensic Accounting. This is a course that is not only pertinent in the current context, but also an important initiative in ensuring that public expectations are met.

Furthermore, to assist our members in the public sector, we are continuing our initiatives to professionalise public sector financial management practices in the country.

As an Institute, upgrading the skills of our members will remain paramount. We will continue to offer various programmes to develop and enhance the unique skills of our members in relevance to the environment in which Chartered Accountants work.

Our members are our pride; they are among our most important stakeholders. There is no doubt that the future of our profession lies both with the present generation of members and future members; hence, every effort will be taken to ensure that they are not only groomed at the beginning to be globally sought-after Chartered Accountants, but as we progress along and with time, every effort will be taken to continuously upgrade their knowledge, so our members will remain relevant, progressive, and most importantly, globally sought after.

Lasantha Wickremasinghe
President - CA Sri Lanka

Periscope

THE WORLD BANK LAUNCHES PANDEMIC RISK INSURANCE MARKET

The World Bank launched the world's first insurance market for pandemic risk, with a \$500 million, fast-disbursing insurance fund to combat deadly pandemics in poor countries at a Group of Seven finance ministers and central bank governors meeting in Sendai, Japan. In the event of a pandemic outbreak, the facility will quickly release funds to affected poor countries and qualified international first responder agencies.

The Pandemic Emergency

dent Jim Yong Kim said. "We can't change the speed of a hurricane or the magnitude of an earthquake, but we can change the trajectory of an outbreak. With enough money sent to the right place at the right time, we can save lives and protect economies."

The insurance, however, is applicable only to certain classes of infectious diseases that are most likely to cause major outbreaks. Several types of influenza, SARS, MERS, Ebola and Marburg are in-

IMF MAKES DIRE PREDICTIONS IF UK VOTES 'YES' TO BREXIT

The International Monetary Fund reinforced a Bank of England report that warned that, should Britain choose to leave the European Union, it could push its economy into recession. London's status as a global financial centre could erode should the UK vote to rescind EU membership in its 23 June 'Brexit' referendum. The global financial body predicted that London's powerful financial services sector would lose clout due to losing 'passporting' rights, which allow professionals to work in any EU country without having to get separate licences in each of the 28 member countries. As a significant portion of the British economy is based on services, particularly in financial areas like banking, tax consultancy and accounting, such rights are critical for the UK. A 'yes' to Brexit result would lead to intensified uncertainty, which in turn would lead to financial market volatility and a hit on output, the IMF predicted.

Britain would be required to negotiate the terms of its withdrawal, as well as its new relationship with the EU, should it decide to exit. Furthermore, there are EU-level trade deals with 60 non-EU economies, as well as prospective deals with another 67 countries. These negotiations cannot be completed quickly, and it may take years for all parties to come to an agreement, weighing down on investment and economic sentiment.

The IMF added that a UK exit from the EU would also lead to increased volatility in key financial markets, as markets adjust to new circumstances. ■

\$500
MILLION

VALUE OF THE FAST DISBURSING INSURANCE FUND FOR DEADLY PANDEMICS

\$50
MILLION

AMOUNT CONTRIBUTED BY JAPAN TO THE PANDEMIC EMERGENCY FINANCING FACILITY

\$7
MILLION

AMOUNT SPENT BY INTERNATIONAL DONORS TO FIGHT THE 2014 EBOLA OUTBREAK

\$2.8 BILLION

- GDP LOSSES IN SIERRA LEONE, LIBERIA AND GUINEA DUE TO THE 2014 EBOLA OUTBREAK

Financing Facility will combine funding from reinsurance markets with the proceeds of a new World Bank-issued, high-yield pandemic catastrophe bond. Japan committed the first \$50 million towards the facility. The World Bank hopes the new facility will spur the development of a market for pandemic risk, like that for natural catastrophe risk from the 1990s.

The facility was stimulated by the slow international response to the 2014 Ebola outbreak, when it took months to collect significant funds for affected countries, even as death tolls rose. "The recent Ebola crisis in west Africa was a tragedy that we were simply not prepared for. It was a wakeup call to the world," World Bank Presi-

cluded in the list. The World Bank has estimated that, had the facility existed in 2014, \$100 million could have been mobilised as early as July and severely limited the Ebola outbreak. Instead, it took three months for funds of that worth to begin flowing.

The 2014 Ebola epidemic resulted in the deaths of over 11,300 people and has cost at least \$10 billion - \$7 billion in international aid and \$2.8 billion in GDP losses in Liberia, Sierra Leone and Guinea.

The Zika virus, now spreading in Latin America, is not included in the insurance scheme, but funds for Zika and other diseases that could lead to pandemics would be made available through a separate cash window. ■

23
JUNE
DATE OF BREXIT VOTE

27
NUMBER OF EU MEMBER COUNTRIES SHOULD BRITAIN DECIDE TO LEAVE

27 - 60
NUMBER OF NON-EU ECONOMIES WITH WHICH THERE ARE EU-LEVEL TRADE DEALS THAT WILL HAVE TO BE NEGOTIATED SHOULD THE UK VOTE TO EXIT

Periscope

UK ACCOUNTANTS, LAWYERS TEAM UP AGAINST CORRUPTION

Professional accountancy and legal organisations in the UK joined hands in an effort to introduce transparent and consistent anti-corruption internal controls at public and private sector organisations calling for global whistle-blowing protection laws.

Partnering this initiative, the International Federation of Accountants (IFAC) said defeating corruption will "immeasurably improve the lives of citizens" and can only be achieved through re-energised

collaboration between, and commitment of, leaders from both the public and private sectors.

"Both the public and private sectors require transparent, consistent and robust anti-corruption measures, and effective internal controls that are critical to good governance and holding officials accountable.

A greater focus on strong governance and compliance structures will help cultivate self-reporting cultures that empower individuals to do

the right thing," the global accounting body said in a statement.

IFAC has also called for greater international collaboration on whistle-blower protection laws.

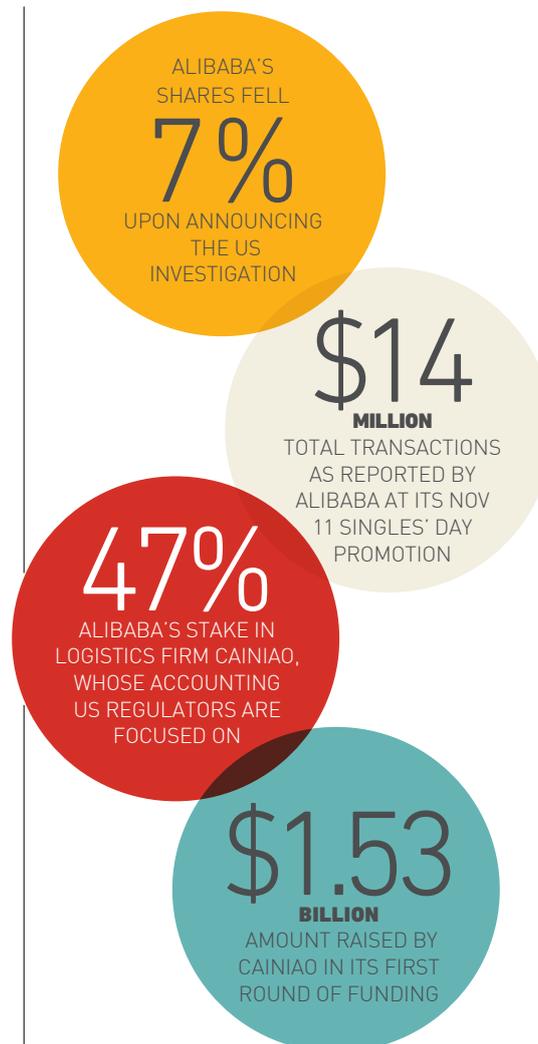
"Success in the fight against corruption can only be achieved when everyone plays their part: governments and regulators ensuring that safe harbours and whistle-blowing protections are provided, and other professions ensuring that their members embrace the challenge." ■

ALIBABA INVESTIGATED BY US REGULATORS OVER ACCOUNTING PRACTICES

US regulators are investigating the accounting practices of Alibaba Group Holding Ltd to determine whether it violated federal laws, it has been reported. Questions about the ecommerce giant's growth rate and its relationships with affiliates have dogged the company for years. However, the SEC has declared that the investigation must not be seen as an indication that the firm had violated federal securities laws, and that Alibaba is cooperating with the authorities.

Alibaba Group is involved in ecommerce, mobile payments, financial services, television and film production, and holds stakes in Uber-rival Lyft, ecommerce logistics provider ShopRunner and discount shopping website operator Jet.com. Despite being listed on the New York Stock Exchange, its independent auditor is not subject to periodic inspections by US regulators, as it is based in China; it is audited by the Hong Kong affiliate of PricewaterhouseCoopers.

The US Securities and Exchange Commission had launched the investigation earlier this year, focusing on the accounting for Cainiao Network, a logistics firm in which Alibaba has a 47% stake. Regulators are looking at accounting related



to Cainiao, related-party transactions in general and operating data from Alibaba's annual Singles' Day sale. The 11 November Singles' Day promotion far exceeded combined sales of Black Friday and Cyber Monday, and was reported to amount to \$14 billion in transactions. Some Chinese merchants have questioned whether the results were inflated numbers.

Cainiao was started in 2013, jointly by Alibaba, Yintai Holdings, Fosun Group, Forchn Holdings and five major delivery companies. Cainiao completed its first round of funding last March, raising 10 billion yuan.

Alibaba is using Cainiao to attempt to take the lead in developing China's package delivery industry as ecommerce spreads beyond urban centres. It has previously been unconsolidated in Alibaba's financial statements. Alibaba's latest annual report disclosed Cainiao's revenue, net loss, assets and liabilities for the first time.

The US Securities and Exchange Commission has stated that there are no undisclosed pending enquiries into Alibaba. The investigation comes amid Alibaba's fight against sales of fake items, while continuing with an acquisition spree. ■

HOUSEHOLD AND SMALL INSURANCE CLAIMS MAY REACH RS5 BILLION – RAVI K

Insurance claims from households and small businesses may reach Rs5 billion, with the two largest insurers having already receiving claims for Rs2.9 billion, Minister of Finance Ravi Karunanayake said.

State-run Sri Lanka Insurance PLC has already received claims of Rs1.6 billion and private listed Ceylinco Insurance has received claims of Rs1.2 billion, he said.

Household and small claims may reach Rs4-5 billion, he told Sri Lanka's Foreign Correspondents' Association in Colombo.

Some large private companies had also suffered damage running into several billions of rupees, he said.

Sri Lanka's households and smaller businesses are not widely insured against floods, but many motor vehicles are covered. Minister Karunanayake said the government had also bought a policy that would pay a cash advance to uninsured victims, but the total payout was limited to Rs10 billion per event.

He said total reconstruction costs of houses and small businesses damaged in the floods has been estimated at between \$1 billion and \$1.7 billion. ■ *-Economy Next*



HOUSEHOLD AND SMALL BUSINESS CLAIMS EXPECTED

Rs5
BILLION

RS2.9 bn

CLAIMS ALREADY RECEIVED BY CEYLINCO AND SL INSURANCE

RS10 bn

SINGLE EVENT PAYOUT OF GOVT BOUGHT POLICY

\$1-1.7 bn

ESTIMATED COST OF RECONSTRUCTION OF HOUSES AND SMALL BUSINESSES DAMAGED IN THE FLOODS

ACCOUNTING ERROR AT DIAGEO TO AFFECT 2% OF SALES



£1.03
BILLION

NET SALES IN THE LATIN AMERICAN/ CARRIBEAN REGION RECORDED FOR 2015

2%

THE REDUCTION IN THIS FINANCIAL YEAR EXPECTED DUE TO THE ACCOUNTING ERROR

£15.1
MILLION

EXPECTED IMPACT DUE TO THE ERROR

Alcoholic beverage giant Diageo revealed that its Latin America sales for this financial year will be reduced by 2% because of an accounting error related to the sales of its luxury tequila brand Don Julio last year. The British multinational's Mexican unit has sold a certain number of Don Julio bottles to the company's US unit, which it had recorded as an external sale. The US unit, in turn, had sold those bottles of tequila and recorded it as a separate sale. Basically, some sales had been recorded twice. Diageo's net sales in the Latin American and Caribbean region amounted to £1.03 billion in 2015, and the accounting mistake is reported to have an impact of about £15.1 million. The error had occurred while Diageo was acquiring the remaining 50% of Don Julio, which it purchased from Mexico-based Jose Cuervo, the world's biggest tequila producer, in an asset swap deal that saw it hand over the Bushmills whiskey label. ■

SEBI REVISES DISCLOSURE REQUIREMENTS

Securities and Exchange Board of India (SEBI) has revised the disclosure requirements for companies to ensure that information is disseminated to investors on time.

The changes, with respect to the impact of 'qualifications' made by auditors on their reports, will further streamline the whole process, as well as ensure that the impact of audit qualifications will be disseminated to investors without delay. The notification, dated 25 May, is applicable from April 2016.

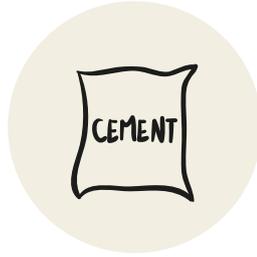
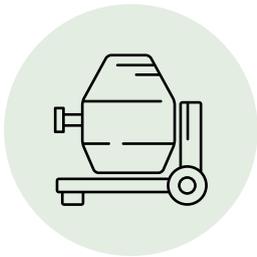
As per the revisions, listed entities will be required to disclose the cumulative impact of all audit qualifications on relevant financial items in a separate form - called the 'Statement

on Impact of Audit Qualifications' - instead of the present one, and will have to be made in tabular form, along with annual audited financial results filed in terms of listing regulations. In the case of no audit qualifications, companies will not have to file a particular form as had been required.

The new form will also allow management to present its views on the audit qualification and forego the existing requirement of adjustment in the books of accounts of the previous year. The regulator is already equipped with a mechanism to review audit qualifications in the audit report. ■

Periscope

SWISS CEMENT MAKER EXITS SRI LANKA



1.7

MILLION

TONNES - AMOUNT OF CEMENT
SOLD IN 2015

RS23.4

BILLION

- COST OF SELLING 1.7 MILLION
TONNES OF CEMENT

Lafarge Holcim, the Swiss owner of the country's only cement producer Holcim Lanka, is divesting its business here.

The company operated Sri Lanka's only integrated cement factory, generating annual revenue of \$150 million; the divestiture is part of Lafarge Holcim's global strategy to exit certain markets.

Market sources say at least three Sri Lanka-based firms are vying to buy the firm, including a diversified listed company and a politically prominent, privately-held business group, Economy-Next reported.

Holcim Lanka made cement straight from domestic limestone, and operated a grinding plant that used imported clinker and a bagging plant that used foreign-made cement.

The group sold 1.7 million tonnes of cement in 2015 worth about Rs23.4 billion a year, according to published data. ■

WORLD BANK LOAN OF \$55 MILLION TO IMPROVE JAFFNA

The World Bank is lending Sri Lanka \$55 million to improve urban services, preserve cultural and environmental assets, and improve liveability in Jaffna.

The loan is for a Strategic Cities Development Project that already includes Galle and Kandy.

"Well-planned cities can be centres of innovation and job creation, as experienced in many parts of the world, and this is an opportunity for Sri Lanka to connect people to prosperity," said World Bank Country Director for Sri Lanka and the Maldives Françoise Clottes.

"There is substantial potential for economic growth in Jaffna, now that peace has returned. An improved urban environment is a favourable habitat for developing enterprises that will one day become engines of growth." A recent World Bank study 'Sri Lan-

ka: a Systematic Country Diagnostic (SCD)' identifies Jaffna as a rapidly growing, single-city agglomeration in the Northern Province of Sri Lanka. In the post-war era, the city has seen rapid growth and urban expansion, and there are significant demands for improved municipal services. As communicated during recent consultations, the people of Jaffna see a priority in improving city functions and liveability, while preserving cultural heritage.

The project will improve the road network and rehabilitate the drainage system, while preserving the city's ponds, which have played an important role in flood management, and cultural heritage assets such as public spaces and parks, as well as encouraging cycling as a means of reducing emissions, The World Bank said. ■

SEC CHIEF ACCUSES PROFESSIONAL BODIES OF TURNING A BLIND EYE

Professional bodies and trade chambers in Sri Lanka are turning a blind eye to the unethical conduct of their members, undermining efforts to inculcate and enforce good governance and ethics, the Securities and Exchange Commission (SEC) chief said.

"Proper implementation of business ethics in organisations can ensure maximisation of lawful profits and effectively protect the interests of all stakeholders," SEC Chairman Thilak Karunaratne said.

"This can eventually ensure a viable and competitive business environment," he said in a speech at the Junior Chamber International Biz Meet 2016. Most trade chambers, professional bodies and similar

organisations in Sri Lanka have codes of ethics or codes of conduct that are well documented. "They expect their members to be ethical," he said. "But how many of these institutions have taken action against their members for not conforming to these? Very rarely."

Karunaratne recalled how, in 2012, he quit as chairman of the SEC when he was confronted by the highest authority in the land to compromise his values and turn a blind eye to corruption.

"We experienced how the market had to pay dearly during 2010/2011 due to the actions of a few who resorted to unethical and downright scandalous methods of manipulating

the market," he said.

"It is with great concern and distress that I reflect on how attempts were made by a few investors, stock-brokers, investment advisors and even influential politicians to transform the market to a casino during the previous regime. Market manipulation was the talk of the day."

"In the process, a large number of innocent and ignorant small-time investors who followed these manipulators with herd instinct got ruined, and we are still in the process of giving some redress to these investors.

These unethical behaviour patterns were well grounded on unlimited greed and power politics," the SEC chief said. ■

IMF DEAL TO SLOW GROWTH – FITCH



Economic growth could slow down for Sri Lanka under a \$1.5 billion IMF programme for balance of payments support, sovereign credit ratings agency Fitch said.

“High GDP growth has supported Sri Lanka’s credit profile, but the country is likely to face a period of adjustment under its IMF programme, which could have a negative effect on economic performance in the short-term,” Fitch said in a recent report.

“Fiscal and monetary tightening could be pro-cyclical, while the Central Bank’s planned shift to an

inflation-targeting regime could push total public debt higher in local currency terms if the rupee weakened, as nearly half of all public debt is foreign currency-denominated,” it said.

However, the successful implementation of the IMF programme will place the economy on a more sustainable and robust footing, once necessary structural adjustments are completed. Sri Lanka’s imperfect record in implementing IMF programmes in the past led to Fitch downgrading Sri Lanka’s credit rating from B+ to BB- in February, even amid talks between

the government and the IMF for a \$1.5 billion Extended Fund Facility for balance of payments support expected to be finalised in June.

“The new IMF programme eases near-term balance of payments risks, but will require sustained commitment from the authorities to address long-standing weaknesses in external and public finances,” Fitch said. “It, therefore, has no immediate impact on Sri Lanka’s ‘B+’/Negative sovereign rating.”

The IMF programme will boost both reserves to \$6.2 billion by end-March, and investor confidence, and reduce Sri Lanka’s vulnerability to shifts in investor sentiment such as seen in 2015 when investors sold off \$2 billion worth of government securities.

Refinancing risks remain high, with foreign debt repayments amounting to \$3 billion due this year. The IMF’s fiscal targets will be hard to meet, Fitch said, as the programme aims to slash the fiscal deficit to 3.5% of GDP from 7.4% in 2015 and implement tax system reforms to improve revenues on the decline for decades to 12% of GDP in 2015.

“A significant pick up in revenues will be required to meet the 2016 budget’s deficit target of 5.4%, because non-discretionary government expenditure is high: salaries and interest payments account for almost 40% of the total. Potential crystallisation of SOE debt on the sovereign’s balance sheet remains a fiscal risk,” Fitch said. ■

WALMART TO ELIMINATE ACCOUNTING, INVOICING ROLES AT 500 LOCATIONS

US retailer Walmart is expanding its pilot programme of abolishing accounting and invoicing roles to 500 locations from 50 in western United States.

The programme will affect about two to three associates per store, and the affected employees will be offered other, “more customer-facing roles” within the company. In the pilot programme conducted early this year, Walmart saw only one percent of af-

ected employees leave the company.

According to Walmart spokesperson Kory Lunberg, the programme is intended to “make the stores easier to run and free up associates so they can interact with customers more and serve them better”.

The Walmart offices where the programme is being conducted will use ‘cash recycler’ machines to “improve the efficiency and accuracy of counting

money”, according to Lunberg, while a centralised team will handle invoicing.

In January 2016, the retailer announced it would be closing 154 locations across the US; the company attempted to transfer affected staff to nearby locations whenever possible.

The expansion of the programme is still a test, Lunberg emphasised, and Walmart will evaluate the results to determine how to proceed. ■

Periscope

DISTRUST OF KOREAN ACCOUNTING FIRMS INCREASE IN THE WAKE OF LATEST INVESTIGATION

97,000

NUMBER OF SHARES
SOLD BY FORMER HANJIN
SHIPPING CHIEF SOON
AFTER A PHONE CALL WITH
SAMIL PWC HEAD

2.7

BILLION WON
AMOUNT THE
SHARES WERE SOLD
FOR

1

BILLION WON
LOSS AVOIDED BY CHOI DUE
TO ALLEGEDLY BEING PRIVY TO
UNDISCLOSED INFORMATION

The head of Korea's top accounting firm is facing a prosecutors' investigation on the charge that he leaked insider information to Choi Eun-yeong, the ex-chief of Hanjin Shipping, to help her engage in illegal stock trading. Chairman and CEO of Samil PricewaterhouseCoopers Ahn Kyung-tae is alleged to have leaked undisclosed information to Choi about the shipping line's self-rescue plan to help her dump all her shares of Hanjin Shipping before the rescue plan was announced.

Choi and her two daughters are suspected to have avoided a loss of 1 billion Won (\$848,000) by selling 97,000 shares for 2.7 billion Won over several trades between 8 and 20 April due to unfairly obtaining undisclosed information. Korean prosecutors have discovered that Choi ordered a subordinate to sell her shares immediately after a phone conversation with the Samil PricewaterhouseCoopers head.

Samil PricewaterhouseCoopers has denied the accusation, stating that Ahn's phone call with Choi had nothing to do with leaking insider information. "There is no undisclosed information that has been delivered through his personal phone call," an official at Samil PwC who did not wish to be named told The Korea Herald. Some in the industry are of the opinion that, even if Ahn is innocent, he should not have had a phone conversation with Choi at the sensitive time - when the accounting firm was conducting due diligence on the troubled company.

The incident is the latest of a series of major accounting firms in Korea being exposed for violating codes of ethics and auditing incompetencies. The Samil PricewaterhouseCoopers issue comes to the fore three months after 22 certified public accountants from 12 accounting firms were punished by the Korean financial regulator for investing in stocks of the company they were auditing and earning a profit. Some lost their jobs, while others faced up to a three-year ban from auditing a listed firm.

Top Korean accounting firm Deloitte Anjin was also recently criticised for not having spotted erroneous financial statements of Daewoo Shipbuilding & Marine Engineering for 2013 and 2014.

Deloitte Anjin is still under investigation on suspicion of having helped the troubled shipbuilder jazz up its financial records, and has lost big clients as a result.

Previously, the Korean government had urged for a revision of the law to enhance transparency of accounting firms and to punish the head of an accounting firm found to have colluded in cooking a client company's books. The bill, however, was dropped after lobbying by the Korean accounting industry.

The Korea Institute of Certified Public Accountants, home to 18,000 members, has said it has been seeking since January to enhance education on ethics for accountants and auditors in the wake of fraudulent stock trading incidents last year. ■

WHISTLEBLOWER SUES ORACLE OVER CLOUD REVENUE

Oracle Corporation is being sued by a former senior finance manager who alleges that she was terminated in retaliation for complaining about improper accounting practices in Oracle's cloud services business.

Whistleblower Svetlana Blackburn, in a complaint filed with the US District Court in San Francisco, has accused upper management at Oracle of trying to make her "fit square data into round holes" so that Oracle Cloud Services' results look better. The former executive alleges that her superiors instructed her to add millions of dollars of accruals for expected businesses "with no concrete or foreseeable billing to support the numbers", according to her complaint. When she refused, they added accruals on their own, she said.

Blackburn has stated that Oracle terminated her from their employ on 15 October 2015, just one month after the incident and only two months after she received a positive performance review. In the complaint, Blackburn further accuses Oracle of violating the anti-retaliation provisions of the US federal Sarbanes-Oxley corporate governance and Dodd-Frank financial reform laws. She seeks punitive damages, double back-pay and other remedies.

Oracle has denied the allegations, with its spokesperson Deborah Hellinger stating, "We don't agree with the allegations and intend to vigorously defend the matter."

With the move to cloud computing, legacy software firm Oracle is placed in a quandary, as traditional packaged software is what still generates massive profits. Sales of Oracle's traditional software decreased only slightly in 2015, generating a whopping \$6.35 billion in revenue, compared to cloud revenue of \$735 million. Revenue from traditional software sales accounted for 70% of total revenue, while cloud revenue only amounted to 8%, although it grew by 40%. Oracle has increasingly faced competition from smaller and younger 'cloud-first' companies such as Salesforce.com. It has thus invested aggressively in the last few years in an attempt to increase market share in the cloud. ■

INDIAN BANKS GRAPPLE WITH GROWING PILE OF BAD LOANS

Twenty public sector banks in India wrote off bad debts totalling \$17 billion in 2015/16, as the regulator set a March 2017 deadline for banks to clean up their books.

The Reserve Bank of India (RBI) has asked banks to provide for all stressed assets in a move to prevent a probable systemic collapse, as the government moves to overhaul the banking system at a time when billionaire liquor baron and owner of defunct Kingfisher airline Vijay Mallya fled India after defaulting on debt estimated at more than \$1.5 billion.

“India’s central bank is trying to clean up the balance sheets of the country’s banks,” ratings agency Standard and Poor’s (S&P) said. “The RBI’s ongoing asset quality review has tested the government’s willingness to support public sector banks.

Support has so far been forthcoming, and the Indian government has reiterated its intention of providing capital to public sector banks, even beyond budgeted amounts, if needed,” it said. Most Indian public sector banks reported huge losses in the third and

\$17
BILLION

TOTAL OF BAD DEBTS
WRITTEN OFF BY 20
PUBLIC SECTOR
BANKS IN 2015/16

fourth quarters of the fiscal year ended 31 March 2016, except State Bank of India, Union Bank of India and Indian Bank. This came after the central bank tightened the banks’ requirements on classifying non-performing loans, S&P said.

The RBI has advised banks to recognise select weak loans as non-performing over the quarters ended December 2015 and March 2016, and make provisions for those loans.

“Over the longer-run, tighter central bank norms are likely to improve transparency in the Indian banking system,” S&P said.

The banking sector is also struggling with weakness in the Indian corporate sector, namely high financial leverage, low capacity utilisation, weak commodity prices and policy-related issues. ■

CENTRAL BANK IN THE RED FOR THIRD YEAR IN A ROW



The Central Bank reported a net loss of Rs19.6 billion in 2015, including a Rs15 billion foreign exchange loss, accounts showed.

Net losses fell from Rs32 billion the previous year, as the financial sector regulator reported losses for the past three years amounting to Rs76 billion.

“A central bank makes profits from inflation, by either printing money to finance the government

(profits from local currency assets) and then from currency depreciation, as printed money generates a balance of payments crisis and the domestic currency collapses,” EconomyNext.com said in a report, analysing the bank’s performance. Harmless profits can only be made on investment income from its forex assets portfolio.

“When inflation is low and the currency is strong, a pegged exchange rate central

Rs19.6
BILLION

CENTRAL BANK NET
LOSS FOR 2015



Rs32
BILLION

CENTRAL BANK NET LOSS FOR
2014

Rs76
BILLION

TOTAL CENTRAL BANK LOSSES
OVER 2013-2015

bank will only make moderate profits. If a large volume of liquidity is mopped up (sterilised) to build reserves above the domestic monetary base, it can also make losses. In 2015, it made losses despite the currency collapsing, a steep rise in inflationary financing of the government deficit and the winding down of mopped up liquidity.”

The Central Bank’s gross foreign currency assets fell from \$1,054 million in 2014 to Rs1,028 million in 2015, and foreign currency liabilities climbed from Rs468 billion to Rs574 billion.

W.A. Wijewardene, a former deputy governor of the Central Bank, has warned about the depleting capital of the Central Bank.

The depleting capital is a reflection of the problem facing the Central Bank’s balance sheet. Its net forex reserves are also no longer sufficient to cover the domestic rupee monetary base. ■

UK WATCHDOG FINDS KPMG AUDIT QUALITY BEHIND RIVALS

The UK's Financial Reporting Council (FRC) has called for "significant improvements" in 2 of the 22 individual audits by KPMG UK it reviewed over 2015-16. KPMG was the only one of the six firms surveyed whose audits required significant improvements.

KPMG is already being investigated by the FRC for its audits of Bank of New York Mellon, which was hit with a record UK fine for mixing its own funds with those of clients; Co-operative Bank, after it failed to uncover a £1.5 billion blackhole in its finances; and controversial insurance company Quindell.

Its audit of failed bank HBOS is also still being called into question, with renewed calls for another investigation. Fourteen of KPMG's audits, however,

22

TOTAL NUMBER OF KPMG AUDITS REVIEWED

14

NUMBER OF AUDITS DEEMED GOOD WITH ONLY LIMITED IMPROVEMENTS

6

NUMBER OF AUDITS REQUIRING IMPROVEMENTS

2

NUMBER OF AUDITS REQUIRING SIGNIFICANT IMPROVEMENTS

were deemed as good but requiring limited improvements, while six required improvements and the FRC said there was a significant increase of KPMG's audits that were assessed at the highest level in comparison with the previous year.

The UK watchdog is pushing for improved audit quality and has targeted a minimum of 90% of FTSE 350 audits reviewed to be assessed as requiring no more than limited improvements by 2019.

The review in 2015-16, which also included PwC, Deloitte, EY, BDO and Grant Thornton, saw an overall improvement in quality, with 77% of total audits assessed requiring not more than limited improvements. This is up from 70% last year. KPMG's two audits that required significant im-

provement were for a FTSE 350 company and an unlisted company. According to the FRC, the shortcomings related to insufficient work performed in relation to revenue inventory and a change of IT systems in the other.

KPMG's profits fell for the second consecutive time in 2015, dropping 7% to £383 million to the 12 months ending 30 September 2015; its revenues only increased 2.6% to £1.96 billion. A decrease in profit, an increase in the number of partners and investments in UK businesses during the period resulted in average partner revenue down 13% from £715,000 to £623,000. KPMG UK Chairman Simon Collins also saw his pay cut from £2.5 million to £2.2 million for the year. ■

FIFA AUDIT AND COMPLIANCE HEAD RESIGNS IN PROTEST

FIFA's head of auditing and compliance Domenico Scala resigned in protest at reforms made in the football governing body.

Scala played a key role in pushing through reforms after the scandals that prompted the departures of former FIFA president Sepp Blatter and UEFA counterpart Michel Platini.

Scala is angered by the FIFA Council brought in by new president Gianni Infantino to replace the controversial executive committee, which will have the power to appoint and sack those in charge of its committees, including auditing, ethics and finance.

Scala insisted committees had been "deprived of



their independence" and said he is "consternated" by a decision that makes it possible for the council to

"impede" investigations by either dismissing committee members or "through the threat of a dismissal". This

"undermines a central pillar of the good governance of FIFA and destroys a substantial achievement of the reforms - a wake-up call to those persons who genuinely advocated for implementing reforms".

FIFA contended that Scala has made unfounded claims which are baseless, and that he has misinterpreted the purpose of the decision taken by its congress.

It continued in its statement: "The decision was made to permit the council to appoint members on an interim basis.

In addition, the measure allows for the swift removal of members who have breached their obligations". ■

By
Rikaza Hassan

Perspective

Panama Papers - the Sri Lankan perspective

The Panama Papers leak revealed how the world's 1% hide their wealth via tax shelters and offshore shell companies, attracting headlines and sparking conversations about the role of the accounting profession in the setting up shell companies and such. In Sri Lanka, Finance Minister Ravi Karunanayake claimed that every Sri Lankan named would be investigated. Here's a look at the legal framework that enables - at least a few - to cart their wealth out of the country.



What is the legal framework in Sri Lanka regarding the exchange of foreign currency?

The legal framework can be found in the Exchange Control Act No 24 of 1953. The Exchange Control Act places a prohibition on people in Sri Lanka and people resident in Sri Lanka from exchanging currency (i.e. exchanging LKR with any other currency). The broad purview of the restrictions with regard to the present context is that no person can hold, borrow or make payments to the credit of a person outside Sri Lanka in foreign currency. If a person has foreign assets, they must be declared. If the assets are to be disposed of, it must be done so under the directions given by the Exchange Controller. No person can hold securities in companies outside Sri Lanka without the permission of the Exchange Controller and the Minister of Finance. (Permission was usually granted in the case of a business venture, and took from three months to one year to obtain.) If you are given securities in an overseas company, it is a foreign asset, and it must be declared. If you dispose of it, the Exchange Controller must be informed and the monies brought back into the country.

There has been a liberalisation of the Act over a period of time, commencing in the 80s until the most liberal time - post 29 December 2015 and until April 2016. In the context of this conversation, the earliest liberalisation was permitting persons living in Sri Lanka to send out payments for the purchase of goods and services. This is why you can use your credit or debit card to purchase something from ebay, for example.

Then, people in Sri Lanka of certain professions (like tourism) who earned in foreign currency were allowed to keep it, but for a limited period of time. Also, individuals or private companies were allowed to send up to \$100,000 out of the country for the purpose of purchasing shares; in the case of a listed company, this was \$500,000. To send out foreign currency for any other reason, permission of the Exchange Controller was required.

What happened after 29 December 2015?

After 29 December 2015, however, any person with a foreign exchange earner's account (FEA) in Sri Lanka (exporters, lawyers, hoteliers and other professionals who earn through foreign currency), a resident foreign currency

In the case of the Panama Papers the transactions had taken place long before 29 December 2015, which makes the 2016 liberalisations and subsequent rollback of sorts not valid in this instance.

account (RFC), non-resident foreign currency account (NRFC) and one other account were permitted to send out money freely. With the liberalisation, people could even purchase a foreign asset and not be required to declare it. They could send out currency to buy shares and were not required to obtain permission from the Exchange Controller or the Minister of Finance. The only limitation was that you can only send out what you have in your FEA. So what you are permitted to hold in foreign currency can be freely sent out, nothing more or less.

On 22 April 2016, however, the Minister of Finance issued an Extraordinary Gazette Notification (1960/66) dated 1 April 2016 repealing the exemption granted regarding the payment for goods exported from Sri Lanka in the Extraordinary Gazette Notification No 759/15 of 26 March 1993. That is, exporters are now required to bring back any payments received (on or after 1 April 2016) within 90 days from the date of exportation of the goods.

In the case of the Panama Papers, however, the transactions had taken place long before 29 December 2015, which makes the 2016 liberalisations and subsequent rollback of sorts not valid in this instance.

What are legitimate reasons a Sri Lankan would have had an offshore account?

Exporters, because of the nature of their business, need to hold foreign currency outside Sri Lanka and were, therefore, permitted to send out money for the purchase of goods and services. For example, a garment manufacturer would need to purchase fabric or buttons, and would be expected to pay for those in dollars. They were, therefore, allowed to keep dollars in or out of Sri Lanka, but only use it for the purpose of their business. If there was any extra income, it had to be brought back to the country.

There is also the case of parties in Sri Lanka who have companies in tax havens to remain anonymous so that there is a holding back to Sri Lanka that is not easily linked to the ultimate beneficial owner. For example, say in terms of a certain legal framework, a single shareholder is only permitted to own 20% of shares. If he already owns 20% and wants a further 10% that he does not wish to have linked to him, an anonymous holding might be thought of as the way to do it. That is, you hold the shares through a compa-

Perspective

ny in a tax haven for reasons of remaining anonymous. It is not illegal to wish to remain anonymous. It is illegal, however, if you want to remain anonymous to breach specified legal thresholds within that industry.

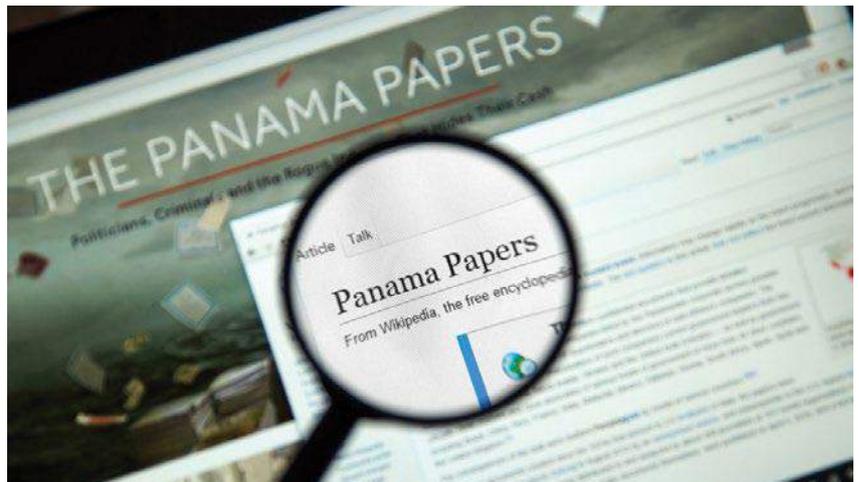
It was also legal to keep your earnings in a tax haven as long as the exit of the money was legitimate. For example, a company could have set up a company in a tax haven with Exchange Controller permission because it wanted that company to be the vehicle for all its foreign investments. The Central Bank would have allowed this, but would have imposed conditions: any income will have to be declared and if income was not going into further investment, it had to be brought back.

The other reasons were generally illegal such as ill-gotten wealth, evading paying tax, etc. From 29 December 2015 to 1 April 2016, exporters could legally send out the money brought back into their FEAs, no tax clearance required. However, when the money reaches the FEA, there is a trace of it, as the bank knows. Obviously this has taken place before the 2016 liberalisation.

Considering that the Panama Papers revealed transpired before 29 December 2015, what action can the Sri Lankan Government take with regard to those named in the documents?

The Department of Exchange Control has the right to take action, but that action is severely limited. The Exchange Controller can for the most part only inquire from the party as regards to the investment. While banks in Sri Lanka do have relationships with corresponding banks overseas, the exchange of customer information is not allowed except in the case of evidence of serious criminal offences.

No Sri Lankan is permitted to hold an account in a bank or an institution that conducts banking activities outside Sri Lanka. If, as an innocent example, you opened a bank account while a student in a foreign country, you are legally required to have closed it before you left and declare the account balance at the time of closing. Lots of former students do have dormant accounts and, if found, the Exchange Controller will likely ask them to close the account and they would not face consequences. However, if you cannot substantiate as to why you have an account and if it doesn't appear to be dormant, then on the face of it you are in violation of the Exchange Control Act.



The Department of Exchange Control has the right to take action, but that action is severely limited.

If, as seen previously, the individual was to offer the excuse of the account being dormant, the Exchange Controller cannot learn how much money is in the account and will be forced to take you at your word. It can advise you to close your account, which you can do by withdrawing the money and/or transferring it elsewhere, without the knowledge of the Exchange Controller.

If you are a corporate or taxpayer, and there are significant sums of money flowing out on a regular basis (because the Inland Revenue Department has access to your bank statements), you can be asked what it is for. If the money is not going through regular banking channels, however, or if you are not a taxpayer, then it is difficult.

In the case of a company named, the impact on the reputation of the company could be severely adverse, especially if it does business all over the world. The Exchange Controller will also always be vigilant because of the allegation made and it would be on the corporate to show that the allegation is baseless. In the case of high net worth individuals, it can go through bank transfers, but if money has not gone through regular banking channels, then tracing it would be difficult.

The Extraordinary Gazette Notification No 1960/66 announced on 22 April 2016 (and dated 1 April 2016) repealing the exemption granted to exporters on holding money outside the country appears to be a reaction by the government to the Panama Papers and the issue of tax evasion, etc. Whether this action actually prevents illegal offshoring of monies is another discussion altogether. ■

2016 Looks Bright for Investing in Sri Lankan Condominiums Says Blue Ocean Group Chairman - S. Thumilan



S. Thumilan
Group Chairman & Chartered Accountant

ACA, ACCA, ACMA(UK), CGMA, CPA(Aus), MCSI(UK),
FMAAT(SL), ACS

With economic activity improving and business confidence rising, year 2016 looks bright for investments into Sri Lanka's booming apartment segment in particular and into the country in general, says leading property developer and visionary entrepreneur - S. Thumilan, the dynamic Chairman of Blue Ocean Group of Companies.

"Not only the Sri Lankan business community but even Non-Resident Sri Lankans (NRSLs) along with many foreign investors whom we met are highly optimistic about the future. At a macro level business confidence is at optimum levels whilst sentiments of Sri Lankan consumer too, are at an all-time high in the face growth prospects for 2016 and beyond,"

According to most market research firms, investors and businessmen are having high expectations of not only the growth of their businesses and on more FDIs (Foreign Direct Investments) coming into the country but also of that growth trickling down to the masses improving the personal finances and enhancing disposable income levels of the general public.

"The sentiments shared by a majority of our customers is that more and more Sri Lankans have more money in their hands and now purchase not only fast-moving consumer goods (FMCG) which increase consumption-led economic growth but also durables and lifestyle products which enhances investment-led economic growth. Overall, all sectors have shown a significant increases and growth prospects for almost all sectors beyond 2016 are highly encouraging."

Budget 2016 passed with an impressive majority in Parliament last month, introduced

wide-ranging changes to support and encourage the property, construction and infrastructure sectors of Sri Lanka and as a result, investing into Blue Ocean apartments is a highly viable investment option for both Sri Lankan and foreign investors, said Thumilan.

"The slow recovery in Europe in the light of improving investment climate in Sri Lanka has already made the India Ocean island nation an attractive destination for both investing and living. The decision by the government to introduce a new Investment Act that would grant tax concessions and tax holidays will ensure FDIs (Foreign Direct Investments) would come in leaps and bounds into the country," he added.

"The proposed new Foreign Exchange Management Act and Investment Act, grant of resident visas to foreigners, reduction of both corporate tax and personal income tax, allowing foreigners to borrow in local currency to buy condominiums, providing tax holidays and Government lands to investors, relaxing restrictions on foreigners / foreign companies when purchasing land, easing exchange controls and introducing real estate investment trusts (REITs) would contribute in no mean measure in boosting the industry," said a confident Thumilan.

He said that the initiatives taken by the new government to improve efficiency and productivity of the public sector would strengthen the country's investment and economic prospects tremendously in the eyes of the international community.

"Budget 2016 presented by Finance Minister Ravi Karunanayake has proposed so many positive and encouraging changes that would undoubtedly boost the property, construction and infrastructure sectors of the country," Thumilan opined.

"Our Group is doing extremely well and we are highly confident of the growth prospect Sri Lanka in general has and the property and construction sectors offer in particular," he added.

According to him, unique apartment projects built by Blue Ocean have received overwhelming response from investors from Australia, United Kingdom, United States, Canada and the Middle East.

The sheer success of Blue Ocean Group of Companies is exclusively the result of its ability to provide unique services under one roof for its clients. Blue Ocean Group of Companies comprises about 25 companies that operate in various fields in both Sri Lanka and abroad.

"Of them, our main business fields are construction and real estate, in which we possess a wealth of local and global experience by finishing and undertaking groundbreaking local and international construction." The Blue Ocean Group has already completed several projects that had been immensely successful and has completed or is currently engaged in nearly 14 luxury apartment projects

in prime locations in Cinnamon Gardens, Mount Lavinia, Nugegoda, Wellawatte, Bambalapitiya and Kollupitiya.

Blue Ocean Group of Companies operates under one umbrella of administration led by the Founder Group Chairman S. Thumilan. He is one of the most successful visionary entrepreneur in Sri Lanka and holds the prestigious membership of the Institution of Chartered Accountants of Sri Lanka (CA - Sri Lanka), Chartered Institute of Management Accountants (CIMA-UK), Association of Chartered Certified Accountants (ACCA-UK) and Chartered Certified Public Accountants of Australia (CPA-Aus). While serving as the Chairman of the Blue Ocean Group, he also serves as a consultant for several well-known, leading establishments in Sri Lanka and overseas. His strategic visionary is clearing the path today for the Group to stand up as one of the most sought after companies in Sri Lanka in every aspect, especially in construction, real estate and investment field.

In addition to the credentials of Group Chairman S. Thumilan, the company's greatest strength lies with its high-profile human talent representing diverse roles from Chartered Architects to Chartered Engineers to Chartered Accountants and other Industry Professionals. In comparison with market standards, each Blue Ocean professional's contribution tends to add 'Real-Value' to the organization's value chain as they are the most qualified, competent and well experienced in their respective fields in the construction industry.

The Group's acquisition of Link Engineering (Pvt) Limited- which has over 34 years of experience of the construction field, has already cemented the position of the Blue Ocean Group in construction as the market leader.

Statistics indicate that buyers of Blue Ocean apartment projects have reported a 25-30% increase in value annually. Further, at present the secondary market for apartments in particular are said to be having brisk sales reselling at more than 100% the original purchase price 3 - 4 years ago.

"We are very happy that we create wealth for our customers through property. While enhancing rental income as well as appreciation in property value for owners, the policies also help long-stay foreigners finding affordable rental apartments," says Thumilan.

as appreciation in property value for owners, the policies also help long-stay foreigners finding affordable rental apartments," says Thumilan.

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No.19, Barnes Avenue
Mount Lavinia
7 Storey Condo | 18 Units

No.15, Lillian Avenue
Mount Lavinia
6 Storey Condo | 15 Units

No.34/2, De Seram Road
Mount Lavinia
16 Storey Condo

No.31, De Alwis Place
Dehiwala
8 Storey Condo | 25 Units

No.05, Railway Avenue
Nugegoda
7 Storey Condo | 21 Units



S.Thumilan | Group Chairman

ACA, ACMA, ACCA, CGMA, MCSI(UK)
CPA(AUS), FMAAT(SL), ACS

Total Projects **23**
Apartment Units **615 +**

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YALA, ONE OF THE MOST VISITED NATIONAL PARKS OF SRI LANKA, IS HOME TO A NUMBER OF ELEPHANTS DWELLING WITHIN THE PREMISES



Take a long-term view on tourism: Shaun Mann

Sri Lanka's tourism strategy of attracting visitors with a dash of wildlife, some history and wide smiles is not a unique pitch; many other tropical Asian countries can also be described this way. **An industry expert says Sri Lanka needs to take a long-term view on its branding and product development**

BY AVANTI SAMARASEKERA



Few countries with so much potential exist relatively undiscovered. Most undiscovered places are either in conflict or extremely poverty wracked that few tourists would venture there. Popular destinations are overcrowded and expensive. Sri Lanka is at a sweet spot because its world-class attractions are relatively undiscovered. But not all tourists are equal, and attracting discerning and modern travelers is a promotional challenge.



Shaun Mann, a tourism development expert from the World Bank Group, shares his views about the challenges facing Sri Lanka.

The debate around quick wins for the tourism sector is focused around a sharp destination marketing strategy. What else are low-hanging fruit for the industry?

Tourism visitor numbers to Sri Lanka have grown in double-digits each year for the past six to seven years. Not many destinations in the world can boast this. I think this the first thing to acknowledge; the industry, at least based on pure numbers, is getting healthier. It's difficult to say how much of that is down to sharp destination marketing or simply the fact that there is pent up demand out there to "see what Sri Lanka is like" after so many years of conflict.

However, I would argue that Sri Lanka's tourism sector should probably start thinking longer term and not simply for the next quick win. Now is the time to consolidate and structure the sector and its management, and plan so that the future is looked after. Sri Lanka's tourism players need to think about the kind of international partners and brands they want to bring in; partners who can reach deeper markets and make new ones; and, most importantly, improve service quality and diversify products. If there is low-hanging fruit, it is to get more value from the tourists already coming into Sri Lanka. This means deepening and diversifying what is available in terms of goods and services, and packaging and marketing

THE PINNAWELA ELEPHANT ORPHANAGE HAS BECOME ONE OF THE MOST POPULAR TOURIST DESTINATIONS IN SRI LANKA. A HIGHLIGHT IS THE GIANT PROCESSION WALKING TO THE NEARBY RIVER FOR BATHING TIME.

Overall, the biggest issue is that Sri Lanka has not yet developed a "nation branding" strategy. Apart from scenery, history and wildlife, Sri Lanka has so much more to pack into a holiday experience.

these homegrown offerings to hotels and tour operators. This is a huge area of potential growth for the tourism sector, and it is currently really, underserved.

While targeted destination marketing is an effective tool to grow numbers, a more important dimension is the quality of those numbers: how long do they stay? How much do they spend? Do they leave satisfied? Did they get value for money? Will they come again? Will they tell their friends to come? It isn't enough to simply do destination marketing; that's just the very first and fundamental step. It's more important to build on basic destination marketing in partnership with the private sector (i.e. the suppliers of goods and services to potential consumers) and get them fully onboard with tailored offers for those specific destinations. This requires a deeper understanding of the segmentation in respective markets. In the case of India and China especially, it requires a deep knowledge of what basic requirements travelers from those markets need.

How can Sri Lanka differentiate its tourism product from other countries?

Overall, the biggest issue is that Sri Lanka has not yet developed a "nation branding" strategy. Apart from scenery, history and wildlife, Sri Lanka has so much more to pack into a holiday experience; gemstones, food, culture, religion, tea, cinnamon, rice, coconuts, sport and dimensions of all of these and more need to be built into a nation branding process that effectively projects Sri Lanka's uniqueness.

If that is not done, then products such as holidays are in danger of just being commodified and trading only on price. Once that happens (and it already is, to some extent), the process of differentiation becomes an uphill one. More specifically, there are few key differentiators: first, very few countries offer the quality and diversity of potential experiences (natural, historic, cultural and social, etc.) as easily accessible as they are in Sri Lanka. Sri Lanka is all of South and East Asia and more in one small island.

Second, there are some USPs: for example, whales and elephants in one holiday, "the gathering" and "superpods" of whales off Trincomalee, etc. These are world-class raw materials to work with and will go a long way to being a foundation for differentiation.

What Sri Lanka needs to do is to add quality and value to these experiences. Wildlife experiences like watching whales or leopards have no effective quality control with service providers in Sri Lanka. Whale watching is whale chasing now,

and the same for leopards, particularly in Yala. This isn't sustainable neither for consumers nor the animals themselves.

Every tourist is different - European empty-nesters, family-oriented Indians or gambling Chinese. Can Sri Lanka cater to all these segments?

Sri Lanka doesn't have to be everything to everyone; to my mind, that thinking needs to change because it's driving the same, short-term, what's-the-next-quick-win mindset that may ultimately undermine the sector's potential as a sustainable economic driver.

As an island with limited resources (human and natural) and space, it has inherent constraint capacities. The key for Sri Lankan tourism stakeholders and decision makers going forward is to figure out what its basic comparative advantages are, invest in them to make them stronger, preserve them better and present them better, and then match those qualities with the markets that want them. As I said earlier, this basically means building value from the bottom up, but having that supported by policies from the top down.

Where should private sector firms looking to benefit from tourism invest? (Geographically, where and in what type of tourism-related businesses)

I think the biggest opportunities in tourism in Sri Lanka are companies willing to consolidate services and offer them to specific consumer markets. For instance, Sri Lanka has huge potential as a MICE destination, but there are very few specific event management companies proactively mining this market segment. In terms of geographic locations, obviously Eastern Sri Lanka

The key for Sri Lankan tourism stakeholders and decision makers going forward is to figure out what its basic comparative advantages are, invest in them to make them stronger, preserve them better and present them better, and then match those qualities with the markets that want them.

has huge potential. Luxury rail is possibly another opportunity for investment, and traditional luxury tented camp-type operations perhaps in areas like Wilpattu. Big game sport fishing is another completely underinvested opportunity.

Tourists are increasingly discerning and preferring experiential travel. What can Sri Lanka offer these high spenders?

First, not all experiential travelers are necessarily high spenders. Backpackers are also generally experiential travelers and they are not normally associated with high spending. Sri Lanka has plenty to offer the experiential traveler, but as I've said earlier, better-quality packaging and experiences need to be created.

In addition to providing employment, what other benefits can a booming tourism sector provide rural areas?

A booming tourism sector brings a huge influx of cash into the host economy. This cash creates and generates demand for goods and services across a range of activities. The extra cash also finds its way to government coffers, and that, in turn, spurs and finances the development of infrastructure and basic services. Rural areas benefit because cash in the pockets of tourists comes to them; they just need to find ways to tap this potential by providing goods and services that tourists want to consume or experience. A constant flow of tourists also "opens" sometimes "closed" rural societies and mindsets a little more, and this exposure to the outside world can have huge developmental benefits.

What should be Sri Lanka's tourism objectives? What factors have affected our tourism sector negatively?

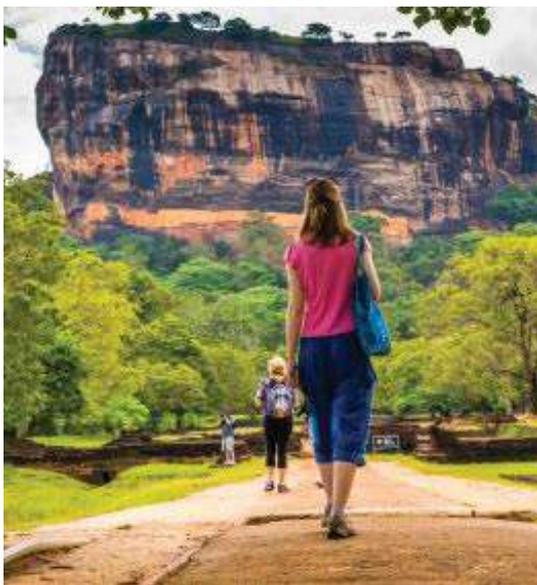
There is too much short-term thinking and not enough long-term planning.

What should be the pillars of a long-term strategy for the industry?

- Higher yields per tourist (move away from measuring success only by the number of tourists)
- Sustainability as a guiding principle for the sector
- HR development
- Product and market diversification

What strategies should Sri Lanka adopt in destination marketing?

Partner more with the private sector, do more market research and focus more on themes (like eco tourism, cultural tourism, MICE, etc.) ■



A UNESCO WORLD HERITAGE SITE, THE SIGIRIYA ROCK FORTRESS IS A MUST-VISIT FOR LOCALS AND FOREIGNERS ALIKE

By
Rikaza Hassan



Sorting the mess that is solid waste management

Opening out to private investment will bring expertise and introducing competition will reduce the cost of waste management

One of the problems Sri Lanka's capital Colombo conceals is its challenge in managing the tonnes of garbage the city's residents discard every day. Garbage-free streets reinforce the illusion that refuse is well managed, but at Colombo's fringes, the problems are glaring. Bloemendhal and Meethotamulla, within and outside the capital, respectively, have seen protests and riots by residents angered by the impacts on their lives by giant garbage dumps. Besides these two large garbage dumping grounds, there are 58 unmanaged waste dumps in the Western Province, most of which are almost filled to capacity.

The problem has been recognised by the government as a serious challenge for decades and it has carried out a number of initiatives over the years to address the garbage problem with the assistance of international agencies and non-governmental organisations (NGOs). Besides trucking solid waste to identified garbage dumps, Sri Lanka has lacked any strategy to tackle solid waste, causing serious

Four broad types of private sector participation in solid waste management have been identified: contracting, concessions, franchises and open competition.



social and ecological issues. Executive Director of the Centre for Environmental Justice (ECJ) Hemantha Vithanage estimates that Colombo's solid waste generation has tripled from the 700 metric tonne level in the early 90s. Solid and hazardous waste is trucked to open dumps or burnt, causing serious health hazards, and land and water pollution. During the last two decades, dumping has destroyed a number of significant wetland habitats around Colombo.

"Moreover, the only solution authorities seem to have is to burn the garbage, which creates a number of health problems," Vithanage points out.

Experience in other nations suggests efficiency gains in solid waste management can be achieved through the involvement of the private sector because competition, transparency and accountability are important in solid waste management as well. As the World Bank's recommendations in managing the urban solid waste management manual says, "The private sector improves efficiency

Perspective

and lowers costs by introducing commercial principles such as limited and well-focused performance objectives, financial and managerial autonomy, a hard budget constraint, and clear accountability to both customers and providers of capital. The private sector plays other important roles by mobilising needed investment funds, and providing new ideas, technologies and skills.”

There is ample evidence from around the world to support these claims. A number of studies conducted in the United States, Canada and the United Kingdom, which separately surveyed more than 2,000 cities, show that services provided by public monopolies cost 25 to 41 percent more on average than competitively contracted services. In Malaysia, a country similar to Sri Lanka in some ways, many cities have encouraged multiple collection contractors through well-defined competitive tendering procedures. The Malaysian authorities have estimated that the cost of contractor services averaged 23 percent lower than the cost of services provided by local authorities.

Four broad types of private sector participation in solid waste management have been identified: contracting, concessions, franchises and open competition. Contracting is when a private firm is awarded the contract for waste collection, transfer and disposal site operations after a competitive process. The selected firm is usually paid for its services by a municipal authority. Concessions are allowing a private firm to build and run a waste management facility after signing a long-term contractual agreement. Franchises also involve a competitive selection process for private firms that are required to deposit a performance bond with the government and undertake solid waste services in sections of the city. The private firms recover the costs of the service directly from customers, although the government may seek to regulate prices. In open competition, a license is issued to qualified firms to compete and operate in any part of the city for the provision of municipal waste services. These options are designed primarily to bring private sector capital into waste management and to enhance efficiency in service delivery.

The private sector can also assist local governments through partnerships. Competition is critical to achieve cost reduction and the efficiency of the private sector is often more

As there are no official data on garbage generation, researchers estimate that the volume of solid waste generated nationally is at around 6,400 tonnes a day. Meanwhile, daily waste collection in Sri Lanka is approximately 2,900 tonnes



MUNICIPAL WASTE

50-65%
BIODEGRADABLE WASTE

5.9%
LONG-TERM
BIODEGRADABLE WASTE

2.8%
SLAUGHTER HOUSE

REST
NON-BIODEGRADABLE

nimble in deploying labour and can motivate staff by incentive payments and career development opportunities. What public-private partnerships can do is to allow local governments to learn and adapt from private sector management.

The private sector can also contribute to building technical capacity for waste management. Although facilities for composting, recycling, and incineration of medical waste and landfills exist, Sri Lanka requires more incinerators, while sanitary landfills do not exist. Only the private sector can bring about an infusion of capital, technology and management techniques to solve the issue, and thus increased involvement of the private sector at local level needs to be encouraged, in particular by highlighting the economic and resource potential of waste currently neglected. With greater participation, the private sector would be able to improve the technical capacity of the country for waste management, including procuring equipment and constructing facilities. Businesses with good waste management records should be rewarded and recognised.

Hemantha Vithanage believes the involvement of the private sector can also create employment for the urban poor by incorporating micro-enterprises and informal waste recycling cooperatives in the municipal solid waste management system. “World Bank research has shown that the promotion of micro-enterprises is an effective way of extending affordable services to poor urban communities. The promotion and development of recycling cooperatives also provides a way of upgrading the living and working conditions of informal wastepickers, resulting in higher incomes for them and greater self-esteem,” he says.

As there are no official data on garbage generation estimates provided by researchers and environmentalists, researchers C.K. Vidanaraarachchi, S.T.S. Yuen and S. Pilapitiya (Municipal solid waste management in the Southern Province of Sri Lanka: problems, issues and challenges) estimated based on population projections, that the volume of solid waste generated nationally is at around 6,400 tonnes a day. Meanwhile, daily waste collection in Sri Lanka is approximately 2,900 tonnes; in other words, more than half of Sri Lanka’s solid waste is uncollected by municipalities. Most of the uncollected waste is disposed in home gardens, but in the cities

some of it can end up on the streets, blocking drains, waterways and degrading beaches.

The responsibility of collecting and disposing solid waste lies with local government institutions that are notorious for their inefficiency. Overall, urban councils collect 65% of solid waste in their jurisdictions, while it's 50% for pradeshiya sabhas (Delivering Natural Resource and Environment Management Services Sector Project, Draft Final Report 2005). Luckily, most of the household solid waste in semi urban and rural areas (falling under urban council and pradeshiya saba purview) are organic and biodegradable. This trend, however, is slowly altering as semi urban and rural residents also dispose of growing amounts of polythene. Collection of garbage at the municipal council level is close to 80%.

Municipal solid waste contains 50-65% readily (or short-term) biodegradable waste, (food/kitchen waste, animal and plant matter, etc.), 5.9% long-term biodegradable waste (e.g. coconut shells) and 2.8% slaughter house waste, while the remainder is non-biodegradable like polythene, soft and hard plastic waste, shopping bags (10.5%); metal waste like aluminum cans, steel containers, etc. (1.8%), paper and cardboard waste (3.7%); garment waste (1.2%); glass waste (3.1%); building construction waste; hazardous waste (0.4%) like batteries, CFL bulbs, paint bottles, e-waste, etc.; and other waste 7.7% (e.g. industrial waste). Thus, it is possible to use most of the waste for composting or bio-gas generation. The remainder can be processed through a material recovery facility (MRF) and incinerated, and the rest can be sent to sanitary landfills.

Currently, the government seems to be attempting to shift the garbage from Colombo to outstations. There are indications that the authorities are focusing on shutting down major landfill sites for Colombo like Karadiyana, Meethotamulla and Bloemendhal, and transposing the problem to outstations. In the Western Region Megapolis plan, which envisages developing the region to become one of South Asia's best places to live and work, a major landfill site is already being prepared in Puttalam, and three other locations - Dompe, Divulapitiya and Malamulla - are being considered for locating other sites.

In their research paper, Sustainable Approaches to the Municipal Solid Waste Management in Sri Lanka, H.N. Hikkaduwa, K.W. Gunawardana, R.U. Halwatura and Hyoun

NON-BIO DEGRADABLE:

POLYTHENE, SOFT AND
HARD PLASTIC WASTE,
SHOPPING BAGS

10.5%

METAL WASTE - ALUMINUM
CANS, STEEL CONTAINERS,
ETC.

1.8%

PAPER AND CARDBOARD
WASTE

3.7%

GARMENT WASTE

1.2%

GLASS WASTE

3.1%

HAZARDOUS WASTE
- BATTERIES, CFL BULBS,
PAINT BOTTLES, E-WASTE,
ETC.

0.4%

OTHER WASTE (INCLUDING
INDUSTRIAL)

7.7%

Hee Youn state there is a possibility to earn \$20-22 from a tonne of mixed municipal solid waste. "There is no proper focus to build a Cleaner Development Mechanism (CDM) in the current municipal solid waste management project and there is no attempt to create an Intergraded Solid Waste Management (ISWM) system in the country," it reads.

Thus, the government has an opportunity to open the solid waste management sector for private investment, which it cannot do itself.

Most local authorities dispose solid waste in open dumps. However, this has considerable environmental and public health impacts. Open garbage sites are often 1-2 hectares in extent, and are usable over a short period of time. Often, environmentally sensitive and publicly owned areas are used extensively as disposal sites by local authorities. Septage (septic tank sludge) is often dumped at solid waste disposal sites without any precautionary measures to minimise environmental and health risks.

An engineered landfill site is designed for the final disposal of waste in an environmentally friendly manner and is the antithesis of open dumping. "A sanitary landfill site is designed to minimise the adverse effects associated with solid waste disposal. The design includes the containment of leachate and gas, daily cover for the working surface, run-off and run-on diversions to decrease potential surface and groundwater pollution. Additionally, a sanitary landfill site is also aesthetically more acceptable. In the case of an engineered landfill site, methane gas, which is produced as a result of the decomposition of garbage, is burned without treatment. There are currently no sanitary landfills in Sri Lanka," a 2015 report by the Environmental Foundation Limited states.

As mentioned earlier, local council authorities often burn garbage at open sites to extend the lifespan of the site; this, however, is not similar to the incineration method used by some countries. Incineration is a controlled process for 'converting solid, liquid and gaseous combustible waste into gas and residue containing non-combustible material. During combustion, moisture is vapourised and oxidised. Carbon dioxide, water vapour, ash and non-combustibles are the end-products. Incineration without adequate control systems leads to the release of gases that cause air

pollution; hence, suitable precautions need be taken.’ (EFL 2015)

As Sri Lankan municipal solid waste contains 50-65% readily biodegradable waste or organic component, converting this into compost/soil conditioner is an environmentally sound practice as well as economically viable option for an agricultural country. Composting can be prepared at household level using compost bins - for gardening or selling, and as a small or medium enterprise. Current technology, together with warm temperatures and effective microorganisms already available, ensure that composting is not the long-drawn-out process it used to be. Combining this highly nitrogen-based fertilizer with rock phosphate serves as a value addition. The pradeshiya sabhas of Weligama, Balangoda, Ingiriya and Bulathsinhala are some of the success stories of composting.

Bio gas is yet another avenue to use organic waste. These too can be effected at both household and city level. Helpo Eco Green is a pioneer biogas not-for-profit company based in Galle that provides biogas facilities at both household and industry levels. Organic waste, waste water and sewage are funnelled into the anaerobic digester where the organic material is fermented to give off biogas (methane and carbon dioxide), which can be used to power a few lights and cook meals. The sludge that is left after the process can be used as fertilizer, so there is no waste whatsoever. A simple example is the Gampaha Municipal Council, which uses organic waste from the Gampaha market to supply power to its canteen and a few houses in the vicinity. Helpo’s corporate clients include SriLankan Airlines, MAS, Karapitiya Teaching Hospital and the Navy camp in Karapitiya, which previously dumped its waste into the Kala Oya.

In Sri Lanka, the private sector is already involved in bio gas manufacturing with great success, while the government sector’s performance has been lacklustre, it was revealed at a workshop titled ‘Up-scaling Biogas Technology for Sustainable Development and Climate Change Mitigation in Sri Lanka’ (UBTSDC-CMSL) held in 2014. Thus, the EU-funded SWITCH-Asia initiative commenced working towards feasible loan schemes for those who wish to opt for bio-digester installations at their premises last year. The first loan granted through the project was in conjunction with the Regional Development Bank (RDB) for a

As mentioned earlier, local council authorities often burn garbage at open sites to extend the lifespan of the site; this, however, is not similar to the incineration method used by some countries. Incineration is a controlled process for ‘converting solid, liquid and gaseous combustible waste into gas and residue containing non-combustible material’.

Sri Lanka Umaga type 15m³ sized bio-digester, and those behind the initiative claim they are now receiving a number of loan applications.

Reusing and recycling are obvious solutions for metals, paper and plastics/polythene. While recycling such materials does take place to a certain extent, reusing and recycling glass is perhaps the best successful example in Sri Lanka. The local glass monopoly, Piramal Glass Sri Lanka produces 250 MT of glass a day and 40% of its base materials constitute cullet (crushed glass).

Incineration is yet another proposed solution. As mentioned earlier, incineration is a method in which solid waste is burned at high temperatures to convert them into residue and gaseous products. The biggest advantage of this type of method is that it can reduce the volume of solid waste to 20-30% of the original volume, decreasing the space they take up and reducing the stress on landfills. Incineration is a practice popular in countries like Japan, where landfill space is no longer available. Environmentalists, however, recommend that incineration only as the final step for getting rid of the waste that absolutely cannot be reused or recycled. There are, however, instances where incineration is preferable, for example, the disposal of medical waste, which currently is either thrown into open dumps or just buried, both of which are highly hazardous.

There will always be a role for landfills in the waste management process because even if reusing and recycling is practiced to the ultimate degree, there is still the ash left over from incineration that will require to be disposed of. In developed nations, landfills are engineered to very high specifications so all waste deposited in a landfill will be safely contained and so the landfill will blend naturally into the surrounding landscape. Restored landfills are often used for farming, as golf courses, for forestry or as public open spaces.

Municipal solid waste is a serious environmental and socioeconomic issue in Sri Lanka, and it is time to build resource management infrastructure, with increased private sector participation, to tap into the resource value of waste. A number of profitable business opportunities are available in environmentally responsible recycling and waste disposal sectors, and it is the responsibility of the government to encourage private sector participation, following global trends.



The Fintech Accountants are coming

Online accounting

services startups, or fintechs, are draining small and medium-sized clients, the lifeblood of most accounting firms that are small or medium-sized partnerships.

Fintechs will soon appear in Sri Lanka, delivering better accessibility and affordability to challenge small and medium practitioners (SMPs). The digital boom is disrupting the global financial services sector from banking to market research and fund management, forcing change everywhere, and the accounting profession is not the least spared, with several accounting fintechs, or internet-based financial services firms, like Xero, Free Agent, Salarium, Jurnal, Happay and FlowAccount eating into small and medium-sized business client bases of traditional smaller accounting firms.

Fintechs are mushrooming, taking away business that was traditionally the domain of banks and fund management firms globally: the US online startup Lending Club raised a \$1 billion from a 2014 IPO and has lent nearly \$16 billion online as at end-December 2015. Banks and fund management firms fighting for relevance are responding to the challenge by investing in digital technology or acquiring fintechs themselves. The accounting and auditing profession too is facing several challenges from digital disruption and advances in mobile technology.

As regulations become more complex, accounting and audit firms are challenged to help their clients keep compliance costs down, apart from helping them wade through complexities. Advances in data analytics, automation, mobile, machine learning and artificial intelligence-related technologies see online startups providing faster, accurate regulatory compliance services, a major source of income for traditional accounting firms.

Fintechs are successful because they ride the digital boom to improve accessibility and reduce costs, significantly empowering more and more individuals and smaller businesses. Accounting fintechs Xero, Free Agent, Salarium, Jurnal, Happay and FlowAccount mainly focus on servicing small and medium-sized businesses, and their success has helped raise several millions of dollars in equity funding. A Sri Lankan fintech specialising in similar accounting services has the potential to disrupt SMPs that live on small and medium-sized businesses.

The global digital disruption has not fully hit Sri Lanka, but as the economy transforms, conditions are being met for an 'overnight disruption'. Already, banks here are

investing in their digital and mobile offerings although client uptake of new technology is slow.

Giancarlo Attolini, chair of the Small and Medium Practices (SMP) Committee of the International Federation of Accountants (IFAC), says the digital disruption will upend many SMPs. "If practitioners cannot ride this wave, they will be cut out and there will be someone or something else, or software, doing their job."

In the pages that follow, Attolini deals with the digital disruption and what SMPs need to do to stay ahead. The digital disruption is just one challenge of many, including the ever-tightening regulatory environment that keeps getting complex in ever-unpredictable markets.

With so much change going around, the accounting profession will have to look deeper within itself to drive adaptation in a digital world, starting from the type of people it attracts to the profession, argues Paul Thompson, Director of Global Accountancy Profession Support at IFAC. "If the profession is to change, you need to be able to attract people that perhaps respond to critiquing a piece of art," he says. ■

Interview

Ride the wave: SMPs need to embrace the digital disruption

By investing in IT, small and medium practitioners in the **accounting and auditing profession** can do more than just stay afloat

BY VINOD MOONESINGHE

The digital disruption is overrunning Small and Medium Practitioners (SMPs) in the accounting and auditing profession. Instead of being inundated, firms can embrace the disruption and create opportunities for growth. For Giancarlo Attolini, chair of the SMP Committee of the International Federation of Accountants (IFAC), the digital disruption will upend many SMPs.

GIANCARLO ATTOLINI
IS THE CHAIR OF THE
SMP COMMITTEE OF
THE INTERNATIONAL
FEDERATION OF
ACCOUNTANTS (IFAC)



Internat
Federati
of Acco

CA
THE INSTITUTE OF
CHARTERED ACCO



Internat
Federati
of Acco

EMPOWE

“If practitioners cannot ride this wave, they will be cut, and there will be someone or something else, or software, doing their job,” says Attolini, founding partner of Attolini Spaggiari & Associati Studio Legale e Tributario, an accounting, tax and law firm in Reggio Emilia, Italy.

Many accounting services will be commoditised, and practitioners will have to move away from traditional accounting. “They need to reinvent the way they provide traditional services to their clients, which means traditional accounting might not have much of a future. If you use cloud technology, getting clients to be part of your IT network and work online with you as if you were sharing an office, that would be a selling point. That calls for a complete reinvention of the work cycle, the competences of the people doing the job and the way they work” he says.

“If practitioners cannot ride this wave, they will be cut, and there will be someone or something else, or software, doing their job.”

Attolini



Attolini, whose firm invested in IT even before emails became popular, spoke to Abacus soon after the IFAC/CASL/SAFA regional forum on “Empowering Asia’s Small and Medium Business Hub” in January, at which he delivered a special address. Excerpts of the interview are as follows:

How did you get to where you are now?

I was born in Italy and spent most of my time there, travelling extensively throughout Europe. I went to high school in Germany, and spent time in England and France as well. I didn’t start working as a CPA immediately. Right out of university, I got the opportunity to lead a wholesale/retail consumer electronics company. I developed the company into a much bigger one, with a large chain of retail outlets, before merging it with another; then I left and followed my dream of becoming a CPA. It was a great start to my new profession because it gave me the opportunity to see the profession from both sides - merits and shortcomings. In 1994, with one other partner, I started a new firm, catering only to companies, not to individuals, and having both accountants and lawyers. My experience was that you need both, as otherwise you had to tell your story twice to people from two different firms who would interface with each other rather badly, leading to ineffectiveness and time lost. At the time, we were the only firm offering joint accountancy and legal services in the region, so we were successful and grew quickly, developing a good network of clients. We have invested a lot in IT since the very start, at a time when emails were yet to come! We rode the IT innovation wave successfully. I also got involved in my profession in Italy, chairing a young accountants’ association, and later the local chapter of my institution for eight years. In 2006, I began my involvement with IFAC. I started out as the technical advisor to the former Italian member on IFAC’s SME Practices Committee. I am now serving my second and last term as chair, which will end in December 2016. In between all this, I have been doing other things related to the profession, particularly in the field of standards setting.

What are major problems facing SMPs globally?

I think problem number one, from a strategic perspective, is the huge change that is coming and has come in IT. There will definitely be much more that will change over the next 10-20 years, and even over the next couple of years.

If practitioners cannot ride this wave, they will be cut out, and there will be someone or something else, or software, doing their job. Many services will probably be commoditised. So practitioners will need to find different services that have added value to offer their clients, and will have to move from basic, low value-added compliance services to higher value-added business appraisal services. They need to reinvent the way they provide traditional services to clients, which means that traditional accounting might not have much of a future. If you use cloud technology, getting clients to be part of your IT network and working online with you as if you were sharing an office, that would be a selling point. That calls for a complete reinvention of the work cycle, the competences of the people doing the job and the way they work. For example, in traditional accounting, which was based on paper documents, the practitioners office would be used to working in cycles, which means they would wait until the end of the month or the tax compliance deadline, when all the documents have come from the clients, and then process them. That is something you can no longer do in a cloud-based environment, because there would no longer be paper documents; it would probably come in some electronic format or be an electronic flow of data, and you will have to process them in real time because your client would expect their accounts to be updated in real time and expect you to work as their in-house accounting office. That means changing quite a lot of the way your work is organised in the practice, and the competences, attitudes and capabilities of your staff. That means being prepared to do that in terms of continuing professional development (CPD), teaching your staff how to do new things in a different way and how to entertain a different relationship with your client. We tell the accounting staff in our practice that now they should not think they are our employees but as employees of the clients, which is something totally different from what we told them 10 years ago. That is one part of the big change that is coming.

The other challenge, in my view, is the economic and financial crisis. This is no longer a stable environment. Whether things are going well or less well, that has very much to do with regions and individual countries. There still are economies that are growing fast at a steady rate and developing well, but we have to understand that stability is likely to be a thing of the past. Any economy can suddenly slow down or stop, and that can have consequences

The world is rapidly turning around, and that is another measure of the change. I think there will be more sophisticated outsourcing in the years to come. What we have seen in the past few years has been the outsourcing of very basic accountancy services.

Attolini

on enterprises and, of course, on practices. I am clearly speaking from a European perspective: we have been through some very difficult years and we hope that recovery might now be in sight. It is still slow coming and it will have different pre-conditions. The way we operate now is totally different from the way we operated six years ago. We had a lot of fat to trim; we trimmed it and cut costs deeply – I think everyone who survived in Europe had cut costs deeply – and took a different attitude to the way we measured our effectiveness and output to the client. You have to be very conscious that there has to be value for every minute and every hour you deliver to the client.

This awareness of instability is not going to leave, and I would suggest that everyone keep this in mind, even countries that are doing quite well right now. Take the example of China: you would never think that the Chinese economy would cool down, but it's happening in reality. This is probably causing much more trauma than it should because people didn't expect it – the Chinese economy is simply slowing down a bit, but it is not in depression – and they were used to thinking that everything would always go upwards; they were not prepared to react to an unexpected situation. Practitioners should be very quick to react, and should possibly think ahead and be able to predict what comes ahead and help their clients adapt before the slowdown in the economy or before some other kind of economic change.

What we have seen since the GFC is that information technology is increasingly used to outsource services. How do you think this will affect the profession?

It has already had a very significant effect. Outsourcing has been there for a long time, especially in the accounting and financial industry sectors. Originally, it was stronger in countries that spoke English (at least there was a commonly spoken language, if not as a mother tongue), for obvious reasons. For example, there was little outsourcing of accounting work from Italy to India because we had no common language. Former Indian outsourcers of accounting and financial services to European companies have now begun to grow and acquire European IT companies. A client of ours, an Italian IT company extending services to banks and insurance companies, was recently bought by an Indian group that grew by providing accounting outsourcing to developed country companies. The world is rapidly turning around, and that is another measure of

the change. I think there will be more sophisticated outsourcing in the years to come. What we have seen in the past few years has been the outsourcing of very basic accountancy services. What we will see in the future is the outsourcing of more sophisticated professional services, including consulting to a certain extent. It will be almost impossible to outsource services like sophisticated tax consulting in high-complexity jurisdictions like Europe, for example, because the complexity is close to unimaginable. But you could outsource a number of combined services in simpler economies or jurisdictions that have simpler compliance systems. There are more countries now able to offer outsourcing services. India might not be as competitive as it once was; there are now countries in Asia and other parts of the world - I see Africa, for example, rising in this industry in the future as well - that will be competitive in the field of outsourcing. Africa has an advantage in terms of languages as much of northern Africa speaks French, which is of course spoken in France. So there is a lot of merit for the French to outsource their services to French-speaking Africa. There has been a significant flow of outsourcing from rich European economies to less-developed economies in Eastern Europe, to former Eastern bloc countries, for example. We've seen significant outsourcing going from Europe to Poland, Albania, Ukraine, Moldova and Romania in terms of accounting, invoice processing and billing services.

This kind of outsourcing was labour intensive, which meant a hard copy document or an electronic copy arrived in a foreign land and got processed by a human being, who probably did the keyboard input. What we are seeing now and in the future is that the human input is being substituted by machine processing by software. What used to be a manual input of invoices or accounting documents is now optical character recognition (OCR) and automatic matching to record fields in a specific accounting software where there is very little or no human input required. A human may be required to check only the final result. The process would probably run without any human intervention. This clearly changes the outsourcing panorama as well. There will be much less outsourcing of the more basic kind and much more of the more sophisticated kind.

In parallel to the way the profession itself is changing?



GIANCARLO ATTOLINI

Giancarlo Attolini became chair of the Small and Medium Practices (SMP) Committee of the International Federation of Accountants (IFAC) in January 2012. He has been a member of the committee since January 2008 and served as deputy chair over 2010-2011. Dr. Attolini is an accountant and auditor in public practice. He is a founding partner of Attolini Spaggiari & Associati Studio Legale e Tributario, an accounting, tax and law firm in Reggio Emilia, Italy. Dr. Attolini is a member of the managing board of Organismo Italiano di Contabilità (OIC), the Italian accounting standards setter, and a member of the managing board of Organismo Italiano di Valutazione (OIV), the Italian valuation standards setter. He also served as a member of the Governance and Nominating Committee of European Financial Reporting Advisory Group (EFRAG), the entity set up by the European Commission to provide technical advice on the adoption of IFRS from 2012 to 2014. He served as a council and executive committee member of Fédération des Experts Comptables Méditerranéens (FCM) from 2009 to 2012. Dr. Attolini graduated with honors with a degree in economics and business administration from the University of Modena in Reggio Emilia, Italy. ■

Well, it has to change. I believe many institutes are successfully leading their members and showing them the way to approach a changing and different environment, making them aware of the changes that have come and will likely come in the future. This is probably the most important task of an accounting institute from a strategic viewpoint – offering them the capabilities and CPD, and the information and even research structures of the research facilities that are needed to be ready for the future. Individual members, especially at the SMP level, might not be able to get ready for the future exclusively by themselves, because clearly there is a number of sophisticated competences and strategic views that you need to acquire and cultivate, probably not feasible at the level of every SMP practice. That is the task and mission of an accounting institute – to have a clear vision of the future and lead their SMP members towards that. That is where IFAC plays an important role, because our mission is to aid institutes to help their members and develop the capabilities of the accounting profession globally, so that the accounting profession can have stronger economies in the future. We clearly try as much as we can to play a strategic role in leading our member institutes to have a better understanding of the needs of tomorrow's enterprises and of the changes that need to be brought into the profession.

What has impressed you the most about CA Sri Lanka?

When we were invited by the institute to the induction ceremony of your new president, I paid attention to the details of the ceremony, which was incredibly well orchestrated, run and executed. The feeling I came out of it with was a feeling that it was an incredible team-building exercise. The profession needs this as well. At practice level, team building, a sense of belonging and behaving as members of a team in moving towards a common target are important. At the level of the profession, it is important for individual members of the profession to feel, to belong to one profession and to be members of a larger community that has common aims that need to be achieved together. I felt the induction ceremony was a picture-perfect example; and it gave me the feeling that you have a great profession, which is growing and has great ambitions for the future, bringing out the best of every individual to make a great team. ■



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PAUL THOMPSON GOT
INTO ACCOUNTING
THINKING IT WAS ALL
ABOUT CRUNCHING
NUMBERS



Interview

WANT TO BE A SUCCESSFUL ACCOUNTANT? THEN WORK THE LEFT GREY CELLS TOO

Choosing a career? Are you good with numbers? Are you a number cruncher? **Then accounting is probably not for you**, unless you can also appreciate fine arts

BY **VINOD MOONESINGHE**

Accounting professionals have always been perceived in a boring, behind-the-scenes kind of way. They rely heavily on the right side of the brain and are good with numbers. While no one doubts that accounting is an irreplaceable profession, the profession must change to remain relevant in a volatile world—and it is crucial to invest in the left grey cells too.

“The profession is seen and perceived in a certain way; so it attracted a certain type

of people that reinforced, if you like, the way in which the profession was characterised, or mis-characterised perhaps,” says Paul Thompson, Director of Global Accountancy Profession Support at the International Federation of Accountants (IFAC).

The experience of the global financial crisis on one end and the digital disruption on the other are forcing rapid changes on the profession, which must now break away from tradition and embrace dynamism. “If the profession is to change, it needs perhaps also to

not only be educating, and training people to come in with a view to being able to do different things and work in different ways, but be able to attract people that perhaps respond to critiquing a piece of art,” Thompson says.

In an interview with Abacus, Thompson explains why:

Tell us a little about yourself.

I am a Chartered Accountant (CA) by trade. I trained to be a CA in the late 1980s. From 1988 to 1991, I worked for what was then a big-eight firm, Touche-Ross – today, known as Deloitte. I trained in London – a big place for the financial industry – and focussed on the audit of financial institutions, banks and insurance companies, etc. I then spent 12 years in academia – I was a lecturer, senior lecture and finally an assistant professor in finance and accounts, starting out in the University of Northern England and eventually

When you train to be an accountant, you were trained in the technique – you studied law, financial accounting, management accounting, taxation and economics. However, nobody taught you how to run a business, nobody tried to fine tune and hone your soft skills.

taking me out to Southeast Asia where I spent some time in Singapore and Kuala Lumpur at the University of Nottingham. I was teaching accounting and finance from introductory first-year undergrads all the way to specialist MBA programmes, elective modules.

With your wide experience, what could you say about the cultural differences that exist between Europe and Asia, and how do they affect the profession?

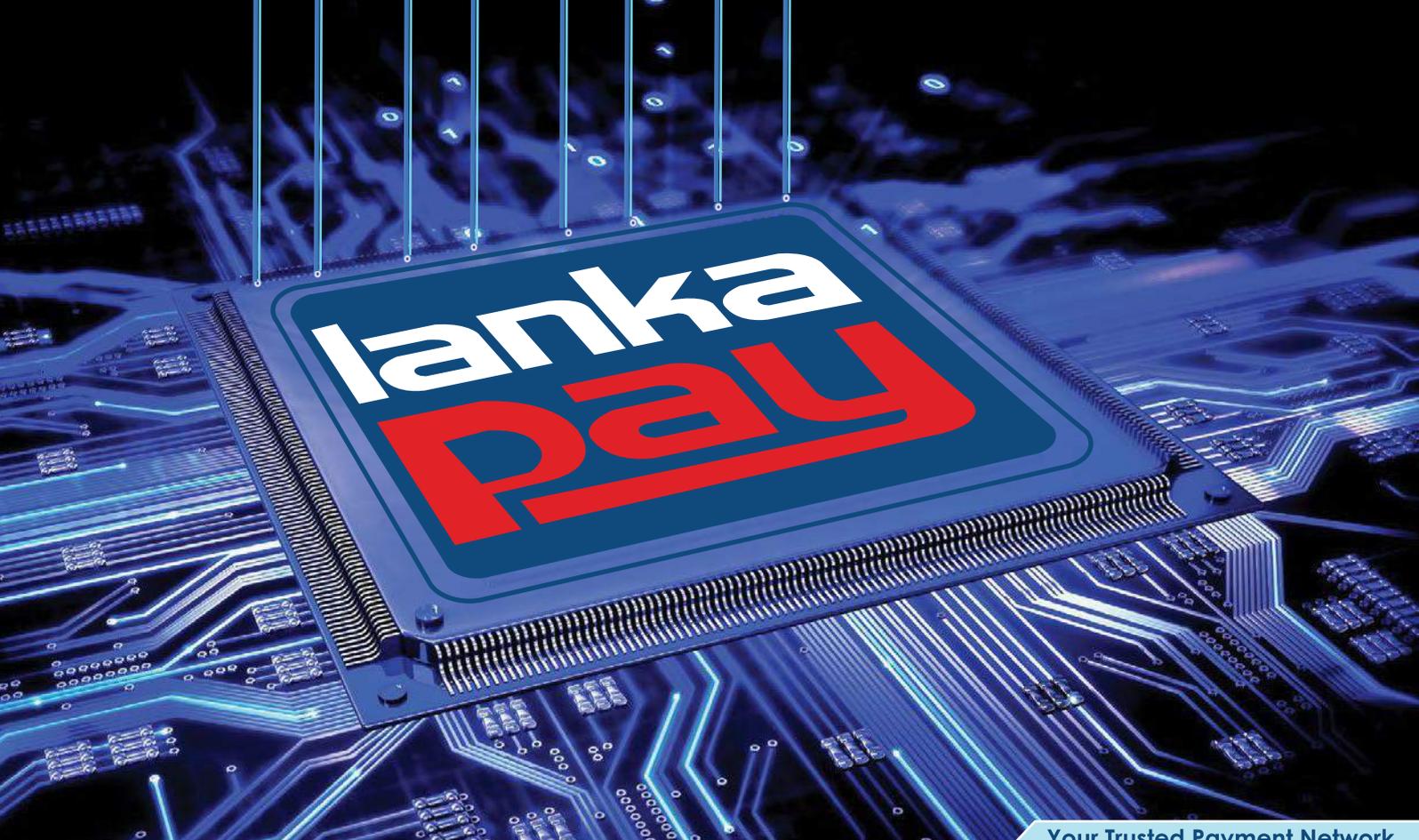
That’s an interesting question, not least because my wife is from Singapore and in fact her family is originally from Jaffna, here in Sri Lanka, so I have a bit of connection (as you can imagine) with Sri Lanka. The biggest cultural differences are very much in families. The Western European way, certainly in the UK and in North America, is very much

that the family is just the single nuclear unit: mother, father, son and daughter. In Asia, you are much more conscious of the extended family, and you are part of a much bigger family community. You are like a cog in the wheel in this huge family machine that moves! You either fight it or just flow with it. I think that is culturally the biggest factor.

How does it affect the profession? Well, let us not forget that, while these differences are quite profound, they are diminishing very rapidly. While I can see quite significant differences between my wife’s family and my own, those differences are eroding fast. I think families in this region, especially in advanced economies like Singapore and Malaysia, are perhaps becoming more Western-oriented. I am not passing judgement on whether that is a good or bad thing, but I am conscious of that trend. How that works out in the workplace is that, traditionally, the relationships one has between the practice and the client are perhaps somewhat different; here, they are much closer. In my work environment in Singapore and Malaysia, what I have noticed is a lower inclination to conflict and people going out of their way to be amenable to each other. Conflict is to be avoided at all possible cost, which is very different from North America, which has a much more confrontational and aggressive individualistic orientation. Teams work differently between jurisdictions, between East and West, between Asia and Europe.

Sri Lanka produces one of the highest numbers of accountancy students per capita. What do you think the prospects will be for them? Do you think the SMP sector will provide greater opportunities? I was interested to hear about the number of accountancy students in Sri Lanka, and I would like to think that, as the economy continues to grow as quickly as it has ever been, there will be gainful employment for all of these students, when ultimately they become qualified. The profession requires good, young, talented people, and it is encouraging to hear that there are a lot of students in Sri Lanka. That suggests to me that the profession is quite young, and for the profession to adapt to address the challenges with which we are faced – in particular the fast-paced advance in technology – we need young, talented, bright people. I think that means

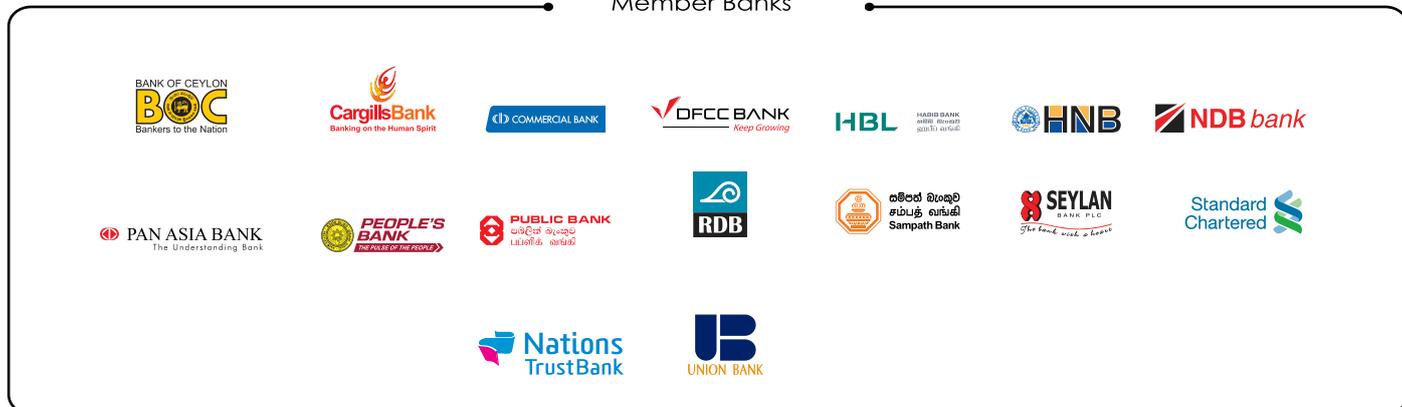
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that the profession in Sri Lanka is, perhaps, in good stead. I think Sri Lanka is an ideal, given that the young people are very well educated and speak terrific English. I would have thought that means, within a small practice, that they can help the small practice, make global connections and benefit from some of the outsourcing that Giancarlo mentioned. It would appear that Sri Lanka has got an ideal place for Australians, the British and North Americans to outsource, perhaps in the first instance more compliance type work, but over time more sophisticated, higher value-added services.

As an academic, how do you think the curricula should change to help especially the SMP sector, which has been a driving force in the profession and the economy? When you train to be an accountant, you were trained in the technique - you studied law, financial accounting, management accounting, taxation and economics. However,

The profession requires good, young, talented people, and it is encouraging to hear that there are a lot of students in Sri Lanka.

nobody taught you how to run a business, nobody tried to fine tune and hone your soft skills - how to communicate, how to negotiate, how to promote yourself and the services of your practice. So there are an awful lot of things there, as you can imagine. If you are to equip students to work for a small practice, they badly need to be educated and trained in those other things - how to run a business, how to manage a practice, how to promote services, how to build good relationships with clients. All of the kind of things we would never touch with a bargepole when I was young - we would just have debits and credits, and prepare balance sheets, and profit and loss statements. But if those people are to be effective working in an SMP, they need to know a lot about how to run a practice, how to run a business, how to work effectively with clients and how to stand out. I once spoke to an arts student in London, and she told me that their

PAUL THOMPSON



Paul Thompson joined IFAC in 2004 and is presently Director of Global Accountancy Profession Support, having previously served as Director of SME & SMP Affairs, where he led initiatives to support the development of small and medium-sized practices (SMPs) and the value they add to small and medium-sized entities (SMEs). Thompson now leads the Global Accountancy Profession Support business line for IFAC, which encompasses the Global Knowledge Gateway, SMP/SME and professional accountants in business. After working in London, he went on to lecture

on financial reporting and analysis at the undergraduate and MBA levels at universities in the UK, Singapore and Malaysia. He has contributed to a number of publications in academic journals and the professional press in areas of bank lending, financial reporting, corporate governance and corporate social reporting. Thompson graduated from the University of Warwick with a bachelor of science in accounting and financial analysis. He addressed the IFAC/CASL/SAFA regional forum on "Empowering Asia's Small and Medium Business Hub" in January on "Global challenges and opportunities for SMPs". ■

curriculum consisted of them of being shown a piece of art and told to criticise it. Teaching the actual technique is required to do this.

I do have to admit that this is part of the problem. The profession is seen and perceived in a certain way. So you attract a certain type of person that thinks they fit in with that impression. I, myself, went into accounting because I thought it was all about crunching numbers, that it was all about my ability to work on my own, quietly and diligently. So the profession attracted a certain type of people that reinforced, if you like, the way in which the profession was characterised, or mis-characterised perhaps. If the profession is to change, it needs perhaps also to not only be educating, and training people to come in with a view to being able to do different things and work in different ways, but be able to attract people that perhaps respond to critiquing a piece of art!. ■

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Interview

WE NEED TO FOCUS ON PREVENTING FRAUD:

CA SRI LANKA PRESIDENT
LASANTHA WICKREMASINGHE

The governing body of the accounting profession in Sri Lanka is focusing its efforts on developing skills and tools to combat corruption and meet growing challenges

CA Sri Lanka's incumbent President Lasantha Wickremasinghe says public expectations of the accounting profession are changing. Traditionally, accountants and auditors focused on the overall health of financial systems: maintaining proper financial records and assuring that financial reports gave a true and fair view of state and private sector companies. People are now demanding that the profession take on an added role. "Today, we need to focus on preventing fraud and corruption. Demand is growing for specialised skills and tools to combat fraud," he says in this interview with Abacus. Wickremasinghe launched a four-point strategy after being inducted as CA Sri Lanka's 23rd president last January to help Sri Lanka's accounting profession evolve to effectively deal with changing expectations and meet the challenges brought on by rapid technological advances and tightening financial regulations. Excerpts of the interview are as follows:



A CHARTERED ACCOUNTANT FOR OVER 20 YEARS, LASANTHA WICKREMASINGHE HAS SERVED IN THE CA SRI LANKA COUNCIL SINCE 2006. A PARTNER AT B.R. DE SILVA AND CO. CHARTERED ACCOUNTANTS, HE ALSO SERVES AS A BOARD MEMBER OF THE CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS (CAPA) AND IS A TECHNICAL ADVISOR TO THE BOARD OF THE SOUTH ASIAN FEDERATION OF ACCOUNTANTS (SAFA).

As the new president of CA Sri Lanka, what are your priorities?

The success of any profession is built on safeguarding public confidence and trust, and this is achieved by perpetuating high technical standards and soft skills such as communication and interpersonal relations. Members of any profession must be governed by a commitment to higher standards of ethics and decorum. All this holds true for the accounting profession, and CA Sri Lanka will continue to upgrade skills relevant to the developments taking place all around us. For example, the institute introduced the Certificate Course in Forensic Accounting with knowledge and skills in this specialised area in response to growing demand for tools to combat fraud.

Another initiative we will roll out is a preliminary research support facility to coordinate research in areas of accounting and auditing, in collaboration with universities and other research organisations.

You announced a four-point action plan for your term. Can you elaborate on this?

The first is providing members with relevant information and opportunities to develop skills in new areas that continuously impact the profession, without forgetting our core competencies in accounting systems, audit and tax. To achieve this objective, we will develop and enhance small and medium-sized practices to ensure they are on par with the rest of the world. In this regard, we have already introduced a programme with the support of the International Federation of Accountants (IFAC) and the South Asian Federation of Accountants (SAFA).

The second aspect is deepening our involvement in and support of the business community and the government by sharing our knowledge and expertise, and collaborating with regulators and policymakers to improve governance and the policy environment.

Third, we need to enhance our international prestige through a new concept called 'cooption', which signifies building mutual respect for other professional accounting bodies in Sri Lanka and globally in an environment of healthy competition.

The fourth aspect is continuous development of the education, training and examination process to ensure the basic tenants and principles of the profession are well ingrained in future Chartered Accountants.

You say the institute will support the government in improving good governance. How will you do this?

Traditionally, the accounting profession focused on the overall health of both the financial system and the overall view of individual organisations

We are working closely with two global bodies to enhance the capacity of small and medium-sized practitioners. We conducted several programmes in this regard, including a regional forum on SMPs in Colombo focusing extensively on how they can leverage future growth opportunities.

based on their financial statements. Times have changed. Today, we need to focus on preventing fraud and corruption. This is where initiatives like the Certificate Course in Forensic Accounting come into play, to ensure that public expectations of the profession are met.

The institute is investing in a core information system. Why is this important?

Technological advances are rapid, and the all-too-regular changes impact us all, no matter the profession we belong to. We must constantly update ourselves to keep pace with these changes. Like everyone else, our members lead busy lives, and the institute needs to be able to provide relevant and convenient services and facilities; this is why we are investing in a core information system. This project is as important to us as our infrastructure development project in Colombo 7; the result may not be as visible as the multi-storey building, but it is important nonetheless.

The new system will provide members and students efficient and dynamic online services. The system will integrate, update and automate services provided by the institute across all functions and academic faculties. All our services can be accessed with just a click. The ultimate objective is to improve operational efficiencies and the quality of services to all stakeholders.

Tell us about the initiative with IFAC and SAFA to empower SMPs.

We are working closely with these two global bodies to enhance the capacity of small and medium-sized practitioners. We conducted several programmes in this regard, including a regional forum on SMPs in Colombo focusing extensively on how they can leverage future growth opportunities. This is an important sector for us because they play a crucial role servicing small and medium-sized enterprises, which are the backbone of the economy.

Apart from the regional SMP Forum, and numerous other educational programmes organised by the institute regularly, we are also in the process of developing a business planning toolkit for SMPs in collaboration with German international development agency GIZ. The toolkit covers areas like business planning, project feasibility studies and preparing funding proposals. We intend to build the capacity of SMP members of CA Sri Lanka so they can expand coverage of their consultancy services to serve SMEs with enhanced productivity and credibility.

Why is 'cooption' important?

Our members need opportunities to progress not only in Sri Lanka but globally as well. We take pride in CA Sri Lanka's status as the national accounting body. Despite our standing as

a national body, we are an institute that has a global outlook. We have agreements with several global accounting bodies such as the Institute of Chartered Accountants in England and Wales and CPA (Certified Practising Accountants) Australia, among others. Steps will be taken to further enhance our ties across the world, apart from working closely with IFAC, the Confederation of Asian and Pacific Accountants (CAPA) and SAFA, of which we are members.

What has been the impact of the recent changes in financial reporting?

Sri Lanka converged with International Financial Reporting Standards (IFRS) in 2012, and Sri Lanka Accounting Standards are today fully in line with IFRS. The convergence resulted in numerous benefits: it encouraged more foreign direct investments, accelerated economic growth and enhanced the high level of comparability of financial statements, leading to a reduction in risk premiums of the cost of capital.

With the IFRS convergence, Sri Lanka has applied the same numbering as per IFRS and International Accounting Standards (IAS). All IFRSs were renamed SLFRS and all IAS renamed LKAS; the structures of their interpretation committees were adopted to the Sri Lankan context.

We also adopted IFRS for SMEs in January 2012, and CA Sri Lanka introduced a new Sri Lanka Accounting Standard (SLFRS) for Smaller Entities to provide simple financial reporting standards that can be adopted cost effectively by smaller businesses. The requirements stated in SLFRS for Smaller Entities recognise their size, level of complexity, availability of resources, and cost effectiveness in the preparation and presentation of financial statements effective from the beginning of this year.

Integrated reporting is another important area, and as the national body of accountants, CA Sri Lanka has undertaken several initiatives to promote the integrated reporting concept, including the publication of an application guideline.

CA Sri Lanka also recognises companies that voluntarily adopt integrated reporting by rewarding them at the Annual Report Awards organised by the institute each year. The institute also launched the Integrated Reporting Council, comprising professionals from accounting and non-accounting sectors, regulators and academics, with an aim to further enhance best practices of financial reporting among corporates in the country.

How is the institute's training evolving to keep up with changes in the corporate world?

Training is a unique component in CA Sri Lanka's

Our profession continuously evolves, and we face many challenges in keeping up with new regulations and standards, differentiating from competition, rising pressure to lower fees, and serving international clients.

programme. We take steps to regularly revise this area, ensuring that they are in line with changes in the curriculum and market requirements. We amend the practical training module every five years. At the last curriculum change in 2015, we surveyed chief executives, chief financial officers, directors and other professionals to find out what they expected from chartered accountants. We are in the process of developing learning outcomes in addressing the requirements of the market.

We have an Ethics and Attitude Module to improve awareness of members and students on the importance of adhering to these principles.

All our training requirements are evaluated and amended according to International Education Standards (IES) published by IAESB-IFAC from time to time.

Can you elaborate on the public sector initiative rolled out last year?

The role played by the public sector need not be underscored. However, we have seen that this sector needs vast improvements in several areas. Therefore, in our capacity as the national body of accountants, we established a public sector wing, known as the Association of Public Finance Accountants of Sri Lanka (APFASL), with the objective of strengthening public financial management expertise. Another important initiative we launched was the 'Chartered Public Finance Accountant' qualification with CIPFA London, which is the only professional accountancy body exclusively dedicated to public finance in the world. This qualification is for public sector accountants, auditors and tax officers.

We also introduced 10 Public Sector Accounting Standards, and another 10 will be published shortly.

What are the challenges facing the profession today?

Our profession continuously evolves, and we face many challenges in keeping up with new regulations and standards, differentiating from competition, rising pressure to lower fees, serving international clients, keeping pace with new technology, attracting and retaining staff, managing cash flow and late payments, enabling employees to balance work and life, and succession planning.

Looking back on your professional life as a Chartered Accountant, what would you say are the main lessons you've learned?

To do whatever you have to do, to the best of your ability, while taking into account the objectives of the task. The biggest challenge then and now is working towards truth and fairness in challenging environments. ■

By
Jackie Freiberg and Kevin Freiberg

WILL BUY for a CAUSE

A business strategy for standing out in a sea of sameness

As the saying goes, “There is no new normal.” Criteria by which customers, governments, communities, employees and investors evaluate and throw their allegiance to businesses are changing radically. Yes, profit is still the Holy Grail, but not for long. Today, a company must not only be profitable, it must have a positive impact on the world because the world is asking, “Is what you are doing going to have a long-term positive consequence for humanity?” Consider these trends that will dramatically shape the future of marketing:

1. ▶ Selling a good product or service is no longer enough to attract consumers who are socially conscious and passionate about sustainability. Consumers want to do business with companies that have real and meaningful impacts.
2. ▶ More and more consumers feel personally accountable for making purchasing decisions that are socially and environmentally responsible. Increasingly, people will decide where to shop, what to buy, and what products and services they recommend to others based on the social and environmental impact companies have.
3. ▶ Transparency is changing the face of corporate social responsibility. Social media now gives us unprecedented access to information about how companies behave. An overwhelming majority of shoppers say they will boycott companies engaged in irresponsible business practices and switch to brands that are genuinely making the world better. In many cases, even if they have to pay more.
4. ▶ In a nutshell, if you sell a widget and I sell a widget that are similar in price and quality, but yours is built around a noble and heroic cause, people are going to buy from you.

BE good; not just DO good
Corporate Social Responsibility (CSR) was



JACKIE FREIBERG AND KEVIN FREIBERG FEEL WHAT IS IMPORTANT TODAY IS NOT ONLY THAT A COMPANY IS PROFITABLE, BUT THAT IT HAS A POSITIVE IMPACT ON THE WORLD

the first phase in addressing these emerging trends. For the most part, CSR is an add-on. That is, how can the business do what it does and help the world or hurt it the least. Now, the most progressive companies in the world are starting to define themselves as a cause. Addressing critical social needs, enriching the human condition and making the world better is not just an add-on to what these firms do, it's *what* they do. Improving lives is not a by-product of making a profit, it's the very means by which the business makes a profit.

Here's what these companies understand as so critical from a marketing point of view.

Customers don't buy products and services; they buy better versions of themselves

Blake Mycoskie, founder of now-famous TOMS Shoes, chose the name TOMS to signify “Shoes For Tomorrow”, because

with every pair of shoes you buy, the company will donate a pair to a child in need. Mycoskie came up with the idea during a trip to Argentina where he noticed that many of the children did not have shoes—a problem in developing countries where one of the leading causes of disease is soil-transmitted parasites that penetrate bare feet.

He also learned that many of these children could not go to school if they did not have shoes. Now, why do we pay an average \$55 and as much as \$100 for a pair of TOMS? It is because every time we buy a pair of TOMS, we feel we are a part of something bigger, a part of doing something good in the world. And when we look in the mirror, we see a better version of ourselves.

Why are people in India and around the world so fond of buying Tata products? It is because Tata Group, known as one of the most ethical conglomerates in the world, has been giving back to

the communities from which it takes for more than 140 years.

We visited a village in Sanand where Tata Motors was building an automobile plant. The entire corporate social responsibility intervention was impressive. Tata does not go into a village as a “big corporate” and tell the people what they need. Tata companies go in and ask: “What do you think you need and how can we partner with you to make it happen?” No one questions the fact that Tata has raised the tide for the entire nation of India. This is one of the reasons people feel good about buying their products.

My purchases are a statement about me

People seek self-expression and self-identity through what they buy. When we buy products that enrich lives from companies that are doing good, we create a better version of ourselves.

A better version of me feels, well... better!

Apple created an entire ecosystem of products and services that have made our lives better. In health care alone, would Steve Jobs have even guessed that there will be more than 13,000 health apps available for download in Apple’s AppStore today?

As its retail stores opened, Jobs told the people at Apple, “Your customers don’t care about your products. Your customers dream of a happier and better life. Don’t move products. Instead, enrich lives.”

For a brand to stand out, it has to stand for something

Is there a heroic cause for which you fight? Do you have a compelling story to tell? Does that story generate a real emotional response from your customers? Consumers want to see, know and feel that they are connected to something bigger, something good and something enriching when they buy your products and services.

The durability and weightiness of your brand will be determined how well you foster this meaningful, emotional relationship with your customers.

Belonging to something bigger

When the business becomes a cause, what follows is a movement; and guess what? People OPT-IN to movements.

They don’t have to be manipulated into joining; they enlist themselves. They don’t have to be enticed with exaggerated promises, hype or fear; they are already drawn to the psychic gratification, the deep meaning and the significance they garner from being a part of solving a problem that matters. Here’s the benefit: When people feel good about their decision to do business with you, when you inspire them to join a movement, they become brand ambassadors.

In a world where so many people feel objectified, dehumanised, anonymous and discounted, we join movements and fight for causes because we see ourselves locking arms with others, playing an important role in a bigger story—we belong. And, collectively, we have more power to affect change and to make a difference.

Why are people in India and around the world so fond of buying Tata products? It is because Tata Group, known as one of the most ethical conglomerates in the world, has been giving back to the communities from which it takes for more than 140 years.

When you sell WHY you do what you do, you are inviting consumers to be part of a movement that gives them an opportunity to express themselves. It gives them a platform to tell their story, to make a statement about who they are, what they believe and what they stand for. It also gives them a sense of belonging, a place where they can join like-minded people who share the same concerns and aspirations.

This is what people are buying. WHY distinguishes companies such as Southwest Airlines, TOMS Shoes and Tata Group from everyone else. It is not WHAT they do; it is WHY they do it that capture people’s attention. In the case of Southwest, there are a lot of companies that will put you in a seat and move you from point A to point B. But there is only one that sets out to fight for the little person.

There is only one that initially got into business to democratize the skies. This is their WHY, and their WHY is why people buy.

Disney created a place to make people happy. ING Direct wants to create financial freedom by bringing people back to saving. Evernote helps you remember everything. Google democratizes the access to information.

The people of Vermont-based National Life have developed a direct line-of-sight between their individual contributions and the larger cause for which the company fights. The result is unprecedented growth from a company that competes in a sea of sameness.

Experience the culture of National Life and you quickly discover that something beyond selling insurance drives these people. You quickly get the sense that employees are caught up in a cause that touches them at a deeply emotional level—something that transcends profitability and the bottom line. The emotional connection they have with a larger cause releases a powerful flow of passion, pride, perseverance and productivity that spills out on to their policyholders. This is one reason why they are blowing the doors off business-as-usual when it comes to loyalty, profitability and customer value.

Research validates that consumer preferences are shifting. As we said, it is no longer enough just to sell a product or service that works. Consumers expect a meaningful social impact. In the future, if you cannot demonstrate that you are legitimately doing something to make the world better, your business is in trouble.

There will always be some market segment that religiously buys goods from socially responsible companies. But if you think they are out on the fringe, think again. More and more of these socially conscious buyers are occupying center stage. These trends represent a springboard for growing your company. The market is hungry for something genuine to believe in.

Do not miss this opportunity.

Drs. Jackie and Kevin Freiberg are co-authors of international bestseller ‘NUTS! Southwest Airlines’ Crazy Recipe for Business and Personal Success’ and the recently released ‘CAUSE: A Business Strategy for Standing Out in a Sea of Sameness’. ■

Out and about in Sydney



Aerial view of the
cityscape, Sydney, New
South Wales, Australia

Australia's commercial capital combines urban modernity with immense natural beauty

Founded in 1788, Sydney is Australia's oldest and biggest city. While Melbourne is considered the nation's cultural capital, Sydney has tried hard to catch up. Its location on one of the world's largest natural harbours gives it a huge advantage, as the climate is fairly mild, but the sea is perennially bitterly cold. It also gives the city a specific character, which emerges as one explores it.



SYDNEY COVE WITH THE OPERA HOUSE AND SYDNEY HARBOUR BRIDGE



Port Jackson

Sydney sits on Port Jackson, one of the most beautiful natural harbours in the world. It is made up of several sections, called North Harbour, Middle Harbour, Sydney Harbour (often used as a synonym for Port Jackson itself), Darling Harbour, Paramatta River and Lane Cove, divided from each other by a number of headlands. It is a

PEOPLE AND STALLS AT THE BONDI FARMERS MARKET IN SYDNEY, NEW SOUTH WALES, AUSTRALIA.



great place for yachting.

Around the shore of Port Jackson is the Sydney Harbour National Park, which protects a number of islands and foreshore areas, and affords great opportunities for discovering bush wildlife, exploring cultural history (there are sites ranging from Aboriginal rock drawings to convict-built forts), or just walking and picnicking amid the natural splendour. Among the strategic scenic spots are Arabanoo Lookout at Dobroyd Point, which presents a panorama of North Head, South Head and Middle Head, which mark the entrance to Port Jackson; Middle Head itself, from which the Pacific Ocean can be seen between North Head and South Head; and Bradley's Head, one of the best views of Sydney. Close to Bradley's Head is Taronga Zoo, which combines wildlife, forestry and superb views, all three of which can be seen from a Sky Safari cable car. Also well worth visiting are the Grotto Point Lighthouse and, sitting athwart the approach to the jetties of Sydney on Pinchgut Island, Fort Denison with its Martello Tower.

Sydney Opera House and Harbour Bridge

Jutting into the harbour on Bennelong Point (originally an island), mimicking the sails of the yachts in Port Jackson, as intended by Finnish architect Jørn Utzon, the Sydney Opera House is probably the world's most iconic landmark. A World Heritage site built in the Expressionist style, it is a performing arts centre with multiple venues, ranging from the open-air forecourt to a 2,700-seat concert hall. It is host to Opera Australia and the Australian Ballet - which perform in its 1,500-seat Joan Sutherland Theatre - and a number of other theatre and dance companies. Over 1.3 million people attend its some 1,500 performances every year, and eight million people visit it. There are guided tours of the complex for visitors, some catering specifically for children and families. It is a good place to view the harbour and the Sydney Harbour Bridge. Over three million people have climbed the bridge in the past 25 years.

Getting about

Sydney Kingsford-Smith International Airport is on Botany Bay, just a half-hour on the Airport Line train. There is a good network of urban trains and buses, and a metro light rail that is being expanded. If one is not a sailor, it is possible to traverse Port Jackson by the Sydney Ferry, a great way to see it and feel it; it is also one of the best ways to get past the traffic when getting out of the central business district (CBD). Within the CBD, walking is the best way to get around and see stuff.

Shopping

Sydney is not particularly known for its shopping. However, high-street shops and department stores such as Myers and David Jones in the CBD keep up with the latest in fashion and lifestyle trends. There are also shopping centres in the CBD, such as Queen Victoria Building and Broadway Shopping Centre, and the suburbs, like Westfield Bondi Junction. If you are bargain-hunting, Paddy's Market in Haymarket, right in the middle of Chinatown, provides rock-bottom prices on the ground floor and fairly economical shopping on the upper storeys. Weekend markets in suburbs all over Sydney offer fairly economical goods ranging from hemp shirts and artsy trinkets to organic vegetables and goat cheese. A variety of bargains can also be obtained at dollar and two dollar shops spread all over Sydney. The Birkenhead Point Outlet Centre in Drummoyne is Sydney's largest factory-second outlet centre, offering branded, and white and brown goods at low prices. "As new" working-condition white and brown goods can be obtained from Breville Kambrook Philips Factory Outlets in Ultimo and Redfern, making massive savings on normal retail prices.

THE DOMAIN, SYDNEY, AUSTRALIA



At the heart of the domain, just next to the promenade, is the Royal Botanical Gardens - a must-visit. Surrounding it are green tree-filled precincts where one can walk, play, picnic or, on occasion, watch musical or theatre performances.

Festivals

The Sydney Festival, which takes place in January, showcases many of the world's best circus, theatrical, musical and dance performances. The Sydney Writers Festival in May, which attracts 80,000 readers, takes place at renovated piers on Walsh Bay and other venues all over Sydney, including the Opera House and the Sydney Theatre. In June, the six-decades-old Sydney Film Festival exhibits feature films, documentaries, animations and short films in cinemas across the city. May and June see the annual Vivid festival of light. Highlights are the spectacular visual displays at Darling Harbour, the Opera House and Sydney Harbour Bridge. Apart from visual and audio

displays, it also brings together business and innovation leaders for professional development, information updates and market opportunities. Of course, it is not necessary to wait for Vivid to come around. On designated Saturday nights throughout the year, there are brilliant fireworks displays over Sydney Harbour. In October, the suburb of Parramatta goes sub-continental with the Parramasala global cultural festival. Included in the programme is the Tamil Literary Festival.

The domain and hyde park

Right next to the CBD is the Domain, a large public open space curving around Farm Cove, an inlet of Sydney Harbour bounded on the east by another, Woolloomooloo Bay. Entering from the Opera House gate, one can walk along the U-shaped waterside promenade to "Lady Macquarie's Chair". At the heart of the domain, just next to the promenade, is the Royal Botanical Gardens - a must-visit. Surrounding it are green tree-filled precincts where one can walk, play, picnic or, on occasion, watch musical or theatre performances. About 50 metres south-west of



the Domain is Hyde Park, which contains the Archibald Fountain, a monumental water feature made up of ancient Greek mythological figures; the ANZAC Memorial; and the Pool of Reflection. The whole area abounds with bird life.

Museum visits

Right next to Hyde Park is the Hyde Park Barracks, once a residence for convicts transported to Botany Bay, but now a Museum dedicated to Australia's penal heritage. Many of its exhibits are clothing and other articles preserved by the rats who used them for making nests. In the middle of the Domain is the Sydney Art Gallery, which has a superb collection of Aboriginal, Asian, Australian, Pacific and contemporary art and photographs. Part of the Museum of Applied Arts and Sciences, the Powerhouse Museum, which houses nearly 120,000 objects, is located in the old Ultimo power station, and its functional architecture enables people to view the exhibits from different angles. Another part of the Museum, in the heart of the CBD, is the Sydney Observatory, which houses a planetarium and a 3D space theatre, in addition to its telescopes.

Dining out

Traditional Australian fare consisted of damper bread, fish and chips, meat pies of various sorts, Vegemite sandwiches and Tim Tam chocolate biscuits. However, the infusion of vibrant new

VIEW OF THE ENTRANCE TO THE ART GALLERY OF NEW SOUTH WALES

In the middle of the Domain is the Sydney Art Gallery, which has a superb collection of Aboriginal, Asian, Australian, Pacific and contemporary art and photographs.

cultures has transformed Australian cuisine; now fusion food such as pizza, kebab, curry pie and “dimmys” (dim-sum dumplings) are integral to it. China town is the place for Chinese food. Italian food is found all over, having become a standard part of the cuisine, but for the best one should go to the Inner West suburbs of Leichhardt or Haberfield (where the Italians live). The most excellent Greek, Lebanese and Vietnamese food is also found in the Inner West and in Newtown.

Much frequented by the intelligentsia, Glebe Point Road is a festival of cuisines, ranging from Polish to Nepali, which can be consumed inside or bistro-style on the street. Most of the bookshops for which the road is famous have cafes where one can read while sipping your tea and eating your cake. Most tourist venues in Sydney have similar food outlets.

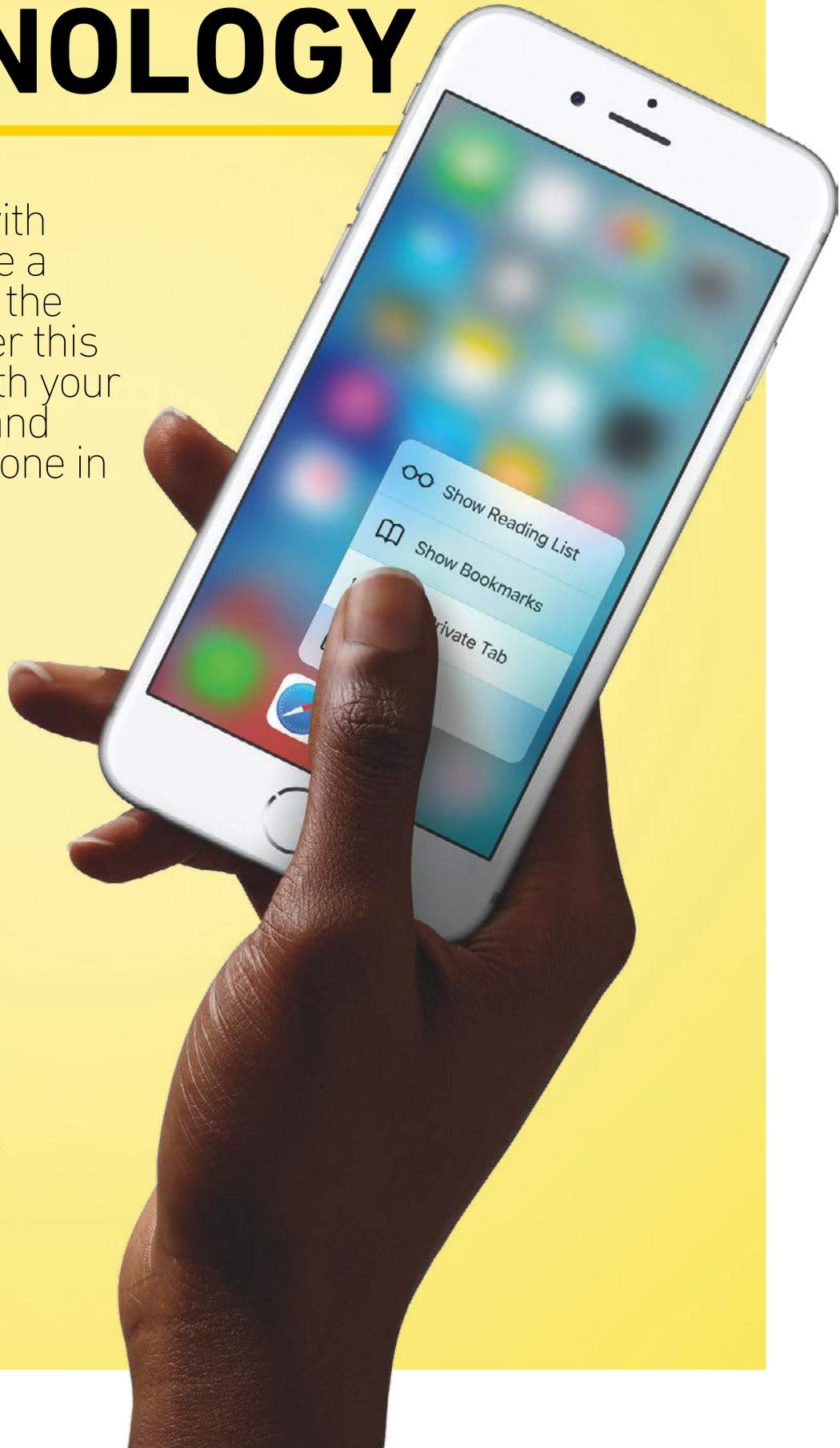
The best in fine dining and seafood is found on the old piers and jetties of Darling Harbour, Walsh Bay and Circular Quay, and The Rocks overlooking Sydney Cove. Food outlets at the Sydney Fish Market serve freshly-caught seafood straight off the boat. Beverage-wise, changes have also occurred. Tea has, by-and-large, been replaced by coffee in urban areas, but it is still widely consumed. In the 19th century, Sri Lanka exported rum to Sydney, but it has been replaced by whiskey. Although beer has iconic Australian status in foreign eyes, wine is much more popular. ■

TRAVELLING WITH TECHNOLOGY

Overseas travel, with all its thrills, can be a headache without the right tools. Conquer this holiday season with your baggage in one hand and your smartphone in the other.

By **AVANTI SAMARASEKERA**

If long lines and crowded roadways are not your idea of a vacation, then be prepared, because travel seasons are the busiest they've ever been. Get ready to navigate foreign lands and mingle with the locals with travel apps that will make you feel at home anywhere in the world. So pack light and don't leave your smartphone behind, because these apps will come in handy. The world is now, literally, in the palm of your hand.



PLAN

TRIPIT

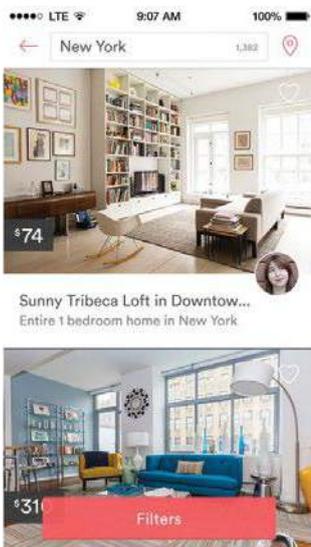


(iOS, Android, Blackberry and Windows)

Whether you are a spontaneous traveler or a planner, TripiT transforms your travel and booking confirmation emails into a master itinerary. The app can recognise reservations from over 3,000 booking sites, and even share trip plans through email, Facebook and among LinkedIn contacts. The app will collate and organise all your travel information and present you with a clean agenda, complete with suggestions of must-see attractions and activities. It also gathers weather updates, local maps and directions to make traveling easier.



AIRBNB



(iOS and Android)

The Airbnb bug has even bit Sri Lanka. This 600,000-odd database of user-provided accommodation is a primary example of a sharing economy, where anyone can virtually put their home/room on the market for rent. Whether it's a long-term tenant or a short home stay, Airbnb hosts locations from renowned hotels to charming B&Bs.



KAYAK



(iOS, Android, Kindle and Windows)

Kayak allows you to search for airfares, find hotels and even book rental cars on the same app. It also curates an itinerary based on the locality. Kayak's flight search option allows users to sort flights by cheapest fare, shortest duration, leaving soonest, leaving latest and arriving soonest. Kayak also features a 'Hotel for Tonight' element, which locates rooms nearby from a single tap.

Try these...



TripAdvisor will help you find the lowest airfares, best hotels, authentic restaurants and fun activities wherever you go.



A strictly hotel-booking app, Agoda allows users to find, book and even pay for their hotels prior to travelling. With over seven million customers and four million reviews, the best prices are guaranteed.

PREPARE

GOOGLE MAPS/GOOGLE TRANSLATE



(Any smartphone/
web-enabled phone)

Google Maps is undoubtedly the single most useful travel app available. It tells you where you are, where anything else is and how to get between those two spots. What else would you need in a foreign land? Truth be told, in Sri Lanka, Google Maps takes you off course at rare times, but rest assured that the streets of most big travel destinations are marked down to the last dot. You are safe. Google Translate also makes the perfect travel partner. Gone are the days when a trip



overseas required a (local) language dictionary. Just type in the word or snap a picture of it and watch as Google Translate turns anyone bilingual.

XE CURRENCY



(iOS, Android and Windows)

If you are a constant traveler, keeping abreast of fluctuating interest rates is vital. XE Currency is easy to use and shows live currency rates. A refresh button also ensures that the latest and updated rates are shown on your screen. As price-conscious Sri Lankans, XE Currency also comes in handy when valuing/gauging exactly what you're paying for food, drink or other items in another country.

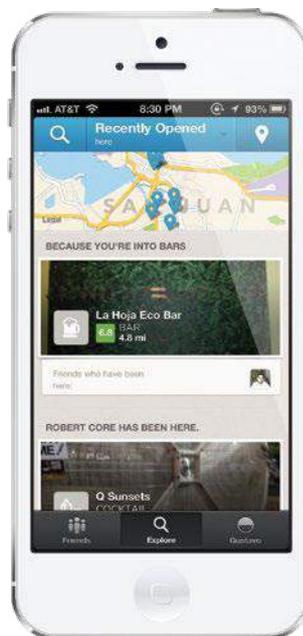
FOURSQUARE



(iOS, Android and Windows)

Foursquare is a travel app

that is a godsend for curious travelers. The app works in any locality, and lists everything from restaurants to churches. Users can set their preferences with descriptors like 'family-friendly places', 'WiFi' or 'outdoor seating', and Foursquare will alert you when something matching your taste is nearby. Users can even see recommendations and tips from those who've been there before you. Some venues also offer perks, which can also be found on Foursquare.



EXPLORE

UBER



(iOS and Android)

Now that you've reached your destination, it's time to explore the sights around you. Getting around in a foreign city can be painstaking, especially if you don't even speak the language. Car service app, Uber allows you to request a car and tell the driver where to pick you up by dropping a pin on a map. When your ride is over, Uber charges the cost to your credit card. Uber is present in over 50 countries.

Try these...



Yamu allows users to find restaurants and entertainment venues in Sri Lanka.



Sri Lanka's version of Uber PickMe boasts of a significant number of three-wheelers, minis and cars.

Update

Lasantha Wickremasinghe inducted as 23rd President of CA Sri Lanka

Chartered Accountant Lasantha Wickremasinghe was inducted as the 23rd President of CA Sri Lanka on Tuesday, 26 January 2016, in the presence of a distinguished audience including senior government officials, corporate leaders and international accounting personalities.

Mr. Wickremasinghe was ceremoniously inducted by outgoing President Mr. Arjuna Herath in the presence of Speaker of Parliament Hon. Karu Jayasuriya, Minister of Finance Hon. Ravi Karunanayake and Dr. Giancarlo Attolini, the chairman of IFAC's SMP Committee.

Wickremasinghe, a fellow member of CA Sri Lanka, counts 20 years of experience and is a Partner at B.R. De Silva & Co. Chartered Accountants. He has served in CA Sri Lanka's council since 2006, and prior to his induction as president, was Vice President over 2014-2015.

He also serves as a Board Member of the Confederation of Asia Pacific Accountants (CAPA), the organisation representing national accountancy organisations in the Asia-Pacific region, and a Technical Advisor to the Board of the South Asian Federation of Accountants (SAFA), an apex body of the South Asian Association for Regional Co-operation (SAARC).

He chairs SAFA's Improvement in Transparency, Accountability and Governance Committee (ITAG); is a Member of the Board of Directors



of the Sri Lanka Accounting and Auditing Standards Monitoring Board; and serves as an Ex-Officio Member of the Securities and Exchange Commission (SEC).

A product of Nalanda College, Wickremasinghe, whose experience spans the banking, finance, insurance, lotteries, plantation, manufacturing and services sectors, has also served as chairman of several CA Sri Lanka committees including the National Conference Committee (2012 and 2013), Annual Report Awards Committee (2008 and 2011), Examinations Committee (2010-2011), and the Training and Student Development Committee (2006-2009). He also served as treasurer of the Organization of Profession-

Lasantha Wickremasinghe said his new council will strive to ensure that all members of CA Sri Lanka will conform to the highest ethical standards

al Association of Sri Lanka (OPA) over 2009-2010, and is a committee member of CA Sri Lanka's IFRS Implementation Task Force (Urgent Issues Task Force).

Meanwhile, Mr. Jagath Perera was appointed as Vice President of CA Sri Lanka. A fellow member of CA Sri

Lanka and graduate of the University of Sri Jayewardenepura, Mr. Perera is a Partner at KPMG Sri Lanka and has served in the CA Sri Lanka council since 2010.

He chairs the Examinations Committee and the SMP Capacity Building Task Force, as well as serving as the Chairman of the Operations Review Committee of CA Sri Lanka.

Mr. Perera was the Chairman of the Student Training and Development Committee, and at present serves as a board member of Sri Lanka Accounting and Auditing Standards Monitoring Board. He is also a member of SMPs, Anti-Corruption, and the Professional Ethics and Independence committees of SAFA. ■

CA Sri Lanka President underscores the importance of bridging the gap between the accounting profession and technological advancements

President of CA Sri Lanka Lasantha Wickremasinghe recently underscored the importance for accountants to stay ahead of technological advancements to help the profession and its professionals stay relevant with changing times.

Speaking at the 30th International CA Students' Conference held in Colombo, Mr. Wickremasinghe, who was the chief guest, pointed out that accountants have always been progressive professionals who have to keep up to date with the latest standards, trends and changes, and they have never been stagnant and never can be. "Today, even though

auditing continues to be an inherently human process, modern technology has helped this important area the same way we have adopted modern technology to our basic accounting tools and methodologies, which has helped enhance our standing as gatekeepers of this important profession," he said.

He also commended the CA Students Society for organising the conference on the theme 'Fruition of Cybernation - Accountancy in the Technology Era', as it helps enhance the knowledge of future chartered accountants on technological aspects that are important for accountants. ■



New CA Sri Lanka president unveils immediate action plan for the institute

New president of CA Sri Lanka Lasantha Wickremasinghe recently unveiled a four-point plan for the next two years, which, according to him, will help the institute and the accounting profession remain at the helm.

Delivering his inaugural address as the 23rd president of the institute, Mr. Wickremasinghe said that his new council will strive to ensure that all members of CA Sri Lanka conform to the highest ethical standards, because ethical behavior and professional approach to all issues is crucial.

"To be a great profession, all chartered accountants

should be highly skilled, not only technically, but also with analytical, communication and interpersonal skills to build trust and confidence among the community we serve. Our members should truly be committed to the highest standards of ethics and good social behavior, and we will continuously upgrade our skills, relevant to the developments in the environment in which we work, as this is paramount," Mr. Wickremasinghe said. He noted that a profession needs a support structure, provided through a stable body such as CA Sri Lanka, to focus on four areas.

Accordingly, point one will be to provide members with the relevant information and opportunities to develop skills in new areas, without forgetting the core competencies in accounting systems, audit and tax. The second area is to enhance the institute's involvement in and support for the business community and the government.

The third area will be to enhance CA Sri Lanka's international prestige, while the fourth area will be to enhance the quality of training and education, and the continuous development of examination processes.

Mr. Wickremasinghe also extended his institute's wholehearted support to the government in its aim to help Sri Lanka achieve economic prosperity, which the government hopes to reach while maintaining good governance principles.

Mr. Wickremasinghe said the journey ahead will not be an easy one. "But I am certain that, with your support, we will be able to defeat the challenges and convert them into opportunities, and thereby help our profession and the institute to remain at the helm of the accounting profession," he said. ■

Update

CA Sri Lanka makes financial donation to Maharagama Cancer Hospital



The Staff Welfare Society of CA Sri Lanka recently made a financial donation to the Maharagama Cancer Hospital. The funds were generated from the proceeds of the

Rhythm Divine 2015 musical show, which was organised by CA Sri Lanka's Staff Welfare Society. The cheque was handed over to Dr. Samadhi Rajapaksa, Head of the Coun-

selling Unit of the Maharagama Cancer Hospital, by Mr. Aruna Alwis, Chief Executive of CA Sri Lanka. Sponsors of the musical show, including Mr. Milton Thilakarathne

of Nanila Publications, Mr. Chaminda Jayasinghe of Sampath Bank and Ms. Samanthi Torrington Branch Manager of Bank of Ceylon were also present at the presentation.

CA Sri Lanka underscores the need for greater women representation across all sectors

President of CA Sri Lanka Mr. Lasantha Wickremasinghe emphasised the importance of greater female representation across the country's public and private sectors.

Delivering a speech to mark international women's day, held under the theme 'pledge for parity - challenging conscious and unconscious bias', Mr. Wickremasinghe said there was no doubt women are under-represented at senior management level, and to ensure that this does not continue, companies need to re-evaluate their strategies and give prominence to those

who matter by absorbing them into more important positions.

"Women in Sri Lanka form over 52% of the total population of nearly 21 million. However, out of the total economically active population of 8.5 million, only 33% are women," he revealed.

Mr. Wickremasinghe emphasised the importance for the accounting fraternity to encourage more women into this profession. "We already have some high-profile female CA Sri Lanka members who give leadership to leading corporates in the country, but we have just

over 30% female representation in our membership, and this is not sufficient; we need to improve this number," he said. On a more positive note, Mr. Wickremasinghe was hopeful of a larger female percentage of accountants in the future, as the current 44,000 student population accounted for 60% of female students.

He also paid tribute to the female staff at the institute (46%), who serve at various levels including management and senior executive level.

Keynote speaker at the event, Ms. Chiranthi Cooray, Chief Human Resources

Officer/AGM (HR) at Hatton National Bank PLC, said that, even though there is a national framework where both men and women are given equal opportunity in employment, legislation alone doesn't necessarily help in ensuring that females are treated equally in a workplace.

"Policy makers, the legal legislature, company leaders and business leaders should look at fixing these problems so women will feel more secure and equal, as well as have their value contributions heard and recognised," Ms. Cooray added. ■

CA Sri Lanka, IFAC and SAFA in joint effort to empower Asia's small and medium-sized businesses

In a fresh effort aimed at empowering small and medium-sized practitioners (SMPs) and enterprises (SMEs) in the South Asian region, CA Sri Lanka, together with the International Federation of Accountants (IFAC) and the South Asian Federation of Accountants (SAFA), organised a regional SMP Forum to educate SMPs on how to leverage from future growth opportunities. The CA Sri Lanka - IFAC - SAFA Forum held at Cinnamon Lakeside was boosted with a line-up of high profile international and regional subject experts who steered the forum and shared important insights on pertinent areas related to the development and growth of SMPs in Sri Lanka and other parts of the South Asian region.

The international line-up of speakers includes Mr. Giancarlo Attolini, Chairman of the IFAC SMP Committee; Mr. Bodo Richardt, President of the European Federation of Accountants and Auditors for Small- and Medium-sized Enterprises (EFAA); and Mr. Manoj Fadnis, President of the Institute of Chartered Accountants of India, who is also the Deputy President of the Confederation of Asian and Pacific Accountants (CAPA). They were further complemented with a host of foreign and local speakers and facilitators from across the globe including South Asia.

The forum included participants from all South Asian countries, and helped them understand how to build capacity, overcome current challenges and seize future opportunities, as well as how to grow the practice through the review, compilation and agreed upon procedures and engagements, among other important areas relevant to the sector and its development. ■



CA Sri Lanka and GIZ commences dissemination of SLFRS



CA Sri Lanka, in collaboration with GIZ SME Development Programme, commenced a series of workshops to disseminate the recently adopted Sri Lanka Accounting Standards (SLFRS) for smaller entities. The latest of the series of seven workshops was held in Kandy, where over 200 participants representing government institutions, SMEs, SMPs, chambers and banks received awareness on the usage and application of simplified SLFRS for smaller entities. This initiative will immensely improve financial reporting and bookkeeping of SMEs, and their accessibility to services offered by the financial sector.

The two-day workshop provided an in-depth understanding on the theoretical aspects of SLFRS for smaller entities, and the application of its concepts and principles to businesses in the preparation of financial statements, presentations and reporting.

Participants were also given a practice kit containing information on practical application

of SLFRS for smaller entities with case studies and discussion rounds. Mr. Upendra Wijesingha, head of technical at CA Sri Lanka, guided the audience towards the application of SLFRS into their businesses with a comprehensive set of illustrations. In addition, overall awareness of the newly approved SME Policy framework was introduced with special focus on the 'Access to Finance' pillar.

SLFRS for smaller entities provides a simple and cost-effective financial reporting standard that can be used by smaller entities in the preparation and presentation of their financial statements. SMEs and micro enterprises are encouraged to apply "SLFRS for Smaller Entities", as it is considerably less complex than full SLFRS and can be applied without reference to SLFRSs and/or SLFRS for SMEs.

Following the first workshop in Matara and the abovementioned workshop in Kandy, the next five workshops will be held in Badulla, Batticaloa, Jaffna, Kurunegala and Colombo. ■

Update

CA Sri Lanka Training Partners play a leading role in inspiring future leaders



Supervising Members of CA Sri Lanka have the ability to bring out the best in trainees and make them inspirational leaders who possess the right attitude and balance to life, helping them enjoy enhanced success in their future, said world renowned Prof B Mahadevan at CA Sri Lanka's Training Partners Forum 2016.

Delivering the keynote speech on 'Bringing out the leader from within', Prof Mahadevan, a professor of operations management at the Indian Institute of Management Bangalore, said the world is changing, including the business landscape, and therefore it's important for professionals to also change. "We have seen great companies vanish into thin air because they didn't adapt to change," he noted.

He proposed that the training partners, including the supervising members, incorporate certain areas that will help produce more holistic professionals who are

"Today, chartered accountants are positioned as leaders, and our members are at the most senior levels, with a significant percentage of them serving in the capacity of chairmen, directors and CEOs."

not only exceptional in doing business, but also knew the importance of balancing life with work and family. Prof Mahadevan also elaborated on the importance of investing in character building, and warned that failure to develop this important area will result in a tough future.

Addressing the forum, Vice President Mr. Jagath

Perera noted that training partners play a major role in developing chartered accountants. "Today, chartered accountants are positioned as leaders, and our members are at the most senior levels, with a significant percentage of them serving in the capacity of chairmen, directors and CEOs."

He disclosed that over 30% of CA Sri Lanka members were serving overseas across 40 countries. "Some of the best members serve as supervising members, who help nurture and develop future chartered accountants," he added. Some 700 CA Sri Lanka members serve as supervising members at present.

Mr. Perera also noted that the institute has over 400 training partners, and some 4,500 students currently undergoing training with them, and being supervised by them.

Chairman of the Examination Committee and former Chairman of the Students

Training and Development Committee of CA Sri Lanka, Mr. Manil Jayasinghe, who spoke on 'Tomorrow's professional is today's trainee', emphasised that supervising members also had the ability to nurture future leaders who will go on to give leadership in the corporate world.

Chairman of the Student Training and Development Committee of CA Sri Lanka Mr. Dulitha Perera said that the training partners and supervising members are the engines that produces, future chartered accountants.

Elaborating on the Training Partners Forum, Mr. Perera said that the session was organised with an aim to empower, enrich and share thoughts with supervising members as it is they who interact and manage the trainees, who will be future chartered accountants. "The strength of the profession and the standing of future chartered accountants lie on you," he told the supervising members. ■

CA Sri Lanka launches new Integrated Reporting Council

In a fresh initiative aimed at enhancing the best practices of financial reporting among corporates in Sri Lanka, CA Sri Lanka launched the Integrated Reporting Council (IR Council), comprising professionals from the accounting and non-accounting sectors, regulators, and academics.

The inaugural meeting of the IR Council was held recently under the patronage of CA Sri Lanka President Mr. Lasantha Wickremasinghe. Among the members who form the IR Council are members of CA Sri Lanka, representatives from universities, professional accounting bodies, regulators and chambers, as well as representatives from the companies that contested for the Integrated Reporting Award at the 51st Annual Report Awards competition

held in 2015.

Speaking at the inaugural meeting, Mr. Wickremasinghe emphasised that, in its capacity as the national body of accountants, CA Sri Lanka has pioneered many important initiatives over the years for the benefit of the country's corporate community - the introduction of the integrated reporting concept and the new IR Council were among these initiatives.

He called on the members of the new council to provide guidance in linking environmental, social and governance with financial information, which will help create sustainable economic value to organisations in Sri Lanka.

Mr. Asite Talwatte, Chairman of the IR Council, emphasized that while integrated reporting has gathered

momentum, the concept is still in its early days of development, even though some 38 corporates in Sri Lanka have already ventured into presenting integrated reports.

Mr. Talwatte also disclosed that even International Integrated Reporting was keen that Sri Lanka sets up its own IR Council, of which the primary objective is to promote and enhance knowledge, and develop the sustainability of integrated reporting in Sri Lanka.

The main purpose of the IR Council is to establish a platform to network people who are interested in the concept of integrated reporting and who have an interest in implementing it in their corporate reports.

The main objectives of the IR Council include promot-

ing inclusive and concise corporate reporting of how entities create value through their business model, stakeholder engagement, risk and governance processes; identifying related needs of all stakeholders interested in integrated reporting issues and the best manner in which those needs could be fulfilled; raising awareness of integrated reporting by initiating seminars, conferences, roundtable discussions and technical publications; disseminating knowledge on integrated reporting among corporates and accounting professionals, and providing guidance on integrated reporting; collaborating with statutory bodies for promoting integrated reporting; and carrying out research and studies in relation to integrated reporting. ■

John Keells Holdings powers CA Sri Lanka with lead sponsorship

Sri Lanka's leading conglomerate, John Keells Holdings PLC (JKH) has once again powered CA Sri Lanka with a lead sponsorship. JKH has been CA Sri Lanka's lead sponsor since 2007, and JKH Group Finance Director Ronnie Peiris said that the company is pleased to continue its sponsorship.

"JKH recognises the efforts made by CA Sri Lanka in enhancing the quality of financial statements, public disclosure and public information, and believes

that its regular, and close, interaction with CA Sri Lanka has enabled the continuous improvement in the content, and thereby the relevance of its financial statements," he said.

Welcoming JKH onboard, CA Sri Lanka President Lasantha Wickremasinghe expressed his delight in partnering with the country's largest listed conglomerate.

"As one of the country's leading professional bodies, we are honoured by the faith reposed on us by Sri Lanka's



largest listed conglomerate on the Colombo Stock Exchange. This will be a mutually ben-

eficial partnership to both organisations," Mr. Wickremasinghe added. ■

Update

Prof B Mahadevan conducts programmes in Sri Lanka

World renowned speaker Prof B Mahadevan was in Sri Lanka on the invitation of the Business School of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) to conduct several programmes for corporate leaders in the country.

Prof Mahadevan was the guest speaker at the CA Sri Lanka CEOs' Breakfast Forum on "Inspirational Leadership: Lessons from Ancient Indian Wisdom", which was followed by an HR forum on "The Notion of Incomplete Leaders and New Ideas in Leadership" held at Cinnamon Lakeside.

Prof Mahadevan is a professor of operations management at the Indian Institute of Management Bangalore (IIMB), where he has been teaching since 1992. He is also the dean (administration) of the institute and a member of the governing board of IIMB for four years. Prof



Mahadevan has more than 24 years of wide-ranging experience in teaching, research, consulting and academic administration at IIMB and other reputed institutions such as IIT Delhi and XLRI,

Jamshedpur. He was conferred the ICAI Best Teacher Award by the Association of Indian Management Schools in 2005. Prof Mahadevan was one among the 40 nominated globally for the Economic Intelligence Unit's (EIU) Business Professor of the Year Award, 2012.

He was also the guest speaker at CA Sri Lanka's Training Partners Forum 2016, where he spoke on 'Bringing out the Leader from Within'.

During his stay in Colombo, Prof Mahadevan also conducted a one-day programme on 'Spirituality and Inspirational Leadership' for senior professionals including business leaders, CEOs, CFOs, heads of departments, senior managers and HR managers.

The programme enabled executives to understand core issues in organisations that inhibit them from good performance and provided a fresh set of ideas to address these issues.

Professor Mahadevan received his M.Tech. and Ph.D. from the Industrial Engineering and Management Division of IIT Madras, and holds a bachelor's degree in Engineering (Production Engineering) from the College of Engineering, Guindy, Madras.

He was a visiting scholar at the Amos Tuck School of Business Administration, Dartmouth College, New Hampshire, over 1999-2000. He was also a retainer consultant to Deloitte Consulting LLP, USA, in 2001-2002. ■



International experts Dr. Giancarlo Attolini and Mr. Bodo Richardt speak on challenges and opportunities

Chairman of the International Federation of Accountants (IFAC) SMP Committee

Dr. Giancarlo Attolini and President of the European Federation of Accountants and Auditors for SMEs Mr. Bodo Richardt shared important insights relevant to small and medium-sized practices in the South Asian region at a forum organised by CA Sri Lanka, the South Asian Federation of Accountants (SAFA) and IFAC.

The one-day forum held in January at Cinnamon Lakeside brought together regional and national accounting organisations, standard-setters, and other relevant groups to discuss the challenges and unique opportunities facing small and medium-sized practices (SMPs) and small and medium-sized entities (SMEs) in the South Asian region.

Dr. Attolini, an accountant and auditor in public practice, was appointed chair of the IFAC SMP Committee in January 2012. He has been a member of the committee since January 2008 and served as deputy chair over 2010-2011. He is a founding partner of Attolini Spaggiari & Associati Studio Legale e Tributario, an accounting, tax and law firm in Reggio Emilia, Italy. Dr. Attolini is a member of the managing board of Organismo Italiano di Contabilità, Italy's accounting standard setter, and the managing board of Organismo Italiano di Valutazione, Italy's valuation standard setter. He also served as a member of the Governance and Nominating Committee of

European Financial Reporting Advisory Group over 2012-2014.

Mr. Richardt has been an accountant and auditor for over 30 years, and worked in a variety of professional practices, ranging in size from the Big 4 to SMPs in Germany, France and the US. He also worked on international and national standard setting boards including the International Auditing and Assurance Standards Board (IAASB), and the Institute of Public Auditors in Germany (IDW). He also served the auditing and accounting profession as Bavarian President of the Wirtschaftsprüferkammer. He currently works as a consultant to SMEs and family-owned businesses, specialising in expert opinions on audit and accounting-related questions, business valuations, mediation, and arbitration. Mr. Richardt has been serving as President of the European Federation of Accountants and Auditors for Small and Medium-sized Enterprises (EFAA) since 2014.

The forum brought about a better understanding on how ISAs would be applied to the audits of SMEs; how to build capacity to offer advisory services; how to get the benefit of IFAC resources; how to overcome current challenges and seize future opportunities; how to grow the practices through the review, compilation and agreed upon procedures and engagements; and how to be up-to-date on recent developments and be future ready. ■

CA Sri Lanka scholarships for top three Commerce achievers at the 2015 GCE A/Ls



CA Sri Lanka recently awarded scholarships to the highest three achievers at the 2015 GCE Advance Level examinations (Commerce stream) to kick start their professional journey as Chartered Accountants.

President Elect of CA Sri Lanka Mr. Lasantha Wickremasinghe presented scholarships to the Commerce stream's island first Akkheel Mohammed of Maliyadeva College, Kurunegala; island second Ms. Sandani Iranga of Devi Balika Vidiyalaya, Colombo; and island third Randy Ramesh of St. Sebastian's College, Moratuwa.

Congratulating the three students, Mr. Wickremasinghe emphasised that CA Sri Lanka was happy to have these three students of exceptional talent onboard.

"A CA Sri Lanka qualification is synonymous with the best and most recognised qualification in char-

tered accounting. Over the years, we have attracted some of the country's best talent, and with such students coming onboard, I am certain that future chartered accountants will continue to give exceptional leadership to businesses through their specialist financial acumen."

Chief Executive of CA Sri Lanka Mr. Aruna Alwis said the institute takes great pride in its standing as a leading tertiary education provider in the country with a student population of over 44,000.

The revamped CA Sri Lanka syllabus, which came into effect in 2015, will produce chartered accountants for 2020 and beyond who are highly skilled, competent and multi-faceted professionals with the ability to create value, enable value, preserve value and report value for the organisations they serve. ■

Update

Chase your dreams, never give up: Mount Everest Duo Jayanthi and Johan inspire students at CA Sri Lanka Leadership Talk



Summitting to the highest point of the world was no easy feat for Sri Lanka's triumphant Mount Everest Duo Jayanthi Kuru-Utumpala and Johann Peiris, who in an inspirational talk motivated students of leading schools in Colombo and Negombo, advising them to chase their dreams and never give up no matter how challenging a situation can be.

Jayanthi and Johann, who were guest speakers at the leadership Talk on 'Conquering Ourselves' organised by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), also shared their experience of summiting to the world's highest mountain, Mount Everest, with prefects of 12 leading schools.

"We all have different mountains to climb, we all have our own Mount Everest to summit, and they come in ways of exams, careers, sports or challenging the stereotype. So if you train, research and prepare yourself,

you can always achieve your dreams," Jayanthi said.

Jayanthi, who was the first-ever Sri Lankan to summit Mount Everest, said that from her childhood days she used to climb trees with her brother, and ever the cupboards at home to keep herself occupied. "My parents never discriminated me because I was a girl, so I had a very encouraging upbringing," she said.

Even though Johann wasn't a sportsperson during school days, he always enjoyed outdoor activities and was always in search of an adventure. It was his father who introduced him to mountain climbing.

"Lots of people ask if I were a sportsperson, but I wasn't, not in school. But this is the message I can give everyone: even if you don't have some ambitions when you're small, you can always develop them later and achieve them," he said.

According to Johann,

at the very beginning, many thought they were out of their mind and had tried to discourage them from attempting to climb Mount Everest. But both he and Jayanthi were able to convince everyone, and even secure sponsorship for their expedition.

During their summit, Jayanthi and Johann faced many obstacles, and there were times when they just wanted to give up. "But that's where teamwork came in. There were days when we wondered if we can go on, many tears were shed, but we supported each other. When Johann was upset, I would tell him we have come so far, we have to do this, and when I was upset, Johann would motivate me," Jayanthi said.

According to her, to achieve such a feat, one needs 30 percent physical fitness and 70 percent mental strength. "You need so much mental strength; if there is anything you think you can't do, then tell yourself you can do it. Because it's self-belief that will help you go forward," she said.

Throughout her summit to the top, Jayanthi kept telling herself, 'You can do this, you are here to do this, and you will do this'.

During her successful expedition, she realised that if a person puts their mind to do something, and if they prepare and train for it, they can always achieve their

dreams.

"We all have dreams, and they are not only about climbing mountains. So it's important to remember that if you train and prepare yourself, you can achieve anything you dream of," she said.

Johann, who made it beyond camp 4, said that one must never give up even though one might not reach a certain point.

"Even though I didn't make it to the peak, I don't think I am a failure. All of us aim for something; just because you don't get there, it must not demotivate you. Even if you are second or third, it doesn't mean you have lost," said Johann who was unable to summit to the peak due to the lack of oxygen.

He advised the students to never give up, even if they don't get to a certain point.

"Keep going, chase after your dreams, and you will achieve it most of the time, if not all the time," he added.

Addressing the students, President of CA Sri Lanka Laksan Wickremasinghe said that the audience comprised of many Jayanthis and Johanns who have the potential to make a difference in the world and bring honour to Sri Lanka.

He noted that self-belief is the most important criteria for anyone to be successful, regardless of if they wanted to be a hiker, doctor, lawyer or an accountant. ■

CA Sri Lanka Bahrain Chapter appoints Executive Committee

A series of events organised to update members The CA Sri Lanka Bahrain Chapter announced the appointment of its executive council for a new term. The officials include President Pradeep Gajasinghe; Vice President Nilun Jayamanna; Treasurer Sanjeewa Kirihehtige; General Secretary Aravinth Aruran; and Executive Committee Members Farhaz Farouk, Sanjaya Senaratne, Priyantha Herath, Ajith Anton Perera and Hisham Jiffry.

The chapter organised a series of events in an effort to enhance the professional capacity of members working in Bahrain. The technical sessions covered among others an introduction to CPD requirements, along with a CPD tracker to monitor the CPD requirements of its members. The chapter also organised an event



titled 'Sri Lanka in 2025: Realization of the Economic Dream and Potentiality of Sri Lanka' presided by Sri Lanka's Ambassador to the Kingdom of Bahrain Dr. A. Saj U. Mendis, who highlighted key potentials inherent in Sri Lanka and how these can be tapped to achieve the country's economic ambitions.

Another event organised by the chapter was an edifying seminar on 'IFRS 16 - Leasing', which was presented by Mayank Bindal, Director of Audit & Advisory at KPMG Bahrain, who delivered a detailed presentation on the new leasing standard and the imperatives for businesses globally. The chapter also or-

ganised a social event for the benefit of its members and their families, titled "Family Beach Fest" at the Bahrain Sailing Club, Zallaq. The event was attended by members of the Chapter and their families, and turned out to be an excellent opportunity for all members to get together, socialise and have fun. ■

Global strategy gurus to address CA Sri Lanka

Following the overwhelming demand from the country's corporate elite, the Strategy Summit organised by the Business School of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is making a comeback for the second consecutive year.

This year's summit, which will be held on 26 and 27 July 2016, will see four top, internationally renowned speakers who will share insight with high profile business leaders in the country, including chairmen, managing directors, chief executive

officers, chief operation officers, chief financial officers and general managers on how to redefine the strategy of their companies to help them achieve long-term success and sustenance.

This year's Strategy Summit will bring together four global strategy gurus: Dr. Sunil Erevelles, Martin Roll, Sam Dias and Omid Ghamami, who will walk participants through four main areas of The Future of Strategy, Winning Demand Side Revolution, Asian Brand Strategy and Leveraging Supply Chain Management.

The summit will provide the necessary platform to help prepare businesses for corporate warfare. It will also focus on different core elements of business strategy, which will create future businesses and demonstrate how firms could execute those core strategies in competitive environments.

The inaugural Strategy Summit held last year received an overwhelming response, with both local and foreign business leaders taking part in the two-day event. Dr. Sunil Erevelles has mesmerised corporate

leaders across the world with his groundbreaking thought leadership ideologies, while Omid Ghamami is the world's most sought-after purchasing and supply chain management speaker and trainer.

Sam Dias is a 'Marketing Finance' specialist, who is sought after by companies for his advice on how to use marketing to create and sustain commercial value, while Martin Roll is a world-renowned thought leader on value creation through brand equity driven by tremendous global experience and insights. ■

Focus On - Technical

International Standards on Auditing and SMPs

Small and Medium Practitioners (SMPs) can benefit from special provisions in global auditing standards to better meet growing challenges from rising regulatory costs, intense competition and falling income of clients, highlighted a forum organised by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), together with the International Federation of Accountants (IFAC) and the South Asian Federation of Accountants (SAFA), on opportunities and challenges facing SMPs.

The IFAC Global SMP Survey 2015 released at the Colombo forum showed that attracting new clients, keeping up with new regulations and standards, differentiating from competition, and pressure to lower fees are the biggest challenges facing SMPs today.

Across service lines, the largest portion of respondents reported that revenues stayed the same in 2015 compared to the previous year. A majority of SMPs predicted that fees for each service area would increase or stay the same in 2016. Respondents representing the largest SMPs (21 or more partners and staff) had the brightest outlook for 2016, while sole practitioners had a bleaker outlook, compared to other practice sizes.

When rating the extent to which their SME clients face the challenges, the top challenges were economic uncertainty (61%), rising costs (58%), competition (54%) and difficulties in accessing finance (51%). When analyzing global profit changes, 41% reported that the profits of their SME clients' have decreased and 31% were in the view that their clients' profits have increased.

The forum highlighted the need for SMPs to understand various provisions in International Standards on Accounting (ISA) that can help them better deal with growing challenges around them.

ISAs allow practitioners to tailor audit procedures, and while some ISAs only apply to larger entity audits, many requirements may not be relevant to SME audits. While the auditor of an SME needs to exercise professional judgment, the auditor can decide not to apply a requirement of an ISA, except in exceptional circumstances, provided that the auditor performs alternative audit procedures to achieve the aim of the requirement.

► ISA 330 states that the auditor shall design and perform tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls, if the auditor's assessment of the risks of material misstatement at the assertion level includes an expectation that the controls are operating effectively. The auditor intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures.



► As per ISA 220, an Engagement Quality Control Review is required for all audits of financial statements of listed entities.

► As per ISA 315, the auditor should obtain an understanding of the entity and its environment, while the audit considerations underlying this requirement will be equally relevant for both large and small entities.

► Smaller entities may use less structured means and simpler processes and procedures to achieve their objectives (ISA 315, paragraph A45) for an effective and efficient audit.

► Smaller firms will find that effective and proportionate implementation may be best achieved by first studying the provisions of ISQC 1 and then, in light of the nature and size of a firm and the services that it provides, developing policies and procedures tailored to the firm's circumstances.

► The International Standard on Quality Control (ISQC) for audits does not call for compliance with requirements that are not relevant. Smaller firms may use more informal methods in the documentation of their systems of quality control such as manual notes, checklists and forms. Firms can draw on external resources to meet some of the requirements of ISQC 1.

(The ISA Guide issued in two volumes and Guide to Quality Control for Small and Medium-sized Practices are available for knowledge sharing at www.ifac.org. The IFAC Global SMP Survey 2015 results could be viewed at the same site). ■

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