

# ON TARGET

e-Mag of the Institute of Certified Management Accountants  
Nov Dec 2019 Vol 23, No.6

STRATEGY » FINANCE » MANAGEMENT

## ***Buddhist Banking & Finance: A Philosophy for Sustainable Value Creation***



Certified  
Management  
Accountants



## ICMA COUNCIL

### President

Prof Brendan O'Connell  
PhD, CA, CPA, FCMA

### Chairman

Prof Michael Tse  
BA, MCom, PhD, FCMA

### Chief Executive Officer and

#### Hon. Education Committee Chairman

Prof. Janek Ratnatunga  
MBA, PhD, FCA, CGBA, CMA

### Chief Operating Officer (Aus & NZ)

Dr. Chintan Bharwada  
MBA, PhD, FCMA

### Chief Operating Officer (International)

Dr. Chris D'Souza  
B.Comm, PhD, FCA, FCMA, CPA

### Emeritus President

Dr Leon Duval  
MBus(Acc), PhD, CA, FCMA

### Vice President

Mr David Cartney  
MCom (Hon), CA(Scot), CA(Aust), FCMA, FAICD

### Immediate Past President

Prof Michael Tse  
BA, MCom, PhD, FCMA

### Hon. Secretary

Mr. Hans Ferdinand  
BBus(B&F), FCMA

### Chief Financial Officer and Hon. Treasurer

Dr. Chris D'Souza  
B.Comm, PhD, FCA, FCMA, CPA

### Hon. Membership Committee Chairman

Mr. John Donald  
MComm, CPA, FCMA

### Web Master

Mr Jehan Ratnatunga  
BEng; BCompSc.

*The Content of this eMagazine has been contributed by members of ICMA for the exclusive use of other ICMA members for their educational and professional development.*

*The ICMA hosts this magazine as a 'creative marketplace' bringing together content provider members who upload interesting articles they have come across that they believe that other management accounting professionals would like to peruse for their educational and professional development. As a 'creative marketplace' On Target is protected by the Digital Millennium Copyright Act.*

*Although ICMA constantly monitors the uploads for copyright violations; if an article or image has been uploaded by a member without obtaining the required authority, please contact ICMA on [www.cmawebline.org](http://www.cmawebline.org), and the material will be taken down immediately.*

## Education Advisory Board

*The Institute's Education Advisory Board provides expert advice on the Professional Education; Continuing Education and Academic Education for Students and members of the ICMA.*

### Members of the Education Advisory Board are as follows:

#### Convenor:

**Prof. Janek Ratnatunga** ICMA

#### Australian Members:

Prof. Garry Marchant	Charles Sturt University
Prof. Stewart Jones	University of Sydney
Prof. Vincent Chong	University of Western Australia
Prof. Nava Subramaniam	Deakin University
Prof. Lisa McMannus	Charles Darwin University
Prof Carol Tilt	University of South Australia
Dr. Gregory Laing	University of the Sunshine Coast

#### International Members:

Dr Mohd Nor Ismail	Multimedia University, Malaysia
Prof. Allen Wong	Peking University, China
Dr Thaddeus Kambani	Institute of Finance and Management PNG
Dr. Paulina Permatasari	Parahyangan Catholic University, Indonesia
Prof Zhijun Lin	Macau University of Science and Technology
Dr Bas Basuki	Airlangga University, Indonesia
Dr Nalaka Godahewa	Academy of Finance, Sri Lanka

## Membership Advisory Board

The Institute's Membership Advisory Board provides expert advice on the minimum experience requirements for entry to the: (1) MAA, CAT, RCA, RBA, GMA, AMA, CMA, FCMA membership certifications; (2) the CGBA and CIPA professional designations; and (3) the Certificates of Proficiency programs. The Membership Advisory Board also provides expert advice on: (1) membership services; (2) industry and government engagement; and (3) the development of Ethical standards.

### Members of the Membership Advisory Board are as follows:

#### Convenor:

**Mr. John Donald**

#### Australian Members:

Ms. Anna Stamatelatos
Mr. Darrel Drieberg
Mr. John Stanhope
Associate Professor Prem Yapa

#### International Members:

Mr. Fawaz Hamidi	Lebanon
Mr. Christos Ioannou	Cyprus
Mr. Alireza Najjar Sarraf	Iran
Mr. Jacob Montross	Cambodia
Dr. Dennis Tam	Hong Kong
Professor Bambang Tjahjadi	Indonesia
Dr. Joselito Diga	Philippines
Mr. M. V. Jayafar	UAE
Mr. Asite Talwatte	Sri Lanka
Dr. Ridzwan Bakar	Malaysia
Dr. Simon Mhpeo	Papua New Guinea

# Contents

*CEO Message: Buddhist Banking & Finance: A Philosophy for Sustainable Value Creation*

*President's Message: Reports Presented at AGM 2019*

*Australian Hall of Fame awards*

*Worker underpayments and digital skills deficit among top five sleeper issues for business in 2020*

*A Warm to Welcome New Members (oct & nov 2019)*

*Another passing year points to the importance of reviewing people practices*

*Life insurance sector profits, growth, hit by disruption and regulation*

*Regional Office and Branch News*

*SMU Academy delivers second CMA intensive program in Singapore*

*STRACC Learning delivers 7-day intensive CMA Program in Bengaluru*

*WSDA conducts second 7-day intensive CMA program in Dhaka*

*ICMA supported National Accountancy Conference, Malang, Indonesia*

*26th CMA Program delivery by the SMART Education Centre in Dubai*

*Nepal's CMA Program and Meeting with Auditors Association of Nepal (AUDAN)*

*CMA Events Calendar*

# CEO MESSAGE: BUDDHIST BANKING & FINANCE: A PHILOSOPHY FOR SUSTAINABLE VALUE CREATION



Prof Janek Ratnatunga  
CEO, ICMA Australia

We currently live in a world of constrained resources, growing populations and climate emergencies that indicate that humans are exceeding the planetary boundaries placed on them as a species. If critical tipping points are reached, our very survival is at stake. Make no mistake, however, life on this planet will continue to thrive; it is just that we humans will not be around to enjoy it.

If all the insects suddenly go extinct, it is a different story, however. This is because approximately 80 percent of all of the world's plant life are angiosperms, or flowering plants. In order to reproduce, these plants must have pollen physically transferred from a male anther to the female stigma within a flower. In rare instances, wind, water or animals such as birds and bats do the trick. But the vast majority of the pollinating work is done by insects, including bees, beetles, flies and butterflies. Without pollinators, most plants on the planet will disappear (Hadhazy, 2015).

What about Earthworms? Ecologists consider earthworms "keystone species" because of how much they influence the physical, chemical and biological properties of the soil. Earthworms are recyclers. They play a crucial role in breaking down organic matter and fertilising the soil. Earthworms are also "soil engineers". As they move through the soil, earthworms loosen and mix it up, helping to aerate and drain it. This brings nutrients to the surface, making the soil more fertile, and helps prevent flooding and erosion (Johnson, 2017).

As Charles Darwin said, "*It may be doubted whether there are many other animals which have played so important a part in the history of the world, as have these lowly organised creatures*" (Darwin, 1881).

Given the mounting toll of fouled oceans, overheated air, missing topsoil, and mass extinctions, we might sometimes wonder what our planet would be like if humans suddenly disappeared. It is very possible that, over time, the seas would again fill with fish; our concrete cities would

crumble to dust from the force of tree roots, water, and weeds, and ultimately, the planet will revert back to its original state before mankind arrived. How long would it take for our traces to vanish? And if we could answer this question, would we be more in awe of the changes we have wrought, the damages we have caused, and of nature's resilience?

Why have we become a parasite on this planet, rather than integrating ourselves into the eco-system?

*The answer is rampant consumerism, uncontrolled growth, and excessive greed.*

## The Buddhist Approach to Sustainable Development

Buddhism stresses three kinds of relationships—those between humans and nature, those between human beings and the relationship with oneself. Buddhism considers human beings and the environment to be interconnected at the deepest level, inextricably linked and interdependent. This interconnectedness of all life, is starkly visible in global problems such as climate change and deforestation.

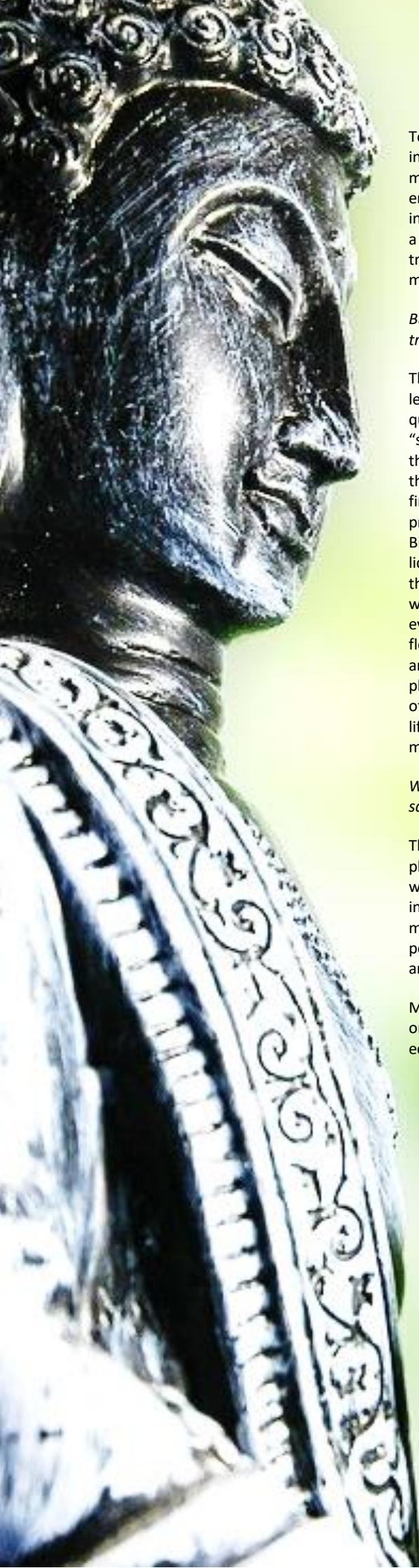
Buddhist philosophy, based on respect and concern for all life, accords closely with the concept of sustainable development; as it means creating social harmony and equality, protecting the environment and ensuring economic prosperity. Buddhism itself is essentially about bringing all these elements of life into balance, whether on a personal level or a community or global level. What this means fundamentally is that we cannot build happiness or prosperity upon the destruction or disregard of other life, including the natural environment, for ultimately, we ourselves will suffer the consequences.

It must be remembered that Buddhist philosophy originated over 2,500 years ago, well before even the first industrial revolution (IR 1.0) of '*mechanisation*', where human and animal labour was replaced by machines. Since then we have

had IR 2.0, that of '*automation*'; as a result of major breakthroughs in power generation and distribution, wireless and wired communication, and mass production techniques. In this period, there was a heavy reliance on coal and petroleum for the generation of power, for both industries, automobiles and our consumerist lifestyle. We now know that this very need to drive automation and its resultant products and services can be directly traced to climate change. Had the Buddhist philosophy of both protecting the environment whilst ensuring economic prosperity been adhered to, the world would not be in such a crisis situation today.

Since the 1950s we have had IR 3.0, that of '*digitisation*', with the development of digital systems, communication and rapid advances in computing power, which have enabled new ways of generating, processing and sharing information. Whilst this has provided most people on Earth to own a computer that is connected to the internet, it has also caused massive solid waste management issues, with mountains of discarded phones, printers and television sets. Again, had the Buddhist philosophy of both protecting the environment whilst ensuring economic prosperity been adhered to, these consumer and business products would have been designed with their entire life-cycle been considered in the design phase.

Therefore, it is vital that the key principles of Buddhist philosophy be adhered to as we enter IR 4.0, that of '*cyber-integration*', involving entirely new capabilities for people and machines – in which technology becomes embedded within societies and even our human bodies. The Buddhist view that human beings and the environment to be interconnected at the deepest level, inextricably linked and interdependent, is no more evident when we integrate ourselves at the 'thought' level with our machines.



Today, mainly as a consequence of all these industrial revolutions, all of the macro and micro economics signs, as well as other environmental and socio-economic factors, indicate that mankind critically needs both a system transformation and a value transformation in transitioning towards a more sustainable industrial system.

*But we have known of this need for transformation for a long time.*

The “unlimited growth” myth of the profited Western cultures started being questioned and the conception of “sustainable development” took its place in the middle of the 20th century. However, the stock-market crash of 1987, the global financial crisis of 2008, the uncontrolled printing of the US Dollar (that pumped 75 Billion into the banking system to ease a liquidity shortage in Sept 2019) – indicate that the unlimited growth myth is alive and well. Meanwhile, the catastrophic climate events such as tsunamis, hurricanes and floods are getting more intense; drought and famine is affecting large parts of the planet; and the disposal of the mountains of waste that arises from our consumerist lifestyle is at national emergency levels in many countries.

*Why are we still with our heads in the sand?*

The view that has originates from Buddhist philosophy is that the un-healthiness of the world today is in direct proportion to our inability to see it as a whole. Companies may not be fully aware of the full range of potential value outcomes, both positive and negative.

Most existing business models are based on creating, delivering and capturing economic value, with limited or no

attention being given to environmental and social value.

Our business heroes are those that have created good and services that have delivered economic value via satisfying consumer lifestyle needs. For example, the greatest inventor of the 20th century is said to be Henry Ford, who, with flow production techniques, gave transportation to the masses with his Model T Ford. No consideration was given to the significant damage that the mass-production and sales of motor cars would do to air quality and ultimately, our climate. Similarly, the greatest inventor of the 21st century is said to be Steve Jobs, who single-handedly connected the world with his smart phone. No consideration was given to the mountains of solid waste that has resulted due to the discarding of outdated iPhones.

### **The Major Principles of Buddhist Banking and Finance**

This changing business environment almost demands that a philosophical approach to sustainable value creation be adopted. A wider range of stakeholders must be engaged in the debate over state, industry and consumer needs and resource limitations; and also, environmental and societal impacts.

This emphasis on environmental and social responsibilities of firms has also raised the need for businesses to consider sustainable value creation when undertaking investment appraisals. The decision to accept or reject a project (say, for the introduction of a product or service) must consider not only profit maximisation or cost minimisation, but the seven Buddhist banking and finance principles listed below. As expected in Buddhist philosophy, many of these principles are interconnected.



### 1. **Promoting Sustainable Economic Growth.**

The holistic view promoted by Buddhist philosophy states that a rate of growth be maintained that does not create other significant economic problems, especially for future generations. There is clearly a *trade-off* between rapid economic growth today, and growth opportunities that remain in the future. Rapid growth today may exhaust resources and create environmental problems for future generations, including the depletion of oil and fish stocks, and global warming. Organisations using externally and internally sourced project finance (for investment in income producing assets) should adhere to this Buddhist banking and finance principle in investment evaluations.

### 2. **Deterring Excessive Profit:**

The Buddhist philosophy of reducing one's desires, indicates that the generation of profits which are above the level necessary to retain an entrepreneur in the current line of business should be deterred. Opinions that profits are excessive are usually based on comparisons, either with the rate of return on capital obtainable in other industries with a comparable degree of risk. Bankers and other financiers providing project finance to business entities should ensure that entrepreneurs are not deriving excessive profit in conducting their business.

### 3. **Promoting Sustainable Marketing:**

The promotion of environmental and socially responsible products, practices, and brand values is a core principle of the Buddhist banking and finance philosophy, as excessive consumerism is deterred. Consumerism is the theory that an increasing consumption of goods is economically desirable. There is a preoccupation with, and an inclination towards, the production and marketing of consumer goods that merely replace an earlier design. This has resulted in mountains of solid and liquid waste of superseded products (e.g. the earlier model of the iPhone). In promoting sustainable marketing, organisations and consumers are encouraged to spend a little bit more on products and services that are locally sourced or 100% recyclable, and not be swayed by marketing messages that entice them to buy the 'latest' product that has the same 'use attributes' as its previous iteration.

### 4. **Promoting Sustainable Design:**

This Buddhist banking and finance principle considers both environmentally sustainable design (also called eco design) and socially conscious design (also called social impact design), and is the philosophy of designing physical objects, the built environment, and services to comply with the principles of ecological sustainability and social responsibility. Here, a life-cycle approach to design is called for, to consider ecological and societal impacts, from raw material sourcing, construction and production until disposal of the production facility and the ultimate product or service. Sustainable life-cycle design integrates resources, technology, people and processes prior to, during and after the manufacturing or delivery of the product or service. This includes operations and maintenance, opportunity costs, reliability and safety; and also, the management of solid, liquid and gaseous waste. The impact of the product or service on society, especially the level of emission of greenhouse gases in the production, delivery, use and disposal, is specifically considered in the design (e.g. avoiding single-use plastics in package design). Another consideration is the socio-economic context in which the product or service is delivered. A socially responsible product (or service) is one that society has deemed acceptable in the stream of commerce. For example, in some cultures a gun is not considered a socially responsible product—but in others it might be considered a socially responsible product.

### 5. **Promoting Ecological Sustainability:**

This principle of Buddhist banking and finance takes a long-term perspective, recognising that human beings and the environment are interconnected at the deepest level, inextricably linked and interdependent. Here, the projects that are financed are aimed at conserving the productivity of the waters, the soil and the ecosystem, and reducing the impact on the natural environment and people's health to a level that the natural environment and humanity can handle; and the future generations ability to enjoy their ecosystem is not compromised.

### 6. **Assessing Social Impact:**

The social impact principle in Buddhist banking and finance includes the processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative,

of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions. The primary purpose of project financiers to assess the social impact is to bring about a more sustainable and equitable biophysical and human environment. Here financiers are deterred from supporting industries, products and services that are considered harmful to society or are a threat to its social responsibilities (e.g. Child labour).

### 7. **Imposing a Social Tax:**

This Buddhist banking and finance principle is imposed at the state level. A social tax is a financial obligation which is imposed on taxpayers; either to deter them from undertaking activities considered harmful to the environment or to society, or to obtain revenue required for monitoring, controlling or remediating such harmful actions. A carbon tax on greenhouse gas emissions or on excessive profits would be examples of such social taxes. Industries producing goods that are harmful to the environment would include those that produce and market single-use plastics (such as printer cartridges, plastics straws and bags and cling-wrap products). These industries would face significant social taxes such that they re-consider the design aspects of their products and packaging, or leave the industry altogether.

### **How does this Compare with the Major Principles of Islamic Finance?**

Islam also claims to have a set of values and goals that meet all the economic and social requirements of the human life. The Islamic laws are known as Sharia that means clear path. Note that whilst Islamic banking and finance principles is derived from Islamic law, Buddhist banking and finance principles are based on a philosophical (rather than legal) approach. The major principles of Islamic banking and finance are given below and compared with Buddhist banking and finance principles.

**Profit and Loss and Risk Sharing:** Islamic banking and finance states that those at either side of a transaction are considered to be 'Partners' and not debtors and creditors, and that they will share their profit and loss according to the part they played in the business, rather than having a guaranteed rate of the return. Buddhist banking and finance states that profits should be made in line with the risks undertaken, but must not be excessive.

**Riba:** Islamic banking and finance states prohibits the charging of interest. Buddhist banking and finance allows interest to be charged as long as it is not excessive.

**Gharar:** Islamic banking and finance states that Muslims are not allowed to participate in the ambiguous and uncertain transactions; and complete information should be shared with both parties so that the profit and loss will be equally shared. Buddhist banking and finance states that financiers should consider the impact of the investment they are supporting on the environment and on society.

**Gambling:** Islamic banking and finance states that the acquisition of wealth through evil means or participation in gambling is prohibited. Buddhist banking and finance only discourage investment in projects that result in excessive profit, damage the environment, or are socially unacceptable.

**Prohibited Industries:** Islamic banking and finance states that the industries that are harmful to society or have a threat to the social responsibilities are prohibited from being invested in. Buddhist banking and finance does not prohibit any activity, but recognises that what is acceptable or not by a society, is contextual.

**Zakat:** Islamic banking and finance states that a property tax that should be charged to promote social responsibility and distribute wealth the amount among the needy. Buddhist banking and finance states that a social tax should be imposed at the state level to either deter industries from undertaking activities considered harmful to the environment or to society, or to obtain revenue from them for the state to monitor, control or remediate such harmful actions.

**Summary**

Clearly there is a critical need for industry to change the way we make things and shift towards a more sustainable industrial system. As a species, we need to invest in assets that either create energy from renewable sources; or make products in machines that are driven by renewable energy sources. We also need to ensure that at the end of the useful life of these products, their recycling and/or waste disposal has been designed and costed into the product.

Ideally, such investments need to be financed with a holistic world-view of interconnectedness as espoused in Buddhist philosophy.

**Professor Janek Ratnatunga, CMA, CGBA**

**CEO, ICMA Australia**

*The opinions in this article reflect those of the author and not necessarily that of the organisation or its executive*

**References**

Adam Hadhazy (2015) "What If All of Earth's Insects Keeled Over?" *Live Science*, November 11, <https://www.livescience.com/52752-what-if-all-insects-died.html>

Sarah Johnson (2017), "Earthworms are more important than pandas (if you want to save the planet)", *The Conversation UK*, March 28, <https://theconversation.com/earthworms-are-more-important-than-pandas-if-you-want-to-save-the-planet-74010>

Charles Darwin (1881), *The Formation of Vegetable Mould through the Action of Worms*, John Murray, London.



# PRESIDENT'S MESSAGE: REPORTS PRESENTED AT AGM 2019

Minutes of the Annual General Meeting Held on 21 November 2019 at 6.00 pm at Green Brain Level 7, RMIT University.

## **President's Report at AGM 2019**

The Global President of ICMA, *Prof Brendan O'Connell* reported that the Institute is now on its 23<sup>rd</sup> year, having been incorporated in 1996, focused both on consolidating membership services and laying the groundwork growth both in Australia and internationally in new Asian Markets. The Focus within Australia was on the continuing professional development of our Australian members via webinars and symposiums; and through improving the quality of our website and our publication 'On Target'. The Focus overseas was the continuing professional development of our overseas members via symposiums and conferences; and venturing into new Asian Markets. The ICMA launched its first CMA Programs in Nepal / Bangladesh and relaunched in Singapore and India – the first program in Fiji is scheduled for January 2020. Steady albeit slow progress is reported in the new challenging markets of Thailand, Laos, Myanmar, Japan, Saudi Arabia, Pakistan and South Korea.

## **Lifting Institute's Profile in Australia**

Whilst the Institute is well recognised in its overseas markets, it is still not as recognised as it should be in Australia. As such a number of initiatives were undertaken by the Council, as per the recommendations of its Strategy Document, to lift its profile in Australia. Dr Chintan Bharwada, who was our *Business Development Manager* was promoted as *Chief Operations Officer (Australia & NZ)* to further implement this strategy. Dr. Chris D'Souza was appointed as *Chief Operations Officer (International)*

Over the past year the Institute was again successful in canvassing for the role of 'Management Accountant' to be maintained for a ninth year in the Australian Government's SOL for General Skilled Migration (GSM).

A formal application was lodged in April 2018 with the Minister of Education for the ICMA to be recognised as a Migration Assessment Authority for the area of Management Accountant. In August 2019, some communication was made with the relevant branch of the Federal Government that our application has moved forward.

## **International – CMA making waves across Asia**

The ICMA Indonesia Branch held the first CFO of the year awards – The event was a collaboration of ICMA (Australia) Indonesia Branch, Magister of Accounting Program at the University of

Indonesia, and the IPMI Business School. This event will be a signature event yearly to be held by ICMA (Australia) Indonesia

Branch, in order to recognize outstanding achievements of CFOs in various categories in Indonesia. These CFO awards were also subsequently held in Surabaya and Bali.

ICMA appointed Country Heads and Deputy Country Heads during the year in: Thailand; Bangladesh; Japan & South Korea and Laos.

ICMA signed MOUs during the year with: MICPA in Myanmar, LCPAA in Laos, AUDAN in Nepal, St Xaviers University in Kolkata (India); Universitas Katolik Dharma Cendika (UKDC) Surabaya, Indonesia; UPN Jawa Timur, Indonesia and Universitas Negeri Surabaya (UNESA) Jawa Timur, Indonesia

ICMA ran new CMA Intensive programs during the year in: Bangladesh; Bengaluru (India); Singapore (with Singapore Management University Academy).

## **Seminars & Symposiums**

*Australia:* The *Frontiers of Accounting 2019* symposium was held on 21<sup>st</sup> November 2019.

*Hong Kong:* The ICMA Hong Kong Branch was a sponsor of the *Innovation and Breakthrough Forum (IBF 2018)* and the *China Mainland Hong Kong and Macau Digital Economy Innovation and Entrepreneurship Competition*. The Branch represented ICMA at the *Federation of Australasian Alumni Associations of Hong Kong* and at the *Canadian University Association of Hong Kong* functions.

*India:* *IMAC 2019 symposium* is being organized by St Xaviers University in Kolkata (India), on 16<sup>th</sup> December 2019.

*Indonesia:* *IMAC 2019 symposium* is being organized by ICMA Indonesia Branch, on 2nd December 2019. The ICMA Indonesia Branch also conducted monthly symposiums and seminars on current issues like *Blockchain / Innovation / Executive hiring etc.*

*Thailand:* ICMA and the University of Thai Chamber of Commerce (UTCC) – '*Accelerate Your Professional Career*' program for aspiring Management Accountants in Thailand.

*Bangladesh:* Meetings and discussion on collaboration were held with the *Institute of Chartered Accountants of Bangladesh*



**Prof Brendan O'Connell, FCMA  
President, ICMA Australia**

(ICAB) and with the *Institute of Cost and Management Accountants of Bangladesh (ICMAB)*.

*Vietnam:* Vietnam Branch held workshops and seminars for CMA Members on “*Big Data for Business Management*”; “*Large Data Analysis in Corporate Governance*” and “*Data Driven Decision Making in Industry 4.0*”.

*Sri Lanka:* An ICMA graduation ceremony was held at the Galadari Hotel, in Colombo, Sri Lanka on November 15, 2018. Over 150 CMAs, AMAs and GMAs graduated, with a packed hall of over 400 well-wishes attending.

### **Syme Business School**

During the year Syme Business School faced a setback and we had to rework our strategy to deal with it. The CEO outlined that one of the possible options is to concentrate more on in-house marketing of the CMA program and Certificates of Proficiency via SBS. SBS is now owned 100% by ICMA

### **Publications, Research and Library**

*Publications:* The eNewsletter *On Target* continued to be published and the web-analytics indicates that it gets on average 4,000 visits and 6,000 page views per month. The first issue of *Management Accounting Frontiers (MAF)* [the re-launched name for the *Journal of Applied Management Accounting Research (JAMAR)*] was published in 2018.

*Research:* Research and professional development also continued in the two organizations set up by the ICMA: *The Institute of Certified Carbon Analysts and Auditors (ICCAA)* and *The Institute for the Advancement of Corporate Reporting and Assurance (IACRA)*.

*Library:* The Library now has over 12,000 texts and professional and academic publications, and has now one of the best libraries in Australia in the professional areas of management accounting and risk management.

### **Committees & Boards**

The ICMA has a number of Committees and Boards for its Governance. The Council thanks all who voluntarily served on these Committees and Boards for their time and dedication.

- Education Committee
- Education Advisory Board
- Professional Education Sub-Committee
- Continuing Education Sub-Committee
- Academic Education Sub-Committee
- Membership Committee
- Membership Advisory Board
- Membership Services Sub-Committee
- Industry and Government Engagement Sub-Committee
- Ethics Sub-Committee
- Finance Committee
- Finance, Audit & Risk Advisory Board

### **Services Provided by the Secretariat.**

- Providing Continuing Professional Education (CPE) to members via Calwest University in the USA and the Academy of Finance and Management Australia (AFMA).
- Re-designing the corporate website that was in keeping with the enhanced international profile of ICMA
- Maintaining a Member’s Only area on the website.
- Emailing monthly the Members Update, and Publishing in pdf format 6 copies of the On Target eNewsletter.
- Increasing the holdings of the Library by over 200 texts and professional and academic publications during the year.
- Having a World-Class Customer Relationship Management (CRM) system to handle the membership, invoicing, examinations and accounts.
- Conducting Examinations in all Branch locations and in over 20 countries where students undertake the CMA program online.
- Setting up an CEO Blog, with links to Facebook and Twitter

### **Membership Committee Chairman’s Report**

The Membership Committee Chairman John Donald reported that we had a +6% increase in CMAs and an overall membership growth of +3% . The new Membership Designation of CGBA now has 91 members (85 last year). Although membership growth is not a KPI of ICMA, which instead aims for quality by positioning itself as the only specialist professional body for senior executives with education programs at the master’s degree level, members represent the lifeblood of the Institute. The overall membership of the ICMA now stands at approximately 7,961 members in 60 countries.



### Education Committee Chairman's Report

Prof Janek Ratnatunga, the Education Committee chairman provided an overview of the Education Program of CMA Australia:

The Program has Nine Levels:

- Certified Accounting Technician (CAT)
- Registered Cost Accountant (RCA)
- Registered Business Accountant (RBA)
- Graduate Program (For School Leavers) – GMA & AMA
- Graduate Conversion Program (For Non-Accounting Graduates/ Professionals) – GMA& AMA
- CMA Program (For Acc Graduates/Professionals) –CMA
- CGBA – For Non-accounting Graduates
- MBA, CMA program for Global Leaders
- DBA, CMA program for Applied Research

The Program can be undertaken via:

- University Degree (Undergraduate/Masters)
- Recognised Provider Institution
- Corporate In-House

Prof Ratnatunga also reported that to facilitate its educational objectives in addition to its own nine-level CMA education program, the Institute has accredited a number of universities which have master's degree subjects that are equivalent to the CMA program. Some of these universities also provide in-house training and examinations of the CMA program. Accounting graduates can do CMA accredited units at these universities to qualify for CMA status. The details of these universities and the subjects accredited are listed on the CMA Website.

CMA Australia also has *Recognised providers* in Australia and in many different countries the details of which are listed on our website.

### Certificates of Proficiency

The following *Certificates of Proficiency* Programs were designed and offered in 2019:

- International Financial Reporting Standards
- Risk Management
- Islamic Banking and Finance
- Family Business.
- Foreign Exchange Management
- Transport and Shipping
- Supply Chain Management
- Project Management
- Takaful (Islamic) Insurance
- International Business
- International Business Analysis
- Logistics Management
- Wealth Management

- Telecommunications Pricing
- Company Secretarial Practice
- Crisis Management
- Forensic Accounting and Auditing
- Human Resource Management
- Sustainable Procurement
- Cross-Cultural Negotiations
- Performance Budgeting
- VAT Law & Practice (UAE)
- Performance and Valuation
- Accounting Practice (Vietnam)
- Performance & Valuation

### Membership Pathways

The Institute of Certified Management Accountant (ICMA) offers a number of *membership pathways* as follows:

- University Graduates in Accounting
- University Graduates in Finance
- MBA Degree Holders
- University Graduates with Non-Accounting Degrees
- Diploma and Advanced Diploma Holders in Accounting
- Members of Other Professional Accounting Bodies
- Members of Other Professional Non-Accounting Bodies
- Part Qualified Students of Other Professional Acc Bodies
- School Leavers
- Academics
- Distance Education Scholarship Program
- Emerging Professional Scholarship Program

### Treasurer's Report

Dr Chris D'Souza, the Treasurer was pleased to report that in its 23<sup>rd</sup> year the Institute is in a stable financial position. However, during the year, we experienced a setback where despite our best efforts Syme Business school was not given TEQSA approval. SBS is working on strategies to earn revenue to recoup its losses failing which ICMA might need to write off its investment of \$230K in SBS. During the Financial Year 2018-19 the Membership Income of the association grew by \$17K – 3% over previous year and total Income grew by \$33K – 5% over previous year. The accumulated balance of members funds remains over 1 million dollars which is before making any provision for contingent losses from our SBS investment of 230K.

The Financial statements of the Institute were distributed to all members present and discussed. The Treasurer, Chris D'Souza then discussed the accounts in detail.

Regards,

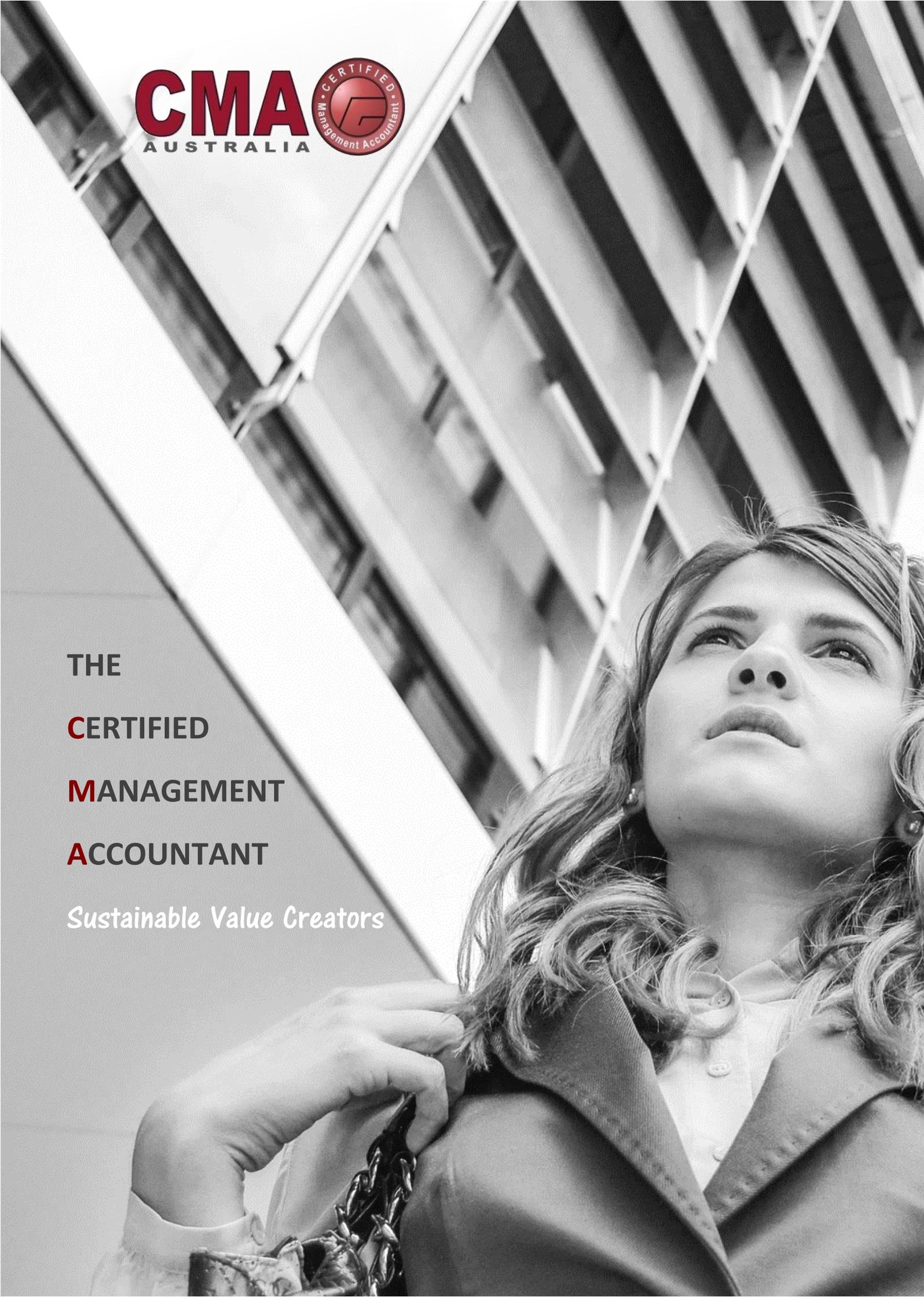
Professor Brendan O'Connell, FCMA

President, ICMA Australia



THE  
**CERTIFIED**  
**MANAGEMENT**  
**ACCOUNTANT**

*Sustainable Value Creators*



# AUSTRALIAN HALL OF FAME AWARDS

The Institute of Certified Management Accountants (ICMA) celebrated the induction of three outstanding individuals in *Australia to the Global Accounting Hall of Fame*® and the *Global Management Accounting Hall of Fame*® at an awards dinner held at the RACV City Club Melbourne on 20 November 2019.

The Guest of Honour and Keynote speaker at the event was Mr. John Stanhope AM, the Chancellor of Deakin University and Chairman of Australia Post; himself a Management Accounting Hall of Fame inductee in 2016. Mr. Stanhope related extremely interesting ‘war stories’ of his time as CFO in many organisations, including Telstra; and how management accounting was the foundation of many of his more important decisions.

The next formal part of the evening was the induction of high achieving individuals to the

The *Management Accounting Hall of Fame*®; which is an award open only to managerial accountants, CFOs, Strategy Analysts etc.

Professor Brendan O’Connell, President of ICMA Australia and host of the awards dinner, said, “While selection to the Hall of Fame is intended to honour the people so chosen, it is also intended to be a recognition of distinguished service contributions in fields related to accounting and management accounting.”

Professor O’Connell explained that while the accounting profession concentrates on compliance and taxation, management accounting professionals are involved in value creation, business analysis, cost, performance and risk management, environmental and social reporting, and strategic auditing.

He said, “Of particular interest to management accountants is ‘enterprise governance’, which includes areas of ethics, transparency and whistle-blower protection. Therefore, it is no surprise that ICMA inducted Adele Ferguson AM for her role in bringing about the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.”

*Ms. Adele Ferguson, AM* was then inducted to the *Management Accounting Hall of Fame*.

Ms Ferguson is a multi-award-winning senior business writer and columnist whose investigations go behind the spin to expose corporate wrongdoing. Her exposés include the 7-Eleven wage fraud scandal, which has, to-date, resulted in compensation payments of more than \$150 million to thousands of vulnerable foreign workers and brought about changes to the law. Ms



**Ms. Adele Ferguson AM being inducted to the Global Management Accounting Hall of Fame by Mr. John Stanhope, himself a Management Accounting Hall of Fame inductee in 2016. Also, in the picture is Professor Brendan O’Connell, the President of ICMA**

Ferguson also exposed wage fraud inside other franchise giants, including Domino’s Pizza and Caltex, and helped trigger a parliamentary inquiry into the \$170 billion franchise sector.

Dr Samer Shahin was next inducted to the *Management Accounting Hall of Fame*. *Dr Samer Shahin, CEO of Peregrine, used management accounting extensively in the construction of the world’s largest motorsport park. This year, The Bend Motorsport Park, in South Australia, claimed the prestigious International Motorsport Facility of the Year Award at the Professional Motorsport World Expo Awards in Germany. Peregrine Corporation is Australia’s eleventh-largest private company, South Australia’s largest private company and that State’s largest private employer.*



**Dr Samer Shahin being inducted to the Global Management Accounting Hall of Fame by Bill Dix AO, himself a Management Accounting Hall of Fame inductee in 2017. Also in the picture is Professor Brendan O’Connell, the President of ICMA.**



*Mr. Ron Pitcher was next inducted to the Accounting Hall of Fame.*

Mr. Ron Pitcher, the Founder of Pitcher partners – Australia’s largest ‘middle market’ accounting advisory firm and the fifth-largest Melbourne-based accounting firm. Following his retirement, Mr Pitcher has extended his portfolio of directorships. His dedication to the wellbeing of his clients and his generous community service was recognised with the award of Member of the Order of Australia (AM).

Amongst the other inductees from previous years who attended the event were Bill Dix AO, the former Chairman of Ford and Qantas and Dr John Miller AO, a former Professor at the David Syme Business School of Monash University. Other guests at the awards dinner included senior business leaders, accounting professionals, and notable academics.

**Mr. Michael John Langhammer, Senior Partner at Pitcher partners, standing in on behalf on Mr. Ron Pitcher who was inducted to the Global Accounting Hall of Fame by Dr John Miller AO, himself a Management Accounting Hall of Fame inductee in 2017. Also in the picture is Mr. Stuart Pitcher, Mr Ron Pitcher’s son; Professor Brendan O’Connell, the President of ICMA and Prof Janek Ratnatunga, ICMA CEO.**



**From Left to Right: Dr Chintan Bharwada, ICMA COO, Mr. Michael John Langhammer, Mr. Stuart Pitcher, Ms. Adele Ferguson, Dr Samer Shahin, Professor Brendan O’Connell and Dr Chris D’Souza, ICMA CFO.**



**From Left to Right: Prof Peter Chandler AM, Professor Brendan O’Connell, Mr John Stanhope, AM, Dr. Chintan Bharwada (standing), Ms Sue Stanhope, Ms. Janet Dix, Bill Dix, AO, Ms. Adele Ferguson AM and Mr. Christian Townsend.**

# WORKER UNDERPAYMENTS AND DIGITAL SKILLS DEFICIT AMONG TOP FIVE SLEEPER ISSUES FOR BUSINESS IN 2020

Industrial relations risks such as the underpayment of Australian workers' entitlements, estimated at \$1.35 billion per year, is one of the top five sleeper issues for business leaders in the year ahead according to PwC.

PwC's 'Australia Matters' analysis puts the spotlight on five issues that Australian business leaders need to be laser focused on in 2020 – industrial relations risks, the workforce digital skills gap, ongoing currency volatility, sustained sluggish growth and the loss of capital to offshore markets.

## Worker underpayments as high as \$1.35 billion per year

In the analysis of industrial relations risks, PwC draws on Fair Work Ombudsman data to estimate that 13 percent of the total Australian workforce are impacted by the underpayment of workers' entitlements.

PwC Chief Economist, Jeremy Thorpe said: "Our analysis shows worker underpayments rise to 21 percent for sectors most at risk including construction, with an estimated \$320 million per year in underpayments, followed by healthcare and social assistance at \$220 million, accommodation and food services at \$190 million and retail at \$180 million.

"Complexity is a hallmark of the system and a significant contributor to the underpayments issue but it is no excuse and employers must keep track of and correctly apply all the rules. Industrial relations reform is always challenging but this is an area where Government,

business, unions and workers should see the incentives for simplification."

PwC Payroll Consulting Practice Leader, Rohan Geddes added: "The vast majority of employers set out to do the right thing by their workers, but the chances of inadvertently making a mistake are extremely high and, as we are witnessing, small mistakes made across large workforces over several years add up to very large numbers.

"This is due to three intersecting issues: the underinvestment in payroll systems and processes, the complexity of the industrial relations system and the declining presence of unions as a source of oversight within the workplace.

"Small errors magnified over a long period expose businesses to the risk of substantial financial penalties, reputation damage and remediation work. No doubt there is work to be done to simplify the system and improve oversight, but in the interim, business leaders must ensure their people are paid right by keeping track of and correctly applying all the relevant industrial relations rules and policies," Mr Geddes said.

## Digital upskilling could add \$40bn to GDP by 2040

Failing to close the digital skills gap is another growing issue for business. A new PwC survey of 22,094 adults in 11 countries, including 2,000 Australians, shows 60 percent of Australian adults



Certified  
Management  
Accountants

**Complete your MBA taking 4 Subjects.**

For ICMA Members Only

The knowledge and experience gained in obtaining your CMA is recognised by Calwest University, California, USA; an ICMA sponsored university, enabling CMA holders to 8 (out of 12) credits towards your MBA.

## MBA for CMAs

**The total cost of this program is US\$5,350 (with Discount Code \$1,850).**

Go to: [https://calwest.org/apply\\_mba.html](https://calwest.org/apply_mba.html)

are worried automation is putting jobs at risk, but only 23 percent are upskilling through their employer.

The survey finds Australian and British workers are the least likely to be upskilling in new technologies compared to 11 other countries. 40 percent of Australian workers are not upskilling in new technologies in any way.

There is a significant financial benefit if Australia can close its digital skills gap. PwC’s analysis reveals training an additional 100,000 technology sector workers above current levels over the next five years could add \$40 billion in net present value terms to GDP over the next 20 years.

PwC National Skills Leader, Sara Caplan said: “Technologies will continue to alter the nature of work in Australia in the coming years and this will lead to growing pains for business if we don’t address the widening digital skills gap. A big part of the problem is that the majority of workers are not being upskilled at work – Australia is trailing global peers on this front.

“To take advantage of new technologies business leaders need to support workers to adapt to them. Automation, robotics and analytics in particular are having a big impact on industry and should be included in upskilling programs. The pay back on the skills investment will be more than worth it.”

**Australian business needs backing of local investors**

Local capital increasingly going offshore is another concerning trend, with analysis showing Australian investors are shunning local opportunities to chase higher returns overseas.

“There is a trend for Australian super funds to be preferencing foreign equity investments ahead of Australian-listed investments. Given the large pool of investment capital they control, super funds are a bellwether for where Australian investors are seeing

opportunities and they’re not finding them at home,” Mr Thorpe said.

“A big part of the problem is that Australian businesses are underweight in research and development (R&D), a key pillar of growth and an important antidote to local capital going offshore. Our modelling shows Australia spends just 1.9 percent of GDP on R&D and needs to spend an additional \$13.7 billion or an additional \$575 per

person to reach OECD top 10 R&D spending levels.

“Australia is also not developing high growth startups to the degree we should be either. Startups by nature are high productivity and high growth ventures so it’s important for our economy that we get the settings right to encourage startup development. Yet, our angel investment trails behind New Zealand, and is well behind the UK and US.

“To attract more capital and investment, there is a role for business to be challenging government and themselves on whether the right structures and incentives are in place to encourage business innovation and make our businesses more competitive in the minds of investors.”

**Currency volatility and slow growth sure bets in 2020**

There are also a number of economic risks for business’ to be thinking about including currency volatility and the impacts of sustained slow growth.

Australia’s economic growth remains persistently lower than at any point in the past two decades. Average real GDP growth is down to 2.64 percent and is forecast to fall even further, with Australia’s economic growth predicted to be sitting around 2.3 percent for the next two decades.

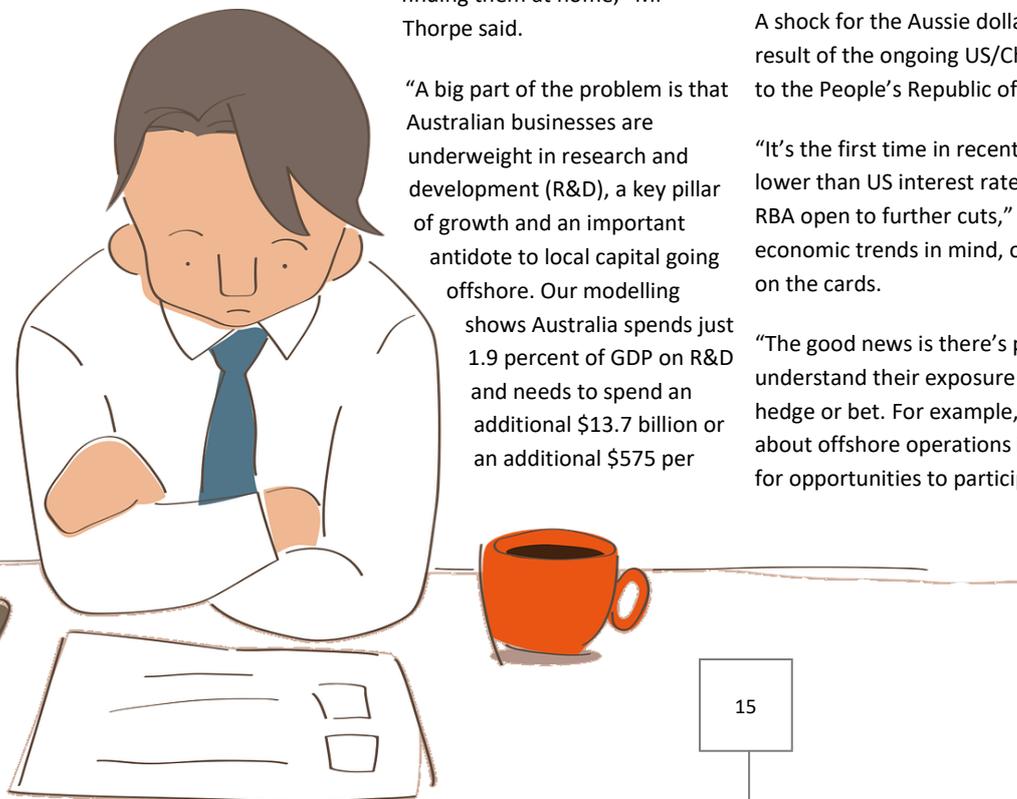
Mr Thorpe said: “Australia has enjoyed almost three decades without a prolonged downturn but slow growth is the new normal and businesses and Governments have to find ways to boost productivity.

“Individual businesses will need to respond in different ways, but there are a number of opportunities that cut across industries. For example, businesses should look for opportunities to improve productivity through robotics, AI and digital solutions, be prepared to cut services that aren’t sustainable in the current growth environment, and invest in innovation.”

A shock for the Aussie dollar should also be on the watch list as a result of the ongoing US/China trade war and Australia’s exposure to the People’s Republic of China.

“It’s the first time in recent memory that local interest rates are lower than US interest rates and they may go even lower with the RBA open to further cuts,” Mr Thorpe said. “With these macros economic trends in mind, ongoing currency uncertainty is definitely on the cards.

“The good news is there’s plenty business leaders can do to understand their exposure to volatility and determine whether to hedge or bet. For example, leaders should be thinking strategically about offshore operations in multiple currency locations and looking for opportunities to participate more fully in global supply chains.”



## A WARM TO WELCOME NEW MEMBERS (OCT & NOV 2019)

Abdul Rahman, Ibrahim kamal  
Abou Rjaily, Georges  
Al-Arab, Bachir  
Allen, Roula  
Al-Rifai, Mohamad  
Appunni, Puliyaath  
Athambawa, Ifthikaroon  
Bejjani, Bachir  
Beyh, Rabih  
Bou Saad, Walid  
Buachoom, Wonlop  
Bui Quang, Phu  
Cao Duy, Thanh  
Chan, Wai Leung  
Chehadi, Abdul Nasser  
Dang Nhu, An  
Darwiche, Tonine  
Do, Sok Leng  
Dutt, Gaurav  
El - Khoury, Wissam  
El Chami, Dari  
El Ghandour, Ahmad  
Elgammal, Mohammed  
Fernando, Myrafe  
Fernando, Susitha  
Ghanimeh, Jean  
Goh, Ivan  
Guruge, Wathsala  
Heng, Kit Sophal  
Herath , Malaka  
Hoang Thi Thu, Nguyet  
Hon, Chi To  
Hui, Yuen Yee  
Imran, Muhammad  
Jain, Rajeev  
Jawhar, Wael  
Jayasekara, Chamathka  
Kandaudaliyanage, Prasath  
Khajuria, Chandrashekhar

Klaimi, Leda  
Koo, Sin Tung  
Law, Kam Kong  
Lee, Nim Chi Queenie  
Lee, Nim Yan  
Lee, Wai Yee  
Lui, Terence  
Maalouf, Charbel  
Maruthur, Abhilash  
Mobin, Noor.E Khoda  
Neeloth, Abdul Gafoor  
Nguyen Lu Dat, Chi  
Nguyen Ngoc, Anh  
Nguyen Ngoc, Thanh  
Nguyen Nhu, Quynh  
Nguyen Thi Quynh, Anh  
Nguyen Thi Tho, Duong  
Nguyen Thi, Hong  
Omar, Normah  
Saad, Georges  
Sablouh, Mustapha  
Salameh, Rabih  
Seneviratne, Amarsha  
Shaik Madar, Abdul Sukkur  
Sleiman, Hisham  
Tam, Chi Chong  
Tam, Chun Kit  
Tharushika, Shamal  
Tong, Ka Wing Nelson  
Tran Thanh, Phong  
Utomo, Danang  
Vu Pham Thu, Van  
Wickremasinghe, Roshan  
Widyantoro, Kriesthian  
Wong, Siu Yee  
Younes, Hadi  
Younes, Nadine  
Yung, Kai Wang  
Zgheib, Tania

# ANOTHER PASSING YEAR POINTS TO THE IMPORTANCE OF REVIEWING PEOPLE PRACTICES

In October Australians were greeted with **news** that Woolworths had admitted underpaying thousands of workers up to \$300 million with underpayments reportedly stretching back a decade. Around 5,700 staff were thought to be impacted with that figure possibly going higher as an internal review investigates whether other Woolworths brands (e.g. Big W and BWS) could be impacted.

The underpayments **reportedly occurred** because some team members were being paid annualised salaries but were entitled to be paid either the higher rate of the annual salary, or the rate calculated for actual hours worked under the relevant award.

While it might be no surprise to see small or medium sized enterprises making miscalculations of this nature (given limited, in-house accounting & legal expertise), it seems amazing that a company the size and sophistication of Woolworths could get something that looks relatively straightforward, so wrong.

It's also interesting to note some of the other **large companies** caught out in 2019 underpaying wages, overtime and superannuation. Some of the household names on the list include the ABC, Qantas, Super Retail Group, Commonwealth Bank, Michael Hill, and Bunnings.

*"If a swathe of large, well-resourced companies can fall foul of underpayment claims, smaller businesses, potentially less able to afford costly backpay claims, need to ensure that they effectively manage these risks including at least an annual review."*

The need for this kind of review becomes more crucial given the Fair Work Ombudsman mid-year **announcement** of a much stronger and vigorous approach to

enforcement as part of its 2019-20 priorities. Directors of organisations that underpay workers may also be at risk of **personal liability** for breaches of the law, including penalties in addition to the payment of any underpaid wages.

The treatment and payment of casual staff is another sometimes vexing issue for organisations. After 12 months employment casuals gain some additional rights. Some **recent cases** also highlight the need to check whether employees who were initially engaged as casuals, are still truly casuals. Even if they are what are termed long-term casuals, they may be entitled to payment for things like annual leave.

And it's not just on issues of underpayment where employers need to ensure they regularly review their human resource practices.

Australian **anti-discrimination laws** present a complex mosaic of both state and federal legislation with there being no less than four relevant statutes operating at the federal level to protect people from discrimination and harassment. Many of these laws overlap, have noted exemptions and are varied and amended from time to time.

This makes it essential that managers have an understanding of what is and isn't likely to land them in hot water when it comes to taking on new staff, awarding promotions and making decisions on operational matters like access to training.

The other issue that commonly presents in these kinds of reviews is misalignment, or contradictory provisions residing in and across contracts of employment, awards, agreements and human resource policies and practices.

Despite the best efforts of human resources departments and personnel, these critical documents (especially human resources policies) are often added to and updated over time without periodic review and cross-checking across other important source documents to ensure there is consistency in rights and obligations. Perversely it is often in larger organisations, with more complexity and a greater number and variety of policies, where this problem seems to have the larger likelihood of occurring.

Other matters that can be usefully incorporated into an annual human resource practice review include checking the correct payment of superannuation, workers compensation cover, ensuring that the right documents are provided to new starters upon commencement, the provision of payslips, implementation of single touch payroll and a slew of basic compliance matters that pertain to workplace and health and safety concerns.

## About the Author

**James Judge** is Director of **Australian Human Resource Professionals** and Adjunct, Associate Professor at the University of Canberra. He regularly advises organisations on HR matters and has this year launched an HR Health Check designed to assist organisations review and assess their HR policies and practices.



## LIFE INSURANCE SECTOR PROFITS, GROWTH, HIT BY DISRUPTION AND REGULATION

The industry has also continued to experience declining profitability, with the life risk insurance sector now loss-making in aggregate. In the first half of 2019 the industry made a loss of \$86 million from risk products, worsening from the essentially breakeven position in 2018, when the industry generated a total profit of just \$33 million. These results compare to an aggregate industry profit of approximately \$1.5 billion in 2017.

Ordinary risk products continued to be loss making, with the product line reporting a loss of \$130m across the industry during the first half of 2019, following a loss of \$341 million in 2018. In the first half of 2019 losses in ordinary retail disability income (-\$499 million) more than offset profits in ordinary retail lump sum (\$399 million).

Superannuation risk products reported a significant decline in profits, with the product line reporting just \$44 million across the industry during the first half of 2019 compared to \$372 million profits in 2018. A number of life insurers have also observed a deterioration in their mortality experience.

Pauline Blight-Johnston, KPMG Partner and Head of Life Insurance, said: “The last 2 years have been a period of considerable challenge for the Australian life insurance industry. Customers and the public are increasingly asking questions about the value the industry provides. At the same time, the profitability challenges driven by

higher than expected claims payments across the industry are perhaps the greatest we have seen in a generation. There is clearly a large disconnect between the perceived and actual value being delivered by these products”.

“Unsurprisingly, the disruption to life insurance distribution models has noticeably affected revenue growth across the industry. Subdued growth rates reflect the impact of lower initial commissions due to the Life Insurance Framework that came into full effect in 2018, as well as a retreat from direct distribution models following the exposure of problems with these models during the Banking Royal Commission.”

“A well-functioning, sustainable, accessible and trusted life insurance industry is important for all Australians, particularly for the more vulnerable members of our society. Leaders in this industry must continue their efforts to reshape its customer proposition to simultaneously rebuild public trust and put the industry on a more sustainable financial footing.”

Retail disability income continues to be the main contributor to poor performance (\$568 million losses in the first half of 2019) and is impacted by a range of challenges, including increasing mental health claims, longer claim durations and the impacts of the Banking Royal Commission and changing community expectations.

## Key findings

Other key findings from the analysis to 30 June 2019 included:

- Retail lump sum continues to be profitable, with \$532 million profits in the first half of 2019.
- Group business reported a small loss of \$50 million in the first half of 2019.
- Consistent with the declining profitability, benefit payments to policyholders continue to increase both in amount and as a percentage of premium. In the 2018 calendar year benefit payments (gross policy expenses) increased by \$1.2 billion to \$13.8 billion or from 57.1 percent to 59.3 percent of premium (gross policy revenue). This trend has continued in 2019, with 62.9 percent of premiums paid as benefits in the first half of the 2019 calendar year.
- Life insurance companies remain well capitalised as a whole. For the financial years ended in the 12 months to December 2018, the capital coverage ratio for the industry decreased slightly from 2.1 to 1.8, but is still well above regulatory minimums. We note the emerging headwinds for capital in 2019 due to declining profitability and falling yields.

The analysis does not yet reflect the impact of the Protecting Your Super changes in group insurance which is expected to put further downward pressure on sales over the coming financial years.

David Kells, KPMG Partner and Head of Insurance added: “Life insurers are operating in a difficult environment. There is no simple solution to the very poor experience of income protection business. The extensive regulatory changes for life companies are impacting the expense line and investment budgets and, understandably, require a lot of management and board focus. The macro overlay of an uncertain economic environment – with implications on both sides of the balance sheet – adds to the difficulties.”

“The key really is about prioritising and managing these complex challenges – insurers need to ensure a tactical response to

regulation does not result in more remediation issues. But we must not forget that the underlying premise of life insurance still very much alive and well, and the product definitely has value to customers – Australia still has a significant under-insurance issue. There are significant opportunities for life insurers who can leverage new technology and ways of working to provide a better experience and simpler products to their customers.”

KPMG’s analysis also flags two specific challenges for the life insurance industry.

First, the upcoming extension of Unfair Contracts legislation to insurers. These laws were designed to protect consumers and small businesses from unfairly one-sided standard-form contracts. Until now they have not applied to the insurance industry. Life insurance companies will need to review their contracts in light of this legislation and determine if any terms may be deemed to be unfair in certain circumstances or at some time in the future – a difficult judgement to make, given that fairness is a relative concept and perceptions can change over time. More significantly, insurers may not be able to rely on terms, definitions and conditions in existing insurance policies which they are unable to change and upon which they have relied in determining product prices.

Second, the increasing prevalence of mental health issues in our community. \$750 million of all claims paid in the 2018 calendar year relate to mental health. It was the number one cause for TPD claims, and it was the number two cause for disability income. The report, *The impact of psychosocial factors on mental health and their implications for Life insurance*, recently published by KPMG and the Financial Services Council explores the issue of mental health in the community and in insurance. The report notes an increasing potential for a range of social factors and individual psychological stresses to be diagnosed and treated as mental illness – often with detrimental impacts to recovery and a return to optimal wellbeing. The insurance industry and health practitioners need to coordinate mental health care for an individual that tailors recovery plans, empowers people to recognise coping skills for positive mental health and improves their chance of returning to full health and a fulfilling life.

## REGIONAL OFFICE AND BRANCH NEWS

### SMU ACADEMY DELIVERS SECOND CMA INTENSIVE PROGRAM IN SINGAPORE

The second CMA Intensive program in Singapore, *Strategic Cost Management* was conducted by Professor Janek Ratnatunga at the Singapore Management University Academy (SMU Academy) in Singapore in 24-26 October 2019. The course was organized by the excellent team at SMU Academy led by Mr Cary Chan. Those who complete the assessments will also be awarded the *Certificate of Proficiency in Strategic Cost Management* jointly by ICMA and SMU Academy.

Prof Brendan O’Connell was the facilitator of the *Strategic Business Analysis* (Part 1 & Part 2) course on Nov 1-4, 2019. Those who complete the assessments for Part 1 will also be awarded *Certificate of Proficiency in Marketing & Pricing Analysis*. Those who complete the assessments for Part 2 will also be awarded the *Certificate of Proficiency in Driving Strategic Value* jointly by ICMA and SMU Academy. The successful completion of all 3 Certificates of Proficiency will satisfy the academic requirements for the CMA Certification.

The course again received excellent reviews from the students, which has prompted SMU Academy to schedule the third intake for *Strategic Cost Management* on June 6-8, 2020; and *Strategic Business Analysis* June 10-13, 2020.



Some of the Participants of the 2nd Strategic Cost Management program at the SMU Academy in Singapore. In the picture is the program facilitator, Prof. Janek Ratnatunga.

### STRACC LEARNING DELIVERS 7-DAY INTENSIVE CMA PROGRAM IN BENGALURU

A 7-day intensive CMA program, organised by *STRACC Learning LLP*, was held in Bengaluru India, in 2-8 November 2019, facilitated by Dr Chris D’Souza, which was attended by senior professionals including a senior consultant to HSBC bank and a professor from Bangkok.



Students working hard to get a quality product to the market in the production simulation game.

## WSDA CONDUCTS SECOND 7-DAY INTENSIVE CMA PROGRAM IN DHAKA

The second 7-day intensive CMA program, organised *Workplace Skills Development Academy (WSDA)*, was held in Dhaka, Bangladesh from 10th to 20th October 2016, was facilitated by Dr Chris D’Souza and attended by very senior CFO’s and Financial Professionals including Mr. N K A Mobin FCS FCA CMA (Aus), the Honourable Vice President of Institute of Chartered Accountants of Bangladesh (ICAB).



Dr Chris D’Souza and Mr. Sazzad Hassan, Regional Director (Bangladesh) with Mr. N K A Mobin, the Honourable Vice President of Institute of Chartered Accountants of Bangladesh (ICAB).



Dr Chris D’Souza addressing participants in Bangladesh



Students concentrating hard on the “Push Strategy” case study.

## ICMA SUPPORTED NATIONAL ACCOUNTANCY CONFERENCE, MALANG, INDONESIA

ICMA supported the National Accountancy Conference at the University of Widyagama in Malang, Indonesia. during the period November 2-3, 2019. The event was organised by Dr Ana Sopanah, the Head of Accountancy at the University, and also a Regional Director of ICMA. A number of papers on both national and international issues were presented at the conference.

## 26TH CMA PROGRAM DELIVERY BY THE SMART EDUCATION CENTRE IN DUBAI

The 26<sup>th</sup> CMA program was conducted by the SMART Education Centre in Dubai, UAE in November 2019. The program was again facilitated by Professor Janek Ratnatunga, the CEO of ICMA Australia.

Students of the 26th CMA program, in Dubai, U.A.E.



## NEPAL'S CMA PROGRAM AND MEETING WITH AUDITORS ASSOCIATION OF NEPAL (AUDAN)

The first 7-day intensive program, organised by *Academy of Management Accountancy Nepal (AMAN)*, was held in Kathmandu, Nepal from 19<sup>th</sup> to 26<sup>th</sup> October, and attended by 35 very senior accounting and finance professionals. This being the first program in Nepal, it was facilitated jointly by ICMA CEO Prof Janek Ratnatunga CMA; ICMA President Prof Brendan O'Connell and ICMA CFO/COO (International) Dr Chris D'Souza.



Professor Brendan O'Connell and Dr Chris D'Souza the facilitators for the SBA module with the group of students.



Professor Janek Ratnatunga and Dr Chris D'Souza exchanging gifts with the President of AUDAN.

### AUDAN

On 21<sup>st</sup> October 2019 a meeting to discuss and expand the role of Management Accountants of Nepal was hosted by *AUDAN (Auditors Association of Nepal)* attended by CMA CEO Prof Janek Ratnatunga CMA and CMA CFO/COO (International) Dr Chris D'Souza. The discussion was constructive and followed by dinner with the council of AUDAN.

# CMA EVENTS CALENDAR

- [Certificate of Proficiency in Marketing & Pricing Analysis \(SBA part 1\), SMU Academy, Singapore \(2nd Intake\)](#). 1 November 2019
- [Certificate of Proficiency in Driving Business Value \(SBA part 2\), SMU Academy, Singapore \(2nd Intake\)](#). 3 November 2019
- [26th CMA Preparatory Program, SMART Education Group, Dubai, UAE](#) 9 November 2019
- [Hall of Fame Awards Dinner, Melbourne, Australia](#) 20 November 2019
- [Frontiers of Accounting Symposium 2019, Melbourne, Australia](#) 21 November 2019
- [ICMA Annual General Meeting 2019, Melbourne, Australia](#) 21 November 2019
- [Inaugural Singapore Global Hall of Fame Induction Dinner](#) 29 November 2019
- [International Management Accountant \(IMAC\) 2019 and Hall of Fame Awards in UK Petra Surabaya](#) 2 December 2019
- [Hall of Fame Awards, Philippines](#), 7 December 2019
- [Hall of Fame Awards, Hong Kong](#), 11 December 2019
- [Hall of Fame Awards, Hanoi](#) 14 December 2019
- [Hall of Fame Awards, India](#) 18 December 2019
- [The 1st CMA Train-the-Trainer Program, conducted by New Zealand Institute of Business, Suva, Fiji](#) 11 January 2020
- [6th CMA Intensive Program at Mercu Buana University Jakarta, Indonesia, organised by Inspire Consulting](#) 9 February 2020
- [CMA Preparatory Program, Academy of Finance, Colombo, Sri Lanka](#) 28 February 2020
- [Certificate of Proficiency in Strategic Cost Management, SMU Academy, Singapore \(3rd Intake\)](#) 6 June 2020
- [CMA Preparatory Program \(intensive\), IPMI Business School, Jakarta, Indonesia](#) 4 July 2020
- [2020 Certificate of Proficiency in Strategic Business Analysis, SMU Academy, Singapore \(3rd Intake\)](#) 10 July 2020
- [CMA Intensive Program at Mercu Buana University Jakarta, Indonesia, organised by Inspire Consulting](#) 1 August 2020

## Private Providers

[Wharton Institute of Technology and Science \(WITS\), Australia](#)

[Syme Business School, Australia](#)

[Academy of Finance, Sri Lanka](#)

[IPMI \(Indonesian Institute for Management Development\), Indonesia](#)

[Singapore Management University Academy \(SMU Academy\)](#)

[Business Sense, Inc., Philippines](#)

[HBS for Certification and Training, Lebanon](#)

[SMART Education Group, UAE](#)

[Institute of Professional and Executive Management, Hong Kong](#)

[AFA Research and Education, Vietnam](#)

[Segal Training Institute, Iran](#)

[PT Angka Bisnis Indonesia \(Business Number Consulting\), Indonesia](#)

[Inspire Consulting, Indonesia](#)

[ManAcc Consulting, New Zealand](#)

[STRACC Learning LLP, India](#)

[Workplace Skills Development Academy \(WSDA\), Bangladesh](#)

[Ra-Kahng Associates Ltd, Thailand](#)

[Academy of Management Accountancy, Nepal](#)

[Singapore Training Institute, Singapore](#)

[Blue Globe Inc, Japan](#)

[New Zealand Institute of Business, Fiji](#)

## ICMA Australia

### Global Head Office

### CMA House

### Monash Corporate Centre

### Unit 5, 20 Duerdin Street

### Clayton North, Victoria 3168

### Australia

Tel: 61 3 85550358

Fax: 61 3 85550387

Email: [info@cmaweblines.org](mailto:info@cmaweblines.org)

Web: [www.cmaweblines.org](http://www.cmaweblines.org)

### OTHER CENTRES

#### New South Wales

Professor Chris Patel, PhD, CMA

Branch President

Macquarie University

#### Northern Territory

Professor Lisa McManus, PhD, CMA

Branch President

Charles Darwin University

#### South Australia

Prof Carol Tilt, PhD, CMA

Branch President

University of South Australia

#### Western Australia

Dr. Vincent Ken Keang Chong

Branch President

UWA Business School

#### Queensland

Dr. Gregory Laing, PhD CMA

Branch President

University of the Sunshine Coast

### OVERSEAS REGIONAL OFFICES

#### BANGLADESH

Mr. Sazzad Hassan, CMA

Regional Director – Bangladesh

Email: [sazzad.hassan@gmail.com](mailto:sazzad.hassan@gmail.com)

Website: <http://www.icmabangladesh.org>

#### CHINA (including Hong Kong and Macau)

Prof. Allen Wong, FCMA

Regional Director and CE - Greater China

Email: [info@cmaaustralia.org](mailto:info@cmaaustralia.org)

[allen.wong@cmaaustralia.org](mailto:allen.wong@cmaaustralia.org)

#### CYPRUS

Mr. Christos Ioannou BA (Hons), MBA, CMA

Regional Director-Cyprus

Email: [chioanou@cytanet.com.cy](mailto:chioanou@cytanet.com.cy)

#### EUROPEAN UNION

Mr. Rajesh Raheja CMA, Branch President

9, Taylor Close, Hounslow, Middlesex TW3

4BZ, United Kingdom

Tel: +44 208 582 0025

Email: [rajesh@cmaseurope.net](mailto:rajesh@cmaseurope.net)

<http://www.cmaseurope.net>

#### FIJI

Dr. Chris D'Souza, CMA

Country Head – Fiji (Pro-Temp)

New Zealand Institute of Business

Website: <http://www.cmajiji.org>

#### INDIA

Mr. Jayafar MV, CMA

Deputy Regional Director – India

Email: [mvjayafar@gmail.com](mailto:mvjayafar@gmail.com)

Website: <http://www.icmaindia.org>

#### INDONESIA

##### Special Capital Region (Jakarta) Regional Office

Ms. Arum Indriasari – Jakarta Centre

IPMI Business School

E-mail : [arum.indriasari@ipmi.ac.id](mailto:arum.indriasari@ipmi.ac.id)

##### West Java Regional Office

Ms. Paulina Permatasari, FCMA

Regional Director - West Java

Email: [paulinapssi@gmail.com](mailto:paulinapssi@gmail.com)

##### East and Central Java Regional Office

Dr. Ana Sopianah, CMA

Regional Director - East Java

Email: [anasopianah@gmail.com](mailto:anasopianah@gmail.com)

#### IRAN

Mr. Alireza Sarraf, CMA

Regional Director- Iran

Email: [sarraf@experform.com](mailto:sarraf@experform.com)

#### JAPAN

Mrs. Hiroe Ogihara

Country Head – Japan

Email: [y.al.ogi999@gmail.com](mailto:y.al.ogi999@gmail.com)

Website: <http://www.cmajapan.org>

#### LEBANON

Mr. Fawaz Hamidi, CMA

Regional Director - Lebanon

Email: [hbs@cmamena.com](mailto:hbs@cmamena.com)

[www.cmamena.com](http://www.cmamena.com)

#### MALAYSIA

##### West Malaysia Regional Office

Dr. Ridzwan Bakar, FCMA

Deputy Regional Director - West Malaysia

Email: [ridzwan.bakar@mmu.edu.my](mailto:ridzwan.bakar@mmu.edu.my)

#### CAMBODIA

[To be Appointed]

#### NEPAL

Mr. Kumar Khatiwada, CMA

Regional Director – Nepal

Email: [kumar\\_kha@hotmail.com](mailto:kumar_kha@hotmail.com)

Website: <http://www.cmanepal.org>

#### NEW ZEALAND

Dr. Louw Bezuidenhout, CMA

Regional Director – New Zealand

Email: [loubez@bizss.co.nz](mailto:loubez@bizss.co.nz)

Website: [www.cmanewzealand.org](http://www.cmanewzealand.org)

#### PAPUA NEW GUINEA

Dr Thaddeus Kambanei, CMA

Regional Director - PNG

Email: [Thaddeus.Kambanei@yahoo.com](mailto:Thaddeus.Kambanei@yahoo.com)

<http://www.cmapng.com>

#### PHILIPPINES

Mr. Henry Ong, FCMA

Regional Director - Philippines

Email: [hong@businesssense.com.ph](mailto:hong@businesssense.com.ph)

<http://www.cmaphilippines.com>

#### SINGAPORE

Dr Zahabar Ali, CMA

Country Head – Singapore

Email: [ali@parkinsons.com.sg](mailto:ali@parkinsons.com.sg)

Website: <http://www.cmasingapore.com>

#### SRI LANKA

Mr Kapila Dodamgoda, CMA

Regional Director - Sri Lanka

Email: [kapiladodamgoda@yahoo.com](mailto:kapiladodamgoda@yahoo.com)

<http://www.cmasrilanka.com>

#### THAILAND

Mr. David Bell, CMA

Regional Director – Thailand

Email: [david.bell@rakahng.com](mailto:david.bell@rakahng.com)

Website: <http://www.cmathailand.org>

#### UNITED ARAB EMIRATES

Mr. Shakeeb Ahmed, CMA

Regional Director - U.A.E. & GCC Countries

Email: [shakeeb@smarteducationgroup.org](mailto:shakeeb@smarteducationgroup.org)

Mobile: +971-55-1062083

Website: [www.cmadubai.org](http://www.cmadubai.org)

#### VIETNAM

Mr. Long Phan MBusAcc, CPA, CMA

Regional Director- Vietnam

Email: [longplt@afa.edu.vn](mailto:longplt@afa.edu.vn)



Certified  
Management  
Accountants