June Issue 2020

Accountancy Plus

The Official Journal of CPA Ireland

People –
The Key to
Successful Digital
Transformation
by Na Fu

IRELAND

100% Complete

Updates Installed

Download more courses at
www.cpaireland.ie/cpd

Update You

IRELAND

Editorial

Accountancy Plus
June 2020

CPA Ireland

17 Harcourt Street,
Dublin 2, D02 W963

T: 01 425 1000
F: 01 425 1001

Unit 3,
The Old Gasworks,
Kilmorey Street,
Newry, BT34 2DH

T: +44 (0) 28 3025 2771
W: www.cpaireland.ie
E: cpa@cpaireland.ie

Editor
Patricia O'Neill

Chief Executive
Eamonn Siggins

Editorial Adviser
Róisín McEntee

Technical Adviser
Alan Bailie

Advertising
Ciara Durham
T: 086 852 3463
E: accountancyplus@gmail.com

Published by
Nine Rivers Media Ltd.
T: 01 667 5900
E: gary@ninerivers.ie

Printed by
Persona

Distribution
Lettershop Services Ltd.

President's Message

Welcome to the June 2020 edition of Accountancy Plus.

On behalf of the Council of CPA Ireland and the staff, I hope that you, your family, friends and colleagues are safe and well. As advisors to over 100,000 businesses in Ireland, CPAs are at the forefront of the SME community in Ireland, and with that unique perspective, see the challenges that business owners and their employees are both facing and adapting to. In turn the institute is here to support our members, students and prospective students throughout this crisis and we would urge you to contact the CPA staff team with any queries you may have.

The stated mission of CPA Ireland is to:

- *provide internationally recognised qualifications, enabling members to grow their career through valuable education and employment*
- *offer a warm, human service through regular communication and support networks, from potential students through to experienced members*
- *promote innovation in new products and programmes that demonstrate to employers our commitment to constantly evolving our offering to align with the high standards of the professional world*

In keeping with that mission CPA Ireland has, over the past 3 months, increased innovation around delivery of learning and testing technologies including the introduction of online remotely invigilated exams, to ensure that CPA Ireland students can sit their Formation 2, Professional 1 and Professional 2 examinations in August 2020. CPA Ireland has also been working with our online education partners who are now offering up to 40% discounts on CPA subjects. Prospective students, current students and employers can avail of these discounts.

As automation and technology continually evolve and change business models, the role of accountants and auditors must adapt to this changing world. As the profession looks to the future, we must anticipate:

- Areas of demand for our skills
- Behaviours and competencies needed to be successful in the future business ecosystem and
- Changing expectations about what it means to be an accountant

CPA Ireland is making significant changes to our syllabus where emerging and disruptive technologies will impact.

The new syllabus is highlighting the new challenges for finance professionals and concentrating on the ethical responsibilities of accountants and auditors who will operate in this new and challenging environment.

With regard to the emerging and disruptive technologies, CPA Ireland has examined all areas of the syllabus and identified subject areas that must now include reference to these technological changes, including blockchain, artificial intelligence, machine learning and continuous audit among others.

A significant change for the CPA Ireland syllabus is the introduction of a completely new subject at our final level, Data Analytics for Finance Professionals. In response to the market requirement, for what some describe as the unicorn in the finance world - a professional accountant with specific qualifications in data analytics - we will be offering students the option to choose this subject, which will arm them with a specialism that will strengthen their relevance in the market. The CPA syllabus will be introduced for the academic year 2020/2021.

In terms of supporting our members and delivering value, the executive team in CPA Ireland has provided a significant number of resources including:

Dedicated Covid-19 Resource. A dedicated Covid-19 resource is updated on a regular basis with announcements from CPA Ireland, Government, the HSE and other agencies.

Webinars on the most relevant topics in response to the crisis, including free updates on business recovery, government and banking supports, the economic outlook, financial reporting and Auditing were made available to members to help you deal with the impact of Covid-19 on accountancy and business. In addition to these webinars, classroom courses will now take place through digital technologies that will continue to enable members to interact with expert trainers.

As this is my last message as President of CPA Ireland, I would like to thank CPA members, students, staff and particularly council and committee volunteers, for your ongoing support.

Gearóid O'Driscoll

Gearóid O'Driscoll
President CPA Ireland

Contents

L to R: Gearóid O'Driscoll, President, CPA Ireland, Trish O'Neill, Director Member Services, CPA Ireland, Mark Gargan, Council Member, CPA Ireland, Áine Collins, Vice President, CPA Ireland, John Devaney, Vice President, CPA Ireland, Róisín McEntee, Further Learning Executive, CPA Ireland.

Mindset, Skillset and Technology – The Trifecta in Future Proofing your Practice

Mark Edmondson and Olwyn Connolly.

The accounting profession is awash with forecasts of the impending doom of the role of the accountant. You must quickly embrace advisory work. Yesterday. Technology is disrupting our profession. AI will automate everything, and you will no longer be needed. But is it true?

We would argue it's not. The disruption we are experiencing is not due to the proliferation of technology solutions now available, rather changing demands from those who rely on us to paint the picture of the financial health of a business. They are challenging us to think and act differently. Different is uncomfortable, it disrupts the way we've always done things.

But technology is enabling our ability to meet those changing demands, to provide enhanced insights and drive value in the services we deliver.

How well you adapt for the future revolves around two key things: mindset and skillset. Technology simply enables the pace and extent to which each of these can be achieved and advanced successfully.

Let's talk about the mindset.

In a recent report from the Edinburgh Group on the SMP of the Future[1] it was interesting to note that of the Irish SMP respondents, 32% indicated that digital technologies currently have a high to extremely high impact on their firm. That number increases to 50% noting a high to extremely high impact in the next 5+ years. Yet less than 40%, and in some cases less than 10%, are capitalising on the opportunities associated with digital technologies such as cloud, data analytics or AI.

As long as we continue to have this gap between recognising that we should embrace technology and actually embracing said technology, we continue to feel more disrupted and the task of adoption gets harder. The early adopters get it, they acknowledge the change around them, grab it and move forward. For some there will always be a reason not to or a reason to delay the adoption of technology in the delivery of their audit, tax, accounts preparation or due diligence services.

The current approach is fine. The marketing is exaggerated. It's too expensive. Change will take time. Next year will work better. We really want to do this but…

> **"Change is the law of life. And those who look only to the past or present are certain to miss the future."**
>
> John F. Kennedy, 1963

So, let's propose accountants don't need to change how they work or invest in technology; that you could still use a pen, paper and calculator or the digital equivalents, to do most services accounting firms provide. Would that be enough? Sure, you could carry on as you always did. Would you grow your firm? Probably not. Would you add value to your clients? Again, probably not.

What if we asked you if your accounting practice is fully optimised in the way it operates? You'd probably tell us it wasn't but doing something about that is not a focus right now. Some of the reasoning behind this may well be the traditional mindset of clients and firms.

If the client views the audit and accounting services as a time purchase, most notably through the visible time your teams spend onsite, or the firm heavily bases fees on time spent performing the engagement, and everyone is comfortable with this arrangement, what benefit is there in doing the work quicker? Why would it be worth the effort to change things? Particularly in a sector where staff overtime rarely results in additional staff costs. Above all this, more efficient work, particularly in services such as auditing, on the face of it could be misconstrued as lower-quality and cutting corners. No-one wants that.

When we speak with the firm leaders we work closely with, we rarely use the word efficiency. Sure, many of their firms use our software to save time, avoiding their teams being bogged down doing Excel data manipulation for hours on end, or performing annoying project management tasks. But the discussion is less about time savings or efficiencies to be gained through technology, and more about **capacity**.

Capacity being unlocked from lower value activities means the team can refocus time on something of greater impact. It might be on providing more valuable outputs or having more valuable discussions with clients; being able to take a step back

[1] http://www.edinburgh-group.org/media/7266/edinburgh_group_report_smp_of_the_future_in_a_changing_world_2019.pdf

and be sceptical about the bigger issues and judgements; or investing time in innovation initiatives and learning the new skills they need. It might simply be not working 12+ hours day after day, thus having higher morale, sharper attention and an increased likelihood to stay with the firm.

All too often there is a mindset, and sometimes pride, of being "too busy". Improving processes and adopting technology to free capacity would take time we don't have. But if doing nothing is the mindset then it's near certain nothing will be done.

But doing something, even if just a review of core processes to identify a handful of easy quick wins, is making a step forward. This first step sets the tone and starts the journey. By engaging the team, suddenly ideas start flowing as an innovation license has been granted. And change starts happening without feeling forced.

Instead of asking if you NEED to change and invest in technology, we believe accountants should WANT to.

Why? Ignore the commercial side (for a few paragraphs) and think for a moment about the immediate, direct beneficiaries.

1. Your team. Both current and future.

You should want to attract the best people and develop their skills towards a successful career, whether in your firm or elsewhere. Who would want to work in a garage with the prospect of being at the wrong end of a wrench all day because the boss didn't believe in wheel nut guns?

2. Your clients. Both current and future.

You should want to provide the best service you possibly can to help them grow and prosper, and to attract more clients who value working with you. Would you want mortgage advice from someone wading through paper, or someone comparing products at the click of a button?

Skillset of the accountant

When considering future skills, we often hear that accountants in practice need to become proficient in areas such as data science and coding. Like anything accountants are asked to review or analyse, it would make sense to have an understanding of what you are dealing with. While we are not seeing a huge rise in the likes of Python or R programming on our accountancy qualification curriculum, just yet, it stands to reason that as accountants continue to work more with technology and data, they should look to ensure they understand what they are trying to achieve. Data analytics, advanced MSExcel capabilities, basic SQL scripting – these are the areas that will ensure accountants are ready to be that catalyst between the hardcore data science and service delivery to their clients.

At a firm level, the skills you look for need to compliment the services you are delivering, and the technologies you are using to enhance that delivery. The Big 4 are heavily promoting their drives to recruit 100s of data scientists and technology experts. Headline grabbing press releases are commonplace. But that's because their strategy is to build technology in-house, coupled with the challenges in their business they are yet to fully solve.

They need big technology teams to build proprietary solutions which are marketable to clients. They need big teams of data scientists in their business or shared service centres to handle the wrangling of data from a client's system into their technology.

If the client is only ever going to see you sat stationary in the car, make the chassis look incredible and worry about the engine later.

But for firms outside of the Big 4, building in-house is rarely attractive for many reasons. It's quite rare now as even the largest firms commonly acknowledge that any perceived competitive advantage is significantly outweighed by the build cost, lead time and maintenance bill. Especially with the increased availability of specialist third-party solutions.

This changes the narrative for the profession at large. While you might not have a critical need for a team of technology experts to build in-house solutions, having some capable data-orientated staff to help ensure your business objectives align with the third-party solution, and vice versa, is certainly worth considering.

The education work we deliver to accounting institutes across the globe reflects this sentiment – don't build from scratch when someone else has done that for you, but ensure you are embracing technology with your eyes

open, better if you have a dedicated staff member to help deliver on this. The rest of the effort is focussed on teaching skills to your broader teams to optimise the selected technology. Things like interpreting of data – what is this visualisation telling me and how does it apply in an audit, tax or corporate reporting setting? EQ (emotional intelligence) and communication – now that you have more time to discuss your insights with your client let's make sure that conversation is effective and valuable.

There is also an opportunity to go back to basics somewhat and reinforce the skillset accountants have around understanding the integrity in a process, and in today's age that means understanding how technology works so that we can be confident in the integrity of the data that is flowing through the systems we are interacting with.

Things like understanding the checks and balances needed to ensure reliable, accurate data for analysis. And the ways data can be manipulated by humans through the process.

But the focus needs to be on teaching accountants the skills to be able to drive the car, efficiently and safely. Not teaching them how to build every component of the car from the ground up.

Final Thoughts

If refocusing mindset and skillset in your firm in order to embrace technology and future-proof your business aligns to your aspirations, we must revisit the commercial side, albeit briefly. Yes, investing in change and technology costs money. What that means for your firm depends on your culture and the mentality of your partners. How do you want to achieve ROI?

There are a broad range of ways investing in technology can also achieve immediate profitability increases. But let's consider the natural fall–out from the direct beneficiaries above:

1. Staff retention is higher, and recruitment yields high-quality talent. We all know the cost and disruption when key employees leave the business.

2. If clients get more value from you, then you should be considering increasing your fees. Particularly if you are performing additional work. And you'll be attracting new clients.

Technology is not the enemy. There is a lot happening with new software and apps appearing almost daily. The trick is to cut to the core of what they can do for your firm, your teams and your clients.

Once you wade past the buzz words and the black-hole science, the right technology for you teams and your clients should be obvious – it will be the option(s) that provide an opportunity to do something better.

Help is out there. Your institute has a great information available to help you navigate what's available. Good technology vendors understand the problems you face and can help you quickly see how their product will make a difference to your firm.

You certainly don't NEED to invest in technology, but why wouldn't you WANT to?

Free Remote Auditing Master Class – How to Maintain Effective Service Delivery

In this remote working masterclass, Partners and Managers from three of Inflo's customer firms share advice and practical demonstrations of how Inflo adds value to client work.

Remote Auditing Webinar Link:
https://zoom.us/webinar/register/WN_cn17iui3QLeRwCxmaWS56w

Mark Edmondson
President & CEO @Inflo

Mark is a specialist in the use of technology within compliance and advisory services. Mark created Inflo to help firms of all sizes improve team productivity and the quality of work as well as create a stronger value proposition to increase fee income from existing and new clients.

Olwyn Connolly
Chief Customer Officer @Inflo

Olwyn is Inflo's Chief Customer Officer, who, with the support of a team across three continents, is ultimately responsible for ensuring Inflo's customers' satisfaction and success. Olwyn is a qualified Chartered Accountant, through Chartered Accountants Ireland and a member of Chartered Accountants Australia and New Zealand.

CPA Profile
Ronan O'Brien

Title: Partner

Company:
Walsh O'Brien Harnett

Qualifications:
CPA, MIATI, QFA

Why did you decide to start out on a career in accountancy?

To be honest accountancy was my plan B; plan A was to become a sound engineer and tour the world. It seemed like an easier route into the rock and roll lifestyle than forming a band (it's not!). When the penny dropped, I dusted off plan B and plotted my route to an accountancy qualification. My father, Donal O'Brien, had a practice with his partner Jim Harnett, O'Brien Harnett & Associates, and I could have started there, but I decided to get some experience on my own. I signed up for the accounting technician course and got a job with Image Publications in their accounts department.

Why did you choose CPA Ireland as your qualification route?

After qualifying as a technician, I started in O'Brien Harnett & Associates as a trainee accountant. I decided to go the CPA route as it seemed less restrictive than other routes at the time, and I hadn't entirely let go of plan A yet.

Please provide a brief history of your career.

I studied to become an accounting technician while working in Image Publications, after which I moved to O'Brien Harnett & Associates and qualified as a CPA.

O'Brien Harnett had a lot of charity and not-for-profit audit clients. I honed my skills as an auditor while also carving out a niche for myself, firstly by transferring schools from manual to computerised books and records, and then charities and not-for-profits from both manual and Excel-based systems to Sage 50.

After qualifying as a CPA, I then decided to look for another challenge. A position in EY's Technology and Security Risk Services department came up which blended my skills as an auditor with my interest in technology. My role in EY was to assist the audit departments by carrying out technical and security audit tests on large client systems. Whilst I enjoyed my time in EY, I felt the work was very much on the technical side and that I was neglecting the accountancy qualification I had worked so hard to get just a few years earlier. At the time, the Charity SORP 2005 was quickly gaining traction and a lot of the audit clients I had worked with in O'Brien Harnett began asking for assistance with adopting it, so I made the decision to go back to my former position.

From there my career in O'Brien Harnett progressed from promotion to manager, then director, and finally promotion to partner, taking over my father's position in the firm. I am now a partner with Walsh O'Brien Harnett, formed in 2016 following the merger of O'Brien Harnett & Associates and Sherry McNabola Murray. I lead the firm's charities and not-for-profit team, providing audit and assurance services to clients in a sector that has gone, and continues to go, through a huge amount of change over the past decade. From the Charites Act 2009 to the establishment of the Charities Regulatory Authority in 2014, the revision of the Charity SORP, and now the implementation of the Charities Governance Code.

How do you find your CPA qualification has helped you in your role?

Certainly, I could not be where I am today without the qualification. Having access to the resources on the CPA website has been a great advantage over the years. I also find Accountancy Plus to be a genuinely informative read.

What has been your biggest career achievement?

The merger in 2016 of O'Brien Harnett & Associates and Sherry McNabola Murray to form Walsh O'Brien Harnett, and the relocation to our new office at 104 Lower Baggot Street in 2017, both stand out as career highlights. Walsh O'Brien Harnett is now a top 20 firm in Ireland with approximately 50 staff. We were nominated in five categories in this year's accountancy awards.

What or who inspires you most in business?

I have huge admiration for my clients in the charity sector, many of whom have spent most of their lives helping others. I also respect anyone who has had the courage to start their own business.

If you were advising someone just starting out with their CPA qualification, what tip would you give them that would make their journey smoother?

Find an employer who will support your journey, attend all lectures, and don't give up. It will seem tough at the time, but it will be worth it in the end.

What do you think are the most pressing issues for accountants?

Leaving the obvious Covid-19 issues to one side, I think AI will soon be the biggest issue for a lot of people, including accountants. AI will be able to do many tasks quicker and better than you, so I think we should embrace it. We should be able to use it in a way that enables us to get out from behind our desks to meet our clients and grow our businesses.

How do you unwind?

I was never a fan of sitting in and watching Netflix, but in the current Covid-19 self-isolating, social distancing world, I have found myself becoming quite the binge watcher, to the detriment of sleep. I also enjoy playing the guitar and golf, both badly.

What traits do you admire most in others?

Self-motivation and a can-do attitude. If you have those traits you will not go far wrong, and both in my opinion can be learned and developed.

CPA Profile
Debbie Fogarty

Title:
Financial Accountant

Company:
Cricket Victoria

Qualifications:
CPA & Bachelor of Business & Management, NUI Maynooth

Why did you decide to start out on a career in accountancy?

I first became interested in accountancy at quite a young age when studying Business Studies in my first year of secondary school. The desire really grew from there, although initially I wanted to pursue a career in teaching Business and Accounting. With this interest in business studies, I completed a Bachelor of Business and Management at NUI Maynooth.

Before taking the next step of completing a higher diploma in education, I headed off travelling and moved to Australia. After two years away the itch to get back to college and get my career started set in. I came back to Ireland very conflicted on whether to pursue a teaching career or become an accountant. Convinced that teaching was my true calling I began my higher diploma in education at DCU. Although it was an amazing experience that I will never forget nor regret, a year later I knew that teaching wasn't my forever career and it was then that I was excited to pursue a career as an accountant and glad to report that I haven't looked back since.

Why did you choose CPA Ireland as your qualification route?

I remember looking at the various options available for a career in accountancy and being very confused about what Institute I should look to complete my studies with. CPA Ireland offered the flexibility of part-time and online learning which was imperative for me at the time. In addition, the mutual recognition agreement with CPA Australia was also a deciding factor knowing that it was likely I might make the move back there.

Please provide a brief history of your career.

When I began my CPA studies back in 2014, I was working as an Accounts Assistant with a corporate taxi firm in Dublin. Two years later and two years into my CPA studies, I headed off travelling around the world for three months and returned to Australia once again. Back in Melbourne I secured a role as a Finance Officer with Cricket Victoria, the governing body of cricket in the state of Victoria.

Nine months into the role I was promoted to Financial Accountant. During this time, I continued my CPA studies remotely with the full support of CPA Ireland and recently qualified in December 2019.

How do you find your CPA qualification has helped you in your role?

It has definitely equipped me with practical skills and knowledge that I have been able to apply in my day to day role and has given me more confidence in my decision-making capa-bilities. It has also afforded me some great opportunities to take on more responsibility which I hope will continue into the future.

What has been your biggest career achievement?

Obtaining my CPA qualification. Having already spent five years in higher education before pursing my CPA qualification, I did feel like I was starting off all over again. Like all other students, a lot of sacrifices were made over the five years I spent studying. It was also particularly challenging maintaining momentum while moving overseas to start a new life.

Thankfully CPA Ireland, Griffith College and study online made remote learning as smooth as possible and were extremely supportive. Successfully sitting some exams until 3am in the morning (Australia time) was an achievement I am proud of!

If you were advising someone just starting out with their CPA qualification, what tip would you give them that would make their journey smoother?

You need to understand that it will take a lot of hard work and commitment with many sacrifices along the way, but you will get out what you put in and it will be worth it.

How do you unwind?

Spending time with those closest to me. Enjoying Melbourne restaurants with my partner, drinks with friends, facetime with my family at home in Ireland and doggy walks down the beach with my fur child Dusty.

What traits do you admire most in others?

Humility, honesty, empathy, understanding and a willingness to learn.

Financial Reporting News

IFRS 16 Leases – accounting for Covid-19 related rent concessions

The International Accounting Standards Board (IASB) has proposed to amend IFRS 16 Leases to make it easier for lessees to account for Covid-19 related rent concessions such as rent holidays and temporary rent reductions.

IFRS 16 specifies how lessees should account for changes in lease payments, including concessions. However, applying those requirements to a potentially large volume of Covid-19 related rent concessions could be practically difficult in light of the many other challenges faced by businesses as a result of the pandemic. The standard requires lessees to assess individual lease contracts to determine whether the concessions are to be considered lease modifications and, if that is the case, the lessee must remeasure the lease liability using a revised discount rate.

Under the proposed amendment lessees would be exempted from having to consider whether particular Covid-19 related rent concessions are lease modifications, allowing them to account for these changes as if they were not lease modifications.

Source: www.ifrs.org

IAASA Publishes Compendium of Financial Reporting Decisions

The Irish Auditing and Accounting Supervisory Authority (IAASA) recently published financial reporting decisions regarding the accounting treatments applied by Bank of Ireland Group plc, Crown Global Secondaries IV plc, Irish Residential Properties REIT plc, Kerry Group plc, Kenmare Resources plc, and Smurfit Kappa Group plc.

The decisions cover a range of accounting matters including:

- IFRS 9 Financial Instruments;
- IFRS 13 Fair Value Measurement;
- IFRS 15 Revenue from Contracts with Customers;
- IAS 1 Presentation of Financial Statements; and
- IAS 36 Impairment of Assets.

Decisions include instances where the company voluntarily agrees to enhance its accounting treatment and/or disclosures in future financial reports to address matters identified in the course of IAASA's examinations. They may also include instances where IAASA agrees with or does not disagree with the accounting treatment applied by the company and, consequently, no corrective actions by the company are required.

The financial reporting decisions for each issuer are included in a compendium of decisions which can be accessed at www.iaasa.ie.

Source: www.iaasa.ie

Covid-19 Infographic

The Financial Reporting Lab of the Financial Reporting Council (FRC) has recently published a Covid-19 infographic as guidance for companies to help them understand what investors seek information on.

The five current questions on investors seek information are how much cash a company has, the extent to which the company has access to cash and liquidity in the short term, management of expenditure in the short term, other actions taken by the company to ensure its viability and how the company is protecting its key assets and value drivers.

source: www.frc.org.uk

Covid-19 and the calculation of expected credit losses in accordance with IFRS 9

The European Securities and Markets Authority (ESMA) has issued a public statement to promote the consistent application of IFRS 9 and in particular in relation to the calculation of expected credit losses in accordance with the standard.

In response to the Covid-19 pandemic banks have been implementing a variety measures to assist businesses with the economic consequences of the outbreak, such as moratoria on repayment of loan facilities.

Careful consideration will be required by entities of the related impact on financial reporting and, in particular, with respect to the requirements of IFRS 9. Assessing the impacts will require a detailed assessment of conditions based upon the facts and circumstances of individual entities.

The public statement issued by ESMA addresses specific aspects related to the application of IFRS 9 in relation to the calculation of expected credit losses and related disclosure requirements, including

- Assessment of significant increase in credit risk;
- Expected credit loss estimation;
- Public guarantees on exposures; and
- Transparency and disclosures

source: www.esma.europa.eu

Financial Reporting
Implications of the Coronavirus Outbreak

by Alan Bailie

The outbreak of Covid-19 has already had a significant impact on businesses both in Ireland and worldwide. Businesses across a variety of sectors have already seen significant declines in turnover, disruption to both supply chains and workforces and in many cases have been temporarily closed as a result of the restrictive measures imposed by Governments to slow the spread of Covid-19.

While first and foremost the outbreak of Covid-19 is primarily a public health issue, the crisis will have financial reporting implications for financial years ended in 2019 and 2020 that both accountants and preparers of financial statements need to be aware of when preparing financial statements.

This article sets out some of the main financial reporting considerations of the outbreak of Covid-19 for entities preparing financial statements in accordance with Financial Reporting Standards applicable in the UK and Ireland, including:

a. Events after the reporting period,

b. Going Concern,

c. Impairment,

d. Government grants; and

e. Other

Events after the reporting period

Management are responsible for the preparation of the financial statements which show a true and fair view of the assets, liabilities and financial position of the company at the balance sheet date and of the profit and loss of the company for the financial year. In preparing these financial statements they are required to consider all events up to the date when the financial statements are authorised for issue.

Section 32, FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' [1] provides for two types of event after the reporting period, adjusting and non-adjusting . The critical factor in determining whether an event is an adjusting or non-adjusting event is whether that event provides evidence of conditions that existed at the balance sheet date. If so, it will be an adjusting event requiring adjustment of amounts recognised in the financial statements including related disclosures.

The World Health Organisation (WHO) were first informed of a pneumonia of unknown cause by China on 31st December 2019, with the virus being labelled by the WHO as a pandemic on 11th March 2020. In the period between 31st December 2020 and 11th March 2020 the timeline by which the virus began to have a significant impact varied by continent and country. Our own 'stay at home' measures were announced by the Government on 27th March 2020.

For financial years ending 31 December 2019 the general consensus is that the outbreak is likely a non-adjusting event, with disclosure required of the nature of the event and an estimate of its financial effect or a statement that such an estimate cannot be made[2].

When does the effects of Covid-19 become an adjusting event?

For financial years ended in 2020 there is unlikely to be a universal flip point at which the effects of Covid-19 becomes an adjusting event, rather management will be required to exercise significant judgement in this regard taking account of the specific facts and circumstances of the entity and its operations.

For example, does the business have foreign operations and how has the effects of the virus impacted supply chains? Where the business has foreign operations, or its supply chain is reliant on other jurisdictions, management will need to consider the individual timelines for those jurisdictions in determining whether the effects of coronavirus represent an adjusting event in preparing the financial statements.

Small and Micro Companies Regimes

Where an entity prepares its financial statements in accordance with Section 1A, FRS 102 an event is an adjusting or non-adjusting event is determined in accordance with the principles outlined above. Paragraph 1AD.54 addresses similar disclosure requirements to that contained in 32.10, FRS 102 requiring disclosure of the particulars and financial impact of material events after the reporting period in the notes to the Financial Statements.

For entities preparing financial statements in accordance with FRS 105 The Financial Reporting Standard applicable to the Micro-Entities Regime, Section 26 contains similar principles to determine whether an event is an adjusting or non-adjusting

[1] Para 32.2 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, Para 26.2 FRS 105, The Financial Reporting Standard applicable to the Micro-entities Regime

[2] Para 32.10 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland

event. Unlike FRS 102 including Section 1A there are no disclosure requirements for entities preparing financial statements in accordance with FRS 105.

Going Concern

The impact of Covid-19 has caused a significant deterioration in economic conditions for many companies across a variety of sectors. While for some 'essential businesses' there may be little or no impact, others are already experiencing significant impacts for their business with declining turnover and disruptions to supply chains and the workforce. In many cases non-essential businesses have been closed as a result of the restrictive measures announced by Governments to combat the spread of coronavirus. Going concern is therefore likely to be an issue for management in many cases when preparing financial statements.

A company is presumed to be carrying on business as a going concern in accordance with the Companies Act 2014. Under Both FRS 102[3] and FRS 105[4] financial statements are prepared on the going concern basis unless management;

- Intends to liquidate the entity, or cease trading; or
- Has no realistic alternative but to do so

Under both financial reporting frameworks management are required, in preparing the financial statements to assess the entity's ability to continue as a going concern. This assessment should take account of all available information about the future, including the effects and potential effects of coronavirus, taking account of a period of at least twelve months from the financial statements are authorised for issue.

Management's assessment of an entity's ability to continue as a going concern is often based on budgets and forecasts, which for 2020 will likely have been prepared in 2019. Ongoing revisions of budgets and forecasts by management will be required by management to reflect the changing economic circumstances and to support their assessment.

Going concern basis – not applicable?

It is inevitable that some businesses will not survive the current crisis. Where management determine that the business is not a going concern both FRS 102 and FRS 105 require that the financial statements be prepared on a basis other than going concern, for example the break-up basis.

Para 3.9, FRS 102 requires disclosure of this fact together with the basis on which the financial statements have been prepared and the reason(s) why the entity is not a going concern. For an entity preparing its financial statements in accordance with the 'small companies regime' disclosure is required of the following information in accordance with para 1AD.11 of FRS 102 - true and fair override;

- The reason(s) for the departure from company law;
- The effects of the departure on the Profit & Loss and Balance Sheet.

The disclosure requirements noted above do not apply to an entity preparing its financial statements in accordance with FRS 105

Material uncertainties

Where management concludes that the going concern basis of accounting is appropriate, but material uncertainties related to events or conditions that cast significant doubt on the entity's ability to continue as a going concern, those uncertainties should be disclosed in the notes to the financial statements[5].

While disclosure of material uncertainties related to going concern are only encouraged for entities preparing financial statements

under the small companies regime[6], preparers of financial statements should be consider whether disclosure is necessary for the financial statements to show a true and fair view as required by Section 289 Companies Act 2014.

Disclosure is not required by entities preparing financial statements in accordance with the micro companies regime of material uncertainties related to going concern.

Impairment

The impact of Covid-19, on the markets and the economic environments in which businesses are operating, is potentially a triggering event requiring an impairment review. Examples of assets affected include:

- Tangible fixed assets;
- Intangible assets including goodwill;
- Stock;
- Investment property (measured at cost);
- Investments in associates and joint ventures.

---

[3] Para 32.7A FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland
[4] Para 26.8 FRS 105, The Financial Reporting Standard applicable to the Micro-entities Regime
[5] Para 3.9 FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland
[6] Para 1AE.2 FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland

An asset is impaired where the recoverable amount of the asset is less than the carrying amount, with the resulting impairment loss generally being recognised immediately in the profit and loss account unless the asset is carried at a revalued amount.

Recoverable amount is the **higher** of its fair value less costs to sell and its value in use.

The fluid nature of the Covid-19 outbreak will present challenges for companies in calculating recoverable amount, for example,

- there may not be an active market to determine the assets fair value less costs to complete and sell; and
- it may be difficult to estimate future cashflows for the purpose of the value in use calculation given the uncertainty as to how long the crisis is likely to last.

An impairment loss is generally recognised immediately in the profit and loss account, except where the asset is carried at a revalued amount in accordance with another section of FRS 102. An impairment loss on a revalued asset is treated as a revaluation decrease in accordance with the relevant section.

Debtors

Trade debtors are generally recognised as basic financial instruments in accordance with Section 11 of FRS 102. A company is required to assess at the end of each reporting period whether there is objective evidence that a financial asset is impaired, where there is objective evidence of impairment this should be recognised immediately in the profit and loss account.

Paragraphs 11.22 and 11.23 of FRS 102 provide some examples of objective evidence including significant financial difficulty of a debtor, evidence of bankruptcy or restructuring and significant changes in the market or economic environment of the debtor. The impact of Covid-19 is therefore likely to be a triggering event requiring an impairment review of debtors.

Government Grants

Governments around the world have responded through introducing a range of economic measures and supports, to assist businesses in dealing with the fallout of the Covid-19 pandemic.

The Glossary to FRS 102, FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland defines a government grant as *"Assistance by Government in the form of a transfer of resources to an entity in return for past or future compliance with specified conditions relating to the operating activities of the entity"*.

Government assistance in the form of benefits that may impact on a company's taxable profit, for example reduced tax rates and extended periods in which to use tax losses, are generally accounted for in accordance with Section 29 of FRS 102 - Income Tax.

Management will therefore need to carefully consider all forms of government assistance that the company is in receipt of in order to determine the appropriate accounting treatment.

Other

While the above discusses some of the main financial reporting implications of the Covid-19 outbreak, the overall impact that the crisis has on financial reporting will be determined by the individual facts and circumstances of each company. Some other areas to consider include;

- Has a deterioration in the company's operating results and financial positions triggered a breach of a debt covenant, requiring long term debt to be re-classified as payable on demand?
- Are deferred tax assets recoverable?
- Are employee benefits affected, for example termination benefits and defined benefit pension schemes?
- Does the company need to recognise additional provisions? For example, have contracts become onerous as a result of the outbreak or do contracts include penalties for failures to fulfil contractual obligations?

Conclusion

The fallout of the Covid-19 pandemic will undoubtedly have significant implications for management and preparers of financial statements for both 2019 years ends and beyond. How the crisis impacts on the financial statements of companies will be determined by the individual facts and circumstances of each company.

Alan Bailie,
Knowledge Manager,
CPA Ireland

Law & Regulation News

Meeting of Creditors During Covid-19 pandemic

The Consultative Committee of Accountancy Bodies – Ireland (CCAB-I) have published Technical Alert 01/2020 Guidance for Insolvency Practitioners – Meetings of creditors during Covid-19 pandemic restriction on movement and public gatherings.

In order to comply with current government and health care advice during the Covid-19 pandemic, physical meetings of members and creditors cannot take place. The guidance proposes that in order to allow meetings of creditors, held in accordance with Section 587 Companies Act 2014, and other meetings of members and creditors to take place that the meetings be held remotely by telephone and/or video conferencing facilities.

The use of video conferencing is dependent on a number of factors including the facilities available to each firm, the number of creditors in each case and internet access. As a result, the guidance proposes that telephone conferencing also be offered. As with physical meetings, it is important to know who is in attendance. Creditors should therefore be asked to register in advance of the virtual meeting so they can be sent details, rather than sending log-in details with the notice.

On the morning of the virtual meeting, insolvency practitioners should consider emailing a copy of the directors statement of position of the company's affairs list of creditors with estimated claims and any other information being provided to the meeting to those creditors who have submitted proxy forms and requested attendance.

source: www.ccab-i.ie

Credit Union Regulations

Both Auditors and Internal Auditors will need to familiarise themselves with changes to the lending rules of Credit Unions, following the signing into law of the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2019.

These changes are designed to provide those credit unions with the financial strength and the capability, the flexibility to undertake increased longer-term lending, including home mortgage and business lending. Changes include the removal of existing lending maturity limits which cap the percentage of credit union lending which may be outstanding for periods of greater than 5 and 10 years. In addition, maturity limits will be replaced by new concentration limits, on a tiered basis, for home mortgage and business loans, expressed as a percentage of total assets.

source: www.centralbank.ie

Companies Registration Office (CRO) – Filing of Annual Returns

Following the announcement of the current restrictive measures by Government to combat the spread of Covid-19 in March 2020, the Registrar of Companies has issued advice to companies on filing with the CRO up to 30th June 2020, including on the filing of annual returns.

Where a company is due to file its annual return at any time up to the 30th June 2020, that annual return will be deemed to have been filed on time where a company has submitted online both its Form B1 and Financial Statements together with the appropriate fee by that date.

The CRO have also advised that the situation will be kept under review and that the date of 30th June 2020 may be extended depending on the situation as it develops.

source: www.cro.ie

Remote Working:
The Benefits, Challenges and Unintended Consequences

by Derek McKay

The Covid-19 health crisis has tested businesses like nothing before; the speed at which businesses have had to adapt to the changing economic landscape has been relentless. Pre-Covid, many businesses had been reluctant to change their tried and tested work practices but now have little or no option but to embrace remote working, virtual meetings and online technologies

New world of work – the next normal

One wonders if we will ever return to how we did business prior to this crisis; will employees be content with long commutes to get to work, how will we assess our "working day" in terms of flexibility and caring responsibilities, how will employers and businesses get back to operating more profitably than before? One thing is for certain, every aspect of business will be thoroughly examined through the lens of productivity and the bottom line when we get to the "next normal".

The way in which the vast majority of Irish employees now go about their jobs has significantly changed. For many, the new workspace is our homes; but it's important to acknowledge that people are not working from home, they are at home during a crisis trying to work.

Employees are being afforded much more flexibility in their working day than ever before with employers understanding that there is a blending of work-life balance like never before. As well as trying to manage a daily work schedule, there is added anxiety of childcare, health and financial concerns and of course, job security.

For managers, people management is very different when people are working remotely. Not everyone adapts to working from home easily; some of the simplest daily tasks can be more difficult as people don't have the same structures around them as they would in an office. Simple things like not being able to ask a colleague for their input, not having the same level of technology available such as printers or even the use of meeting rooms to provide quiet space for thinking are all new challenges.

As well as these daily structural challenges, other issues such as communication, motivation and wellbeing, can all impact on employee productivity. At Adare Human Resource Management, we've been advising clients on how to best manage in the current environment:

Establish "ground rules" or "rules of engagement":
establish a work routine, setting out agreed workload and priorities so expectations are clear while ensuring there are appropriate breaks. Managers should be flexible and be there to offer support and encouragement, particularly for those who may be struggling. Support the maintenance of work boundaries so that everyone has a clear differentiation in their working day between work hours and break and rest times.

"...but it's important to acknowledge that people are not working from home, they are at home during a crisis trying to work."

Manage expectations:
it is important to focus on the outputs or outcomes, not on the activity or time taken to do specific tasks. There's a lot going on so it will take longer to get work done so allowances should be made. That's not an excuse for not getting things done, but it is a reason to reconsider what productivity really means. It's not possible to manage every aspect of the work done by a remote team. Instead of focusing on activity or hours worked, focus on the outcomes and measure your team accordingly.

Resource your team:
make sure employees have what they need, whether it's technology or the right equipment. It is also advisable to develop a training programme for employees that encourages and fosters upskilling; this provides a renewed sense of focus and achievement.

Communicate regularly:
maybe even more than before! Keep in touch with teams through chatrooms or messaging platforms and check-in daily, this is particularly important when managing remotely. Make sure there is also time for casual catchups within the employee groups. It is also important that employees know that they can access Employee Assistance Programmes if they feel they need it.

Same "rules" apply – ensuring you remain compliant
While we are all adjusting to the new (perhaps temporary) world of work, it's vital to remember that employment legislation still applies such as the Organisation of Working Time Act or Health, Safety and Welfare Act along with GDPR regulations. Employees still have the same protections during this crisis as they would normally.

Under the *Organisation of Working Time Act 1997*, employers are obliged to communicate the normal working time information for employees including starting and finishing times, rest breaks, daily breaks and annual holidays, which can be recorded electronically or in manual form.

Needless to say, the current situation is presenting some difficulties for employers to accurately record working time, which they are obliged to do under the legislation. Some issues we would advise to pay attention to is capturing annual leave as well as working outside assigned working hours, particularly over weekends and overtime.

Given people are working from their kitchens, living rooms or bedrooms, employers should ensure they remain compliant with the *Health, Safety and Welfare Act 2005*. An employer still has a duty of care to provide a safe workspace for their employees and ensure they prevent any improper behaviours that would put the health, safety or welfare of employees at risk.

In normal circumstances, this would mean carrying out an assessment of the employee's workspace at home but that may not be possible so they should, at the very least, provide a self-assessment checklist as well as consider transporting office equipment, such as office chairs, to employees. And, importantly, employees should be informed of their obligation to report risks or work-related incidents.

There is no doubt that the current working arrangements require significant levels of trust on the part of the employer and employees, particularly when it comes to delivering on expectations.

Employers are entitled to monitor the productivity of employees in the workplace but should get the balance right in the current circumstances. IT and communications policies should clearly outline appropriate use of work phone, internet, email and social media but it may need to be reiterated that work devices are for work purposes only and that employees have an obligation to ensure the safe and secure storage of information and data while working from home. Any loss of equipment or data must be reported immediately.

Conclusion

In the short term at least, we can expect remote working to be the new norm; this presents some tough challenges for employers who will need to continuously assess the situation in line with evolving business strategy. Developing innovative strategies to successfully navigate the next few months to be prepared for the "next normal" is in sharp focus.

Each sector is going to be different in how it plans and effectively manages the changing employment landscape. Despite these changes which arguably have been dramatic for many, it's imperative that employers continuously meet their responsibilities under employment legislation and prepare for future working practices, whatever they may be!

> **"Communicate regularly: maybe even more than before!"**

Derek McKay

Derek McKay is Managing Director at Adare Human Resource Management. Adare Human Resource Management is a team of expert-led Employment Law, Industrial Relations and best practice Human Resource Management consultants.

For more information go to www.adarehrm.ie

Succession Planning: Wills and Powers of Attorney

by Brendan Sharkey

The Covid-19 crisis is a stark reminder to us all of our own mortality. The virus is indiscriminate and attacks the rich, poor, sick and the healthy. It has now provoked many people to ask themselves what would happen if they suddenly contracted the virus and are among the unfortunates that die as a result. It has challenged many people to look at their current state of affairs and ask if they have adequately planned for their death, incapacity or indeed immobility.

There is no doubt that accountants, financial advisors and solicitors have seen an uplift in requests for advice on estate planning and the drafting of wills during the current crisis. Readers of this article will be familiar with the various taxation reliefs which would normally be considered in any succession plan and it is not intended to deal with these aspects here. Rather, the purpose of this article is to advise readers on a number of legal concepts that must be borne in mind when formulating any succession plan and to point out certain pitfalls. For example, it can be easy to commit a person's assets to paper, but have you properly considered the legal restrictions and obligations imposed by Irish Law which need to be considered as part of your succession plan?

Readers also need to bear in mind situations where your client may not necessarily die but becomes incapacitated either mentally or physically and as a result, cannot actively manage their own assets. Who will take up the reins?

Wills – legal considerations

There are a number of important considerations which you as financial advisors should bear in mind when formulating a plan for the division of your client's assets. A number of these considerations are as follows:

1. Revocation of older Wills

If an existing Will no longer reflects how an estate is to be devolved on death, then it must be revoked immediately! Take the proper steps to validly revoke the Will. I use the word "proper" because revocation of a Will must occur in a specific manner.

For example, telling a beneficiary that you no longer wish for that beneficiary to have part of your estate will be ineffective unless you have taken the correct steps to revoke that bequest. The normal way this occurs is by having an express written clause to this effect in your new Will revoking your prior Will. Otherwise, a document which intends to revoke a Will must be executed in the same manner in which a Will is executed. A simple letter or other note declaring the intention of the Testator that his prior Will is no longer to be of effect may not suffice.

The Succession Act[1], 1965 provides that a Will can be revoked by *"the burning, tearing or destruction of it by the Testator or by some person in his presence and by his direction with the intention of revoking it."*

One also needs to be wary about unintentionally revoking Wills. The Succession Act, 1965 provides that a Will is revoked by subsequent marriage (or civil partnership) of the Testator, except a Will made in contemplation of that marriage or civil partnership.

2. Marital status

This is a key consideration. If your client is married or has entered a civil partnership and has no children, then the surviving spouse or civil partner has a right to one half of the deceased's estate. If your client dies leaving a spouse or civil partner and children, then the surviving spouse or civil partner has a right to one third of the estate.[2] This entitlement is known as the "legal right share". It is worth noting that a spouse or civil partner can seek the family home in full or part satisfaction of that legal right share.

Any bequest in a Will which attempts to disinherit a spouse or civil partner or leaves less than the legal right share could be subject to challenge. In fact, the Succession Act[3] specifically provides that the right of a spouse or civil partner has priority over devises, bequests and shares on intestacy.

It is also worth noting the Succession Act does provide a mechanism whereby spouses or civil partners can renounce their entitlements to a legal right share and using such a renunciation can be a useful tool in estate planning.

[1] Section 85, Succession Act, 1965.
[2] Section 111, Succession Act, 1965.
[3] Section 112

3. Separation and divorce

If your client tells you that they have separated from their spouse then do not just take this at face value! Ensure that you get a copy of the agreement which sets out the agreed terms of the separation or a copy of the divorce decree. Just because two parties have separated does not mean that they are no longer spouses in the eyes of the law. A properly drafted Separation Agreement should contain waivers to estates and the legal right share.

It goes without saying that once a person has entered into a Separation Agreement or gone through the judicial separation or divorce process, then that person must change their Will. For example, the act of signing a Separation Agreement does not automatically void a Will in which that person may have left the entirety of their estate to the spouse they have just separated from. Unfortunately, in some cases this rudimentary step has not been taken.

Furthermore, where a person has obtained a decree of divorce in a foreign country, then one needs to be sure that such a divorce is in fact recognised in the Republic of Ireland. The obvious risk is that should the divorce decree not be recognised then the marriage could be still deemed to exist under Irish law.

4. The aggrieved child

Children do not have a legal right to demand a proportion of a deceased parent's estate where a valid Will is in place.[4]

The Succession Act, 1965[5] does however allow a court to make provision for a child out of a deceased's estate where they deem that the testator has failed in their "moral duty" to provide for that child under the Will. There is a plethora of case law on this section and it is used where children feel aggrieved at not having been provided for in the Will of a deceased person. Such an action can throw the proverbial "cat amongst the pigeons" for a succession plan. Careful consideration to this provision must be given at the outset.

5. The unintended beneficiary!

Be wary of Section 98 of the Succession Act, 1965. This section is commonly misunderstood, but its effect is to prevent a bequest or inheritance to a child or issue of a testator from lapsing where that child or issue predeceases the testator and leaves children. The section operates to vest the bequest in the estate of that deceased child.

By way of example, if Brendan by his Will leaves a bequest of €100,000 to his son, John but John predeceases Brendan then the bequest to John will not lapse provided that John has issue living at the date of Brendan's death. This section provides an exception to the doctrine of lapse and it operates to vest the subject matter of the bequest in the estate of the deceased's beneficiary. Clearly, where John has made a Will leaving the entirety of his estate to his wife then the effect of Section 98 is to pass that bequest of €100,000 to John's wife. In many cases this will not be desirable and thus appropriate wording needs to be inserted in the Will to guard against this.

6. Rejoice for the joint tenant!

Creation of a joint tenancy is a simple but effective means of passing an asset to a beneficiary by survivorship. This is particularly effective where it is intended that a surviving spouse shall take the deceased's interest in property or monies in a bank account. It means that the surviving beneficiary can readily access that asset without having to wait for probate to be extracted.

Normally, banks will amend the name on a joint bank account upon production of a death certificate unless there is a contrary intention shown. Furthermore, the Land Registry will amend the title on particular folios upon the surviving joint tenant swearing the necessary affidavit. This all serves to ease the overall administration process and associated cost. Indeed, where two spouses have a clear intention that the surviving spouse should take the entirety of their combined estates then probate may not be required at all once the assets are held in this manner.

Powers of attorney

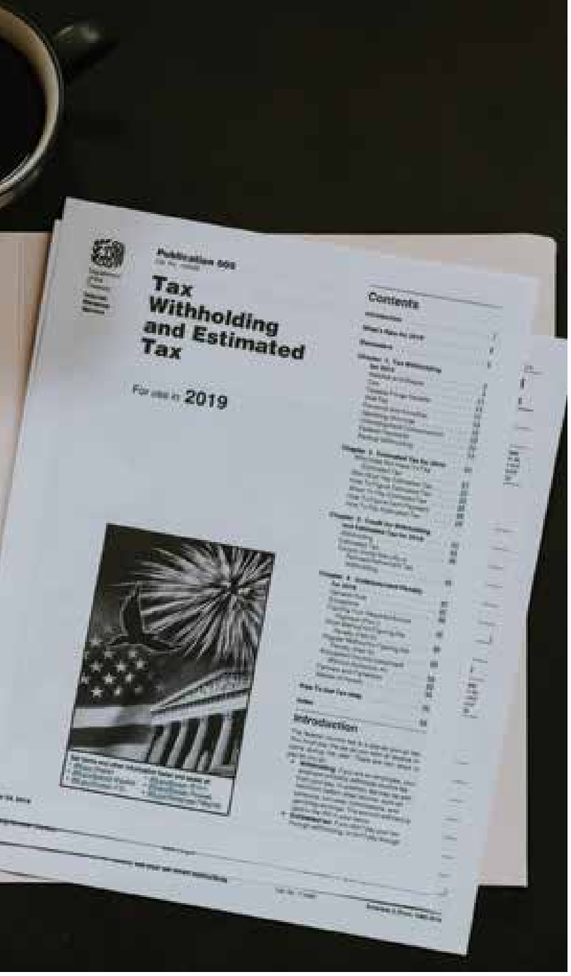
The use of Powers of Attorney can be effective where a person is unable to make a decision with regards to their assets due to incapacity, immobility or not being present in the jurisdiction. It is important to distinguish between a Power of Attorney and an Enduring Power of Attorney.

1. Power of Attorney

A Power of Attorney gives a person either a specific or general power to do acts in the name of the person giving it (the "Donor").

---

[4] Note – On intestacy (i.e. where no Will is made), children do have an automatic statutory entitlement to a proportion of the estate[5] Para 3.9 FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland
[5] Section 117



An example of where a Power of Attorney would be used is where a person is selling a property and will not be in the country on the date on which the sale Contracts are to be signed. The Donor would therefore give a nominated person authority to sign the contracts on their behalf by way of a Power of Attorney.

In other cases, it can be used where persons lack the mobility to attend at banks and sign necessary banking documentation. In that instance, a Power of Attorney can be given to a trusted friend or relative to carry out those tasks on that person's behalf. This type of use has however become less prevalent with modern day banking.

A Power of Attorney loses effect as soon as a Donor becomes mentally incapacitated or dies. Furthermore, it can be revoked. It does serve as a useful tool to allow certain transactions or other matters continue when the Donor may not be physically able to attend to the necessary signing.

2. Enduring Power of Attorney

An Enduring Power of Attorney can be registered (and thus becomes effective) when the person who makes it (again the Donor) loses or is in the process of losing mental capacity. The Donor will have executed the Enduring Power of Attorney in contemplation of that event. One need not be elderly to lose mental capacity and it can occur to persons at any age. Many people find comfort in having an Enduring Power of Attorney in place to cover them in a situation of future incapacity due to, for example, stroke, accident or diseases such as Alzheimer's or dementia.

The process of putting an Enduring Power of Attorney in place is relatively straightforward. The essential parties are as follows:

- **The Attorneys –** these are the person or persons the Donor will nominate to look after their affairs.
- **Notice parties –** two persons must be nominated by the Donor upon which notice is served that the Enduring Power of Attorney has been put in place. This is a safety mechanism as the Attorneys are required to also notify the notice parties in the future if they seek to register the Enduring Power of Attorney.
- **Doctor –** there is a form of certificate to be signed by the Donor's doctor to confirm that the Donor was of full mental capacity at the point the Enduring Power of Attorney was signed.
- **Solicitor –** the Donor's solicitor must confirm the Donor understood the effect of creating the Enduring Power of Attorney.

It is important to note that the actual act of signing the Enduring Power of Attorney does not mean that it can be acted upon by the attorneys immediately upon the Donor losing mental capacity.

There is a process by which the Enduring Power of Attorney must be registered in the Wards of Court Office and the application for registration must be backed up with medical evidence that the Donor has in fact lost mental capacity.

The benefits of an Enduring Power of Attorney are that it is a cost effective way of ensuring your personal affairs are looked after should a person lose mental capacity in the future. The actual process of registering the Enduring Power of Attorney in the Wards of Court Office is also straightforward and relatively quick. The downside of not having such a document in place is that one must go through the Wards of Court process which is more time consuming and less personal.

Conclusion

You will have seen there are a number of pitfalls imposed under Irish law which one needs to be wary of when drafting a Will. The risk of not doing so is that any intended succession plan could be challenged. In addition, the use of Powers of Attorney serve as useful tools for clients in their daily lives and in particular it is advisable to have an Enduring Power of Attorney in place. It is unfortunate that for many people the current crisis has greatly accelerated the implementation of those instruments. Stay safe!

Brendan Sharkey

Brendan is a Partner in the Probate and Estates Department of Reddy Charlton Solicitors, 12 Fitzwilliam Place, Dublin 2. Brendan advises clients in relation to all matters relating to Will drafting and estate administration.

Finance & Management News

Covid-19 Business Supports

In response to the Covid-19 pandemic Government have both introduced new supports and extensions of existing supports to support businesses negatively impacted by Covid-19. These measures include a Covid-19 Business loan available through Microfinance Ireland.

The loan is available to micro-enterprises (including sole-trades, partnerships and limited companies), employing less than 10 people and with a turnover of less than €2 million per annum, who are finding it difficult to access finance through banks and other commercial lenders. The business of the micro-enterprise must be negatively impacted by Covid-19 resulting in a minimum reduction of 15% in actual or projected turnover or profit.

Key features of the scheme include

- Business loans of between €5,000 and €50,000 for eligible micro-enterprises;
- Terms of up to 3 years, including a six-month interest free and repayment free moratorium;
- Interest rate of 4.5% where application submitted through a Local Enterprise Office (5.5% if submitted directly to Microfinance Ireland); and
- Security is not required

Further information on available government supports, including the Covid-19 Business Loan, is available on the website of the Department of Business, Enterprise and Innovation.

source: www.dbei.gov.ie

Covid-19 and SME liquidity needs

The Central Bank of Ireland has recently published research on the liquidity needs of small and medium enterprises (SMEs) resulting from the Covid-19 pandemic. The research 'SME Liquidity needs during the Covid-19 shock' notes the importance of SMEs in job creation in Ireland, with over 1 million employees representing 68.4% of total employment in the Irish economy.

The report uses a combination of sector and bank-level data to estimate Small and Medium Enterprises (SME) liquidity needs over a three-month period, under a range of scenarios. It notes that access to credit from Irish retail banks, is likely to prove challenging for SMEs without collateral or an existing relationship with a lender.

Where private sector liquidity is insufficient to meet demand, it notes three options available to policymakers, including a credit guarantee scheme, lending schemes and direct fiscal supports. The report estimates that SMEs in Ireland will need between €2.4 billion and €5.7 billion in liquidity supports where revenues are curtailed for three months.

A copy of the report can be accessed at www.centralbank.ie.

source: www.centralbank.ie

Leadership Insight
People – The Key to Successful Digital Transformation

by Na Fu

Na Fu is an associate professor at Trinity Business School, Trinity College Dublin and Digital Workplace Lead at the Trinity Centre for Digital Business. .

Please provide a brief history of your career.

I am an associate professor at Trinity Business School, Trinity College Dublin and Digital Workplace Lead at the Trinity Centre for Digital Business. I am also founder and Director of the triple-accredited MSc in Human Resource Management programme. Prior to joining Trinity College in 2016, I worked in the human resource management and organisational psychology group at DCU Business School and at Maynooth University (MU) School of Business as a lecturer in human resource management and organisational behaviour. I am passionate about helping organisations to achieve their employees' full potential in all aspects and my recent work includes organisational digital transformation with particular reference to human resource management.

As associate professor in human resources management at Trinity Business school and the digital workplace lead for digital business since 2016, what are the biggest challenges you have come across when implementing digital changes within your work and how have you overcome these?

Digital transformation is impacting how we operate business and manage people. It involves the adoption of new technologies and data analytics to empower decision-making and can be seen as a positive aspect of digital disruption.

Organisations, teams and individuals face numerous challenges in implementing digital changes. Technology, infrastructure and tools are often mistakenly regarded as presenting the greatest challenge. Actually, it is the people. People are the very core of organisations and are directly responsible for their culture.

We have already seen a practical example of this in the implementation of e-learning systems in universities. Despite the clear benefits and increased use of e-learning in colleges, questions remain regarding the factors which determine the success or otherwise of such systems.

Based on research with Norman Chiong, we examined the influence of individual, technological and environmental factors on e-learning outcomes using a sample of students studying business and management in Ireland and Malaysia.

The results showed that the most significant success factor was the perceived usefulness of the technology. This had a positive influence on all indicators including acceptance, transfer and effectiveness.

On the other hand, perceived ease-of-use was found to be predictive of acceptance and effectiveness but not necessarily for e-learning transfer. In terms of environmental factors, university support slightly increased a student's acceptance and transfer, but not the effectiveness.

Lecturer support was found to be important for ensuring transfer only.

Lecturers' support in the use of e-learning systems and students' learning were found to be key to successful digital transformation in learning. Success is not only dependent on what technology is used but how it is used. The people, therefore, are the key enabling factor for successful digital transformation.

You have led research projects in both the private and public sectors. Are there any particular projects that have stood out to you and if so, for what reason?

Putting the people back into HR

Beyond the academic environment, as the Lead for Digital Workplace at Trinity Centre for Digital Business, I have been researching digital transformation in the workplace generally including the digitalisation of HR and HR analytics.

Digitalisation has brought about fundamental change in HR. It not only improves efficiency through process automation but also enables better decision making based on advanced data analytics.

Recruitment is just one example of this. Time to hire is reduced to days and minutes from months thanks to digitalisation.

Performance management is another case. People are empowered to set their own targets and manage their own development and growth. And this feeds into training. Digital learning enables people to choose where, when and what to learn.

The advent of digitalisation is also timely as it coincides with a profound shift in the HR profession. The old assumption that people need to be managed as a resource is being challenged to the extent that even the terminology is changing.

We're not seeing human resources management so much anymore. We are seeing people management instead. There are fewer chief human resources officers (CHROs) and more chief people officers (CPOs).

This is by no means a cosmetic change in titles. It reflects a huge change in people management philosophy. There is a pronounced shift towards regarding employees as customers who should be listened to and supported.

This new people-centric rather than management-centric model is being enabled by digital transformation. Instead of dehumanising organisations, the new technology is actually allowing them to become more people centred.

That begins with the ability to understand and respond to people's needs as individuals. We need a more nuanced and granular understanding of people's needs. Rather than based on broad categorisations like job title, rank or department, there is a need to focus on the different stages of the employee journey within the organisation.

Up until now, due to resource limits, it has been impossible for HR departments to provide a tailored service for individuals or even small groups of individuals. Digitalisation changes this by empowering people with technology. Rather than being told what training programmes will take place, employees can self-search and select the training programmes they need for their work. Also based on machine learning and AI, digital learning platforms can recommend other relevant learning and skills training courses to employees.

The implementation factor

Implementation is another key success factor for digital transformation. Any new initiatives or changes include three levels of involvement or outcomes: intended, actual and perceived change.

The first level is the intended change that the organisation is seeking to achieve in order to increase efficiency, effectiveness and possibly to increase innovation per se. Generally speaking, when an organisation sets out on the digital transformation journey, the intention is to make things work better.

Perceived change represents the change as experienced by employees. For example, do they feel the technology is really helping them to work better?

Ideally, the intended and perceived change should be fully aligned where the message sent from management level reaches individual employees with perfect clarity. Unfortunately, in practice, it is usually not the case. Intended change does not always translate into the change perceived by employees.

The implemented change is labelled the actual change. This comes back to management buy-in. Employees will be much more likely to use new technologies and adopt new working practices when managers are also seen to understand, promote and adopt them.

This reflects the experience in universities where lecturers' support for new technology has a positive influence on student usage.

People-centric management and the focus on the actual implementation by line managers not only enable organisations to transform digitally but also help to cultivate a distinctive culture which in turns helps attract and retain employees who are more likely to thrive in that environment.

Digital disruption is something that is present in all industries and careers to a certain degree. What can accountants do to lead their teams effectively?

The accountancy profession

Digital disruption is affecting all industries and the accountancy profession is no different. In order to remain successful and stay ahead of the curve, accountants must understand, adapt to and master new digital technologies.

But it is not as simple as just introducing a new technology. Accountants have proven themselves very adept at availing of new technologies over the years. But digitalisation requires a mindset and culture change as well.

The tradition and standards in accounting systems, to a certain extent at least, influence the mindset of accountants. But the professional services provided by accounting firms need to change in line with the transformation being undergone by their clients.

Acknowledging and accepting the necessity for change is the first step for all accountants. The challenge this presents to the accounting industry is perhaps greater than in any other sector.

Digital transformation does not only always succeed – it has risks. Different industries have varied attitudes towards risk. For the accounting industry, clarity, accuracy and consistency are of paramount importance.

During digital transformation, particularly at the outset, ambiguity, mistakes, uncertainty and constant change are common and this is almost antithetical to the work norm for most accountants. Therefore, accounting firms need to work towards developing an agile, adaptive and inclusive culture which embraces and supports ambiguity, mistakes and uncertainty.

This in turn requires current and future team leaders to develop such a mindset and share it with team members so that it becomes embedded in the culture of their organisations.

Transformational leadership is needed

In the final analysis, digital transformation is no different to other changes. And the required leadership skills are also no different. In particular, transformational leadership has been found very useful.

Transformational leadership includes four elements: idealised influence, inspirational motivation, intellectual stimulation, and individualised consideration (Bass, 1985, 1996; Bass & Avolio, 1994).

Idealised influence:
Leaders are role models who influence team members to share a vision and empower them to achieve the vision collectively. For digital transformation, leaders not only communicate the information to team members but also explain why it is important. How can we, as a team, make things work better for us and for clients?

Inspirational motivation:
Leaders must encourage team members to challenge their assumptions and take risks. Leaders also need to enable team members to see the new technology as presenting opportunities.

Intellectual stimulation:
Team members' creativity and innovative thinking needs to be stimulated. For example, leaders can constantly ask team members for new ways to solve problems rather than direct them on exactly needs to be done or the way in which it should be been done.

Individualised consideration:
Leaders need to develop team members' potential and pay attention to their individual needs for achievement and growth. A question for every leader to ask is "How does the technology could help individuals to work better and achieve more?"

These practices must be implemented with care. Team members can be confused or dissatisfied if their manager treats everyone differently. In many cases, it's a good thing that team members receive individualised consideration. However, some consistency should be maintained to ensure team members' satisfaction.

Based on my own research, managers also need to be paradox navigators in implementing the four practices. They need to ensure the consistency among members as well as consider individual differences at the same time.

What advice would you give to aspiring leaders today?

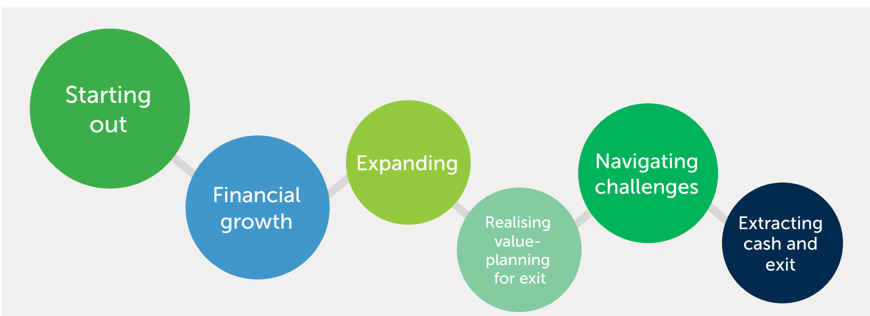
Philosophically, conceptually and practically, leaders need to embrace the concept of servant leadership. Leaders are there to support. They care about and emphasise the personal development of individuals. They empower others to achieve. These traits will be very important for the future of the workforce where new generations will require support from leaders if they are to thrive in the fast-changing environment that is the modern workplace.

Form a personal point of view, my advice to all leaders and aspiring leaders is to be curious and be kind. An open mindset to embrace new knowledge will enrich your life. Caring for and lifting others is a reward itself.

The Entrepreneur Lifecycle – Part I: Starting Out

by Nora Cosgrove and Jonathan Ginnelly

This article is the first in a series of three articles that will examine the entrepreneur lifecycle and the key considerations that entrepreneurs should think through at each stage in the cycle. In this article, we will examine the structure of the typical lifecycle from starting out through to exit, delve into the key structuring, tax and commercial issues entrepreneurs face when establishing their businesses and provide some practical tips on how best to take advantage of opportunities and overcome challenges.



The Entrepreneur Lifecycle

In our experience, the entrepreneur lifecycle typically follows a non-linear path from start-up, financing growth, expansion, navigating challenges through to exit. For most entrepreneurs, this path can be bumpy with opportunities and challenges around every turn. There is usually no set timeline associated with the typical entrepreneur lifecycle with some entrepreneurs spending longer or shorter time periods at each stage. Needless to say, some entrepreneurs cycle through from start-up to exit very swiftly indeed! This cycle tends to be representative of the cycle that is seen across entrepreneurial enterprises of all sizes from very small start-ups by individuals through to novel start-ups within large, multinational groups. The focus of this series of articles will be on indigenous, private company/individual entrepreneurs. We will be exploring the key features, opportunities and challenges associated with each stage in the cycle in this article (focusing on the start-up phase) and in the following two articles in this series.

Starting out – the first stage in the cycle.

All entrepreneurial activity begins with a good idea, but the success or failure of the idea depends on how well the entrepreneur navigates the entrepreneur lifecycle, particularly the initial start-up phase. In our experience, almost every entrepreneur we have worked with is personally involved in developing their business idea and it is not uncommon for entrepreneurs to devote almost all of their time to developing and nurturing that business idea and finding their routes to market. Entrepreneurs are, typically, profoundly invested in their ideas from a personal lifestyle and personal financial perspective. Many (either by choice or through lack of attention to the more administrative side of developing a business) adopt an informal business model in the start-up phases of their business – often beginning their journey as sole traders or in partnership with others. It is only later, as they become more established and begin to reap the financial rewards, do some entrepreneurs step back to assess whether their current business structure is, in fact, the most beneficial and efficient manner in which to operate. By this point, opportunities to protect the business and ensure it is adequately funded for growth may already have been missed. The importance of spending time focusing on getting off on the right footing from an administrative, tax and legal perspective cannot be underestimated.

Business structure

Whilst it is tempting for entrepreneurs to focus all their time on getting their idea off the ground, it is always advisable to identify and establish an efficient business structure and model from the outset. In order for an entrepreneur to be in a position to identify the most efficient and effective business model, the entrepreneur needs to be clear about their vision for the business and its success. Some high-level questions that should be considered include:

[1] Section 626B TCA 1997

- What is the goal and objective of the enterprise?
- How much money will be needed to achieve the goal and when will it be needed?
- What will success look like?
- What level of risk will be tolerated at all stages?

In our experience working with successful entrepreneurs and private businesses, time spent preparing a business strategy, preparing projections and market estimates, undertaking competitive assessments and reviewing available government/other incentives is time well spent at this stage of the entrepreneur lifecycle.

Once the vision and strategy of the enterprise is defined, time should be spent on identifying and implementing a suitable business structure. For many, this will involve the incorporation of a limited liability company. The limited liability company has long been recognised as the cornerstone of our economic system, bringing with it the benefits of separate legal personality, limited liability and lower tax rates on trading profits. The corporate structure both protects the entrepreneur in the event of business failure and allows for unlimited growth and ease of transfer in the event of prosperity.

We would always advise an entrepreneur to consider whether establishing a holding company structure at the outset would be beneficial for their particular circumstances and goals. As many readers will know, the tax benefits of establishing a holding company are many, and include:

- Tax-free disposal of trading subsidiary companies on exit through availability of the Irish Participation Exemption[1],
- Tax deductions for interest on certain borrowings,
- Favourable tax treatment of dividend income; and
- Favourable withholding tax of provisions for interest and royalties.

Establishing a holding company structure from the outset avoids a situation where one would have to interpose a holding company at a stage when the enterprise is more valuable (and thereby potentially incur a tax cost together with more significant advisory/administration fees). Odd as it may seem, considering how one might make a planned exit from the business from an early stage will also provide the greatest opportunity to ensure compliance with beneficial tax reliefs such that whenever one decides to take a step back, this can be done as tax-efficiently as possible. A holding company structure also provides commercial flexibility for entrepreneurs looking to keep distinct business streams separate from one another (for ease of administration, accounting or other reasons) or who wish to have flexibility in terms of future sale (or hive-off) of various business streams.

Protecting the assets of the entrepreneur and the business

In many instances, entrepreneurs enter into business with partners or other seed investors. Formal legal agreements should be in place, from the outset, to govern these relationships and ensure that all parties are adequately protected and have sufficient flexibility to achieve their objectives. Failure of partnership or investor relationships further along the entrepreneur lifecycle can become time consuming and costly (at a minimum) or lead to the ultimate demise of the enterprise (in a worst-case scenario).

Managing intellectual property

If intellectual property ('IP') is being generated by the entrepreneurial activities, consideration should be given to how best to protect it (e.g. copyrights, trademarks, etc.). There are multiple benefits to ensuring IP is adequately protected, including:

- Protecting the IP (and the business) from competitors,
- Adding value to the enterprise which can help attract finance and support for the business; and
- Assisting in expansion and growth of the enterprise (e.g. by way of licence or franchise, etc.) in the future.

Managing tax, accounting and corporate administration

It is true to say that many a good business was forced to end its journey through the entrepreneur lifecycle much too early on receipt of a large and unexpected bill from Revenue.

It is of critical importance that an entrepreneur considers, maps out and manages all tax, accounting and corporate administration deadlines in a timely manner to avoid unnecessary penalties and fines for non-compliance with the relevant rules and obligations.

Financing the start-up stage

How best to finance the business at all stages is a critical consideration. In the start-up phase, many entrepreneurs are burning through their (often, personal) cash reserves and it is useful to consider whether there are any government or tax incentives that should be sought to mitigate this. Whilst the extent of government and other start up grant funding is beyond the scope of this article, we have set out below a high-level summary of some key tax incentives that can assist entrepreneurs in the start-up phase.

- **Corporation tax exemption for start-up companies**

This is a tax relief specifically designed for start-up companies. It applies (subject to certain conditions) in the first three years of trading where the company's corporation tax liability is less than €40,000. Marginal relief applies if the corporation tax is between €40,000 and €60,000. The relief applies to corporation tax and chargeable gains on the disposal of business assets and any excess relief can be carried forward beyond the three-year period.

- **Start-up relief for entrepreneurs ("SURE")**

SURE is a tax relief for entrepreneurs who leave an employment to set up their own company. SURE acts to reduce an entrepreneur's taxable income for any / all of the previous six tax years by the level of their investment in their new company (subject to certain limits and subject to certain restrictions on the activities of the company). This can result in a refund of up to 41% of the value of the investment.

Among the conditions for relief, the investor must have earned primarily PAYE-income for the past four years and hold at least a 15% stake in the company's ordinary share capital. The company must be no more than two years' old, carry out a qualifying trade (as defined in legislation) and not have taken over an existing trade. Therefore, in order to avail of this relief, it is particularly important for entrepreneurs to incorporate a company from the outset and not operate the business as a sole trader first.

- **Start-up capital incentive ("SCI")**

SCI is a tax relief for early stage micro companies to attract equity-based risk finance from family members. Where the company, the investment and the investors meet certain criteria, then the investor can claim relief. The relief is available in two tranches: 30/40 in the year of investment and 10/40 may be available after 4 years. SCI investments cannot be made through designated investment funds. They must be made directly in(to?) the company and the maximum that can be raised under the SCI is €500,000.

Conclusion

In conclusion, most entrepreneur lifecycles follow a similar path from start-up to exit. The most successful entrepreneurs focus their energies not only on their ideas but also on the effective management of the entrepreneur lifecycle at each stage. Engaging as early as possible in the more administrative aspects of developing a business can make the later stages of the cycle more manageable and efficient.

From raising finance to fund expansion, to rewarding key employees or facilitating an eventual exit from the business, having the right systems and structures in place early can allow the entrepreneur focus on the core business as opposed to having to spend time later in the process trying to fit a structure around a somewhat unwieldy enterprise.

Establishing the most appropriate structure for the business from the outset will afford entrepreneurs the greatest opportunity to benefit from that structure and facilitate the most efficient future financing, expansion, growth and ultimate realisation of value in the business.

Protecting the assets of the entrepreneur, managing any IP that is generated, managing ongoing compliance obligations and adequately financing the start-up phase are critical to ensure the enterprise successfully navigates the start-up phase and moves onwards towards financing growth and expansion. We will explore the expansion and growth phases of the entrepreneur lifecycle in the second article of this series in September.

Nora Cosgrove

Director in the Corporate and International Tax department in Deloitte.

She advises domestic and international clients on all corporate tax issues affecting them including tax structuring, accessing start-up funding and tax incentives/ reliefs, cross-border transactions, group reorganisations, refinancing, due diligence and associated services in connection with mergers and acquisitions.

Jonathan Ginnelly

Director in the Private Clients Tax department in Deloitte

He advises on personal and domestic corporate taxation issues, including asset structuring with family companies, shareholder issues and succession planning".

SMEs and the Economic Impact of Covid-19

by Peter Brown

This financial crisis is not solely due to Covid-19. Before it appeared, we were experiencing a slowdown in global growth and expectations were of a mild recession. That was due to Trump's trade wars with China, the recovery running out of steam in Europe and of course, the Brexit debacle. All contributing to an end to the growth rally in place since 2011. In fact, Trump's isolationist policies were putting to an end 30 years of globalisation.

In Ireland it was hard to rationalise a slowdown as we had full employment and growth punching 5% plus per annum. We were heading into a current account surplus; our debt interest burden was falling and indeed debt to GBP was down below 60% (depending on the method of calculation). Everything was booming and the outlook, even though our European partners were slowing, and we had the prospect of Brexit, was very rosy. Thousands of quality jobs were available to new entrants and the country was buzzing.

Covid-19 has hit us hard in a miniscule amount of time. Personally, with the effects of lock down and uncertainty, but especially hard and deeply concerning for any SME owners or employees in that sector.

In fairness the response has been swift. Central banks have, in a matter of weeks added stimulus five times greater than the response to the 2008 crisis. Unprecedented amounts of cash and guarantees have been added, flooding the global financial system and in effect nationalising vast amounts of debt.

This rapid response has stabilised financial markets for now and indeed the banking system but lurking beneath the surface will be the phase of differentiation between good and bad assets, not every company will survive.

The length of the lock down will be key, and politicians are now faced with opening economies, risking higher death rates, or maintaining the lock down and destroying livelihoods, no easy call.

The cost of the lock down is an interesting analysis and not all bad news. Prior to this, our finances were in particularly good health. As I said our debt to GDP levels were among the lowest in Europe, German like! The cost of borrowing was close to 0%. National Debt Maturities are being renegotiated continuously, even this year alone, seventeen billion of debt matures at circa 4% being replaced with borrowings at 0.25%, a saving of around €700 million per annum. If Ireland were to spend €50 billion supporting business and employees through the Covid-19 lockdown and subsequent recession, it is a quite manageable figure, if that money is borrowed for ten years at 0.25%. The annual interest bill would be €125 million, a paltry figure. Debt to GDP would rise to around 75%, very favourable compared to 120% we reached in 2012 when interest rates where 8%!

Current monthly expenditure from all supports is hard to establish but estimated to be around €1.6 billion. Of course, we would be running a current account deficit and that would likely last years as tax receipts diminish. But a recovery within a 3 to 5-year time frame would be a manageable scenario.

So, the support money is not the issue. It will be the loss in revenue suffered by lower economic activity and how big the annual budget deficit will become. That is why it is important to support as many viable businesses and jobs as possible through the lockdown period to enable them to return after.

It that regard the Banking sector and the Central bank have a major role to play. They have to date negotiated 45,000 mortgage breaks (about 5% of the market) and are in the process of sorting 14,000 SME loan break requests and 3,200 New Capital SME requests. Importantly, there will be no impact on the Central Credit Register (Central Bank) so credit rating will not be affected. It would be naive to think the relationship with your bank will not be affected long term. Still the advice is to engage early and not leave it too late.

Credit will not be extended to businesses who cannot justify increased debt and whose business case does not stand up to intense scrutiny. Regardless of any guarantees offered by either the Central Bank, ECB or any other source, non-viable businesses will be left to fail. This is the harsh reality for those who own or are employed in any such business. Therefore, substantial closures and permanent job losses will be experienced in hospitality, entertainment, tourism and travel. Anything to do with business travel will be badly hit as we have now learned to conduct business via on-line communication tools. This is just one example of how the world will have changed when we re-open. There will be other areas badly hit which cannot be identified yet. But the changed world will throw up surprises for the SME sector not necessarily all bad; there will be new opportunities.

Everything has changed and anyone who thinks the world will be the same is in denial. From an economy that offered the most exciting opportunities ever to new entrants, it has in two months, been destroyed. This time around there is no emigration release valve as other economies will be harder hit or shut to outsiders. Students who had a bright future two months ago may be on the dole or fruit picking. That could have a major psychological effect on a generation.

For SMEs, the question is about consumer spending and confidence, when it returns and how strong it will be. Businesses that were weak prior will have to go. Many business owners who are close to retirement will not fancy the fight so soon after the last recession and may choose not to re-open.

The Government is looking to the next stage of economic supports and ways in which it can extend direct support to businesses after putting in place a pay safety net for nearly a million workers.

Measures such as tax and rates relief have already been implemented, but in order to ensure that businesses will invest and hire despite the hefty debts on their balance sheets as a result of the lockdown, the State will need to do more. In the end though it will be about viable business models in a vastly changing world.

There is a lot of uncertainty as to the type of economic recovery we might expect to see. This depends on the length of the lock down of course but efforts by Trump to open the US economy despite all the evidence that the virus is not under control will be monitored closely. We are likely to see a 'U' shaped recovery rather than a 'V' shaped one and that means more marginal businesses will go to the wall.

Some major issues yet undetermined are the outlook for property and rent, especially commercial which must be badly hit. With property there is a lot of mixed opinion. Some think prices will be 20% lower when the market re-opens. If that is the case no one will sell, and no one will build, so we will be back to supply and demand again as the determining factor on the residential side. Then there is the argument that the unemployed, if foreign, may leave the country and not come back. Resident unemployed may not be able to afford to rent or buy which reduces demand. On the commercial side there will be a lot of vacant properties and the attitude of landlords will be key to most struggling businesses. For now, the picture is too complicated and unclear.

Employee and consumer attitudes are also unclear. Will all the workforce return to work especially if the Covid-19 payments are still in force? Will we be spending in restaurants and pubs if they re-open? Will we travel? These are all unknowns but important inputs when deciding to close a business or increase its debt liability.

Ireland is heavily involved in Tech, Pharma, Food and Tourism. Outside of Pharma all are challenged. Tech is the honey pot and a serious target for politicians looking for ways to pay for all this stimulus. This industry could soon be on the radar for tax increases; indeed, Australia is already moving in that direction. Food and agriculture still have Brexit to contend with, that has not gone away. The UK economy is open to wild swings in economic performance and that will be reflected in the EUR/GBP exchange rate. So, the advice for exporters is to have your hedging strategy in place.

Tourism will be worst hit no doubt and there will be many closures and jobs losses across the industry.

There is no getting away from the devastation we will experience. Economically however, Ireland is better placed to recover faster. But there are still great unknowns, will we experience a period of global deflation followed by rampant inflation as all the stimulus hits? These economic phases can have massive impacts on the level of exchange and interest rates. So, managing interest rate and foreign exchange exposure will be more important.

We must stay flexible as the challenges unfold before us.

For any questions please contact pbrown@baggot.ie

Peter Brown
Director and founder of Baggot Investment Partners

Covid-19: Considerations for Business Owners in Returning to Trade

by Brendan O'Donoghue

Following the publication of the Government's Roadmap for Reopening Ireland the gradual phasing out of restrictions commences on 18 May and runs through to 10 August. In conjunction with this roadmap, Government have also introduced a series of financial measures and aids totalling €6.5 billion to assist in the recovery of businesses. Business owners are now in the process of re-opening or planning to re-open their doors. RBK's Restructuring and Insolvency Partner, Brendan O'Donoghue, explores some key considerations for business owners in re-commencing trade.

Gradual Easing of Restrictions

There are 5 separate phases envisaged in the plan which makes it unlikely to return society to a level of activity seen before the crisis in the immediate term. This means that a return to trading at full capacity for businesses in, for example, the retail and hospitality sectors, will not take immediate effect. Indeed, it will likely take a significant period to return to pre-Covid-19 normality.

It is envisaged that over time sectors will gradually come out of lockdown but that the requirement to maintain social distancing and the curtailment of less essential services at current levels will be required.

Irrespective, all business owners will need to implement or maintain measures to ensure the health and safety of both their staff and customers alike.

The National Standards Authority of Ireland has issued practical guidance for business owners in managing business continuity during the Covid-19 pandemic.

The Workplace Contact Unit, a division of the Health and Safety Authority, is also available to advise business owners on occupational health and safety matters.

Employees

Some employers have made the necessary decision to layoff all or a portion of their staff due to the Covid-19 emergency.

Many others have availed of the Covid-19 Temporary Wage Subsidy Scheme (TWSS).

The operation of the scheme has proven quite difficult for some employers, with Revenue having issued numerous updates to its guidance at the time of writing this article.

Separately, it is provided that the subsidy will become taxable in the future, but the method of recovery of the Income Tax due by employees in respect of the subsidiary is unclear.

On 4 May 2020, the scheme moved from the "transitional" to the "operational phase". This means that Revenue will no longer pay the flat rate of €410 per week per employee irrespective of their entitlement, but the subsidy will be based on each individual employee's Average Revenue Net Weekly Pay, subject to the maximum TWSS amounts.

With the 12-week scheme due to expire at the end of June, employers planning on re-opening their businesses must now consider how their payroll costs will be serviced thereafter. They will be cognisant of the recovery of the business itself i.e. is turnover sufficient to meet wages due without the support of the continued TWSS and when staff temporarily laid off return to work?

If not, consideration will have to be given as to whether the business entity can function with a reduced staff level whilst ensuring the viability of the business.

From Lay-Off to Redundancy

In deciding to re-open, business owners are faced with some difficult decisions in relation to employee matters (e.g. redundancies) and should consult their HR advisors to ensure that staff are dealt with in a manner which is in accordance with Irish employment legislation.

An additional consideration for employers is staff redundancies which may be unavoidable where a business is unable to recover. The cost of redundancy is often an onerous burden on many businesses, dependent on the make-up of the work force, their length of service etc.

Risk of Trading Whilst Insolvent

Section 610 of the Companies Act 2014 provides that directors of limited companies can be made personally liable for debts of the company if they allow the company to continue to trade in a manner which is reckless.

Reckless trading includes continuing to trade when a director knows or ought to know that a company is insolvent with the potential of worsening the position of creditors.

In the UK, measures have been introduced to temporarily suspend the comparable "wrongful trading" provisions for a 3-month period from 1 March 2020. In effect, this change gives some breathing space to company directors to continue to trade without the threat of personal liability, where a company has suffered due to business interruptions driven by Covid-19.

In Ireland, no such measures have been introduced. Whilst liquidators will have regard to the particular circumstances surrounding the current crisis, they must satisfy themselves as to the bona fides efforts of company directors to balance the continuation of trade and the preservation of jobs with the exposure faced by creditors of the company implicit in the continuation of its trading activities.

In the absence of such measures in Ireland, it is advisable for directors who are concerned about the potential for insolvent trading to implement risk mitigation measures which may include:

- Increasing the frequency of board meetings,
- Accurately documenting decisions taken by the board,
- Preparation of cash flow projections based on various assumptions underpinning their decision to continue to trade,
- Availing of emergency State supports (e.g. TWSS) to ease cash flow pressure; and
- Taking professional advice from trusted advisors.

Liquidation and Restructuring Options

While the current pandemic may give rise to the decision for an already-unstable business to liquidate, directors should bear in mind that a liquidator will investigate the collapse of the company having regard to the conduct of the directors during their entire tenure.

While the liquidator will assess the impact of Covid-19 on the collapse of the company, the liquidator's investigations will include pre-pandemic periods.

Directors who are concerned should obtain professional advice from their existing legal and financial advisors and Insolvency Practitioners.

Examinership

Examinership is an option to consider where a company is nearing an insolvent position but where there is a prospect of survival. This process affords a business protection from its creditors for a period of up to 100 days to put in place a scheme of arrangement to deal with its liabilities. Upon agreeing a successful scheme, a company can avoid liquidation and emerge as a viable business again.

As this is a Court driven process, there is a significant level of interaction with legal advisors and the Court system. As such, the attendant costs often make Examinership unsuitable for smaller business entities.

Schemes of Arrangement

An under-utilised process to date which may be worthy of consideration by company owners and directors is the Scheme of Arrangement which is governed under Section 450 of the Companies Act 2014. These schemes facilitate an agreement between a company and its creditors to restructure its liabilities over a prescribed period.

The company does not necessarily need to be insolvent and the process can be used for the orderly wind down of a business.

Unlike Examinership, the process does not provide protection for a company from its creditors pending the formulation and approval of the scheme. However, if approved by 75% of its creditors in value, it is legally binding on the remainder.

It can also be a significantly more cost-effective option for smaller companies looking to restructure or wind-down their business.

Conclusion

The situation for companies, both in Ireland and internationally, is changing day-by-day.

It is already clear that the recommencement of trade is not viable for all business owners. This may be due to the accrual of arrears, the loss of key staff and contracts, an inability to observe social distancing measures etc.

The reasons are varied and unique to each business.

While business owners should be encouraged by State supports and creditor forbearance on offer, for some businesses this is will not be enough. Recourse to a formal scheme, as discussed above, is worthy of consideration.

In such uncertain times, all business owners should consider what best suits their individual needs. It is important to conduct early-stage analysis of the options open to businesses and to implement a plan to minimise or mitigate the impacts of the Covid-19 emergency as they recommence to tra

"The situation for companies, both in Ireland and internationally, is changing day-by-day."

Brendan O'Donoghue

A Fellow of the Institute of Certified Public Accountants in Ireland, Brendan is a Partner in RBK and has more than 25 years' experience in the specialist area of corporate recovery. He is a founding member of the Irish Society of Insolvency Practitioners (ISIP) and a member of the European Insolvency Practitioners Association (INSOL Europe).

Computer Hacking, The Invisible Threat

by Helen Murphy

In this article, Helen looks at what policies and procedures accountants need to have in place to ensure safe online practice and to provide training to staff.

What do Jeff Bezos, Jackson County, Georgia, Riviera Beach, Florida and HBO all have in common?

They have all been hacked and suffered financial loss as a result.

In Jeff Bezos' case, hackers got access to his iPhone, including his photo albums, which contained pictures of Mr Bezos with another woman while he was still married. His resulting divorce settlement cost him €38 billion in Amazon stock.

Jackson County, Georgia was held to ransom by hackers who took control of its computer systems. A €400,000 ransom payment was required to regain control whilst Riviera Beach, Florida had to pay €600,000 to regain control of its systems. Hackers demanded €7.5 million from HBO to prevent the early release of scripts and episodes for shows such as Game of Thrones.

In July 2015, Ashley Madison, the self-described "cheating" website was hacked, with the personal data from all its users copied. Over 25 gigabytes of data was leaked over two days in August which included real usernames, addresses and emails. Needless to say, this caused consternation for members and at least 2 suicides have been linked to the hack.

The cases above are just scratching the surface when it comes to the cybercrime incidents that have occurred over the last couple of years and while the Jeff Bezos and Ashley Madison case grabbed the headlines, the other cases mentioned above were very costly for the organisations involved.

We now provide our personal data on almost a daily basis to a variety of organisations. Providers of services are adept at getting us to sign up for accounts with them whether it is for special offers via emails, discount coupons or simply so that they can provide a receipt in respect of a purchase we have made. While the thought may fleetingly cross our mind that this may not be a good idea, the carrot dangled in front of us may be too tempting to pass up on.

And of course, we trust that the organisation handling our data will look after it. As we can see, this is not always the case.

But what if you're not the individual whose information is hacked? What if you're the organisation that ends up being hacked and as a result, sensitive, personal and financial information that you hold on your clients ends up in the public domain? How do you deal with the resulting reputational damage, as well as the cost of undertaking a forensic review of your systems to ensure it doesn't happen again?

And before you think "why would anyone want to hack my systems, I'm just an accountant"? – read on.

Cyber Insurance and Data Protection for Accountants

Cyber threats are a growing risk for Accountants both in Industry and Practice. The reason Accountants are particularly attractive for a cyberattack is due to the amount of sensitive financial data that they hold. In fact, it is estimated that financial institutions are over 30% more likely to be targeted than other companies.

Most businesses believe they are not at risk as it is only the household names that make cyberattacks newsworthy. However, the majority of attacks are against small businesses. If a business collects and stores customer information, payment information or personal health records there is a risk to the business of a data breach. Most companies will not be immediately aware that a breach has occurred and the longer a breach goes unnoticed the higher the number of records that can be obtained. In addition to a financial loss, the business will suffer a loss of trust with their clients and reputational damage.

As can be seen from the AIG cyber claims statistics below, a high level of cyberattacks are perpetrated on professional and financial services businesses:

Cyber Claims received by AIG EMEA (2018) - By industry

22%	Professional Services
15%	Financial Services
12%	Business Services
9%	Retail/Wholesale
8%	Manufacturing
8%	Public Entity & Non-Profit
7%	Communications & Media Technology
4%	Hospitality & Leisure
3%	Transportation & Logistics
3%	Energy & Utilities
3%	Other Industries/Services
3%	Healthcare (Hospitals, Pharmaceuticals)
2%	Other*

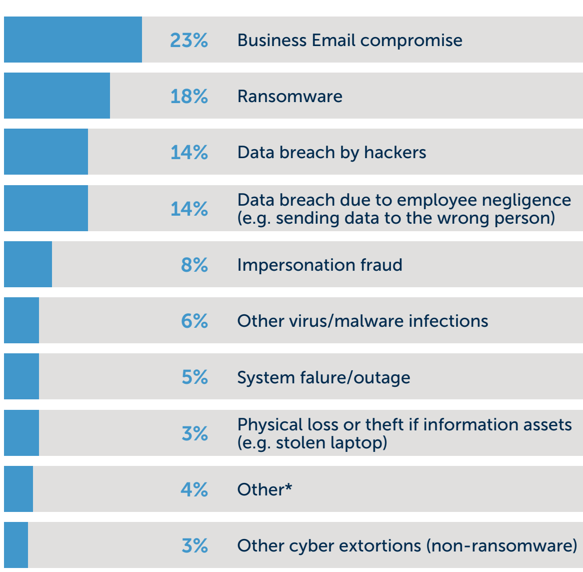
* Food & Beverage, Construction
Note: Figures may not add up to 100% due to rounding

Previously the main risk of a data breach was through loss or theft of physical data held. Now with data being stored electronically, data can be accessed in a number of ways. In 2018, as can be seen from the AIG report below on cyber incidents by type, business emails compromised in the form of hacking and phishing is the most common type of security breach. This is followed by ransomware through which your computer system is effectively hijacked and only released back to you on payment of a ransom, with data breaches by hackers and as a result of employee negligence being the other main types of incident in 2018.

Examples of common incidents that occur are:

- The files of the business unexpectedly become encrypted and a ransom demand from a hacker arrives. Systems are unavailable until the ransom is paid.
- A staff member leaves their work laptop on public transport which contains personal data resulting in notification requirements under GDPR.
- An employee of a firm makes a bank transfer of €25,000 to fraudsters after receiving a phishing email supposedly from a senior manager.

Cyber Claims received by AIG EMEA (2018) - By report incident



* Denial of Service Attacks. Legal/Regulatory Proceedings based on violations of data privacy regulations

What costs associated with cyber-crime would be covered by my PII policy?

Take the example of a hacker gaining access to an accountant's systems and obtaining details of a number of clients. The hacker then threatens to post the information online unless a ransom is paid.

The financial loss would be the ransom, costs incurred through the forensic investigation of the breach, credit monitoring costs for clients or third parties impacted, public relation costs to reduce reputational damage to the accountant, and support in notifying the incident to the Data Protection Commissioner's Office and all impacted clients.

The professional indemnity insurance policy would not provide indemnity for ransom costs, forensic investigation, public relations, costs associated with notifying the Data Protection Commissioner or the loss of income due to the business interruption.

Traditional insurance policies are not designed to deal with 21st century threats, as most insurance policies deal with the loss of physical assets. The world has changed and the threat to digital assets is growing.

So, what can you do to protect your business?

Prevention is better than cure in all circumstances, therefore accountants need to have policies and procedures in place to ensure safe online practice and to provide training to staff. There also needs to be procedures in place for dealing with breaches.

The following list (while not exhaustive) will certainly help:

- Train your employees on cyber security.
- Raise workforce awareness and accountability.
- Improve communications and engagement with the board of directors.
- Align security to business goals.
- Boost cyber resilience.
- Be proactive in compliance.
- Keep pace with innovation.
- Engage security experts at the start of digital transformations.
- Purchase a cyber and data protection policy.

Learn more about Cyber Insurance cover by contacting Helen at helen@jdminsurance.ie

"The world has changed and the threat to digital assets is growing."

Helen Murphy,
Managing Director,
JDM Insurance Services Ltd

Business Recovery
for a Post-Pandemic Future

by Tom Murray

At the time of writing (late April), business owners are battling the impact of Covid-19. They are likely to be fighting on several fronts for many months to come.

Covid-19 is an unprecedented intervention into every part of the economy. One of the biggest challenges is considering what will change, possibly for good, and how to prepare for a post-pandemic future.

What is certain is the longer it goes on for, the more damaging it will be for the economy, and it will have an increasing impact on the future behaviour of B2B and B2C consumers.

Simply speaking, there is unlikely to be a rapid return to 'business as usual', and there will be winners and losers from a business perspective in the 'new norm'.

As someone who has spent two decades advising businesses on crisis management, turnaround and restructuring, it is apparent to me that the firms that will best survive this pandemic will be those that display

1. resilience,
2. agility,
3. adaptability; and
4. the ability to reset their business to the changing landscape.

We do not yet know how long this pandemic will last, but we know its impact will be severe. There will be several phases. We have gone through the stage of confusion as Covid-19 emerged and hit our society and business. We are working our way through a phase or period of adaption having entered lockdown and companies have adopted remote working and other workarounds where possible. Of course, for many businesses and many sectors working from home or working remotely is not an option.

Having "stabilised", there is likely to be two more phases to come before they can adapt to the new norm. These phases will be in effect preparing for the post-Covid-19 reality and then ramping up as businesses adapt to the post-Covid-19 reality.

Preparing for a post-Covid-19 world there will be apparent changes and developments. There will also be more subtle changes. Both could be equally profound on the business environment that emerges.

Businesses need to ask themselves **"What will change for good".** Questions business should ask themselves include:

- Will their consumers return to the old behaviour patterns? Are consumers likely to stay online out of convenience or to avoid public gatherings?
- Is their industry/sector moving more quickly than anticipated into a digital world adopting technologies, e-commerce and working from home?
- Will globalisation contract? What are the implications for supply chains now and in future pandemics?
- What is the future of real events? Will people feel safe meeting people in public?
- What are the implications for businesses that are dependent on crowds and large gatherings such as conferences and sports events? Will people want to avoid mass gatherings in the short, medium and long term?
- Will travel patterns change in a manner that affects the hospitality and airline industries?

Whatever the changes, the only certainty is that behaviour will change and there will be no going back. If a business can accept that there will be changes, they should make sure not to "let a good crisis go to waste" and use the opportunity to reset for the future. Failure to plan will only increase confusion and delay their recovery.

In this context business owners need to map out their probable position for when the pandemic eases and will involve planning for multiple scenarios. By planning for numerous scenarios, consistent themes will emerge as to what a business needs to do now to achieve its future objectives.

When scenario planning, it is essential to accept that you and your business will not be the same. You may need to take a contrarian view. It is also the time to engage and consult with your customers and conduct market research. Ask the question, how will you be relevant to your customers or client's needs going forward?

It is interesting to observe that in a lot of consumer driven industries such as the fashion world, the closing of retail shops and consumer exhibitions and events have led to firms having to consult with clients directly, in order to see what a post-Covid-19 world will be like as they are starved of data on purchases inventory and social media tracking.

It may take time to find the questions let alone the answer. Companies need to be resilient and adaptable and have the ability to learn quickly and change course when they learn what works and what does not work over the weeks and months ahead.

Furthermore, all businesses need to have a technology mindset. The adoption of further automation in manufacturing, working from home and the need for less costly real estate, the use of AI for specific tasks and the use of drones for delivery, will be adopted much quicker than previously anticipated.

Questions will also need to be asked as to whether they will embrace the gig economy by relying more on freelancers or contractors to avoid having large staff numbers and costs if or when the next crisis emerges, or do they believe that having employees with skillsets is a competitive advantage.

Corporate Restructuring

Companies in financial distress as a direct consequence of the pandemic may need to undertake a fundamental corporate reconstruction to enable them to remain in business.

It may be essential to restructure your finances and your balance sheet of legacy debt arising out of the pandemic.

In this context, businesses may look at selling off individual non-core businesses to raise funds or de-merging companies to create separate sustainable companies. This may involve raising some new capital and persuading creditors/lenders to accept some alternative to the repayment of their debts.

One of the most challenging questions that their clients will ask accountancy firms will be "Should I put my own money into the Company to save it?"

Before putting new money in, Examinership should be considered, as new money can frequently guarantee the success of an Examinership.

Options such as Examinership and Schemes of Arrangements can be valuable tools as part of any restructuring and should not be dismissed or seen as an admission of 'failure'. They can help prevent corporate insolvency and ensure that the business continues in the short-term.

In fact, by utilising Examinership or Schemes of Arrangements, the business may be given breathing space to restructure, and in doing so, it could enable the company to develop a sustainable competitive advantage and provide opportunities for raising further finance.

In any event, if Directors are putting money into the business, they should consider securing the payments advanced by taking a charge over Company assets. Legal fees to do so are about €2,000 to €3,000 and could be money well spent.

Should you quit when ahead?

If there is one lesson that may need to be heeded from the financial crash of 2007/2008 it is the need to 'Quit when you're ahead'. In the years after this crash, we saw too many Directors of businesses lose their personal assets, be it pension funds, investment properties, homes etc. as a direct consequence of trying to support and prop up a business.

As a result of the pandemic, there is no doubt that some companies would be well advised to cease trading now and protect their retained earnings to date by placing the company into a Members Voluntary Liquidation, as opposed to incurring losses by continuing to trade in a hostile trading environment.

Some directors might be able to avail of either the 10% Entrepreneurs' Tax Relief Scheme or Early Retirement Relief.

Do and communicate the right thing.

Finally, all businesses will need to learn the lessons of this pandemic and be prepared for when it happens the next time.

That being said, when preparing for a post-pandemic world, Companies need to recognise and accept that they will face a social backlash if they are perceived to be exploiting the crisis or forcing employees to work in dangerous conditions. Every action that a company takes at this time will send a loud message. This is not to say that there will not be tough decisions, but how a company makes and communicates those decisions will have a direct bearing on its post Covid-19 performance.

Tom Murray

CPA Member Tom Murray is one of Ireland's leading Corporate Restructuring and Insolvency Practitioners. He can be contacted by email at tom.murray@frielstafford.ie

Taxation News

e-Working and Tax

Thousands of workers across Ireland are currently working from home as a result of the restrictive measures announced by Government to combat the spread of Covid-19. Tax and Duty Manual Part 05-02-03 – eWorking and Tax has been updated and clarifies that the current Government recommendations for employees to work from home meet the conditions in order to claim relief.

Employers can pay eligible employees up to €3.20 per day without deduction of PAYE, PRSI or USC. Any amount paid by an employer in excess of €3.20 should be subjected to tax in the normal manner.

Where the e-worker is not paid by the employer the employee can claim a deduction under Section 114 Taxes Consolidation Act 1997 in respect of vouched expenses incurred wholly, exclusively and necessarily in the performance of the duties of their employment. Finally, where your employer pays the €3.20 tax-free amount to you, but your costs exceed this amount, you can still claim tax relief on the balance.

source: www.revenue.ie

Taxation of the Pandemic Unemployment Payment

The Pandemic Unemployment Payment was introduced by Government for employees and the self-employed who have lost their job, on or after 13th March 2020, due to the Covid-19 (coronavirus) pandemic.

The payment is paid at a flat rate of €350 per week for the duration of the crisis, having originally been set at a rate of €203 per week and subsequently increased by Government on 24th March 2020.

In general, payments from the Department of Employment Affairs and Social Protection are taxable sources of income unless they are specifically exempt from tax. The Revenue Commissioners have indicated that the Pandemic Unemployment Payment will be treated as a taxable source of income.

Late Submission of Corporation Tax Returns – Restriction of Reliefs

Under Section 1085 Taxes Consolidation Act 1997 claims to a number of reliefs, including loss relief and group relief, are restricted where a Corporation Tax return is not submitted on time. The amount of the restriction is generally computed by reference to the length of the delay in filing the return.

The restriction is computed as a percentage of the relief that would otherwise be available, subject to a maximum restriction depending on the length of the delay in filing.

The Revenue Commissioners have updated Tax and Duty Manual Part 47-06-04 to confirm that where a Corporation Tax return, in respect of an accounting period ending 30 June 2019 onwards and due by 23 March 2020 onwards, is filed late due to Covid-19 circumstances certain restrictions, including loss relief and group relief, will not be restricted as required by Section 1085 Taxes Consolidation Act 1997.

source: www.revenue.ie

Revenue confirms 'warehousing' of Covid-19 related tax debt for businesses

The Minister for Finance, Paschal Donohoe TD, announced a further range of economic measures to support businesses in response to the Covid-19 pandemic. The measures include legislating to permit the Revenue Commissioners to warehouse VAT and Payroll tax debt that arose as a result of the Covid-19 related restrictions.

The Revenue Commissioners have assured businesses severely impacted by Covid-19 that they will continue to work with them to agree payment arrangements that support the capacity of the business to resume trading, post Covid-19. While at the time of writing (Early May 2020) some of the finer details of these warehousing measures are still to be worked out, the Revenue Commissioners have confirmed that

- Covid-19 related Vat and Payroll tax debts, due from 1 March 2020 to the date when sectoral restrictions are lifted, will be parked for a period of twelve months;
- No interest will accrue on the tax debts during the twelve-month period;
- Thereafter, the Covid-19 related tax debts will carry a reduced rate of interest of 3% (down from 10%), until the debt is paid; and
- The timeframe allowed to pay the 'warehoused' debt will be flexible and determined by the ability of the business to pay both Covid-19 related debts as well as meeting its ongoing tax liabilities as they arise

It should be noted that in order for the warehousing arrangement to apply, all returns must be filed in accordance with Revenue guidance that has applied since the start of the Covid-19 pandemic.

source: www.revenue.ie

Covid-19 and Tax:
Some Thoughts and Observations

by Gary O'Mahony

"That's mad, Ted!" I am not sure Fr. Dougal's catchphrase, typically accompanied by his wide-eyed bewilderment, adequately conveys how many of us feel in these mad (or, to borrow another Irishism, GUBU) times. Quite apart from public health measures, the Government is aiding businesses dealing with a dramatic drop in revenues and cashflow through a suite of measures, including various grant/loan schemes and rent/rates supports, which are beyond the scope of this article.

In a broader sense, prior certainties now seem uncertain and we cannot yet say for sure when (what, a few short weeks ago, passed for) normality will return (or indeed what exactly it might look like).

The "new" Revenue approach

However, one change we probably can say for definite is temporary, is Revenue's recent (radical) transformation from collecting in and chasing up tax due to now administering tax relief and deferral measures. Its key focus presently is on areas like:

- Issuing refunds,
- "Warehousing" tax payments (e.g. PAYE/VAT) for a year (with no late payment interest/penalties, and a reduced annualised interest rate of 3% (from 10%) thereafter),
- Ensuring temporary wage subsidy scheme (TWSS) payments are processed (or, as Chairman Cody put it in a radio interview on 31 March last, "Revenue is sitting on money it wants to pay"); and
- "Suspending audit and other compliance activity on taxpayers' premises until further notice".

This article is to briefly assess the impact of this (temporary) change in Revenue's approach, and what may ensue post-pandemic.

TWSS

Section 28 Emergency Measures in the Public Interest (Covid-19) Act 2020 deals with TWSS. At the time of writing, Version 9 of Revenue's guidance thereon is the latest and it is still being tweaked regularly (so it is difficult to comment on it now other than in broad-brush terms). Suffice to say, as Chairman Cody did in that interview, if continuing to trade and suffering a significant impact, "you would be recklessly trading if you didn't apply for the scheme".

However, the post-pandemic reckoning requires consideration. As matters currently stand:

- You/your clients may be asked to justify why you applied for TWSS (so it is prudent to keep records – i.e. employer eligibility and supporting proofs) and you may need to repay some/all TWSS payments received (essentially applying self-correction under the Revenue Audit Code),
- The trade-off for a 0.5% J9 employer PRSI rate on amounts paid by the employer is no corporation tax deduction (which sets aside the "wholly and exclusively for the purposes of the trade" principle); and
- Some employees will have an income tax bill later this year as TWSS is not currently listed as a tax-exempt social welfare payment; also, if a "high-earner" (for TWSS purposes) takes a pay cut or waives a bonus, it is assumed Revenue's salary sacrifice rules do not apply, though clarity may be needed.

A concern expressed was whether availing of TWSS could, under the EU General Block Exemption Regulation (GBER) rules, that need to be considered for BES/EII financing, cause a potential EU State Aid difficulty if also availing of such

financing; it should be checked in each case, but it seems TWSS is not, under GBER, a "State Aid" for BES/EII purposes.

Revenue administration

Commentators suggest behavioural changes may be a positive by-product of Covid-19 (e.g. working remotely trumps a traffic jam). Revenue are encouraging (even more than heretofore) online communication (e.g. through My Enquiries), with public offices closed and helplines scaled back (unless dealing with TWSS/ROS).

They are prioritising "the approval and processing of repayments and refunds, primarily VAT and PSWT", but also have confirmed corporation tax (including R&D) refunds "will also be prioritised".

Though not currently active in audits on taxpayer premises, Revenue are, "where possible, continuing to engage with businesses to finalise open interventions through My Enquiries or by phone" (if working remotely, an OECD recommendation is the caseworker shouldn't discuss it near smart speakers due to confidentiality concerns). So, it seems no new interventions for now (Revenue had flagged they were ready to rock in 2020 after their recent district re-alignment). As a planned Revenue RCT bulk rate review was deferred, it may also be timely to "self-review" RCT compliance.

Tax pay/file position

Whatever about paying (e.g. Revenue are warehousing PAYE and VAT), it makes sense to continue filing if for no other reason than non-filers seem an obvious choice for Revenue when they restart interventions. That said, the CT1 late filing surcharge (and loss restriction rules) "is suspended until further notice" for periods ending June 2019 onwards. It is possible to apply to Revenue to extend the "normal" 18-month period for close companies to make a distribution by a further nine months. It may also be worth looking at "clever" use of corporation tax losses for cashflow purposes by, say, changing accounting dates.

Payment of LPT was deferred by two months too (to 21 May).

There is little mention to date on income tax pay/file (it is several months to the deadline) but this may need to happen yet. For clients with refunds, early filing makes sense, as does considering cashflow planning around use of losses.

Current tax clearance status remains in place.

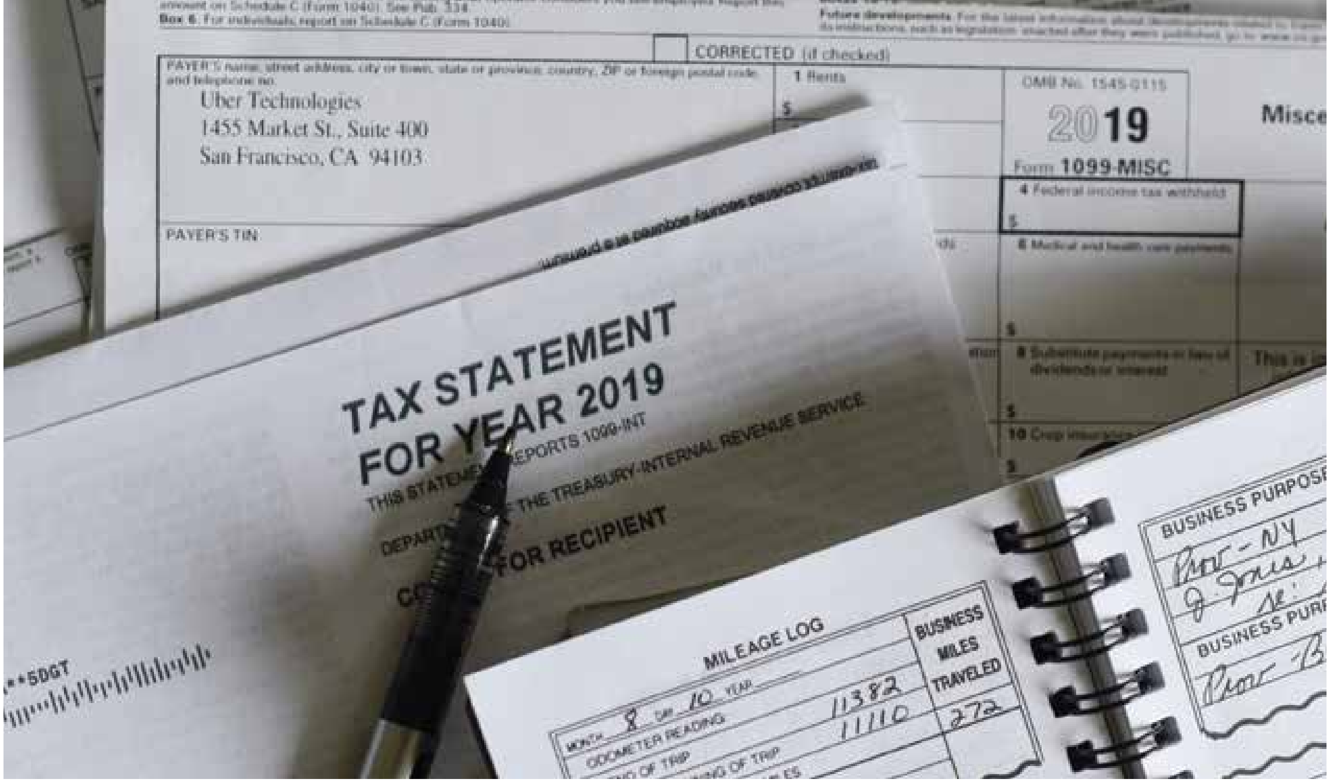
In acknowledging "tax payment difficulties are an inevitable pandemic impact", Revenue confirmed both that "all debt enforcement activity is suspended until further notice" and "we will work with taxpayers to resolve their tax payment difficulties". We may all need to be familiar with Revenue's phased payment arrangement rules soon.

Other tax issues

The lockdown means remote working and travel restrictions, which raises income tax points. For example, Revenue has issued guidance on certain BIK issues, as follows:

- Employer-provided equipment for home working, as well as travel and accommodation cost reimbursements (e.g. certain flights/taxis), are typically not taxable.
- €3.20 a day can be paid tax-free under Revenue's e-Working guidance (arguably, many of us are remote workers now and may, in some form, remain so, possibly with more tax relief).
- Four options are given to determine if a BIK still arises on an employer-provided vehicle, and there are special rules for motor industry employees.

Prior to travel restrictions, there were many tax scenarios where days present in/absent from Ireland were important and such global mobility issues are also covered by Revenue guidance (which applies force majeure rules where appropriate; essentially, days absent/present can be disregarded if certain conditions are met). Guidance also addresses corporation tax residence (in similar circumstances) – this is important



to avoid tax costs from unintended permanent establishments or similar.

VAT/customs duty concessions are also in place if importing goods needed to combat Covid-19.

The future

A Commission on Taxation was established in February 2008 and its (550 page) report issued in September 2009. It had been twenty-five years since the last comprehensive review of our tax system and, over the next few years, its impact could be seen in Finance Act changes. Speaking at the time, Minister for Finance Brian Lenihan stated: "This report's longer-term strategic perspective and its focus on the future will help shape the taxation system for the next decade and beyond. Given that focus, implementation of many complex and often inter-related recommendations in the report are likely to be phased in over several years."

Some innovative measures from around then remain (more generous intangible asset tax reliefs; the three-year start-up exemption) and could have an even bigger role to play going forward. For example, will we see, often of necessity, a raft of new start-ups by those recently made redundant? Some generous reliefs were also considered and either abolished (property-based tax incentives largely disappeared and feature far less now) or tweaked then/soon after. What now for, to pick some "popular" reliefs then tweaked, CGT retirement relief or CAT business relief/agricultural relief? Will they be retained (at all or on less generous terms)? Or do they potentially have a continuing role to play, possibly on more generous terms? A cautionary note on how quickly things change – pressure was being applied in Q4 2019 to increase our €1 million lifetime entrepreneur relief to align more with the then UK limit of £10 million (reduced in Q1 2020 to £1 million by Chancellor Sunak).

With the benefit of hindsight, a pattern emerging from that report was broadening of the tax base with a focus on certain areas and some rate increases/relief reductions to pay the economic price of that national emergency. When the bill for Covid-19 is totted up, the current (gaping, and expanding) hole in the public finances needs to be filled. What options are open via the tax system?

Looking further afield for extra guidance, in addition to the EU, the OECD has become ever more influential in how we shape our tax policy. A recent report it issued ("Tax and fiscal policy in response to the coronavirus crisis: strengthening confidence and resilience") reviews steps taken globally to date and makes suggestions for future tax policy. In observing that, where recovery is uneven or weak, fiscal action can strengthen it, the report also notes that public finances will eventually need to be restored. In so doing: "All options should be explored, including revamping old tools, introducing new ones, and bolstering ongoing efforts to address international tax challenges posed by digitalisation". The (48 page) report suggests such "tools" may include "extraordinary" revenue raising measures to start filling national public finance holes quickly, plus considering wholesale reforms or new systems of tax on new bases.

What might all that mean?

Domestically, income tax rate increases around 2009 were (and may still be) politically unpalatable, so it took a different form (USC); what form can/will that now take, if at all? CGT/CAT rates and CAT thresholds/reliefs were fair game ten years ago (and may be again) so some clients may consider claiming such reliefs now (before a new government is formed). Will we see temporary incentive VAT rates, like the 9% rate, again for certain badly affected sectors to encourage consumer spending? And what options are open via excise duty or other consumption tax increases?

Internationally, we presumably want our 12.5% rate to continue, but the OECD report suggests even greater focus now (building on mounting international pressure) on digital companies and multinationals to pay more tax in other (typically larger) countries to "match" how/where their products/services are used/enjoyed (which may not be good news for our corporation tax yield). We can expect this international scrap for multinational tax revenues to heat up.

With far more regular Department of Finance consultation processes that feed into the annual Finance Act process (as well as EU/OECD influence), an exercise on the scale of the 2009 report may not be needed but a re-visit now of some fiscal measures brought in (or overlooked) around then may help with predictions on likely tax changes to help economic recovery from the current crisis. If OECD suggestions pan out post-pandemic, change to the way it was may lie ahead soon.

Conclusion

Minister Donohoe recently said we're in a better place (financially anyway) than we were post-Celtic Tiger and is predicting a quick recovery (suggesting he expects "economic activity will reach its pre-crisis level in 2022"). Let's hope, both that he's right (and we're ready for the bounce when it comes, as it will) and that, in the meantime, fiscal stimulus measures keep our economy on standby. We'll have to pay the Covid-19 price somehow/sometime, but the bill/payment terms are not yet known.

So, for now, stay safe and remember, like the last major economic crisis (and those before it, and those yet to come), this too shall pass....

Gary O'Mahony

Principal of O'Hara Dolan & Co, a tax firm with offices in Longford and Maynooth that has been providing specialist tax advice to the accountancy and legal professions for 30 years. gary@oharadolan.com

In Practice News

Anti-Money Laundering (AML) Compliance

The current restrictive measures imposed by Government to combat the Covid-19 (coronavirus) pandemic present challenges for designated persons in meeting their obligations under the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 to 2018, including:

- Difficulties meeting new clients face to face,
- Difficulties sourcing copies of original documentation; and
- Increased levels of financial crime.

Traditionally as part of the client onboarding process a 'face to face' meeting would be held with the prospective new client. The restrictive measures currently in place mean that such meetings cannot now take place.

The use of technology in the form of video meetings using platforms such as zoom and skype etc. might assist in the verification of the new clients' identity. Where a meeting cannot be facilitated a designated person should consider the implications for the client risk assessment, taking account of any reason why a meeting cannot be facilitated. This may result in the client being assessed as higher risk, with enhanced due diligence measures being carried out as a result.

Similarly, the measures create barriers to obtaining access to original client identification documents such as passports and utility bills etc. While the use of technology may enable good quality copies to be obtained until such times as access to original documents is possible, a designated person should consider the implications for the client risk assessment.

Organisations such as Interpol and the Financial Action Task Force (FATF) are advising that criminals are taking advantage of the Covid-19 pandemic to carry out financial fraud and other exploitation scams.

CPA Ireland have issued AML guidance to assist members in continuing to meet their obligations under the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 to 2018. A copy of this guidance is available at www.cpaireland.ie.

While the use of technology may enable good quality copies to be obtained until such times as access to original documents is possible, a designated person should consider the implications for the client risk assessment.

Organisations such as Interpol and the Financial Action Task Force (FATF) are advising that criminals are taking advantage of the Covid-19 pandemic to carry out financial fraud and other exploitation scams.

CPA Ireland have issued AML guidance to assist members in continuing to meet their obligations under the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 to 2018.

A copy of this guidance is available at www.cpaireland.ie.

Modifications of Independent Auditor's Opinions and Reports

Auditors are required to obtain sufficient appropriate audit evidence to support their audit opinion, and to report their opinion on the financial statements based upon the audit evidence obtained. Audit issues arising from the consequences of the Covid-19 (coronavirus) pandemic may result in an increase in the need for modified opinions.

The Financial Reporting Council (FRC) have issued guidance, including a useful decision tree, for auditors on modifications to the Independent Auditor's Report. The guidance can be accessed here.

Source: www.frc.org.uk

IAASA issues Consultation Paper on proposal to revise the Ethical Standard for Auditors (Ireland)

The Irish Auditing and Accounting Supervisory Authority (IAASA) has issued a consultation paper seeking the views of stakeholders with regard to IAASA's proposal to revise the Ethical Standard for Auditors (Ireland), International Standards on Auditing (ISA's) (Ireland) and the Glossary of Terms.

The consultation paper follows revisions by the Financial Reporting Council in the UK of its Ethical Standard, certain ISA's (UK) and corresponding amendments to its Glossary of terms. IAASA's stated policy is to make minimal amendments to the UK Standards. The proposed revisions are designed to reflect the revised principles of the IESBA Code of Ethics, which came into effect on 15 June 2019, and to address issues identified in the Auditing and Ethical Standards and are intended to improve audit quality.

The proposed effective date of the revised standards in Ireland is for audits of financial statements with accounting periods beginning on or after 15 October 2020. Stakeholders and other interested parties should submit responses by email only to submissions@iaasa.ie by 5pm Friday 3rd July 2020.

source: www.iaasa.ie

Covid-19 Implications for Auditors

CPA Ireland has issued guidance on the implications for Auditors of the Covid-19 outbreak.

The guidance sets out matters to be considered by auditors when carrying out audit engagements throughout the Covid-19 crisis, including risk assessments, audit evidence, going concern, subsequent events and the Auditor's responsibility in relation to other information.

For further information please visit www.cpaireland.ie.

Audit Implications of Covid-19

by Colm Divilly

At the time of writing of this article (April 2020), Covid-19 continues to spread rapidly around the world. While the full implications of the Covid-19 pandemic for the Irish economy and Irish business is still becoming clear, it is certain that the impact will be negative and long lasting. The work of auditors will be impacted in the months and years ahead as companies account for the fallout from the economic impact of the Covid-19 pandemic.

Due to the timing of the pandemic, the initial impact on the work of the auditor will be in respect of audits of financial statements for financial periods ending on or before the 31 December 2019. In this article, I highlight a number of areas that the auditor will need to consider in the coming months when reporting on financial statements for periods ending on or before the 31 December 2019.

Audit planning

It is likely that auditors will have completed much of their audit planning work for audits of financial statements for financial periods ending on or before the 31 December 2019 before the full impact of the Covid-19 pandemic becomes clear. "International Standard on Auditing 300 Planning an Audit of Financial Statements" states that *"the auditor shall update and change the overall audit strategy and the audit plan as necessary during the course of the audit"*.

Because of the unprecedented nature of the Covid-19 pandemic and the economic implications of same for businesses, the auditor will need to revisit their audit plans and consider what modifications are required in the audit plan to ensure that the audit strategy applied during the audit assignment is adequate.

In revisiting the audit plan, the auditor may wish to pay particular attention to the following areas:

- Accounting for events after the balance sheet date and adequacy of the planned audit work in this area.
- The adequacy of the planned audit work in relation to the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.
- Possible impact of social distancing and business lockdown measures on the ability of the Auditor to execute the planned audit procedures.
- The possible impact of the Covid-19 pandemic on access by the auditor to audit evidence and implications of any restrictions identified for the audit report.
- Feasibility of planned audit timetable having regard to the current disruption to business.
- The possible impact on the audit assignment of having audit staff working remotely on the assignment.

Events after the end of the reporting

FRS 102 defines events after the reporting period as **"Events after the end of the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. There are two types of events:**

a. those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the end of the reporting period); and

b. those that are indicative of conditions that arose after the end of the reporting period (non-adjusting events after the end of the reporting period).

Events after the end of the reporting period include all events up to the date when the financial statements are authorised for issue, even if those events occur after the public announcement of profit or loss or other selected financial information."

The impact of the Covid-19 pandemic for financial statements for the periods ending on or before 31 December 2019 will generally be a non-adjusting post balance sheet event. While Covid-19 did exist in China in December 2019, the implications of the disease and the nature of the spread of the disease did not become clear until the first quarter of 2020. Financial statements for periods ending on or before 31st December 2019 should reflect conditions that existed at 31 December 2019.

FRS 102 states that **"An entity shall disclose the following for each category of non-adjusting event after the end of the reporting period:**

a. the nature of the event; and

b. an estimate of its financial effect or a statement that such an estimate cannot be made".

The declaration by the World Health Organisation of the Covid-19 pandemic in March 2020 and the grave implications of the Covid-19 pandemic for the world economy, must warrant disclosure as a non-adjusting post balance sheet event in company financial statements for

the year ended 31 December 2019. The disclosure should be company specific and attempt to set out the possible implications for the company of the Covid-19 pandemic.

Going concern

The Covid-19 pandemic will result in significant uncertainty for many companies. In preparing the financial statements for these entities the directors will need to consider the impact of this uncertainty for the company and the adequacy of the disclosure of this uncertainty within the financial statements.

In preparing financial statements in a situation where there is uncertainty about the ability of the company to continue as a going concern, FRS 102 states:

"When preparing financial statements, the management of an entity using this FRS shall assess the entity's ability to continue as a going concern. An entity is a going concern unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue".

"When management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern".

The above two paragraphs address the situation where there is uncertainty about the ability of the company to continue as a going concern. Management must assess the entity's ability to continue as a going concern in accordance with the above guidance. If this assessment makes management aware of material uncertainty related to events or conditions that cast significant doubt upon the company's ability to continue as a going concern (which is likely in many situations because of the Covid-19 pandemic), the financial statements must disclose details of this uncertainty.

In drafting disclosure notes in relation to uncertainty facing the company, the company should disclose:

1. The principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans to deal with these events or conditions; and
2. Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In relation to company law, you should note that the Companies Act 2014 sets down as a principle that **"The company shall be presumed to be carrying on business as a going concern".** The Act further states that if it appears to the directors of a company that there are special reasons for departing from any of the accounting principles set down in the Act (and this includes the going concern principle) in preparing the company's financial statements in any particular year, they may depart from the principle, but particulars of the departure, the reasons for it and its effect on the balance sheet and profit and loss account of the company must be stated in a note to the financial statements.

If adequate disclosure is made in the financial statements in relation to uncertainty pertaining to the application of the going concern basis in the preparation of the financial statements, the auditor will be able to express an unmodified audit opinion but should address this matter in the section of the audit report headed "Conclusions relating to going concern". It is important to note that the standard wording included under the heading "Conclusions relating to going concern" should be replaced with a suitable wording drawing attention to the disclosure note in the financial statements relating to uncertainty pertaining to going concern. International Standard on Auditing 570 (Ireland) provides an example of such a wording.

In a limited number of circumstances, the economic realities arising from the Covid-19 pandemic may result in management changing their assessment of the company's ability to continue as a going concern, to one where they may conclude that the company must cease trading or be liquidated. In such circumstances, the financial statements should be prepared on a non-going concern basis.

It is important that the auditor performs adequate audit procedures to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The requirements of International Standards on Audit 570 (Ireland) Going Concern should be adhered to by the auditor.

As many companies have staff working remotely from home while other staff have been furloughed, it may well be a challenge to obtain the future financial projections and forecasts that would be available to the auditor as part of his going concern audit work. By working cooperatively with the client, it should be possible to overcome this challenge.

Financial statements disclosures

Financial statements disclosures for financial periods commencing on or before 31 December 2019 but approved after the declaration of the Covid-19 pandemic need to address the impact of the Covid-19 pandemic. The following financial statements disclosures are likely to be impacted:

1. As outlined above, FRS 102 requires disclosure of any uncertainties regarding the ability of the company to continue as a going concern. It is likely that for many companies, the Covid-19 pandemic will be a significant uncertainty.
2. FRS 102 requires disclosure of judgements and key sources of estimation uncertainty in the financial statements. The Covid-19 pandemic is likely to impact what is disclosed under this heading in many company financial statements.
3. The pandemic is likely to be a non-adjusting post balance sheet event requiring disclosure in the notes to the financial statements.
4. Companies Act 2014 requires that the directors' report address the following matters:
   a. The directors report must include a business review and address future business developments. The impact of Covid-19 pandemic for the company will need to be addressed as part of this review.
   b. The directors' report must address the principal risks the company faces. The impact of Covid-19 pandemic for the company and the economy is likely to feature as a significant risk.
   c. The directors report is required to disclose any events since the balance sheet date. The declaration by the World Health Organisation of the Covid 19 pandemic in March 2020 is a significant post balance sheet event that should be addressed.

Conclusions

This article has focused on the audit of financial statements for financial periods ending on or before 31 December 2019. The impact of the Covid-19 pandemic on financial statements for periods ending after 31 December 2019 are likely to be very significant and far reaching. The impacts are likely to include impairment of many assets classes and call into question the viability of many businesses. In the months ahead the impact on the financial statements of companies of the economic carnage caused by the Covid-19 pandemic will become clearer.

While this article is focused on the audit of financial statements for financial periods ending before the declaration of the pandemic it would be remiss of the author not to highlight the future challenges that auditors will face in auditing these future financial statements. CPA Ireland website has dedicated Covid-19 Information & Resource pages and members should refer to these pages for future guidance on these important matters.

Colm Divilly,
F.C.A.

Principal of Professional Education Seminars, a provider of educational and support services to the accountancy profession.
www.professionaleducationseminars.ie

Measure for Measure – Innovative Ways of Measuring Well-Being

by Wayne Bartlett

Over the years I have worked with a number of economists, both at national government levels and also with colleagues from multilateral international organisations such as the International Monetary Fund (IMF) and the World Bank. In that time, I have become acutely aware that although economists and accountants in theory have much in common, in practice the reality is somewhat different. The two specialisms have somewhat different ways of looking at economic consequences and measuring them. We are a bit like the Brits and the Americans; two peoples separated by a common language.

One thing I have learned is that there is one type of measure above all others that is supremely important to economists, and that is those which are based on measurements of Gross Domestic Product (GDP). The textbook definition of GDP is that it is a measure of the value of all the goods and services produced by an economy over a certain period, typically one year. At the time of writing this article, there are a plethora of gloomy predictions of the levels of growth we are likely to experience as a consequence of the Covid-19 pandemic and these almost without exception are based on basic measures of GDP that economists of the mid-20th Century would recognise. They are useful as a way of gauging relative trends over time In the UK for example economists have developed scenarios that suggest the last time the British economy has dipped this much was in 1709 when the European winter was so severe that the Thames froze over and the economies of Britain and Europe came grinding to an abrupt halt, frozen as surely and solidly as the river was.

However, even most of my economist friends would concede that high-level GDP is something of a blunt instrument as far as national economies are concerned. For one thing, it takes no account of relative size. One would, all things being equal, expect the GDP of China or India with a billion+ citizens to be higher than that of San Marino which has about 34,000 inhabitants and such measures do not mean very much other than looking at relative rates of growth or decline over time on a country-by-country basis. So, economists developed the concept of GDP per capita which simply looks at the total GDP divided by the population to calculate a surrogate value for national wealth per head.

Where does the Big Mac fit into all this?

Per capita GDP is a simple calculation which enables some country to country benchmarking to take place and adds a degree of sophistication to comparisons. Even then though it does not go far enough. It does not take account for example of the purchasing power of national currencies; $1 or its equivalent will probably not buy the same in Dublin as it would in New York for example; and neither would it purchase the same as it would likely do in a developing country context such as buying something in downtown Dhaka, Bangladesh. The chances are you would get more 'bank for your buck' in the latter than in Western Europe or North America.

Economists have tried to take into account this phenomenon whereby your buck is worth more in one country than another and have

developed a measure called GDP PPP ('Purchasing Power Parity') as a result. However, there are much more fun ways of measuring relative purchasing power if we think outside of the box. Enter the Big Mac Index. Yes, I am talking about the famous, tasty (to some anyway) but probably not that healthy fast food item, McDonalds' brand leader. The idea of the Big Mac Index was written up in The Economist magazine in 1986. It attempts to measure purchasing power parity by using the price of a Big Mac as a benchmark in a process rather nicely called 'Burgonomics'.

The underlying theory, as most great theories are, is fundamentally wonderfully simple. Normally it would be impossible to compare the price of a basket of goods in say Tokyo compared to Dublin as the contents of that basket would be different. Not so with a Big Mac; as McDonalds would have us believe; a Big Mac is a Big Mac is a Big Mac regardless of where we buy it. In other words, we have two identical items on opposite sides of the world that we should be able to compare.

It is a useful indicator of whether currencies are over or undervalued because by using exchange rates in force we can work out how much a Big Mac should be in theory and compare it to the actual price. For example, using data in force in January 2019 a Big Mac cost $2.20 in Russia whereas it was $5.67 in New York. The Big Mac index would suggest a dollar exchange rate of 23.8 rouble per dollar but was in fact about 61.43 rouble per dollar at the time.

The conclusion: the Russian rouble was undervalued by about 61%. On the other hand, some currencies appeared overvalued: the most marked example of this was the case of the Swiss Franc and the Norwegian Krona was also overvalued. If you wanted a Big Mac and were after value for money then (ignoring flight costs and negative impacts on the environment) you should go to Azerbaijan, Egypt or Moldova. Don't go to Iceland or Bolivia though – you won't find a Big Mac there (or you wouldn't back in 2019 but as new franchises can open at any time this might not be true now).

How to put a price on happiness

Of course, it is a frequently quoted maxim that money doesn't buy happiness. However, money is a hard, tangible thing whereas happiness is much harder to measure. Happiness can be a woolly, ethereal concept, a variation of 'motherhood and apple pie' but that hasn't stopped some from having a go at measuring it. One example is the United Nations (UN) World Happiness Report, now on its 7th edition. It started back in 2012 with the rather academic concept title of 'Wellbeing and Happiness: Defining a New National Paradigm'. The idea is that happiness can be measured if we take certain factors into account which include for example links between government and happiness and the power of prosocial behaviour. The idea evolved long before 2012 though and can be traced back in terms of its modern evolution to an interview with the King of Bhutan at the time, Jigme Singye Wangchuck. He was interviewed at Bombay (now Mumbai) Airport in 1979 and used a phrase which stuck: 'we do not believe in Gross National Product. Gross National Happiness ("GNH") is more important'.

Bhutan became, and remains, the world leader in happiness measurement and here I have to declare a potential conflict of interest. I have been working on a project in this still somewhat isolated Himalayan kingdom for several years now and my own happiness index measures very high when I fly past Everest with a grandstand view of it out of the left-hand window (or right-hand window when flying back again; rational seat selection policies and preplanning assume great importance). And I can confirm that the Gross National Happiness Commission remains at the heart of national planning. Regular five-year plans are prepared which include all the traditional financial elements but also a range of others linked to happiness.

The index works by first of all identifying nine domains, which are:

- Psychological wellbeing
- Health
- Time use
- Education
- Cultural diversity and resilience
- Good governance
- Community vitality
- Ecological diversity and resilience
- Living standards

Only the last of these domains really considers traditional economic wealth as a measurement. Each domain has a small number of supporting indicators to measure how well a society is doing in that particular area. One of the underlying principles which can be hard to get your head around until you adjust to it is that the domains have a 'sufficiency cut off'.

What we measure here is that people have enough of what they need and no more as far as the scoring process is concerned. This is measured by allocating a score linked to the sufficiency cut-off point. A simple example might help to explain best. Let's take a traditional measure around wealth as our starting point. The sufficiency cut-off point might be 250 Currency Units per annum, but an individual might have income of 500 Currency Units. In the scoring system, that individual would be awarded a score as if they were earning 250 Currency Units – sufficient to live on – and not as if they were earning 500 Currency Units – more than they need to live on.

The effect of not over-scoring if someone has more than they need in a particular domain is to balance out an over-emphasis on one factor such as monetary wealth at the expense of others. Happiness is achieved if an individual achieves sufficiency in six of the nine domains, recognising that not all domains will be equally relevant to every individual. The data is then aggregated for the country as a whole. Shortfalls against GNH are calculated using the weighting scoring system applied to the indicators within each domain and deducted from '1' to calculate the GNH Index score. By calculating scores for each domain, we can see where there are shortfalls and we can then design policies at government level to deal with those shortfalls. Regional variations can also be identified and dealt with. We can measure progress over time by seeing if GNH is higher or lower than last year. Further analysis would allow us to see if GNH measurements vary by e.g. gender, age, racial background etc. identifying in the process particular groups that need specific government attention. Thus, this is not just an interesting piece of information hidden away on page 143 of the Government's Annual Report. It can and is used to identify deficiencies in various domains and formulate corrective policies when putting together national budgets and economic plans.

Undoubtedly the system has its critics. There is much room for subjectivity in the domain definitions and contents and the identification of indicators to measure them. In Bhutan's case some might suggest that this is a slightly cynical attempt to convince a country with a high poverty rate of around 12% of the population and a GDP per capita ranking of 120th in the world that there is more to life than being rich.

There are also some critics who claim that the Bhutanese Government has engaged in discrimination against for example Hindu Nepalese who would not integrate with Buddhist Bhutanese culture and were expelled as a result and that the GNH approach is designed to distract attention.

The Refugee Council of Australia even suggested that GNH stands for Gross National Hypocrisy. However, flawed though in some respects it might be, the GNH Index as applied in Bhutan and now incorporated in annual UN Reports is at least an attempt to deal with one basic truth that many around the world can empathise with; whilst we all need money to live, there is indeed more than economic wealth alone involved in the pursuit, and hopefully the attainment, of happiness.

Wayne Bartlett FCCA, MBA

Leading Teams Through A Crisis

by Ben Rawal

The global impact of Covid-19 has caused extraordinarychange to how we all behave, interact and maintain a sense of normality.
As Ben Rawal explains, outstanding leaders balance the dichotomy of their own vulnerability with a positive outlook and strength for others. As leaders, our resolve and response to strategic issues is regularly tested during the ordinary course of running a business and leading others.

As Covid-19 continues to create a largely unpredictable future, our behaviours as leaders of others are likely to influence how the world recovers and thrives again. However, demonstrating strong leadership during such times has become more challenging as the risks to life take precedence over business survival.

Leading Change

Dealing with and leading organisational change is a key leadership responsibility that many of us have experienced in our role as a finance professional. Achieving wholesale acceptance of change is often met with resistance by some, and as leaders, having clarity around the organisation's vision and how the change will support its delivery, are key.

When dealing with change (personal, professional or otherwise), individuals progress through a series of psychological 'stages', ultimately resulting in acceptance and the willingness to integrate change into one's future - this journey is illustrated through the Change Curve (Kubler-Ross). As leaders, understanding how individual emotions and responses to undesirable change vary over time, can provide a valuable guide to how you can adapt your own behaviours to ensure your change efforts are accepted and sustained.

Furthermore, when driving a change initiative as a leader, we are often already in a state of acceptance and integration, enabling us to promote the benefits and rationale for completing the change journey.

But how does this differ when the change is being driven by powerful external forces and the vision now appears less clear or even unachievable? Instead of accepting the change, we may also experience resistance, denial and anger, just like others in our teams.

Facing the Fear

When a significant, life-changing event is beyond our direct control, our emotions tend to have a stronger influence over how we think and behave. These feelings are frequently initiated by fear and can develop into anger and sadness for some individuals.

The emotion of fear is often exacerbated when our perception of the future involves greater uncertainty. The key aspects here are our inability to visualise how plans will come to fruition and the sudden increase in level of complexity that our futures now hold. In reality, elements of the future will always remain unknown, but when fear is heightened, our attention is drawn towards such uncertainties.

As leaders, we face the conundrum of managing and accepting our emotions, while leading others that are struggling to come to terms with their own feelings. Demonstrating integrity as a leader will always remain essential in building trust, most individuals are usually adept at noticing incongruence between a leader's words and actions, the 'sixth sense' that someone isn't being fully truthful about how they feel.

Showing others that you are vulnerable often takes courage and can feel uncomfortable to admit, particularly when you are in a leadership position. However, in reality demonstrating such frailty strengthens others' perceptions of your integrity, in turn building trust and loyalty.

With this in mind, how do / should effective leaders' approach such a dilemma with their teams?

The Bigger Picture

Understanding and retaining a 'bigger picture' perspective is arguably one of the most critical aspects of being a leader. In practice, this means acknowledging the details of a crisis but having the mindset to rise above the minutiae and consider a more long-term view.

When individuals are impacted by their emotions (particularly fear), the ability to achieve a bigger picture perspective becomes more difficult, even impossible. Our brains divert our actions towards dealing with the immediate 'threat', often leading to irrational decision making and behaviour. As leaders, we need to recognise that we are all prone to irrational and illogical thoughts, driven by our feelings (more commonly known as the 'Emotional Hijack'). Such thoughts will affect you and your team members from time to time, and a significant event such as

Covid-19 is a prime example of where one's decision making is likely to be affected by their emotions, rather than logic.

Effective leaders do not mask their fear. It is important to recognise and accept how you feel, rather than suppress your emotions. This ultimately means that you need to come to terms with current events if you are to be successful in leading others through a crisis.

Achieving a level of acceptance with your emotions will ultimately enable you to think more clearly and strategically, deal with significant levels of ambiguity, and display enhanced credibility, behaviours that are aligned to 'bigger picture' thinking and strong leadership.

Furthermore, until you have achieved emotional acceptance, it is extremely difficult to reach complete acceptance relating to the changes that lie ahead. In turn, this links back to how you will be perceived by your teams and others that you lead.

Dealing with Others' Emotions

Once you have come to terms with how feeling can impact your behaviours as a leader, it is important to recognise that those you are leading may not have achieved a similar level of emotional progress. In effect, this means that your role as a leader is more heavily weighted towards coaching and encouraging others on the journey towards acceptance.

It is important to note that forcing others towards a state of acceptance can have dangerous consequences. Imagine a past event when you have been reluctant to change your behaviour, mindset or emotions. Prior to achieving a minimum level of psychological acceptance, your response was likely to reflect one of resistance, frustration and even dismissiveness. Those you are leading are likely to respond in similar ways, until they are ready to accept and deal with the problem(s) at hand.

Developing your awareness of how others are feeling is a key leadership trait.

Master this aspect of your leadership armoury, and you will have a substantial advantage in gaining 'followers' and those that will remain loyal.

Being an empathic leader means putting yourself in another individual's 'shoes'. Although you may have accepted the situation far sooner than those you are leading, your willingness to adapt your leadership style, rather than criticise others' stubbornness to acceptance, are important when leading your team through a crisis.

Conclusion

Being a successful leader is a difficult enough task without the unpredictability and significant impact of external events such as Covid-19. By recognising the likely impact on your emotions and those of others, you will be better placed to make strategic decisions that are driven by logic, rather than feeling.

As a leader, your teams are looking for a role model who demonstrates integrity, consistency, strength and vulnerability. Are you ready for the challenge ahead?

Top Tips:

Be realistic

Successfully leading others through change is a key leadership activity. It is important to remember that the impact of a significant external event (such as Covid-19) can affect your ability to accept an uncertain future, just as much as those in your team.

Accepting change takes time

We all deal with and accept change in our own time. Being a leader doesn't mean that you are invincible to the pressures and emotions of difficult situations, or the need to put on a 'brave face'.

Recognise the importance and power of fear

Don't underestimate the impact of fear. This is arguably the most important emotion we feel, and until we have accepted our own level of vulnerability, it is less likely that we will successfully lead others with a positive outlook.

Think strategically

Remember that your emotions (and those of others) can lead to illogical and irrational thought patterns. If we allow them to, our behaviours will reflect our thinking and we will appear less credible as a leader. Rise above the details of the crisis and adopt a more strategic focus.

Offer support to others

Forcing others to deal with the future before they have achieved psychological acceptance is likely to result in resistance, denial and frustration. As a leader, recognise that some of your team members may not have achieved acceptance and may benefit from your support and coaching.

Ben Rawal,
Ben Rawal BSc MBA FCCA

Ben is the Lead Consultant and owner of Aspire Consulting Solutions. We help organisations achieve regulatory compliance and minimise risk by improving leadership, changing culture and improving governance.

FAQ for Effective & Empathetic Communications in a Crisis

by Mary Cloonan

When we are in a crisis, how we communicate matters, not only what we say, but how we say it.

But before rushing out an email campaign or starting a webinar – stand still. In a crisis there tends to be an energy that hits us, pushing us to start taking action. "Don't do something, stand there" is great advice I heard from an experienced communications expert who was well used to dealing with drama and demanding enquiries from media. The key lesson is don't rush out. You can do it quick or you can do it right so take time to consider best options.

A crisis can bring the best or worst out in leaders so keep calm and think carefully. If you are in a larger organisation it can be useful to select a small trusted sub-group to make decisions and take responsibility for your plan. Larger groups in a crisis can become unwieldy and slow.

What do I do first?

The first question is who do I need to communicate with. In firms this starts with your team, partners, staff, contractors etc

It's critical the firms team understands the firms position so you are all communicating the same message or singing from the same hymn sheet.

Why do I need to communicate now?

Carefully consider if you need to communicate right now particularly when it comes to your clients.

Some firms are blasting out very frequent communications by email. Don't forget you are never not communicating so blasting out daily updates or complete silence sends a message in itself.

It's important now to craft careful communications that are helpful and thoughtful with your audience in mind. Now is not the time to sell.

Segment and listen

Firstly before we build out a communication plan we need to listen to what our audience are saying and consider how they are feeling right now.

To do that we need to identify our audiences. These usually fall into the following categories:

The firms team of resources, partners, management in the firm, staff etc.

Then we need to consider clients and prospects. It's important to ensure your teams have been clearly communicated with before issuing communications to clients as staff are mostly likely to get calls from their clients so they need to be clear on your position.

How does the audience feel now?

When it comes to actually communicating with any audience it's important to consider their position and listen to their concerns.

This can be challenging to do when it comes to clients but it's really a matter of picking up the phone and checking in to see how they are personally. This isn't a sales call by any means, this is purely a check in to see how they and their family are doing.

While days might drag, a lot can also happen in a short period of time so don't presume you know what's happening in your client's sector. Keep yourself informed.

It's rare for any firm to have a portfolio of clients that are exactly the same so consider the various perspectives your clients are coming from. What is their industry, what's their most pressing issues, what are they most worried about etc.

How to segment?

Segmenting your client base in some way leads to a greater appreciation of their perspective so you in turn have a clearer view. Marketers call this building a persona and without making the issue complicated, it's important to step into the shoes of your client so you can view the landscape of issues they are facing before considering how you communicate anything with them.

This current crisis is likely to go on for some time, not really what anyone wants to hear. Given the end of it isn't clear, it's wise to consider on an ongoing basis the environment of your audience, as it's very likely the mood music will change as time goes on so revisit that often to ensure your messaging is on point. Once we become used to the shock of the situation, we tend to move into survival mode and then start adapting to the new normal.

How to acknowledge worry?

There is lots that can worry us now from health of loved ones, managing small kids at home while trying to work, business viability or a changing future. Displaying empathy and acknowledging that your teams and clients are worried can set minds a little easier and should build a more open environment for meaningful conversation.

How to reach out?

I don't believe there is one size to fit all here. Very little will replace a one to one conversation but this isn't always practical. However it is important to make that call to critically important audiences, staff especially and top clients.

We have all become much more accustomed to using virtual meetings now so it can be as simple as a facetime call.

Most firms are sending emails, using webinars, conference calls etc. If you tend to use email, be very conscious that it can be difficult to pick up a tone in written communication so write and review carefully.

The World Health Organisation says that face-to-face interaction helps us deal with emotions in times of disease and crisis so it's not surprising we have become used to seeing daily updates on our televisions or phones from the department of health.

Is trust more important now?

To feel confident to act on your recommendations and direction, your team has to trust you. The more we trust the messenger the more confidence we have in them. To build trust, we must manage expectations, communicate openly, and at the right frequency.

Keep listening and learning

If you are fortunate enough to be part of a wider global network with larger firms in it, it can be very useful to see and learn from what others are doing, especially those in countries ahead of us in this pandemic. If you are not in a group like that, you can still learn from what other firms are doing via social media, every day is a school day particularly now. Don't just stick with accounting firms here, we will all learn from other industries, especially agile sectors quick to adapt like tech.

Adapting to the future

Our ability to rapidly adapt to using so much virtual communication tools has been a great benefit of this crisis. This change is likely to stay with us even when working life returns to the new normal so it's an important part of your communication tool kit.

Some firms are having great attendance on short webinars now, with attendees appreciating the ease of attending for thirty minutes without leaving their desks and the ability to ask their questions virtually. It is very likely that this trend will continue as it's easy to measure, follow up on and engage. Again, communicating virtually requires different skills than presenting in person so we need to communicate clearly, directly, be engaging and adapt for our audience.

Remember this too will pass and we as professionals will hopefully be remembered for our professionalism and calmness.

> **"Displaying empathy and acknowledging that your teams and clients are worried can set minds a little easier"**

Mary Cloonan,
Founder of Marketing Clever

Working exclusively with professional services firms and B2B companies, Mary is a virtual head of marketing for her clients. Mary can be contacted on 01 9081611 or mary@marketingclever.com

www.marketingclever.com

Greenwatch-shing:
Using AI to Detect Greenwashing

by Theodor Cojoianu, Andreas Hoepner, Georgiana Ifrim, & Yanan Lin

The rise of fake news on the Internet has shown that society has few defence mechanisms to cope with misinformation as well as limited abilities to regulate its attention towards inaccurate or sometimes outright false claims, no matter the topic of such content.

The rise of fake news has resulted in a wide discrepancy between the attention given to the scientific understanding of an issue versus misinformed and sometimes purposefully disinformed claims (false information that is purposely spread to deceive people) coming from outside the scientific community. One such example relates to climate change, where a nature study shows that climate change contrarians are featured in 49% more media articles than scientists[1], despite the overwhelming consensus in the scientific community over the significance of anthropogenic climate change. In addition, many companies worldwide make inaccurate and often misleading claims about their environmental and social performance, which in turn has led to the widespread practice of greenwashing.

What is greenwashing?

Greenwashing is a broad umbrella term for different forms and practices of misleading communications of different organisations, in relation to their performance on environmental, as well as broader Sustainable Development Goals ("SDG") related indicators. The different forms of greenwashing include, but are not limited to selective disclosure, symbolic management, deflection of public attention and the disconnect between claims of companies and their lobbying and investment activities. Greenwashing can range from slight exaggeration to full fabrication.[2]

Why is greenwashing detection important?

The most direct impact of greenwashing is that it hampers the accurate measurement as well as meaningful progress towards SDGs. Both the EU Commission and the Irish Government have called for sustainable finance policy that discourages greenwashing but so far, there are no tools to detect the type and extent of greenwashing practices across different types of organisations and SDGs. Furthermore, in the Ireland for Finance 2025 strategy for the Irish financial sector, the government envisages that Ireland could develop a sustainable finance and greenwashing detection industry, in a similar manner that Ireland's anti-money laundering detection services have in the past.

In the context of climate change mitigation, society may develop a false sense of comfort that climate goals would eventually be reached, but in reality, that would be far from the truth given the distorting effects of greenwashing. This would indeed lead the world towards a catastrophic scenario beyond 2°C warming above pre-industrial levels.

Why is greenwashing detection challenging?

The detection of greenwashing across a large set of organisations has so far been a challenge, given the volume of disclosures and the numerous communication channels that companies employ to make their SDG related performance known to policymakers, investors, consumers and other stakeholders. Moreover, only in the past 10 years, several independently assessed environmental and social performance indicators of companies have started to emerge to judge the actual performance of companies, regardless of their claims. These are still however not perfect, have limited coverage of companies and geographies and sometimes still rely on company self-disclosure for their assessments.

Climate mitigation greenwashing detection

Judging which business and investment practices are most sustainable is not always straightforward, as it is a continuously moving bar which depends on the characteristics of specific environmental, social and governance issues (ESG) as well as the attention that society, investors and corporations place on each of these factors at any given point in time. That being said, for climate change, we do have a scientific basis to benchmark the progress of companies: reducing their carbon emissions by 7% year-on-year to 2050, as advised by the UN Emissions Gap Report, the International Panel on Climate Change and EU Technical Expert Group on Sustainable Finance, of which Prof. Hoepner is a member, appointed in personal capacity.

Climate mitigation related greenwashing is not only a challenge for consumers, but also for institutions like asset owners

[1] https://www.nature.com/articles/s41467-019-09959-4
[2] Lyon & Montgomery (2015) - https://journals.sagepub.com/doi/10.1177/1086026615575332

and policymakers given that companies disclose their green credentials through a wide variety of channels (including to several government departments, through numerous social media channels, traditional media outlets, their websites, as well as through statements of their executives in press statements or industry events among others). This resulting large volume of disclosures makes the investment process of asset owners and asset managers prone to rewarding greenwashing companies in the absence of a set of tools which can point towards instances of misleading claims.

Greenwashing becomes a further problem as web technologies such as bots or online ads are actively used to not only spread misinformation related to climate change mitigation as well as other topics, but to also ensure that the attention of investors, policymakers and the public is spent on misleading and often confusing claims about climate change mitigation efforts. This is highly distracting and the prime deterrent from reliably measuring and progressing towards timely climate change mitigation around the world.

Using AI for Climate Mitigation Greenwashing

We believe AI can be an effective tool towards detecting instances of climate change mitigation-related greenwashing. We are grateful to be supported by the Science Foundation Ireland ("SFI") to undertake this project under the "AI for Social Good" challenge. We are also fortunate to have the guidance and support of Pat Cox, the former President of the European Parliament.

As part of our SFI funded project, we propose to build a climate change mitigation greenwashing detection tool which analyses the claims of companies worldwide and contrasts them with the actual performance and activities of companies.

The greenwashing tool is based at the core on a greenwashing identification framework which was co-developed by consulting with over 200 financial services professionals during the concept phase of the project. The resulting definition for incontestable proof of greenwashing companies is:

"For a given company to be categorised as greenwashing, several conditions would have to be met:

- the company in principle agrees that climate change mitigation is a desirable goal, and
- the company declares itself as absolute climate mitigation leaders through its disclosures or communications, but
- the company's climate mitigation performance lags the required climate performance advised by EU policy or UN guidance, to reduce their GHG emissions by 7% year-on-year to 2050."

By doing so, we aim to build a useful tool for asset owners, asset managers, policymakers and broader stakeholders concerned with the effective transition towards a low carbon economy.

There is no doubt that avoiding climate change requires accurate data to benchmark our progress, otherwise, it can be as if we embark on a weight loss program without knowing our weight in the first place.

We welcome any engagement from any industry organizations on our project. If you are interested in finding out more, please reach out to andreas.hoepner@ucd.ie and theodor.cojoianu@ucd.ie .

Dr. Theodor Cojoianu

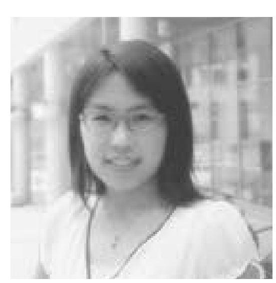
Dr. Theodor Cojoianu is an IRC Caroline Research Fellow at the University College Dublin and an Academic-in-Residence with Sustainable Nation Ireland.

Prof. Andreas G. F. Hoepner

Prof. Andreas G. F. Hoepner is a Full Professor of Operational Risk, Banking and Finance and appointed in personal capacity on the EU Technical Expert Group on Sustainable Finance at the EU Commission.

Dr. Georgiana Ifrim

Dr. Georgiana Ifrim is an Assistant Professor in Computer Science, University College Dublin and Co-Lead on the SFI Centre for Research Training in Machine Learning (ML-Labs).



Dr. Yanan Lin

Dr. Yanan Lin is a Postdoctoral Research Fellow at University College Dublin.

The Irish Fintech Ecosystem:
Headwinds and Tailwinds (and the Making of a Global Fintech Centre)

by Peter Oakes

As I write, the impact on people and businesses arising from the coronavirus is being felt across all parts of society and the economy. It is keeping many of us exceptionally busy not only assisting our clients but dealing with the impacts on our businesses too.

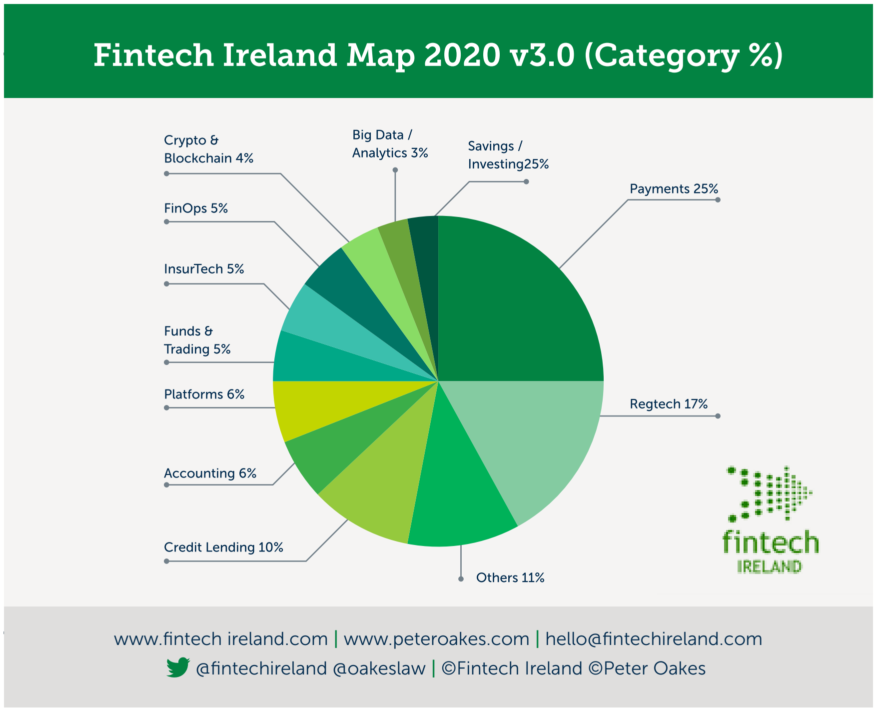
Why would one start an article about fintech referencing Covid-19? The fact is that the virus is acting as both a headwind and tailwind for fintech companies operating from Ireland and internationally. The impact of the virus over the last month and a half on fintech has shone a spotlight on many aspects of the ecosystem that might not have otherwise come to our attention. In the current climate Ireland must also be mindful of any potential slippage of its position as a global fintech player garnered from recent years of excellent work.

Let's start with an overview of fintech. The word fintech came to prominence after the last financial crisis, particularly noticeable from 2012 onwards. Yet there were many examples of 'financial technology', shortened to "fintech", existing well before the start of the last financial crisis. A number of these fintech businesses date back to the latter part of the 1980's. Examples include the internet and phone retail bank First Direct[1] (a division of HSBC) which kicked off in 1989 and today regularly achieves high satisfaction rates in financial surveys. Ireland too served as HQ to a pioneer challenger bank, First-e[2], which despite great promise was a casualty of the dot.com boom[3].

What does the Irish fintech scene look like? The consensus is that Ireland is home to somewhere between 220-250 indigenous fintech companies and that together with international fintech companies in Ireland, the number is probably around 400. It is difficult to give an exact figure if only because the word "fintech" is a broad-church.

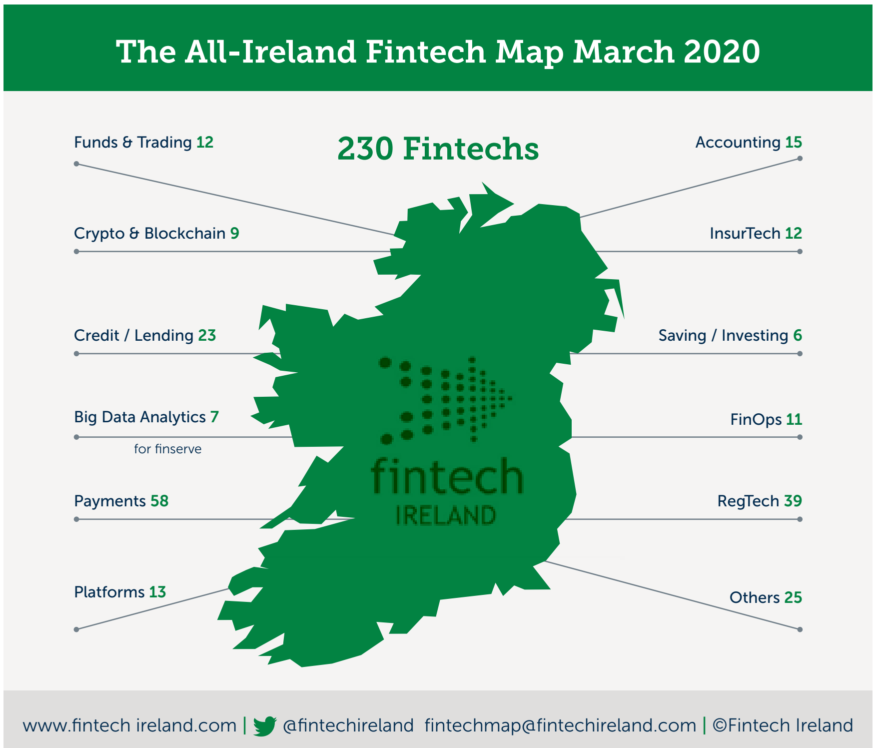
The word captures, (a) the new non-bank disruptors which focus on discrete parts of the banking value chain, e.g. payments, wealth management, treasury services and credit and lending; (b) the new breed of digital only (non-branch) challenger banks entering both retail and business banking; and (c) the incumbent banks (sometimes referred to as legacy banks) embarking - with various degrees of success – on digital transformation journeys.

The recent release in April of the 2020 edition of the Fintech Ireland Map[4] identified 230 indigenous / Irish controlled fintech companies. This was an increase of 30% from the previous year. The Map is supported by both research and a survey[5]. The criteria to meet to join the Map is challenging. Entrants must be fintech companies with a proprietary product or service.



[1] https://en.wikipedia.org/wiki/First_Direct
[2] https://en.wikipedia.org/wiki/First-e_Group
[3] https://www.theguardian.com/money/2001/sep/08/saving.onlinebanking
[4] https://fintechireland.com/fintech-ireland-map.html
[5] https://fintechireland.com/fintech-survey.html

Broadly speaking the fintech companies operate across 12 categories, being Credit & Lending; Platforms; Funds & Trading; Crypto & Blockchain; FinOps (Financial Operations); InsurTech (Insurance Technology); Accounting; Payments; RegTech (Regulatory Technology); Savings / Investing; Big Data / Analytics; and Others. The number of firms in each category is shown in the diagram below.



During 2019, the fintech ecosystem in Ireland, both the Republic of Ireland and Northern Ireland, continued to grow and evolve. There was strong growth in RegTech which not only increased to 39 companies but is rapidly closing in on Payments which retains its crown as the largest category for fintech companies, increasing to 58. It is no surprise that the Irish payments sector is so large given that it powers e-commerce transactions which by 2024 will double from 2010 to €3.8 billion in value. Also boding well for Ireland are two recent reports from UBS which estimate that global e-commerce will grow by 15-20% per annum over the next decade[7] from USD 3 trillion today.

It is no wonder that global fintech revenue is expected to reach a staggering USD 500 billion by 2030[8].

The number of fintech firms in the Irish credit and lending sector grew in 2019, with the addition of six new entrants, to 23. This is positive news for cash strapped small-medium size enterprises. Hopefully these fintech companies will help fill the supply of liquidity which is currently in demand by cash-strapped businesses.

Headwinds and Tailwinds

The coronavirus crisis and its impact upon fintech is no different than the impact of the virus on other sectors of the economy. However, being a broad-church, there are just as many fintech's flourishing as there are floundering. FinTech's, on average, didn't begin 2020 with large amounts of equity. In fact, before Covid-19 the level of global investment in fintech dropped between 2018-2019 while the level of venture capital investment in Irish fintech fell off a cliff edge.

In some cases, Irish fintech companies who had struck deals with international purchasers had to reduce the price to reflect, in the words of one fintech purchaser, the "economic reality" that businesses and individuals are currently facing.

E-commerce companies and the fintech companies which process their payments have seen a significant fall in transaction volume and therefore revenue (processing fees) for travel related items, including airfares, hotels, holiday clothing, luggage and pre-paid travel vouchers.

Whereas the fastest growing category of products and services includes – no surprises – disposable gloves, bread machines, cough & cold medicines as well as fitness equipment[9]. Thus, be wary about reading too much into e-commerce and payments processing growth, because it is not all good news. Having said that one of the most well-known e-commerce marketplaces specialising in crafted and homespun goods enjoyed a 100+% increase in share price in less than two months owing to demand for face masks!

The World Bank predicts that global remittances from wealthy to poorer countries will drop by at least 20% to $445 billion. This represents a loss of a crucial financing lifeline for many vulnerable households. Much of this money is often eaten by fees by various middlemen. It is estimated that between 7% -12% of the money being transferred[10] is swallowed up by bank collection, transfer and receiving fees. Yet remittances are a vital source of income for people in developing countries.

The loss of USD 10 from the value chain may mean the difference of food on the table for a family for a week in the poorest of countries. This challenge also provides an opportunity for fintech companies which can perform foreign exchange and international money transfers at a much lower cost than banks.

[6] https://en.wikipedia.org/wiki/First_Direct
[7] https://www.ubs.com/global/en/wealth-management/chief-investment-office/investment-opportunities/longer-term-investments.html
[8] https://fintechnews.ch/fintech/fintech-revenues-to-reach-us500b-by-2030-ubs-research/35500/
[9] https://www.visualcapitalist.com
[10] This is a conservative estimate of fees. In some cases, the fees can be higher when cash is being handled at the collection and reception points.

Another disruptor in this area is cryptocurrency. Cryptocurrency service providers remit crypto currency[11], instead of fiat currency[12], and do so on distributed ledger technology – the most commonly known example being blockchain – which is simply a different set of payment rails than that used by the banks for money movement, such as SWIFT, the UK's Faster Payments and Europe's SEPA. Proponents of cryptocurrency for money transfers argue that it is 250 times cheaper on average to use cryptocurrency than traditional banks and is also cheaper than using many fintech apps.

There are less than ten indigenous crypto/blockchain fintech companies operating in Ireland. In recent years they have been joined by about half a dozen large international crypto/blockchain firms focussed on financial services. Collectively these international companies are valued in the tens of billions of dollars. Like the indigenous companies, these international fintech's have chosen Ireland to access our highly skilled software engineers, software developers, coders, programmers and data scientists.

Noting the Irish government's support of both blockchain and international financial services, we should expect to see a lot more from this nascent and promising industry in Ireland.

Ireland is already perceived as a top global fintech ecosystem. Our challenge is not about reaching the number one spot globally, which simply will not be the case for a small open economy regardless of how progressive we are.

Our challenge is to incrementally raise our profile and position year on year and more importantly remain in the upper echelons vis-à-vis our European Union peers. Ireland is home to 10,000+ regulated financial services companies, it is the 4th largest exporter of financial services in the European Union, 250 of the world's largest financial services institutions have a base here including half of the world's top 50 banks. With more than 45,000 people employed directly in international financial services, 15% of which work in fintech, is it any wonder that Dublin ranks 5th highest amongst the top 50 European cities according to Findexable Global Fintech Index 2020 and 7th highest ranked EU member state on the OECD's Ease of Doing Business Index 2019.

The future looks bright for Irish fintech. Many of these companies work in regulated markets and a number of these companies are authorised by the Central Bank of Ireland. What they have in common is the need for capital, people and a stable political environment. Ireland benefits from being a member of the European Union.

It is an English first speaking language country, enjoys a common law legal system and adheres to the International Financial Reporting Standards.

Ireland's accountancy profession has a lot to offer and gain from Ireland's fintech ecosystem. Whether it is a young fintech start-up requiring business and financial advice, seed funding, interim CFO services or larger fintech operator with important financial, taxation and HR strategic planning needs, a competent accounting professional is not only the corner stone but indeed the foundation of a successful and sustainable fintech.

Peter Oakes,

Peter Oakes is Founder of Fintech Ireland and board director of several regulated fintech companies

---

[11] Examples of two cryptocurrencies include bitcoin and ethereum

[12] Fiat currency is legal tender backed by a government, such as USD, EURO and GBP

Institute News

CPA Ireland Covid-19 Resource page

In response to the Covid-19 outbreak, CPA Ireland has developed a dedicated resource for members providing useful links and up to date information, links to external resources and details of online CPD.

Office closed but business as usual

Acting on the advice of the Government, CPA Ireland offices remain physically closed to the public, however, it is business as usual and students and members are advised not to call the main telephone number but to email the relevant person/department, details can be found at www.cpaireland.ie.

2019 Annual Report

2019 Annual Report now available

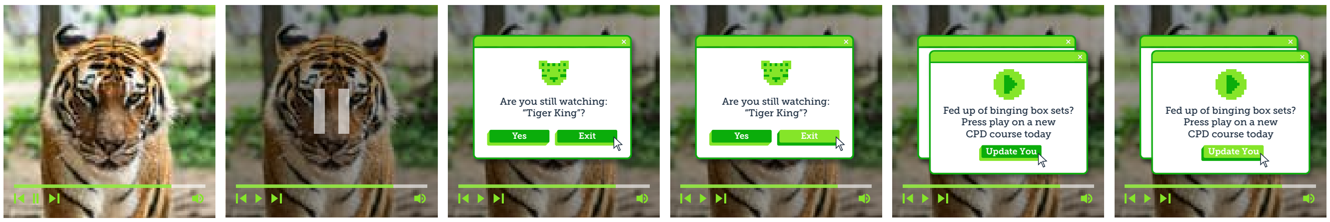
The 2019 Annual Report has been published and can be found at **www.cpaireland.ie.**

Update You Campaign

CPA Ireland was delighted to launch its new CPD & Further Learning brand and imagery to our members in March.

We worked together with our members to design a bespoke CPD & Further Learning programme and welcome the opportunity to engage with more of you through continuous feedback and annual Training Needs Analysis to ensure we are at the forefront of Learning and Development for accountants.

CPA Ireland's goal is to be the go-to learning provider for accountants offering a blended learning ecosystem for members and to provide the support needed to empower members to continue their careers at the highest possible levels. You can see our new CPD branding along with our CPD events at www.cpaireland.ie.



Virtual Career Summit

CPA Ireland hosted a Virtual Career Summit on Thursday the 7th May. The event focused on how students can kickstart their CPA journey and secure their first trainee role. The panel comprised of key industry experts including members who work in business and practice. The conversation centred around career advice, the impact of technology on accounting, and student experiences.

The event was a huge success and students who are hoping to pursue a career in accountancy received some invaluable advice and guidance.

ICAI Global Webinar on the 'Impact of Covid-19 pandemic on Reporting and Assurance'

The Institute of Chartered Accountants India (ICAI) Global Webinar on the Impact of Covid-19 pandemic on Reporting and Assurance took place on 7 May 2020 and had a live audience of 80,000.

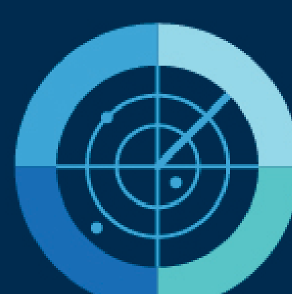
At the event, Eamonn Siggins, CEO, CPA Ireland, addressed the challenges that SMPs and SMEs face in Reporting and Assurance, and what Professional Accountancy Organisations can do for SMPs.

Navigating Your Business Finances Campaign

As advisors to over 100,000 businesses in Ireland, CPAs are at the forefront of the challenges that businesses are currently experiencing due to the Covid-19 pandemic.

To promote the value that CPAs provide to businesses, CPA Ireland has been running a 'Navigating your Business Finances' campaign to further position CPAs as trusted business and financial advisors to the Irish SME community. This campaign was launched in April 2020 on google search and on social media platforms.

HAVING TROUBLE NAVIGATING YOUR **BUSINESS FINANCES?**



CPA Ireland Membership changes

Admissions:

Council approved 21 admissions to membership on 29 April 2020

Resignations:

001968 Martin G. O'Reilly 19/02/2020

000257 Marion T. Cullen-Bruce 25/02/2020

001818 John McDonnell 04/03/2020

004234 Yvonne Mary Dunne 06/03/2020

000962 Pat Murray 10/03/2020

004981 Michelle Twohig 11/03/2020

000288 Michael Daly 2 4/03/2020

024163 David Colleran 07/04/2020

022225 Meetu Agarwal 15/04/2020

004905 Frances Smalle 16/04/2020

005619 Kathryn Hogan (Lawless) 16/04/2020

Removal:

Sean B. O'Reilly 003284 23/04/2020

Annual Subscriptions 2020

On behalf of Council, a sincere thanks to our members who have remitted their annual subscriptions for 2020. Reminder invoices have issued by email to those members whose subscriptions remain outstanding.

CPA Ireland AGM deferred

The CPA Ireland Council has deferred the Annual General Meeting of CPA Ireland until Friday 26 June, 2020 and it will take place in CPA Ireland, 17 Harcourt Street, Dublin 2 at 10.30am.

Wellbeing SOS

In these unprecedented times, our wellbeing has become more important than ever before.

In this live and interactive session, I want to give you the tools to improve your wellbeing across the pillars of health, physical, mental and nutritional wellbeing. The session will be full of tips and tools to make lasting improvements.

Key Webinar Details:

Time: 10am - 11am, 18th June 2020

CPD Credit: 1 hour

Member Cost: €15.00

Non-member Cost: €15.00

Karl Henry
Fitness Expert,
Radio - TV Broadcaster,
Columnist and Author

CPD News

Certified Tax Adviser

Enrol now for September 2020

Now in its 10th year, this course gives you an advanced qualification in tax, covering multiple tax areas, and offers a unique and exciting higher-level qualification in tax for accounting and legal professionals.

The next running of the Certified Tax Adviser (CTax) Qualification will commence in September 2020 and is delivered in Dublin and online via live streaming.

Live Streaming offers participants the option of viewing and participating in the CTax course through a live link direct to their PC, laptop or smart device. So, if you can't travel to the Dublin venue, Live Streaming offers you the flexibility to complete this qualification from home! This option is increasingly popular among our members, as it allows you to fit the course into your busy schedule.

Key Event Details:

Method: Dublin and Online via Live Streaming

CPD Credit: 50 hours

Cost: €1950 (Get 10% off if you book before the end of June.)

Book now at https://www.cpaireland.ie/CPD/Further-Learning-Courses/Certified-Tax-Adviser-(CTax)/Cost-Booking

"The CTax qualification covered all the important areas if tax and as a result I am now better able to serve my clients needs."

– Lisa Leonard, ACCA CTax

Diplomas in Forensic Accounting & Data Analytics

Due to the success of these diplomas in 2019, CPA Ireland is delighted to announce both these diplomas will be running again commencing in September 2020.

Diploma in Forensic Accounting

Developed in conjunction with Grant Thornton, this Diploma provides a comprehensive understanding of the core Forensic Accounting skills for qualified accountants working in both industry and practice, particularly in the SME sector. This course is now offered online via live streaming so you can complete this course at home.

Book your place now!

Key Event Details:

Method: 5 full days & assessment

Location: Dublin and Online via live streaming

Date: September 2020 – March 2021

CPD Credit: 40 hours (8 hours per day)

Cost: €1550 (non-members: €1750)

"A must for any accountant involved in investigative work.

The real-life examples encourage one's enthusiasm; the material is relevant; the delivery is to a very high standard and the support from the CPA team makes doing this course a joy"

– Nano Brennan, FCPA

Diploma in Data Analytics

This course will provide a high-level understanding of the main concepts associated with data analytics and how accountants can use analytics to formulate and support them in solving business problems and communicating that analysis to a management team.

Book your place now!

Key Event Details:

Method: 5 full days & final assessment

Location: Dublin and Online via live streaming

Date: October 2020 – March 2021

CPD Credit: 40 hours (8 hours per day)

Cost: €1550 (non-members: €1750)

Please note, if these courses cannot take place in a classroom they will still be provided via live streaming. CPA Ireland will follow Government Advice on this matter.

September Conferences

Due to the ongoing Covid-19 crisis CPA Ireland has postponed the Future of Accountancy Event and the Irish Accountancy Conferences until September of this year.

With the future still uncertain, we would like to assure our members that these conferences will go ahead. And whether this is in a classroom environment or a digital one we guarantee that our members will have an interactive, innovative and highly relevant learning experience.

Webinars

Keep an eye out for our weekly emails of upcoming webinars and events.

We have a range of webinars each week to help you deal with the various challenges of Covid-19, as well as covering topics for the day-to-day needs of accountants in the areas of Employment Law, Tax, Company Law, Data Security, business recovery, audit, practice management and Management Skills.

To assist members during the current crisis, CPA Ireland is making a number of relevant webinar recordings available for you to purchase to help you stay informed and keep up to date with your CPD requirements during the Covid-19 pandemic.

If you are concerned that you are not getting all our emails, please check the email filters that your company may have in place. Our CPD webpage is updated regularly with our upcoming webinars and events so ensure to keep an eye on this.

Future of Accountancy Event

The Future of Accountancy will immerse you in the excitement of new technologies and the human capacity for curiosity and creativity. Accountants have an incredible opportunity to grasp these exponential technologies and exploit to grow their businesses and advance their careers.

These exciting topics include:

- The remarkable future and the technologies that will shape it
- SME, Big Business and the push for Innovation
- Creativity, Imagination and Curiosity
- Discovering Blockchains Potential
- CyberSecurity: The 1 Trillion Dollar Industry
- The Future of Artificial Intelligence
- Ethical Leadership through Digital Disruption

The Irish Accountancy Conferences 2020

In 2020, CPA Ireland is combining the Practice and Industry Matters conference to deliver a 1.5 day conference with top quality speakers and flexible subject options.

Our Accountancy Conference 2020 includes a number of keynote speakers as well as a variety of breakout sessions covering topics relevant to accountants working in industry or in practice.

Participants will have the opportunity to choose the subjects most important to you and your business, allowing you to get updates that are relevant to you and make the most of your learning.

Topics Include:

- **Economic Update**
- **Digitalisation**
- **Tax Update**
- **Cyber Security & GDPR**
- **Practice Insights**
- **Employment Law & the Gig Economy**
- **AML War Stories**
- **Succession Planning**
- **Best Practice for Charities**
- **Professional Standards Update**

Annual Conference 2020

CPA Ireland's Annual Conference is always a highlight on the CPD calendar. 2020's conference will now take place in November 2020.

This full day event provides attendees with an opportunity to meet with inspirational business leaders who have achieved great success in building their companies from the ground up. Our speakers will offer insights on how to remain innovative in the changing business landscape.

Key Event Details:

Location: Johnstown House Hotel, Enfield, Co Meath

Date: 19th November 2020

CPD Credit: 8 hours

Cost: €225

Please note, in the event that this conference cannot be held as physical evens it will take place on a digital platform in early September.

Further Learning Courses 2020

Use our further learning suite to complete your CPD hours at a time and place that suits you. We offer a range of Certificate, Diploma & Online courses to develop your skills and professional knowledge. These courses can be accessed through our award winning, learning Management System, Canvas.

What further learning courses are available on Canvas?

Certified Tax Adviser 2020/2021
Book now for September 2020

Diploma in Forensic Accounting
Book now for September 2020

Diploma in Data Analytics
Book now for October 2020

Diploma in US GAAP **Book Now**

Diploma in Governance for the Charitable Sector
Book Now

Online course in FRS102 **Book Now**

Accountants Update Pathway: ROI

The Accountant's Update Pathway is back, and it's more essential than ever.

CPA Ireland in conjunction with accountingcpd.net, will once again be running a June intake of the Accountants Update Pathway which has proven extremely successful in the past.

Alongside our tried and trusted formula of online courses, podcasts, peer discussion, articles and quizzes, this year we are introducing new video content featuring extended interviews with key thinkers together with short new explainer videos on key topics.

You will find an even more varied and engaging learning experience that fits around your working life, helping you to balance your personal and professional imperatives with the task of staying up to date and maintaining the currency of your professional knowledge.

The Accountant's Update Pathway 2020 (ROI) combines the structure of a 20-week programme with the flexibility of accessing the materials wherever and whenever you want. Our facilitator will be on hand to help and guide you through the material and to gently remind you if you are falling behind.

The Accountant's Update Pathway 2020 (ROI) will make your CPD part of the beat of your life. It is a complete solution to remaining relevant and competent and to completing your CPD for 2020.

Book your place now.

Remember that CPA Ireland members get 10% off all accountingcpd courses throughout the year. We also host a number of videos which can be found at http://ow.ly/qEWG50xzrvu and a number of blogs available at https://www.accountingcpd.net/blog.

Student News

Formation 1 and Certificate in Business & Accounting

Any students wishing to sit for the Formation 1 and Certificate in Business & Accounting Computer Based Exams in Griffith College must register directly with the college.

Please note the following key dates:

The **deadline** for receipt of completed registration forms and payment is **5pm on Friday 31st July 2020.**

Students are encouraged to register as early as possible as places on exam sessions will be allocated on a first come, first served basis. A place in an exam session cannot be confirmed until payment has been received.

Students who had previously registered for the May 2020 CBE's which were deferred due to Covid-19 restrictions, will have their registrations carried over to the August 2020 dates.

Students wishing to make any changes to their registration should contact Griffith College directly (cpa@griffith.ie).

All exams will be held at the Griffith College Dublin main campus on the South Circular Road, Dublin 8 on the following dates and times:

Friday 7th August
10:00 and 13:00

Friday 14th August
10:00 and 13:00

Please email jackie.broderick@griffith.ie if you have any queries about these exams.

Examination Notice

August 2020 Examinations – To be Held Online with Remote Invigilation

Acting in line with Government advice, CPA Ireland had no option other than to defer the April exam sitting until August. With the health and safety of students and exam centre staff uppermost in our minds, we have taken innovative action to deliver examinations online.

This provides certainty in the context of doubt as to whether it would be possible to convene physically in an examination environment in August 2020.

Over the course of the past few months, we have been working with a new partner TestReach who are an industry leader in both online assessment and remote invigilation. We are pleased to confirm that through this collaboration all **Formation 2, Professional 1 and Professional 2** examinations will be held in an online environment in August 2020 and will be subject to remote invigilation.

Students will now have the flexibility and convenience to sit the CPA Ireland examinations on a PC or laptop at a suitable location of their choice, whether it be from home or in their office.

Very importantly, **the format of the examinations will remain the same** – we have simply transferred the original paper-based examinations to an online environment.

Instead of writing answers using pen and paper, candidates will type their answers using the inbuilt word processing and spreadsheet functionality. The system can handle both text and numeric answers.

Registration is now open for the August examinations through the students MyCPA Profile and will close on 17 July 2020. Students may register for additional examinations and combine levels if required.

Please check the CPA Website (https://www.cpaireland.ie/Current-Students/Syllabus-Exams/Online-Exams-August-2020) for detailed information and FAQ's relating to the online exams.

Application to Membership Notice

The following information will be of particular interest to all students intending to apply for membership in 2020.

The schedule for the Admission to Membership process for 2020 has been revised due to the deferral of the June 2020 examinations. The admission to membership process will now be managed in two cohorts as follows:

Cohort 1 – students who completed their P2 exams between 2017 and 2019

3 July -Closing date for Application to Membership for students in Cohort 1

Cohort 2 – students who complete their P2 exams in the August 2020 exam sitting

2 October - All outstanding training records to be submitted

16 October – Results of August examinations are published

16 October - All students who have completed their training and their P2 exams in the August sitting will be invited to apply for membership.

6 November - Closing date for Application to Membership for students in Cohort 2.

The following must be submitted as part of the Application to Membership

1. **Application Form.**
2. **Two Employer References on headed paper.**
3. **Competency Guide & Return**
4. **Admission Fee: €734 (submit cheque, debit card or credit card details).**
5. **Conferring Invitation Form.**
6. **Student ID Card.**

Students who are eligible to apply for membership are encouraged to begin the process as early as possible. **Applicants must have submitted all required Training Records to the Institute prior to applying for membership.**

If you have any questions regarding completing the process, particularly in relation to the completing the Competency Guide & Return, the Institute is more than happy to discuss and offer guidance on any aspect with you.

For queries regarding the admission to membership process, please contact **Réidín Ní Aonghusa at rniaonghusa@cpaireland.ie or 01 425 1022.**

Information & Disclaimer

Accountancy Plus is the official journal of the Institute of Certified Public Accountants in Ireland. It acts as a primary means of communication between the Institute and its Members, Student Members and Affiliates and a copy is sent automatically as part of their annual subscription. Accountancy Plus is published on a quarterly basis.

The Institute of Certified Public Accountants in Ireland, CPA Ireland is one of the main Irish accountancy bodies, with in excess of 5,000 members and students. The CPA designation is the most commonly used designation worldwide for professional accountants and the Institute's qualification enjoys wide international recognition.

The Institute's membership operates in public practice, industry, financial services and the public sector and CPAs work in over 40 countries around the world.

The Institute is active in the profession at national and international level, participating in the Consultative Committee of Accountancy Bodies – Ireland – CCAB (I) and together with other leading accountancy bodies, the Institute was a founding member of the International Federation of Accountants (IFAC) – the worldwide body. The Institute is also a member of Accountancy Europe, the representative body for the main accountancy bodies The Institute's Offices are at 17 Harcourt Street, Dublin 2, D02 W963 and at Unit 3, The Old Gasworks, Kilmorey Street, Newry, BT34 2DH.

The views expressed in items published in Accountancy Plus are those of the contributors and are not necessarily endorsed by the Institute, its Council or Editor. No responsibility for loss occasioned to any person acting or refraining to act as a result of material contained in this publication can be accepted by the Institute of Certified Public Accountants in Ireland.

The information contained in this magazine is to be used as a guide. For further information you should speak to your CPA professional advisor. Neither the Institute of Certified Public Accountants in Ireland or contributors can be held liable for any error, or for the consequences of any action, or lack of action arising from this magazine.


TOP ACCOUNTING TALENT TRUST THEIR FUTURE TO BARDEN, SO SHOULD YOU.