December Issue 2021

# Accountancy Plus

## The Official Journal of CPA Ireland


Ireland & US Foreign Direct Investment

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# Editorial

Accountancy Plus
**December 2021**

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# President's Message

## Welcome to the December 2021 edition of Accountancy Plus.

2021 has been another challenging year for members, clients, colleagues and family, however it is great to see the positive response from CPA Ireland and I'd like to acknowledge some of the positive achievements we have made throughout the year:

- In January 2021 we launched the CPA Ireland trainee remote course. Over the last two years there has been a huge surge in employer demand for solid core remote working skills, which are becoming increasingly invaluable to employers. The trainee remote course is a remote working skills course for CPA Ireland students that will support CPA trainees in the development of remote working and core Accountancy trainee skills. https://www.cpaireland.ie/become-a-student/CPA-Qualifications/cpa-trainee-remote
- In March, we launched the CPA Jobsearch Platform which is a new and exclusive online recruitment solution to help both CPA students and members succeed on their accountancy career journey and to support employers with accountancy talent attraction & retention. http://www.cpaireland.ie/JobSearch
- We were delighted to have created a partnership with successful social enterprise Covid Interns, which is a social enterprise platform connecting organisations struggling with the commercial challenges of Covid-19 with university students. Since launching in May 2020 Covid Interns has placed 150 students (and counting) in internship roles with more than 130 companies here and abroad. https://www.cpaireland.ie/become-a-student/CPA-Qualifications/cpa-trainee-remote
- Over the summer months, CPA Ireland launched a Wellbeing Platform with Spectrum.Life for CPA Ireland members. Spectrum.Life gives members access to a host of Digital Wellbeing content, videos and podcasts, fitness and nutrition trackers, along with numerous health and wellbeing related rewards. Information on how to register for the Wellness Platform can be found at https://www.cpaireland.ie/Members/Supports-Services/Wellbeing-Platform
- In September, we launched the interactive Digitalisation Hub which has been developed as a benefit for our members and students. We must embrace technology to remove what is routine from our roles and create time to add value through our professional knowledge and judgement. Embracing digitalisation is essential to maintaining clients, winning new business and having a positive succession plan.

  The Digitalisation Hub will help members develop a roadmap for digital transformation. It offers many resources including weekly webinars on all things digital, weekly showcases from software experts, case studies from our members and much more. I would encourage all members to take the time to navigate around the hub and see what's on offer. It can be accessed at www.cpaireland.ie/hub
- We have also held many successful online conferences which I was delighted to be a part of including the Irish Accountancy Conference and the Annual Conference.

My term as President to date has mainly been a digital one, however I am hopeful that we will begin to see more in person events taking place over the coming year to which I am looking forward to.

I would like to take this opportunity to thank you for the exceptional work you have done in 2021 and wish you a peaceful and happy Christmas.

Áine Collins

**Áine Collins**
**President CPA Ireland**

# Contents

# Social value reporting in Irish credit unions.

by Dr Martin Quinn & Dr Peter Cleary

**Increasingly, reporting of organisational values other than financial value is becoming more common. This article reports on one such initiative by Irish credit unions, which attempts to capture the social value generated by them. In turn, the reporting is helping credit unions reflect on their social purpose in a fast changing and highly regulated sector.**

In recent years, investors have increasingly considered Environmental, Social, and Governance (ESG) factors as part of identifying firm risks. This of course requires firms to report on such items and simultaneously, there have been moves by legislators to require firms to include more non-financial information within their reporting, for example, the Strategic Report as required under Corporate Governance codes. There is also an ongoing IFRS Sustainability Reporting Standards project and initiatives such as the Integrated Reporting Framework. Such reporting recognises that firms can create (or reduce) not only economic value, but also social, civic or public value. Social value reporting typically implies assigning some form of quantification/value to the outputs/services of an organisation.

Currently, the reporting of non-financial items is mainly done within the realm of larger or public companies - to comply with regulations and/or meet investor needs. Smaller companies, or those with a not-for-profit/charitable motive have less stringent reporting requirements, or in some instances, none at all. To give an example of what is required by a charity, its Annual Report should include mention of who it has helped, how it raised and spent funds, and where the benefits of its work were felt. Such information is typically in summary form, and quite short compared to what larger for-profit companies report. It does however provide useful insights for donors and the public, and also forces charity management to monitor their performance with regard to their charitable objectives.

Recently, some Irish credit unions have embarked on a journey to report upon their social value, which prompted us to study them. This article provides some insights into the nature of the reporting undertaken and what issues may potentially arise.

## The credit union sector in Ireland

Credit unions are established to serve their members financial needs. They are a cooperative organisation - the members (savers) are the owners. As members save with their credit union, these funds can be loaned to fellow members, thereby ensuring that any money deposited remains within the community or "common bond" (e.g. local area, trade or organisation) served by the credit union.

In the 1950's in Ireland, unemployment was rife. Poor social conditions and low levels of state unemployment benefit left many families living in poverty. Access to money and limited money management skills were identified as two issues afflicting the majority of the population when discussed by the three founder members of the Irish credit union movement in 1953. The inaugural community-based credit union opened in the Donore Avenue area of Dublin in 1958. In 1966, the Credit Union Act was passed and in 1972 the Irish League of Credit Unions (ILCU) was established to represent the interests of credit unions. By 2008 there were 521 credit unions on the island of Ireland with 2.9 million members[1]. A period of consolidation followed, and as of August 2021, the 326 credit unions affiliated to the ILCU have 3.63 million members, €16.3 billion in savings, loans of €4.9 billion, and assets to the value of €19.3 billion[2].

Irish credit unions are regulated primarily by the Credit Union Act(s) 1966 and 1997. The 1997 Act introduced a statutory reserve of 10% of each credit union's annual surplus, limited the types of investments they can engage in and gave powers to the regulator to determine allowable investments. Essentially, this is restricted to placing monies on deposit. However, given the social purpose of credit unions it appears that such regulation may be overly restrictive e.g. investments in social housing schemes would appear to represent a good, viable and secure investment. The Credit Union and Co-Operation with Overseas Regulators Act (2012), amongst other things, amended the provisions of prior Acts focusing mainly on the internal organisation of credit unions. For example, certain management roles and the Board of Directors were now deemed as professional roles. The 2012 Act also transferred the regulation of credit unions to the Central Bank of Ireland. This ensured that the regulation of credit unions was now being performed within the same institution as for-profit banks. All credit unions must now regularly report to the Central Bank of Ireland across four headings - prudential returns, year-end, fitness and probity and outsourcing

1 "Year" & "Key Development" table of https://www.creditunion.ie/about-credit-unions/history-of-credit-unions/
2 https://www.creditunion.ie/about-credit-unions/key-statistics/, accessed August 5th, 2021.

notifications (see https://www.centralbank.ie/regulation/industry-market-sectors/credit-unions/reporting-requirements). During the course of our study, it was repeatedly suggested that the regulatory and reporting requirements expected of Irish credit unions has resulted in an over-focus on financial performance indicators. This emphasis on financial performance indicators makes it more difficult for credit union decision-makers to reveal their social value and retain the support of the communities they serve. Consequently, this led some credit unions to explore ideas of publicly reporting their social impact or social value. We now provide some insights into the type of reporting being undertaken.

## Reporting the social value generated by a credit union

There are several ways to measure an organisation's social impact in monetary terms. According to Mulgan (2010), some of the ways to measure social value include Cost-Benefit Analysis, Cost-Effectiveness Analysis, Social Impact Assessment/Social Return on Investment Assessment and Public Value Assessment. In 2020, Ireland's oldest credit union, Donore Credit Union in Dublin used a Social Return on Investment (SROI) method to report on their [social] value generated.

The CEO, David McAuley, indicated to us that he has been concerned with the volume of regulatory compliance and reporting faced by Irish credit unions. He also noted that he believed that credit unions need to report more non-financial information, including the impact they have on the communities they serve. He heard a radio news item about Na Fianna GAA club in Dublin, who commissioned an SROI report in response to a proposal to use their grounds as part of an infrastructure construction project.

The resulting study noted the club generated €50 million in social value in the year to June 2018. Following this, a similar SROI report was commissioned by Donore Credit Union.

What is the process of deriving an SROI value you may ask?

What gets reported may vary depending on the nature of the organisation, but at the core of any SROI valuation are eight principles according to Social Value International - see Figure 1. Following these principles, an organisation - typically with assistance from a consultant or social value practitioner - engages the organisation's stakeholders to define key outcomes for each stakeholder group - see some examples for Donore Credit Union in Figure 2. The outcomes are valued, with both current and discounted future cash flows included, resulting in the calculation of a present value. The values of inputs are also calculated, and when compared to the outputs, an SROI ratio is derived. In the case of Donore Credit Union, their report noted an SROI ratio of 10.51:1, which can be interpreted as "for every €1 equivalent invested into Donore CU, approximately €10 of social value was created".

From Figure 2, let us use the example of Budget account & Christmas Club users to illustrate how a monetary value can be attached to the outcome "better able to manage money" (Principle 2/3 per Figure 1). The process started with obtaining the number of members who used these services. The monetary value was derived by examining the costs of courses which members could take to improve their everyday budgeting skills. An average cost of such a course was used, and then multiplied by the number of members to derive an initial outcome value. This was then reduced by a "deadweight" estimate - an estimate of whether the outcome would have happened without Donore Credit Union budget accounts in this instance (Principle 5 per Figure 1).

*Figure 1* - principles of social value (Note: Principle 8 was added in 2021)

*Figure 2* - stakeholders and outcomes of Donore Credit Union (adapted)

| | |
|---|---|
| Principle 1: | Engage Stakeholders |
| Principle 2: | Understand What Changes |
| Principle 3: | Value the Things That Matter |
| Principle 4: | Only Include What Is Material |
| Principle 5: | Do Not Overclaim |
| Principle 6: | Be Transparent |
| Principle 7: | Verify the Result |
| Principle 8: | Be Responsive |

*Figure 1*

| Stakeholders | Outcomes |
|---|---|
| Members | Reduced Stress |
| Loyal Members | Sense of belonging |
| Coping borrowers | Improved standard of living |
| Shareholders & savers | Increased income |
| Business loan recipients | Business development |
| Volunteers | Satisfaction with volunteering |
| Vulnerable borrowers | Cost savings |
| Budget account & Christmas Club users | Better able to manage money |
| Recipients of donations | Better day-to-day functioning |
| Financial education programme users | Increased financial capability |
| Prize winners | Prizes |
| Club account holders | Increased income |
| Scholarship recipients | Scholarships |

*Figure 2*

The outcome value was reduced by any associated input costs - fees paid by members on budget accounts in this example.

### The future

David McAuley, CEO of Donore Credit Union said of the reasoning behind their SROI report "what we were trying to determine was if the credit union ethos – not for profit, local base, community values – are deemed valuable by members? The response we got to the report was a resounding yes". This suggests that reporting social value within the credit union sector may be useful. As part of an ongoing CPA Ireland supported study we are undertaking, interviewed credit union CEOs and managers have expressed great enthusiasm to engage in more reporting which better reflects their activities and values (financial and non-financial).

They have reported that undertaking an exercise such as an SROI study would help them reflect on what is really important to a credit union - the financial wellbeing of its members, the communities in which they operate, for example. Normal financial statements and reports submitted to regulatory authorities do little in this regard, according to most CEOs/managers.

Many interviewees in our study also noted that reporting more non-financial measures to the public would be useful in portraying the value of credit unions to the communities they serve, ultimately increasing membership.

This is a classic case of non-financial performance linking ultimately to improved financial performance (more members = more income) - albeit credit unions are not-for-profit organisations.

Other credit unions are also considering following the Donore Credit Union reporting example, which will be interesting to study in the future. As accountants, we are used to more precise monetary values being reported in profit and loss accounts and balance sheets and may express some doubt in monetary values attached to social outcomes. While there are methodologies supporting the calculation of figures such as SROI, any such reports are not (yet) audited/verified. There is also the additional problem of selecting measures appropriate to an organisation - even within the small Irish credit union sector there are many differences between individual credit unions. This leads to issues of comparability.

Other issues include the regularity of reporting and the resources needed to partake in this practice. However, despite such issues most credit union CEOs/managers interviewed by us noted the value of some form of reporting of their social value to members and communities.

### References and further reading:

Mulgan, G. 2010. Measuring Social Value. Stanford Social Innovation Review, Summer 2010, 37-43.

Social Return on Investment Study, Donore Credit Union, available at https://www.donorecu.ie/Social-Return-On-Investment

Social Return on Investment Study, CLG Na Fianna, available at http://clgnafianna.com/social-value-report/

The Principles of Social Value, available at https://www.socialvalueint.org/principles.

### Acknowledgements

The research underpinning this article is supported by CPA Ireland. We are grateful for the assistance of David McAuley, CEO Donore Credit Union.

**Dr Martin Quinn**

*Dr Martin Quinn is a Professor in Accounting at Queen's Management School.*

**Dr Peter Cleary**

*Dr Peter Cleary is a Senior Lecturer in Accounting at Cork University Business School, UCC.*

# CPA Profile
## Declan Rigney

Title:
Assistant Secretary
Company:
Revenue Commissioners
Qualifications:
CPA, CTA

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

My brother in law was working in practice at the time and I was keen to gain a professional qualification while working in the Civil Service. I always enjoyed book-keeping and accounting in secondary school, and the subjects covered in studying accountancy at the professional level were very diverse and gave good insights into many aspects of business and commerce.

### Why did you choose CPA Ireland as your qualification route?

I liked the study and exam cycle provided by CPA, which was September to May each year and, the flexibility offered in the final year, while trying to balance work and study pressures, was also very appealing.

### Please provide a brief history of your career.

I'm a career Civil Servant, working for almost 40 years at this stage. Apart from an eighteen-month spell in the Department of Defence at the start of my career, I've worked in Revenue for the rest of the time. I've been very fortunate to have worked in many varied and interesting roles along the way and successfully progressed through the ranks during that period.

### What one word describes what your CPA qualification has given you?

Knowledge. Studying for the CPA and ultimately successfully achieving the qualification gives a great grounding in the various disciplines that are to be found in everyday business enterprises. There are obvious linkages between the primary books of record, financial accounting and taxation but covering other subjects to a high standard like management accounting, corporate law and audit/assurance have stood to me and are still areas that I would regularly draw upon in my day to day work.

### What has been your biggest career achievement?

I have been lucky enough to have worked in many different roles in Revenue that have included assisting the Department of Finance in the early days of licencing of IFSC companies, drafting capital acquisitions tax and stamp duties legislation, as well as leading high-performing and dedicated teams to implement local property tax and the modernisation of the administration of PAYE.

However, I believe that the collective effort of a large number of people in Revenue over the past eighteen months to quickly get to grips with the challenges faced by the economy and to deliver a range of supports for businesses and citizens in the form of the wage subsidy schemes, business support schemes and debt warehousing has been immense. To have been involved with that effort has been incredibly rewarding.

### What or who inspires you most in business?

Innovation and re-invention. Given the pace of change due to technological advances, increased digitisation, the environmental and other challenges facing economies, standing still is not an option. The ability of Irish businesses to be early advocates for new technologies, products and services and doing this in the competitive international market has always impressed me.

In Civil Service and international tax administration terms, I'm very proud that Revenue is recognised as an innovative and leading-edge administration that actively seeks out opportunities to make it as easy as possible for business and for citizens to comply with their tax obligations. Recent examples of using technologies to support tax compliance include significant investment in high-quality online services, the use of real time payroll data from payroll systems for the PAYE modernisation programme – which in turn facilitated the delivery of COVID wage supports, the interactive valuation tool to assist residential property owners to value their property for local property tax purposes and applying advanced data analytics programmes to identify data outliers and focus valuable compliance resources on non-compliance. More of these innovative and imaginative approaches to tax administration can be expected in the coming years.

### What advice would you give to those recently qualified or currently studying for their CPA qualification?

Obtaining the CPA qualification opens up all sorts of career possibilities including working in practice, industry and, increasingly, in the Civil Service. At one stage the number of accountants working in the Civil Service was quite small but that has changed in the last number of years and large numbers of accountancy professionals, including I'm pleased to say fellow CPAs, are now making very successful careers for themselves in leadership positions.

### How do you unwind?

I like watching most sports and particularly enjoy Ireland's international football matches. I actively play (bad) golf but my real therapy is the one hour a week where the stresses of the day are forgotten and replaced by the adrenalin rush of moderately competitive 5-a-side football.

### What traits do you admire in others?

Probably selflessness especially in the form of those people who devote a major part of their lives to improving the lives of their fellow citizens.

# CPA Profile
# Helen Shen

Title:
**Managing Director**
Company:
**Hopkins CM & Associates Limited**
Qualifications:
**CPA and FCCA**

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

It is a long story. The truth is I didn't plan to have a career in accountancy as I have a degree in Economics from Fudan University, Shanghai. I thought I was done with my academic study.

I was born Shanghai in China and have been in Ireland since 1999. The original plan was to learn English for three months at the Peace Language School in Bray, Co Wicklow and to go back to China after. However, after three months my English was still not good, but I didn't want to continue at the language school as I found it didn't help if all your classmates were from non-English speaking countries. With the school principal's help, I was able to join the Senior College, Dun Laoghaire to study Accounting Technicians in Ireland.

Following this, I got my first office job in Ireland as a trainee accountant in an accountancy firm based in Blackrock. I loved the work, I really enjoyed working with numbers and this provided me with the impetus to continue studying accountancy, later qualifying as a CPA and ACCA.

### Why did you choose CPA Ireland as your qualification route?

Having decided on what I wanted to do I looked at the various options available and I felt that the CPA route fitted well into my work and personal life schedule. The student supports that were on offer were also a deciding factor.

### Please provide a brief history of your career.

I started my first work in Ireland as a trainee in practice in 2000. After 7 years I moved to a mid-sized practice where I enhanced my experience. After several years, I moved to work as head of finance in Industry with an Irish company who were involved in manufacturing goods in China and importing same to Ireland. Here I gained extensive experience which was a great help to me when I took on the challenge of running my own company. In 2012, I had an opportunity to take over a practice based in North Dublin. I just loved the challenge, to help the clients with their projects and to resolve their financial problems. I always believe the success of our clients is the key to our future.

### What one word describes what your CPA qualification has given you?

Confidence - the qualification gives me the confidence to use my accounting knowledge in my career. It also gives me the confidence to meet with existing and potential clients.

### What has been your biggest career achievement?

Career goals have changed for me over time. Surviving the first year of business was a big achievement way back when I took over the practice 9 years ago. Working with clients on projects and seeing them come to fruition gives me a big sense of achievement on a day-to-day basis. Being awarded a Grade A in the Annual CPA Quality Assurance Review is something I'm very proud of.

### What or who inspires you most in business?

The resilience of business owners, especially women in business. Seeing what they can achieve in a sometimes male dominated environment inspires me. It's their energy, their drive to succeed and positive attitude that sets them apart.

### What advice would you give to those recently qualified or currently studying for their CPA qualification?

The CPA qualification is not easy to obtain, you may have to sacrifice your evenings and weekends for the classroom. But it is worthwhile. A CPA qualification provides opportunities for your career. Stick with it and you will gain a wide range of skillsets and expertise that are valuable and transferable across many industry sectors. Have a clear vision for where you want to go and what you want to do. If I can do it with English as my second language, I believe you can do even better.

### How do you unwind?

I have a friendly Tibetan Terrier dog and he is absolutely great. It doesn't matter how stressful my day in work has been, he always give me a great welcome home and puts a smile on my face. Taking him out for a walk helps me to relax. Other than that, I love watching Chinese TV series, it's just great to lose yourself in a TV story for a few hours.

### What traits do you admire in others?

Try and be happy. Have a positive attitude.

# Financial Reporting News

## FRC requests views to inform the periodic review of FRS 102

UK and Ireland accounting standards are subject to periodic reviews, at least every five years, to ensure they remain up-to-date and continue to require high-quality and cost-effective financial reporting from entities within their scope. The FRC is starting the next periodic review of FRS 102 (and other UK and Ireland accounting standards. Through this process, the FRC is seeking views from stakeholders on areas that might be considered as part of the review.

This might include new issues/ transactions that should be addressed, or comments or suggestions in relation to the current requirements. In addition to stakeholder feedback the review will consider recent developments in financial reporting (such as changes in IFRS) and relevant developments in the wider reporting framework, for example, IFRS 16 Leases provides a single lessee accounting model that requires assets and liabilities arising from almost all lease arrangements to be recognised on the balance sheet. One might view that bringing leases onto the balance sheet under FRS 102 is the right approach as many companies reporting under FRS 102, including small entities, have complex lease arrangements and that the principles of IFRS 16 would provide better information to preparers and users. Nevertheless, those that might take this view should urge the FRC to develop a simplified approach to avoid introducing all the complexities of IFRS 16 into FRS 102. In contrast, one might take the view that bringing all leases onto the balance sheet may be particularly challenging for very small entities, particularly owner-managed businesses, and may have limited benefits.

Any changes to accounting standards that are proposed as a result of the periodic review will be subject to public consultation at a later date, not expected to be before 2022. The effective date for any amendments is currently expected to be 1 January 2024.The FRC also expects to hold roundtable events for stakeholders to provide their views. Further details will be provided in due course.

**Source: www.frc.org.uk**

## International Sustainability Standards Setting

The FRC has published FAQs on International Sustainability Standards Setting. The purpose of the FAQs is to inform UK company stakeholders of developments in sustainability standard setting by the International Financial Reporting Standards Foundation (IFRS Foundation). This is a fast-moving agenda that has the potential to impact corporate reporting significantly in the future.

*https://frc.org.uk/newsseptember-2021/ international-sustainability-standards-setting*

## European accounting enforcers outline common enforcement priorities regarding companies' 2021 financial statements

The European Securities and Markets Authority (ESMA) has published its annual priorities statement titled 'European common enforcement priorities for 2021 annual financial reports'. That Public Statement sets out the topics which European accounting enforcers believe warrant close attention when financial statements for the year ending 31 December 2021 are being prepared, approved and audited.

ESMA's Public Statement supplements IAASA's Observations paper which was published in September 2021.

*https://www.esma.europa.eu/*

## FRC review of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'

The Financial Reporting Council (FRC) has published on 14 October 2021 the findings of its review into IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', which has been identified as a recurrent problem area by the FRC.

Provisions and contingent liabilities reporting are of particular importance to investors owing to the forward-looking information it can provide about a company's exposures.

The issues giving rise to provisions and contingent liabilities are often long-term in nature, such as climate change and other environmental obligations, or significant to the assessment of future business performance, for example, onerous contracts and regulatory penalties or compensation.

The FRC's review considered how a sample of 20 companies' annual reports had met relevant reporting requirements, identified examples of good practice and outlined its expectations for future disclosures.

The review found scope for improvements in several areas, in particular in:

- explaining how the amounts of expected outflows have been estimated, identifying the key assumptions applied and describing the associated uncertainties,
- disclosing the phasing of outflows companies expect to see as they utilise their provisions; and
- describing the underlying costs for which companies make provisions.

The FRC also encourages companies to disclose entity-specific accounting policies and to provide more quantitative information about contingent liabilities.

The FRC's Corporate Reporting Review Director, Carol Page, said:

"The reporting of provisions and contingent liabilities is of particular importance to investors and other users of accounts in understanding the longer-term financial effects of climate change and other risks to companies' prospects.

Companies should carefully consider the findings of our review and take appropriate steps to improve their reporting, consistent with our expectations."

The full report is available.at https:// www.frc.org.uk/getattachment/ d7386e32-190f-4599-b763- 6fe7c702f579/FRC-Thematic-Report-IAS37_October-2021.pdf

**Source: www.frc.org.uk**

# **Leasing:** Recent Changes to Rules Turn Balance Sheet Accounting on its Head

by Wayne Bartlett

**It's been several decades now since I studied to be an accountant and one of the areas that I remember vividly scratching my brain about was the difference between finance and operating leases. All of that stuff about putting things on or keeping them off balance sheets struck home.**

I understood the difference between the two and appreciated that if you leased an asset for the majority of its useful economic life, then it made intuitive sense that you should have that situation recognised on your balance sheet. On the other hand, if you only leased it for a small portion of its useful economic life it equally made sense that it was not recognised on your balance sheet. It seemed to me a very good demonstration of that important accounting concept of substance over form.

I never really thought that there might be an alternative way of looking at this. Users of financial statements became increasingly disillusioned with the high value of leases that fell into the operating category which did not appear on corporate balance sheets under the old rules. The number of disclosures required for all types of leases grew exponentially in an effort to compensate. Influential regulatory bodies such as the US Securities and Exchange Commission (SEC) began to express their concern at the non-reporting of so many leases on balance sheets. Due to pressure from them, it was eventually decided that the rules would be radically revised.

## An example of Standard-setters speaking the same language

For many years, there have been efforts made to try and converge IFRS and US GAAP. A joint consultation process on potential changes was begun by both parties back in 2006. Revenue recognition and leasing were identified as two areas of joint interest. Views on lease accounting were sought from a wide range of stakeholders as part of this joint process. It took ten years to come to fruition but after over 1,700 formal replies from both sides of the Atlantic and beyond were received, an end-result was arrived at as far as both were concerned, with new Standards which are similar (though not identical) to each other.

In the US, this led to the promulgation of ASC (Accounting Standard Codification) 842 on leases which took the place of ASC 840. Within the IFRS framework, a new Standard was also issued, IFRS 16, which replaced IAS 17. Whilst there are still some detailed differences between US GAAP and IFRS, the guidance included in both is quite similar: a good example of what cooperation between the two Standard-setting bodies can achieve if the will is there, and the subject matter is of significant interest to both parties.

In recent months, several things have come to my attention which suggests that not all accountants are completely aware of the significance of the new standards, though I'm sure that does not go for everybody. This article is written with the aim of reminding everyone of the new rules so that they can be confident that they are applying them properly in practice.

### The key elements of IFRS 16 and ASC 842

Both IFRS 16 and ASC 842 were released in 2016 though they did not come into immediate effect, IFRS 16 for example being mandatory from 2019 onwards. In the views of some commentators on IFRSs, it was the biggest change to the Standards in over a decade. Both IFRS 16 and ASC 842 require that all leases, regardless of whether they are finance (sometimes known as capital) leases or operating in nature, will be recognised on the balance sheets of the lessee (the body using the asset under the terms of the lease, as opposed to the lessor, its legal owner). There will therefore to this extent be no differentiation between finance and operating leases when comparing both frameworks. In IFRS 16, only very short-term leases (or 'small ticket' leases as they are sometimes known) are exempt from this requirement along with low-value items such as personal computers. All other types of leases will be treated in the same way as finance leases were treated in the past and put 'on balance sheet'. ASC 842 is very similar, with the exception that there is no exemption for low value leases.

The treatment of such assets on the books of the lessor is largely unchanged. There are a few detailed differences between IFRS and US GAAP; for example, on how a decision should be made as to whether a leased asset has been sold. Under the IFRS approach, the decisive factor is the transfer of the risks and rewards of ownership. With US GAAP, the key decision is based on control factors; similar to the philosophy underlying the recent changes to US standards on revenue recognition.

### The impact of these changes

It was estimated when IFRS 16 was released that globally around $2.7 trillion trillion of leases were then held off balance sheets, a truly staggering number. Initial estimates were that over 50% of the world's listed companies will be affected by the changes. Airline, retail and travel/leisure sectors along with mining and construction companies were forecast to be particularly affected by the changes. Research suggested however that the impact would be varied in terms of geography, with those in Latin America seeing the greatest impact followed by those in the Asia-Pacific region. Businesses in Europe and North America were believed to have been the least affected, possibly because existing standards were already robustly enforced there.

The obvious impact of the new Standards in terms of absolute numbers is easy enough perhaps to understand – balance sheet values for what are now called 'Right of Use' assets will rise in the aggregate substantially. But financial metrics are also impacted. Earnings per Share (EPS) or other performance measurements may be impacted which could even in some cases impact on items such as bonuses that are linked to earnings. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) will be impacted. With the change in treatment under the new Standards, operating lease payments are no longer charged direct to the income statement as they were in the past. Instead, they will be capitalised and depreciated, and payments will be split between capital and interest elements. The latter items are excluded from EBITDA.

Neither is it just the earnings on the income statement that are affected. So too is the balance sheet. Assets will go up in terms of value in most cases but so too will liabilities. This may affect gearings. For those with a large number of leases this could make their balance sheet look very different than it would have done under the old rules.

### Some practical implications

There is a need to ensure that there is a comprehensive set of data available to implement the new rules now that so many leases are likely to be 'on balance sheet'. In the past, the only accounting impact of operating leases was the annual or periodic charges that needed to be fed into the income statement. Now many of these need to be given an asset value on the balance sheet. Better record-keeping is required. All lease documentation needs to be carefully logged and scrutinised. Internal communication needs to be good. Those setting up leases will not necessarily be accountants and the latter need to be fed information when new ones are created so that they are properly accounted for.

The degree of complexity is potentially significant for larger companies who operate over many sites and potentially even in many countries. There needs to be consistent, comprehensive and appropriate policies and procedures in place to ensure that the financial statements are produced in the appropriate fashion and are materially correct in terms of their content and presentation.

A degree of judgement is required too. For example, what in IFRS terms is a 'low value asset'? Some stakeholders might prefer that there was a definitive threshold number within IFRS 16 which could be applied in a black and white fashion but there is not, though the accompanying Basis for Conclusions suggests that a threshold figure of $5,000 may be an appropriate guideline in many cases. As always though users will need to work out what is appropriate for their own particular business and apply it accordingly.

The low-value threshold applies to individual items. Although on a case-by-case basis they may be immaterial, when aggregated they could potentially have a much more significant impact. However, they will still not be treated as 'on balance sheet'. This may appear to be a welcome reduction of the potentially complex nature of application in practice but what about if businesses have contracts for large numbers of items? In such cases there may be a need to go through line items in the contract one by one and assess whether they should be treated as low value items individually or not.

Many lease contracts can have a service element in them alongside a leasing of assets. If this is the case, then the two elements should be split out. The service element is to be treated as an ongoing operational expense and the lease of the asset separately dealt with in accordance with IFRS 16 or ASC 842 as relevant. Hopefully lease contracts will clearly define both elements separately; but this may not always be the case and documentation needs to be reviewed so that businesses can be confident that they have all the necessary information to hand.

## Conclusion – what to watch out for

It is hopefully now clear that the new rules have a big impact on the way that leases are reported, for lessees particularly. The following measures need to be taken:

- A comprehensive database for all leases should be created if it does not already exist.
- Contracts should clearly differentiate service and leasing elements: if not, appropriate clarification from lessors should be sought.
- Accounting policies for leases should be reviewed and complemented by comprehensive data collection systems to ensure that the new rules are rigorously applied.
- Staff should be assessed to ensure they are fully briefed on how to account for leases and training provided to close any knowledge gaps.

Of course, not all businesses have leases and so not everyone is affected by the new rules. But those businesses that may have significant values involved in them, getting their reporting right will be fundamentally important for them in particular.

**Wayne Bartlett,**
*FCCA, MBA*

# Accounting Enforcement Priorities for 2021 Year Ends

by Maurice Barrett

**The Irish Auditing and Accounting Supervisory Authority (IAASA) is the accounting enforcer in Ireland. IAASA publishes a paper each September highlighting areas that companies should give extra attention to when preparing their annual financial statements in the coming year. IAASA's most recent such paper – Observations on selected financial reporting issues – years ending on or after 31 December 2021 is available on www.iaasa.ie. While the paper is prepared with listed companies in mind, the messages are equally relevant to all companies.**

The European Securities and Markets Authority (ESMA) is the Europe-wide body responsible for safeguarding the stability of the EU's financial system. Co-ordination of accounting enforcement across the EU is part of ESMA's activity. One element of ESMA's accounting enforcement role is the publication of a Public Statement each October establishing the common enforcement priorities (CEPs) for the annual financial reports of listed companies.

This article draws out the common themes of these two documents.

## Objectives

Our accounting enforcement regime is developed in accordance with the EU Transparency Directive, which aims to ensure that companies provide high quality financial reports to the public.

ESMA's statement is directed at the approximately 4,000 listed companies across the EU including the circa 130 companies under IAASA's remit.

While directed primarily at this limited population of companies, the topics covered in the two documents are relevant to most companies. The Observations paper and the ESMA statement are written primarily from an International Financial Reporting Standards (IFRS) perspective; however, most of the topics covered apply equally to companies applying Irish standards.

As such, IAASA recommends that preparers, management, audit committees, directors and auditors consider the messages in both documents when preparing, approving and auditing financial statements.

## Emerging trends

The ESMA CEPs statement highlights the importance of non-IFRS-based priorities. Of the seven areas included in the CEPs statement, only three refer to IFRS requirements. This is considered significant and is indicative of the direction of travel of corporate reporting and accounting enforcement at the European level. It reflects a trend to consider corporate reporting from a more holistic point of view and a much wider perspective than the more traditional approach of considering only the monetary amounts and disclosures in the IFRS financial statements. Over the coming months and years, IAASA's role will continue to expand into areas other than IFRS financial statements, in particular, in the area of sustainability reporting.

We know that the EU is developing climate change and sustainability reporting requirements, a project that is advancing at pace. However, the IAASA and ESMA documents note that companies should not be waiting for those European changes to be agreed and implemented; rather, disclosures are required now.

The International Accounting Standards Board (IASB) is active in this area also and has published educational material Effects of climate-related matters on financial statements highlighting how IFRSs require entities to consider climate-related matters when the impact is material to their financial statements.

Companies, particularly those in the most affected sectors such as extractive industries, aviation and transport, should disclose how they have assessed climate risks when considering significant judgements and major sources of estimation uncertainty. Companies should also carefully consider whether any provisions or liabilities could arise. Perhaps from the potential for future regulatory requirements to remediate environmental damage, contracts that may become onerous or restructurings to redesign products or services to achieve climate-related targets.

## Common themes

In addition to both documents focusing on climate change, there are other common themes running through both the IAASA paper and ESMA's CEPs statement. These themes include:

- expected credit losses (ECLs) – IFRS 9 Financial Instruments,
- alternative performance measures (APMs); and
- the impact of Covid-19.

## Expected credit losses (ECLs) – IFRS 9 Financial Instruments

ECLs feature prominently in both documents, reflecting the significance of expected credit losses. It is important to note that these requirements don't just apply to banks; they apply to all companies.

Economic support and relief measures continue to be provided by governments to offset the impact of Covid-19 restrictions. The depth and duration of the impact of Covid-19 and the trajectory of any recovery remain uncertain. However, relief and supports, including debt warehousing, are being unwound over the next couple of months and only then will the longer-term impacts on ECLs become apparent. Companies should distinguish between measures and reliefs that have an impact on the credit risk of financial instruments over the expected life of financial assets and those which address temporary liquidity constraints of borrowers and apply IFRS 9 accordingly in preparing their financial statements.

Post model adjustments (or 'management overlays') have been made to supplement model-based ECL calculations. These post-model adjustments should be considered to ensure that ECLs are measured in a way that reflects an unbiased and probabilityweighted amount that is determined by evaluating a range of possible outcomes.

Companies must disclose the macro-economic information used when determining the ECL. It is likely that there may be significant changes to macro-economic assumptions due to Covid-19 restrictions and the subsequent recovery, the impact of supply chain constraints and the uptick in inflationary pressures; for some companies, the uncertainties over the Northern Irish Protocol and the impact on cross-border trade flows may be substantial. Companies should disclose and clearly explain any significant changes in macro-economic assumptions used in ECL measurement during the reporting period and the reasons for changes.

Companies are required to disclose the basis for the inputs and assumptions and the estimation techniques used to determine whether there is a significant increase in credit risk (SICR) of financial instruments since initial recognition. IFRS 9 does not define SICR. It is a judgmental area and a company will need to identify relevant factors that indicate a significant increase in credit risk based on the facts and circumstances specific to the financial asset and how the company manages credit risk; this involves both quantitative and qualitative assessments. Companies need to explain how relief measures (i.e. forbearance) have impacted the assessment of SICR.

Looking at climate change, companies should disclose clearly how material climate-related and environmental risks are incorporated into the ECL calculations.

## Alternative performance measures (APMs)

Both the IAASA paper and the ESMA statement address the use of APMs by companies. APMs are where companies adjust the IFRS numbers in some way and use those adjusted numbers in their commentary, typically in the front, narrative section of the annual report. These numbers are not audited and, therefore, it is important that users are clear on what the differences are between these APMs and the audited financial statement numbers.

The ESMA CEPs statement urges caution if entities adjust APMs used or develop new APMs with the sole objective of depicting the impact that Covid-19 has on financial performance. ESMA contends that, in most instances, the Covid-19 impact should not be presented separately in APMs.

IAASA continues to identify issues relating to APMs and reminds companies that:

- APMs should not be presented with more prominence and emphasis or authority than the numbers from the audited financial statements
- APMs must be reconciled to the audited IFRS numbers
- companies must use correct labels to describe APMs (e.g. the expression 'Adjusted EBITDA' is used rather than 'EBITDA')
- APMs must be defined and the basis of the calculation applied
- Use of APMs must be clearly explained, and
- APMs must also include comparative prior year amounts.

## Impact of Covid-19

The ESMA CEPs statement notes that the impact of Covid-19 has been severe and the path to recovery may be prolonged. The statement sets out the need for a careful assessment of the longer-term impacts of Covid-19 on a company's activities, financial performance, financial position and cash flows (such as going concern assumptions, significant judgements, estimation uncertainty, presentation of financial statements and impairment of assets). It also reminds companies to provide transparent disclosures of arrangements that take the form of supply chain financing and calls for transparency on the criteria and assumptions used in the recognition of deferred tax assets arising from the carry forward of unused tax losses and unused tax credits due to the Covid-19 pandemic.

IAASA's paper addresses Covid-19 in a number of places and, amongst other matters, emphasises the need for disclosures to be entity specific and to provide sufficient detail to allow users to understand the impact that the Covid-19 restrictions have on the company's current and future financial performance, financial position, cash flows and risks.

IAASA's paper and ESMA's CEPs statement reminds companies to provide a description of the nature and extent of any significant public support measure received by category (e.g. loans, tax relief, compensation schemes).

## Conclusion

The priorities for financial reporting in the short to medium term mirror what most of us are likely to be most concerned with in our personal lives also, being the recovery (hopefully!) from Covid-19 and climate change. We all hope that we are seeing an end to the pandemic, though there is much talk of the 'new normal' and how our personal and consumer behaviours have changed for the long-term.

There is a strong drive from the public and from governments for both of these things. There is also a cultural shift amongst the investor community requiring more information so that that can make more qualitative decisions about the types of companies they want to invest in – with a desire to ensure that those companies, as well as the supply chain of those companies, are behaving in an ethical and climate friendly way.

To ensure that investors can fully understand and respond to the above, it is vital that the annual reports of companies provide true and fair information about these matters.

Applying the adage 'together is better', when preparing, approving and auditing financial statements, the contents of both documents should provide helpful pointers to preparers, management, Audit Committees, directors and auditors and thereby contribute to higher quality financial reports.

IAASA's Observations document is available at http://iaasa.ie/getmedia/5423b3c0-6cef-4d75-a383-69f7a03d42af/IAASA-Observations-paper-2021.pdf?ext=.pdf

ESMA's Public Statement on Common Enforcement Priorities is available at https://www.esma.europa.eu

ESMA's Guidelines on Alternative Performance Measures is available at https://www.esma.europa.eu/sites/default/files/library/2015/10/2015-esma-1415en.pdf

The International Accounting Standards Board's educational material Effects of climate-related matters on financial statements is available at https://www.ifrs.org/content/dam/ifrs/supporting-implementation/documents/effects-of-climate-related-matters-on-financial-statements.pdf)

**Maurice Barrett**

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The views expressed here are his own and do not necessarily reflect IAASA's official positions.

# Law & Regulation News

## Corporate Enforcement Authority

The Companies (Corporate Enforcement Authority) Bill 2021 establishes the Office of the Director of Corporate Enforcement (ODCE) as a standalone statutory body with a commission structure, to be called the Corporate Enforcement Authority (CEA).

The Corporate Enforcement Authority, will replace, and perform the functions previously performed by, the Director of Corporate Enforcement. The Bill also makes provision for certain other amendments to the Companies Act 2014 relating to the share capital and corporate governance of companies.

Welcoming the Government's approval of the Companies (Corporate Enforcement Authority) Bill 2021, Director of Corporate Enforcement, Ian Drennan, said:

"The approval by Government of legislation paving the way for the establishment of the Corporate Enforcement Authority marks a watershed moment in Ireland's strategic approach towards addressing economic and white-collar crime.

With enhanced autonomy and significantly increased levels of investigative assets - including additional legal and digital forensics professionals and seconded members of An Garda Síochána - the CEA will assume the ODCE's current caseload and will, I anticipate, continue to build on the ODCE's forensic and robust approach towards tackling serious breaches of company law and associated wrongdoing in both civil and criminal realms".

At the time of going to print the Bill had reached Third Stage in the Dáil.

**www.oireachtas.ie**

## Central Register of Beneficial Ownership of Trusts

Anti-Money Laundering legislation requires each EU Member State to establish a Central Register of Beneficial Ownership of Trusts (CRBOT).

The purpose of the CRBOT is to help prevent money laundering and terrorist financing by improving transparency on who ultimately owns and controls Irish trusts.

The CRBOT will contain details of relevant trusts and their beneficial owners. Trustees must submit these details to Revenue, who will manage the CRBOT.

For trusts that were established on or before 23 April 2021, the registration deadline was 23 October 2021. Trusts created after 23 April 2021 must be filed within 6 months of their creation.

Trustees (or their agents, advisors, or employees) can register for the CRBOT, through a 'Trust Register' portal on Revenue's Online Service (ROS).

For individual filers who do not have a business tax registration number, the 'Trust Register' is available on MyAccount. Agents or advisors must submit a Trust Register TAIN Link notification on ROS if they are acting in a representative capacity.

**www.revenue.ie**

## Companies Emission Reporting Proposed

A Private Members Bill, The Companies (Emission) Reporting Bill 2021, was introduced to the Seanad in September 2021. It proposes to require companies to make annual public disclosures in relation to the greenhouse gas emissions caused by their activities, to cause decreases in such emissions over time, to amend the Climate Action and Low Carbon Development Act 2015 and the Companies Act 2014, and to provide for related matters. It would require the disclosure of audited statements of greenhouse gas emissions by companies over 50 employees to the Minister for Enterprise and a number of other important provisions. It is tabled in the spirit of ensuring that the burden of responding to climate change falls equitably and proportionally between those who make the greatest contribution, in keeping with the polluter-pays principle and to support climate justice and a just transition.

This Bill must be passed by the Seanad and then the Dail. At the time of going to print the Bill was early stages in the Seanad.

**www.oireachtas.ie**

# Considerations for employers
## preparing effective hybrid working models

by Derek McKay

**Little has come close to transforming work and how we work since the Industrial Revolution than the impact of Covid-19. And, it continues to shape our world of work as businesses across the globe manage the return to the workplace.**

Announcing the latest easing of some restrictions recently, the Government noted that a full return to workplaces as we know them is unlikely to happen before Spring 2022. Public health advice supports this with NPHET asking that employees continue to work from home where possible given it has played such a vital role in containing the spread of Covid-19.

Our view is that many businesses will not return to the same work models that they previously had. In fact, our own research carried out for our HR Barometer Report 2021 identified that three quarters (76%) of businesses have flexible working arrangements or hybrid working in place with nine in ten (92%) of larger businesses with 250+ employees offering it. This is double the number (38%) that had flexible arrangements in place pre-Covid.

The HR Barometer Report also found that eight in ten (78%) believe that having flexible working arrangements benefits their organisations. But this can differ from sector to sector.

Our research also found that four in ten (41%) organisations introduced flexible working arrangements to improve retention and highlighted it as the top initiative introduced for that reason.

The question for most organisations however is, how much of a role flexible working arrangements will have and what the right mix of remote and office-based working is required for the success of the business?

### What's right for my business?

There is no right or wrong approach - but if employers and employees work together in the best interests of their shared vision for their own organisation, then they will shape a working model that works for them. There are a number of key considerations for both employers and employees to consider.

### Will hybrid working lead to success within my organisation?

Firstly, not all jobs can be done remotely or in a hybrid way and employers need to carefully consider what model aligns most effectively with their business strategy and objectives, and if either remote or hybrid working is suitable for their business once public health advice signals a return to the workplace. However, a longer-term view needs to be taken – a decision to simply return to the office just because you can, may not necessarily be the right one, particularly in light of what some of your competitors might be doing and ensuring they don't poach some of your best talent with a different/hybrid model.

Engage with, and listen to your employees; however, don't let their responses be your primary influence in decision-making. We know remote working has worked, we know employees like the flexibility it offers and it's a contributing factor to a better work life balance. But it does have potential downsides; less collaboration negatively impacts innovation, employees can feel isolated, performance management can be more complicated, which in turn can lead to issues if not conducted in line with correct procedure and legislation.

And, as mentioned above, no one organisation has the perfect solution; 'trial and error' or 'a pilot scheme' may be required. Finding the right mix of hybrid working that suits your business and employees will take time, there are numerous components to consider while all the time keeping a close eye on compliance, security, GDPR and organisational KPIs.

There are also some legislative considerations for employers ahead of devising and implementing hybrid or flexible working models.

### Acknowledging an employee's right to disconnect

A Code of Practice on the "Right to Disconnect" was published by the Workplace Relations Commission (WRC) and signed by An Tánaiste, Leo Varadkar in April 2021. This Code is part of the Tánaiste's commitment to create more flexible family-friendly working arrangements, including working from home and working more flexible hours.

According to the Code, the Right to Disconnect has three main elements:

1. The right of employees to not routinely work outside normal working hours,
2. The right to not be penalised for refusing to do work or attend to matters relating to work outside of normal working hours,

3. Respect another's right to disconnect; do not make or send work calls or emails outside of normal working hours.

In short, it is the right of employees to switch off from work when outside their agreed working hours to help provide a better work/ life balance. This is particularly relevant in a world where remote working has become the norm with the full Government support through its National Strategy for Remote Working.

The Code of Practice provides advice for employers and employees on best practice to support the Right to Disconnect. The Code contains guidance for employers to meet their obligations under current employment legislation; the following is outlined in the Code as the relevant legislations impacted:

Organisation of Working Time (Amendment) (Right to Disconnect) Bill 2020: Section 15 of the Organisation of Working Time Act, 1997 is amended through the provision of:

- The right to disconnect from work related e-mails, texts or calls outside of working hours.
- Implementation of a right to disconnect policy establishing hours to disconnect.
- The production of a report on the right to disconnect detailing ways to
  - minimise out of hours contact.
  - establish a standby allowance.
  - deliver an overtime payment.
  - ensure all working time does not exceed 48 hours.

This insertion into the Act makes it an offence for an employee to be reprimanded, punished, or subjected to disciplinary action if they disregard a work-related communication sent after workhours, unless already agreed under the terms and conditions of a relevant right to disconnect policy.

**The Safety, Health and Welfare at Work Act, 2005:** This Act sets out the responsibilities of employers, and employees, in relation to health and safety in the workplace, regardless of whether the employee is working from home or an office, or both. Employers are still bound by the legislation and have a duty to manage how work-related activities are carried out while ensuring the health and safety of the employer.

Therefore, the employer is responsible for ensuring a safe workstation while also carrying out a risk assessment to ensure it is a safe and suitable workstation.

**Employment (Miscellaneous Provisions) Act, 2018:** The Act states that employees must receive a statement outlining their core working hours within 5 days of commencing employment. Therefore, clearly stating the expected working week for employees. This is particularly relevant for employees who have flexible working arrangements as a "normal" working day may not necessarily be a typical 9 to 5.

**Terms of Employment (Information) Acts, 1994-2014:** Legislation states employees must receive the Terms & Conditions of their employment within 2 months of starting a job, which outlines hours of work and, depending on the sector, that some flexibility may be required in exceptional circumstances.

As with the Employment (Miscellaneous Provisions) Act, it is important that the terms are clearly set out and any agreement regarding flexible working is provided in the Terms & Conditions such as the employee's normal or regular finishing time of work.

## Advice for employers devising hybrid working models

If your organisation is currently devising or defining its hybrid working model, there are some practical things that you should consider:

- Carefully assess the suitability of the roles that you are considering for hybrid working and clearly outline the rational for your decision-making; this will help avoid any issues or accusations of discrimination at a later date.
- Articulate your expectations relating to hybrid working, making it clear the days/ times you expect employees to be in the workplace or available to carry out work.
- Outline what costs, if any, you are willing to cover outside of the workplace; heating, electricity, broadband, etc. And, be clear on what equipment you are willing to supply the employee with while working remotely – also being cognisant of your responsibilities under the appropriate health & safety legislation.
- Ensure policies relating to performance management, grievance, conflict & dispute are updated accordingly and ensure the procedures that are in place reflect these changes and impact of hybrid working.
- Understand where your employee will be working from when outside the workplace; will they be outside the jurisdiction and if so, what are the tax implications?
- And, agree who is responsible for insurance costs if working remotely from home.

While there is much to consider for employers and organisations when deciding to implement hybrid or flexible working, the benefits can add real value in terms of the employer-employee relationship and increased productivity and profitability.

Adare Human Resource Management is a team of expert-led Employment Law, Industrial Relations and best practice Human Resource Management consultants. For more information visit www.adarehrm.ie or call (01) 561 3594.

**Derek McKay**

*Managing Director at Adare Human Resource Management.*


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# Finance & Management News

## SMEs' digital future

Accountancy Europe has recently published a briefing paper on SMEs' digital future including how professional accountants can help SMEs to digitalise.

*https://www.accountancyeurope.eu/wp-content/uploads/210913_SMEs_digital-future_Accountancy_Europe.pdf*

## Government launches the renewed National Development Plan 2021-2030

Taoiseach Micheál Martin, Tánaiste Leo Varadkar TD, The Minister for the Environment, Climate Communications and Transport, Eamon Ryan TD and the Minister for Public Expenditure and Reform, Michael McGrath, launched the National Development Plan 2021 - 2030 in Páirc Uí Chaoimh.

The publication outlines the largest National Development Plan ever delivered in the history of the State - €165 billion - with a particular focus on priority solutions to strengthen housing, climate ambitions, transport, healthcare, jobs growth in every region and economic renewal for the decade ahead. This plan will prepare us for population growth of approximately 1 million people between 2016 and 2040 and help us to deal with the ongoing challenges of Covid-19 and Brexit.

*https://enterprise.gov.ie/en/News-And-Events/Department-News/2021/October/04102021.html*

## Government launches €330m Scheme to help SMEs, farmers and fishers respond to Brexit

The Tánaiste and Minister for Enterprise, Trade and Employment, Leo Varadkar TD, the Minister for Agriculture, Food and the Marine, Charlie McConalogue TD, and the Minister for Finance Paschal Donohoe TD have launched a new €330m Scheme to help SMEs, farmers and fishers respond to the ongoing impacts of Brexit.

The Brexit Impact Loan Scheme (BILS) is a successor to the Brexit Loan Scheme and provides low-cost loans to eligible Brexit-impacted businesses. The new Scheme is also open to businesses in the primary agriculture and seafood sectors and the loans under the scheme are for terms of up to six years. The scheme is delivered by the Strategic Banking Corporation of Ireland (SBCI) through participating lenders.

In response to feedback about the previous Brexit Loan Scheme, steps have been taken to simplify the application process, while the lending is now available for longer terms, in line with lending offered under the Covid-19 Credit Guarantee Scheme.

The Brexit Impact Loan Scheme is supported by a guarantee through the European Guarantee Fund (EGF), which is being implemented by the European Investment Fund (EIF) on behalf of the European Commission. The first of the participating lenders is Bank of Ireland, with other banks and credit unions to open for applications in the coming weeks.

The Brexit Impact Loan Scheme will provide low-cost loans to Brexit-impacted Irish businesses, including those in the primary agriculture and seafood sectors. The scheme makes a fund of up to €330m available to eligible businesses with up to 499 employees.

Loan features:

- Loans range from €25,000 to €1.5m
- Loan terms from 1-6 years
- Loans of up to €500,000 available unsecured

Loans can be used for:

- Liquidity/Working capital
- Investment
- 100% refinancing of existing Brexit Loan Scheme loans
- Refinancing of existing short-term credit, up to a maximum of 30% of the new loan

**Businesses eligible for the scheme:**

This scheme is available to eligible SME and small Mid-Cap businesses, including primary producers (businesses engaged in farming and fishing), established in Ireland.

A business must also have experienced an adverse impact of minimum 15% in actual or projected turnover or profit due to the impact of Brexit.

Loans provided under the scheme will be lower than is otherwise typically available on similar lending in the market and will vary according to the lender. Lenders participating in the scheme will be separated into two cohorts. For the first, interest rates will be variable, but are capped at an initial maximum rate of 3.7% for loans less than €250,000 and 2.75% for loans of €250,000 and above. For loans from the remaining lenders, a minimum discount of 1% relative to their standard rates will be required to for loans under the BILS.

**Covid-19 Credit Guarantee Scheme**

One year on from its launch, the Covid-19 Credit Guarantee Scheme has seen unprecedented demand from Covid-19-impacted businesses with more than 7,300 loans sanctioned with a value in excess of €500m. This scheme's participants include 19 Credit Unions and seven non-bank lenders, adding diversity and regional spread to the loans available.

Together, the Brexit Impact Loan Scheme and Covid-19 Credit Guarantee Scheme will help Irish business to recover and adapt in response to both Brexit and Covid-19.

*https://enterprise.gov.ie/en/News-And-Events/Department-News/2021/October/20211015.html*

# Leadership Insight
## Returning to Education Post Pandemic

by Dr. Eoin Langan

### Please provide a brief history of your career.

My career started in trainee accountant roles, with a focus on management accounting, in industry in the late 1980s in London, having commenced my Higher Education journey in what was then Galway RTC, when opportunities for graduates in Ireland were very limited. My career progressed to several management level positions as I passed my professional accountancy exams and became a CIMA member. I travelled a good deal spending 12 months working in Sydney then returning to London via Southeast Asia and transitioned into a career as a SAP consultant. I returned to Ireland in 2000 continuing to work as a SAP consultant/Project Manager. During this time, I spent periods working in the US in both San Francisco and San Diego.

I transitioned into Higher Education in Athlone IT, initially as a Head of Department, then Head of School, and finally as Dean of Faculty of Business & Hospitality. Working in Higher Education rekindled my interest in Education and shortly after joining AIT I completed an MSc IT in Education in TCD and followed that up with a Doctorate in Education Leadership from DCU.

I joined TU Dublin as Head of School of Accounting and Finance in 2019 bringing my extensive experience from both industry and academia to the role. In September 2021 I was appointed the inaugural Dean of the Faculty of Business in TU Dublin, so there are both interesting and challenging times ahead as we forge the new University.

### How has Covid-19 affected the educational system in Ireland and the level of education?

Covid-19 has demonstrated how something unforeseen can have major consequences for how we work and learn. The Higher Education (HE) system showed excellent resilience and agility during the pandemic, with a speedy transition to online learning provision and supports. Many lessons were learned during the pandemic, and there is a lot to reflect on over the coming months.

The HE system was very responsive to the rapidly changing circumstances presented during the pandemic and the pivot to online and remote delivery of modules greatly assisted students and staff to remain safe while continuing with their learning. It is a testament to the diligence of staff and students that learning continued and programme outcomes were met throughout the pandemic. Programme delivery continued, assessment continued, and students were able to complete their studies and graduate with their qualifications throughout this period. The level of learning and the quality of awards has remained constant throughout the period.


### What has been the biggest challenge faced by students/staff in returning to study back on campus/lecture halls?

Students were delighted to return to campus in September. There was great excitement for students meeting their peers and staff for the first time in person. The vibrancy and atmosphere on all HE campuses changes for the better once students are around. All the staff of the University missed having students on campus. The biggest challenges revolved around the need for the safe return for all to the classroom, social distancing, shorter class times and timetable adjustments (to facilitate shorter class times and greater ventilation in lecture halls).

In addition, some pressure arose because of the fact that student orientation and induction events had to be held for all students returning to campus. Students who were progressing into the second year of their studies had no campus experience during their first year in HE due to the pandemic, so they had to be introduced to the premises, the physical facilities and supports, staff and their fellow-class mates. In addition, first year students were commencing their HE journey some two weeks later than in previous years so their orientation and induction was undertaken when the campus was already busy with returning students.

Most students and staff members were excited and delighted to return to the physical learning environment, but some were concerned about their exposure to Covid-19, particularly those with underlying health conditions or those with caring responsibilities for vulnerable people. Higher Education Institutions (HEIs) have been as flexible as possible to facilitate as many requests as possible. Also, some students are anxious to maintain some of the flexibility they experienced during the pandemic period. Many have expressed a wish for some of the content to remain on the online environment with more continuous assessment and fewer high stakes final semester examinations, where possible. The experience gained from learning in an online environment has been positive for both staff and students and there is demand to continue with a more blended approach going forward.

### Have you seen an increase in a demand for mental health supports since the pandemic hit due to isolation and online learning takes its toll?

There is no doubt that Covid-19 has led to additional mental health challenges for both staff and students. Senior managers have been mindful of this throughout the past 18 months and additional mental health supports have been in place for staff and students. The demand for these supports has remained constant throughout the pandemic period. It has been especially hard for international students being away from family and friends complying with restrictions and having an educational experience far removed from the norm.

A range of additional learning supports, and pastoral care support was made available to all student learners, including part time students for the duration of the pandemic. Feedback from students has been positive on these supports to date.

Other staff supports have also been important, such as employee assistance programmes and informal meetings and celebrations with staff members through online tools such as Zoom or Microsoft Teams. These measures have been particularly useful for acknowledging contributions of retiring staff members and enabling colleagues and peers to meet and socialise.

### Do you think this pandemic has changed and shaped the future of education in Ireland and if so, how?

HEIs have shown great flexibility and resilience in delivering modules online and with greater flexibility than ever before. Content will continue to be available online so that students can prepare for classes and assessments in a more flexible way. Further consultation with stakeholders and research is required to determine the future approach to our delivery modes. There is no doubt that these will influence delivery plans in the future.

The Irish Universities Association (IUA) has undertaken some research on this topic with students and below is an extract of their findings. The full report is available here.

*(Source: IUA, 2021)*

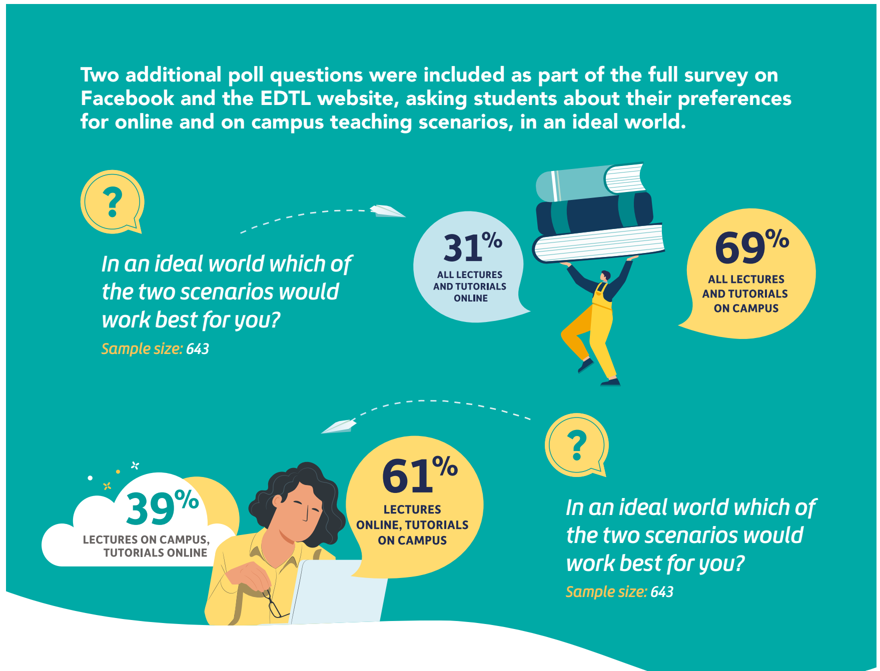
The research findings demonstrate a strong preference for on campus teaching sessions, but a significant percentage (31%) of respondents would prefer everything online. A majority (61% of respondents) support having tutorials in person and lectures online. Tutorials often involve a high degree of discussion or debate, and students may find it more comprehensive and engaging in person.

There is acceptance that deeper learning exists when students participate in class discussions, analysis, debates, tutorial sessions, etc. This interaction will most likely continue in all learning environments – both the physical and the virtual learning environment. Students will likely experience a mix of classroom delivery and virtual delivery on many programmes. It is important we maintain the socialisation aspect of the HE experience and provide growth opportunities for students while integrating the learning from online delivery from the past 18 months.

Also, the move away from traditional end of semester exams towards more continuous and formative assessment models has transformed the student experience over the past two years and this is likely to continue.

### With schools and colleges being shut for long periods, the need for digital learning devices and virtual learning platforms cannot be underestimated. What needs to be done to adapt teaching methods and develop resources to make online learning as effective as classroom learning?

The need for digital learning devices and virtual learning platforms was highlighted throughout the pandemic lock down. The virtual learning environment has been a feature of higher education for several years already but extending this to include online delivery is a recent development. A lot of work and effort was made by staff to ensure the online



learning environment was interesting, stimulating and equally effective as classroom learning. Many innovative approaches have been piloted during the lockdown period and some of these approaches will continue to be delivered in the post-pandemic period. Students have been vocal in requesting that some online content will continue to be a part of the curriculum with many seeking a more hybrid model whereby some content is delivered in the traditional classroom environment and other content being delivered in the online environment.

Notwithstanding this, however, I am mindful of the potential for digital poverty (lack of access to devices, internet and skills to engage fully with online learning) and the implications of online learning for student engagement, connection and belonging, so any long-term decisions for online delivery or hybrid delivery models will be given careful consideration as we move forward.

**What is the most important lesson that you have learned in your career to date, and what advice would you give to aspiring leaders?**

One of the most valuable lessons throughout my career has been to recognise the importance of teamwork, you can only achieve so much on your own but within a team the level of achievement can be exponential. One of my own favourite quotes is by Helen Keller "Alone we can do so little; together we can do so much". Good communication skills are important (especially being a good listener) and being trustworthy – hearing what people are saying and encouraging open and innovative discussion in a 'safe environment' promotes trust, enables everyone to work harder and move towards common goals. Endeavouring to treat people the way you would be like to be treated yourself will keep you on the right path. It's important to recognise that you do not know everything and therefore welcome the interaction of colleagues and encourage discussion and debate.

My advice to aspiring leaders is to be innovative and open to new challenges and opportunities, do not be afraid to ask the 'Why' question a number of times. Be curious and committed to life-long learning, to quote Steven R. Covey "Sharpen the Saw" on a regular basis. Be gentle on yourself.

**Have you been able to step away from challenges the last number of months have brought and unwind?**

Working from home has presented many challenges especially around managing your time. It is so easy just to go straight from breakfast to dinner and beyond just being in front of your computer going from online meeting to online meeting day after day with no social interaction, as I am sure many of the readers can relate to. I read that chocolate sales increased during lockdown and our house certainly made a contribution to that. Being honest, I really missed the social aspect of being in the office and I look forward to a blended approach in the future.

Thus, it is important to take time for yourself and go outside to get some fresh air. I love getting out and about whatever that is, whether it is some gardening or a walk (needs to be fast) with friends or going for a run or a cycle, you need to get the heart rate up a bit and if you do a small amount regularly you will notice the difference.

I am a strong advocate for balancing work, leisure and family time. It takes a lot of discipline to juggle everything, but I pride myself in being able to step away from work to unwind and enjoy time with my family and friends. I am a believer in a healthy body and mind leads to a healthy person.

# Brexit: Changes coming down the line

## “We are not there yet, but we are getting there”

by Paul Lynam

While the world has been preoccupied with a once in a century pandemic, the wheels continue to turn on the post-Brexit political and trading landscape. In our view there was never going to be a ‘Good Brexit’, in fact from a British – Irish trade perspective, there is no such thing. Great Britain is out of the Single Market and Customs Union and therefore the seamless trade enjoyed between Ireland and Britain has been disrupted. While we must bear in mind the unprecedented challenges that businesses are facing with Covid-19, it is clear that the first eight months of Brexit have indeed been challenging for British – Irish trade, especially British exports to Ireland.

The inevitable imposition of the full Union Customs Code on imports from Great Britain since January 1st has had a significant impact on the level of goods imported from Great Britain. This has caused significant disruption for Irish importers who traditionally relied on goods imported from Great Britain as an integral part of their supply chain. Prior to Brexit, imports from Great Britain accounted for one in every four of all Irish imports.

According to the Central Statistics Office, imports from Britain are down 31% on last year and 37% prior to Covid (Jan – August) with food, live animals and manufactured goods hit hardest. Conversely, Irish exports to Great Britain have more than rebounded with exports of goods up 21% on last year (Jan v August). However Irish exporters haven’t felt the full brunt of UK customs controls yet. As is the UK Government’s right, they decided to implement customs controls on a phased basis but, for the second time this year, they decided to push out that timeline:

### The Timeline for the Phasing out of the UK Government’s Import Customs Easements.

- The requirement for pre-notification of agri-food imports will be introduced on 1 January 2022 as opposed to 1 October 2021.
- The requirement for Export Health Certificates and Phytosanitary Certificates, and for physical checks on SPS goods at Border Control Posts will be introduced starting from 1 July 2022 as opposed to 1 January 2022.
- The requirement for Safety and Security declarations on imports will be introduced as of 1 July 2022 as opposed to 1 January 2022.
- The timetable for the removal of current easements in relation to full customs controls and the introduction of customs checks remains unchanged from the planned 1 January 2022.

While appreciating the frustrations of businesses that have invested significant sums of money into their preparations, we do believe this is the correct decision for the UK Government to make. This pragmatic approach is necessary so that the UK Government can make the necessary preparations for full customs controls to ensure an orderly transition that does not unduly disrupt trade. This extension also allows businesses on both sides of the Irish Sea additional time to prepare for the new import restrictions and administrative barriers that will soon come into force.

### The Northern Ireland Protocol

The Northern Ireland Protocol (which keeps Northern Ireland aligned to EU rules on Goods) which dominated the first phase of the Brexit negotiations, the Exit Talks, continues to be the dominant point of friction between the EU and the UK. The UK Government is making the case that the current implementation of the Protocol is having a profound impact on trade between Great Britain and Northern Ireland, an impact that will be exasperated even further when the grace periods on GB – NI trade expire.

Lord Frost, the UK’s lead negotiator has called on the EU to apply "flexibility", “pragmatism” and “common sense solutions”. The UK Government’s Command Paper “Northern Ireland Protocol: the way forward” sets out areas which they want changed within the Protocol including the following:

1. **“Remove the burdens on trade in goods within the UK while managing the real risks to the EU Single Market.”** Effectively they want to invert the Applied Risk Principle from all goods being deemed at risk of entering the Single Market unless otherwise agreed by the Joint Committee to all goods considered not at risk unless otherwise flagged.
2. **Implement a “full dual regulatory regime in Northern Ireland”.** The UK wants goods, whether manufactured or SPS goods to be able to circulate within Northern Ireland if they meet either UK or EU rules.
3. **“Normalise the governance basis of the Protocol”.** In essence, the UK Government wants the oversight of the European Court of Justice (ECJ) in the application of the Northern Ireland Protocol to be removed.

### EU Proposals

The EU has responded to the UK’s command paper by issuing four ‘non-papers’ which address some of these areas. Three of the four proposals address the more technical ‘nuts-and-bolts’ issues raised by the UK such as burdens on the trade of goods and regulatory checks. The EU’s proposed solutions offer a bespoke arrangement on SPS checks on goods entering Northern Ireland, offering a reduction of 80% and streamlined customs checks, estimated to reduce paperwork by 50%. The third technical solution offered by the EU regards medicines, which under the proposal could originate in Great Britain, follow UK regulations, yet circulate in the UK. These proposals are being cautiously welcomed by the UK as signals that the EU is willing to negotiate on areas which were billed as being off the table at the beginning of the year.

The fourth proposal by the EU aims to address an area which is indicative of larger ideas around sovereignty and democratic accountability around the protocol- governance. The EU proposal suggests increased engagement between the EU and Northern Irish stakeholders through structured dialogues. The proposal however comes short of the UK's call to replace the ECJ as the arbiter of EU law in Northern Ireland, replaced with an international arbitration system like that set up under the TCA.

It is on this fourth proposal where the most daylight exists between the position of the EU and the UK. The technical solutions proposed by the EU bring the positions of the two parties on these technical issues so close that a compromise deal on these seems inevitable. It is around governance where there is the least commonality, where one side will have to make a significant concession for there to be progress.

For its part, the UK argues that it is objecting to more than just having the court of a third jurisdiction oversee laws within its borders; it argues that the whole governance structure of the protocol is weighted in favour of the EU.

The EU's position is that being that it is EU laws that rulings need to be passed on, it can only be an EU court that can do so. While these positions may seem mutually exclusive, the past number of years of Brexit negotiations have shown that novel solutions can be found. The EU's willingness to compromise on a raft of technical issues shows that there is a desire there to make the protocol work into the future.

## The Current Outlook

For the Chamber's part, we have been intensely engaged with our members who have been directly impacted by the Protocol, both in a positive and negative way, and we have held numerous meetings with the various business representative groups in the North. We heard from one member that

*"The Protocol has been a critically important element of our Island of Ireland operations allowing our integrated supply chain to work seamlessly, with both production sites in Northern Ireland continuing to work at maximum capacity serving both domestic and international markets."*

While trade stats are far from perfect in painting the whole picture, the first eight months of the year for which trade of goods stats are available show that North – South trade has increased by 45% compared to January – August 2019. Ireland's exports to Northern Ireland are up 35% ('21 v '19) while imports of goods from the North are up 54% ('21 v '19).

However, the general feedback we

have received from our Northern Irish Members has been of some frustration. Businesses in Northern Ireland have faced the dual headed challenge of Brexit and Covid-19 with a remarkable level of resilience and pragmatism and are - for the most part - committed to making the Protocol work. That is not to ignore the significant challenges that the protocol has meant for business, including consistent supply chain issues with goods from Great Britain, higher costs, added levels of red tape and longer time frames - all headaches that businesses are trying to overcome. They realise the opportunities that can be obtained from uniquely having market access to both the UK and EU market, but these are hard to realise with the current challenges still in place.

The recent alliance of the Unionist Parties of the North to unite to oppose the Protocol and the growing possibility that the UK may trigger Article 16 reemphasizes the importance of both sides adopting a pragmatic approach to ensure that this Agreement that works in theory can work in practice. There are practical changes that can help, such as electronification of Export Health Certificates, a greater voice for Northern Irish representatives and business leaders and streamlining trade processes, and the EU proposals are promising steps in the right direction. The Joint Committee must also engage with businesses in good faith to simplify processes and reach the necessary mitigations and derogations needed to ensure the free flow of trade between Great Britain and Northern Ireland. The Chamber would also like to see a comprehensive EU – UK Veterinary Agreement that adopts a principled approach akin to the innovation we saw that broke the deadlock in the negotiations on the Trade and Cooperation Agreement.

The Chamber will continue to play our part in offering proactive solutions to the current challenges facing the Northern Ireland Protocol. Whatever agreement is finalised must ensure that businesses have the time and the support needed to ensure it is workable, not just in the short term, but permanently.

We have come a long way over the past few weeks, the immediate hazard of Article 16 being triggered has been abated and both parties are working tirelessly to find a mutually beneficial agreement. There is still some way to go, we are not there yet but we are getting there.

**Paul Lynam**

*Deputy Director General,*
*British Irish Chamber of Commerce*

# Big Data for Small Business

## How AIB Merchant Services helps the high street

by Orla Bowers

Change is inevitable, and a major part of business success lies in the ability to be adaptable and flexible, whether that relates to new technologies, evolving customer expectations, altered supply chains or regulatory changes. The last two years have presented a radical shift in many areas of business, driven by an inescapable need to adapt quickly to unexpected circumstances and, ultimately, ensure survival.

Despite this, there is much to be said for the positive technological advances that were accelerated in the last two years, particularly in the context of facilitating the movement of money into your business. From innovations in big data, driving cashflow, enabling omni-channel commerce and preventing fraud, these developments offer great potential to boost business growth and aid recovery in the coming months and years.

As CPA members, you have experienced these developments every day with your own business, whether it be in practice or industry, and in the businesses of the clients that you serve. Shepherding firms through these changes is no mean feat and having useful tools and services at your disposal can only aid in this transition. Businesses in the bricks and mortar sector can really benefit from these types of tools.

### Unlocking Hidden Value

One great strength that a business can have is a deep and thorough understanding of its customers, and its competitive landscape. As trusted business advisors, you know this can help your clients make important decisions; how their business can expand, where to best to spend on marketing investment and how to grow loyalty amongst those who shop regularly with them. While getting this information can be time-consuming, maintaining it is an even greater challenge, never mind having to crunch data and glean insights from it. Businesses that trade online can use analytic tools to gather these insights, but it is not a straightforward process for those who operate 'bricks and mortar' businesses. However, there are solutions available that will enable you and your clients to access this information and unlock its hidden value.

**Main Street Insights** is an online tool from AIB Merchant Services designed to help you to understand more about your customers and competitors, providing local analysis that is not otherwise easily available to you. Derived from card data, and using your precise business location, Main Street Insights provides anonymised approximations for where customers live and spend, how far they travel to your store and how often. It indicates customer demographic information in relation to spend trends, such as the age and gender of customers who spent the most in your store during a specific period. And with historic data available from our own anonymised customer base, you can draw comparisons against previous trading periods for transaction volumes, average spend and total revenue. What's more, there is also the ability to compare your business against groups of similar businesses, by analysing your store in relation to those in the same industry and vicinity and understanding how you fare against them. Data is aggregated and no individual customer or individual business can be identified when using the tool.

### So, what can you do with all of this data?

With social media acting as the primary marketing tool for many small businesses, Main Street Insights can help you ensure that you get the maximum return on ad spend by helping you narrow down your target audience precisely by age, gender and location.

With approximate information on where customers live, you can determine where the best places are to do leaflet drops – either by seeing where your existing customers live, or by seeing where you have an opportunity to find new customers.

Multi-outlet chains can benefit from using the tool to get on-the-ground information about individual stores and use this information to plan and chart marketing activity across the chain.

Comparisons against similar businesses help you to gauge where you stand against the competition in relation to transaction volumes, average spend and total card revenues. For example, you can see if your competitors are generating more revenue per customer and understand if that occurs more prevalently at certain times of the week, month or year. This may, in turn, help you to re-assess your pricing models or the product combinations on offer.

Because Main Street Insights gives you a constantly evolving view of new and returning customers and using average customer spend, you can easily assess the effectiveness of any marketing campaigns, promotions, or product line changes.

For existing customers of AIB Merchant Services, the two-year view of data provides an illustration of business pre- and post-pandemic and can help chart the course to recovery.

And with historic data available to view, you can use Main Street Insights to inform strategic business decisions such as expansion, and investment.

Main Street Insights is a web-based platform that is accessible from any browser, and available on desktop, tablet and mobile. The data is collated for you and presented clearly, so there is no need for experience in report building or data analysis. Main Street Insights is available free of charge to all AIB Merchant Services customers in the Republic of Ireland.

## The power of Omni Channel

As a concept, Omni Channel means connecting your in-store and online purchasing experiences together, fusing all the relevant digital touchpoints and synchronising data in such a way that provides a fluid experience for your customers. For many years, the concept was reserved primarily for large retailers, but in recent times has expanded to many sectors and business sizes, from butchers to café's, hairdressers to hardware stores.

The tumult of the pandemic caused many businesses with physical stores who had previously not ventured online to do so at pace. For many, this was out of necessity to ensure continuity of trading and in some cases, not borne of a broader omni-channel strategy, but rather to ensure that they could still drive purchasing decisions from consumers at a distance.

And while businesses adapted to this dynamic, as did consumers, who suddenly had a strong need to purchase from a distance and became acquainted with the different ways of doing so. In addition to that, the toolset available to small and medium sized businesses to quickly stand-up their distance-selling models was readily available. The result: a significant and rapid rise in distance selling by businesses who had traditionally been "bricks and mortar" only.

So, as the dust settles on the pandemic and as businesses emerge from the chaos, much can be said for the agility displayed in creating new sales channels. And this accelerated move online has provided businesses with good opportunity to expand on what they've built to connect the different aspects of their ecosystem together.

An omni-channel solution promotes higher customer conversion, because you make it easier for customers to do business with you. But it also helps to manage seasonal trading peaks, by allowing customers to make use of online channels to pre-order products for in-store collection and making it easier for you to handle demand.

So where do payments come in? When you advertise your products and services online, via social media or in store, the payment method available at the point of advertising is what converts demand to trade. It is the catalyst that turns a prospect to a customer.

Therefore, having a diverse range of payment methods available to fit each scenario will drive greater customer conversion. Having payments integrated to your website is key, as is ensuring that customers can pay using accustomed digital wallets like Apple Pay and Google Pay. If your business has a mobile app, making it simple for customers to pay from within, and allowing returning customers to save their details for future payment helps reduce friction and increase the likelihood of that customer buying from you again. When a customer calls you to order something by phone, the ability to send a secure payment link by SMS or email is also a powerful way of ensuring that you never miss a sale.

When it comes to in-store payments, you should enable a customer to purchase an item in store for home delivery. All of these payment mechanisms are there to ensure that you have the best possible chance of converting every sale. AIB Merchant Services offers solutions to cater for every payment need, with Authipay Gateway, the Clover suite of POS solutions and PaybyLink.

### The movement of money

The movement of money is central to the success of all businesses. Making it simple and convenient for customers to pay you remains a crucial part of how a business is set up to succeed. Having a diverse range of payment methods available for customers to utilise is important in increasing chances of conversion, and a crucial step thereafter is in ensuring that cashflow is optimised to maximise availability of funds.

The speed and traceability of funds settlement is imperative. With traditional acquirers like AIB Merchant Services, funds are settled in full to your bank account next business day, making 100% of your takings available without unnecessary delay.

### Advancements in fraud management

Card-related fraud has long been a challenge for businesses, particularly for online payments. And with many businesses transitioning to trade online for the first time during the pandemic, there was potential for greater exploitation by fraudsters, with the net result being costly chargebacks and fraud events.

The Second Payment Services Directive (PSD2) which came into effect on 31st December 2020 forced the implementation of Secure Customer Authentication (SCA) for every card payment, aimed at increasing the security of electronic payment services in the EU and the UK. In simple terms, Secure Customer Authentication means that transactions must be authenticated by at least two out of three possible forms of identification.

And while there may be apprehension amongst some businesses over the potential impact to sales conversion, the fraud prevention benefits are tangible. Plus, as consumers become acquainted with the new normal in paying for goods and services online, the presence of Strong Customer Authentication will give consumers greater confidence to shop online. You can find out more about how to prevent fraud at https://www.aibms.com/help/chargebacks-fraud/dealing-with-suspected-fraud.

We live in the age of data, and as outlined above, using that data effectively can help drive business to new levels of growth and success. The pace of change is faster than ever and the challenge for you as accountants is to keep abreast of these developments and ensure you and your clients are enabled by and protected from these currents of change. We know promoting digitilisation and maximising the tools available is very much at the forefront of CPA Ireland's agenda and AIB Merchant Services are here to support this endeavour. You and your clients have a variety of solutions that are only a click or phone call away. Some businesses will need more encouragement than others to go down the route of increased digitisation, but wherever they are at on that journey, now is the time to act. There is a world of opportunity waiting to be unlocked, and as CPA members working in practice and industry, you hold the keys to unlocking that potential for those who trust you to guide their businesses.

**Orla Bowers**
*AIB Merchant Services*

# **Taxation** News

## Current legislative updates:

**Employers paying Employees' 2020 Tax Liabilities which arise due to TWSS**

Revenue will facilitate employers who wish to pay some/all of the employees' 2020 tax liabilities (Income Tax (IT) and Universal Social Charge (USC) liabilities) which arise due to the TWSS.

Employers must engage directly with employees and agree the value/method to pay the liability involved. In January 2021, Revenue made a Preliminary End of Year Statement for 2020 in MyAccount available for each employee which shall assist in determining the amount of IT and USC due. Further information may be located herewith: *https://www.revenue.ie/en/employing-people/twss/employers/index.aspx*

**The Sick Leave Bill 2021**

Ireland currently does not maintain a mandatory sick pay scheme and the decision as to whether employees receive pay during periods of sick leave is a matter for the discretion of each individual employer.

Employers will be required to provide Statutory Sick Pay to employees under proposed draft legislation, the Sick Leave Bill 2021 (the "2021 Bill") https://enterprise.gov.ie/en/Legislation/Legislation-Files/Sick-Leave-Bill-2021-RIA.pdf which shall commence in 2022 and be phased in as part of a four-year plan to provide statutory sick pay to employees.

The determination for **qualifying employees** and **qualifying statutory sick sums payable** to the employee have been provisionally outlined in the "2021 Bill" above.

Government press release herewith for your perusal:

*https://www.gov.ie/en/press-release/fee76-tanaiste-announces-details-of-statutory-sick-pay-scheme/*

## Tax Measures subject to enactment of the Finance Bill 2022

**1. Measures to support Enterprise/SMEs/Agri-sector Employment Wage Subsidy Scheme**

The Employment Wage Subsidy Scheme will be extended until 30 April 2022, in a graduated form.

The following are the broad parameters of this extension:

- no change to EWSS for the months of October and November,
- businesses availing of the EWSS on the 31st of December 2021 will continue to be supported until the 30th of April 2022,
- across December, January and February, the original two-rate structure of €151.50 and €203 will apply,
- for March and April 2022, a flat rate subsidy of €100 will be put in place. In addition, the reduced rate of Employers' PRSI will no longer apply for these two months; and
- the scheme will close to new employers from 1 January 2022. The estimated cost of extending the EWSS from November 2021 to 30 April 2022 is in the region of €1.26 billion, which is funded by the Vote for the Department of Social Protection.

**2. Expansion of Warehousing of tax liabilities**

The tax debt warehousing scheme will be expanded to allow self-assessed income taxpayers with employment income who have a material interest in their employer company to warehouse income tax liabilities relating to their Schedule E income from that employer company.

CPA Ireland have made extensive representations via CCAB-I and to Revenue at TALC on the interaction of the Debt Warehousing Scheme for PAYE (Employer) liabilities with Section 997A of the TCA 1997, as credit for PAYE deducted from remuneration paid to certain directors/employees is not permitted unless the PAYE has been remitted to the Collector-General. The financial implications for affected taxpayers who do not qualify for income tax debt warehousing were represented.

*https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-38/38-01-04E.pdf*

**3. Work from Home Measures**

The current tax arrangements for working from home will be enhanced and formalised so that an income tax deduction amounting to 30% of the cost of vouched expenses for heat, electricity and broadband in respect of those days spent working from home can be claimed by taxpayers.

## OECD/G20

**Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy**

**Base Erosion and Profit Shifting Project October 2021**
*https://www.oecd.org/tax/beps/brochure-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf*

Following years of detailed/ intensive work and negotiations to bring the international tax rules into the 21st century, members of the OECD/G20 Inclusive Framework on BEPS (the Inclusive Framework) agreed on 8 October 2021 to the Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy.

**The Two-Pillar Solution will ensure that multinational enterprises (MNEs) will be subject to a minimum tax rate of 15%** and will re-allocate profit of the largest and most profitable MNEs to countries worldwide. The OECD proposals would also change where taxes are collected, with a greater focus on taxing profits where sales are made.

It is expected that swift implementation of a minimum tax rate is key to stabilising the international tax architecture and avoiding damaging trade disputes. If members have set an ambitious deadline of 2023 to bring the new international tax rules into effect.

This shall have consequences for Ireland in terms of increasing its 12.5% rate to 15% for firms with a turnover in excess of €750m (£636m). Smaller businesses will still be taxed at the 12.5% rate. The 15% rate will apply to 56 Irish multinationals employing approximately 100,000 people, and 1,500 foreign-owned firms based in Ireland employing approximately 400,000 people.

# Ireland will remain a destination of choice for US FDI with smart policy decisions

by Regina O'Connor

**This year, AmCham celebrated its 60th anniversary. However, the presence of US multinationals operating in Ireland predates our founding. Since the early 1900's, US companies have increasingly chosen Ireland as a place to do business. Over the years, these companies have made significant contributions to the Irish economy, and US FDI has shown incredible resilience in the face of significant changes.**

Global commentators have made much of the Irish Government's recent decision to sign up to the OECD Global Tax reforms, which include imposing a minimum corporate tax rate of 15% on 1500 multinationals in Ireland. However, the spotlight will fade, and when it does, these commentators may be surprised to observe that far from an out-flow, multinationals will remain and continue to invest in Ireland, once Ireland continues with its smart policy decisions

## A Track Record of Resilience

A decade ago, the financial crisis created record unemployment levels and sent Ireland's deficit and debt spiralling. Slowly but surely, we recovered, and before the pandemic, our economy was thriving. FDI played a central role as part of the backbone of the recovery, helping Ireland to move forward and transform its economy for future investment. Today, Ireland is home to the world's top five global software companies, 14 of the globe's 15 top med-tech companies and all the top pharma companies. In 2011, US companies employed around 100,000 people in Ireland, and today employ 180,000 directly and support an additional 148,000 jobs in the wider economy, accounting for 20% of all private sector employment. US companies spend almost €10bn on payroll, more than €6.3bn on goods and services and invest €5.3bn on capital expenditure each year.

The FDI investment pipeline has been resilient in the face of recessions, Brexit and even the Covid-19 pandemic. There is no doubt that Government's recent decision to sign up to the OECD Global Tax Reform is a seismic shift for our economic and industrial policy. However, if Ireland chooses to make smart policy decisions and moves at speed, every indication suggests Ireland can attract the next wave of inward investment.

## Certainty, Stability and Credibility

AmCham has always been steadfast in its support of current and previous Governments' robust defence of our corporate tax regime. Tax competition within guardrails is a legitimate and necessary tool for small open economies, and it is important that smaller nations maintain sovereignty over their tax affairs. Ireland has presented this argument with distinction during the OECD negotiations.

Ireland's track record of success in attracting inward investment has been driven partly by the certainty provided to those who choose to invest and create jobs in Ireland. The 12.5% rate has been a cornerstone of our international offering, but much of what made Ireland attractive for FDI, was the certainty that the rate provided for businesses.

Ireland's clear-headed engagement in the OECD process so far has demonstrated that Government still aims to provide businesses with certainty. Minister for Finance Paschal Donohoe's decision to withhold agreement in July while he sought clarity about the details of the proposed reforms was an important one. The removal of words "at least" from the proposals and the assurance that the European Commission will "faithfully transpose" OECD text into the European Directive provides predictability, stability, and certainty for multinational employers. The Irish Government's approach to the OECD negotiations—including a public consultation to understand stakeholder concerns—has enabled confidence in the process while ensuring there will not be rate-increase creep facilitating greater confidence on Ireland's future offering. AmCham would make the point that the clarity gleaned has made the agreement a better one for each signatory.

## Road to Travel

With its high level of sign up, the OECD agreement is likely to be implemented, provided it can be passed through national parliaments, the EU institutions and the US Congress, which may be challenging. However, as AmCham has previously noted, the implementation timeline set out by the OECD—with plans for Pillar I to be implemented by November—is ambitious at best and possibly unrealistic at worst.

We strongly believe that the Irish Revenue Authority needs to be given the necessary resources, skills, and expertise to navigate these proposals should they be implemented, and implementation also affords Ireland the opportunity to reform and enhance our tax policy framework to reflect the modern global economy fully.

## Time to Enhance

Implementing the OECD proposals will require a major overhaul of the Irish tax system and Ireland should take advantage of this opportunity to enhance its tax offerings and simplify its existing tax regime so that it can retain a best-in-class tax policy that is innovative, competitive and aligns with the new global tax agreement. Other countries will be re-evaluating their tax regimes and implementing new tax policies that make them more attractive for FDI—Ireland must do the same or risk falling behind in terms of competitiveness.

Possibilities for enhancing Ireland's domestic offerings include exploring changes to the Double Tax Treaty network, participation exemption, passive tax rates and Capital Gains Tax rates for disposal of business assets. Ireland must also ensure that cutting-edge research, development, and innovation continues to occur in-country. T

o do so, AmCham believes that Government must reform and enhance the nation's R&D tax credit so that it remains competitive with other countries. As R&D continues to evolve, so should the tax credit.

## Time to Refocus

With Ireland agreeing to sign up to an agreed 15% corporate tax rate for companies in scope, the competition for investment and talent internationally will be even more intense. Competitor countries are continuously improving their offerings to attract and grow inward investment. Ireland must remain agile and take a proactive approach to ensuring that it remains a place where talent wants to live, and businesses want to locate.

Globally, 2021 marked the first time that employees were considered more important for a company's long-term success than its shareholders, customers, or operating locations. Talent is crucial for the future of business. However, the shift to remote working brought on by the Covid-19 pandemic has also shown that the future of business – and by extension the future of FDI—will be as much about where people want to live as where companies want to locate.

That means that Ireland must focus on improving quality of life outcomes and the lifestyle available to those who choose to base themselves and their families here. In a world where people can increasingly choose to work from anywhere, we have to move faster to solve the problems that are holding us back. While AmCham welcomes the ambition set out in the Housing For All Strategy and the National Development Plan, their successes will be determined by their speed of implementation and delivery.

Amcham particularly welcomes the commitment in Budget 2022 to allocate €11.1 billion to the National Development Plan next year, with €3.4 billion of this being provided for investment in transport. The 330K travelling to work today must know that the proposals made on road development and improvement are not a wish-list but are commitments that will be delivered with speed. In the context of infrastructure, we also need to ensure that the roll-out of the National Broadband Plan is prioritised and that investment in the energy grid is sufficient so that we meet both our power needs and sustainability targets.

Similar to the National Development Plan, AmCham commends the scale and ambition of the Housing for All Plan, in particular the commitment to spend €20bn over the next five years to build 160,000 houses. But the accommodation challenge both for purchase and rental directly impacts our campaign for talent. We have welcomed the further commitment from the Government, as part of Budget 2022, including the introduction of a new Zoned Land Tax of 3% to work to increase the supply of residential accommodation.

Our emergence from the pandemic has accelerated the level of choice for top talent, and it brings into sharper focus the areas where Ireland compares unfavourably, including our personal tax regime. 93% of our members call out personal tax as a barrier to attracting/retaining talent, while 40% see it as a barrier to further investment and expansion. While we welcome the direction of travel by the Government in Budget 2022, AmCham believes that there must be a commitment to not increase personal taxation into the future to further enhance Ireland's competitiveness.

## Time to build on our track record

As has been demonstrated by the Covid crisis, the Irish operations of US multinationals have the capability to deliver lifesaving and enhancing products and services to those that need them. Ireland with only 0.06% of the world's population, is the world's 5th largest producer of Covid-related products from medicines to ventilators. This incredible impact is a reflection of the momentous success harnessed by US companies over the past 60 years.

Despite the challenges faced by the global economy during this period FDI in Ireland has continued to thrive in 2020. For example, IDA Ireland won 246 new investments and 20,123 new jobs. 52% of these projects were won in regional locations, a shining example of how FDI impacts every community up and down the country.

Looking forward, The IDA has set a target of 50,000 jobs by 2024, and with 94% of our members recently saying that their corporate headquarters have a positive view of Ireland as a place for future investment, Ireland has every reason to be optimistic.


### Regina O'Connor,

*Director of Public Affairs and Advocacy at the American Chamber of Commerce Ireland*

Regina O'Connor is the Director of Public Affairs and Advocacy at the American Chamber of Commerce in Ireland (AmCham). Regina is a solicitor with 12 years of EU institutions' public affairs and policy experience, followed by 8 years as Global Head of Government Affairs Regulatory Policy with a global insurer.

# Budget 2022 Highlights

by Mairead Hennessy

**Budget 2022 was announced by the Ministers for Finance and Public Expenditure Paschal Donohoe and Michael McGrath on 12th October last. The Budget has been shaped in the context of the recovery from the Covid-19 Pandemic, Brexit and the recently agreed OECD international tax reform package.**

It was acknowledged by the Ministers that the economy is gaining momentum at a very quick pace however, caution was called for in light of the significant Exchequer deficit arising from significantly increased Government expenditure since the onset of the pandemic in March 2020.

The Budget focused on public expenditure in the areas of health, housing, childcare, climate change measures and financial supports for industry sectors impacted by the pandemic.

This article summarises the main tax and public expenditure measures announced in Budget 2022.

## Tax measures

The following tax measures will take effect from 1st January 2022, unless otherwise stated.

### Personal Tax

*Income Tax Rates and Credits*

There were no changes made to tax rates for 2022. The standard income tax rate will remain at 20% and the higher rate at 40%.

The Standard Rate Cut Off Points (SRCOPs) for 2022 have been increased as follows:

| SRCOP | 2021 | 2022 |
|---|---|---|
| Single / Widowed Person or Surviving Civil Partner – no children | First €35,300 @ 20% Balance @ 40% | First €36,800 @ 20% Balance @ 40% |
| Single / Widowed Person or Surviving Civil Partner with qualifying children | First €39,300 @ 20% Balance @ 40% | First €40,800 @ 20% Balance @ 40% |
| Married Couple / Civil Partnership One Income | First €44,300 @ 20% Balance @ 40% | First €45,800 @ 20% Balance @ 40% |
| Married Couple / Civil Partnership – Two incomes | First €44,300 @ 20% Balance @ 40% | First €45,800 @ 20% . Plus an amount equal to the lower income (subject to a maximum of €27,800) Balance @ 40% |

Certain income tax credits will increase as follows:

| Personal Tax credits and bands | 2022 | 2021 |
|---|---|---|
| Single | €1,700 | €1,650 |
| Married | €3,400 | €3,300 |
| PAYE | €1,700 | €1,650 |
| Earned income tax credit for self-employed | €1,700 | €1,650 |

The sea-going naval personnel tax credit of €1,500 has been extended to 31 December 2022.

These increases were introduced as an effort to ease the cost of living pressure that taxpayers are experiencing as a result in rising prices and inflation.

*Universal Social Charge (USC)*

A rise in the minimum wage from €10.20 to €10.50 was announced in the Budget to take effect from 1 January 2022. To ensure that the salary of a full-time worker on the minimum wage will remain outside the 4.5% rate of USC in light of this increase the ceiling of the second USC rate will increase from €20,687 to €21,295. Taxpayers with income over €21,295 will also benefit.

The USC rates and bands from 1 January 2022 will be:

- €0 – €12,012 @ 0.5% - no change
- €12,013 – €21,295 @ 2%
- €21,296 – €70,044 @ 4.5%
- €70,045+ @ 8%
- Self-employed income over €100,000: 3% surcharge

Incomes of less than €13,000 remain exempt from USC.

*PRSI*

The weekly threshold for the higher rate of employer's PRSI will increase from €398 to €410 to reflect the increase in the minimum wage noted above.

*Extension of warehousing of tax liabilities for proprietary directors*

The Tax Debt Warehousing Scheme

has been extended to allow individuals who have a "material interest" in their employer company to participate.

The Scheme will be extended to all self-assessed income taxpayers with employment income who have a material interest in their employer company to warehouse income tax liabilities relating to their salary from that employer.

This is a very positive measure without which the employer company's warehoused payroll tax liabilities would effectively fall on the individual.

*Working from home incentives*

The existing tax relief for employees who work from home will be enhanced and formalized. There is no change to current arrangements whereby an employer can pay up to €3.20 per day tax free to an employee working from home. However, where the employer does not make such payment, the facility for employees to claim tax relief from the Revenue will be formalized and tweaked. A tax deduction will be available for employees for 30% of vouched utility expenses in respect of days spent working from home.

*Pre-letting expenses*

The pre-letting expenditure relief has been extended to the end of 2024.

A deduction against rental income is available for expenses incurred on a vacant residential premises prior to it being first let after a period of non-occupancy (at least 12 months). The deduction is capped at €5,000 and must be incurred in the 12 months before the letting.

*Changes to Benefit-in-Kind (BIK) exemption for electric vehicles*

There will be an extension of the BIK exemption for electric vehicles to 2025.

From 2023, a tapering effect on the vehicle value will apply. Under current rules, until 31 December 2022, a BIK is only payable on the excess of the original market value over €50,000. This €50k threshold will taper to €35k in 2023, €20k in 2024 and €10k in 2025.

*Help to Buy*

The enhanced version of the Help-to-Buy scheme introduced in the July Stimulus Package last year, has been extended until 31 December 2022. The maximum credit is 10% of the house price, up to a maximum of €30,000.

*Employment & Investment Incentive Scheme (EIIS)*

EIIS is being extended until 31 December 2024 and details of enhancements to the Scheme are included in the Finance Bill. These amendments are aimed at encouraging the flow of much needed seed/early-stage investment capital. Among these Finance Bill changes are the following provisions:

- The scheme will be opened up to a wider range of investment funds.
- Investors will be allowed greater capacity to redeem capital without penalty in the "capital redemption window".
- The current rule that requires 30% of investment to be spent before relief can be claimed is to be removed.

*Flight crew*

Currently, any individual who is employed on board an aircraft operated in international traffic where the place of effective management of the enterprise is in Ireland is subject to Irish income tax. This provision will be amended to exclude non-resident flight crew where several conditions are met.

*Income from micro-generation of electricity*

Up to €200 of income received by households from the sale of residual electricity to the grid will be disregarded for tax purposes.

## Business Taxation

*Corporation tax rate*

Prior to the announcement of the Budget, the government signed the OECD agreement to introduce in Ireland

- a new minimum corporation tax rate of 15%; and
- the method of allocating taxable profits between jurisdictions.

These provisions result from the OECD's "BEPS 2.0" initiative which proposed a two-pillar approach to dealing with international tax challenges in the era of a digitalized global economy.

Pillar 1 deals with the allocation of company profits between jurisdictions largely based on the location where the services are consumed. Provision in Pillar 1 will apply to group with annual consolidated revenues of greater than €20 billion.

Pillar 2 proposes rules to ensure that groups with annual consolidated revenues of greater than €750 million will pay an effective rate of tax of at least 15%.

A significant level of technical detail still needs to be agreed in relation to these new tax rules and no firm date has been set for when these measures will take effect.

Importantly for Irish SMEs, companies that are outside of the scope of this new legislation will be unaffected by the OECD provisions and the 12.5% corporation tax will continue to apply to the taxable trading profits of those companies.

*Employment Wage Subsidy Scheme (EWSS)*

The EWSS will be extended until the end of April 2022 on a graduated form. In relation to the scheme, the following points have been confirmed:

- The current rates will be retained for October and November 2021.
- Employers availing of EWSS on 31 December will continue to be eligible until 30 April 2022 assuming they meet the eligibility criteria which will continue to be a 30% reduction in turnover / customer orders in 2021 compared to 2019.
- EWSS will close for new claims from 1 January 2022.
- For December, January and February, a two tier structure will apply to subsidy payments with rate of €151.50 and €203.
- For March and April 2022, a flat rate subsidy of €100 will replace €203 and €150. Also, the rebate of Employer's PRSI will no longer apply for these two months.

*Energy-efficient capital allowances*

The scheme for accelerated capital allowances for qualifying energy-efficient equipment is being extended for a further 3 years up to 31 December 2024.

As part of the Budget announcement, changes to the current scheme will be introduced where capital allowances at a rate of 100% of the cost incurred on qualifying assets can be claimed in the year of acquisition rather than 8 years for non-qualifying assets.

The scheme is being amended to exclude equipment directly operated by fossil fuels as qualifying assets. The accelerated capital allowances scheme for gas vehicles and refueling equipment has also been extended to 31 December 2024 and extends the definition of qualifying assets to hydrogen-powered vehicles and refueling expenditure.

*Corporation tax start-up relief*

The existing corporation tax relief for certain start-up companies will be extended until 31 December 2026, and will be available for the first 5 years (rather than the first 3 years) of trading.

*Tax credit for the digital gaming sector*

A new tax credit for the digital gaming sector was announced. As EU State aid approval is required, the credit will be introduced subject to a Commencement Order.

The introduction of the credit is intended to support quality employment in creative and digital arts in Ireland. The relief will take the form of a refundable corporation tax credit available for digital games development companies for qualifying expenditure incurred on the design, production and testing of a digital game. The credit will be available at a rate of 32% of eligible expenditure up to a maximum limit of €25 million per project. There will also be a per project minimum spend requirement of €100,000. Claims may be made for expenditure incurred on an annual basis and therefore it will not be necessary to wait for the completion of a project to make a claim.

A digital game must be issued with a Cultural Certificate from the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media to qualify for the credit. Relief will not be available for digital games produced mainly for the purposes of advertising or gambling. To avail of the credit, a digital game development company will be required to sign an undertaking in respect of quality employment similar to the requirements in place for tax relief for investment in films.

A claimant company will not be permitted to qualify for additional relief for investment in films or the R&D tax credit.

*VAT*

The temporary VAT rate reduction for the hospitality and tourism sector to 9% will continue until the end of August 2022.

The flat-rate addition for unregistered farmers will decrease from 5.6% to 5.5% for 2022.

*Anti-Tax Avoidance Directive (ATAD) – interest limitation and anti-hybrid*

The introduction of new provisions to transpose the interest limitation and anti-reverse hybrid provisions from ATAD into Irish law was announced.

The interest limitation provisions will be significant for any businesses that use inter-group treasury/ lending arrangements. The measure will place a limit on deductible interest costs of 30% of EBITDA for companies that come within its scope. Disallowed interest may be carried forward and deducted in future years if the company has sufficient interest capacity. The measures will be effective for accounting periods commencing on or after 1 January 2022.

Importantly for SMEs, the proposed legislation includes a de minimis provision where interest deductions below €3 million will not be affected, and exemptions will apply for standalone entities, and legacy debt arrangements in place before 17 June 2016.

The anti-reverse-hybrid rules will bring certain tax-transparent entities (such as partnerships within the scope of Irish tax) where the entity is at least 50% owned / controlled by entities resident in a jurisdiction that regards that transparent entity as tax-opaque and, as a result of this differing approach, double non-taxation occurs. When the new rules are implemented the profits of the reverse-hybrid entity will be charged to corporation tax.

### Other tax measures

*Zoned land tax*

A new tax which will replace the vacant site levy will apply to land which is zoned suitable for residential development and is serviced but has not been developed for housing. The rate of the new tax will be quite low at 3% and will be applied to the market value of the land.

For land zoned for residential use before 1 January 2022, there will be a two-year lead-in time and a three-year lead-in time for land zoned after that date.

*Carbon tax*

The carbon tax rate will increase by €7.50 to €41 per tonne of carbon dioxide emitted. This increase is to apply to all auto fuels from Budget Day (12th October 2021) and all other fuels from 1 May 2022. These measures are aimed at supporting decarbonizing the economy in line with Ireland's commitment to reduce carbon emissions by 7% next year.

*VRT*

The €5,000 relief for Battery Electric vehicles is being extended to the end of 2023. From January 2022, VRT rates will increase for cars with CO2 emissions in excess of 110g/km.

*Excise Duty*

Excise duty (including VAT) on cigarettes will increase by 50 cents on a packet of 20, with a pro-rata increase on other tobacco products, from midnight of 12th October 2021.

## Non-taxation measures

*National Development Plan (NDP)*

The Budget allocates €11.1 billion under the NDP together with other non-Exchequer investment to cover areas such as:

- Public transport upgrades
- Housing and Urban Regeneration
- Energy Transition and Resources
- Broadband connectivity and communications

This investment represents Ireland's investment in capital at almost 5% of Gross National Income (GNI) and reaffirms the Government's commitment to infrastructure investment in Ireland.

*Innovation Equity Fund*

To date, the Government has committed a €30 million investment to the Innovation Equity Fund through the Ireland Strategic Investment Fund. As part of Budget 2022, it was announced that the government intends to commit a further €30 million investment to this fund through Enterprise Ireland. This investment will be matched by €30 million from the European Investment Fund, subject to Board approval. It is intended that these investments will increase the availability of early-stage funding for Irish SMEs. The Innovation Equity Fund is expected to launch in 2022.

*Commercial rates*

The Commercial Rates Waiver will be extended for Q4, 2021, targeted at the hospitality, arts and certain tourism-related sectors. This is a very welcome measure for businesses that have been worst impacted by the Covid-19 restrictions.

*Social welfare*

The main social welfare changes announced in the Budget were:

- The maximum rate of all weekly social welfare payments will increase by €5 with proportional increases for qualified adults and people on reduced rates of payment. Individuals aged 25 and under who are getting a reduced rate of Jobseeker's Allowance will get the full €5 increase from January 2022.
- A Christmas Bonus of 100% will be paid in early December 2021 to people getting a long-term social welfare payment.
- The fuel allowance increased by €5 per week from €28 to €33 from 13 October 2021. From January 2022, the income threshold for Fuel Allowance will increase by €20 from €100 to €120.
- Parent's Benefit will be extended by 2 weeks from 5 weeks to 7 weeks for the parents of children born or adopted from November 2019. This will come into effect in July 2022.
- From June 2022, the income disregard for Carer's Allowance will increase from €332.50 to €350 for a single person and from €665 to €750 for a couple. The capital disregard will increase by €30,000 to €50,000. The period during which Carer's Allowance and Domiciliary Care Allowance can be paid for children in hospital will be extended from 3 months to 6 months.

*Other measures*

A number of healthcare measures were introduced, including free GP care for children up to the age of 8.

An additional 350 teachers will reduce the pupil/teacher ratio in primary school by one point to 24:1. 980 new teachers will be recruited to support children with special needs and 1165 new Special Needs Assistants (SNAs) will be recruited.

## Future tax plans

The Commission on Taxation and Welfare will deliver its report in July 2022 which will set out the Commission's recommendations as regards how best the taxation and welfare system can support economic activity and income distribution, whilst promoting increased employment and prosperity. These recommendations are expected to shape Ireland's tax policy over the next 5-10 years' and it is anticipated that measures reflecting the recommendations will be introduced in annual Budgets over the next few years.

Further, given the extent of the international tax changes that will take effect over the next few years, it is vital that Ireland continues to deliver an attractive package for Foreign Direct Investment (FDI). Domestic tax policy will be a key driver in this area, and it is hoped that further measures will be introduced in the near future to address ongoing domestic issues, such as:

- The need to raise tax revenues to pay for Covid-19 related debt
- Housing and school shortages
- Issues within our health system
- Our climate change commitments
- Ensuring Ireland's readiness for a digital future

## Final Comment

The legislation enacting the Budget measures are contained in Finance Bill 2021 which was published on 21st October 2021. The Bill is currently going through the legislative process in the Houses of the Oireachtas. The final text of the Bill is expected to be passed into law before the end of the year.

Overall, Budget 2022 promotes entrepreneurship, job creation and economic growth and has broadly been welcomed among business owners. In my view, there were some missed opportunities, however.

More targeted measures to support climate change would have been very welcome. Also, there were no announcements on capital taxes (i.e. Capital Gains Tax and Capital Acquisitions Tax) which is disappointing for businesses who are concerned about succession planning. In addition, anticipated enhancements to the Special Assignee Relief Programme (SARP) and the R&D tax credit regime did not come to pass. It is hoped that measures addressing these matters will be announced in future Budgets.

**"Budget 2022 promotes entrepreneurship, job creation and economic growth"**

**Mairead Hennessy**

Mairéad is founder of Taxkey, a specialist practice providing virtual tax partner services to accountancy firms around Ireland.

# Future Fiscal Options are Taxing: The ESRI Report

by Jim Power

**Prior to Covid-19 the Irish public finances were in a vulnerable place, with the debt to GDP ratio at 57.4 per cent at the end of 2019, and more importantly, the debt to GNI* (Modified Gross National Income – which is a more representative representation of what is really happening in the domestic economy) at 95 per cent. Thanks to the pandemic, the debt to GDP ratio had jumped to 59.5 per cent of GDP by the end of 2020, and debt to GNI* stood at a dangerously high 105 per cent.**

Despite what some have claimed over the past couple of years, debt actually does matter, particularly for a small open economy like Ireland. We saw back in 2010 the consequences of too much debt and the implications when those who buy our debt lose confidence. While international confidence in Ireland is very high at the moment and the National Treasury Management Agency (NTMA) has no problem borrowing at interest rates that are close to historic lows, it would not be sensible to continue to borrow and build up dangerously high level of debt on the basis that interest rates will remain low and international lenders will be prepared to lend without limit to Ireland indefinitely. From my fiscally conservative perspective, that would be a dangerous strategy. At some stage borrowing costs will rise and unfortunately for a small borrowing nation at the whim of international markets, we cannot be guaranteed that we will always be loved by international bond markets. Consequently, it is essential that the gap between revenues and expenditure is narrowed over the coming years. The only question is whether it is done through controlling expenditure (something Irish governments are not particularly good at) or increasing taxation, or more likely a combination of both.

Taxation is always a controversial topic. Those who pay little or no tax generally argue that others should pay more, and those who do pay the bulk of tax generally believe they are paying too much. The balance between the level of Government expenditure and taxation is really what defines the divide between left and right-wing political ideologies. It is very difficult to bring the two sides together.

However, one thing is very clear – an adequate level of tax revenue is necessary to fund vital public services, but those who pay the tax should expect that the monies are spent wisely and that value for money is the guiding principle.

Looking ahead, many pressures will present themselves on the expenditure front. These pressures include necessary climate change mitigation measures, housing and of course demographics and an ageing population which will have profound implications for expenditure on healthcare, care for older people and pensions. An ageing population also has implications for the tax base, which of course could be alleviated by inward migration of younger workers.

In the face of these challenges, it is essential that tax revenues are adequate and that the tax base is as broad as possible. However, it is essential that the burden of taxation does not discourage full labour force participation and entrepreneurial endeavour. At the end of the day, economic growth is essential to generate the tax revenues that will fund public services. If the tax system damages economic activity, then the funding of those services will become much more difficult.

The ESRI has recently argued that future spending pressures combined with potential declines in corporation tax and motor tax receipts, mean that significant future tax increases are likely to be needed in the years ahead. The pressure on corporation tax receipts could emanate from the OECD-driven tax changes, while various motor tax receipts could emanate from the move to lower emission and currently lower taxed electric vehicles, while the move away from diesel and petrol could undermine fuel taxes. However, I am sure that the Revenue Commissioners and the Department of Finance will come up with all sorts of inventive ideas to compensate through other taxes on motoring.

Some of the suggestions posited by the ESRI include increasing the standard and higher rates of income tax by 1 percentage point; raising the standard and reduced rates of VAT by 1 percentage point; or charging the Local Property Tax on up-to-date valuations (that is now happening). It does not believe that a wealth tax is very practical, given that if property was to be exempted, such a tax would raise little revenue unless levied at very high rates. Instead, it suggests a focus on the scope for increasing revenues from transfers of wealth.

The ESRI also discusses the potential for raising revenue by restricting or abolishing tax reliefs which have questionable economic rationale or are poorly targeted at achieving their stated aims. It mentions exempting pension lump-sums of up to €200,000 as being poorly targeted as it mainly benefits high earners and encourages the withdrawals of large lump-sums on retirement. It is

very easy for a public sector body with guaranteed employment and pensions to target private sector pensions.
The reality is that tax incentives are necessary to achieve certain things. If private sector pension provision is totally inadequate, then we will end up with a new species called the 'retiring poor', with serious implications for economic activity and future pressure on State pensions. Tax incentives do encourage private sector pension provision.

The ESRI perspective is very heavily driven by an ideological bent to increase taxes regardless of the economic consequences. Policy makers will need to be very careful about how tax policy is crafted to avoid the law of unintended consequences.

There has been exponential growth in Irish tax revenues over recent years, and this has been driven by economic activity. If we implement tax changes that will dampen economic activity, growth will suffer, with disastrous implications for future tax revenues.

In the first 9 months of 2021 total tax receipts were 15.9 per cent or €6.3 billion higher than the equivalent period of 2020. Income tax receipts were 19.5 per cent higher; corporation tax receipts were 7.9 per cent higher; and VAT was 26 per cent higher.

The strength of tax receipts reflects strong profitability in the multi-national component of the economy; a strong rebound in consumer spending; and the fact that the highest earning and highest tax-paying element of the labour force was not significantly affected by Covid-19. The very progressive nature of the Irish income tax system is ensuring that income tax revenues are remaining buoyant.

The Revenue Commissioners point out that in 2018, around four-fifths of all income tax revenue was paid by the top 25 per cent of income earners, and the top 1 per cent of earners paid over one-fifth of income tax. To me, this represents a classic example of an incredibly progressive income tax system.

## Table 1: Annual Tax Revenues


*Source: Department of Finance*

Irish taxation revenues are dominated by three categories – Income Tax, VAT and Corporation Tax which accounted for almost 85 per cent of total tax revenues in the first nine months of 2021. Income tax accounted for 40.2 per cent, VAT accounted for 27.1 per cent, and corporation tax for 17.6 per cent. It is interesting to note that in 2006, income tax accounted for 27.2 per cent of total tax revenues, VAT accounted for 29.5 per cent and corporation tax accounted for 14.7 per cent.

Despite the pandemic, Irish tax revenues have held up in a remarkable fashion in 2020 and 2021.

The strong performance of multi-national profits is ensuring that corporation tax receipts are also buoyant. A record €11.8 billion was collected in 2020 and a higher level will be achieved in 2021. However, there is a significant concentration risk evident on the corporation tax front. In 2020, the top 10 largest firms accounted for around 52 per cent of all corporate tax revenue. The impending changes to the global corporate tax code will need to be monitored carefully here in Ireland. It would be reckless to continue to allow expenditure rise strongly on the back of a tax base of which some may prove transitory.

Ireland made that mistake with disastrous consequences in the 2000s.

## Tax Receipts (Jan-Sep 2021)

| Tax Category | €m | % Of Total | Year-On-Year Change |
|---|---|---|---|
| Income Tax | 18,445 | 40.2% | +19.5% |
| VAT | 12,439 | 27.1% | +26.0% |
| Corporation Tax | 8,057 | 17.6% | +7.9% |
| Excise | 4,075 | 8.9% | +7.4% |
| Stamps | 1,144 | 2.5% | +22.3% |
| Capital Gains Tax | 332 | 0.7% | +11.2% |
| Capital Acquisitions Tax | 229 | 0.5% | +19.7% |
| Customs | 355 | 0.8% | +91.7% |
| Motor Tax | 719 | 1.6% | -1.8% |
| Other | 70 | 0.1% | - |
| Total | 45,865 | 100.0% | +15.9% |

*Source: Department of Finance*

## Conclusion

The challenges ahead for Ireland on the tax and expenditure front are significant. It is important to create a tax system that is broadly-based with low marginal rates. It is equally important to exert significant control on all forms of public expenditure, with a much stronger focus on value-for-money than heretofore. Increasing taxes, as the ESRI suggests, is not the panacea for all of our challenges, and could in fact prove totally counter-productive.

**Jim Power,**

Jim Power is one of Ireland's leading and best-known economic analysts. Jim has a wealth of experience in delivering insightful economic analysis, forecasts and commentary to both Irish and international audiences. He writes regularly for national newspapers and is a regular contributor to radio and TV debates and discussions.

# In Practice News

## New Bye Law 15, Anti Money Laundering Regulations

New Bye Law 15, Anti Money Laundering Regulations, becomes effective for CPA members from 1st January 2021.

The Criminal Justice (Money Laundering and Terrorist Financing) Act 2010, as amended, (the Act), provides the legislative framework for the combat of money laundering and terrorist financing (MLTF) in Ireland. The accountancy profession plays an important role within this framework, CPA members and firms who provides audit, accounting, tax and trust and company services are required under the Act to have in place specific policies and procedures to combat MLTF.

CPA Ireland is recognised as a competent authority under S.60 of the Act and under this legislation is required to effectively monitor and take measures that are reasonably necessary for the purpose of securing compliance by its members, with the requirements of the Act.

## New CPD Requirements for Statutory Auditors

From January 1st 2022, new CPD Requirements for Statutory Auditors commence with the introduction of new IAASA CPD Guidelines. CPA members, affiliated partners and responsible individuals who are authorised by CPA Ireland as statutory auditors are reminded of requirements to maintain their competence in audit through CPD. The new guidelines require statutory auditors to retain CPD records for a period of 6 years, these are to be sufficient to demonstrate CPD planning, completion and evaluation.

**Source: www.iaasa.ie**

## Members in Public Practice

The Act places obligations on CPA members who are considered “designated persons” to guard against their businesses being used for money laundering or terrorist financing purposes and provides for the supervision of all “designated persons” by a competent authority.

“Designated persons” coming under the supervision of CPA Ireland include those members who are:

- auditors
- external accountants
- tax advisers
- trust company service providers.

Those members currently holding CPA practising certificates are supervised under the Institute’s current Quality Assurance programme for AML purposes.

Members who provide services which render them a designated person under the Act, but which do not require them to hold a practising certificate in accordance with Bye Law 13, Practice and Audit Regulations, such as book-keeping services are required to register separately for AML purposes with CPA Ireland.

The introduction of Bye Law 15, Anti-Money Laundering Regulations, provides for the consolidation of the AML obligations of the Institute and its Members within one regulation.

**Source: Bye Law 15 AML Regulations CPA Ireland website**

## Bye Law 9, Professional Indemnity Insurance Revised

Revisions to CPA Ireland’s Bye Law 9, PII, become effective from 1st January 2021 and apply to members who hold practising certificates. The changes can be summarised as follows:

- Members engaging in investment business must ensure that they have adequate PII which should be ring fenced in respect of the firm’s investment business activities. They must have in place a minimum cover of €1,300,380 in respect of each and every claim and €1,924,560 in aggregate per year for all claims. There are exemptions available from these levels for members who hold Category 1A authorisation or who have not conducted any investment business in the previous 12 months.
- The Bye Law has been updated to reflect the statutory PII requirements for members who accept liquidation appointments, pursuant to S.633 of the Companies Act 2014. Such members must hold professional indemnity insurance that meets the requirements of the Companies Act 2014 (Professional Indemnity Insurance) (Liquidators) Regulations 2016 or any enactment or re-enactment thereof. These regulations provide for a limit of liability for each and every claim of not less than €1,500,000 (exclusive of defence costs) and provide cover for defence costs.
- The self-insured excess has increased and shall not exceed €25,000 each and every claim, multiplied by the number of principals.
- Professional indemnity insurance shall include retroactive cover for liabilities arising from work carried out previously. Where a retroactive date is included on a policy, it shall not predate a period of six years or if the firm has been in existence for less than six years, from the date of the inception of the firm, except for claims or potential claims known about at the time the insurance was first taken out.

**Source:**
**Bye Law 9, PII CPA Ireland website.**

# Climate Change & the Statutory Auditor

by Fiona Gaskin & Melissa Reddy

**It's clear that climate change risk has risen up the corporate agenda and is now a standard item for consideration at Board level. But what does it mean for the annual report and the audit of the financial statements?**

When I started my training as an accountant over 20 years ago, I don't think I could have imagined a world where climate change needed to be considered in the context of financial statements. However, that's exactly the world that exists now. With the increased focus on climate change and supported by the development of frameworks such as the Task Force for Climate related Disclosures (TCFD), consideration of climate change risks and opportunities has become more formal and detailed, as has the impact of those risks and opportunities on the financial statements. Reporting of climate related matters is becoming far more mainstream with 50% of FTSE350 companies voluntarily reporting on TCFD.[1] In addition, the Financial Conduct Authority (FCA) has mandated that all UK premium listed companies must report on TCFD for their 2021 Annual Financial Report on a comply or explain basis.

Through a risk identification and assessment process, an organisation may deem climate change to be a principal risk. Even where this is not the case, an organisation may include detail about their assessment of climate risk in the front half of the annual report given the focus on the topic by stakeholders such as investors.

When climate change is identified as a principal risk, similar to any other principal risk, the impact on the front and the back half of the annual report needs to be assessed. The TCFD framework requires, for example, significant disclosures on climate risks and future scenarios. This includes considering what physical risks the organisation might be exposed to, such as an increased risk of flooding, as well as transitional risks as the world looks to transition to a lower carbon model, for example, the impact that an increase in carbon tax may have on an organisation.

Examples of some climate change related risks and opportunities include:

- increased consumer demand for products which are seen to be helping with reducing climate change impacts, e.g. plant-based food,
- increased costs from raw material price increases, for example if the climate is affecting crop yields,
- cost of actions required to reach Net Zero commitments, or
- reduced revenue from the outright ban of a key ingredient used in production and/or a finished good in its end market.

The risks and opportunities posed by climate change are not theoretical; many are happening now, and others are coming very quickly. One example of this is the proposed EU phasing out of new internal combustion cars by 2035. This will have an impact on not only car manufacturers, but the related upstream and downstream businesses. As the impact of these risks and opportunities are considered, due consideration as to their potential impact on the financial statements is also required.

## Climate Change - what accounting standard is that?

The short answer to the above question is that there are no specific accounting standards right now, but climate change is a factor to be considered when applying existing accounting standards. The International Accounting Standards Board (IASB) have noted that the principle-based approach of IFRS standards means that climate change risk is addressed by the existing IFRS standards, even though it is not explicitly referenced in those standards. At its core, reflecting climate risk in financial statements is little different to any other risk. If assets are affected, then it's IAS 16 Property, Plant and Equipment or IAS 36 Impairment of Assets. If provisions are affected, then it's IAS 37 Provisions, Contingent Liabilities and Contingent Assets and so on.

The IASB issued educational material which contains a non-exhaustive list of examples regarding how climate risk might affect the measurement and disclosure requirements of different IFRS standards and the various paragraphs of those standards that might be referenced in determining how companies consider the effects of climate-related matters in applying the principles in IFRS.

When applying this guidance, it's important to consider that many parts of the financial statements involve consideration of time periods which are greater than 12 months and therefore the possible effect of climate change over that longer time horizon is important. For example, property, plant and equipment typically have useful economic lives spanning decades, and other valuations are underpinned by discounted cash flow models with significant assumptions about the future taken all the way into perpetuity. How might these calculations be impacted by the risks and opportunities the specific organisation faces in relation to climate change?

## What does that mean for a statutory auditor?

The statutory auditor considers any potential implications, including disclosures, for the financial statements from risks and other matters and this would include the potential impact of

1 *Source: https://www.pwc.co.uk/audit/assets/pdf/reporting-on-a-changing-world.pdf issued July 2021

environmental or other matters, for example the potential impact on assets lives or impairment reviews. An example of this might be an expected fine due to non-compliance with an environmental regulation and consideration as to whether or not a provision is required.

The statutory auditor also has responsibilities in respect of the front half of the Annual Report which include:

- To read the other information and consider whether it is materially inconsistent with the financial statements or the auditor's knowledge obtained in the audit, or otherwise appears to be materially misstated in the context of the auditor's understanding of the legal and regulatory requirements applicable to the statutory other information. An example of this might be a disclosure in the front half of the annual report which speaks to replacing equipment with new less carbon intensive models within the next 12 months, but there is no consideration of any possible amendments to the useful economic lives used for depreciation or no consideration of whether an impairment is required for the existing equipment in the financial statements.
- State whether, based on their knowledge and understanding of the company and its environment obtained in the course of the audit, they have identified material misstatements in the directors' report and, where they have so identified such misstatements, give an indication of the nature of each of such misstatement.
- For companies that apply the UK Corporate Governance Code, to report based on knowledge obtained in the audit where the auditor has anything material to add or to draw attention to regarding:
  - The directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity.
  - The disclosures that describe those risks and explain how they are managed or mitigated.

To assist statutory auditors in considering their responsibilities, in late 2020 the Financial Reporting Council (FRC), the independent regulator in the UK, released a thematic review of climate-related considerations by boards, companies, auditors, professional associations and investors. The core finding of the review highlighted that greater consideration should be given to the climate-related risks by auditors when completing their work. The thematic review[2] suggests that this understanding needs to be tailored to the individual circumstances of each entity and the materiality of the audit and proposes six key stages shown on the next page.

## What's on the horizon?

The topic of climate change and Environmental, Social and Governance (ESG) topics more generally are rapidly evolving areas, but some key points to highlight include:

1. The EU's proposed Corporate Sustainability Reporting Directive (CSRD), which is due to be effective from 1 January 2023, includes a requirement for certain companies to increase their disclosures about sustainability and requires them to obtain limited assurance over the related disclosures. The assurance element is still being reviewed by the EU including who will be permitted providers of this assurance and what standards will apply.
2. In support of CSRD and to facilitate the required assurance, European sustainability reporting standards are being developed by EFRAG (draft standards expected to be available mid-2022) and will be tailored to reflect EU policies.
3. The IFRS Foundation Trustees are working to establish a new board focused on sustainability-related disclosure standards (the proposed International Sustainability Standards Board—ISSB) under the IFRS Foundation's governance structure.

## Conclusion

Regardless of the industry, climate change and its impact on current and future operations should be considered by all organisations. This includes a specific and thorough consideration of the physical and transitional risks the organisation is directly exposed to, as well as those up and down its value chain. Transparency over the impact of climate change on business, and businesses' impact on the climate, is a crucial component in tackling this most important of all issues: the future of the planet.

As statutory auditors, the focus is still on consistency of the "other information" in the front half of the report along with the disclosure of principal risks and consideration of potential risks and their impact on the financial statements. However, with focus on this area by regulators and other stakeholders, it's clear that this cannot be a tick the box exercise and formal consideration of climate change should be completed by the auditor.

This is a fast-evolving area with more detailed standards from both the EU and the IFRS Foundation expected.

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2 https://www.frc.org.uk/getattachment/0ef2c94a-9028-4efa-ac80-3b8c2e0d9a11/Audit-FINAL.pdf

# FRC 2020 Thematic Review

### 1. Risk assessment

Obtaining an understanding of the potential effects of climate-related risks on the entity's audit and annual report is an important part of the initial risk assessment phase. Audit teams may consider utilising existing industry-specific guidelines, upcoming environmental legislation and firm guidance to assist them when performing their risk assessment procedures.

### 2. Controls

Audit teams should invest time to appropriately understand management's procedures for addressing the impact of climate change on their organisation. This will allow auditors to assess whether an appropriate risk response is in place.

### 3. Audit procedures

As part of their risk assessment, auditors should consider identifying financial statement balances which may be impacted by climate change. These risks could then be assessed throughout the audit testing of the affected balances. Auditors could also consider leveraging the sensitivity analysis used to assess going concern to determine whether climate related risks may impact the key assumptions.

### 4. Audit Specialists

Audit teams may use specialists to assist in reviewing climate specific disclosures and contributing to the climate-related risk assessment or support on specific areas of audit testing.

### 5. Disclosures

If entities have chosen to adopt, either fully or partially, TCFD disclosures, audit teams should consider assessing these against the published TCFD recommendations. Similarly, if companies have chosen to include climate-related commitments in the front half of their reports, audit teams should determine whether these are consistent with the activities they have observed throughout the audit. Any actions which may seem incongruous to these plans, such as particular capital expenditure or business development activity, could be identified for discussion by the auditors and considered for further examination, if appropriate.

### 6. Reporting

The review concluded that the majority of audits used only basic wording when reporting the relevance of climate-change to those charged with governance. Entities which showed good practice in this area included measures such as making specific reference to environmental disclosures in the representation letter and presenting to those charged with governance on how climate-related issues could be disclosed in the front and back halves of the annual report.

# Proposed Auditing Standard for Less Complex Entities

by Emer Kelly

**In late August 2021, the International Auditing and Assurance Standards Board (IAASB) opened a six-month public consultation on its landmark new proposed standard for audits of financial statements of less complex entities (LCEs).**

This stand-alone standard is a significant milestone for the IAASB and the entire accountancy profession.

CPA Ireland has long advocated for proportionality and scalability in the standards used by the profession and has endeavoured to consider the impact of new standards and requirements on SMEs in particular. All with a view to ensuring that the value of the audit service is not lost in an overly burdensome tick box approach to the process.

## Background

The IAASB is responsible for the development and publication of the International Standards on Auditing (ISAs). At present, approximately 130 jurisdictions, including Ireland, have adopted, or partially adopted the ISAs. The ISAs are designed to be applied to a wide variety of entities with differing circumstances and sizes, ranging from those whose nature and circumstances are simpler and more straightforward (i.e. LCEs), to those entities whose nature and circumstances are more complex (for example, entities with more complex structures, more complex information systems or controls, or more complex transactions).

It is estimated that more than 90% of entities across the world are small and medium-sized entities (SMEs), and many of these entities are audited by small and medium-sized practices (SMPs).

Indeed, in Ireland, the Irish Auditing and Accounting Supervisory Authority's publication Profile of the Profession for 2020, reflects an audit profession dominated by SMPs. The report shows that at 31st December 2020, 98% of audit firms in Ireland had five partners or less (59% being sole practitioners), and 99% of audit firms had no Public Interest Entity audit engagements. Typically, such SMP firms have LCE audit clients.

In recent years, the audits of such LCEs have become more complex and challenging. In response to a fast-changing financial world, where the evolving business environment has resulted in more complex transactions and structures and the rapid advance of technology, affecting how transactions are undertaken and records are kept, the ISAs have been keeping pace and in doing so have become more complex and voluminous.

## 2019 Discussion Paper

A 2019 IAASB discussion paper on the topic of the audit of LCEs, specifically highlighted the potential impact for such increases in the length and detail of the ISAs to:

- Act as a barrier to auditors reading and understanding the ISAs, particularly for those auditors in situations where there is a gap in available guidance for applying the ISAs.
- Result in a perceived 'checklist-approach,' with a greater focus on compliance rather than using professional judgment.
- Lead to increased documentation in audit files, with no perceived commensurate benefit.

It noted that these factors could potentially lead to a reduction in audit quality as they could affect how the auditor applies the standards.

From an Irish perspective, in 2019, as part of its consideration of this initial discussion paper, CPA Ireland, surveyed its members to gather their views on the current challenges facing Irish LCE auditors.

Some of the challenges identified by the CPA Ireland survey in this regard were as follows:

- 91% of respondents cited audit fee pressure
- 63% of respondents cited availability of audit staff
- 64% of respondents cited the availability of audit technology solutions for LCEs

More specifically, the planning stages of the audit were identified by CPA practitioners as a particularly challenging stage of the audit of an LCE. The extensive planning requirements of ISA 300, 315 and 330 were cited as being overly burdensome for such client types.

CPA practitioners considered that the sheer length of some of the ISAs and the increasingly complex language and terminology throughout many of the standards made it difficult to apply to an LCE, for example the consideration of an LCE's "control environment" can often be difficult to consider in terms of the systems of an LCE, which are often very basic in nature but perhaps sufficiently appropriate to record the activities of a less complex entity.

The 2019 discussion paper proposed various actions that the IAASB could undertake as follows:

a. Revise the ISAs to address scalability more explicitly and make the auditors work effort clearer.

b. Develop a separate auditing standard for audits of LCEs that provides the same level of assurance as the ISAs (i.e., reasonable assurance).

c. Develop guidance for auditors of LCEs or other related actions on how the ISA requirements apply in the circumstances of LCEs.

CPA members preferred the second option i.e., that of a separate standalone standard.

That is what the IAASB is now proposing with this new draft standard. In developing this current proposal to develop a separate standard, the intention is to serve the public interest by:

a. Maintaining confidence in financial reporting of LCEs

b. Helping auditors of LCEs undertake consistent, effective, and high-quality audits

c. Being responsive to stakeholder needs

d. Promoting a more consistent application of the auditing standards to audits of LCEs

It was also considered that the development a global solution would be in the public interest to ensure consistency of application of the standards in an audit of an LCE, as well as supporting a common understanding of the procedures undertaken in an audit of an LCE.

## Who is the proposed standard aimed at?

There is no global definition for a 'small- or medium-sized entity,' and the use and meaning of the term may differ in different jurisdictions. The proposed standard considers that it is appropriate to focus on the complexity of the entity rather than its size, and therefore uses the term "less complex entities".

The definitive eligibility criteria for use of the proposed standard will be decided at national level.

However, the following specific prohibitions for the use of the new standard are outlined in the proposal:

a. Law or regulation prohibits use of the standard in a particular jurisdiction:

  i. Explicitly prohibits the use of the proposed ISA for LCE (i.e., the standard is not authorised for use in a particular jurisdiction); or

  ii. Specifies the use of auditing standards, other than the proposed ISA for LCE, for an audit of financial statements in that jurisdiction.

b. The entity is a listed entity

c. An entity meets one of the following criteria:

  i. An entity one of whose main functions is to take deposits from the public;

  ii. An entity one of whose main functions is to provide insurance to the public;

  iii. An entity whose function is to provide post-employment benefits;

  iv. An entity whose function is to act as a collective investment vehicle and which issues redeemable financial instruments to the public; or

  v. A class of entities where use of the proposed ISA for LCE is prohibited for that specific class of entity by a legislative or regulatory authority or relevant local body with standard setting authority in the jurisdiction

d. The audit is an audit of group financial statements

### What does the proposed standard look like?

The proposed standard is a stand-alone, self-contained standard, unlike the current suite of ISAs in use. It would not be considered necessary for an auditor conducting the audit of an LCE to refer back to specific ISAs. The auditor of an LCE, it is proposed, should only need to refer to one standard to perform an LCE audit. Indeed, if it is necessary for an auditor to seek guidance on an aspect of an audit, which is not provided for within the proposed standard, then it would be necessary to apply the full suite of ISAs to the circumstances.

The proposed standard has been grouped into nine "Parts" that follow the flow of an audit engagement (rather than by subject matter or topic like the ISAs) as follows;

**Part 1 –**
Fundamental Concepts: General Principles and Overarching Requirements

**Part 2 –**
Audit Evidence and Documentation

**Part 3 –**
Engagement quality management

**Part 4 –**
Acceptance or continuance of an Audit Engagement and Initial Audit Engagements

**Part 5 –**
Planning

**Part 6 –**
Risk Identification and Assessment

**Part 7 –**
Responding to Assessed Risks of Material Misstatement

**Part 8 –**
Concluding

**Part 9 –**
Forming an Opinion and Reporting

These 9 parts are preceded by a Preface to the standard, and the Authority.

The same structure has been used within each Parts 1–9, to help with consistency of application.

In addition, the IAASB has focused on:

- Simpler numbering.
- Limiting the number of "sub-bullets" where appropriate.
- One thought per paragraph.
- Combining requirements from the ISAs where appropriate and avoiding repetition.
- Articulating the requirements in a clearer and simpler way where feasible.

All these elements enhance the ease of navigation and useability of the proposed standard.

Many of the basic concepts used in the ISAs to support a risk-based approach have also been incorporated into the proposed standard.

There are many differences between the ISAs and the proposed standard, with the detail of these differences set out in detailed mapping documents. However, there are three more significant areas where the requirements are broadly different as outlined below:

- Accounting estimates
- Where the entity uses a service organization for processing transactions
- Management amendments to the financial statements after the date of the auditor's report

### What is the level of assurance proposed?

When developing the proposed standard for auditing LCE's, the IAASB consulted on and discussed the appropriate level of assurance that would be appropriate for the intended users of the financial statements of an LCE, including whether another kind of engagement, or a different level of assurance, should be considered.

The resulting proposal has been to develop a separate auditing standard that will provide a reasonable assurance opinion, using the concepts and principles already used in an ISA audit (as the ISAs are already designed for the auditor to obtain a reasonable level of assurance).

It should also be clear in the auditor's report which standard(s) have been used so that users of the financial statements have transparency as to which standards have been applied in conducting the audit.

### Next Steps

Since the publication of the proposed standard in August, CPA Ireland has held an information webinar for members and CPA Ireland's Audit Practices Committee have engaged with stakeholders both internationally and nationally on the proposal. The Committee will formulate CPA Ireland's response to this important proposal. Audit quality will be a key consideration for the committee, ensuring that the resulting standard provides a robust audit process which is fit for purpose and provides a solution to the challenges outlined during the consultation process by CPA members.

The IAASB consultation closes on 31 January 2022.

Recognising that the proposed standard is new and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning at least 18 months after the approval of a final standard. Earlier application would be permitted and encouraged.

What is clear from the consultation process to date, is that in an increasingly complex world with evolving reporting needs, there is a need for a set of high-quality requirements tailored for the audits of less complex entities. With this proposed standard, the IAASB is moving to provide a globally consistent approach.

CPA Ireland will be working to support the eventual adoption of an auditing standard for LCEs for use in the Irish market.

**Emer Kelly,**
***Quality Assurance Manager, CPA Ireland***

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Managing Director

# The Self-Aware Accountant

by Ben Rawal

**As one of the fundamental aspects of Emotional Intelligence, self-awareness is a critical skill that affects our ability to understand our feelings and how we are perceived by others. In this article, Ben Rawal explains the reasons why high levels of self-awareness can be useful in your role as an accountant**

The importance of emotional intelligence skills has gradually increased during the past ten to fifteen years, encouraged in part by the wealth of research and literature available.

Many recent articles in this area have placed emphasis on the importance of building relationships with others and the emotional skills required to be successful in this regard. Self-awareness arguably forms the foundation from which all other areas of emotional intelligence can either thrive or fail.

## What is Self-Awareness?

As a concept, Self-Awareness is relatively simple and can be split into two separate, but related areas.

Internal Self-Awareness is concerned with our own feelings: whether we recognise a particular emotion when it arises, together with how we respond to this emotion at the time. It is often difficult to categorically link how we feel to a particular word, and is exacerbated by the fact that we may feel multiple emotions simultaneously. Another complication is that some emotions occur and disappear at lightening speeds! The feeling of surprise sometimes fits this description, although can on occasion be more intense and last longer.

Whereas Internal Self-Awareness remains firmly within our control, External Self-Awareness is concerned with the perceptions that others form about ourselves. These perceptions are based on a variety of factors, some of which are unique to the individual that forms the view.

At times, this can be frustrating because we all perceive individuals differently, and many of our perceptions are not factual – we use our own experience, beliefs and assumptions to determine what we think and feel. The same approach can be applied to everyone else, and often explains why we form a different conclusion to other individuals.

Despite the complexities of individual perception, a consistent view formed by multiple individuals can provide useful feedback and enable an improvement in External Self-Awareness. In other words, we begin to understand how we are perceived by a wider group of individuals, and what we need to do to change these perceptions, if we want to.

**"Self-Awareness is concerned with recognising and responding to our emotions (Internal), and minimising the gap between our own self-perception, and those of others (External)."**

## Why is Self-Awareness important?

Understanding how you feel and how you are perceived may not appear to be priorities in your role as an accountant. After all, does it really matter if you cannot recognise an emotion such as fear, or that others see you as insensitive, obnoxious or just simply rude?

Hopefully, many of you recognise that a failure to understand, is ultimately similar to making important decisions based on a lack of information. The difference however with self-awareness, is that these decisions relate to how you behave and how your emotions influence your thinking.

If you're still not convinced, consider the wealth of research into the connection between the mind and the body – frequent intense emotions such as anger can cause longer term physiological damage. Therefore, improving your emotional awareness is important for both your physical and mental health.

Working in an accounting or finance role frequently requires periods of pressure, which affect how we feel, and how this pressure transfers to our behaviours. Individuals with high levels of self-awareness are more adept at recognising these emotional changes and taking the necessary action.

**"Improving your emotional awareness is important for both your physical and mental health"**

## Measuring our Self-Awareness

Our levels of self-awareness are unique to each of us. As accountants, you may be pleased to read that it is possible to measure your current levels of both internal and external self-awareness through using some simple techniques.

### Internal Self-Awareness

At any particular point in time, we are experiencing an emotion, or a combination of feelings. These can vary widely from 'positive' emotions such as joy, to those feelings that are generally seen as 'negative', including anger or sadness. A key part of internal self-awareness is whether you can connect the emotion with how it affects your thought patterns, behaviour and your physiology.

For example, a gradual build-up of frustration, eventually escalating into anger is likely to lead to increases in your breathing, blood pressure and heart rate.

Furthermore, your thinking is likely to become more irrational, and at the height of your anger, you may find yourself justifying behaviours that you later come to regret.

Some of our emotions (or combinations thereof) are easier to notice than others, and the key to measuring your level of internal self-awareness is to employ self-reflection techniques. Such techniques, will generally include questions to oneself, such as:

- Can I name the emotions that I'm feeling right now / have recently been feeling?
- Do I recognise how these emotions affect my physiology?
- How do these emotions influence my thinking, and how would this compare if the emotion was different?
- What behaviours do I display that may be directly attributable to the emotion?

Individuals with high levels of internal self-awareness ask themselves these questions regularly. As a result, they not only provide a way of measuring your self-awareness (through how often you ask the questions), but also offer an opportunity to develop through introducing regular self-reflection and self-critique.

### External Self-Awareness

Measuring our external self-awareness is easier in many ways, given that it involves a comparison between our self-perception and those of others. One of the most common methods for understanding this is to use the JoHari Window, a model that was created to explore our 'blind spots' – the aspects of our behaviours and communication that others can see but we cannot.

When the model was originally developed, users were given a list of adjectives and asked to choose those that most accurately described them. Such words included "brave", "calm", and "trustworthy". The same list was then provided to others, and the results compared to identify commonalities, blind spots and aspects that are kept 'private' to the individual.

### The JoHari Window:

| | What we know / see | What we don't know / see |
|---|---|---|
| What others know / see | Open | Blind Spot |
| What others don't know / see | Private | Dark |

*Joseph Luft / Harry Ingham (1955)*

The JoHari Window remains a commonly used tool in a variety of development and feedback settings, enabling individuals to understand how they are perceived. As with Internal Self-Awareness, the JoHari Window provides an immediate opportunity to improve based on the perceptions of others.

**"Some of our emotions (or combinations thereof) are easier to notice than others, and the key to measuring your level of internal self-awareness is to employ self-reflection techniques"**

## The Practical Application of Self-Awareness

Developing your internal and external self-awareness can take time depending on how effectively you implement personal change – both through self-reflection and through feedback from others. Although such development can at times appear difficult, the benefits outweigh the time and effort required for a variety of reasons that are pertinent to your role as an accountant.

### Stress Management

Recognising the impact of stress on how you are feeling, and how you are perceived by others, can help you make important decisions about managing your work priorities.

Although there are differences in how each of us deal with stress, there are also some common emotions that we feel, affecting our physiology and behaviour.

Difficulties will often occur when we simply don't recognise how we're feeling – anxiety, sadness or even shame – instead allowing our emotions to dominate our thoughts and behaviours. This is one of the reasons why the connection between internal and external self-awareness is important: at times, others will understand how you might be feeling, even more effectively than you do yourself.

As an accountant, it is important to correlate your thoughts and feelings with those of others – a spreadsheet can be helpful for collecting the data and comparing the opinions!

**"Recognising the impact of stress on how you are feeling, and how you are perceived by others, can help you make important decisions about managing your work priorities."**

## Presentations

Most finance professionals begin to recognise the regularity of presentations as they progress through their career. Even the most senior individuals struggle with presentations from time-to-time, and it is often emotions that impact their ability to deliver effectively.

Presentations also provide an excellent opportunity to develop your external self-awareness – others' perceptions on your communication and how you manage your emotions when providing information. You may not recognise how you feel, but others might offer some valuable observations – "You appeared nervous", "You seemed to rush your presentation", "You didn't make eye contact with others". Any feedback such as this will ultimately align back to your feelings at the time.

### Leadership

One of the reasons why great leaders attract a following is how they recognise and use their emotions with others. Great leadership of course is not simply restricted to the influence that you have on your own team(s), but also how you inspire others through your behaviours.

High levels of internal self-awareness will ensure that your feelings help you make the right decisions with others, but will also support you with an arguably more important issue – intuition.

Strong leadership relies on an intuitive mindset, and a strong connection between reality and 'what might be' can only happen with strong levels of internal self-awareness. Many well-known political leaders have suffered the fate of failing to grasp reality, and instead allowed their emotions to drive their ambitions. To exacerbate matters, some individuals with leadership duties often fail to accept feedback, consider others' perspectives, and instead focus on their own dominance.

As a leader, you always have a choice on how you choose to lead others. A key aspect of this is whether you understand your own emotions to the extent that you can make the connection between internal and external self-awareness – almost a fully cyclical process that will put you in an enviable position.

**"Strong leadership relies on an intuitive mindset, and a strong connection between reality and 'what might be' can only happen with strong levels of internal self-awareness."**

## Feeling Good

Achieving strong self-awareness relies on your ability to look both inward and outward. It also means that you need to place a level of trust in your own abilities to self-reflect and balance these with the perceptions of those around you.

Despite these challenges, the rewards can be substantial in your role as an accountant or finance professional – you may find a variety of answers to some of the issues you have been battling for many years.

**Ben Rawal,**
*BSc MBA FCCA*

Ben is the Lead Consultant and owner of Aspire Consulting, experts at helping organisations improve individual and team behaviours, leadership and culture.

www.aspire-consulting.co.uk

# The Art of Interviewing Digitally

by Sinead Canning

**If you're considering moving jobs this year, the chances are, you'll be asked to do a digital interview. Since the beginning of the pandemic, remote interviews have become increasingly common Although the pandemic is hopefully coming to an end, we believe that video interviewing is here to stay.**

While there are some things worth noting, the reality is that they are not that much different to in-person interviews. In this piece, I'm going to chat about the top three things for both the candidates and the interviewers, conducting interviews remotely.

## There are three things that I think people who are actively video interviewing need to consider:

### Setting

While we are used to seeing people's homes on screen and being a little bit more casual with colleagues, try to steer clear of having clutter in the background. Simple is best. A clean, fresh background – you don't want the interviewer's attention on anything but yourself.

If you're interviewing at home, make sure to let your family or housemates know so you won't be disturbed.

The room should be well lit and try not to have your back to a window as it might be distracting for the interviewer.

The important thing to remember is to treat the interview with the same level of professionalism as you would with an in-person interview. Some people tend to choose a virtual background – feedback from interviewers is that this can be distracting. Stick to a genuine background.

### Check the tech

Check, check and check again. It might sound basic but the truth is so many things can wrong on the day. From sound to light to internet connection, the list goes on.

Many different platforms offer video interviews. If you are not familiar with the software, practice with someone in advance of the real thing. Make sure the software is compatible with your personal laptop and that your internet runs at a speed strong enough for the software. Perform a speed test beforehand.

### Be yourself

Greet the interviewer as you normally would in person. Establish a rapport and a connection. It can be harder to pick up on body language and social queues in a video interview. You want your personality to shine through and we would recommend some non-interview related dialogue at the beginning and end of an interview. Ultimately, you will feel more comfortable by being yourself and the conversation will flow better.

Dress to impress – it's important to dress professionally even if the interview is not in person. A lot of us have become accustomed to dressing slightly more casual whilst working from home but interviews should be treated differently. Remember, first impressions matter and you always want to put your best foot forward.

## For interviewers, video interviewing is also relatively new. Several things can help ensure the process is smooth for both you and the candidates you are meeting:

### Provide candidates with all necessary information

Many people can find interviews to be nerve-racking. The more information a candidate has the more relaxed they will feel. They should be provided with the names and titles of each person who will be involved in the interview. Candidates like to do their own research beforehand and that can include searching the interviewers on LinkedIn to get a sense of their background and how long they have been with the company. Make sure candidates have a clear idea as to what to expect from a time point of view. Give them an idea as to how long they can expect to be speaking with you for – it will likely be the case that they have taken time off work and so transparency is key.

From my experience, the most popular platforms that are being used for digital interviews are Microsoft Teams and Zoom. However, there are more out there so let candidates know what technology you will be using and bear in mind that they might not be familiar with it. Provide any instructions you think necessary, the more the better!

Unfortunately, technology can sometimes fail us. It's useful to provide a phone number to the candidate in case something goes wrong.

### Be prepared

The structure and format of the interview should be planned in advance. While you might be eager to get going – set aside time for some casual conversation at the beginning. This will help relax the candidate and put them at ease. Introduce each interviewer and let them give some detail about themselves and their specific role within the company.

It might be the case that you ask the candidate to go through their CV, detailing their experience or you might have a list of competency-based questions that you want to ask. Either way, keep notes. A lot of employers keep a scorecard if doing a competency-based interview. This helps to alleviate bias and can be very helpful to refer to after the interview with other members of the interview panel.

One of the downsides to video interviews is that the candidate won't have the opportunity to take a tour of your office. To make up for this, go the extra mile to provide the interviewee with information about the company, the culture and the team they might be joining. What stands out about your offices or key points of interest about where you're located?

Allocate sufficient time near the end of the interview for questions from the candidate. They should leave the meeting feeling like they have a good understanding of your expectations and the responsibilities involved in the position.

### Keep it professional

Whether conducting the interview from home or the office, keep the background neutral. Alleviate any distractions by turning off your phone and email notifications. The candidate will have dressed professionally and it's important to do the same.

Eye contact and body language are key here. Try and keep your focus on the camera and not yourself on the screen.

Wrap up the interview by letting the candidate know when they can expect to receive an update. Thank them for their time and make sure they have no outstanding questions.

## In conclusion:

The convenience and flexibility of video interviewing have made it a popular choice for employers. I work for Engage People Recruitment, a specialist recruitment firm in Dublin, Ireland that connects clients and candidates in the Accountancy & Financial and Banking & International Financial Services sectors. Last year, we introduced a new video interviewing technology here at Engage People. This recruitment solution enables our clients to move through the hiring process quicker and results in them spending more time with individuals who are a better fit for their current requirements. The interviews are recorded and fully GDPR compliant. These interviews are then made available to the client for review and selection for the next round.

Many of my clients are now doing video interviews for the first round of the hiring process which wouldn't have been the case before Covid-19. Digital interviews have reduced their time to hire, making the hiring process more efficient. We envisage the art of digital interviewing being a key skill that is here to stay.

**Sinead Canning,**
*Senior Accountancy Recruiter with Engage People.*

# Institute News

## CPA Ireland extends Mutual Recognition Agreements with the South African Institute of Professional Accountants (SAIPA) and the Association of National Accountants of Nigeria (ANAN).

CPA Ireland and the South African Institute of Professional Accountants (SAIPA) entered into a mutual recognition agreement (MRA) in November 2015 and this agreement was extended again on 13 September 2021.

CPA Ireland and the Association of National Accountants of Nigeria (ANAN) entered into a mutual recognition agreement (MRA) in June 2015 and this agreement was extended again on 13 September 2021.

The MRA extensions build on the strategic relationships between two leading accounting organizations and gives members the opportunity to qualify for a second designation.

Under the agreements, members in good standing of either body will be considered for membership by the other body. Members wishing to practice public accounting will be required to meet the specific regulatory and legal requirements in each jurisdiction.

CPA is one of the best-known international accounting designations and Irish professional qualifications are held in high regard worldwide.

By becoming a CPA, you are joining a global network.

## Budget 2022 - CPA Ireland Response

CPA Ireland has broadly welcomed Budget 2022 which has said "will boost the confidence of SMEs and support their recovery and renewal after a harrowing two years."

CPA Ireland President Áine Collins said: "SMEs are the backbone of the Irish economy and have been the worst hit by both the pandemic and Brexit. They needed and received a clear message from government that the support underpinning the sector will not be whipped away as the crisis recedes. Some businesses will need more time and we welcome the commitments to provide this.

"The extension and enhancement of the Employment Investment Incentive (EII) scheme is a very welcome initiative. This scheme offers a significant support to start-ups these changes should make easier to access and increase the number of new businesses who benefit. Meanwhile the extension by five years of corporate tax relief for many start-ups will provide great confidence and comfort to this sector."

"We welcome the announcement of an income tax deduction for the costs associated with working from home. This recognises that remote and hybrid working is here to stay and will improve the sustainability of many businesses. However, the SME sector would also have benefitted from direct funding to support their sustainability efforts.

"The certainty provided around the maintenance of the EWSS scheme is a positive announcement. This will allow businesses and impacted employees to continue to plan with confidence. However, government must consider how to best protect those businesses after the date the EWSS expires."

Áine Collins has called on government to explore the complex network of tax schemes in place to support entrepreneurs to make them clearer and easier to access. "Over the years there has been the introduction of a number of schemes, exemptions and deferrals in the interest of supporting entrepreneurship.

"Each of these is well intentioned but not all are functioning as they should, for example the KEEP Scheme which continues to include complicated and needless red tape. Over the course of 2022 we would like the relevant government departments to commit to reviewing these, so that Budget '23 can become the SME budget we had hoped for this year."

## Wellbeing Platform

In July, CPA Ireland launched a brand-new Wellbeing Platform for our members in conjunction with Spectrum.Life with funding from the CPA Ireland Benevolent Fund.

Spectrum.Life gives you access to a host of Digital Wellbeing content, videos and podcasts, fitness and nutrition trackers, along with numerous health and wellbeing related rewards.

Use Spectrum. Life to improve your mental health, fitness and nutrition.

Further details on how to get started can be found at https://www.cpaireland.ie/Resources/CPA-Publications/Members-e-Bulletin/Institute-News/July-2021/Wellbeing-platform

## New: CPA Ireland Interactive Digitalisation Hub


The Interactive Digitalisation Hub is now available for our members and students through the CPA Ireland website.

This hub has been developed as a benefit to our members and students and offers a range of webinars, showcases, case studies and resources.

The CPA Ireland Digitalisation Hub offers weekly CPD sessions with experts in the digital world covering a wealth of topics.

We are delighted to bring you weekly showcases from industry leaders in accountancy software's followed by a live Q&A session where you will have the opportunity to engage with the software providers.

CPA Ireland would like to take this opportunity to thank Jenny Conmy for 15 years' service and congratulate her on the hugely valuable contribution she has made to the Institute and our members. Jenny joined CPA Ireland on 14 November 2006 as receptionist and she has since progressed to CPD Executive following several years as CPD Administrator.

Jenny is a much-valued member of the CPA Ireland team, and she is well known to and appreciated by our members. We look forward to continuing to work with Jenny during her career in CPA.

Jenny Conmy

CPD Executive,
CPA Ireland

## Irish Accountancy Conference

The Annual CPA Ireland Irish Accountancy Conference took place online over two days on 1st & 2nd October.

The conference offered bespoke learning for our members in both Industry and Practice, with a number of keynote speakers as well as a variety of breakout sessions covering topics relevant to accountants working in industry or in practice.

Topics included were Sustainability Reporting, Health & Wellbeing, Economic Update, Digitalisation, New Employment Law Legislation, Non-Irish Employments Exercised in the State, Brexit Update and Protecting Yourself from Cyber Attacks.

## Change in CPA Ireland bank account details

Due to Ulster Bank's decision to exit ROI, CPA Ireland are moving to Allied Irish Banks. We will continue to utilise Ulster Bank during the wind down period so any existing arrangements members have in place will continue as they are.

New bank details will display on invoices and are provided below:

**Account Name:** Institute of Certified Public Accountants in Ireland

**Bank:** Allied Irish Banks

**Sort Code:** 93-10-12

**A/c Code:** 33721095

**IBAN:** IE44AIBK93101233721095

**BIC/Swift Code:** AIBK IE2D

## Have you paid your Annual Subscriptions?

It is important to check for any outstanding invoices or anomalies with your account. View Cart is a good place to check. For Practice Firms, you should check any fees charged to firm.

Reminders are issued periodically during the year. Sometimes your circumstances have altered, and we haven't been notified. If you have queries on account balances, please do contact us to resolve. Contact details for all departments are available at www.cpaireland.ie

## Are your member contact details correct?

We would ask that you review and update correct contact details to ensure all communications are reaching you, especially email contact as this is our primary contact method.

If you have changed employment or circumstances have changed in recent times, it is important to review the details we hold. You can do this by logging in online. It is worth checking that your mailbox is not full, as it can then no longer hold new messages and will cause emails to bounce.

## CPA Ireland Partnered with Finance Leadership Summit 2021

CPA Ireland were once again delighted to partner with The Finance Leadership Summit which took place in the Radisson Blu Royal Hotel, Dublin on 20 October 2021.

The theme of the summit was 'The Changing Face of Finance: The Impact of Digital Transformation' and Minister for Finance, Paschal Donohoe T.D. opened the event that discussed how the finance function will move further into the digital era and how the role of a Chief Financial Officer has gone through some major changes since its inception.

Minister Paschal Donohoe TD with CPA Ireland President Áine Collins CPA, IOD and Director of Business Development Gillian Peters at the Investnet Finance Leadership Summit.


CPA Ireland President Áine Collins speaking at the Finance Leadership Summit.

## CPA Ireland's 2021 Annual Conference

CPA Ireland's 2021 Annual Conference was hosted online on Thursday 16th September 2021. We brought together leading experts in digitalisation, sustainability, Brexit, business transformation, hybrid working & the US-Ireland relationship. We were delighted to welcome back Dearbhail McDonald to chair the conference and AIB as our event partners.

Opening the event CPA Ireland President, Aine Collins, announced that CPA Ireland had pledged to plant a tree for each attendee at today's conference, as an organization we are committed to sustainability.


President Áine Collins, welcoming attendees to CPA Ireland's 2021 Annual Conference

Eamonn Siggins, CEO, CPA Ireland and Dearbhail McDonald, Conference Chairperson pictured at this year's CPA Ireland Annual Conference

## CPA Ireland Membership Changes

| Removals | | | |
|---|---|---|---|
| **Member ID** | **First Name** | **Last Name** | **Date** |
| **001911** | Eamonn | O Connell | 16/09/2021 |
| **023959** | John | Carew | 22/09/2021 |
| **003664** | Kevin | O'Regan | 08/10/2021 |
| **004944** | Kevin | McHugh | 17/09/2021 |
| **Deaths** | | | |
| **011668** | Breda | Friel | 15/09/2021 |

# CPD News

## CPD Wrap Up 2021

The CPD Wrap Ups will take place online on the 14th & 15th December. Topics that will be covered include, Brexit Tax, Insolvency, Risk Management, Pensions, Critical Thinking and Ethics. Attend both days for 16 hours CPD or 8 hours for one day.

**Key Details:** 14th & 15th December 2021

**CPD Credit:** 16 hours

**Cost:** €340/€390

## Annual Audit Update 2021

The Annual Audit Update will take place on the 10th December. Delegates can attend the event online.

The course will deal with the major changes affecting practitioners in 2021 and those likely to impact in 2022.

Agenda Morning (3 hours)
Jonathan McGee (Consultant, Mercia Ireland)

- Top 5 ISA (Ireland) weaknesses
- Things to watch out for prior to a monitoring inspection
- AML – AML update & getting ready for a MLCR inspection
- UK audit report & UK financial statements disclosures (the differences to ROI)

Agenda Afternoon (3 hours)
Kathryn Burns (Consultant, Mercia Ireland)

- Applying ISA 570 revised Going Concern
- Applying ISA 540 revised Accounting Estimates
- Ethical Standard for Auditors (Ireland) 2020
- ISA 315 risk assessment and 240 fraud update
- Upcoming quality management standards

**Key Details:**

**Date:** 10th December 2021

**CPD Credit:** 8 hours

**Cost:** €225 / €250

| Location | Dates | Title | Price | NM Price | CPD Credit |
|---|---|---|---|---|---|
| Webinar | Tuesday, December 07, 2021 | Winter Audit Webinar 3 - Audit Completion | €29.00 | €36.00 | 1 hour |
| Online | Wednesday, December 08, 2021 | Essential Professional Briefing | €225.00 | €275.00 | 8 hours |
| Webinar | Wednesday, December 08, 2021 | Sustainability pros & cons of going digital | €20.00 | €20.00 | 1 hour |
| Webinar | Thursday, December 09, 2021 | Winter Audit Webinar 4 - Audit Reporting | €29.00 | €36.00 | 1 hour |
| Webinar | Thursday, December 09, 2021 | Digitalisation Hub Software Showcase - BrightPay | €0.00 | €20.00 | 1.5 hours |
| Online | Friday, December 10, 2021 | Annual Audit Update | €225.00 | €275.00 | 8 hours |
| Webinar | Monday, December 13, 2021 | Winter Tax Webinar 4 | €29.00 | €36.00 | 1 hour |
| Webinar | Tuesday, December 14, 2021 | e-Briefing - Q4 | €29.00 | €36.00 | 1 hour |
| Online | Tuesday, December 14, 2021 | CPD Wrap Up | €340.00 | €390.00 | 16 hours |
| Online | Tuesday, December 14, 2021 | CPD Wrap Up - Day 1 only | €190.00 | €240.00 | 8 hours |
| Online | Wednesday, December 15, 2021 | CPD Wrap Up - Day 2 only | €190.00 | €240.00 | 8 hours |
| Webinar | Thursday, December 16, 2021 | Economic Update -Q4 | €29.00 | €36.00 | 1 hour |
| Webinar | Friday, December 17, 2021 | Year End Review | €0.00 | €36.00 | 1 hour |
| Webinar | Wednesday 19 January 2022 | Starting on your digital journey: Paul Redmond | €20.00 | €20.00 | 1 hour |
| Webinar | Thursday 20 January 2022 | Digitalisation Hub Software Showcase - Clarity | €0.00 | €20.00 | 1.5 hours |
| Webinar | Thursday 10 February 2022 | Digitalisation Hub Software Showcase - Autoentry | €0.00 | €20.00 | 1.5 hours |
| Webinar | Wednesday 16 February 2022 | Gone Digital: What do I do Now?: Paul Redmond | €20.00 | €20.00 | 1 hour |

## What further learning courses are available on Canvas?

Online course in US GAAP
**Book Now!**

Diploma in Governance for the Charitable Sector
**Book Now!**

Online course in FRS102
**Book Now!**

Certified Tax Adviser 2021/2022 – Book now for Individual Modules
**Book Now for Individual Modules**

Diploma in Forensic Accounting
**Register your interest for 2022**

Diploma in Data Analytics
**Register your interest for 2022**

Advanced VAT for Accountants
**Register your interest for 2022**

For our Certificate and Diploma courses, we issue Digital Badges in association with Accredible, the world's most comprehensive badge and certificate service, allowing people to showcase their post qualification specialisms attained from CPA Ireland.

These easy to download online digital badges are beneficial in building career profiles and can be easily retrieved to share details of your achievements to both current and potential employers.


## Certified Tax Adviser


CPA Ireland have a number of full-day tax courses in the first quarter of 2022, providing a comprehensive update across all tax heads.

These courses are the ideal opportunity for you to stay abreast of the latest developments in tax and develop your technical knowledge in the application of the latest tax legislation affecting business. Participants will be equipped with the skills necessary to best serve clients' needs.

Courses take place online via live streaming for added convenience and cost only €250 for Members. Attendees will earn 6 hours of structured Tax CPD for each course.

### Course Schedule:

- 15th January 2022
  **Advanced Income Tax - Book Now!**
- 29th January 2022
  **VAT Essentials - Book Now!**
- 12th February 2022
  **Revenue Interaction - Book Now!**
- 5th March 2022
  **Further Aspects of Personal Tax - Book Now!**
- 12th March 2022
  **Succession Planning - Book Now!**

accountingcpd

## Accountingcpd.net – Exclusive Offer of 25% Off

In the run up to your CPD deadline, CPA Ireland has partnered with accountingcpd.net with an EXCLUSIVE offer for the readers of Accountancy Plus. To help you meet your CPD goals, you can save a massive 25% across accountingcpd.net this December.

That's 25% off all accountingcpd courses, whether you would like to keep up to date with 2021-22 Update: IFRS and 2021-22 Update: Irish Tax or develop your Excel skills with General Excel Formulas for Accountants and Charts and Visualisations in Excel. You can even get 25% off the CPA Diploma in IFRS Financial Reporting.

View their entire range today and use code **CPAPLUS** to get **25% OFF!**

**BUY NOW**

2021-22 Update: IFRS

2021-22 Update: Irish Tax

General Excel Formulas for Accountants

Advanced Excel Formulas for Accountants

CPA Diploma in IFRS Financial Reporting Specialisms / Online-Diploma-in-IFRS

## CPD Save the Dates!

| Dates | Title | Location |
|---|---|---|
| **Thursday 24 February 2022** | Review of Professional Issues | Dublin & Online |
| **Thursday 3 March 2022** | Tax Conference Dublin | Dublin & Online |
| **Thursday 19 May 2022** | CPA Annual Conference | Dublin & Online |
| **Wednesday 8 June 2022** | Women in Business | Dublin |
| **Wednesday 15 June 2022** | Women in Business | Cork |
| **Friday 9 September 2022** | Irish Accountancy Conference | Dublin & Online |

# CPA Ireland Digitalisation Hub

The CPA Ireland Digitalisation Hub continues to offer a variety of resources from digitalisation webinars, software showcases, member case studies and many other resources which will help you move to a digital environment whether you work in industry or practice.  All webinars and software showcases have been recorded to ensure you never miss a session.

The hub offers a bespoke software search functionality to help give clarity on what software is best for you and help you with the move to a digital environment.

This hub has been developed as a benefit to our members and students so be sure to log in and see how it can benefit you.


This is an exciting new offering for our members & students, and we would encourage everyone to take the time and look around the Hub.

Each week a different software provider will showcase what their software can do and the benefits it will bring to your work, followed by a Q&A session with each software. Each live showcase offers 2 hours CPD. You can look forward to sessions from:

- Practice Ignition
- Surf Accounts
- Inflo
- Thesaurus
- Sage
- ChangeGPS
- Big Red Book
- fyiDocs
- Xero
- BrightPay
- CaseWare
- eFolio Accounts
- Quickbooks
- FuseSign
- Microsoft Office
- Relate
- Clarity
- Iris

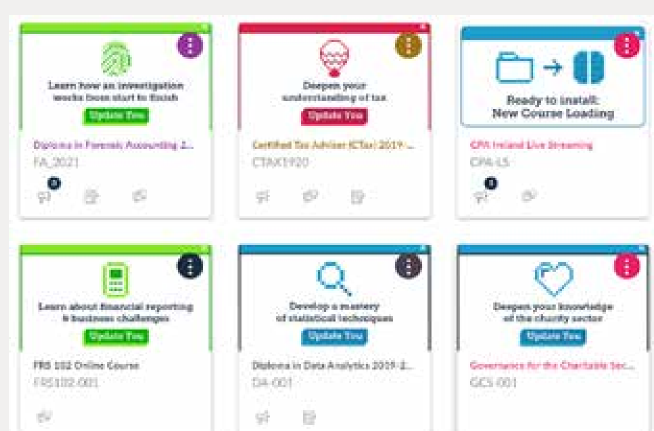
The Hub will also offer weekly webinars on all things digital from a number of experts in Industry and Practice. These webinars will provide CPD hours at just €20 per webinar. The following is a snapshot of what you can expect:

- The Importance of Digitalisation, Siobhan Fleming, Siemens
- Leading Through Digital Change, Na Fu, TCD
- Cyber Security, Rois Ni Thuama, Red Sift
- Digital Banking, AIB
- The Role Technology Plays in Advisory Services, Aynsley Damery, Clarity
- Onboarding Remotely
- Blockchain, FinTech & Cryptocurrency
- The Sustainability Benefits of going Digital
- Digital Transformation and Strategy
- The Ethical Challenges of AI

## Post Qualification Specialisms

CPA Ireland offers a range of live and self-paced post qualification specialisms to develop your skills and professional knowledge, and let you complete your CPD at a time and place that works for you.

These are accessed through our award-winning, online learning management system Canvas, where they can view the live stream of all lectures, lecture recordings as well as accessing additional resources such as articles and exam tips & techniques, notes, past exam papers and assignments. The use of Canvas has increased dramatically in Ireland and Worldwide over the last number of years as it is recognised as the Number 1 Learning Management System in the world.



# Student News

## Newly Qualified Members

Congratulations to all our newly admitted CPA Ireland members who were conferred on 4 December in the O'Reilly Hall, UCD.

We wish you every success in your future career as a CPA. The March 2022 edition of Accountancy Plus will include a special feature on the conferring ceremony.

## Training Records

Students are reminded of the requirement to log their training and submit it to the Institute for review. All training must be submitted through MyCPA and submitted to your mentor for approval each quarter. The final date for submitting training completed in 2021 will be 31 January 2022.

Students who submit their training as required will receive feedback from the Institute highlighting any issues to ensure that every student is on track to meet the Institute's requirement in terms of depth and breadth of training.

Trainees who do not do this may find that although they have completed three years of training, they are not in a position to apply for membership as they are unable to demonstrate in-depth competence across two of the six training areas as required. Detailed information about the Institute's training requirements may be found on the CPA Ireland website.

## Examination Success

On behalf of CPA Ireland, we would like to congratulate all of our students who were successful in their exams in August 2021.

Special congratulations to our prizewinning students who each achieved first place in their CPA examinations in 2021.

| | |
|---|---|
| Bryan Stokes | Foundation Level Taxation |
| Codruta Mariana Buzea | Foundation Level Financial Accounting |
| Eamon Higgins | Foundation Level Management Accounting |
| Siobhan Jordan | Foundation Level Management Fundamentals |
| Tomasz Jablkowski | Professional Level Corporate Law |
| Conor Molloy | Professional Level Managerial Finance |
| Shu Zhang` | Professional Level Financial Reporting |
| Conor Molloy | Professional Level Audit & Assurance |
| Conor Molloy | Professional Level Performance Management |
| Bryan Stokes | Professional Level Advanced Taxation |
| Darren Conaty | Strategic Level Advanced Financial Reporting |
| Darren Conaty | Strategic Level Strategy & Leadership |
| Darren Conaty | Strategic Level Strategic Corporate Finance |
| Hanna Gilicze | Strategic Level Data Analytics for Finance |
| Chloe O'Sullivan | Strategic Level Advanced Tax Strategy |
| Maree Glancy | Strategic Level Advanced Audit & Assurance |

## Student Webinar Series

A series of webinars has been recorded to assist students in planning their studies and training. These are available on the CPA Ireland website and cover:

- Examination Progression Rules
- Working in Practice/Practicing Certificates
- New Student Induction
- Training Records
- Further webinars will be added to this series during 2022.

## 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.

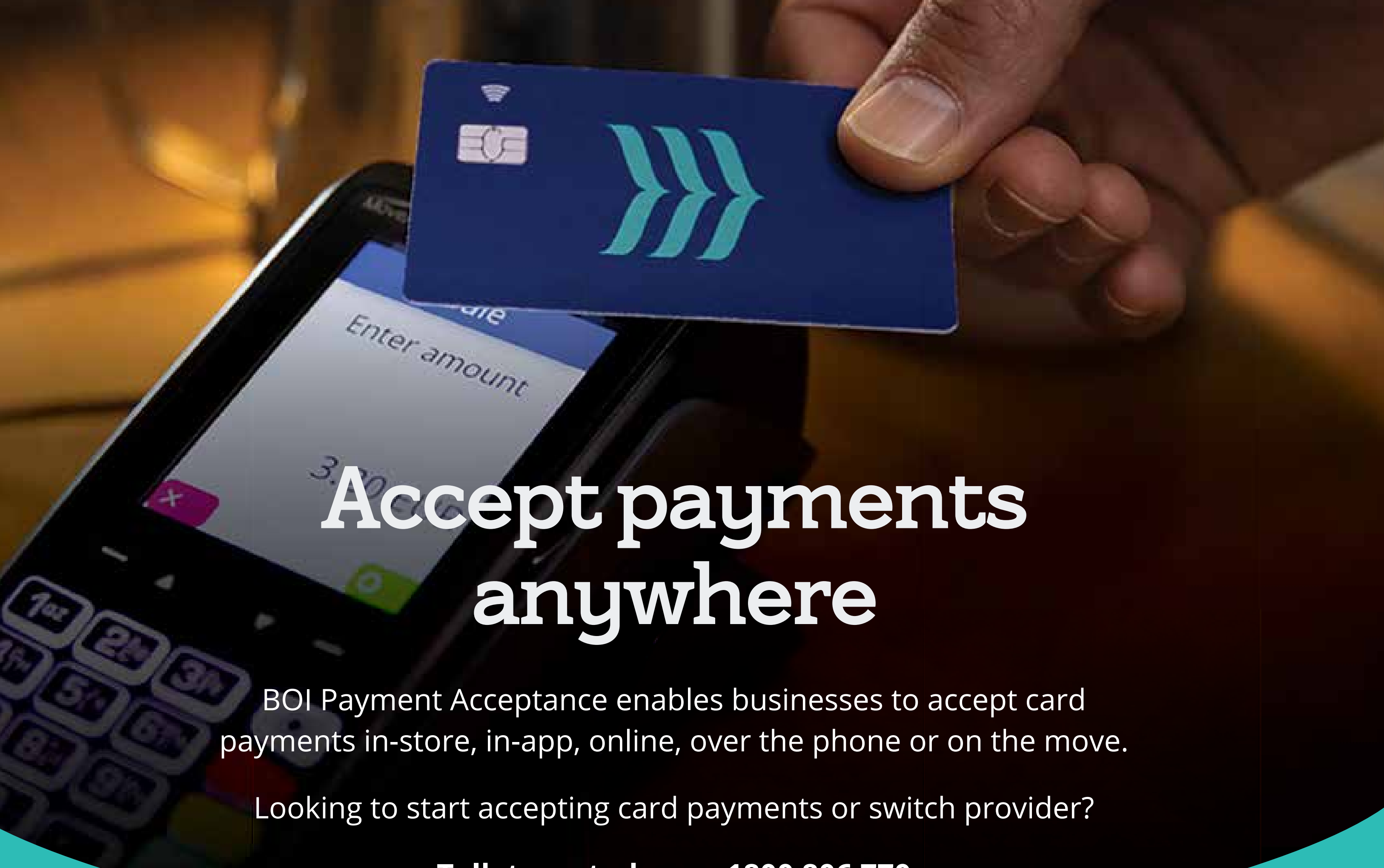
The Institute of Certified Public Accountants in Ireland, CPA Ireland is one of the main Irish accountancy bodies, with in excess of 5,000 members and students. The CPA designation is the most commonly used designation worldwide for professional accountants and the Institute's qualification enjoys wide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