CPA IRELAND | CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANCY plus

The Official Journal of The Institute of Certified Public Accountants in Ireland

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CUSTOMS RISKS OF BREXIT

ALSO IN THIS ISSUE

CHARITY REPORTING UNDER THE FRS 102 SORP (2014)

MERGERS UNDER THE COMPANIES ACT 2014

BUILDING BUSINESS RELATIONSHIPS THROUGH NETWORKING AND HOW TO REMOVE THE DREAD!

Editorial

Accountancy Plus December 2017

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President's Message

Welcome to the December edition of Accountancy Plus.

One of the core areas I focused on at the President's dinner in September 2017 was the ever-increasing rate of change. CPA Ireland is no stranger to change and over the last 12 months, CPA Ireland has successfully proven our capacity for change.

There is however one emerging issue for accountants that will not only question the capacity of the profession to adapt, but will call into question the role and value of knowledge professionals. This is the growth in the cognitive power of computing otherwise known as artificial intelligence.

Artificial intelligence (AI) can now process vast amounts of data and reason like a human. The cognitive power allows machines to understand language, video and audio, to process that information, to learn and finally to interact.

In the USA, H and R Block, has partnered with IBM Watson to provide their tax clients with a one of a kind tax experience which combines the professionals tax expertise with IBM Watson's Cognitive Computing technology. Watson can understand all 74,000 pages of the U.S. tax code, thousands of yearly tax changes plus 600 million data points, making sense of this data in mere seconds.

The Boston Consulting Group and Oxford University predict that between 25% and 35% of jobs are at risk of being replaced by AI by 2025 and these predictions might come true, if we accountants fail to adapt. But the human element to what we do will not go away, and if we can leverage technology to automate routine tasks, there will be great opportunities for us to provide critical, value added service to our clients and employers.

We cannot expect that only routine tasks will be performed by machines. Professionals are already being out performed by incredible processing power, big data and remarkable algorithms.

In auditing for example, AI will be capable of auditing 100% of a company's financial transactions. Complex algorithms will spot anomalies and allow auditors focus their inquiries. Decisions on anomalies can be fed back to the machine which learns how to respond to similar anomalies in the future.

Nevertheless, auditors will still have to apply thought and judgement, and make finely balanced decisions using all the emotional intelligence available to humans. Integrity and ethics will remain as distinctive attributes of the professional.

So, change is certainly coming for the accountancy profession and, just as AI is evolving, we must evolve too. Tasks that we professionals currently complete will become entirely automated, error free and much more comprehensively completed. We must therefore adapt quickly by pursuing further professional development.

In anticipation of such change, CPA Ireland is about to embark on a comprehensive review of our education syllabus to ensure that future CPAs will continue to add value and offer relevant services, some of which may not even be imagined yet.

The emerging generation can learn programming languages, how to build an app and create a website. They will be much more attracted to an accountancy profession that harnesses the cognitive power of computing, removes routine tasks and becomes a forward-facing profession based on integrity and ethics.

As this is the final edition of Accountancy Plus for 2017, I would like to take this opportunity to wish you and your families a very Happy Christmas and prosperous New Year.

Deirdre Kiely
President CPA Ireland

ACCOUNTANCY**plus**

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BY
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Auditors and the Loan Loss Provisions of Publicly Quoted European Banks

CPA Ireland encourages and supports research to develop and enhance the profession of accounting and the advancement of knowledge by supporting CPA Ireland members and the wider field of academia. CPA Ireland values the expertise of both academics and practitioners alike and has funded research which aims to inform practitioners, regulators, the academic community and policy makers. The most recent call for submissions was made in 2016 and three projects were funded. This article by Dr. Ray Donnelly & Dr. Domenico Campa is the first in a series of Accountancy Plus articles summarising the results of these projects. Further information can be found on the CPA website (www.cpaireland.ie/media-publications/other-publications/cpa-research)

Dr. Domenico Campa, International University of Monaco, Professor of Accounting at the International University of Monaco.

Dr. Ray Donnelly, University College Cork. Senior Lecturer in Accounting and Finance at UCC.

Introduction

A lack of auditor independence has been blamed for some of the failings in the accounts of European banks during the recent financial crisis (European Commission, 2014)[1]. As a consequence, on the 16th April 2014 new rules to improve statutory audits in the EU were adopted by the European Union (European Commission, 2014). The new rules are designed to, *inter alia*, strengthen the independence and professional scepticism of external auditors. Notwithstanding the pressure for regulatory change occasioned by the financial crisis of 2008-2009, there is little, if any, evidence pertaining to the independence of the auditors of European banks from their clients. Commenting on the green paper that preceded the new regulation, Deumes et al. (2010) pointed out that when undertaking regulatory reforms following a crisis, a need to "do something" and political expediency, rather than insights into the true nature of the problems exposed by the crisis, can dominate the proposed regulatory changes[2]. On the other hand, Campa and Donnelly (2016) report evidence from a sample of UK industrial companies that supports the EU auditing regulations of 2014[3]. The current article outlines the findings of research, sponsored by CPA Ireland, into the potential reasons why the financial reports of European banks did not meet the needs of users, especially at the onset of the financial crisis.

Empirical Research

We use a sample of 60 individual banks drawn from 14 European countries covering the period 2006-2014. Our sample, which was drawn from countries with both strong and weak banking regulation, comprises 353 firm-year observations. The failure in the financial reports of European banks, in simple terms, is that they had not provided enough for bad loans at the onset of the financial crisis. Thus, the loan loss allowances (LLA) on their balance sheets were understated. To increase their LLA's the banks should have made additional

1 European Commission, 2014. Regulation 537/2014 of 16 April 2014. Available at: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0056.

2 Deumes, R., Knechel, W. R., Meuwissen, R., Schelleman, C. and Vanstraelen, A., 2010. Response to consultation on EC green paper: Audit policy: Lessons from the crisis. MARC (Maastricht Accounting, Auditing & Information Management Research Centre), Maastricht University.

3 Campa, D., and Donnelly, R. 'Non-Audit Services Provided to Audit Clients, Independence of Mind and Independence in Appearance: Latest Evidence from Large UK Listed Companies' (2016) Accounting and Business Research, Vol 46 (4), pp. 422-449.

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provisions against the losses. These additional provisions would have reduced the net income of the bank. The following equation explains the relation between loan loss provisions (LLP's) and LLA's.

$LLA_t = LLA_{t-1} + LLP_t - NCO_t + Other_t$.

When loans are deemed uncollectable they are charged off against the LLA account. Net loan charge off's (NCO) does not affect income but reduces the LLA. On the other hand, loan loss provisions (LLP's) reduce income and increase the LLA account balance. It is clear from the revised regulations of the EU commission that they believed that a lack of auditor independence was, at least in part, responsible for the under-provisioning of European banks at the onset of the financial crisis.

The most likely reason that the auditor of a bank would find his independence compromised would be through the economic bond he has with his client. Thus, if the auditor was in receipt of unusual or abnormally large fee income, particularly for non-audit services (NAS), his independence may have been compromised. This would make the auditor more indulgent toward a bank that wished to maintain its income at an artificially high level by not providing sufficient LLP's. Thus, finding abnormally high fee income associated with abnormally low provisions would be evidence that auditor independence was compromised.

An alternative explanation for the understatement of LLP's is that the accounting rules that banks and their auditors must obey prevents them from making the requisite provisions. The accounting rules that impacted LLP's at the time of the crisis are to be found in IAS 39. This accounting standard insisted that banks could only recognise "incurred losses". IAS 39 aimed to reduce differences between IFRS and the equivalent FASB standards. In effect, it forbade any anticipation of losses which would allow income smoothing. This was not consistent with the wishes of banking regulators who have a preference for more conservative forward looking provisions. Thus, we also tested for any association between the economic bond with the auditor and delayed provisioning. If provisions are delayed they will be made when earnings are already low: there will be a negative relation between earnings before provisions (EBP) and provisions. If provisions anticipate future losses they are made when earnings are relatively high: there is a positive relation between earnings and provisions. In a similar vein, pro-cyclical provisioning causes provisions to be negatively related to GDP and counter-cyclical provisioning would mean that provisions are positively related to GDP. In the latter scenario, more provisions are made when times are good, and lending is bullish, in anticipation of future losses.

Since banking is a regulated industry, we also examined the moderating influence of the strength of banking regulation in the country of the bank on both of the above potential explanations for under provisioning. That is, we examine how the strength of banking regulation affects any potential compromise of auditor independence due to abnormally high fees and how it influences the timing of provisions.

Results

We employ abnormal loan loss provisions, particularly abnormal negative (income-increasing) loan loss provisions, as our primary measure of the earnings (audit) quality of banks. We use abnormal fee income, particularly abnormal non-audit service fees (NAS) income and abnormal total fee income as our measures of the economic bond between client and auditor. We report that there is no evidence of abnormal negative (unusually low) loan loss provisions being positively associated with the economic bond. Thus, we find no evidence of impairment of auditor independence in EU banks. This result is maintained for the period that includes the financial crisis as well as the post crisis period.

Further analysis of the loan loss provisions of banks reveals that the provisions are negatively related to EBP and GDP per capita. The latter is an indication that provisioning is very pro-cyclical. The former is consistent with the notion that IAS 39 has compelled banks to make provisions on a so-called incurred loss approach rather than based on anticipated losses. Thus, provisions have been delayed until their recognition is inevitable and there is absolutely no evidence of income smoothing. We report that increased abnormal fees paid to the auditor are associated with less delay in making provisions (i.e. a better audit) so there is certainly no evidence of a compromise of auditor independence here either. It is also noteworthy that the strength of banking regulation moderates the tendency of banks to delay making provisions as predicted.

We are the first to find evidence of a negative relation between EBP and LLP for European banks. The extant literature has consistently found a positive relation and attributed this to income smoothing. The finding of a negative relation between EBP and LLP is reinforced by the finding of a similar negative relation between LLP and GDP: provisioning is pro-cyclical. We find that this pro-cyclicality is stronger in the period that includes the financial crisis than in the most recent period. Thus, the delayed provisioning by EU banks was most acute in the period of the financial crisis. This is very similar to Laeven and Majnoni's (2003) results for Asian banks during the Asian financial crisis in 1997-98[4].

Overall, it is clear from our results that delayed provisioning under the incurred loss model as prescribed in IAS 39, rather than any compromise in auditor independence, is the most likely cause of the under-provisioning of European banks particularly during the financial crisis. We also find that stronger banking regulation attenuates any tendency to delay making provisions. This tendency has been mitigated following the crisis. We attribute this to the European Banking Authority ensuring a level of uniformity in banking regulation, at least for the larger EU banks. That said, there remains much variation particularly with respect to disclosure across European banks. With respect to auditors, we find some evidence of spill-over effects with respect to unexpected fees for banks primarily operating in countries where banking regulation is traditionally strong.

4 **Laeven, L. and Majnoni, G., 2003. Loan loss provisioning and economic slowdowns: too much, too late? Journal of Financial Intermediation, 12 (2), 178-197.**

CPA Profile Andrew Hall

Andrew Hall

TITLE:
Senior Manager, Assurance

COMPANY:
PwC

QUALIFICATIONS:
Qualified as a CPA: 2006

Why did you choose to become a CPA?

Having studied accounting in college, I felt that gaining a professional accounting qualification was the natural route to follow. The flexible study options offered by CPA Ireland allowed me to gain a worldwide recognised professional qualification.

What advice would you give to someone considering entering the accounting profession?

There is no downside to having a globally recognised accountancy qualification. More and more, I see accountants being the bridge between big data and leadership teams, helping executives to make fact based decisions through interpretation and analysis of ever increasing volume of data.

My view is that over the next 5 to 10 years that skillset provided by accountants will become even more important.

More specifically the CPA professional qualification will help you build your global view of business finance and give you an opportunity to work in a multitude of roles either in practice or industry.

Can you provide a brief history of your career?

My training contract was completed with O`Boyle & Co. in Longford. I was very fortunate to have a great mentor in Eoin O`Boyle to start me off in my accounting career. The core values that I learnt, both professional and personal, from Eoin have stood the test of time.

Thereafter I moved to Dublin and worked for two top 10 firms working across a variety of clients and industries and then in January 2016, I joined PwC as an audit manager working on a number of large and complex audit engagements across multiple industries.

Moving to a "Big Four" firm has been a very exciting and challenging experience, and very different to working in small and mid-sized firms.

Describe your working life.

Rewarding - most of my time is allocated to meeting client needs and planning and managing my team to deliver on their requirements. Every day is different. Sometimes out on client site, sometimes working from home and most of the time in the office. Hours can be long at peak periods but I try to ensure that I manage the peaks and troughs of demand such that when the opportunity arises I get some down time for family and friends.

I am passionate about people development. In professional services, people are our primary asset. Skilled, motivated and passionate people are the key to success. I therefore apply a substantial amount of my time on people development, coaching and mentoring our junior staff.

What is your biggest career achievement?

I am fortunate to have had a number of career achievements but my proudest career achievement to date was my appointment to Senior Manager in PwC this year. I have travelled an unconventional journey, starting out in a small practice in a provincial town to becoming a senior member of A global company. Along the way I continued my education and became a Certified Tax Adviser in 2016. The journey has not always been a smooth one, and I am proud of the resilience and determination required in order to get to where I am today.

How has CPA helped you in your career?

Having a globally recognised accountancy qualification such as CPA has been a huge differentiator. Having the CPA badge on my CV provides certainty to my clients that I have both a strong qualification behind me and also a robust platform to keep me informed on ever changing regulatory and statutory requirements along with changing trends in both professional services and in my clients industries.

What inspires you most in business?

Opportunity - whilst we all need a strong professional network around us to help us succeed, I strongly believe that my career is most heavily influenced by my actions and decisions within my control. I see a rapidly changing regulatory, client and technology landscape presenting newer and greater opportunities than before. For example, whilst there are a number of risks associated with Brexit, there are many opportunities for Ireland, Irish companies, my clients and me personally as a result of Brexit – we just need to work hard to find them and subsequently maximise them.

What in your view are the most pressing issues for accountants?

The days of an accountant simply producing a set of numbers for management is long over. I see the demands of accountants and finance functions shifting from 'number crunchers' to genuine business partners, helping businesses to grow through deep understanding of the rapidly changing regulatory landscape and helping businesses to understand their own data much better.

To do this requires a shift of mind set and a commitment to keep our personal skillset relevant in today's market through continual professional development. My personal view is that the accountant who doesn't master this new reality will struggle for relevance in what is a rapidly changing industry.

How do you unwind?

I have a 2-year-old son at home so most of my weekends are spent with him and my wife, Áine. We are lucky enough to live in the country so I spend a lot of time outdoors which is a great way to unwind. Running is also my hobby and I am a keen rugby fan where I try and get to as many Leinster and International games as I can.

What traits do you admire most in others?

I have huge admiration for people who set targets and goals and show resilience, determination and leadership to get there. Feargal O'Rourke (PwC Managing Partner) and Anne Heraty (CEO of CPL Resources Plc) are people I really admire.

Profile Mark Gargan

Mark Gargan

TITLE:
Partner

COMPANY:
Niall Byrne & Company

QUALIFICATIONS:
CPA, ACCA
Qualified as a CPA: 1999

Why did you choose the CPA Qualification?

My father is an accountant, and I had decided that I was going to go down a similar route. Having completed my degree, I was fortunate to find employment in a CPA practice. So, between the encouragement received from Niall Byrne, a Past President, and the flexibility in how the syllabus was structured, this allowed me to study while working full time. At the time you were able to split your sittings of the Professional 2 exams, therefore it enabled me to be more focused on individual subjects.

What route did you take to become a CPA?

I completed a BA in Accounting & Finance, from there I commenced work as a trainee in Niall Byrne & Company and I then commenced my studies for my professional examinations at Griffith College, Dublin.

Can you provide a brief history of your career?

Starting off in Practice, I spent about 18 months doing all the things that a trainee does. I was then sent out on secondment to an advertising agency for three years in the role of Financial Controller. This role entailed all aspects of the financial function from ordering, invoicing, debt collection, all aspects of banking, monthly management accounts to reporting to the board. I then returned back to the office for another 18 months. A second secondment period followed in a recruitment agency for two years. This involved a similar role to the advertising agency, but in a different market. When I returned back to Practice I was working in auditing. It was after these experiences that I came to realise that I preferred Practice rather than Industry. I then progressed to office manager, and moving on from there to becoming a Partner.

Describe your working life.

Busy! Every day is different. As a Partner, I am involved in all aspects of how the practice is managed and run which can involve long days. It can start with Debtors collections then on to planning and scheduling jobs, reviewing files, meeting clients, ensuring compliance between Revenue and Companies Office, and all of this before you receive a phone call.

What is your biggest career achievement?

Passing my exams as a CPA has opened many doors, however, being lucky enough to be able to lead the Practice into a new era, would have to be it. I have been heavily involved in the continual upgrading of our internal processes. This has been through the original installation of an IT infrastructure back when I took up the role of office manager, right through to a couple years ago when we made the investment of moving to digital audit programmes through the introduction of Caseware. During this time, we have seen the benefits to our clients as they have grown and evolved.

How has CPA helped you in your career?

From the initial skills and knowledge that I obtained through the exam process to the continual professional development courses provided, followed by the support that I have received from the Institute, these have all proven to be valuable. Post qualification, I have been a member on several committees within the Institute and these have been great for networking and meeting other members. This is a great resource to have access to.

What in your view are the most pressing issues for accountants?

The ever-changing landscape of the Regulatory environment and how this gets dealt with both as a practitioner, and as a client. Also, trying to be relevant to clients' needs and how to stand out or differentiate oneself from other practices.

How do you unwind?

I have three young kids (Joshua 10, Juliet 7 and Luca 5) so I don't have too much "free time". I used to be a rugby referee and since I have stopped being an active referee, I have taken to golf to utilise what little recreational time I have left. As any parent can attest to, weekends are no longer my own. I spend Saturdays and Sundays ferrying the kids to their respective activities, and/or birthday parties.

What traits do you admire most in others?

Honesty, not taking yourself too seriously and fairness.

Financial Reporting News

Abridged Financial Statements

The Companies (Accounting) Act 2017 introduced changes both in terms of the documents required to be annexed to the annual return of a company and to the composition of abridged financial statements for a small company. Section 352 Companies Act 2014 (as amended) permits a company qualifying for the small or micro companies' regime, and which avails itself of the exemption from filing certain information provided for in that section, to instead annex the following to its annual return;

a) abridged financial statements prepared in accordance with Section 353 and which have been approved and signed in accordance with Section 355.
b) a special statutory auditors' report prepared in accordance with Section 356.

The requirement in Section 352(3)(b) Companies Act 2014 to include an "extract of the director's report" providing the information required by Section 329 Companies Act 2014 has been removed by the Companies (Accounting) Act 2017.

Section 353(3) Companies Act 2014 was amended by Section 52 Companies (Accounting) Act 2017 with regard to the composition of abridged financial statements for a company that qualifies as small, and prepares Companies Act entity financial statements as full statutory financial statements.

As a result, the abridged financial statements of a small company must now comprise;

a) the balance sheet of the company;
b) those notes to the financial statements that provide the information required by Sections 305 to 321 (See appendix 1);
c) any other notes to the financial statements, including the notes relating to profit and loss account items applicable to the small or micro company concerned and, in particular, the information required by paragraph 53 of Schedule 3A in the case of a small company;
d) the information required by paragraph 48 of Schedule 3A in the case of a small company or paragraph 33 of Schedule 3B in the case of a micro company, even where the company has elected to include it in the profit and loss account, and
e) any information provided in accordance with subsections (4), (5) and (6) of Section 291.

In effect, all notes and accounting policies included in the full Companies Act entity financial statements, must now be included in the abridged financial statements of a small company. This would include such things as related parties, exceptional items and events after the end of the financial year.

Details of the appropriation of the profit and loss account are now required to be disclosed in the case of both small and micro companies even where the company concerned has elected to include it in the profit and loss account. The information now required to be disclosed includes details on dividends, transfers between the profit and loss account reserve and other reserves, any other increase or reduction in the profit and loss account reserve since the immediately preceding financial year end date and profit or loss brought forward and carried forward.

Where the full statutory financial statements have either provided additional disclosures or have departed from a requirement of the financial reporting and legal framework in order to show a true and fair view, those disclosures must also now be included in the abridged financial statements of a company that qualifies as small.

Companies (Accounting) Act 2017: Changes to filing requirements

The Companies (Accounting) Act 2017 commenced on 9th June 2017 and resulted in changes in the filing requirements for certain companies, in particular:

- Unlimited companies as a result of Section 78 of the CA2017;
- Subsidiaries with Section 357 guarantees;
- Investment companies, and
- External companies with branches.

Further details are available on the CPA website on the Companies Act 2014 Resource page.

Source: CCAB-I

BY
Garrett Ryan

The new accounting standards

Implementation in companies' annual and half-yearly financial statements

This article examines the impact the new Accounting Standards IFRS 9, IFRS 15 and IFRS 16 will have on companies.

Garrett Ryan, Financial Reporting Supervision, IAASA, is a Chartered Certified Accountant (AccA) with over 9 years' of IFRS (and Irish GAAP) enforcement experience of listed equity, fund and debt issuers.

'It is important that, where the impact of the new Standards is expected to be significant, companies shall ensure that the financial statements disclose, as early as possible, the possible impact of the new Standards will have on the company's financial statements'

Introduction

IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* (together the 'new Standards') represent a significant change compared to the existing Standards. The new Standards have the potential to significantly impact the reported results of some companies, to make large impacts on companies' balance sheets, to alter the amount and timing of revenue recognition and to require new disclosures in companies' financial statements.

The transition to the new Standards may have a significant impact on, for example, banks when they measure expected impairment losses on their loan books and on technology companies and companies providing services (containing multiple performance obligations) when they measure revenues.

IFRS 9 incorporates a new expected loss impairment model for recognising impairment provisions and replaces the current incurred loss impairment model in IAS 39. There are also changes to the accounting for a modification of financial liabilities arising from applying IFRS 9.

IFRS 15 provides a single, principles based model to be applied to all contracts with customers and requires new disclosures to be provided in the financial statements. For some companies, there may be a material impact on the amount and/or timing of revenue recognition (e.g. companies with long-term contracts, multiple-element arrangements, transactions with variable consideration and transactions with financing features).

IFRS 16 introduces significant changes to lessee accounting and requires a lessee to recognise almost all leases on the balance sheet (with limited exceptions permitted). Aspects of IFRS 16 that are likely to pose challenges for some companies include: identifying all relevant contracts, capturing all the necessary data in accounting systems, considering all the practical difficulties such as dealing with contract extensions, termination options, discount rates for operating leases and the new reporting requirements.

It is important that, where the impact of the new Standards is expected to be significant, companies must ensure that the financial statements disclose, as early as possible, the possible impact the new Standards will have on the company's financial statements.

Results of IAASA's survey – implementation of the new Standards

In July, IAASA published the results of a desktop survey of the 2016 annual financial statements of Irish equity issuers to assess the level of preparedness by companies for the implementation of the new Standards. The results of the survey are available on the IAASA website.[1]

IFRS 9 Financial Instruments

The three Irish banks (AIB, Bank of Ireland and Permanent TSB) provided detailed qualitative descriptions of the key concepts and expected impacts of the transition to IFRS 9 that are of a good quality in their 2016 annual financial statements. The three banks expect that IFRS 9 will result in higher impairment provisions and more volatile impairment charges. However, none of the banks quantified the possible impact of IFRS 9 on impairment provisions, prudential ratios, regulatory capital or key performance measures in their 2016 financial statements.

IFRS 15 Revenue from Contracts with Customers

Most companies that will be impacted by IFRS 15 did not highlight important differences to current practises arising from their initial application of IFRS 15. A large number of companies provided little or no disclosure of the key concepts of IFRS 15. However, a small number of companies provided good quality IFRS 15 disclosures indicative of the type of information that is useful to users of financial statements.

1. www.iaasa.ie/getmedia/f3952fac-2813-401c-8e04-59d65a5c2335/New-Accounting-Stds-IFRS-9-IFRS-15-IFRS-16-FINAL.pdf .

IFRS 16 Leases

Sixty-two percent of companies are still evaluating the impact of IFRS 16 and a further seventeen percent expect IFRS 16 to have a significant impact in the period of initial application. There is room for improvement in companies' disclosure of the key differences from current accounting practices. Disclosures made by companies either lacked sufficient detail of the key changes to accounting for leases, or the descriptions were incomplete, or companies were silent on the key changes arising from IFRS 16. Disclosures of the expected impact of IFRS 16 presented by a small number of companies were of good quality and indicative of the type of information that is useful to users of financial statements.

> *'Companies should anticipate the implementation of the new Standards to be an area of focus for IAASA in the selection of and examination of companies' future financial statements.'*

How should companies improve their communication of the impacts of the new Standards?

Where companies expect that the impact of applying the new Standards will be significant, they should:

a. provide information about the accounting policy choices that are to be taken upon first application of the new Standards;
b. disaggregate the expected impact into elements that companies use to measure the impact and are useful to users of the financial statements;
c. explain the nature of the impacts, in entity specific terms, so that users of the financial statements understand the key changes and the key drivers when compared to the existing accounting principles on recognition and measurement; and
d. provide a quantitative assessment of the impact of the new Standards in the period of initial application, where reliable data is available.

Conclusion

The provision of timely and entity specific information in the financial statements may be important information for users of the financial statements. Disclosure of the impact of implementing the new Standards is likely to vary between companies depending on the complexity of the implementation process, the impact and, where relevant, differences in entities' timetables for capturing data and implementing new information systems. Companies should anticipate that the implementation of the new Standards will be an area of focus for IAASA in the selection of and examination of companies' future financial statements. The European Securities and Markets Authority ('ESMA') and European national accounting enforcers (including, in Ireland, IAASA) are monitoring the level of transparency that companies provide in their financial statements regarding the preparation for and implementation of the new Standards.

Disclaimer – the views expressed herein are those of Garrett Ryan and do not necessarily reflect the views of the Authority, the Board or the staff of IAASA.

BY
Robert Kirk

Charity Reporting under the FRS 102 SORP (2014)

This article looks at how charities can adopt a best practice approach by reporting under the FRS 102 SORP (2014).

Robert Kirk CPA is Professor of Financial Reporting at the University of Ulster. Robert is also author of the CPA Ireland Skillnet's publication *A New Era for Irish & UK GAAP – A Quick Reference Guide to FRS 102* **which is available free to CPA Members on www.cpaireland.ie.**

The SORP, *the Statement of Recommended Practice, Accounting and Reporting by Charities; the FRS 102 SORP (2014)* was developed, in accordance with Financial Reporting Council guidelines, by the Charity Commission for England and Wales and by the Scottish Regulator.

While the Charities SORP has no jurisdiction outside the UK, most Irish charities have voluntarily adopted it in order to follow respected practice in relation to accounting and reporting and most particularly to meet their stakeholders' needs. Adopting the Charities SORP provides a best practice approach in respect of accounting and reporting for charities. The SORP was introduced for accounting periods commencing on or after the 1st January 2015.

Paragraph 10 of the SORP outlines the following objectives for the SORP:

- to improve the quality of financial reporting by charities;
- to enhance the relevance, comparability and understandability of the information presented in charity accounts;
- to provide clarification, explanation and interpretation of accounting standards and their application to charities and to sector specific transactions; and
- to assist those who are responsible for the preparation of the trustees' annual report and accounts.

In general terms, the Charities SORP requires, inter alia, the following in the financial statements and annual report:

- A Trustees Report (required for all bar cash based charities); and
- The Financial Statements (and particularly the Statement of Financial Activities) to be presented in a specified layout that distinguishes, for example, between specific categories of income and of expenditure.

The Trustees Report

In many ways, this document is more important than the financial statements as it should be written in a clear narrative format for users to enable them to assess how successful the charity has been in meeting its objectives and to allow the charity to reflect on the key challenges it faces. The Report has been broken up into six separate sections and each of these sections will now be explained. It should be pointed out that larger charities are expected to provide more detailed information than smaller charities. Large charities are normally those subject to audit and in the Republic of Ireland a gross income of €100,000 requires such an audit.

1. Objectives and activities

This section is to help users understand how the charity's objectives have been met by providing an analysis of its activities during the year and whether they have achieved their objective. This should include a discussion of its strategies for achieving its aims and how the charity measures its success.

2. Achievement and performance

Charities must summarise their main achievements and performance during the year which will include the significant activities undertaken, most likely taking into account fundraising. The achievements must be set against the charities objectives. However, the review must provide a fair and balanced view of its performance.

3. Financial review

Charities should review their financial position at the year end, including their policy for holding reserves, and if there are doubts as to whether it can continue as a going concern that should be explained. Larger charities would also be expected to describe the principal risks and uncertainties they face and how they plan to manage those risks. They should also provide an explanation of their principal funding sources and their investment policies.

4. Plans for future periods

Only larger charities should provide a summary of their future plans, including details of any activities that are planned to meet their objectives, including how lessons learnt from the past have influenced their resource allocation.

5. Structure, governance and management

All charities should provide details of their governing document, how the charity is constituted and how new charity trustees are appointed. Larger charities are also expected to provide details of their management structures and to explain how their trustees are trained.

6. Reference and administrative details

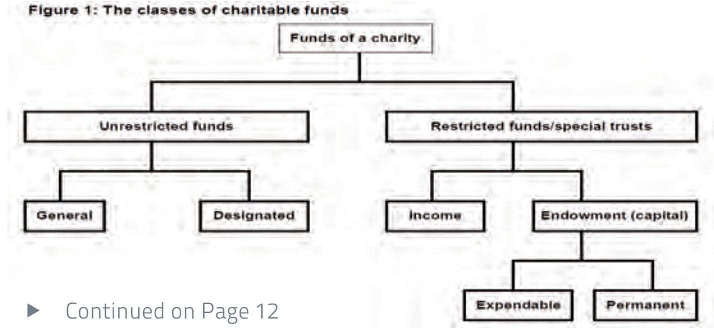
All charities should disclose their name, registration number and principal office address together with names of those who were trustees on the date the report was approved or who served during the reporting period. Larger charities need also to provide details to whom the trustees delegate day to day management of the charity.

The Financial Statements

Before examining the primary statements of a charity, it should be mentioned that one of the cornerstones of the SORP is to recognise separately the incoming and outgoing resources of each of the funds in both the statement of financial activities and the balance sheet.

The SORP sets out the different classes of charitable funds as follows:

Figure 1: The classes of charitable funds



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Unrestricted funds

These are freely available to be spent as the trustees see fit to meet the charity's objectives. They are broken down into two categories – general (not earmarked for a particular purpose) and designated (earmarked for a special purpose).

Restricted funds/ special trusts

These funds may only be used for the purpose specified by the donor and these may include land and buildings, investments and cash. Any income earned on those assets is added to the fund. These funds can also be split between income (funds to be spent or applied within a reasonable period from their receipt to further a specific purpose of the charity), expendable endowment (donations to be kept in capital but powers given to the trustees to use the funds as income) and permanent endowment (donations to be held as capital with no power to convert the funds into income).

Generally, if these are material, restricted funds must be disclosed separately from unrestricted funds in both the Statement of Financial Activities (SOFA) and the balance sheet. More details can be provided in the notes as per Age Action:

Movement of Funds

	Designated Funds	Restricted Funds	Unrestricted Funds	Total 2016	Restricted Funds	Unrestricted Funds	Total 2015
	€	€	€	€	€	€	€
Opening balance	-	-	816,265	816,265	-	769,578	769,578
Net movement	141,319	-	(24,195)	117,124	-	46,687	46,687
Closing balance	141,319	-	792,070	933,389	-	816,265	816,265
Represented by:							
Fixed assets		-	34,120	34,120	-	16,720	16,720
Current assets	141,319	231,495	864,180	1,236,994	356,380	894,160	1,250,540
Current liabilities	-	(231,495)	(106,230)	(337,725)	(356,380)	(85,135)	(441,515)
Capital grants	-	-	-	-	-	(9,480)	(9,480)
	141,319	-	792,070	933,389	-	816,265	816,265

An amount of €141,319 received from CCT Corporate Nominees Limited has been designated by the directors for specific capital projects identified by the Senior Management Team.

Statement of Financial Activities

It is a requirement of charity law that charities use all their funds to further their objectives – effectively to breakeven and not make a profit. The traditional profit and loss account or statement of comprehensive income required by FRS 102 for private companies, therefore, is not providing relevant information on the performance of the charity. As an alternative, the SORP requires the publication of a Statement of Financial Activities (SOFA) which present the incoming resources available to the charity and shows how these have been used to meet the charity's objectives. A good example is provided by Concern Worldwide (UK) for their annual financial statements for the year ended 31st December 2016:

Statement of Financial Activities for the year ended 31 December 2016

	Notes	Restricted Funds Stg£	Unrestricted Funds Stg £	Total 2016 Stg £	Total 2015 Stg £
Incoming resources:					
Donations and legacies	2a	**2,621,569**	**4,769,655**	**7,391,224**	10,285,067
Charitable activities – grants and contracts from governments and other co-funders	2b	**18,521,592**	**585,235**	**19,106,827**	21,348,396
Other income		**-**	**864**	**864**	2,901
Total income		21,143,161	**5,355,754**	**26,498,915**	31,636,364
Expenditure on:					
Charitable activities	3	**21,504,119**	**2,237,575**	**23,741,694**	27,724,848
Raising funds	4	**180,860**	**2,407,190**	**2,588,050**	2,907,219
Total expenditure		**21,684,979**	**4,644,765**	**26,329,744**	30,632,067
Net movement in funds		**(541,818)**	**710,989**	**169,171**	**1,004,297**
Reconciliation of funds:					
Total funds brought forward		**1,786,386**	**2,826,629**	**4,613,015**	3,608,718
Total funds carried forward	14	**1,244,568**	**3,537,618**	**4,782,186**	4,613,015

The company had no recognised gains and losses in the financial year or preceding year other than those dealt with in the Statement of Financial Activities.

The SOFA shows the funds being split between restricted and unrestricted funds and the net movement for the year being added to the opening funds brought forward from the previous reporting period.

Balance Sheet

The balance sheet is fairly similar to a private company with the only difference being the split of the funds between those which are restricted and those unrestricted. The example provided below is that of Trocaire for their annual report for year ended 28th February 2017:

Consolidated Balance Sheet as at 28 February 2017

	Notes	2017 €'000	2016 €'000
Fixed assets			
Tangible fixed assets	9	**938**	977
Current Assets			
Debtors	10	**31,301**	26,634
Cash at bank and pm short-term deposit		**24,838**	32,489
Short term investments	11	**1**	1
		56,140	59,124
Creditors (Amounts falling due within one year)	12	(8,952)	(9,406)
Net Current Assets		**47,188**	49,718
Retirement benefit scheme liability	17	**(2,869)**	(3,353)
Total Net Assets		**45,257**	47,342
Funds of the charity			
Restricted funds	14	29,162	29,150
Unrestricted funds	15	**16,095**	18,192
Total funds		**45,257**	47,342

The financial statements were approved by the Board of Trustees on 21/06/2017 and signed on its behalf by: Eamon Martin and William Crean.

Statement of Cash Flows

The third primary statement is based on IAS 7 *Cash Flow Statements* and thus permits the adoption of either the direct or the indirect method of reporting operating cash flows. The former has not been used in practice in this country thus it is not likely to be adopted. The SORP also requires cash flows to be reported in three headings only – operating, investing and financing. Focus Ireland have adopted the new presentation for their financial statements for the year ended 31st December 2016.

Consolidated Statement of Cash Flows for the Financial Year Ended 31 December 2016

	Notes	2016	2015
		€	€
Cash flows from charitable activities	29	2,302,461	1,902,357
Cash flows used on investing activities			
Purchase of tangible fixed assets		(10,403,896)	(6,175,620)
Net cash used in investing activities		**(10,403,896)**	(6,175,620)
Cash flows from financing activities			
Interest paid		(87,802)	(13,016)
Increase in bank loans		5,382,622	348,140
Increase in CAS Housing loans		4,457,188	3,359,333
Increase in CALF loans		454,239	201,537
Cash inflows from capital donations			50,000
Net cash provided by financing activities		**10,206,247**	3,945,994
Change in cash and cash equivalents in the financial year		2,104,812	(327,269)
Cash and cash equivalents at the beginning of the financial year		2,959,376	3,286,645
Total cash and cash equivalents at the end of the financial year		**5,064,188**	**2,959,376**

As can be seen by the primary statements, there is a need to supply back up notes to provide more detailed information about certain items in those statements. Probably the most useful is the detailed make up of both the incoming and outgoing resources contained in the SOFA.

The recording of both is governed largely by the rules in FRS 102 as adapted by the SORP. One key difference, however, is that charities must adopt the performance model whereas it is a choice in FRS 102 and, in practice, the accruals model is only adopted by private companies. In the performance model, capital grants are released to the SOFA as the charity performs under the grant aiding contract and not over the estimated useful lives of the fixed assets.

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Expenditure on charitable activities

Expenditure on charitable activities can be analysed as shown below. Concern provide details of both expenditure on charitable activities and the costs of raising funds. Expenditure on overseas programmes represents contributions by Concern (UK), to the overseas programmes of Concern Worldwide. As many of these programmes achieve results in more than one of these categories, Concern (UK) has introduced an integrated programming category in 2016.

	Direct costs Stg £	Support costs (see note 6) Stg £	2016 Total costs Stg £	2015 Total costs Stg £
Overseas programmes				
Health	**4,788,715**	**62,806**	**4,851,521**	5,070,738
Education	**1,702,934**	**22,891**	**1,725,825**	2,003,389
Livelihoods	**4,680,109**	**57,654**	**4,737,763**	5,312,628
Integrated programming	**4,947,525**	**66,505**	**5,014,030**	–
Emergency	**6,404,771**	**85,986**	**6,490,757**	14,509,380
Total overseas programmes	**22,524,054**	**295,842**	**22,819,896**	**26,896,135**
Policy, Advocacy and Campaigning	**713,459**	**127,874**	**841,333**	763,203
Governance (Note 5)	**32,752**	**47,711**	**80,463**	65,510
Total charitable expenditure	**23,270,265**	**471,427**	**23,741,692**	**27,724,848**
2015 – Total	27,261,708	463,140	N/A	27,724,848

Cost of raising funds

	Campaign costs Stg £	Staff costs Stg £	Occupancy & other direct costs Stg £	Total direct costs Stg £	Support costs (see note 6) Stg £	2016 Total costs Stg £	2015 Total costs Stg £
Individual giving	428,054	982,010	373,221	1,783,285	131,496	**1,914,781**	2,263,319
Corporates, major donors and trusts	24,634	260,034	86,190	370,858	16,182	**387,040**	417,881
Legacy	28,008	–	–	28,008	–	**28,008**	26,134
Community fundraising	–	145,196	30,755	175,951	7,899	**183,850**	165,757
Retail costs	7,729	38,729	22,546	69,004	5,367	**74,371**	30,128
Total	**488,425**	**1,425,969**	**512,712**	**2,427,106**	**160,944**	**2,588,050**	2,903,219
2015 – Total	1,121,442	1,261,651	370,028	2,753,121	154,098	N/A	2,903,219

Conclusion

The new SORP is not very different from its predecessor of 2005 but it is now in alignment with FRS 102, the accounting standard for private companies. The main issue is that although very little has changed, the Charities Regulator requires annual reporting but has not made it mandatory to provide SORP financial statements. Charities should refer to the Annual Reporting Guide (S40) provided on its website www.charitiesregulatoryauthority.ie for templates for smaller charities and details required for larger charities to be submitted to the Regulator.

Law & Regulation News

Administrative consolidation of Companies Act 2014

We now have available in our Companies Act 2014 Resource page an administrative consolidation of all Acts from Companies Act 2014 up to and including Companies (Amendment) Act 2017 (13/2017), enacted 7 June 2017, and all statutory instruments up to and including European Communities (Intra-Community Transfers of Defence Related Products) (Amendment) Regulations 2017 (S.I. No. 268 of 2017), made 15 June 2017.

Source: www.lawreform.ie

General Data Protection Regulation ('GDPR')

The GDPR will come into force on 25th May 2018 and will result in a significant overhaul of the existing European data protection regime. It will repeal and replace the current Data Protection Directive (94/46/EC), which forms the basis for the current Irish legislative framework, being the Data Protection Acts, 1988 and 2003. The aim of GDPR is to harmonise data privacy laws across Europe and create a level playing field. The changes contemplated by GDPR will place significantly more obligations on organisations and give more rights in favour of individuals.

Members need to consider the potential impact that the GDPR is likely to have on the governance and processes in relation to data protection by their firms and take the appropriate actions to prepare in advance of May 2018.

Source: www.eugdpr.org

New non-financial reporting requirements

New rules will see some of Ireland's biggest companies publishing information on a range of policies from gender diversity on boards of directors to greenhouse gas emissions. EU regulations requiring non-financial reporting for large companies took effect from 21st August 2017.

Under the European Union (Disclosure of non-financial and diversity Information by certain large undertakings and groups) Regulations 2017, large companies will be required to publish non-financial information about their company policies. The regulations apply to financial years beginning on or after 1st August 2017, so the first of these disclosures are likely to become available from the second half of 2018.

The information published will be on a range of topics, including: greenhouse gas emissions and energy consumption, through to social issues such as engagement with local communities and anti-corruption measures such as whistle blowing procedures. Large listed companies will also be obliged to disclose the diversity policy that applies to their boards of directors.

A flexible approach has been taken in framing these new transparency requirements, which bears in mind the needs of both companies and those who will rely on the new disclosures. For example, the regulations allow companies to choose to publish the required information on their website instead of in an annual directors' report, which is produced at a set time each year.

Source: www.dbei.gov.ie

BY
Emer Moriarty Crowley

Emer Moriarty Crowley is a partner in Beauchamps' corporate and commercial department with extensive experience advising Irish organisations and international businesses on corporate restructurings and business transformation, domestic and cross border mergers and reorganisations, acquisitions and disposals, foreign direct investment and corporate governance and compliance.

Mergers under the Companies Act 2014

In this article, Emer Moriarty Crowley discusses the merging of private Irish companies under the Companies Act 2014 and examines some key features of this innovative process.

The Companies Act 2014 ("**Act**") introduced the facility to merge private Irish companies. Since the commencement of the Act on 1 June 2015, the number of mergers of private companies (known as ***domestic mergers***) has increased year on year. To date in 2017, some 82 companies have dissolved by merger, compared to 56 for the entire year in 2016.

The merger process can be used to consolidate group structures on a timely and cost-effective basis. With a merger, liquidation costs are avoided and the desired end state of company dissolution can be achieved in a shorter timeframe than in a traditional members voluntary liquidation. Thus, the vast majority of domestic mergers to date involve mergers within the same corporate group.

As domestic mergers become more popular with Irish business owners, this article looks at some of the key features of this innovative process, which is not yet available to companies incorporated in the UK.

What is a merger?

The Act provides for three types of merger:

- Merger by acquisition – where a company acquires all the assets and liabilities of one or more other companies that is or are dissolved without going into liquidation in exchange for the issue of shares, with or without an additional payment;
- Merger by absorption – where a company transfers all its assets and liabilities to its parent company and is dissolved without going into liquidation; and
- Merger by formation of a new company – where all the assets of one or more companies are transferred to a newly formed company in exchange for the issue of shares to the shareholder(s) of the transferor company/companies which is or are dissolved without going into liquidation.

This article focuses on merger by acquisition and merger by absorption, which are by far the most common.

Which process?

The Act facilitates mergers by two different routes: the Summary Approval Process ("**SAP**") and a High Court Approval Process. As the SAP is by far the more commonly used of the two, this article concentrates on that process. However, we will also look at why, in some cases, the High Court route might be preferable (*see below*).

The SAP requires: (1) a majority of the directors of each merging entity making a Declaration of Solvency in which they confirm that the successor company will be in a position to pay both its own debts and the debts of the transferring (dissolved) company as they fall due during the 12 months following the merger and (2) the approval of the merger by <u>unanimous</u> approval of the shareholders of each of the merging entities.

Preparing for a domestic merger - Due Diligence

The first vital piece of information to confirm at the outset is that a majority of the directors of each of the merging companies will be happy to make the required form of Solvency Declaration. The second is to confirm that all shareholders of the merging entities will be willing to approve the mergers.

A legal and business diligence review should be undertaken well in advance of the target completion date. This review should identify the types of assets held by the transferor company which will give rise to specific legal actions (for example, registered property, foreign assets); whether there are any impacted employees and also identify the practical post-merger implementation steps for the business (for example, changes to VAT registration numbers). The companies' tax advisors should be involved to identify what pre-clearances should be obtained from the Revenue and to advise on the tax implications for the group.

It may be necessary to identify any assets or liabilities of the transferor company that should be moved elsewhere in the group in advance of the merger. Sometimes intra group debts might need to be forgiven to facilitate the directors' Declarations of Solvency.

It is important to make sure that all Companies Registration Office ("**CRO**") filings are up to date, especially details of the directors making Declarations of Solvency.

Employees

All employees of the transferor dissolving company will automatically transfer to the successor company, and the parties must comply with the Transfer of Undertakings (Protection of Employees) Regulations 2003 with regard to notifying and in some cases, consulting with employees.

Common Draft Terms of Merger

Each of the merging entities must draw up and agree Common Draft Terms of Merger ("**CDTM**"). The Act sets out the mandatory minimum content for the CDTM. In some cases, the Act requires the preparation of a directors' explanatory report and an experts report, explaining the terms and effect of the merger but these can be and typically are, waived by the shareholders. The CDTM must be approved by the directors before they are made available for inspection by the shareholder(s).

Publicity

For each merging company, the CDTM and statutory financial statements for the last three financial years must be made available for inspection by the shareholders at the registered office of the company for a minimum of 30 days before the shareholder unanimous resolution is passed. The Act does not permit this requirement to be waived.

When using the SAP, there is no requirement for advance publication of the details of the proposed merger either in a national newspaper or the CRO Gazette, although this is required when using the High Court process.

Approval, effective date, filings.

The Declarations of Solvency must be made by the directors at board meetings of each of the merging entities. Once signed, the declaration is circulated to the shareholders, prior to passing the unanimous resolution approving the merger.

The effective date of the merger will be set out in the CDTM. When the Declarations of Solvency and the shareholder resolutions approving the merger are filed at the CRO, the dissolving company's status will be changed by the CRO to *"dissolved by merger"*.

Effects of a merger

The Act provides that on the effective date of a merger, all the assets and liabilities of the transferor company transfer to the successor company and the transferor company will dissolve. The successor company will replace the transferor company in all contracts, agreements, legal proceedings etc. However, the successor company must comply with registration requirements and any other formalities required by law. For example, for property registered in the Property Registration Authority, an application will have to be made to have the successor company registered as owner.

Timelines

A merger using the SAP process cannot be implemented in less than 30 days from the date on which the required documents are made available for inspection at the registered office of each merging company. There is no provision in the Act allowing this requirement to be waived. A merger involving the High court process will take considerably longer.

Why take the High Court route?

There are a variety of reasons why a High Court approval process might be the more appropriate route to approve a domestic merger. These include circumstances where one of the merging companies is a Plc, where it is not possible to obtain unanimous shareholder approval, or where the majority of the directors of the merging entities are unwilling to take on potential personal liability by making the Declaration of Solvency.

Another reason for using the High Court route might be if the dissolving merging entity owns significant foreign assets or liabilities. In those circumstances, it might be preferable to have a High Court Order as evidence for use in foreign jurisdictions to show the official status of the merger and the merger effective date. A merger using the SAP does not generate an equivalent official document. When using a SAP, it will be up to the companies' lawyers engaged in the merger to produce (if requested to do so) the necessary confirmation to third parties of the effects of the merger and the successor company's title to the assets.

Conclusion

The domestic merger process enabled by the SAP is a very effective and increasingly popular way of reorganising corporate groups. There are strict procedural and timing requirements laid down in the Act and it is important that they be followed to avoid any concerns with the legal title to business assets and liabilities transferring as a consequence of the completion of the merger.

BY
Kevin R. Callan

Kavin R. Callan, BL, LLB and Barrister at Law. Called to the Bar of Ireland in 2007, specialising in employment law and health & safety defence.

Not the way to do Business Class!

In this article, Kevin Callan gives an interesting synopsis of a decision made by an Adjudication Officer of the Workplace Relations Commission in the case of a cabin crew member versus an airline.

A Cabin Crew Member v. An Airline

This is a summary of a decision of an Adjudication Officer of the Workplace Relations Commission ("WRC") of 15th June 2017 and should be of interest to employers on a number of different levels. From the date of the introduction of the Workplace Relations Act, 2015 decisions and recommendations of the WRC do not generally bare the names of the parties, hence the strange looking heading on this case. The media are also no longer permitted to attend and report in the Courts so the main source of case-law is to be found on workplacerelations.ie in the determinations/decisions section.

This case is of interest as it also involves an alleged agreement reached between the employer and the employee of an *ex-gratia* payment if she were to resign. Subject to the employee being made such an offer, she agreed to resign from her employment. The offer was then withdrawn as if it was never made at all and the employer sought to enforce the resignation of the employee minus the payment. The case was heard in June of this year and relates to a cabin crew member of an airline who sought to take a constructive dismissal claim. It is a typical example of how cases, as they are read, may appear to be going in a certain direction and end up with a very different outcome to what the reader might expect.

Background to the case.

The employee entered her employment in 2007 with an international airline. In December 2013, an incident occurred where she alleged that she refused to carry out an unlawful instruction to work beyond the statutory agreed hours, which led to her being disciplined with a written warning. Such a refusal by the employee would be based upon the provisions of The Organisation of Working Time Act, which sets out that an employee must receive statutory rest periods, an eleven hour gap rest period between shifts and not exceed 48 hours on average per six days. In her submission, the employee stated that she appealed the decision and did not receive a reply at all. In 2013, she was diagnosed with a stress related illness and was absent from work from April 2015 to the date of her alleged dismissal in February 2016.

On the 30th December 2015, the employee attended a meeting with the Company's Resource and Attendance manager and a HR representative. The purpose of the meeting was to discuss a report prepared by the Company's Chief Medical Officer, which included an opinion that *"it does not appear likely that this employee will be fit to resume cabin crew duties within the foreseeable future".*

The employee stated that two options were put to her at this meeting; (a) that she would join a resource pool for cleaning and baggage handling positions that might arise or (b) that if her employment ceased by mutual agreement an *ex-gratia* payment could be paid to her. She stated that a figure of €10,000 was mentioned.

The employee stated at a hearing, that on the 12th January 2016 the HR representative for the employer contacted her by telephone to inform her that an *ex-gratia* payment of €10,000 was on offer. Having discussed the matter with her husband she called the HR representative to accept. She was told there was a letter that she would have to sign which would be posted out to her.

The employee stated that on the 2nd February 2016 the HR representative contacted her asking that she send a copy of her birth certificate to expedite the *ex-gratia* payment which she did, by email and soft copy form.

The employee then stated that in the days following, she received a phone from the HR representative, acting via the airline, saying that the *"Powers That Be"* have decided not to make an *ex-gratia* payment as it would set a precedent.

The representative for the employer accepted that the employee sent an email to the HR representative on the 15th February 2016 tendering her resignation from the Company.

In a more detailed email to the HR representative three days later, on the 18th February 2016, the employee stated that she had no option but to tender her resignation, as after being given the expectation verbally by the HR representative that she would receive a gratuity payment, the airline had reneged on this commitment. She concluded this email by asking that the matter be reconsidered and the *ex-gratia* payment as originally offered be paid.

In summarising, the representative for the employee stated that based on the facts of the case, where an offer of an *ex-gratia* payment was made and then withdrawn, the Complainant's decision to resign was not unreasonable but was induced by the employer's behaviour towards her. He contended that the act of reneging on a commitment, in this case made to an employee who had been absent from work with a stress related illness for some considerable time, was sufficient to meet the test of constructive dismissal and her claim should be held to be well founded.

Decision and Outcome.

The Adjudication Officer was required to give a decision or recommendation as per Section 41 of the Workplace Relations Act 2015.

In setting out the legal requirements, the Adjudication Officer defined constructive dismissal as arising where an employee involuntarily resigns from their employment, with or without providing the requisite notice to the employer. The resignation is classified as involuntary as it arises because of the unreasonable behaviour of the employer.

In accordance with Section 1 of the Act, a definition of constructive dismissal that can be relied upon was:

"the termination by the employee of his contract of employment with his employer, whether prior notice of the termination was or not given to the employer, in circumstances in which, because of the conduct of the employer, the employee was or would have been entitled, or it was or would have been reasonable for the employee, to terminate the contract of employment without giving prior notice of the termination to the employer".

In the Adjudication Officers decision, it is specifically cited that it was undisputed that the employee was absent from work with a serious illness and that she was very fragile throughout the period from December 2015 to February 2016. A review of the documentation provided by the employer showed that it adhered to its own procedures for managing employees on long term illness and in that regard, it met its duty of care to deal with the employee's situation in a fair and reasonable manner.

At the hearing, it was disputed by the parties whether an offer of an *ex-gratia* payment, verbal or otherwise, was made by the HR representative to the employee. A letter from the employer to the employee dated the 6th of January 2016, that summarised in detail the matters discussed and agreed at the meeting on the 30th December 2015, made no reference to an *ex-gratia* payment, or any discussion about this amount.

A copy of a contemporaneous note of the meeting of the 30th December 2015 refers to the employee's query about a voluntary severance option. In it, the HR representative was *"to find out if available or an alternative"*. This was found to not tally with the employer's written submission, in which they stated that the HR representative stated at the meeting that voluntary severance was not an option for the employee.

An email to the employee, sent three days after her resignation, was held to be clear and specific that an amount of €10,000 was offered and then withdrawn for or on behalf of the employer.

Based on the facts and the evidence heard, the Adjudication Officer was inclined to accept the employee's contention that this offer was made, verbally, by the HR representative, on the 12th January 2016 and discussed on other occasions. It was further held that the HR representative assumed that he could obtain approval for a termination payment.

The management of the employer was criticised by the Adjudication Officer in terms of the withdrawn offer and also the fact that a resignation was accepted by email with no discussion or period of time to allow the employee to reflect on the situation in her state of health.

The Adjudication Officer however reflected on the burden of proof aspect of Constructive Dismissal which rests squarely on the employee and referenced a decision of the now abolished Employment Appeals Tribunal in such circumstances;

In Murray V Rockabill Shellfish Limited (2012) the EAT determined that:

It has been well established that a question of constructive dismissal must be considered under two headings, entitlement and reasonableness. An employee must act reasonably in terminating his contract of employment. Resignation must not be the first option taken by the employee and all other reasonable options, including following the grievance procedure, must be explored. An employee must pursue his grievance through the procedures laid down before taking the drastic step of resigning.

It was held in this case that the employee had failed to exhaust all internal processes and procedures before resigning including seeking legal opinion or the advice of her Union Representative. The Dismissal was held to be voluntary and as such the employee's claim failed.

Finance & Management News

IFAC INITIATES CEO SEARCH

The International Federation of Accountants (IFAC), the global organization for the accountancy profession with members and associates in more than 130 countries, is seeking an outstanding individual to become its next Chief Executive Officer. The successful candidate will join IFAC in late 2018 to allow for an orderly transition and will succeed current CEO Fayezul Choudhury when he steps down on December 31, 2018.

The successful candidate for the CEO role must have a keen interest in and deep personal commitment to IFAC's mission: to serve the public interest by promoting the value of professional accountants worldwide; speaking out on public interest issues where the accountancy profession's expertise is most relevant; developing strong professional accountancy organizations and accounting firms; and supporting the development, adoption and implementation of high-quality international standards.

The IFAC CEO must also exhibit superior leadership and management skills, a proclivity for strategic thinking, diplomatic and ethical behavior in both personal and professional life, and a future-focused attitude that will continue to drive IFAC's strategy.

The CEO is expected to provide leadership in identifying and formulating policy positions on important issues impacting the global accountancy profession as well as critical public interest issues and will conduct outreach to build consensus on significant matters. The CEO works in close cooperation with IFAC's volunteer leadership to support the organization's mission and is responsible to the IFAC Board.

The international executive search firm Korn Ferry has been retained for the search and is partnering with IFAC to actively engage IFAC member organizations, the accountancy community, and other stakeholders in the recruitment process, encouraging a diverse and international applicant base. IFAC is initiating the recruitment process now to allow time for a comprehensive search and seamless transition.

Interested candidates should contact Korn Ferry, Senior Client Partner, Chuck Eldridge at chuck.eldridge@kornferry.com or Association Sector Leader, Lorraine Lavet at Lorraine.Lavet@kornferry.com. For reference, the profile for the IFAC CEO can be found here.

About IFAC

IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of more than 175 members and associates in more than 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry, and commerce.

Source: www.ifac.org

Creating Value for SMEs through Integrated Thinking / The Benefits of Integrated Reporting

Integrated reporting enhances the way organizations think, plan and report their business' story. It is used as an opportunity to communicate a clear, concise, integrated story explaining how value is created within the organization. It can help businesses think holistically about their strategy and plans, make informed decisions, manage key opportunities and risks to build investor and stakeholder confidence, and help manage the organization's performance.

IFAC and the International Integrated Reporting Council have produced a publication which will help small- and medium-sized entities (SMEs), including non-profits, adopt integrated reporting and realize its benefits. It will also help users understand the benefits of using the International Integrated Reporting Framework, including the flexibility of its principles-based structure and approach.

The publication is available on the IFAC website at www.ifac.org/publications-resources/creating-value-smes-through-integrated-thinking.

Source: www.ifac.org

Leadership Insight – Nicola Byrne

Nicola Byrne, CEO Cloud90, Founder/CEO 11890, President of the Irish Exporter's Association 2017-2018

Your Career and Business

Where did your career begin?

I started my career as an export clerk in Gateaux cakes. I looked after all the exports orders and documentation for exporting cakes around the world. Gateaux had about 60% of the packaged cake market in Ireland. The main factory was at Finglas, Dublin which was established in 1949, with two thirds of their sales in the home market and one third exported. The Gateaux label was known in 57 countries. One of their famous exports was the Molly O'Rourke tinned cake which was liberally laced with spirits and it sold well in Australia and New York where the Macy's department store was a regular customer. I spent four and a half years there and learned a huge amount. I then worked in Jacobs as a brand assistant on all the Danone non-biscuit brands, which were HP Sauces, Evian, Cracottes, Liga baby foods and Lea & Perrins. From there, I went to Bank of Ireland and worked as a brand manager for Mastercard, changing it from Access to the Mastercard brand for all the banks. From here, I joined AC Neilsen for two years and after all that I set up my first business at the age of 27 which led to setting up 11890 in 2006. Cloud 90 is part of 11890.

Continued on Page 22

▶ Continued from Page 21

How did Cloud90 come about and evolve?

Necessity is the mother of all invention. We realised that social media data is coming in huge volumes to businesses and that 4000 posts takes 33 hours of reading (at 30 seconds reading a post) and that's before a single action is taken. The issue for business was that this data was coming 24 hours a day and contained data that needed action, contained risk or needed to be sorted by content. We had the infrastructure to deliver that with our call centres so we built a process that allowed us to read the content, analyse it and deliver it in real time to the people who needed to action the data all based around the rules of the business we were working with.

The human process on top of the technology is what delivers the final piece. Risks are complex and much as we hear about amazing technology and artificial intelligence, they still have a huge way to go to get near the emotional intelligence and judgement of a person. We can now classify words, thoughts and opinions expressed online and can deliver online reputation security as well as business analytics in real time to allow only the correct relevant data into the decision process. It's been a really interesting journey over the last couple of years and I know it's only starting. The hardest bit is explaining what we do, the good news is that when people see it in action they get it immediately.

What are your key goals as CEO of Cloud90?

Since the recession we have been trying to replace our directory enquiry revenue through innovation and delivery of new products to the market. The key goal now is to continue to grow our revenue through key partnerships and continuing innovation. It has taken awhile in this new digital world for businesses to see the value in putting technology and people together. The great news for Cloud90 is that our clients have been with us on this journey and even with all the technology advances still see us as the only solution so long may it continue! We are seeing great success with RiskEye in the insurance world so the goal is to keep going, work hard and enjoy the journey.

How can we protect ourselves against risks?

The world is changing so fast as are the risks. This year the Global Risk Management survey from AON had Reputation Risk as the number one risk in the world. This is down to the power of social media and its' ability to destroy a business or person in seconds. When we started the monitoring, we believed that customers of a business would be the biggest risk. It turns out that the data tells a completely different story with employees taking a leading role in the harm, whether they are unhappy, badly trained or just unaware of the harm they are causing. The story of the lady giving an offensive signal to Donald Trump as his motorcade passed was enough to get her fired. Everything is recorded now for good or bad and the bad out numbers the good by an average of 5 to 1. Software can't be your risk manager and your risk manager shouldn't be glued to their screen trying to find the risk. What's needed is to find a business that specialises in online risk management and hire them. Cloud 90 and RiskEye are the first to create Online Reputation Security and is now working with the world's leading insurer to protect businesses 24 hours a day in this space. The new world is bringing new risks and we must keep working on ways of getting ahead of it. At the moment that just isn't the case for most businesses.

To date, what has been your career highlight?

There isn't any one highlight. I like working and getting things done and the old saying it's a journey not a destination describes how I think about it. The real highlights are the great people you meet and work with on the journey and I have been fortunate to meet so many talented, hardworking and kind people.

Personal Life

How do you maintain a work-life balance?

It's easier now, I just stop working. The older I get the more I realise my limits and I know I make sure I completely switch off so that I can enjoy being at home and not leave my brain in the office. It took a lot of practice to learn that, particularly with the all-pervasive mobile phone which allows the work to follow you anywhere.

What do you enjoy doing in your spare time?

Kids, family and friends. Saturday nights are dinner for 12-15 people depending on who's around followed by whatever Simon Cowell production they have on the TV. It's a long-standing tradition and a great way to touch base with everyone to see how their week was. The rest of the week is just normal family stuff.

BY
Sean McLoughney

Negotiating by influencing people

Sean McLoughney discusses the skill of negotiation and influencing people and how this skill can be improved by investing a little time in preparing your approach.

Sean McLoughney, founder of LearningCurve, is a sought after learning and development specialist, author and speaker. Since 2001 he has helped over 14000 professionals at every level improve their performance. Sean has three books published to date and is a regular speaker at CPA CPD events. You can contact him at sean@learningcurve.ie

Negotiating and influencing people is something you do as a manager every day on some level with a variety of different people. Negotiation is an essential part of business life; you negotiate better deals with clients, improved terms with suppliers and additional resources for your team.

One core element of negotiation is your ability to influence and achieve better long-term outcomes. It is a valuable skill that will help you gain support and commitment for your plans, tasks and business goals. Developing your influencing skills will help you to deal with difficult negotiating situations and the different types of people involved. There is no one correct way to influence people because people are complex. It is a skill that requires constant learning and fine tuning.

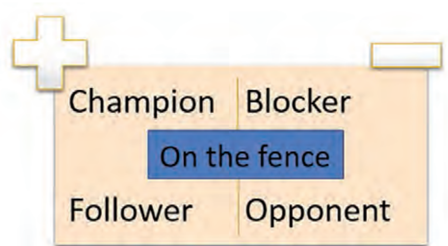
Influencing draws on a range of interpersonal skills and behaviours such as your ability to inspire, listen, communicate (both verbally and nonverbally), persuade, create confidence, empathise, display patience, adapt, probe and build trust. You may have all these skills and use them effectively in various situations but still find influencing people a challenge. The question now becomes how do you deploy these skills and what is your plan when it comes to influencing someone. Choosing and using the appropriate skills and influencing style to suit the various stakeholders is vital for achieving your desired outcome. Also, having the self-awareness and confidence to adapt your approach to suit the needs and demands of each situation is a skill in itself.

Having the skills is one thing but having a methodology is something else. A well thought out methodology will give you a consistent approach which will improve your ability to negotiate and influence. A great place to start developing your methodology is by reflecting on these five questions:

Who are you negotiating with and trying to influence?

The quote "change is the only constant in work" has been attributed to many people over the years. In your managerial role the task of negotiating with people to change is a familiar challenge. As you prepare business plans and goals for another year, one of your goals will require you to plot a successful course of action through a change management initiative. Some of you may be undertaking a large change such as a merger or moving location, while others will have to implement a number of small changes. Executing these changes successfully will require you to negotiate with and influence a variety of stakeholders.

Start by completing a stakeholder analysis as part of your plan to influence the change. Plot all the key stakeholders using a simple grid system.



Champions – these are the people who will support you during the change process. They fully understand the key drivers of the change initiative and more importantly they agree with the change. It is essential that you leverage their support to influence other stakeholders. Keep them regularly updated through open and transparent communication. Seek suggestions and ideas from them to show that you value their support.

Who → Why → How → When → What

Followers – these stakeholders have a low understanding of the reasons that are driving the change but are willing to go along with it. They are unlikely to cause you problems during the process. However, it is prudent to spend some time influencing them by improving their understanding and maintaining their positive mindset. Encourage them to ask you questions and explain the compelling reason for change and why you must move forward.

On the fence – these people haven't made up their mind yet. They could become an opponent if they feel ignored or if you underestimate their potential resistance to the change. They need to be influenced by seeking clarity on their key concerns and then addressing these issues. Go beyond explaining the need to change and focus on the benefits that are meaningful to them.

Blockers – this group of people generally show resistance due to both a low understanding and a low acceptance of the proposed change. Don't assume you know why they are resisting the change. Focus your attention on active listening and identifying their real concerns and issues. Engage with them early and empathise with them. Explain the positives of the change from their perspective.

Opponents – finally this group of people have a high understanding but low acceptance for the need to change (because they may lose out or not benefit from change). It is essential that you influence these people early in the process as they could start to influence others to resist your proposed change. Be proactive in communicating some of the possible downsides of the change and then how you propose to mitigate them. This will help you to build some trust with them. Check the validity of their issues with them and counter through facts and supportive data. Explore how working together you might overcome some of the concerns.

This analysis of key stakeholders can be used in a variety of negotiating situations including influencing clients to avail of more services from you, attempting to get information from other departments to complete a report or encouraging a poor performer on your team to improve their performance.

Why do you need to negotiate?

The second thing to consider is why are you trying to influence this person. What is the purpose of the negotiation? What are you trying to achieve? I tend to write this down so that I won't deviate from the message if I am trying to influence someone and the situation is stressful or tense. It also forms the basis of my compelling story which should catch their attention. I list the benefits and personalise them in a meaningful way to the other party. When you are negotiating it is important to establish as much common ground as possible and focus on why they will benefit from your proposal.

How will you negotiate and influence them?

Most people have a preferred influencing approach. However, depending on the situation your preferred style might work or might fail to have the required impact. People who are great at influencing understand that to be effective you need to adjust your approach depending on who you are attempting to influence and why you need to influence them.

Essentially there are two broad approaches to take; the push and pull style. The push approach is more appropriate if you do not have room to manoeuvre and is best used where there is a power base. It is likely to secure low commitment because of the low involvement from the other party. Some of the techniques you can apply include proposing ideas and suggestions that are backed up with logic and facts. You would also state recommendations and sometimes use incentives.

Alternatively, you could use the pull style which is useful in many situations regardless of power and is more effective in long term relationships. However, it requires time to plan and in most cases, takes longer to execute. You involve the people you are negotiating with and solicit their ideas and views while highlighting common ground and beliefs. Share your vision with them.

Remember, before you decide on an approach establish the who and the why as they feed into the how.

When is the right time to negotiate with them?

One of the major barriers to effective negotiating is timing. Trying to influence people when the timing is wrong can be very negative. Check their availability and if there is a timing problem highlight the sense of urgency around the need to deal with the situation. Start the negotiating process by ensuring everyone is fully engaged and ready to discuss and listen.

What is a successful outcome for me and the other party?

Stephen Covey wrote "begin with the end in mind" and this is a good approach to consider when negotiating in a difficult situation. Describe what a successful outcome would look like. What is your "walkaway" position? What are you prepared to concede during the process? What is the ideal "win/win" outcome? It is important to understand what success looks like and what you aren't prepared to accept.

Negotiating is a core business skill required when dealing with a variety of complex and difficult situations. It is a skill that can be improved by investing a little time in preparing your approach. Answer these five simple questions and greatly increase the chances of successfully negotiating with someone by influencing them.

BY
Rebecca Harrison

Building business relationships through networking and how to remove the dread!

Network Ireland president Rebecca Harrison, Managing Director of Fishers of Newtownmountkennedy department store, delivers a masterclass in mingling.

Rebecca Harrison is president of Network Ireland 2017, managing director of Fishers of Newtownmountkennedy Ltd and managing director of Food at Fishers cafe.

We've all been there – you walk into an event and it feels like everybody else knows each other. The chances of that actually being the case are very slim. Remember, everyone is there for the same reason. Sometimes you must just take a deep breath and say hi**. Inevitably they aren't as scary as you think!**

If you're very concerned, there are a few other tricks you can use to prepare yourself. You could ask the event organisers to introduce you to people – they want the event to be a success and would be delighted to assist.

Repeat Your Name

When you're introducing yourself, always repeat your name, "My name is Rebecca. Rebecca Harrison." It sounds a bit 'James Bond', but it's a great way to be remembered. And it doesn't sound so strange when you actually do it! Likewise, it will be easier for you to remember their name if you repeat it when you're introduced. How many times have you chatted to someone for 10 minutes before realising you've completely forgotten their name?

If looking for things to say, an easy opener is to talk about the event's keynote speaker or ask whether the other person is enjoying the event, or discuss something current or even the weather. I'd recommend not launching into a prepared speech about what you do. It can be off-putting.

Be human

One of the big things for me when it comes to networking is to be human. It's not about the quick sell and flashing business cards. **It's a conversation,** so ask lots of open questions that will give you an insight into the other person's interests. **People buy from people and people buy repeatedly from people they like!** So, aren't you better to build a relationship that will endure rather than force a quick sale that may be the last?

I don't think anybody likes to be sold to at an event, so when you're chatting about work, touch on topics that are accessible. The more questions you ask, the easier it is to tailor your answers.

For example, I run a clothes business. If I was speaking to someone who told me they had an interest in fashion, I'd talk in more general terms about styles and colours that are in season. The point is to share insider tips with the other person and offer rough advice around their interests – not to blatantly push your product.

Give

The old adage of Givers Get is so true with Networking. If you give something – advice, a referral, a connection etc, the other person is going to be delighted and remember you. Remember that the person you're speaking to may not be interested in your service or product but someone they know might be and vice versa. When you give, it always comes back to you in the end!

The other thing I often do when I'm networking is try and connect other people with colleagues. If I'm talking to someone who's never going to be interested in my business, I'd mention a friend who might be a bit more relevant.

I have a colleague in Network Ireland's Kildare branch who has an engineering company, so if I was speaking to the head of a construction firm, I'd mention her. When you share those contacts, the favour is usually returned.

There's never a one-size-fits-all approach to conversation topics. Someone from Kilkenny isn't guaranteed to be enthusiastic about hurling. The more questions you ask, the easier it will be to read your audience. Networking is at least 50% about listening. In fact I'd say it's more than 50%!

Dread

I obviously attend a lot of networking events, but sometimes even I don't feel like going to them.

Especially if it's after a long day's work but the worst part is the thought of going. Inevitably once I'm there the buzz in the room is enough to make me glad I made the effort. When you're meeting with other entrepreneurs who are motivated and enthusiastic about what they do, that energy is infectious.

There's nothing wrong with bringing a friend with you for some moral support, or talking to someone you know already but make sure the two of you are not huddled in a corner. If you assume an open stance, make eye contact with other people and smile at them, you'll come across as more approachable.

You should always be polite and welcoming, even when you find yourself cornered by someone you'd prefer not to continue speaking to. It's really important to just be polite. Listen and then make your excuses or bring them with you to speak to someone else.

Of course, there are two sides to that scenario. Other people might not be interested in what you have to say. Don't take offence to that. If they're looking over their shoulders and not really listening, excuse yourself and move on.

Congruence

My final tip comes from Barbara Moynihan of On Your Feet, a fantastic trainer in networking and public speaking. One of her big lessons is to be congruent. That means when you're talking, not only are you actually engaged in the conversation but that your facial expression should match what you're saying.

If you're talking about something sad and have a big grin on your face, then it doesn't hold true and will turn people off.

Barbara also recommends that if you want people to remember you, your clothes should be consistent with what you do. If you're nervous, actually highlight yourself a little bit more in what you wear. For example, one of our members is a photographer who specialises in portraits of animals. She's kind of arty and quirky. If she rocked up to an event wearing a suit it would look odd.

About Network Ireland

Rebecca Harrison is president of Network Ireland, an organisation that supports women in business with branches throughout the country. Each branch organises monthly networking events with a keynote speaker or workshop around business themes. They offer support, development and motivation for women in business and offer an environment to grow and develop your business and career and develop business and personal relationships with other members locally and across the network.

They run a Businesswomen of the Year awards programme each year and were delighted to partner with CPA Ireland Skillnet this year for the Awards. There are 6 categories - Emerging New Business, Established Small SME, Established Large SME, Employee, Arts and Social Enterprise. The awards programme will launch in February and regional winners announced in May. Each regional winner then competes for the National title in September.

Their Mentoring programme open to all members is also a major benefit. Offering a wide variety of peer to peer and experience based mentors, an opportunity that is something that all top business people attribute to their success.

You can find details of your nearest branch and upcoming events as well as their awards and mentorship programme on www.networkireland.ie.

BY
Tom Murray

Tom Murray is a partner in Friel Stafford and is authorised by the Insolvency Service of Ireland to carry on practice as a personal insolvency practitioner.

Vulture Funds – Not all bad?

In this article, Tom Murray, partner in Friel Stafford, considers the impact of "vulture funds" on individuals and businesses and the tendency to paint all as negative.

The issue of third party loan buyers of non-performing loans, colloquially known as "vulture funds" and the possible negative impact their purchase of loan books from "traditional" banks and finance houses has been the subject of many negative commentary and articles in the business press and the wider media.

The impact on individuals and businesses when a loan they took out for commercial or personal reasons fails to perform, can be significant in financial and emotional terms. It cannot be dismissed lightly and the effect should not be underestimated. However, the tendency to paint "vulture funds" as bad and the debtors as "good" is an overtly simplistic way of looking at complex and difficult circumstances.

The first thing that should be considered and evaluated in any conversation regarding the existence of these funds in Ireland (or any jurisdiction – the role they have played in Porto Rica recently is a case in point) is the context in which they entered this country.

In the eye of the financial storm / crisis in 2009 to 2014, there was a need for the established banks and financial institutions operating in the market and in particular, those with a long history here, to address the crippling and overbearing (from their balance sheets perspective) number of underperforming loans, as a large number of underperforming loans are a drain on the capacity of individuals, financial institutions and an economy. Stimulus is required.

Given that "limbo" is or was not an option for commercial banking institutions and is not an option for an economy trying to develop traction in a recovery, Ireland Inc. and its financial institutions needed to move these loans to owners who could repossess, manage and move property in the short term. Thus generating commercial activity and traction in the economy. Hence by selling to the "vulture funds", who by their nature are not here for the long term, and look to churn and realise their investments in relatively short periods, has resulted in property transactions happening. It has contributed to the stimulation of a moribund economy and critically seen debt being compromised with pragmatic deals being done.

So, the sale of underperforming loans to "vulture funds" has been good for those established institutions and also for the Irish economy as a whole. But what about the individuals who are still dealing with funds? Is dealing with them all bad. In my view it is not.

The first thing to note is that if a fund has purchased a loan, the terms and conditions of the contract in itself do not change because the loan is sold. Furthermore, under The Consumer Protection (Regulation of Credit Servicing Firms) Act 2015, homeowners whose loans have been sold to Vulture Funds, have been given the same protection regardless of whether their loan is owned by a licenced entity (bank) or unlicensed entity (vulture funds). How this works in practical terms, is that the Vulture Fund is obliged to appoint a credit servicing firm ("CSF") which is regulated by the Central Bank (although the vulture fund is not) to deal with mortgagors.

In this regard, if the loan is performing, then there should be no impact in the operation of the loan and the CSF will ensure complete transparency in the management of the loan in line with Central Bank regulations.

If the loan is not performing, Vulture Funds tend to adopt a commercial pragmatic approach to debt settlement. They have shown where commercial reality is brought to negotiations by the debtor that they are willing and quick to come to a deal. Generally speaking, this is done through informal negotiations and without the need or threat of litigation or repossession. They have also in certain circumstances shown commercial reality where tracker mortgages (a very hot topic at the moment) are involved.

If the loan is underperforming, an Irish debtor has recourse to what is arguably the most sophisticated personal insolvency regime globally (particularly in the context of dealing with the family home), where if it is necessary and appropriate to enforce a write down on a home loan to enable the saving of such family home, a court can direct the same.

Lastly, it has been our experience that their ability to move quickly to make commercially sensible decisions can also help a debtor get successfully approved for a personal insolvency arrangement where a vulture fund has a sizeable vote.

Our firm recently oversaw a successful debt settlement arrangement implemented by a debtor who was facing having a judgement registered against his interest in the family home. In this case, the debtor owed €443,000 to a bank and €8.3 million to the fund. Both debts were unsecured, meaning that the debtor was eligible to do a Debt Settlement Agreement ("DSA"). The debtor's only substantive asset was a 50% share in the unencumbered family home with a value of €900,000. However, the debtor had monthly income of €3,111 over and above his Reasonable Living Expenses.

A key fact was that the bank was just about to obtain judgment in the High Court and proceed to register a judgment mortgage against the debtor's interest in the family home. Whilst the fund had served legal demands on the debtor in respect of the debt of €8.3 million, it had not yet issued proceedings. We called the vulture fund and made the following case:

- If the bank registered their judgment of €443,000 on the debtor's interest in the family home, there would be no equity remaining for the vulture fund.
- The debtor's spouse had limited savings of her own, but she was prepared to use up to €80,000 of those savings to try and do a deal.
- Doing a deal now would save the fund substantial legal fees in obtaining judgment etc.

We said that if the vulture fund agreed to vote in favour of a DSA, that the DSA would pay a dividend of €54,500 to them. Within 2 days the agents and solicitors for the vulture fund evaluated the proposal and agreed to support it.

We then prepared a DSA. The key objective, given that the fund had committed to accepting a dividend of €54,500, in the DSA, was to ensure that the bank was not "unfairly prejudiced" by the DSA. If the bank could demonstrate to the High Court that they were unfairly prejudiced, then the DSA would not be approved. We prepared a "Statement of Estimated Outcome" comparing the proposed DSA with the expected outcome in a bankruptcy and could show that this was a better deal than bankruptcy for the bank and in this context the Court approved it.

In this scenario, the vulture fund worked with, rather than against the debtor in restoring their finances to a solvency.

BY
Simon McKeever

Simon McKeever joined the Irish Exporters Association as Chief Executive in October 2013 where he is responsible for leading a team who work with companies across the Irish export industry, including SME's who are beginning to think about exporting for the first time right through to global multinational companies who are already extensively exporting from Ireland.

Mitigating customs risks of Brexit for Irish Exporters

This article sets out the risks for Irish exporters post Brexit and the importance of understanding and planning for these risks.

We are now more than one year on from the UK voting to leave the EU and the prognosis for the Irish export industry shows that the impact will be severe. The UK is Ireland's largest single trading partner with 13% of Irish goods and 19% of Irish services destined for the UK and the UK is the source of 23% of imported goods and 8% of imported services.

The Irish export industry is heavily exposed and reliant on the UK market. 93% of IEA members do business with, or export to the UK. 47% export more that 25% of goods or services directly to the UK, 7% export more than 75% there and 89% of our members see negative implications to their business resulting from customs procedures.

Unless the UK manage to negotiate a tariff-free EU/UK trade agreement, Irish goods will be subject to tariffs and in fact, unless the EU remains part of the Single Market, the EU's external border will run through Ireland, with a customs regime between the two jurisdictions.

It is not just our exports to the UK that will be affected but our exports and imports that transit through the UK to get to or from intercontinental Europe and further. Two-thirds of our members make use of the UK land-bridge to access continental markets. 40% said that use of slower direct routing would adversely impact the quality of their product and 53% said that a longer time supply chain would seriously impact inventory and other costs.

Being a member of the Customs Union ultimately means the prohibition between Member States of customs duties and the adoption of a common customs tariff in relation to third countries. Depending on the deal negotiated in Brussels, the UK may, as is Prime Minister May's stated objective, leave the Single Market and Customs Union and be independent in their regulation and ability to negotiate trade agreements with other countries, meaning Ireland would have to trade with the UK as a third country and no third country currently has a customs-free border with the EU, although the level of customs checks varies widely from very light at Swiss borders to very heavy at Eastern borders but this is all still quite significant in terms of delays.

The administrative burden that Brexit could have on Irish business is staggering. An Export Declaration is needed for all exports to non-EU or third countries and all customs declarations must be lodged electronically via Revenue's Automated Entry Processing System. The minimum data required includes origin of goods, shipment destination, commodity codes, customs procedures codes and values. Absence of required information could result in delayed processing or administrative penalties. Penalties range from €100 to €2000, depending on the error. Customs declarations are the standard data set required to communicate with customs authorities. Export/Import and Transit declarations are likely even in the case of a soft Brexit. These exist currently in the case of Norway and Switzerland, who are in the single market and customs union. In 2016 there were 600,000 Export Declarations processed by Irish Customs and 740,000 Import Declarations, in a post-Brexit scenario this is estimated to be as high as 4 to 5 million.

BY
Simon McKeever

According to Revenue records, in 2015 there were approximately 12,000 Irish traders exporting goods and/or services to the UK, with an estimated value of €33 billion on these exports. These traders directly employ over 680,000 people. Approximately 1,600 of these traders are based in border counties, with 49,400 employees, 52% of their EU exports go to the UK at a value of €2.2 billion. In comparison, less than 30% of EU exports from the remaining 10,000 business (that are not based in border counties) are dependent on the UK meaning customs procedures will hit the border counties hardest.

Much of the focus on Brexit up to this point has been focused on exports. However, Brexit also raises many potential challenges for importers and in particular, for the supply chain where imports make up part of the final goods that are exported. It is not a one-way traffic issue. 63.5% of IEA members surveyed import products from the UK. VAT Information Exchange System data shows that there are approximately 90,000 Irish businesses importing goods or services from the UK. In 2015, goods and services imported from the UK were valued at €18 billion and €14 billion respectively. Again, border counties are heavily reliant on UK imports with 70% of their EU imports coming from the UK compared to 30% for non-border counties. If the UK becomes a third country in terms of international trade, third country rules and procedures will apply. In Ireland, there is an imposition of 23% import VAT for all goods imported from third countries at present. This is on top of tariffs.

This import VAT must be paid immediately at the point of entry into the state, or goods will not be released. Currently, the best possible scenario for importers is that they can apply to Revenue to become a deferred payer. If this is approved, their goods can be released on import without immediately paying the import VAT, but this must then be paid in full before the 15th day of the next month. The VAT system could create considerable cash flow burdens for importers from the UK, affecting Irish exporters' competitive advantage. They may have to finance the VAT paid on these imports for a considerable period. There are a number of actions that companies can take now to prepare for what's coming down the line. For example, companies can become an Authorized Economic Operator to facilitate a streamlined customs experience going forward. This system has been in place since 2008 and is a trade facilitation measure to enhance security and safety in international supply chain. It is open to manufacturers, forwarders, warehouse, customs brokers, carriers and importers and utilizes streamlined and modernized customs procedures. It is recognized globally as secure and compliant business in international trade and greatly reduces document checks, especially in a third country scenario. At the IEA we are convinced that Brexit and the implications of the Union Customs Code will make it practically mandatory for goods exporters to become Authorized Economic Operators and we can assist companies to prepare to become certified.

The IEA is working closely with members to support them in the challenges they are facing and will face in light of Brexit. We are lobbying Government for initiatives that improve Ireland's competitiveness, our ability to diversify and grow our export markets and to support a pro-business environment in Ireland which is comparable on a global scale.

The advice that we are giving to the Irish export industry is to plan now for business after Brexit and prepare for the worst, while hoping for the best. Trade with the UK after Brexit will continue, albeit with more costs, new compliance and reporting obligations and greater administrative burden. Preparing a practical and operational plan will mitigate the risks. It is crucial that exporters do an impact assessment, both on their own company exposures but also on their supply and customer chains exposures in relation to the exchange rate, customs, tariffs, VAT, visa requirements and EU regulations and legislation on them.

Understanding the risks involved is paramount and we have experts on hand to talk to members about any worries that they have. A key focus of our vision is signposting and providing information to our members with any issues that affect them. The IEA has recently launched a new training course, "Brexit for your Supply Chain." The course is tailored for businesses currently exporting to or importing from the UK, or planning to, and is a practical programme that provides clear guidance on customs procedures and documentation in a post-Brexit scenario. *For further information visit the IEA website www.irishexporters.ie.*

BY
Mairéad Hennessy

Finance Bill 2017

Mairéad Hennessy gives an overview of Budget 2018 / Finance Bill 2017

Mairéad, an AITI Chartered Tax Advisor and Chartered Accountant, is the owner of Taxkey, a specialist tax practice that provides advisory services. Mairéad provides personal, corporate, VAT and capital tax consultancy services to professional firms, specialising in succession planning for individuals and businesses, corporate restructuring, taxation of mobile employees, VAT on property and Revenue Audits and Investigations.

On 10th October 2017, Finance Minister Pascal Donohoe announced Budget 2018. Similar to last year, the government is operating on the back of a sustained period of strong domestic economic growth and improved employment rates. The measures introduced aim to support an improved supply of housing, capital and infrastructure investment and help businesses deal with the challenges presented by Brexit.

This article provides commentary on the main measures announced in the Budget and further details as provided for in the Finance Bill which was published on 19th October 2017.

Personal taxation measures

Income tax rates remain unchanged with the standard rate at 20% and the higher rate at 40%.

The point at which an individual attracts the higher 40% income tax rate has increased by €750. Therefore, the income levels at which individuals will pay the higher tax rates in 2018 compared with 2017 are as follows:

Standard Rate Tax Band	2018	2017
Single Individual	€34,550	€33,800
Married One Income	€43,550	€42,800
Married Two Incomes	€69,100	€67,600

Income tax credits

Personal Income Tax Credits remain unchanged at €1,650 for single individuals and €3,300 for married couples. The Earned Income Tax Credit will increase from €950 to €1,150 in 2018 for taxpayers earning self-employed trading or professional income and for business managers who are not eligible for the PAYE tax credit of €1,650. The Home Carer's Tax Credit will increase by €100 for 2018 to bring it up to €1,200 per annum. This credit can be claimed by a jointly-assessed couple where one spouse or civil partner works in the home to care for children or other dependents.

Universal social charge (USC)

The entry point of USC remains at €13,000. However, the 2.5% rate will reduce to 2% and the 5% rate will reduce to 4.75%.

The USC rates applicable to income for 2018 will be:

- On the first €12,012 - **0.5%**
- On the next €7,360 - **2.0%**
- On the next €50,672 - **4.75%**
- On the balance - **8%**
- Self-employed earning in excess of €100,000 - **11%**

The Budget 2018 changes to the USC rates and income bands reduces the top marginal rate of tax on income of up to €70,044 to 48.75%.

A working group will be established to plan the amalgamation of USC and PRSI over the medium term. Reducing the personal tax burden on the working population remains a key issue for the future. Hopefully, the consultation in relation to PRSI and USC will provide a platform to address such broader personal tax issues.

BY
Mairéad Hennessy

Business taxation

Importantly, Minister Donohoe reaffirmed the government's commitment to the 12.5% corporation tax rate. In recognising the importance of certainty in relation to taxation, a public consultation is being launched on the recommendations contained in Mr Seamus Coffey's Review of the Corporate Tax Code.

Specific business taxation measures announced include:

- A new *Brexit Loan Scheme* of up to €300 million will be available to SME's at competitive rates to support short-term working capital needs. This is intended to help SME's adapt and grow their businesses in advance of Brexit.
- The scheme of *accelerated capital allowances for energy efficient equipment* will be extended to the end of 2020.
- *Capital allowances for intangible assets* provided for under Section 291A TCA 1997 and any related interest will be restricted to 80% for expenditure incurred by a company on specified intangible assets with immediate effect.
- The Finance Bill inserts an anti-avoidance measure into the capital gains tax exemption on the *disposal of certain shareholdings* as provided for under Section 626B TCA 1997. For disposals made on or after 19 October 2017, money or other assets which are transferred to a company prior to a disposal of shares in that company in order that the share value will be derived mainly from those assets, will not be taken into account in determining whether the value of the shares disposed of is derived from those assets.
- A Committee Stage amendment to the Finance Bill will significantly amend the operation of the *Employment and Investment Incentive* (EII) as provided for in Section 492 TCA 1997. This amendment is being introduced to address a compliance issue with EU State Aid rules. The change ensures that the tax relief is only available to persons who are independent from the company.

From 2 November 2017, individuals can no longer claim EII relief for investments made in a company with which they are connected, except where:

i. The only shares a person holds in a company are a result of a previous EII investment. Such an investor, may make a follow-on investment in the company;
ii. The only shares issued are the founder shares issued on the incorporation of the company and the company has not yet commenced to trade. The connected individual is eligible to claim EII relief as the founder shares are not taken into account.

Employment taxes

Key employment engagement programme

A new Key Employee Engagement Programme (KEEP) is being introduced to support SME's attract and retain key talent by providing for an advantageous tax regime on employee share options**.** The Finance Bill contains details in relation to this new scheme which will be available for qualifying options granted during the period 1 January 2018 to 31 December 2023, subject to EU approval.

Under this scheme, gains arising to a key employee on the exercise of qualifying share options granted under the KEEP scheme will be exempt from income tax, USC and employee's PRSI. This means that if the company share price has increased in value between the time of grant and the exercise of the qualifying share option, the uplift in value is received tax-free by the key employee. Under current rules, the value of such gain is subject to income tax, USC and employee PRSI i.e. a potential tax liability for the employee of 52%.

Under KEEP, the employee will only pay capital gains tax at the current 33% rate on the ultimate sale of the company shares.

The value of shares acquired by key employees under the KEEP incentive will also be exempt from employer PRSI contributions, in line with the current regime applying to share-based remuneration.

The Finance Bill provides that the main features of KEEP include:

- The company must be an SME i.e. be an unquoted trading company with less than 250 employees and either an annual turnover of not more than €50 million and / or an annual Balance Sheet total not exceeding €43 million;
- The company must be Irish incorporated and resident. Alternatively, it may be resident in an EEA State but carries on a business in Ireland through a branch or agency;
- The scheme will include trades engaged in financial activities, professional services and building and construction trades;
- The scheme is available to full-time directors and employees who spend at least 30 hours per week working for the company. Importantly however, the scheme excludes proprietary directors (i.e. directors owning more than 15% of the share capital of the company);
- In order to qualify for the tax incentive, the share options must be granted at market value;
- The value of options that may be granted to a director or employee cannot exceed €100,000 in any one year, €250,000 over a 3-year period or 50% of the individual's annual emoluments in the year in which the option is granted;
- So long as the qualifying option is not exercised for 12 months after it is granted, tax will be deferred until the shares are sold, at which point capital gains tax will apply;
- The total market value of the issued but unexercised options of the company must not exceed €3 million;
- There will be an annual reporting requirement by 31 March following the year end. Should a company fail to comply with this requirement it will no longer qualify for the scheme which will trigger income tax on the exercise of the options.

Benefit-in-kind on electric vehicles

It was announced in the Budget that there will be a 0% benefit-in-kind rate for employees receiving electric vehicles from their employers in 2018. At the end of October, Minister Donohoe confirmed that this tax incentive will now be available for a minimum of three to five years. The exact details regarding the scheme will be set out in the Finance Act when it is enacted.

▶ Continued on Page 34

BY
Mairéad Hennessy

▶ Continued from Page 33

The Minister has confirmed a review of benefit-in-kind for employees and directors for vehicles with the aim of making recommendations for next year's Budget.

Retail and tourism

- It has been confirmed that the *9% VAT rate* for the hospitality sector remains unchanged at 9%.
- *Excise duty* on a packet of 20 cigarettes will increase by 50 cents with a pro rata increase on other tobacco products.

Agricultural sector

Leasing land for solar panels

The leasing of agricultural land for the use of solar panels will be treated as a qualifying agricultural activity for the purposes of Capital Acquisitions Tax and Retirement Relief for Capital Gains Tax. However, there is the caveat that the solar panel infrastructure cannot exceed 50% of the total acreage of the farmland.

Consanguinity relief

Consanguinity relief for stamp duty on inter-family farm transfers is being extended for a further three years. A 1% stamp duty rate will apply to these transfers. The exemption for young trained farmers from stamp duty on agricultural land transactions remains.

Property measures

Stamp duty on commercial property

The rate of commercial stamp duty increased by 4% up to 6% with effect from midnight on 10th October subject to transitional measures provided in the Finance Bill. These transitional measures provide that the former lower rate of 2% may apply to a conveyance on sale or transfers executed on or before 1 January 2018, provided there was a binding contract in place on or before 10 October 2017 and the instrument contains a certificate to that effect.

Revenue have confirmed that, in circumstances where these transitional measures apply, a taxpayer may either:

- file the stamp duty return via the e-stamping system and pay stamp duty at the current rate of 6%. In such circumstances, a stamp certificate will issue. When the Finance Bill is enacted, the taxpayer can file an amended return and seek a refund of the additional stamp duty paid in excess of the 2% rate applicable to instruments where the transitional measures apply; or
- file the stamp duty return via the e-stamping system and pay stamp duty at the rate of 2%. In such circumstances, no stamp certificate will issue. Revenue have indicated that when the Finance Bill is enacted, they will provide further guidance as to how the stamp duty certificate may be obtained.

A stamp duty refund scheme was also announced in relation to the purchase of commercial land for development of housing. To qualify for this relief, developers must begin to develop the land within 30 months of purchasing the land. This scheme is not in the Finance Bill as published on 17th October but it is likely to be brought forward during the committee stage of the Bill.

Capital gains tax (CGT) 7- year exemption

The CGT relief in respect of land and buildings purchased between 7 December 2011 and 31 December 2014 applies where such property was held for a minimum 7-year period. This 7-year holding period to qualify for the CGT exemption will be reduced to an ownership period of at least 4 years and no more than 7 years. The relief will be tapered for property owned for more than 7 years.

Vacant site levy

The vacant site levy is due to come into effect in 2018 and can apply to sites with potential to provide housing to meet local housing demand. The levy will be applied for second and subsequent years that the site is vacant. From 1 January 2019, a levy rate of 3% will apply for property which has been held in 2018 and this rate will increase to 7% for each subsequent year.

Mortgage interest relief

Mortgage interest relief for individuals who took out qualifying home loans between 2004 and 2012 will continue until 2020 but on a tapered basis at just 75% in 2018, 50% in 2019 and 25% in 2020.

The restriction on interest relief on rented residential property will continue on a phased basis so that 85% of the interest payable which otherwise would be allowed, is available as a deduction against rental income received from 1 January 2018,90% for 2019, 95% for 2020 and 100% for 2021 and future years.

Pre-letting expenses

Property owners who rent out residential property that has been vacant for at least 12 months will be entitled to a tax deduction of up to €5,000 per vacant residential property for pre-letting expenses that are revenue in nature. To qualify, residential properties must be let between the date of passing of the Finance Act 2017 (expected in late December 2017) and 31 December 2021. The relief will be clawed back if the property ceases to be let as residential property within 4 years of the first letting.

Help to buy incentive

It is welcome that the Help to Buy (HTB) incentive has been retained without any changes. An Independent Assessment of the HTB has concluded that there is no evidence to date that HTB is impacting the price of homes for first-time buyers. However, the price of new builds must be carefully monitored over the coming months.

Final comment

Many of the new measures have been welcomed by SME's and the property sector. However, there is also disappointment that no improvements were made to the capital gains tax relief for entrepreneurs and the tax relief for foreign assignees to Ireland (SARP). It is hoped that enhancements to these incentives will be included in future Budgets to ensure Ireland remains an attractive location for business investment.

CPA IRELAND | CERTIFIED PUBLIC ACCOUNTANTS

SME’s in Ireland: Current Trends and Finance Options

SME’s are often referred to as the backbone of the European economy providing jobs and growth. Crucially SME’s punch above their weight in terms of total employment in Ireland, making them the driving force behind job creation. Access to Finance is crucial for the development and continued growth of the sector.

What’s in it for you?

Insights into the opportunities available to those working in and for SME’s in Ireland.

An opportunity to connect with experts and representatives from relevant organisations operating in the space.

PROGRAMME OUTLINE

1pm	Registration - Tea / Coffee / Sandwiches
2pm	**Welcome** *Conference Chair, Tom Murray, Friel Stafford*
2.10pm	**Market Trends & Business Conditions in SME Finance Markets** *Jim Power, Economist*
3pm	**The Finance & Funding Market - An Overview** *John Power Founding Chairperson, IFP Ireland*
3.45pm	**How credit scores affect your business** *Andrea Linehan, Grid Finance*
4.30pm	Panel Discussion
5pm	Close

See our website www.cpaireland.ie/cpd for further information or contact the CPD team on 01 4251000

In Practice News

The Companies (Statutory Audits) Bill 2017

At time of going to print, the Companies (Statutory Audits) Bill 2017 has been published but is yet to be debated in the Oireachtas. A copy of the Bill is available on the Department's website (www.dbei.gov.ie), along with the Explanatory Memorandum and RIA.

Late Filing Loss of Audit Exemption

Currently under Section 343(5) a company may apply to the District Court for an extension of time to file an annual return and if the Court is satisfied that it would be just to do so, the time may be extended and that annual return will be deemed to have been received on time and the consequences of late filing (late filing penalties / loss of audit exemption) will not apply to that annual return.

The new Bill proposes to amend Section 343 of the Companies Act 2014 such that this application must now be made to the High Court. The District Court will only have the authority to waive the late filing fee if a company is late filing.

CPA Ireland is in opposition to this proposal for the following reasons:

- Audit exemption only applies to small and micro companies. The cost of an application to the High Court is prohibitive and would be outside the financial capacity of most of these companies.
- This would impose an unnecessary administrative burden on the SME sector when the government should be doing all it can to reduce the cost of doing business in Ireland.
- It is a misuse of the audit function.
- It is out of step with the rest of the EU. If imposed, Ireland would be the only EU country with this penalty.
- The purpose of the amendment is only to reduce late filing which can be achieved with fines alone.

IAASA and the PCAOB enter into A Cooperative Agreement for Joint Inspections and Coordinated Oversight

IAASA has announced details of its cooperative agreement with the United States Regulator, The Public Company Accounting Oversight Board ('PCAOB'). The cooperative agreement allows for cooperation between IAASA and the PCAOB, including joint inspections, in the oversight of audit firms subject to the regulatory jurisdiction of both organisations.

This will impact the 12 PCAOBUS registered audit firms in Ireland:

Anne Brady McQuillans DFK	Grant Thornton
BDO	KPMG
Boylan & Dodd	Mazars
Deloitte	PwC
Duignan Carthy O'Neill	Russell Brennan Keane
Ernst & Young	RSM Ireland

Announcing the agreement, IAASA Chair Martin Sisk stated, "This agreement will pave the way for cooperation between IAASA and PCAOB, which we welcome, and underscores our common interest in strengthening audit oversight. We are looking forward to working with our U.S. colleagues in the near future."

Source: www.iaasa.ie

All Change – a New Auditing Framework for Ireland

Emer Kelly ACA, is Quality Assurance Manager in the Professional Standards Department in CPA Ireland.

The implementation in June 2016 of Statutory Instrument No 312 of 2016 (S.I. 312 of 2016) covering the statutory audit, resulted in the responsibility for the issue and approval of auditing standards to transfer from the Financial Reporting Council (FRC) in the UK to the Irish Auditing and Accounting Supervisory Authority (IAASA).

For the audit of financial periods beginning before 17th June 2016, the FRC's Ethical Standards ES 1-5 and ISA's (UK and Ireland) continue to be the appropriate standards.

The ISA's (Ireland) and the Ethical Standard for Auditors (Ireland) 2016 are mandatory for use in the audit of statutory financial statements for Irish companies with periods beginning on or after 17th June 2016 with audit reports issued after 1st February 2017. For many audit firms' the first audit that they will encounter using the new framework will be for December 31st 2017 year ends, although the standards are effective for post 30th June 2017 year ends.

Substantial changes have been introduced for the audits of Public Interest Entities (PIE's).

This article focuses primarily on the changes required for the auditors of non-PIE clients. Audit firms will need to carefully consider the changes required to be made to their auditing procedures, financial reporting software and ISQC1 manuals.

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Audit programmes and documentation should be reviewed to ensure it is updated to meet the new requirements. Staff training for all audit staff is essential.

The CPA Audit Technical Resource has been updated to reflect changes to the standards

Audit reports

There has been much focus post the economic crash on the role of the audit process and the resulting audit report. The usefulness of the audit report to the members of a company and to a wider audience has been questioned and scrutinised. As a response, changes to ISA (Ireland) 700 require a more entity specific and informative audit report.

The following changes have been introduced for all audit reports;

- The order of the auditor's report has been revised to require the opinion section to be presented at the top of the report.
- A more detailed evaluation is required of the financial statements with regard to requirements of the financial reporting framework.
- Detailed mandatory wording to be used in the audit report.
- A separate additional section in the audit report headed "Conclusions relating to Going Concern" required.

Further changes have been made to the form and content of the audit report for listed and PIE clients. Such audit reports require that a section addressing key audit matters be included in accordance with ISA (Ireland) 701 and an explanation of how materiality was applied in planning and executing the audit.

Conforming amendments have been made to ISA (Ireland) 705, Modifications to the Opinion in the Independent Auditors Report and ISA (Ireland) 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditors Report.

Additional requirements have also been introduced where "Other Information" is presented in the financial statements.

Sample audit reports are available on the CPA Ireland website.

Going concern

Additional reporting is now required of the auditor regarding the matter of going concern.

Where the auditor concludes that management's use of the going concern basis of accounting is appropriate in the circumstances and no material uncertainty has been identified, the auditor shall report by exception in accordance with paragraph 43-1 of ISA (Ireland) 700 in a separate section in the auditor's report with the heading "Conclusions relating to Going Concern".

Where a material uncertainty exists, the auditor highlights it in a separate section of the auditor's report, provided that the circumstances are fully explained in the financial statements.

If the auditor concludes that the disclosures are not adequate to meet the requirements of accounting standards and legislation, or that the financial statements do not include adequate disclosures to give a true and fair view, the auditor modifies the audit opinion and provides the reasons for doing so.

In circumstances where the auditor is required or decides to report on key audit matters it must be considered whether a key audit matter relating to going concern is required to be communicated in accordance with ISA (Ireland) 701.

Audit planning

The revised standards require more emphasis to be placed on the consideration of disclosures made in the financial statements, particularly at the planning stages of the audit.

The ISAs (Ireland) require the following changes to be introduced at the planning stage of an audit:

- ISA (Ireland) 300, planning an audit of financial statements, emphasises the importance of allowing at planning stage adequate time for consideration of the disclosures in the financial statements in the same way that the audit of events and accounts balances are considered.
- ISA (Ireland) 315, identifying and assessing the risk of material misstatement through understanding the entity and its environment, requires that in obtaining an understanding of an entity's information system relevant to financial reporting, that this consideration must include an understanding of those aspects of the system which relate to information that is disclosed in the financial statements that is obtained from within or outside of the general and subsidiary ledgers.
- Again, the changes to ISA (Ireland) 320, materiality in planning and performing the audit, focus on the assessment of disclosures and requires the auditor to consider the nature of potential misstatements in disclosures that are relevant to the design of audit procedures to address risks of material misstatement.
- Changes to ISA (Ireland) 330, the auditors responses to assessed risks, now require the auditor to add to the required substantive procedures relating to the financial statement closing process, which now includes agreeing or reconciling information in disclosures, whether such information is obtained from within or outside of the general and subsidiary ledgers.

Documentation

Whilst ISA (Ireland) 230, audit documentation, continues to require that the auditor prepare documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing and extent of the audit procedures, the results of the procedures and the significant matters identified, the standard has been amended to add that the auditor must also retain any other data and documents that are important in supporting the auditor's opinion.

Documentation at planning stage must also consider the adequacy of disclosures. ISA (Ireland) 330 requires the auditor's documentation to demonstrate that information in the financial statements agrees or reconciles with the underlying accounting records, including agreeing or reconciling disclosures, whether such information is obtained from within or outside of the general and subsidiary ledgers.

ISA (Ireland) 220, quality control for an audit of financial statements, requires the auditor to document the significant threats to independence and the safeguards to mitigate those threats.

ISA (Ireland) 230 sets out a requirement to assemble the audit file within sixty days. This requirement is also reflected in Regulation 100 of S.I. 312 of 2016. Audit documentation to allow for the monitoring of compliance with ISA's (Ireland) and other applicable legal requirements must be kept.

Professional scepticism

The concept of professional scepticism has been placed centre stage and must be considered and emphasised at key stages of the audit process in accordance with the ISA's (Ireland).

The requirement is set out within the ISA's (Ireland) at the following stages of the audit:

- ISA (Ireland) 200, overall objectives of the independent auditor and the conduct of an audit, now clarifies professional scepticism as a requirement.
- ISA (Ireland) 540, auditing accounting, estimates including fair value accounting estimates and related disclosures, requires the exercise of professional scepticism when reviewing management's estimates relating to fair values, the impairment of assets and provisions.
- ISA (Ireland) 570, going concern, requires the auditor to exercise professional scepticism when reviewing cash flows.
- S.I. 312 of 2016 also enshrines this questioning mind in law.

CPD for statutory auditors

Regulation 62 of S.I. 312 of 2016 requires that auditors take part in appropriate programmes of continuing education in order to maintain their theoretical knowledge, professional skills and values, including, in particular, in relation to auditing, at a sufficiently high level.

The International Accounting Education Standards Board has issued International Education Standard 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* (Revised). The revised standard focuses on the professional competence requirement for engagement partners who have responsibility for audits of financial statements.

The CPA Ireland quality assurance process continues to assess the CPD focus of the statutory auditor.

The area of audit continues to evolve and change and these changes highlight the need to ensure that auditors and their staff focus their CPD activities accordingly.

Paula Guilfoyle CPA has been an online Excel and Power BI instructor with TheExcelClub.com since 2010. During this time over 18,000 learners across 166 countries have taken her courses.

It's Excel - But not as we know it!

Over the last three editions of Accountancy Plus we have looked at the three Excel Power Tools that were added to Excel in 2010 and 2013. This edition will examine Microsoft Power BI, launched in 2015 which is based on the three core editions.

Excel Power Query – Also known as Get and Transform Data, will allow you to connect to a data source and transform that data into a workable format.

Not every version of Excel has Power Query and many versions are restricted to limited functionality*

IS AVAILABLE	IS NOT AVAILABLE
Home/Personal/student 2010,2013,2016*	Office 365 Personal/Home/student 2010, 2013
Professional 2010,2013,2016*	Office 365 Business/Business Essentials/Business Premium 2010, 2013
Professional Plus 2010*,2013*,2016	Enterprise E1 2010, 2013
Standalone 2010,2013,2016	
Office 365 ProPlus 2010, 2013, 2016	
Office 365 enterprise E3 & E5 2010,2013,2016	
Office 365 Non Profit E3 2010, 2013, 2016	
Office 365 Personal/Home/Student/Business 2016*	
Office 365 Business Essentials/Premium 2016*	

Excel Power Pivot – This will allow you to model the data with the use of DAX queries and carry out complex calculations across multiple tables of data.

Excel Power Pivot is not available in all versions of Excel. Below is a table showing which versions of Excel supports Excel Power Pivot:

IS AVAILABLE	IS NOT AVAILABLE
Office 365 Pro Plus	Office 365 Education
Office 365 Enterprise E3	Office 365 University
Office 365 Enterprise E5	Office 365 Home
Office Professional 2016	Office 365 Personal
Office 2013 Professional Plus	Office 365 Small Business Premium
Office 2016 Professional Plus (available via volume licensing only)	Office 365 Business Essentials
Excel 2013 standalone	Office 365 Business
Excel 2016 standalone	Office 365 Business Premium
Excel 2010 - as a download add in	Office 365 Enterprise E1
	Office Home & Student 2013
	Office Home & Student 2016
	Office Home & Business 2013
	Office Home & Business 2016
	Office for Mac
	Office for Android
	Office RT 2013
	Office Standard 2013
	Office Professional 2013

Excel Power View – This allows you to create interactive dashboards and visualisations.

It is available in Office Professional Plus and Office 365 Professional Plus editions. Power View is also available in the standalone edition of Excel 2013.

If you want to make sure you have all three of these Excel Power Tools, the easiest way is to purchase the Standalone version of Excel, and this will cost you around €100.

These three power tools have given Excel users the ability to carry out self-service business intelligence tasks with ease. Both internal and external data can be gathered, transformed, sorted, analysed and visualised all within Excel. The power of data is in the hands of the Excel user.

But this is far from the end of the story. I would like to introduce the new kid on the block, Microsoft Power BI.

Introducing Power BI

In 2015 Microsoft launched Power BI. A self-service business Intelligence system based on three core Excel additions. Yes, you guessed it, Power Query, Power Pivot and Power View.

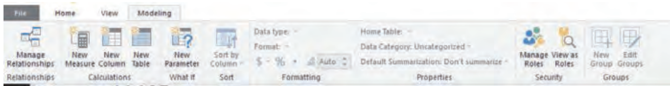
All three of these tools have been packaged together into an easy to use, practical and cost effective software. The software has two elements. A Desktop version and an Online Services version.

Power BI Desktop

Power BI Desktop is free to download and free to use. It contains all the functionality of the Excel Power Tools and more. In fact way more. Every month Microsoft release an update, which is also free.

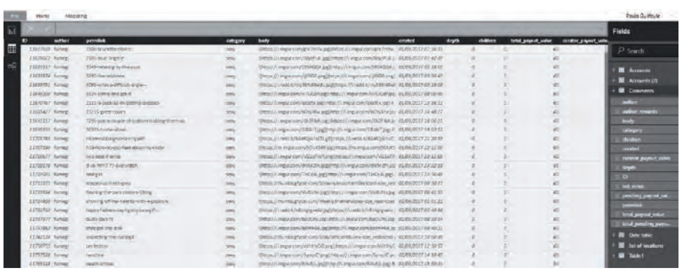
Let's take a little look around

1. Select between your Home, View and Modelling Ribbon. Modelling is where most of the magic happens. From here you can directly set up DAX measures and columns, just like you do in Power Pivot.

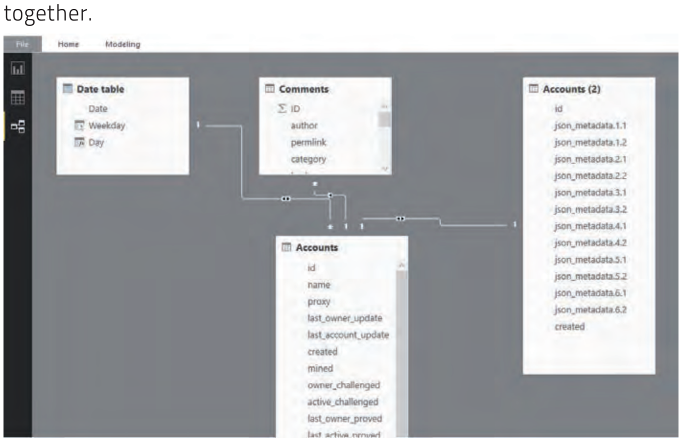


2. The Visualisations tab. It is from here you can select from the multitude of visualisations. You simply select a visualisation or table type and drag fields from the fields tab into the visualisation. Just like you would do in Power Pivot for a pivot table or chart, or in Power View.
3. The Fields tab contains all of the tables, fields and expressions that you have loaded into your data model and are available for visualisations.
4. The Canvas. This is where you can organise all of your visualisations.
5. Visualisation options. The current view in the image above is the report view.

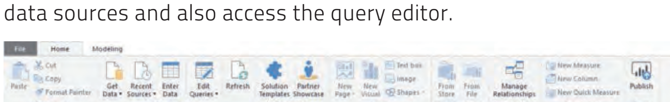
Data view looks more like Excels Power Pivot and when carrying out DAX expressions it would be common to use this view.



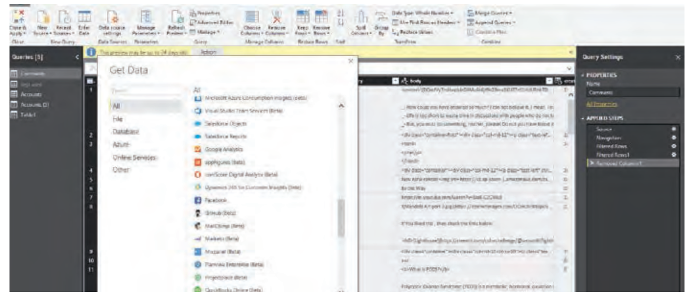
Relationship view allows you amend and see how tables are joined together.



It is from the Home Ribbon that you can connect to a wide variety of data sources and also access the query editor.



This query editor is Excels Power Query on steroids.



You can connect to data of different sources, allowing you combine data like never before. The steps available for transformation are far more superior to what is available in Excel. It is powered by a language called M, however this is a self-service business intelligence system. That means that you don't need to know how to program to use it. Just like in Power Query, there are a huge amount of drag and drop type options to transform the data.

Drawbacks

There is one big drawback on using Power BI and that is share ability. You can save a Power BI file on your server and share it with others that also have Power BI Desktop. But that means sharing the entire file. You cannot just share a report with others in your organisation. This is where Power BI Services comes in.

Power BI Services

Power BI Services allows you share and collaborate on data queries, dashboards and reports. Organisations are given full control over access and sharing levels. From Services you can also create embed links for your reports, allowing you share interactive reports with others from outside your organisation.

As all of the data is in the cloud, you can also create apps connected to live data, view reports on the go and set alerts when certain criteria's about the data have been reached.

There are different levels and payment options available for Power BI Services, starting with a single user subscription of €10 a month.

Conclusion

Self Service Data Analysis and Business Intelligence is now available to everyone. If you have been using the Excel Power Tools, the next step is to use Power BI. The transition from Excel Power Tools to Power BI is smooth. Yes, Power BI has more functionality and yes it does look different to Excel but if you can learn Excel, then you can learn Power BI.

Microsoft created this tool for Excel users, based on Excel tools. It has been created so that everyone, no matter what your ability level, can use it. Just like Excel.

If you are advanced with Excel Power tools then a simple Power BI orientation course will be enough to transfer you over. If you are not so familiar with Excel Power tools, I would suggest you learn Excel Power tools before Power BI. The reason being, everyone knows Excel, everyone knows the interface. When you learn Excel power tools it is an extension to the Excel knowledge you already have. Looking at Power BI first could be off putting because of the new interface.

Want to learn more about Excels Power Tools and Power BI? CPA have a suite of Online CPD courses by The Excel Club where you can gain CPD points while learning to use these tools.

BY
Vinny O'Brien

Vinny O'Brien is an Enterprise Ireland panel consultant and business mentor, specialising in eCommerce. He has worked in the industry for 12 years with companies like eBay, Arnotts and Micksgarage. Today he works as a consultant to international companies and mentors in the Irish start up community and beyond. He has been lecturing for 5 years and has worked across most ecommerce verticals.

How eCommerce Principles can bring Economies of Scale to Business.

Vinny O'Brien examines the benefits of using eCommerce for your business and how the traditional view of eCommerce needs to be redefined.

eCommerce needs to be redefined or reclassified. It is now so ingrained in most businesses in some form, that we need to look at this next phase of eCommerce, at a time when we need to take it seriously for the future health of our businesses. The continued snowball effect of what it means to be connected has never been more daunting or accessible at the same time. eCommerce needs to start including B2B figures to give a better macro view of how it contributes to the national take annually and not just what we perceive to be ecommerce – having a website that sells "stuff to consumers". We traditionally view eCommerce in this guise and we need to change that. Fundamentally, the underlying systems that enable this business are the same for business to business selling, tendering on government contracts, banking – the list is not finite, but it is long.

The case for eCommerce – traditionally viewed

€6 billion – That is estimated to be the amount Irish consumers will spend on online shopping this year and for yet another year, almost 70% of this will be hitting the accounts of non-Irish companies. It's been widely challenged that more Irish companies need to be transacting online or getting close to customers. For the most part this is true but not every company that trades needs to be selling online to customers. (Despite conventional wisdom, that is my belief having spent the last 12 years or so working with companies across various industries and of varying sizes).

In my opinion, eCommerce is, broadly speaking, the most connected view you should have of your business. A strong boast maybe, but if you pause to consider the journey your product or service has from inception to customers giving feedback; this needs to be recorded, measured and refined in a systematic way that is understood by all and underpinned by clear KPI's that ultimately contribute to the bottom line. It is time to evaluate your journey into eCommerce through a different lense. The evolution of the industry has seen dramatic cost reductions, opportunities for upskilling employees and the ability to measure business process for change in ways we don't typically think about. Not only that, but our ability to reach global markets has never been easier.

Ireland has reengineered its position in recent years to being something of a tech-mecca for the new multinational plethora of online businesses residing here. This affords us access to knowledge we may not normally have enjoyed so readily. It has also given rise to a new attitude in how we think about business itself and how we can lean on digital technologies to build and grow businesses. Something that would not be possible without the shift in how eCommerce technologies have driven costs down and the need for efficiencies up.

If you have not yet taken the decision to migrate to digital, consider the following 10 reasons why you should use eCommerce:

1. Software as a service ("SaaS") – The platforms to deliver eCommerce are now affordable to any business and in some cases free. Shopify and Big commerce are 2 companies who have made huge strides in simple to set up, cheap and effective platforms to trade.

2. You no longer need to be a tech developer to understand how to build a store and connect it to your existing business systems. Again, this heavy work is being done by third party companies to build extensions to your store making it easy and quick to get connected.

BY
Vinny O'Brien

3. Pushing your business into a digital sphere means you can now get a single view on your business and all of its analytics to allow for better and more rounded decisions.

4. You do not have to be an eCommerce native to understand how best to use these platforms. In fact, they sometimes work best when teams use them with business knowledge to apply their knowledge and years of experience in new, scaled ways.

5. Build once, use many times. Your set up should be carried out in a way that allows you to build your data set once and use many times, in multiple markets to extend your business profile.

6. Build a business based on facts and data. Everything is measurable. The idea of fail fast is something of an Amazon mantra, but your ability to test and learn on the go has never been easier to execute or stop should you need to. Real time analytics can help you learn if your latest marketing push is delivering your expected outcomes or not.

7. International markets are accessible today. Anyone can set up a store on eBay or Amazon should they want to understand if there is demand for their product and understand the competitive forces they need to content with quickly. You can expand into other countries once you can ship there and are prepared for the customer service questions in multiple languages and time zones, even these barriers are being eroded.

8. Understanding where your customers shop is difficult and getting even more so as technology increases. Most platforms now come with a ready-made suite of connections that mean you can tap into many markets from day one and then start refining your channels of business depending on where they are. Easy to connect without the seemingly expensive need for non-statistical based approaches to market research. Speed of entry is quicker than ever. Whether you are a start-up or a mature existing business, market entry can be gained in days or weeks rather than months or years.

9. Existing data paints a picture. There are thousands of sites with free resources that provide the opportunity to research your ideas in great depth prior to making any decisions. There is a published quarterly index of retail figures already in existence and you can use these to build business cases with relative comfort that the numbers are accurate.

10. Intra EU and US trade is possible from Ireland in ways and volumes that make it feasible for businesses looking to expand their potential or reach a market that was previously unachievable. Solving tax status issues can also be taken care of through agency partners or simply set up yourself.

It is not without some hurdles still to overcome in an Irish context. We still have issues with broadband coverage and in many cases labour mobility is a problem too. While there is a lack of overall numbers of people with experience in eCommerce in Ireland, we have a lot of talent throughout the country itself. Enabling these people with the tools that are available and trusting them to deliver the business is key. Our changing attitudes to business and the "Start-up Ireland" model means people are amenable to sharing data and insights without much consideration for the implication.

Companies like Apple have adopted the work from home model and have been quickly followed by eBay and more recently Shopify. Meaning you don't need to have an expensive fun filled office space. (This has the direct result of meaning the cost of hiring in non-urban areas will come down and the talent pool is increasing also). You could even outsource this work to people outside of Ireland altogether.

We are aware of companies like Stripe that have experienced phenomenal success in a space thought only to be for the biggest and most experienced. Their solution was elegant and well considered – removing friction from being able to transact online for non-developers and bankers alike. Vision gave them the ability to build for the largest market they could. Then they started making broad connections. eCommerce platforms have been built since the 80's and refined now to a point where we can all access them. They say don't put off until tomorrow what you can do today, so start realising that by not realising the potential in deeper investment into digital, you may not be realising your true potential.

Institute News

CPA Ireland Concludes Educational Development Project for the Nigerian College of Accountancy (NCA).

CPA Ireland with sub-contractor KOSI Corporation Ltd (KOSI) were selected as part of a competitive tender to review and update the Nigerian College of Accountancy's (NCA) study materials, examination materials, and the examination system, processes, and procedures.

The project, which has just concluded, was funded by the Department for International Development in the United Kingdom under the International Federation of Accountants Professional Accountancy Organization Capacity Building Programme.

NCA, based in Jos, is a post-graduate professional college established as the training arm of the Association of National Accountants of Nigeria (ANAN), a member of IFAC.

CPA Ireland supported by KOSI were required to:

1. Review the following to be in line with international standards and good practice, and develop guidance on how to maintain for future use by ANAN.
   a. Syllabi and study material
   b. Examination material
2. Review the examination system, processes, procedures, etc., and recommend enhancements necessary to align them with international good practice.
3. Design and deliver Training Programmes based on a learning outcomes approach.

To facilitate ANAN's contribution to public sector accounting, attention was paid to material supporting PFM and, in particular, accrual based IPSAS.

The CPA Ireland team, Paul Heaney, David Baume and Ger Long briefing the ANAN Leadership Team in Abuja in August 2017.

The Project consisted of a significant mapping of ANAN's existing educational processes against best practice, and a visit to verify and validate the findings. This was conducted by Mr Paul Heaney FCPA, CPA Ireland Director Education & Training, and Dr Wayne Bartlett, CPA, Chair of CPA Ireland IPSAS Advisory Board.

A training programme based on a learning outcomes approach was developed, and subsequently delivered in Jos, by Mr Paul Heaney, Mr Ger Long, FCA, Head of Department of Accounting & Economics, Waterford IT, and Dr David Baume, Higher Education Consultant.

Approximately 60 key stakeholders in ANAN underwent this training.

President of ANAN, Shehu Usman Ladan commented "We were very impressed at the quality of the training provided by the CPA Ireland team, and we look forward to building on this over the coming years"
The project was managed by David FitzGerald, Director, International, CPA Ireland and Richard Troope, Business Development Manager, KOSI.

National Spark Social Enterprise Awards 2017

Athlone Students Take Top Prize at National Spark Social Enterprise Awards

(L-R): John Walshe, Kelsey Hynes, Erin King Swords, Beth Devlin; Patrick Mc Loughlin and Priscilla Nevin.

The final of the Institutes of Technology's National SPARK Social Entrepreneurial Awards were held in Dublin in September at the head office of The Institute of Certified Public Accounts Ireland. The Awards recognise the achievements of third level students in social innovation and entrepreneurialism. This year's top prize was taken by Priscilla Nevin and Patrick McLoughlin from Athlone Institute of Technology.

The SPARK Awards national finals were keenly contested by four innovative and imaginative entries who represented the Institutes of Technology from; Dublin, Athlone and Sligo, as well as Open Training College.

Priscilla Nevin and Patrick McLoughlin, both originally from Athlone, developed an app to help children who are on the ASD spectrum and non-verbal to communicate. The app will aid communication by pairing two smartphones and using the Picture Exchange Communication System (PECS) method. Children typically use PECS by using picture cards, giving another person a picture in exchange for what's on the picture. This app eliminates the need for the physical cards allowing for more seamless communication. They received €2,000 prize to support the further development of the app.

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Presidents Dinner 2017

Our President's Dinner took place on 20th September 2017 in Trinity College Dublin. It was a well attended and highly successful evening. Guest speaker, Denis Staunton, London Editor of the Irish Times (pictured above), provided some interesting insights into the story of Brexit to date.

2. "Opening Address from CPA President Deirdre Kiely"

3. "Guest Speaker Denis Staunton and CPA President Deirdre Kiely"

4. "Deirdre Kiely President, CPA Ireland; Shauna Greely President Chartered Accountants, Nicky Fisher President AAT and Etain Doyle former Chair ACCA"

CPA Ireland Skillnet Sponsors Emerging New Business!

Network Ireland is a progressive, dynamic organisation supporting the professional and personal development of women. The 2017 Network Ireland Business Women of the Year Awards took place on the 6th October in Druids Glen Hotel & Golf Resort and celebrated the excellence, professionalism, vision and leadership of their members.

CPA Ireland Skillnet was delighted to sponsor the Emerging New Business Category which focussed on companies that have been in business for three years or less.

We were delighted to present the Award to the winner, Georgina McKenna, founder, Count Her In as well as a Highly Commended Award to Irene Treacy of Smovey.

1. Other Sponsors on the night (L-R) Louise Lawlor, Blink Design; Sarita Johnston, Enterprise Ireland, Catherine Moroney, AIB; Rebecca Harrison, President, Network Ireland, Robert Mulhall, AIB; Priscilla O'Regan, BT Ireland; Jenny Conmy, Network Manager, CPA Ireland Skillnet and Deirdre Kiely, President, CPA Ireland.

2. (L-R): John Delaney, Judge and Founder of Open Wifi; Deirdre Kiely, President, CPA Ireland; Rebecca Harrisson, President, Network Ireland; Highly commended winner, Irene Treacy, Smovey; Overall winner Georgina McKenna, Count her in and Rachel James, Judge, Enterprise Ireland.

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CPA Ireland Leadership Programme for Senior Members of Association of National Accountants of Nigeria.


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In September, CPA Ireland were delighted to once again host a 32-strong delegation of senior members of the Association of National Accountants of Nigeria (ANAN) who visited Ireland for the 4th CPA Ireland Leadership Programme.

The programme consisted of two days of lectures at the Irish Management Institute (IMI) in Sandyford, Dublin, and a further two days of lectures, delivered by IMI lecturers at the PWC offices in Cork.

The topics covered in the lectures were:

1. Effective Leadership
2. Ethical Leadership
3. Leading Through Change
4. Leadership Resilience

The programme also included a visit to the R&D and Innovation Centre of the Kerry Group at Naas, Co Kildare, where Mr Frank Hayes, Corporate Affairs Manager, Kerry Group delivered a presentation to the delegates, followed by a tour of the facility.

During the programme, 18 members of the delegation availed of the Mutual Recognition Agreement between CPA Ireland and ANAN to apply for CPA Ireland membership.

The programme concluded with the formal CPA President's Dinner in Cork, at which all delegates were presented with certificates by the CPA Ireland President, Deirdre Kiely.

1. ANAN delegates to the CPA Ireland Leadership Programme at the IMI.

2. David FitzGerald, Director – International, CPA Ireland, with Sunday Ekune, CEO/Registrar, ANAN at the IMI during the CPA Leadership Programme.

3. Eamonn Siggins, CEO, CPA Ireland with Shehu Usman Laden, President of ANAN at the IMI.

4. Rahman A Bello, Head, Corporate Affairs, ANAN, being presented with his CPA Ireland Leadership Certificate by Deirdre Kiely, President, CPA Ireland.

CPA Ireland Membership Changes:

Resignations

October:
Susan Coyle (Member 010816)
Martina O'Sullivan (Member 004114)
Michael Doyle (Member 000357)
Evans Apeadu (Member 012720)
Deirdre Kelleher (Member 006482)
Brian Woods (Member 001354)

November:
Margaret O'Brien (Member 012267)
Martin Judge (Member 006414)
Veronica Delany (Member 007012)

Members deceased

October:
Cynthia Chai (Member 007447)
James Milner (Member 011676)
Shyan Krishnansingh (Member 004164)

CPD News & Events

Practice Matters Conferences 2018

Save the Date!

Dublin 20 / 21 April 2018
Cork 27 / 28 April 2018

In 2018, the practice matters conference will move to April. The decision to move the event is in response to member feedback that September is no longer appropriate in view of the numerous deadlines facing the practicing CPA. Book the date in to your diary now and get ready to connect and learn with your fellow practitioners!

CPD Wrap Ups December 2017

Dublin 13 / 14 December 2017 – Castleknock Hotel & Country Club
Cork 13/ 14 December 2017 – Clayton Silver Springs Hotel

As the year end approaches why break the back on your CPD requirements early this cycle and book a place on this practical CPD event. Attendance at this one stop shop is a must for the professional CPA accountant. These two-day events will provide you with the necessary professional updates required to stay up-to-date on your core topics easing your CPD return.

The event will provide some of the key tax, accounting and legal issues affecting the accountant both in practice and in industry. Accountants don't just deal with numbers and spread sheets. The role of an accountant often calls for managing teams, interacting with customers and colleagues to name just two. The addition of some non-technical skills will enhance your broad business knowledge providing you with the know how to lead and communicate with your team effectively.

Further details available on the website at www.cpaireland.ie/cpd

Industry Matters Conference 2017

This year's Industry Matters conference, *"Accountant, Business Adviser, Strategic Partner"* took place on 6/7 October in Dublin and on 13/14 October in Cork. The conference offered CPA accountants working in industry, the opportunity to hear from and engage with top business leaders.

(L-R) Johnny Fallon, Car Communications; Peter Brown, Baggot Investment Partners; Deirdre Kiely, President, CPA Ireland.

(L-R) Deirdre Kiely, President, CPA Ireland; John Fitzgerald, Harmonics; Robert Whelan, Rockwell Financial Management.

Online courses in US GAAP & FRS102

Our online courses are a cost effective and flexible was of learning that allows you to develop your skills and professional knowledge at a time and place that suits you. Both the US GAAP Diploma & the online course in FRS 102 are delivered through a series of webinars and recordings and participants will also have access to the lecturer from time to time.

US GAAP Diploma

The US GAAP Diploma is available through a series of videos and webinars which you can watch anywhere at any time. Presented by Dr. Wayne Bartlett, CPA, the US GAAP Diploma will enable successful participants to:

- Demonstrate a comprehensive knowledge and understanding of US GAAP
- Apply US GAAP to financial statements
- Apply the Concepts and pervasive principles of US GAAP to accounting transaction problems.
- Recognise and measure assets and liabilities as per US GAAP
- Identify disclosure requirements as per US GAAP
- Prepare a full set of financial statements as per US GAAP
- Reconcile IFRS financial statements to US GAAP and explain differences

CPD Credit: 40 hours with completion of assignment
Cost: €750

FRS 102 Online Course

The online course in FRS 102 is now available. This course is available through a series of videos and webinars presented by Robert Kirk, CPA and will equip accounting professionals with a full understanding of and a capacity to apply the new standards. The certificate will enable successful participants to:

- Demonstrate a comprehensive level of knowledge and understanding of FRS 102
- Practically apply FRS 102 to financial statements
- Convert current GAAP accounts to FRS 102
- Identify options on transition
- Apply the concepts and pervasive principles of FRS 102 to accounting transaction problems

CPD Credit: 15 hours
Cost: €400

Accountingcpd.net

€100 off when you buy any 5 courses this month!

CPA Ireland strive to bring you a wide range of CPD opportunities and offers. This month we have teamed up with accountingcpd.net to bring you an amazing offer to help you get the CPD you need. For a limited period, you can receive €100 off when you purchase any five courses. With each course covering 4 hours CPD this is a flexible and efficient way to complete your CPD.

With such a wide range of topics to choose from, this is a great way to add a few more hours to this year's CPD declaration and save yourself panic at the end of the year. As well as saving yourself money of course!

For further information visit www.accountingcpd.net

Student News

Newly Qualified Members

Congratulations to all our newly admitted CPA Ireland members who were conferred in early December. We wish you every success in your future career as a CPA. The March 2018 edition of Accountancy Plus will include a special feature on the conferring ceremony – don't forget to review the CPA Facebook and Twitter accounts also!

CPA Ireland - Annual Educators Conference

This year's Annual CPA Ireland Educators' Conference took place on Saturday 7 October 2017. Representatives from the education and training department, examiners, moderators and delegates from StudyOnline, Griffith College, Cork Institute of Technology attended the conference.

These conferences are an important part of the interaction between the Institute, examiners and educators. The main aim was to achieve a closer alignment between the education and examination processes by focusing on three aspects:

- Syllabus definition
- Examining style
- Education and support

The conference was very successful. The Institute would like to thank all delegates who attended.

Exam Registration

The Formation 1 computer based exams are scheduled in December and May each year. These exams are scheduled as follows:

Griffith College Cork
Tuesday 12th December 2017
Thursday 14th December 2017

Griffith College Dublin
Monday 18th December 2017
Tuesday 19th December 2017

Students should apply directly to Griffith College in order to sit the computer based examinations at this sitting. Information about the registration process can be found on the Griffith College website (www.griffith.ie)

Exam registration for the Formation 2, Professional 1 and Professional 2 April 2018 examinations will open in late January. Students can apply for the relevant examinations directly online via their MY CPA profile. The exam registration process will remain open until 1 March 2018.

Online Resources

Students are reminded that there is a wealth of online study support resources available on the CPA website. These include webinars, articles, past exam papers with solutions as well as the current syllabus. New online content will be available in the coming months. This content is reviewed to ensure that it remains relevant for students preparing for exams in 2018.

Training Records

Students are required to submit a Training Record to the Institute on an annual basis. The training records must be signed off by a qualified accountant. Training Records for the 2017 calendar year are due to be submitted to the Institute by **31 January 2018**. Please ensure that your relevant supervised training is expressed in weeks (approx. 48 weeks per year). Students must read carefully, understand and comply with the instructions on pages 1 to 5 of the record. Please access www.cpaireland.ie for further information on training requirements – you will find some helpful FAQs and other resources here which will aid you in completing this important document. Should you have any questions, please do not hesitate to contact Réidín at training@cpaireland.ie

CPA will be introducing a new online training record system in 2018. Students are encouraged to submit any outstanding training records (up to the end of 2017) before the paper based system is withdrawn.

Student Profile Russell Waldron

Russell Waldron

Why did you choose to become a CPA?

I have worked in finance for all my working life. From when I moved into practice, after working for the Inland Revenue in the UK, I knew that if I wanted to progress I would need a well-recognised accounting qualification. Before deciding on which accountancy body to study with I undertook my own research, as well as asking colleagues who had sat Accountancy exams, and the overwhelming answer was the CPA. It became clear they would give me the opportunities that would help me succeed in my professional life and catered for both working in practice and industry.

What advice would you give to other CPA students?

My biggest piece of advice is to be very disciplined with your time. To pass the exams you must be prepared to put a lot of work in. For me that meant that ensuring I had a weekly study timetable and sticking with it. Although P2 is an open book exam, you need to be extremely familiar with the course syllabus as you won't have an excessive amount of time in the exam to go searching for the relevant information. My last piece of advice is to attend all classes and practice past exam questions early on.

What was your preferred method of study (e.g. classroom, e-learning etc.)

Through all my exams I used e-learning as my preferred method of studying. It gave me the flexibility of studying without being dependent on location. It also meant I could attend classes when I liked and could stop the video to attempt questions and go back over content if I didn't understand it. If I had any issues that I couldn't figure out on my own, I was able to email tutors who came back to me with a response very quickly.

What route did you take towards becoming a CPA?

After I had completed my Accounting Technicians course I decided I wanted to continue my education further and complete the full accountancy exams. After deciding that I wanted to become a CPA I signed up with Griffith College via e-learning. I can't speak highly enough of the college or it's tutors throughout the duration of my studies.

Can you provide a brief history of your career?

I was initially employed as an Employer Compliance Officer for the Inland Revenue in the UK. My job was to perform Audits on different types of businesses and ensure they were compliant with various tax legislation. After seven years, I moved to Ireland and started working as a trainee Accountant for Michael O'Leary & Co, a practice in Wexford town. During my eight years with Michael O'Leary, I progressed from Audit junior to Audit senior where I was completing full sets of accounts and tax computations as well as doing payroll and VAT returns for clients. In 2015, I decided I wanted to expand my skills, so I applied, and was successful, in securing a finance role with the Environmental Protection Agency (EPA). My initial role was to manage the accounts payable section however since then the job has evolved and I have been heavily involved in the implementation of a new finance system of which I act as an administrator and trainer. Working in the EPA is varied and continues to offer me opportunities to develop.

Describe your working life.

My working life is busy, varied and interesting. I manage the accounts payable section, which puts me in constant contact with internal and external stakeholders, which I thoroughly enjoy. I am also the administrator and trainer on our finance system. Just recently, I have been nominated to conduct the Fixed Asset stock take across the Agency, so this has been taking up a lot of my time. No two days are the same and I enjoy being kept busy with different challenges, and the job I'm in certainly provides that.

What is your biggest career achievement?

Being an integral part of the introduction of our new finance system across the EPA, which was delivered on time and in budget whilst keeping our accounts payable section running smoothly during the transition.

What inspires you most in business?

I am inspired by a group of people working strongly together as a team to meet an organisations goals. For any business or organisation to succeed, good team work is essential.

How do you unwind?

I unwind by spending time with my wife, Fiona, and two children, Josh and Sam. I enjoy going to the gym and running. I also help to run our local soccer team, Ballymurn Celtic, where I am involved in managing two different age groups and am the club's treasurer.

What traits do you admire most in others?

Integrity, honesty, politeness, loyalty and someone who is hard working.

Publication Notices

Invest 02/12 Appeal Tribunal

Following a hearing of an Appeal Tribunal on 30 November and 1 December 2015, The Tribunal upheld the appeal of Mr. Thomas Keane (deceased); BKRM; 81/82 North Strand Road, Fairview, Dublin 3.

The charges of professional misconduct found by a Disciplinary Tribunal were not upheld.

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.

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