CPA IRELAND | CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANCY plus

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

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GDPR – SOME MYTHS DEBUNKED

ALSO IN THIS ISSUE

BREXIT – INDIRECT TAX UPDATE

THE SUCCESSION STORY OF ONE FAMILY BUSINESS

IS INTEGRATED REPORTING RELEVANT FOR SMES?

Editorial

Accountancy Plus June 2018

The Institute of Certified Public Accountants in Ireland
17 Harcourt Street
Dublin 2
D02 W963
Tel: 01 425 1000
Fax: 01 425 1001

Unit 3
The Old Gasworks
Kilmorey Street
Newry
BT34 2DH
Tel: +44 (0) 28 3025 2771

Web: www.cpaireland.ie
Email: cpa@cpaireland.ie

EDITOR
Trish O'Neill

CHIEF EXECUTIVE
Eamonn Siggins

EDITORIAL ADVISER
Róisín McEntee

TECHNICAL ADVISER
Maureen Kelly

ADVERTISING
Ciara Durham
086 852 3463
Email: accountancyplus@gmail.com

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Nine Rivers Media Ltd.
Tel: 01 667 5900
Email: gary@ninerivers.ie

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President's Message

It is a great honour to be writing my first presidents message for Accountancy Plus and I look forward to meeting many members over the coming months.

I would like to highlight a number of areas needing support during my Presidency. I recently called for a re-balance of Government policy in favour of the SME sector and Irish Indigenous businesses. It is imperative that the Government creates a level playing field between Irish SMEs and the multinationals. While recognising the significant contribution FDI multinationals bring to the Irish economy, it is important to recognise that SMEs account for over 99pc of businesses and employ over 1.5 million people.

This contribution, is all too often, overlooked by policymakers. In my view, it can be argued that we have now arrived at a situation where Irish SMEs and Indigenous Irish businesses are inadvertently subsidising the FDI sector due to high levels of personal taxation and company surcharge policy in place. Ireland's future economic growth and prosperity will depend on continued investment in research, development and innovation. Globally the intensity of R&D spending is measured as a percentage of GDP. Too often we hear from renowned speakers that Ireland should be a world leader in R&D.

Total spending on R&D in Ireland is estimated at just 1.3pc of GDP, below the EU average of 2.1pc and significantly below the 3% of top performers such as Finland. Under the Lisbon agreement we have a target to reach of 3% of GDP 2020. It is not looking like we will meet that target within the timeline. Our future competiveness depends on this. R&D is about innovation, sustainability, new services/products and access to new markets.

The R&D Tax Credit regime and the creation of the Knowledge Development Box are aimed at encouraging innovation; however, the regime is designed almost entirely to support the 1,300 multinationals here. The complexities and red tape therein are too onerous for most SMEs. For Ireland to remain competitive with other jurisdictions such as the UK, the Government must act to simplify the regime, streamline the process and make it fit for purpose for indigenous Irish-owned companies.

In terms of new strategic initiatives for 2018 we have some very significant and interconnected projects on our agenda, as follows:

- **A refresh of our Brand Identity;**
- **A new website;**
- **A Learning Management System;**
- **A Masters in Applied Accounting in Cork, and**
- **A review of the Accountancy Leaving Certificate Syllabus.**

Our brand identity is important to portray CPA Ireland as a modern organisation and to communicate with all stakeholders the CPA Ireland brand values of: flexibility, accessibility and support.

Our website is our primary communications channel. As website technology develops and as more members and students access the website from mobile devices, we need to keep pace and offer you the most modern and personalised experience as a user.

A learning management system will deliver a much more engaging CPD experience for members and education support for students. This will provide a much more streamlined environment for online learning options.

Our Masters in Applied Accounting was launched with DIT in 2017 and we hope to provide a similar but separate Masters offering in Cork in 2018.

We must ensure that the accountancy profession is evolving with the needs of the 21st century. We have identified that the Leaving Certificate syllabus is in need of a reform and this will form the basis of a concerted campaign by the Institute in 2018.

I look forward to representing CPA Ireland at their annual events and also look forward to working with the team in CPA Ireland, Council and Members over the coming months.

Cormac Mohan

Cormac Mohan
President CPA Ireland

ACCOUNTANCY**plus**

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ELECTED PRESIDENT CORMAC MOHAN, PICTURED WITH OUTGOING PRESIDENT DEIRDRE KIELY, VICE PRESIDENT GEARÓID O'DRISCOLL AND INCOMING VICE PRESIDENT JOHN DEVANEY.

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BY
Dr. Bríd Murphy and Ann Marie Bennett

Accounting for Public Interest

What is Public Interest? Who are the stakeholders? And what key factors should we consider in answering these questions? Research carried out by Dr. Bríd Murphy and Ann Marie Bennett presents some interesting findings on how the career specialisations of CPAs may influence their answers.

Dr. Bríd Murphy

Ann Marie Bennett

In recent years, there has been much criticism of the accounting profession as a result of high profile cases such as Anglo-Irish Bank, Clerys, RSA Ireland and Apple. This has been reinforced by regulatory, political and media commentary which suggests that the profession's duty to protect and promote the public interest has not always been realised. The public interest has been defined as 'the collective well-being of the community of people and institutions the profession serves', yet, there is little consensus on what the 'public interest' duty means or how to achieve it. There is however general agreement that the promotion of public interest must encompass consideration of stakeholders. Stakeholders include individuals or groups who may have an interest in or be affected by the profession and its agents. Stakeholder theory extends roles and responsibilities beyond profit maximization to include interests and claims of other groups. Prior research has shown that, in practice, where limited time and resources are available, decisions may only respond to the most pressing demands of one or two influential stakeholder groups, effectively ignoring requests from other groups.

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Guidance in respect of public interest responsibilities is provided to accounting professionals within professional body codes of ethics. A code of ethics should embody the values and standards of an organisation and effectively acts as a constitution, with general principles to guide behaviour and affect decision-making. It is therefore a key document to assist in relation to ethical and public interest dilemmas. However, in practice, the application of these responsibilities is not always clear-cut. In professional practice, contractual obligations are to serve clients. Practitioners thereby depend on clients for their ultimate economic survival and prior studies suggest that practitioners perceive this as their primary duty, to the extent that economic interests are prioritised over public interest. Accountants operating outside of professional practice must also balance competing interests and serve in-house 'clients', including the board of directors and employees, in addition to maintaining effective relationships with regulatory and government authorities and the professional body with whom they are affiliated. As a result, accounting professionals' consideration of public interest may be complex.

In 2015, the accounting profession was criticised by the Financial Reporting Council (FRC) for 'a lack of clarity in how accountants should discharge these [public interest] responsibilities'. In addressing FRC criticism, the accounting profession in the UK did not attempt to define public interest, but focused instead on adopting a stakeholder approach, emphasising the need to take account of legitimate stakeholder interests and guiding how these interests should be addressed. A study was conducted within the Irish accounting profession to examine the perspectives and approaches of individual accountants in Ireland in relation to public interest. The study focused on the Institute of Certified Public Accountants in Ireland – hereafter CPA Ireland. CPA Ireland's code of ethics stresses:

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. Therefore, a member's responsibility is not exclusively to satisfy the needs of an individual client or employer. In acting in the public interest, a member shall observe and comply with the ethical requirements of this Code.

An online survey was undertaken and 286 CPA Ireland members participated in this survey. The key questions addressed are as follows:

- How aware are CPA accountants of their public interest duty?
- What stakeholders are of primary importance?
- What key factors are perceived as relevant when considering public interest?
- What support systems are useful when faced with public interest dilemmas?

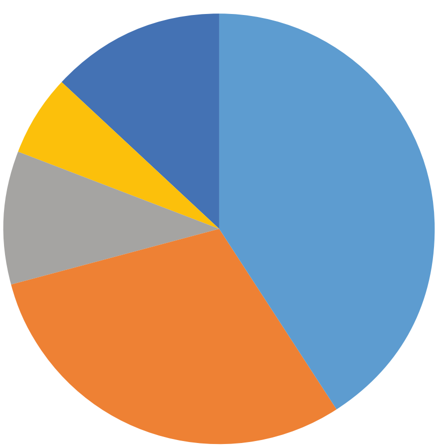
This study provides an understanding of CPA Ireland members' appreciation of public interest responsibilities and how these are guided by the professional body. Key findings are presented below.

Key Findings

Respondent profiles

The gender breakdown is 53% male, 47% female. The majority of respondents have significant experience, with 70% qualified ten years or more and only 12% qualified less than five years. Respondent profiles are highlighted in Figure 1 below:

Figure 1: Respondent profiles



- Professional practice 41% *
- Business sectors 30%
- Financial services 10%
- Not-for-profit 6%
- Other - mainly public sector 13%

*evenly split between audit, advisory, tax and non-audit accounting.

Awareness of the public interest requirement

Almost half of all respondents report that they have encountered public interest issues and 10% have completed written assessment of these issues. The highest incidence of public interest dilemmas is reported by those in financial services and in professional practice, predominantly in advisory and tax. Survey responses illustrate mixed results with regard to whether the profession has been damaged by failure to protect the public interest. On one side of the pendulum, 25% of respondents believe that the profession's reputation has been significantly damaged by failures to protect public interest, while on the other side, 33% do not consider that there has been any significant reputational damage. Several respondents suggest that larger accounting firms are responsible for reputational damage caused to the profession in recent years as these have more potential to impact such issues:

Working in small to medium practice, the opportunity to effect public opinion or be engaged on public interest businesses or entities is very limited. Generally large practices and in-house accountants in public interest entities have the opportunity to effect public opinion.

Key factors impacting public interest

In all work areas, 'compliance with legislation' is viewed as the most important factor for consideration in relation to public interest. Health and safety ranks as the second most important factor, with reputation of the profession following closely behind. For most work areas, aggressive tax avoidance is ranked as the least important factor when assessing public interest. Respondents working in tax and audit however view it as a more important issue, and rank it fourth overall. Tax professionals, as designers of tax avoidance schemes, need to appreciate where the ethical line should be drawn. Similarly, auditors need to be able to ensure that tax schemes stand up to public scrutiny. It is not surprising therefore, that these two specialisms are more aware of the public interest dimension of aggressive tax avoidance. Figure 2 summarises respondents' ranking in relation to factors impacting public interest:

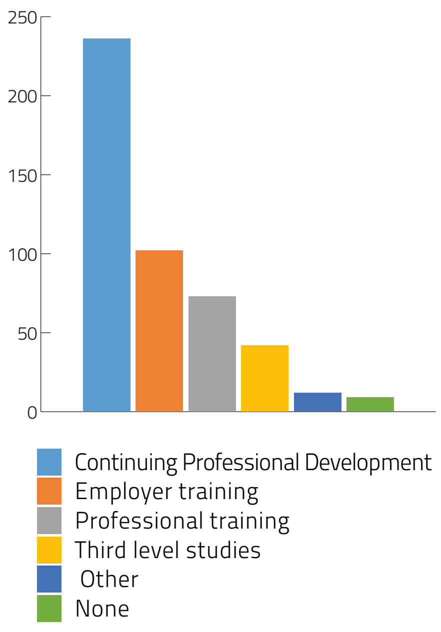
Figure 2: Key factors impacting public interest

Compliance with legislation	1
Effect of health and safety of community	2
Reputation of profession	3
Loss of jobs	4
Effect on welfare of public	5
Loss to exchequer	6
Aggressive tax avoidance	7

Ethics training and education

Ethics training and education helps to ensure that members are aware of their public interest duties and maintain high standards of conduct. The survey examines levels of participation in ethics training and education. The majority of respondents report some form of ethics training/ education, with a 3% minority stating that they had received none. CPD stands out as the main means of ethics training for members, with over 85% of respondents having engaged in some form. Only 26% of respondents indicate that they engaged in ethics training/education during professional training. Employers have provided ethics training to a little over a third of survey respondents, with employers in financial services and the public sector being the most proactive in this regard. Figure 3 summarises respondents' participation in ethics training/education:

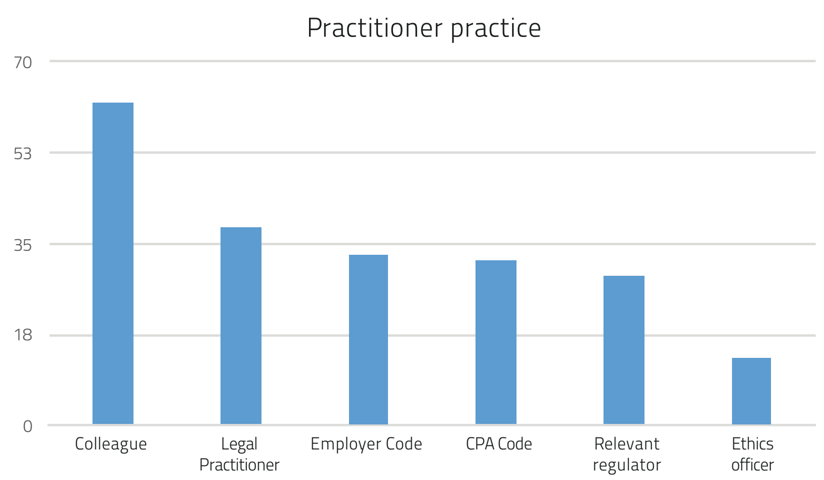
Figure 3: Ethics training and education

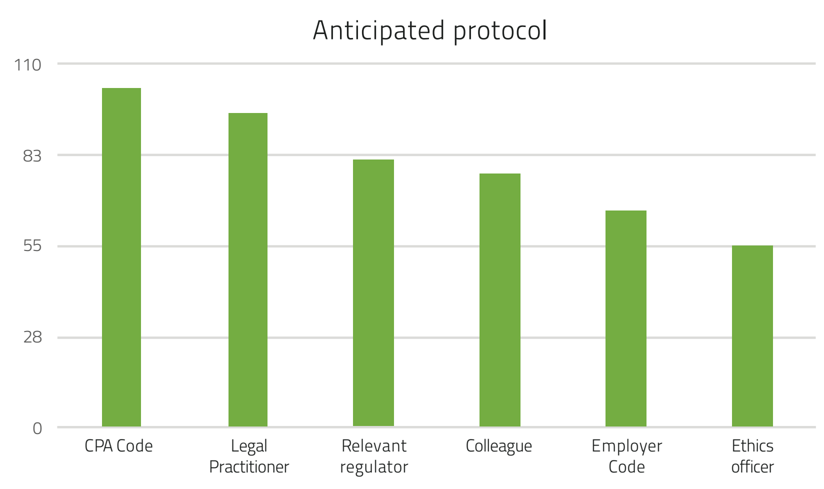


Support systems

Respondents report a disparity between theory and practice when faced with a public interest dilemma. While the majority of respondents state that they would initially consult the CPA Ireland code of ethics, in practice their main support mechanism is to seek advice from colleagues. The findings suggest that, in practice, the likelihood of members seeking advice from the professional body code is relatively low. This provides an interesting contrast in terms of established practice versus anticipated protocol. Surprisingly, ethics officers are not a key support in addressing ethical issues, ranking lowest in both cases. Respondent rankings in relation to support systems are highlighted in Figure 4 below:

Figure 4: Support systems – practitioner practice versus anticipated protocol





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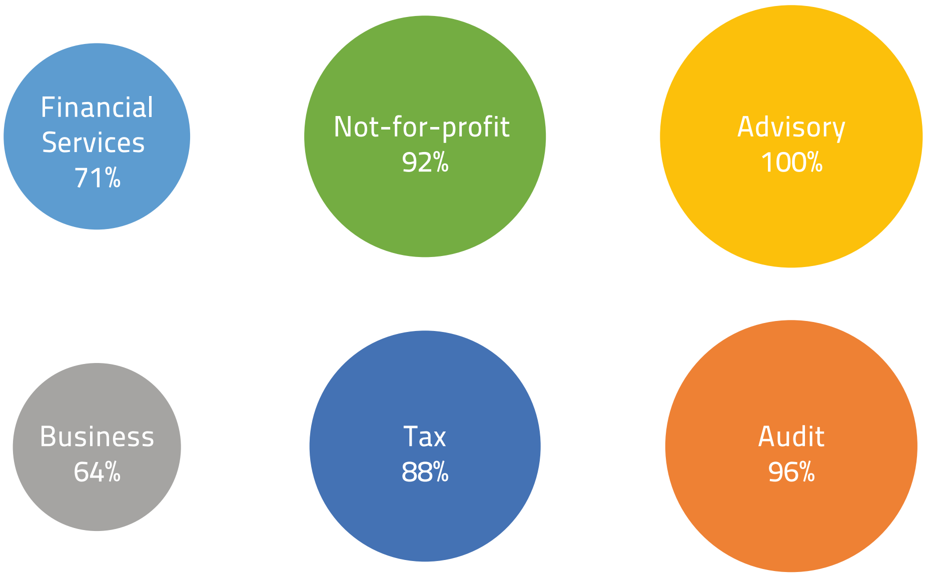
Familiarity with the Code of ethics

While 82% of respondents have read the CPA Ireland code of ethics results vary between career specialisms. Respondents in practice report high levels of familiarity while those in the business sector and financial services are significantly less familiar, as represented below:



57% of those surveyed believe that CPA Ireland provides effective guidance in dealing with public interest issues, with 5% stating that the guidance is ineffective and the remainder 'don't know'.

Stakeholders

The survey examined the importance afforded to various groups in light of increased emphasis by the profession on the need to consider wider stakeholders. Notably, 86% of respondents perceive clients as the most important stakeholders, with employees ranking a very close second, as indicated by Figure 5:

Figure 5: Stakeholder ranking

Clients	1
Employees	2
Revenue Commissioners	3
Regulators	4
Investors	5
Accounting Firm	6
Accounting Profession	7
General Public	8
Government	9

However, respondents in business and not-for-profit sectors indicate that employees are the most salient stakeholders. Government and the general public are suggested as the least important stakeholders by all respondents. These stakeholders have the least economic relevance in terms of economic survival and as prior research suggests, the focus appears to prioritise economic interests and stakeholders that have direct commercial impact.

Conclusions

It is incumbent on the accounting profession to ensure members appreciate their public interest responsibilities. While there has been notable focus on this within CPA Ireland, the concept of 'public interest' remains vague and undefined, and may mean different things to different members. To address this, the accounting profession in Ireland could set out further guidance clarifying public interest responsibilities. In addition, the communication of guidance to members is essential. Currently these responsibilities are communicated through the professional body's code of ethics and within ethics training/education. While the majority of accountants are familiar with the code and have undertaken ethics training/education, more work is necessary to heighten awareness, particularly within initial professional training. This formative period is the foundation of members' professional careers and an important opportunity for CPA Ireland to advance ethics education.

The study also highlights the significant reliance that accounting professionals place on expertise within their professional networks in relation to dealing with issues in the workplace, where they can access and share different ways of dealing with issues encountered. Professional accounting bodies such as CPA Ireland could further support the establishment of network structures for its members. In conclusion, while the accounting profession acknowledges its public interest responsibilities, the promotion of these responsibilities requires on-going attention. The application of public interest is difficult to prescribe; however regular up-dating of codes of ethics coupled with continued efforts to increase awareness through training, education and professional networks can enhance the accounting profession's promotion of its public interest duty.

CPA Profile Alan Phillips

Alan Phillips

TITLE:
Managing Director

COMPANY:
The Studio Coffee

QUALIFICATION:
FCPA, MBA, DMS

Why did you choose to become a CPA?

From an early age, I was always interested in business and finance. As a teenager one of the first books I read was The Great Crash 1929 by JK Galbraith, I still have it today. Initially, I worked in practice, the managing partner was Olan F Allen. Olan was also president of the CPA Institute at the time. In some ways, it was a plus as we were in tune with the development of the Institute and other ways it was a pressure to pass exams and qualify. I was 21 when I qualified, looking back I had a lot to learn.

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

I'm always encouraging people to enter the profession, regardless of their career ambitions. Having an accounting qualification is an excellent base for any career. It demonstrates to employers a level of perseverance, attention to detail and an ability to analyze and solve problems. Whether in practice or industry the accountant is central to key decisions, it offers an interesting, diverse, and rewarding career.

Can you provide a brief history of your career?

I currently work as managing director of a specialty beverages company that I set up last year. Before that, I worked for 25 years with US electronic and pharmaceutical multinationals in a variety of roles.

In recent times, I worked with Allergen Pharmaceutical as European Finance Director with responsibility for 29 entities across 11 countries related to women's healthcare and dermatology. My responsibilities included leading the finance function for each entity, ensuring local and US compliance, managing shared services, supporting acquisitions and corporate governance.

Before that, I worked for Fortune 500 and Nasdaq listed multinationals including GE and Harris Corporation. I held various roles including European Finance Director and Financial Director for a large manufacturing site of 550 employees.

At the start of my career, I qualified from practice and moved to industry to get experience across a range of roles including Management Accounting, Financial Accounting, and Cost Accounting where I implemented a customer and product profitability system based on activity-based costing. Along the way, I studied for an MBA, a Diploma in Management Studies and was the first in Ireland to obtain XBRL certification in 2013.

Describe your working life.

My average day is varied; although my title is managing director, the company is a start-up so I get to do most things. I could be dealing with customer requirements, designing or reviewing proofs for new products, representing the company at a trade show, developing a marketing or social media strategy or working with the local enterprise office. When you own your own business, you soon learn the importance of business relationships, building them and maintaining them. The work is not 9 to 5, but it's very rewarding.

What is your biggest career achievement?

I've had a very exciting career over 25 years, constantly working on new challenges, continuos education and working with interesting people. One of my most challenging and rewarding experiences was working for a large US multinational. It provided an opportunity to formulate and execute strategic planning and business change. It was also nice to get short listed as a finalist in the Irish accountancy awards recently.

What inspires you most in business?

Working with colleagues who value business relationships, people who are problem solvers, people who can identify opportunities and take advantage of them.

Irish companies are great at all of the above. Every day we hear in the news about Irish companies punching above their weight. Companies like Kerry group and Glanbia provide great inspiration in the food industry and many aspects of Ryanair can be put to good effect in smaller companies.

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

Having worked a lot with US companies and the requirements of Sarbanes Oxley, I'd say corporate governance is a huge challenge. Increasingly we hear in the news of issues around management practice and irregularities. As technology evolves, business is becoming ever more complex so maintaining proper checks and balances is a constant challenge. The accountant is at the center of this challenge. To be effective the accountant must balance resources, document key business processes and monitor key business risks.

How do you unwind?

I play golf, although not to my six handicap. I love to cook, follow rugby and enjoy gardening which keeps me in tune with nature. At the weekend my wife and I enjoy walking on the nearby beach and going to the occasional auction.

What traits do you admire most in others?

Honesty, loyalty, generosity and good manners. I've spent years telling my son "manners make the man".

CPA Profile Sheila Moran

Sheila Moran

TITLE:
Partner

COMPANY:
Moran McNamara

QUALIFICATION:
B.Comm, H Dip in Ed., ACPA ,CTA.

Why did you choose to become a CPA?

Accountancy is in my DNA and while I actually worked as a teacher for a short time, I was drawn to the profession through the gentle encouragement of my uncle, Dr Frank Brennan. Frank was the first person in Ireland to venture into public practice as a tax consultant and may be remembered by many accountants as the author of over 30 taxation publications that we all studied diligently. My career choice as a CPA is validated every day through the practical application of accounting principles that power businesses to achieve their very best performance. As we emerge from painful economic times, as CPAs, we have the honour of supporting entrepreneurs and the self employed as they rebuild and grow their businesses. This is hugely rewarding and exciting so choosing to become a CPA was a wise move.

Can you provide a brief history of your career?

In addition to my financial qualifications, I hold an Honours Higher Diploma in Education, (NUI Galway) which helps me greatly in mentoring and training roles. I spent nearly 10 years in Dublin in the highly reputable tax and accounting firm PGL and worked in the progressive Cavan based firm Amatino Partners before returning to Carrick on Shannon in 2006 as practice manager of Egan Casey Accountants. Setting up in my own practice was a long-held dream, so together with my business partner Declan, we set up Moran McNamara three years ago. We have already outgrown our first premises and have recently moved to larger premises in Carrick on Shannon to allow for future expansion. Declan and I complement each other and the practice brings that much needed mix of male and female that is so often missing in the work environment.

Having my CPA badge has been key to my career development. Now in my own practice, it gives assurance to my clients that I have a strong qualification behind me and I am completely informed on ever changing regulatory and statutory requirements.

Describe your working life.

Every day is different; our client base reflects our rural economy and community in the North West. There is an intimacy to working in a rural community that I really enjoy. As Leitrim natives we have that quality which John McGahern so valued of "being rooted in their environment"!

What is your biggest career achievement?

Setting up Moran McNamara with my business partner Declan McNamara three years ago has been the highlight of my career. Now with a team of six, we are growing with our client base, building business acumen and confidence. I remember fondly that when I graduated as a CPA in November 2000, I was the 2000th member of the CPA in the year 2000 and the CPA were kind enough to present me with a Waterford crystal vase upon graduation. That vase is proudly displayed in our new offices!

What inspires you most in business?

I am inspired by seeing my clients' businesses succeed. Now running our own practice, we understand at first hand the challenges they face. It is hugely rewarding to see their business progress and their skills as astute business people improve. The increasing level of start-ups and the supportive environment they benefit from here in the North West through proactive funding bodies is very encouraging.

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

I feel strongly that as accountants, we need to really understand our client's sector and their specific business model. which are getting increasingly diverse. We are mindful that a large portion of our client base is very tech literate – in Carrick on Shannon in particular there is a large cohort of start-up tech entrepreneurs (based in The Hive Technology Centre). It is important that we embrace technology and provide online solutions as part of our skill base.

Based in a border county, Brexit is a pressing challenge. We need to be prepared for both the risks and opportunities that it presents.

How do you unwind?

As a mother of busy, now school going, twins, there really is not a lot of time to relax. Living in Leitrim, I have beautiful Lough Allen and the Blueway on my doorstep so getting out for a long walk always recharges my batteries. Time with family, good food and time in the garden all contribute to work life balance!

What traits do you admire most in others?

As my uncle Frank espoused, 'while technical skills, and constantly updating them, are crucial, one must never lose sight of the central role of INTEGRITY. Without integrity all is as nothing'. I am blessed to work with a team that is passionate about their work and driven to succeed. I admire the resilience and determination of business people who have faced challenging times of late and continue to work hard to strive for better results.

Financial Reporting News

March 2018 editions of FRS 100 to 105 now available

The Financial Reporting Council (FRC) has issued March 2018 editions of all UK and Ireland GAAP standards. These editions reflect the triennial review amendments issued in December 2017, and other amendments made since the previous editions were issued, resulting in a single uptodate reference point for each standard.

In addition, the FRC has issued a revised **Foreword to Accounting Standards** which states that as of the 28th March 2018 the FRC is a prescribed body for issuing accounting standards in the Republic of Ireland as set out in the Companies Act 2014 (Accounting Standards) (Prescribed Body) Regulations 2018 (S.I. No. 84 of 2018) for the Republic of Ireland. (previously the standards were promulgated in Ireland by Chartered Accountants Ireland).

All the updated standards and the foreword can be found on the CPA website.

Source: www.frc.org.uk

IASB issues revised Conceptual Framework for Financial Reporting

The International Accounting Standards Board (IASB) has issued the revised *Conceptual Framework for Financial Reporting*.

The *Conceptual Framework* is a very important document. It provides a guide to the Board in its standard-setting and it also helps companies determine their accounting policies in the rare instances when no IFRS Standard covers a particular transaction or event. Furthermore, *the Conceptual* Framework will help stakeholders generally to better understand and interpret our Standards.

The main changes to the new *Conceptual Framework* compared with the 2010 version of the *Conceptual Framework* are:

- a new chapter on measurement;
- improved definitions of and guidance on assets, liabilities, equity, income and expenses; and
- clarifications of important concepts such as stewardship, prudence and measurement uncertainty.

Together with the *Conceptual Framework*, the IASB have also published a document that updates references in IFRS Standards to the previous *Conceptual Framework*.

Materials

In addition to the *Conceptual Framework* itself, there is a range of supporting materials available including:

- Project Summary;
- Feedback Statement;
- fact sheet; and
- video.

All these materials and further information are available on the IFRS website.

Source: www.ifrs.org

ESMA publishes Annual Report on EU accounting enforcement in 2017

The European Securities Markets Authority (ESMA) has published its report "Enforcement and Regulatory Activities of Accounting Enforcers in 2017" which sets out the enforcement and regulatory activities of accounting enforcers within the European Union (EU) in 2017.

The report provides an overview of the activities conducted at European and national levels with respect to examining compliance of financial information of listed issuers on regulated markets with the applicable reporting framework. It also outlines other activities conducted with the objective of contributing to supervisory convergence in the area of financial reporting, and, in particular, with respect to International Financial Reporting Standards (IFRS) in the European Economic Area (EEA) during the year.

The report is based on the activities of ESMA and European accounting enforcers. The report provides a description of the main supervisory convergence activities that were co-ordinated at European level during 2017, information on enforcement activities and ESMA's contribution to the financial reporting standard setting process.

IAASA is an active participant in the ESMA-sponsored European Enforcers' Co-ordination Sessions (EECS). The objective of EECS is to co-ordinate European enforcement activities in order to increase convergence amongst European national accounting enforcers and contribute to fostering investor confidence. Further details of IAASA's participation at EECS will be included in IAASA's forthcoming 2017 Annual Report.

The ESMA 2017 activity report can be accessed on the CPA website.

Source: www.iaasa.ie

BY
Robert Kirk

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.**

FRS 100-105 Triennial Amendments applicable 1st January 2019 Part 2

In the last edition of Accountancy Plus, Robert Kirk outlined some of the principal amendments to FRS 102 that were published last December. In this second article on the subject, he will continue his review of the main changes to that standard.

Since the last publication of Accountancy Plus in March 2018, the Financial Reporting Council (FRC) have now incorporated the changes into a revised FRS 102 together with issuing fresh updated copies of all the other local standards due to the consequential changes inflicted on them by the changes to FRS 102. All of these documents are available free of charge to download from www.frc.org.uk and readers should be encouraged to download their own copies. However, the implementation date is to be applied to financial statements commencing on or after 1st January 2019 apart from a couple of exemptions and in the Republic of Ireland, the changes being made to FRS 105 and FRS 102 Section 1A are being permitted to be backdated to 2015 to avoid having to make two changes in two years.

As per my last article I am tackling the changes Section by Section but only concentrating on the principal amendments. I will start with Section 13.

Section 13 Inventories

A very minor reduction in disclosure is being implemented which results in there no longer being a requirement to disclose the amount of inventories recognised as an expense. No explanation has been provided for this but presumably the information is superfluous since it would be expected that most inventories will be expensed to cost of sales.

Section 14 Investments in associates and Section 15 Investments in joint ventures

Reporting entities have a choice of either recording these investments at cost or at fair value. However, until now, if the fair value model had been adopted there was always the excuse that a reliable measure could not be found without undue cost or effort and therefore the reporting entity reverted back to cost until a reliable measure could be found. The FRC felt that because the cost model had always been and still is an option, the exemptions fulfilled no practical purpose so the undue cost or effort exemption is now withdrawn.

Section 16 Investment Property

Similar to the previous sections, until now, Section 16 only required investment property whose fair value could be reliably measured without undue cost or effort to be accounted for under that particular section. Where fair value could not be obtained without undue cost or effort, the property was accounted for using the cost model in Section 17 ***Property, Plant and Equipment***.

However, the expectation in the standard was that all properties should be able to get a reliable fair value measure for investment property and thus, in reality, the cost model was superfluous. This has led to problems where a parent has rented out property to a fellow member of the group as a gain/loss had to be recorded in the parent company's books but from a consolidation view no gain/loss has occurred thus causing extra work at consolidation to remove the unrealized gain/loss. To help alleviate this problem, the FRC has introduced an accounting policy choice for **groups only** which rent out investment property to other group members. The accounting policy option contained in paragraph 16.4A allows a group to measure investment property at fair value through profit or loss or at cost less depreciation and impairment (via Section 17). Almost certainly the second option will be the more popular choice among groups.

Under the revised **transitional** arrangements, the good news is that group members who have been using fair value for properties rented out to other group members until now under FRS 102 may adopt those values as their **deemed cost** on transfer to Section 17.

The downside to this is that the FRC believes that most reporting entities can easily obtain a fair value for their investment properties and hence the undue cost or effort exemption has been removed. Therefore, investment property which is not rented out to another group member will now be required to be measured at fair value through profit or loss. For those having to switch out of cost to fair value there will be associated deferred tax (potential capital gain) consequences in order to comply with paragraph 29.16 of FRS 102.

Under paragraph 16.4B when only part of a property is rented to another group entity and the remainder is used for other purposes (such as being rented to an external third party or owner-occupied i.e. mixed use), the option in paragraph 16.4A **only applies** to the **component** of that property that is **rented to another group entity**.

A number of additional paragraphs have been inserted to clearly identify the appropriate accounting treatment when there is a change in usage as follows:

- 16.9A When a property **ceases** to meet the definition of an investment **property** (e.g. it becomes owner-occupied or inventory), the **deemed cost** for subsequent accounting as PP&E (per Section 17) or inventory (per Section 13) shall be its fair value at the date of change in use.
- 16.9B If an **owner-occupied** property becomes an **investment property**, an entity shall apply **Section 17** up to the date of change in use. The entity must treat any difference at that date between the carrying amount of the property per Section 17 and its fair value in the same way as a revaluation in accordance with Section 17.
- 16.9C For a transfer from **inventories to investment property** that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount must be recognised in **profit or loss**.

Section 17 Property, plant and equipment

There are only minor changes being introduced to Section 17. Where an entity has adopted component accounting if it is not practicable for an entity to identify the carrying amount of the replaced part it can instead be estimated using the current cost of the replacement part as a proxy for the original cost of the replaced part and under Section 17.31A an entity will have to disclose the carrying amount at the end of the period of investment property rented to another group entity, when the entity has chosen to account for such properties using the cost model.

Section 18 Intangible assets and Section 19 Business combinations and goodwill

Under FRS 102, at present, reporting entities are required to recognise more intangible assets in an acquisition than what was previously the case under old Irish GAAP. This was introduced to help to breakdown goodwill into its constituent parts but it has involved considerable additional costs for acquiring companies.

Under the revised Section 18.8 an intangible asset acquired in a business combination will only be **recognised separately** from goodwill when all the following **three conditions** are satisfied:

(a) the recognition criteria set out in paragraph 18.4 are met I.e. probability of future benefits and reliably measured;
(b) the intangible asset arises from contractual or other legal rights; and
(c) the intangible asset is separable (i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged either individually or together with a related contract, asset or liability).

In addition, a reporting entity has an option to **choose** to recognise intangible assets separately from goodwill for which **condition (a) and only one of (b) or (c) above is met**. However, when an entity exercises that option the policy must be applied **to all** intangible assets in the **same class** (i.e. having a similar nature, function or use in the business), and must be applied consistently to all business combinations. In their basis of conclusions, the FRC recognise that **Licences, copyrights, internet domain names** would be examples of categories of intangible asset that may be treated as a separate class, however, further subdivision may be appropriate, for example, where different types of licences have different functions within the business. The FRC mentions customer lists, customers relationships and secret recipes as examples of intangibles that would probably fail the criteria.

Another change introduced by Section 18.28A when, as part of a business combination, an acquirer chooses to recognise intangible assets separately from goodwill that meet condition **(a) and only one of (b) or (c)** in paragraph 18.8, the acquirer will need to **disclose the nature** of those intangible assets and the reason why they have been separated from goodwill.

A number of other minor clarifications have also been introduced into Section 19 as follows:

- **Contingent consideration** must be discounted if the time value of money is material
- **The cost** of a business combination must be **adjusted if events** that were expected to occur do **not materialise**
- **Unwinding of discount** must be charged as a finance cost in profit and loss of period it arises
- **Non-controlling interests** must be stated using the **proportion of net assets** i.e. the parent entity approach but not the single entity approach which means the goodwill reported will only be that which is attached to the acquirer's share of the business acquired i.e. the parent entity approach
- Because of the changes in the reporting of intangibles in an acquisition the FRC felt it was important to require reporting entities to provide a **qualitative description** of the nature of **intangible assets** included in **goodwill.**

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Section 23 Revenue

Although the FRC has postponed the implementation of IFRS 15 Revenue from contracts with customers from being implemented into the FRS it has made a couple of amendments in relation to pre-contract costs and to clarify how to distinguish between a principal and agency relationship.

Normally pre- contract costs in relation to tendering for contracts would be written off immediately to profit and loss on the grounds that there is no probability of future income being earned at that stage. However, a new paragraph, Section 23.17A, has been inserted which will permit the inclusion of pre- contract costs as part of the contract costs but only if they can be separately identified and measured reliably and it is probable that the contract will be obtained.

An additional example has been inserted in Section 23 to illustrate the distinction between a principal and an agent and this is largely based on which party is exposed to the significant risks and rewards in the contract. The example emphasises that all facts and circumstances must be considered in making that decision. The example does, however, provide the features that one would expect for a principal relationship to exist as follows:

- the entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;
- the entity has inventory risk before or after the customer order, during shipping or on return;
- the entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and
- the entity bears the customer's credit risk for the amount receivable from the customer.

The example also emphasises that an agent can only record its commission under the contract as revenue and not the amounts collected on behalf of the principal.

Conclusion

Some of these amendments will have considerable impact on a minority of companies particularly those in group scenarios with inter group investment properties and for those acquirers who have recorded unusual intangibles on their balance sheet which are no longer acceptable.

My next article in September will continue the review of the remaining amendments to FRS 102 as well as covering some of the more important consequential changes to the other local standards.

BY
Maureen Kelly

Is Integrated Reporting relevant to SMEs?

Maureen Kelly CPA, is Knowledge Manager with CPA Ireland

The International Federation of Accountants (IFAC)'s policy position is that integrated reporting can bring about a more coherent corporate reporting system, which is currently largely fragmented, complex and compliance-driven. IFAC believes that integrated reporting is an opportunity to focus on long-term value creation and ultimately encourage longer term behaviour in the capital markets. But for many SMEs the capital markets and the views of institutional investors are not relevant to how they do business so does integrated reporting have any relevance to the SME sector?

We need to look at what is involved in integrated reporting and integrated thinking to understand how it can contribute positively to the functioning and growth of an SME just as it can do so for a global plc.

Integrated reporting provides a framework within which we can examine all parts of a company that are involved in value creation and preservation. It encourages integrated thinking which results in a better understanding of the various sources and drivers of value in the short, medium and long term. Ultimately, it should improve board and management information and decision making. It should inform capital providers of key drivers of enterprise value and provide confidence to them and other stakeholders that the company has a strategy for long term value creation considering its own aspirations and plans and how it is responding to changes and uncertainties in the business environment, legitimate stakeholder expectations and opportunity and risk.

According to IFAC, integrated reporting can be applied in a proportionate and scalable manner to all organisations regardless of their size and sector. The International Integrated Reporting Framework was written primarily in the context of private sector and for-profit companies of all sizes. However, as it is a principles-based framework it can be adapted and applied by organisations in the public and not-for-profit sectors. It may in fact be most suitable for charities as it provides a holistic view of the entire activities of the organisation and how they all integrate to achieve the organisations overall purpose.

Integrated reporting is relevant to established organisations as well as those that are emerging or small and can be particularly beneficial to those building confidence in their business model and needing to attract funding, staff and other resources. Integrated thinking and reporting can benefit SMEs by helping them better understand the drivers of value in their business, resulting in more informed decisions and the implementation of a strategy and business model that will enable growth.

Through an integrated report SMEs can show potential funders how that they are equipped to create value, that they have a detailed understanding of all elements of their organisation and can therefore identify and respond rapidly to risks that could impact on their long-term goals.

IFAC has developed a guide for SMEs implementing integrated thinking and reporting. They state that through using integrated reporting, trust in the business is built by succinctly highlighting what drives value.

Understanding value creation is enabled by what is called integrated thinking, a central theme of integrated reporting, which is based on breaking down internal silos between people and departments

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so that the organisation can collectively better understand the key elements of the business. This includes the governance, strategy, business model and opportunities and risks in the context of trends and issues affecting the business. Integrated thinking also involves an organisation considering the different resources consumed and the relationships it relies on, leaving it in a better position to make decisions that help ensure its viability and resilience over time.

In addition to improving internal management processes, integrated reporting can also lead to other significant benefits including:

- Creating greater trust and credibility with customers, suppliers, other stakeholders and society. This is increasingly important in light of government agencies and not-for-profit organisations searching for commercial partners that can not only supply the goods and services that they need, but also do so sustainably;

- Maximising the potential to transfer, sell or hand over the business by providing a better basis for valuation; and

- Securing financing at a reasonable cost. Among other things, many lenders will want to know how financial capital has been deployed in the past and future intentions, based on a holistic strategy and a well-rounded business plan.

Integrated reporting is an effective way to help an SME better understand and manage how it creates value, as well as reporting on that value creation. More integrated information and thinking should lead the organisation to make better decisions about the key areas that affect its ability to create value that can then be communicated through an integrated report, which demonstrates a compelling business case to providers of finance and others interested in the business. Collectively, the process of creating value and telling the story is integrated reporting.

Multiple Capitals

Through integrated thinking, integrated reporting can help an SME build a better, more concrete understanding of the factors that determine its ability to create value over the short, medium, and long term. It enhances an SME's business planning and development by taking a fully connected, holistic view, including its use of and effect on, all capitals or resources that are important to its business model and future. Integrated reporting uses the term "capitals" and a multi-capital model to recognise the fact that value is not stored in financial capital alone, but in all sorts of capitals.

When these other capitals are properly understood and managed, they can continue to release value over time, while simultaneously growing in their capacity to continue to drive value in the future. The IFAC identifies these other capitals as:

- Manufactured capital, the tangible goods and infrastructure that an SME owns, leases or has access to that are used in the provision of goods or services.
- Intellectual capital, the knowledge, intellectual property, systems and processes that an SME has at its disposal that provide it with a competitive advantage and positively affect its future earning potential.
- Human capital, the skills, experience and motivation that employees and management in an SME possess that provide the foundation for future development and growth.
- Social and relationship capital in an SME's brands and reputation, including its relationships with the community in which it operates, its customers and business partners and others in its value chain, such as various government agencies.
- Natural capital, an SME's access to environmental resources that it can use to provide a return and/or that it affects through its activities or the goods and services it creates.

Integrated reporting involves fully considering the many implications of connectivity between all these capitals, the external environment and internal factors through the lens of the business model.

Integrated thinking encourages the free flow of information within the company which should promote more creative cross functional thinking and a shared understanding of value creation over a longer time frame through a deeper understanding of how the various capitals that impact it affect how value is created and preserved.

The current primarily financial focussed annual reports that most SMEs produce could be significantly enhanced through the use of integrated reporting and the integrated thinking which it requires. Funders and other stakeholders, including customers and employees, are as much interested in other areas, like strategy and business model, that will drive the organization forward to meet its objectives. The integrated reports allow for a broader view of the company by including key financial information alongside significant "non-financial" measures and narrative information. This provides context to current and prospective equity investors, banks and other providers of financial capital who can appreciate "the full picture" of how an SME creates value, and its capacity to continue creating value over time.

Is Integrated Reporting relevant to SMEs? If the SME is concerned with value creation and continued viability into the future then I believe the answer is yes. It is a wonderful tool to assist all enterprises to become fully aware of how they create and can retain value and how to most effectively tell their story. No company is an island. All companies need to ensure that they can communicate their value to the many varied stakeholders which now exist in the business world and integrated reporting is the ideal platform to do so.

Further information on Integrated Reporting and how to apply it can be found on the IFAC website at www.ifac.org.

Law & Regulation News

GDPR - Supports

The General Data Protection Regulation (GDPR) came into force in Ireland and in all EU member states on the 25th May 2018. To support our members, we now have a webpage focusing on GDPR. It contains informative articles, links to advice on your obligations and what you need to do to prepare for GDPR and recordings of our recent GDPR webinars which should answer all questions our members have. The page is located in the Members, Technical Resource Section of our website.

PSRA forms Updated for 2018

The Property Services Regulatory Authority (PRSA) has issued revised application forms for licence renewal applications (PSRA/S35 – Renewal ABC where client accounts are held and PSRA/S35 - Renewal D where service charges and/or sinking fund contributions are paid into a "relevant account") in accordance with the Property Services (Regulation) Act 2011 (Client Moneys) Regulations 2012 ("the Regulations"). These new renewal forms replace the 2017 versions and should be used in making 2018 applications for renewals.

The Licence renewal application now consists of two separate parts.

Part I, Accountant's Reports is to be completed by the reporting accountant. The licensee's role is to provide any documents requested by the accountant and to comply with the accountant's requests for documents and/or explanations relating to the accounting records. As in previous years the accountant reports to the PSRA on the client account balancing statement at the year end. During the course of their work, the accountant may identify breaches of the regulations which fall to be reported to the PSRA in Appendix 1 Appendix 2 or Appendix 3B of their report.

Part II, Licensee Submission is to be completed by the licensee. Section 1 of Part II contains details of the person(s) listed on the bank mandate. Where breaches of the regulations have been identified and reported by the accountant in Part 1, Section 2 of Part II Licensee Submission details procedures that have been/will be put in place by the licensee to address these breaches.

Scope of the Accountant's Report

Members should note that Part II is outside the scope of the opinion provided by the accountant. The accountant does not perform any work in relation to procedures identified by the licensee to address reported breaches and does not provide any assurance that those procedures are either appropriate to address the breaches or are properly implemented by the licensee. If a member is requested by the client to assist in identifying or implementing procedures, such work is undertaken as a separate engagement with separate engagement terms.

Source: www.psri.ie

New Brexit Webpage

In acknowledgement of the importance of Brexit and its potential impact on the Irish economy, CPA Ireland has launched a webpage dedicated to all things Brexit. Here we bring together various sources of information on Brexit to provide you, our Members, with guidance and supports on the many "what ifs" which you may be faced with. As Accountants and Financial Advisers, we are frequently the experts to which business turns in times of uncertainty. We hope this will be a valuable resource for Members in this turbulent time.

Our Brexit webpage is located in the Members section of the CPA website.

BY
Michael Murphy

Risk Minimisation Strategies for Accountants and Auditors – Being Claim Aware

Michael is a Senior Associate Solicitor in the Litigation Department of HOMS Solicitors, he practises in the Professional Negligence unit and has amassed significant experience in defending accountants' claims. He specialises in delivering efficient and, where necessary, innovative solutions, particularly in relation to challenging professional negligence claims

Since the economic crash of 2008, there has been a marked increase in litigation against professionals and accountants have not been immune from this trend. The nature and scope of the expansion of the accountancy sector means that risks can arise from ever more diverse areas of practice: accountancy now covers extensive advisory, reporting, investigatory, regulatory and administrative services. Accountants need to be increasingly claims conscious in the provision of their services.

We will summarise some of the risk minimisation strategies that accountants would be best served to implement or where such measures are already in place, to review and/or renew in order to best protect their interests in the event of a claim arising. Having such procedures in place, updated as necessary and followed consistently could be the difference between successfully defending a claim or facing an exposure which can have a significant impact upon policy premium for years ahead.

1. The Importance of Maintaining Effective Letters of Engagement

One of the prerequisites of a successful claim against an accountant will be the existence of a duty of care being owed by the accountant to the claimant concerned. This duty of care will typically arise from the retainer that comes into existence between an accountant and their client. A claimant will seek to construe the duties owed by the accountant to them in order to demonstrate the purported breach which the client maintains has given rise to actionable loss. Accountants will typically owe contractual duties, duties in tort and fiduciary duties to clients and in certain circumstances, could also owe duties to third parties. The standard of skill and care expected of an accountant in carrying out an engagement is that of the reasonable skill and care of an ordinary skilled person carrying out the same engagement.

Against this backdrop, accountants can seek to protect themselves and ensure absolute certainty with their clients as to the services being provided through a well-drafted letter of engagement. Such a letter of engagement should be issued at the outset of every instruction and serves the important purpose of defining the scope of the accountant's retainer. The letter should reflect the precise instruction and address issues such as the particular service being provided (and where relevant, those services which are not being provided where some other professional's input may be required), the point of contact for receipt of instructions, the timeframe within which the work is to be completed (where applicable) and the fee arrangements for such work. Such letters should be discussed with the client and counter-signed as this can help to avoid potentially unnecessary disputes that might otherwise arise where parties may inadvertently be at crossed purposes.

If there is any possibility that the service being provided by the accountant to the client will be relied upon by a third party (such as a lender or investor), that issue should ideally be addressed in the letter of engagement. If the accountant does not wish for their services or work product to be relied upon by a third party, the letter of engagement should properly contain such a stipulation. On each occasion that an accountant is retained in respect of a new engagement (and even for multiple engagements by the same client, such as

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annual audits or returns), a fresh letter of engagement should issue and indeed should be retained with the file for the appropriate period in accordance with the accountant's data retention policy (often recommended as being seven years post completion of work).

2. Contractual Limitations on Liability

Accountants may seek to use their letters of engagement to provide for contractual limitations on liability to protect themselves. Certain clients will not be prepared to accept such limitations as a matter of principle so it is an issue that needs to be carefully broached for commercial reasons. Similarly, if such terms are agreed between the parties and a claim subsequently arises and liability is established against the accountant, the court will look very closely at the manner in which such a clause was negotiated when assessing the level of such potential awards. A well-drawn limitation of liability clause could potentially survive a challenge based on an unfair contract term, however much depends on the circumstances of each particular case. Much will turn upon the construction of the clause so accountants should tread carefully so as to strike the correct balance between, on the one hand, taking all reasonable steps to protect their interests and on the other hand, avoid undermining the client relationship.

However, auditors are largely prevented from contractually limiting their liability to the companies they audit. Section 235 of the Companies Act 2014 effectively prohibits a company from limiting the liability of an auditor in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the company. Section 235(3)(a) of the Companies Act 2014 provides that a company may indemnify an auditor of the company against any liability incurred in defending proceedings, whether civil or criminal, in which judgment is given in their favour or in which they are acquitted. Accordingly, the indemnity will not apply if the auditor has been found guilty of negligence, for example.

3. Remember the Retainer in Practice

Where there are multiple parties involved in a transaction, such as an investment scheme, it is always important to maintain clear parameters in relation to channels of communication and to be aware of the risk that lines might become blurred. Whilst it is important that progress is made in relation to such matters – often under significant time pressures – where there is a multiplicity of advisors, it is important to differentiate the roles and respective areas of expertise of each of the advisors. Otherwise, there is a risk that an accountant could inadvertently embrace a more onerous scope of duties which, if difficulties arose in connection with the transaction, could expose the accountant to liability that might not otherwise have accrued if the accountant had acted strictly in accordance with their retainer under the letter of engagement.

4. Internal Risk Minimisation Strategies

Accountancy practices can best serve their clients' interests whilst also protecting their own position by operating a documented supervision system, particularly in a larger accountancy practice. There should be a defined supervision structure with clear reporting lines involving suitably qualified supervisors based on their technical competence, experience and ability. New work should be allocated and subject to early review by a supervisor so as to maintain effective and timely checks. Regular scheduled reviews should take place to monitor workloads, check for progress and inactivity, prioritise work and to deal with problem cases or particular challenges that have been identified internally. Practices should also consider operating an agreed system for reviewing incoming and outgoing correspondence, including post, faxes and emails. Practices may wish to disclose appropriate details of these arrangements to clients in their engagement letters so as to align the respective parties' expectations from the outset.

Frequent file audits should also be carried out, including the files of senior principals within the practice. High risk problem cases or cases where there has been undue delay should be identified through frequent file progress monitoring with supervisors making independent checks on file progress as appropriate. Client file management policies should also be in place so as to ensure that files are kept in an orderly fashion, correspondence filed in date order, the file kept up-to-date and stored securely, preserving client confidentiality and retained in accordance with a file retention policy. Any sensitive personal data should be identified on the file so that the practice can comply with its General Data Protection Regulation ("GDPR") obligations. Policies should also be maintained for long-term staff absenteeism so that files are actively progressed at all times. Upon the conclusion of a file, before it is archived, best practice would be for that file to be reviewed against a checklist of defined criteria as part of a practice's quality control procedures.

5. Allegations of Negligent Audits having been carried out

There is arguably more of a focus on the role of auditors when difficulties arise for companies than has ever been the case. This is largely as a result of the professional negligence action being maintained by Quinn Insurance Limited ('QIL') against PriceWaterhouseCoopers ('PWC') since 2012 arising from allegations (denied by PWC) that PWC should have known QIL's relevant financial statements and regulatory returns did not accurately reflect the state of QIL's financial position and the status of their reserves from 2005 to 2008.

Auditors in Ireland should accordingly be minded to ensure that appropriate standards of quality are maintained and all work on an audit properly documented on the basis that it could be scrutinised in ever greater depth if a claim is contemplated.

6. Documenting of Significant Interactions on File

As accountants and auditors have become more claims conscious, they have also become more aware of the importance of having detailed attendance notes on their files, maintaining a clear record of instructions when matters are discussed verbally with clients and reducing such advices to writing. This can often seem an onerous task but where a claim arises, it can play a critical role in demonstrating that advices were, in fact, provided when the client might later seek to dispute the position. These notes should be legible, the originals kept and typed copies prepared.

In the absence of such notes, where claims arise and central 'facts' are the subject of a dispute, the court may not be prepared to accept the evidence of an accountant if it is not properly supported by documentary evidence on the file, particularly if the claimant can adduce contradictory documentary evidence. That is not to say that a claimant's evidence will inevitably be preferred simply because of an accountant's failure to create an attendance note, it is simply a question of an accountant looking to take every opportunity to protect their position.

In particular, where accountants are engaged in advisory work and if the client wishes to ignore that advice in respect of a particular transaction or in any other such context, the accountant may wish to protect their position by requesting the client in question to sign a waiver to acknowledge that they have been provided with the particular advice and understood same but that they are nonetheless not following such advice.

7. Liability for Data Breaches

As and from 25th May 2018, accountants will face increased risk of civil compensation claims arising from data breaches when the GDPR comes into effect. Accountants are also at risk in relation to potential regulatory fines. All practices should accordingly ensure that they have updated their terms and conditions, data sharing agreements, privacy notices, data breach notification policy, data subject right access policy and data retention policy in accordance with a GDPR Action Plan. Accountants who process significant volumes of personal data should also consider the benefit of having policies of cyber/crime and D&O insurance in place as part of their strategic response. Those firms that operate the most effective data protection strategies are likely to minimise the scope for data breaches but it nonetheless presents a further risk for accountants, in particular, those acting as receivers who are processing the personal data of distressed borrowers.

Conclusion

Proper and effective governance is a critical feature of any accountant's risk minimisation strategy. It is impossible to guarantee that a claim will not arise but accountants and auditors can take a number of steps when providing services on a day to day basis which should put them in the best position to robustly defend and minimise the scope of any claims that may arise.

BY
Derek McKay

Workplace Investigations – How Easy It Is To Get It Wrong

This article looks at investigations in the workplace, risks involved and how they should be conducted.

Derek McKay is the Managing Director of Adare Human Resource Management, one of Ireland's leading providers of Employment Law, Industrial Relations and best practice Human Resource Management Support Services.

The demand for investigations in the workplace is increasingly growing. The aim of a workplace investigation process can be to gather relevant evidence to determine whether or not an Employee has engaged in misconduct or whether a specific incident(s) has occurred or simply to establish facts.

An Organisation may choose to initiate an investigation when an incident(s) has occurred that the Organisation may deem potentially inappropriate or a potential breach of their policies such as;

- A complaint against an Employee in relation to performance or conduct;
- A complaint from an Employee / client / third party in respect of the Employee;
- A complaint of bullying, harassment or sexual harassment.

Role of the Investigator

An Investigator should conduct the investigation with integrity, fairness, impartiality and respect and report their findings to the Organisation, in line with an agreed Terms of Reference.

Risks Involved with Investigations

The risks associated with poor investigation practices are significant and mistakes can expose Organisations to significant financial, legal and reputational risks.

Key mistakes that Organisations often make during the course of an internal workplace investigation include:

- A lack of pre-investigation planning;
- A poorly drafted or the absence of a Terms of Reference;
- Combining the investigation and disciplinary steps;
- Relying on "untested" information and ignoring discrepancies;
- Failing to establish a process that is perceived as independent and non-biased;
- Delay in undertaking an investigation.

More often than not, these mistakes are the result of a lack of experience and skill on the part of the internal investigator appointed by the Organisation.

Where the conclusion is reached that the investigatory process itself was unfair, this is usually to the detriment of one or all the parties involved in the matter. Often, unfortunately, it will not be until the investigatory process comes under the microscope of the Workplace Relations Commission (WRC) or the Labour Court that the element(s) of unfairness are identified.

How is an Investigation Conducted?

Workplace investigations need only satisfy the threshold of the 'balance of probabilities'. An Employer must utilise fair procedures in the investigation otherwise they may be found to have acted unreasonably.

- The Organisation should appoint an Investigator, this may be an internal person from the Organisation, such as a Manager or a Director, to examine the evidence and conclude with a finding. The Employment Equality Act 1998 (Code of Practice) (Harassment) Order 2012 states that an external investigator may be necessary to deal with complaints in some circumstances so as to ensure impartiality, objectivity and fairness in an investigation. With this, the Organisation would source an external investigator to conduct the investigation on their behalf.

- All Employees involved in an investigation must respect the need for confidentiality and a failure to do so may result in disciplinary action. Confidentiality is assured in so far as it is reasonably practicable.
- Both parties may be suspended with pay, without any negative inference, pending the outcome of an investigation, where deemed appropriate by Management. Careful consideration should be given to this action prior to making any decision to suspend. However, where this is not possible, the parties to the complaint will be expected to maintain a positive working relationship.
- The investigation will be conducted in accordance with the relevant policy and will be governed by terms of reference which will detail the likely time scale for its completion (an indicative timeframe will be outlined) and the scope of the investigation.
- The investigator should meet with the complainant in the first instance to learn more regarding the complaint and to put the alleged perpetrator's responses to the complainant.
- Next, the alleged perpetrator should be invited to a meeting to explore their responses to the complaint and to put any relevant evidence to them. Evidence should be provided in advance of the meetings in order to allow the Employee to prepare their response to that evidence.
- It may be deemed necessary to conduct more than one interview with either or both parties in order to ensure that the investigator is satisfied that all evidence has been collected and all parties have had a fair opportunity to state their case.
- Relevant witnesses may also be interviewed with a view to establishing the facts surrounding the allegation(s).
- All parties required to attend investigation meetings should be offered the right to be accompanied by a representative.
- The complainant and the alleged perpetrator(s) should be informed in writing of the findings of the investigation, i.e. whether the complaint is upheld or not upheld. Where a complaint is upheld, both parties should be informed of this outcome and the relevant level of Management will also be advised.
- Management should take appropriate action based on the outcome of the investigation. This may include formal disciplinary action in line with the Organisation's disciplinary procedure or training or another appropriate intervention deemed necessary to prevent a recurrence of the behaviour.

Recent Case Law

A recent case has resulted in changes to how investigations should be undertaken should an Employee's employment be deemed 'at risk'.

This case *(Michael Lyons V Longford Westmeath Education and Training Board)* involved an application for judicial review. The applicant was notified in 2015 that a complaint of workplace bullying had been made against him by a colleague. An investigation into these complaints was accordingly launched as per the industrial relations procedure.

The investigation was carried out by an independent company of investigators. Following their investigation, the investigators upheld four specific instances of bullying. At no point in the investigation was the applicant permitted to cross-examine or challenge his accuser. However, he was given 15 working days to make a limited appeal to the decision but his appeal was rejected.

The applicant was required to attend a Stage 4 Disciplinary Meeting to determine the appropriate disciplinary action in his case. The applicant's solicitors subsequently wrote to the respondents objecting to this course of action.

The Court held that the failure to allow legal representation, on behalf of the client, at the meeting was a breach of his constitutional rights and the refusal to allow cross-examination was a breach of fair procedures. The Court held that the investigation required these as a matter of law and fair procedures as an individual whose job is at stake must be allowed challenge and cross-examine evidence.

What does this mean for Organisations?

Employers who are considering completing an internal investigation should be cognisant of this case and should consider whether the outcome of that process could result in dismissal or have an adverse effect on the accused Employee's reputation. In instances where dismissal is a potential outcome or the alleged misconduct would adversely affect the Employees reputation, this case indicates that an Employee is entitled to be legally represented and to cross-examine the evidence presented at the preliminary, fact-finding stages of an investigation. Most notably, the Employee has the benefit of this right before any disciplinary procedure has formally started. This is an issue which needs to be taken into account when the terms of reference of an investigation are being considered.

Conclusion

Key factors for the Investigator are to ensure that the Employee is made aware of the allegations made against him/her, is allowed to respond to any allegations being made against him/her, is allowed be represented and for there to be an impartial investigator conducting the process.

However, the absence of any or all these factors may have the opposite effect and in certain circumstances the WRC or Labour Court will have the final say in the matter when making an order in favour of the Employee who is deemed to have been treated unfairly.

BY
Hugh Jones

Hugh Jones is a co-founder of Sytorus Ltd, a specialised provider of Data Protection consultancy, assessment and training services. Hugh provides professional Data Protection guidance, and is a frequent speaker at Privacy and Data Management events in Ireland and overseas. Hugh offers consultancy support and tailored training to organisations in the areas of data management and regulatory compliance.

GDPR – Debunking some Myths

Human nature being what it is, we often grasp at straws when confronted with substantial challenges – those facing the reality of the recent introduction of GDPR on May 25th are not immune to this phenomenon.

In this article, I wanted to outline some of the more impressive myths which have sprung up around the new Regulation and its implementation, to identify the kernel of truth on which they are based and to debunk the dangerous complacency which might settle if they are believed.

"The GDPR doesn't apply to SMEs"

While some elements of the GDPR will not apply to smaller organisations, any organisation processing personal data, whether a Data Controller or a Data Processor, will have obligations under the Regulation.

For example, SMEs will not qualify for the obligation to draft a Data Processing Activity Log since this only applies where the entity has more than 250 staff. However, where an organisation systematically processes medical, religious or trade union membership information (the special categories), even smaller organisations will need to provide these descriptions of their processing activities.

"It doesn't apply to public sector bodies"

Much has been made of the recent decision by the Irish Government to determine that public bodies and government departments will not be subject to the full force of the new fines and penalties available under the GDPR. The primary reason for this is that any such fine would simply require the payment of public funds from one department to another, on the 'wooden dollar merry-go-round'.

However, exemption from the full force of these penalties does not in any way exempt such organisations from the obligations of compliance with the Regulation and the DP Commissioner has made it very clear that other sanctions will still be available, even if the full monetary penalties are not going to be wielded. For example, the ODPC can issue prohibition or enforcement notices to shut down a particular programme or area of processing where substantial DP concerns arise.

"It doesn't apply to firms based outside the EU"

The scope of the GDPR has been quite clear and will include the activities of organisations based outside the EEA jurisdiction (the (for now) 28-member states of the EU plus Norway, Iceland and Liechtenstein), where they wish to do business within the EEA.

In such circumstances, the non-EEA organisation will require a formally recognised Nominated Representative established within the EEA, in order to protect their interests, as well as to be the primary point of contact for Data Subjects and the Data Commissioner in the event of an incident or DP concern.

"It's just another EU scare tactic"

The EEA has produced several iterations of the DP legislation over the years, namely in 1981, 1995 and 2002. All have been accepted, at varying speeds and levels of enthusiasm, by the Member States and each have tried to take account of both the commercial realities as well as the technological advances which were prevalent at the time.

The GDPR is no different, attempting as it does to harmonise the implementation and interpretation of DP principles across all 31 Member States on the same date, as well as taking account of the substantial advances in the way we process personal data since the last major draft of legislation in 1995.

The objective is not to scare anyone or any organisation, into compliance. If anything, the objective of the GDPR is to provide adequate and appropriate levels of protection for our personal data, even where we often represent the biggest risk to our own privacy, through the manner in which we allow our information to be disclosed, acquired and distributed.

"I have loads of time to get compliant - May 25th is a target, not a deadline"

The final draft of the Regulation was published in April 2016, with the instruction for organisations to implement appropriate changes and protocols to prepare for its implementation in May 2018. This two years and 20 days was clearly marked as the 'lead time' during which organisations had opportunity to review their data quality, train their staff, modify their systems, upgrade their security measures and generally prepare for the 'brave new world' of organisational accountability (Principle Seven).

Many have done so, with varying degrees of effort and success. Nonetheless, from May 25th onwards, an organisation's DP compliance will be evaluated against the seven principles of the GDPR, not the eight rules of the preceding DP legislation.

There is no evidence of a 'stay of execution', a 'soft implementation' or a 'grace period' during which organisations can finally get around to taking the GDPR seriously – the past two years have been that preparation period.

"It's all about cyber security"

With all of the recent headlines in relation to hacks, malware and cyber terrorism, one might be mistaken in believing that the focus of the new Regulation will be on defending data against digital attack.

While digital communications and social media account for a massive volume of the data records we process on a daily basis, the GDPR nonetheless affords equal protection to paper (manual) records. And while the security, confidentiality and integrity of personal information is certainly one element of focus for the Regulation, this only accounts for one of the seven Principles.

Concerns for the fairness and transparency of processing, the accuracy and quality of the data, the duration for which it is held and the tangible evidence by which organisations can demonstrate their awareness and accountability of their obligations will all form part of the evaluation of compliance under the GDPR.

"The ODPC has no teeth and/or will never levy a € multi-million penalty"

On the one hand, we really don't want organisations to be motivated by their fear of the substantial new fines and penalties which are possible under the GDPR.

On the other hand, it would be extremely optimistic (or foolhardy) for any organisation to ignore their obligations solely on the basis that the Irish Courts have never levied a penalty that comes close to the 4% of global annual turnover or €20m (whichever is the greater).

We have already seen evidence in Italy of the appetite for a substantial penalty being imposed for breaches of DP legislation (a combined penalty of €11m against two firms for breaches of DP and Money-laundering regulations in 2016). We have also seen clear evidence that the Irish Commissioner has been ready to invoke those clauses within the legislation which make Directors individually liable for breaches which occur due to their 'negligence or connivance'.

Added to this, we must always remember that the structure of the new Regulation, with its built-in 'consistency mechanism', will allow Supervisory Authorities in other EEA jurisdictions to appeal against any decision by the Irish Commissioner or courts which they feel is too lenient or 'soft'.

There may be some gamblers out there who consider this a risk worth taking and ignore the GDPR on the basis that 'bad stuff happens to other people'. Time will tell whether or not this is a safe foundation on which to build your data management strategy.

"We're a Charity/Religious Institution/Sports club/self-employed/Medical Practice – we are exempt!"

As stated above, all organisations processing personal data will have obligations under the Regulation – while some derogations and exemptions apply, they are relatively few and far between and are quite isolated and limited in their scope.

Bottom line, the seven Principles will apply to all processing of personal data, from the point of acquisition, throughout the life cycle, to the point when the data is anonymised, deleted or removed from operational use (archived).

"The GDPR changes everything!"

Not so – if anything, the GDPR is a reinforcement of the key concepts which already existed under the DP Directive and the Electronic Communications Regulation – principles of privacy, fairness, transparency, data quality and integrity, timely removal and destruction of information, appropriate risk management, a commitment to security and organisational ownership of responsibilities and accountability.

Most of all, the GDPR will oblige organisations to appreciate the privilege of having access to personal data and understand the obligations which such access places on them. In turn, they will need to train their staff, implement appropriate policies and protocols and be able to demonstrate their commitment to and compliance with, the Regulation when called-upon by the Supervisory Authority to do so. No change there, then!!

Leadership Insight – Rachel Grimes

Rachel Grimes is the Chief Financial Officer, Technology, Finance Strategy, Transformations and Programs for Westpac Banking Corporation. Rachel is also the President of the International Federation of Accountants (IFAC). Rachel holds a Bachelor of Business (Accounting) from University of Technology Sydney and is a FCA, FCPA and FIPA.

Your Career

Can you provide a brief history of your career?

One of the great things about an accountancy career is its potential to take you in unexpected directions and provide unexpected moments. Who on earth thinks that they'll one day meet Presidents, Prime Ministers, Princes, a Pope and Neil Armstrong as part of an accountancy career?

My alma mater, University of Technology Sydney, provided great career foundations and Price Waterhouse, my first job, provided on-the-job insight across many industries. I started in audit and specialised in banking, but even then, I was also able to assist other clients including global sports talent management company, IMG.

BT Financial Group came calling in 1998 with an opportunity too good to pass up. It was an opportunity to challenge myself on the basis that the harder path often provides the most learning.

From 2007-2014, I was Westpac's Director, Mergers and Acquisitions and in that time, I had the opportunity to work on the initial public offering for BT Investment Management. In 2008 I co-led the St. George and Westpac merger to help make Westpac Australia's second biggest bank by market capitalisation.

In 2014, I was appointed Westpac's Chief Financial Officer for Technology and this year added a new portfolio, Westpac Finance Function Transformation, an opportunity to merge the application of technology with finance department needs. We'll be exploring how robotics and AI can free the bank's finance function to provide increasingly valuable advice to the business.

Business

Describe your working life as Chief Financial Officer Technology, Finance Strategy, Transformation and Progress at Westpac Group.

It's really exciting! My decision to become an accountant has led me to a role in which I'm actively involved in society's technology-led transformation. Today, Banks are considered important technology companies. In a few short years, people globally have had their relationship with banking and their personal finances transformed in countless beneficial ways.

In addition to helping shape the direction of Westpac's application of new technology, my team helps ensure there's enough funding and resources to support legacy systems and the acquisition of emerging technologies to make our customers' lives easier.

You were appointed President of IFAC in 2016. What was the journey to becoming President?

I joined the ICAA in Australia in 1994, became a Fellow in 2002, and 2006 was appointed a Director. When I became ICCA President in 2011, I was the second female to hold the title and helped lay the foundations for the successful amalgamation of the Australian and New Zealand member bodies by aligning their education and technology platforms.

In 2011, I was presented with a unique opportunity to join the IFAC Board representing Oceania. Olivia Kirtley was elected IFAC President in 2014 and I thought it would be a great opportunity to learn from an industry and business figure, rather than from someone with a public accounting background. The selection process included both a mock presentation and press conference, as well as an eight-person interview panel! I was elected Deputy President in November 2014 and President in 2016 for a two-year term that concludes at World Congress of Accountants 2018.

Can you tell me about your time as President so far and the initiatives you have undertaken?

I inaugurated a Technology Advisory Group shortly after becoming President. The TAG is comprised of global experts who have deep experience in how technology is already changing the profession.

In 2017, I led the chief executives of IFAC's largest member bodies to IBM's Watson headquarters in New York to see first-hand how this remarkable AI program worked, and where they also learned about Block Chain, Cyber security and Data—collectively the A, B, C, and D of technology.

Visiting Member Bodies around the world is part of the role and it is wonderful to see the depth of relationships in developed countries. But nothing highlights the importance of member bodies when you visit a country that does not have one. IFAC has been assisting around the world to help countries develop their accountancy profession.

I'm also super excited about the World Congress of Accountants in November. I get to complete my presidential term in my home town, Sydney, by welcoming thousands of accountants from around the world. I'd really encourage everyone to check out the remarkable events program and get in early for tickets.

IFAC hosts World Congress of Accountants every four years in partnership with local member bodies who bid for the right to host the event. CPA Australia and CAANZ conceived a great joint bid years ago and from that moment have worked cooperatively to put together what is going to be a truly world-class event.

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

Put your hand up for every opportunity and expect the unexpected! Ours is the only truly global profession so go out and take advantage of it! An accountancy career provides a global passport to go see the world and work where you are inspired. Crucially, I would always advise to bring your skills back to your home country and contribute to the community.

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

There are two big ones. The first is the profession must self-regulate. Accountants and auditors are experts in their profession and must be respected as such. Ethics should never be compromised – they underpin our profession and must be as onerous on all components of the value chain. To suggest auditors should have stronger ethics than those of preparers is madness.

The second is to ensure every accountant moves forward on technology. How to stay up to date; how to build cyber-security and data expertise; and how all that will translate to the provision of higher value, more insightful client advice.

You are also a Chair on a number of different committees and have actively served a number of charities, so how do you create a work/life balance?

I think work/life balance is a crazy term! Why put work first in that equation? I believe in balance and that includes charitable work as it makes me a more balanced person and I encourage my entire team to volunteer. Every accountant has unique skills to assist charities; and from the workplace to broader society, voluntary work helps unite people from different backgrounds in a common cause. I am a supporter of education as it breaks the poverty cycle and delighted to be the Chair of Surfing Australia's Finance and Risk Committee. Surfing will make its debut at the 2020 Tokyo Olympics—I can't wait!

Who or What inspires you most in business?

I admire people who are prepared to take a risk and back themselves, particularly those that can execute an idea and deliver real outcomes be it Bill Gates, Steve Jobs or Elon Musk. Elon Musk springs to mind. He's taken big risks with his own personal fortune to keep his visions alive. Irrespective of whether Tesla cars or SpaceX succeed, let alone his Hyperloop, he has forever changed the way the world views both space exploration and electric vehicles.

What is the most important business lesson that you have learned in your career to date?

Ethics is fundamental to professional accountants. I emphasise to my team that it takes a lifetime to build a reputation and a moment to destroy it. Take care of your reputation and your personal brand.

What traits do you admire most in others?

I love people who say "yes, and" rather than "yes, but"— they naturally view challenges as opportunities to make a positive difference. I also regard very highly those who give back to their community.

How do you unwind?

I have a deep passion for sport, I love the competition and I've have been fortunate to see many great contests. I particularly like tennis and cricket but all live sports are interesting. In recent months I've seen ice hockey, basketball, and rugby. Sport helps inform a lot of life's lessons—especially around ethics— and is a big part of my life equation!

BY
Paul Kelly

Brexit – The challenge for Irish agri-food

In this article, Paul Kelly, Director of Food Drink Ireland, looks at the challenges and risks for the Irish agri-food sector following Brexit and how we can mitigate these risks.

Paul Kelly is Director of Food Drink Ireland (FDI). FDI is the main trade association for the food and drink industry in Ireland and is part of Ibec. It represents the interests of over 150 food, drink and non-food grocery manufacturers and suppliers.

Introduction

The UK vote to leave the EU is the largest and most immediate challenge facing the Irish agri-food sector. The UK is our largest trading partner for food and drink. Irish exports to the UK were €4.5bn (35% of total exports) in 2017 and UK exports to Ireland were £3.4bn in 2016. The export exposure of the main sectors was as follows:

- 51% of beef exports
- 56% of pigmeat exports
- 79% of poultry exports
- 24% of all dairy exports (but 50% of cheese exports)
- 62% of prepared consumer foods exports
- 26% of beverage exports

Whilst the outcome of exit negotiations between the EU and UK will potentially have a huge impact on our trading relationship with the UK, the sector already faces one major challenge – a large and rapid weakening of sterling over the last 18/24 months. The current change in currency value is structural not cyclical and there have also been many fundamental changes to the economic and business environment domestically and in the UK, which make this very different to previous sterling weaknesses. These include:

- Limited capacity for Irish exporters to drive further efficiencies in their businesses.
- Impact on supply chain policies of UK retailers and food services sector on food and drink companies.
- Market renationalisation – domestic sourcing policies growing across Europe.
- Much more competitive retail food sector in the UK – hard discounters have doubled market share to over 10%.
- Complication of operations and administration for all island food and drink businesses.

A structural shift in exchange rate relationship, combined with Brexit related trade risks means that UK buyers are planning significant supply chain restructuring - the real threat is a loss of confidence in Ireland as a competitive supply base resulting in loss of markets and exports.

There are two areas in particular where Irish companies are at a significant competitive disadvantage to their UK counterparts – labour costs and capital costs. Past research has shown these are also the major costs items for manufacturing business. As a result, Ireland already has significant cost disadvantages from both an Opex and Capex point of view for food and drink companies when compared with the UK.

The market impact will be felt not just in the potential for reduced exports to the UK, but it will cause damage domestically where imports (and cross border trading) will displace indigenous products and in other export markets where UK food exports are competing with Irish exports - continental European and international markets.

The exit negotiations between the EU and the UK will also have major implications for our trading relationship with the UK. The main objective must be to maintain full unfettered access to the UK market. In addition, UK access to the EU single market is much preferable to UK bi-lateral agreements with third countries. The retention of free access to, and maintenance of, the value of the UK market, is of critical importance. In practical terms, the reasons why are clear:

- Food and drink products will face the threat of customs AND regulatory checks at borders.
- Copenhagen Economics has estimated a 14% increase in trade costs in a Free Trade Agreement scenario due to customs impact and regulatory divergence. The European meat association, UECBV, have estimated the combined cost of veterinary checks / port clearance for exporters to the EU from third countries at over €625 per meat consignment.
- 850,000 trucks travel by ferry between Ireland and Britain (45% are perishable food and drink).
- Most of Ireland's €4.1 billion food and drink exports to EU-26 use the UK land-bridge. In the case of Irish meat exports, the figure is 90%. For fresh food and drink produce, the shortest crossing is business critical. Ireland to Calais by land-bridge is a journey time of 10.5 hours. Ireland to Cherbourg by sea is a journey time of 20 hours.

However, given the UK's stated determination to leave the Single Market and Customs Union, this will require a comprehensive Free Trade Agreement (FTA) between the EU and UK, avoiding tariffs, TRQs and regulatory divergence. Key issues for the future trading relationship are:

- Avoidance of a hard border with Northern Ireland.
- Minimise customs burdens and regulatory checks (animal products) as part of any future trade agreement (mutual recognition of standards to expedite trade between approved consignors/ consignees, simplified

procedures consistent with the Union Customs Code and maximum collaboration on SPS, veterinary and product standards).

- Special arrangements to facilitate transiting goods using the UK land-bridge.
- Common legal recognition and technical application in both Ireland and Northern Ireland of the three All-island Spirits Geographic Indications for Irish whiskey, Irish Cream and Poitin.
- Continuation of a seamless system, like the existing EMCS, to manage and record movement of excisable produce in duty suspension between Ireland and UK.
- The UK should also remain part of the European Common Transit System to ensure smooth transit of goods to, from and through the UK - to prevent border delays by suspending the payment of import duties and other charges (e.g. VAT) until the vehicle arrives at the final office of destination in the EU (or UK) in return for a guarantee.

In the short term however, the Government's objective must be to put in place mitigating measures to help companies manage their businesses through the on-going uncertainty caused by the currency shift and the exit negotiations. The focus must be on maintaining markets in the UK, developing other markets as well as ensuring that in the domestic market, companies remain competitive against imports and the threat of cross-border shopping.

The longer-term opportunities largely remain for the Irish food and drink sector. However, the immediate response must be to ensure the sector is fit for purpose to meet the substantial challenges ahead. Whilst agri-food is most at risk in the event of hard Brexit there is the ongoing impact from sterling depreciation.

A hugely important measure is to mitigate these risks. It is imperative to implement policies within our power to control our cost base. This must be done whilst helping companies innovate and improve productivity. The primary concerns in this regard are labour costs, poorly designed regulation and rising insurance costs. It is also imperative that measures to improve utility and transport costs are taken to provide a hedge against possible future cost increases because of Brexit. Mitigating Brexit also requires the provision of exceptional state aid support for stabilisation, competitiveness and diversification to remedy a serious disturbance in the Irish economy due to the fracture of the single market. This will necessitate a multi-annual funding framework in the region of 5% of the value of current annual indigenous export sales to the UK (€650m over three years).

With one in eight jobs in the economy linked to agri-food, failure to do this will be damaging to the wider economy and not just the food and drink industry.

BY
Jennifer Cashman

Jennifer Cashman is Practice Group Leader of Ronan Daly Jermyn's Employment Group and focuses on providing strategic business advice and practical, commercial solutions for clients across a range of industry sectors. Jennifer is also member of the Firm's Cyber and Data Protection Team and advises on a broad range of data management issues including GDPR, data breaches, data subject rights, international data transfers, employee data and compliance training.

The 2018 Human Resource Business Agenda – New Code of Practice on Retirement Ages

Jennifer Cashman looks at the New Code of Practice on Retirement Ages and what employers, employees and their representatives should be considering in the run-up to retirement.

Introduction

Retirement ages remained very much in the news in 2017 and it is a topic that continues to dominate the HR agenda during 2018. The Workplace Relations Commission ("WRC") has published a Code of Practice, Industrial Relations Act 1990 (Code of Practice on Longer Working) (Declaration) Order 2017 ("the Code"), in consultation with the Irish Business and Employers Confederation (IBEC), the Irish Congress of Trade Unions (ICTU) and relevant government departments, to guide employers, employees and their representatives on best practice in the run-up to retirement in the workplace, including responding to requests to work beyond the employer's mandatory retirement age.

The Code sets the standard for dealing with mandatory retirement in the workplace and for requests to work beyond the mandatory retirement age; and should now be the starting point for all employers and Human Resource (HR) practitioners when addressing this issue on the HR business agenda. The Code is also likely to be referred to and relied upon in cases brought before the WRC and the courts under the Employment Equality legislation.

Background

In July 2017, the Citizens Assembly called for an end to mandatory retirement from the workforce and recommended that the time gap between retirement and eligibility for the State Pension should be eliminated. A recommendation to seek the introduction of some form of mandatory pension scheme to supplement the State Pension was also supported.

In late March, Taoiseach Leo Varadkar announced a roadmap for pension reform, with one of the key decisions being the introduction of auto-enrolment for workers by 2022.

The New Code of Practice

In 2016, an Interdepartmental Group on Fuller Working Lives ("the Group") reported to the then Minister for Public Expenditure and Reform, Pascal Donohoe, that retirement at the age of 65 was increasingly impractical. That Group said that workers and employers need to accept that working for longer is both necessary and desirable. One of the Group's recommendations was that the then Labour Relations Commission (LRC) issue a Code of Practice. The LRC has since become the WRC and just in advance of the Christmas break 2017, the WRC published the Code which sets out best practice over the following headings:

1. Utilising the skills and experience of older workers;

2. Objective justification for mandatory retirement;
3. Standard retirement arrangements;
4. Requests to work longer.

The Code reminds employers of the current legal position on setting mandatory retirement ages in the workplace.

Mandatory Retirement Ages and the Law

In the private sector, there is no mandatory retirement age and employers are free to choose the age at which employees must retire, subject to some conditions as outlined further below. The Employment Equality Act 1998 prohibits unfavourable treatment by an employer based on nine grounds of discrimination, and age is one of these nine grounds. However, the Act goes on to state at s.34 (4); "it shall not constitute discrimination on the age ground to fix different ages for the retirement (whether voluntarily or compulsorily) of employees or any class or description of employees."

This means that, with the exception of certain public sector occupations, there is no set mandatory retirement age in Ireland. There was also no prohibition on employers setting a certain age at which employees must retire. While the State pension age has increased to 66, and will ultimately rise to 68 over the coming years, this does not mean that employers have an obligation to set a mandatory retirement age to match the State pension age. They are entirely separate issues from a legal perspective.

However, while these provisions of the Employment Equality Act 1998 gave employers the discretion to set retirement ages as they saw fit, it appeared to be in conflict with EU law (European Council Directive 2000/78/EC), which requires any form of discrimination based on age to be objectively justified. Regardless of the absence of this requirement in domestic legislation until quite recently, the Irish courts and tribunals have tended to follow the European approach of the CJEU due to the need to harmoniously interpret EU law and national law.

To address this gap in our domestic legislation, the Equality (Miscellaneous Provisions) Act 2015 ("the Act") was enacted, which amended the rules on mandatory retirement and age discrimination to bring Irish law fully in line with EU law. The Act introduced the legal requirement that mandatory retirement ages must be objectively justified by the employer. The Act was signed into law on 10 December 2015 and fully commenced on 1 January 2016 and amended s.34 (4) of our existing employment equality legislation.

Arising out of this amendment, while the right of employers to fix a mandatory age of retirement still exists, it is now only permitted if: (a) it is objectively and reasonably justified by a legitimate aim, and (b) the means of achieving that aim are appropriate and necessary.

It is also noteworthy that, prior to the Act, it was not discriminatory for employers to offer fixed term contracts to employees once they reached the employer's mandatory age of retirement, as provided for by s.6 of the Employment Equality legislation. This remains the position and fixed term contracts may still be legitimately offered to those at retirement age.

However, under s.4 of the Act, the same requirement of objective justification that now applies in the context of setting the mandatory retirement age is now also applicable to such fixed term contracts and s.6 of our Employment Equality legislation is amended accordingly. The issuing of such fixed term contracts to employees who have reached the employer's retirement age has become more popular in recent years, perhaps due to the rising State pension age, so this legislative change is set to have quite an impact on employers.

Objective Justification

The Act (Employment Equality Acts) is silent on what is needed to satisfy requirements of objective justification to justify a retirement age. However, previous decisions of the European and Irish courts do provide some useful guidance and the Code, in turn, sets out some examples of what might constitute a legitimate aim of the employer, thereby providing the objective justification necessary for a mandatory retirement age. The examples set out in the Code are as follows:

- Intergenerational fairness (allowing younger workers to progress);
- Motivation and dynamism through the increased prospect of promotion;
- Health and Safety (generally in more safety critical occupations);
- Creation of a balanced age structure in the workforce;
- Personal and professional dignity (avoiding capability issues with older employees); or
- Succession planning.

The Retirement Process

The Industrial Relations Act 1990 (Code of Practice on Longer Working) (Declaration) Order 2017) provides that it is good practice for an employer to notify an employee of the intention to retire him or her on the mandatory retirement date, within 6–12 months of that date. This allows for reasonable time for planning, arranging advice regarding people succession etc. The Code provides that the initial notification should be in writing and should be followed with a face-to-face meeting which should focus on addressing the following:

- Clear understanding of the retirement date and any possible issues arising;
- Exploration of measures (subject to agreement) which would support the pathway to retirement, for example flexible working, looking at alternative roles up to the date of retirement;
- Transitional arrangements in regard to the particular post; and
- Assistance around guidance and information.

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BY
Jennifer Cashman

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Requests to Work Longer

The Code provides that all requests from employees to work beyond their mandatory retirement age should be considered carefully and the following matters must be considered by the employer and employee in this regard:

For the employee:

- Is the employee confident that he/she can continue to perform the role to the required standard?
- Can flexible working options or alternative roles be considered?
- What is the duration of the extension being sought?
- Are there any pension implications?
- Are there contract of employment implications?

For the employer:

- Are there good grounds on which to accept or refuse the request e.g. can the retirement be justified on a legitimate and objective basis? It is important to note that the Equality (Miscellaneous Provisions) Act 2015 requires that a fixed-term contract post-retirement age must be objectively justified. Unfortunately, the Code does not provide any guidance on, or examples of, what might be acceptable objective justification for placing an employee on a fixed term contract postretirement age.
- What are the objective criteria applicable to the request? This should form the basis of any assessment of a request to work beyond retirement age to ensure an equal and consistent approach to addressing this and other future requests.
- How would the arrangements for the employee remaining on in the workforce be contractually framed (e.g. fixed term contract)?
- Could granting the request be on the basis of a more flexible working arrangement (e.g. less than full hours or an alternative role)?

Request to Work Longer Procedure

The Code sets out a procedure for engagement between an employer and an employee who has requested to work beyond his or her retirement date. This procedure should now be adopted (and adapted where necessary and/or appropriate) by all employers and managers should be trained in this procedure in order that requests to work longer are dealt with in accordance with the Code.

1. The employee should make such a request in writing no less than three months from the intended retirement date to be followed up with a meeting between the employer and employee. This meeting gives the employee an opportunity to advance the case and allows the employer to consider it. It is important that the employee is listened to and that any decision made is on fair and objective grounds.
2. The employer's decision should be communicated to the employee as early as practical following the meeting.
3. Should the decision be to offer a fixed-term contract post-retirement age, the period should be specified, setting out the timeframe, and the legal grounds underpinning the new contract should be made clear (i.e. fixed term contract). It is good practice to include a reference that the decision is made solely having regard to the case being made by the employee and does not apply universally.
4. Where the decision is to refuse the request, the grounds for the decision should be set out and communicated in a meeting with the employee. This will help the employee to understand why the request has not been granted, and give the employee confidence that his or her case has been given serious consideration and that there are good grounds for refusing the request. The applicant should have recourse to an appeals mechanism, for example through the normal established grievance procedures in the organisation.
5. An employee may be accompanied to a meeting by a work colleague or union representative to discuss a request to the employer to facilitate working longer and in any appeals process around same.

Conclusion

For now, employers can continue to enforce mandatory retirement ages, provided they are express or implied terms in the contract of employment and provided they can be objectively justified. Watch this space, however, as the law will continue to evolve and perhaps be amended completely over the course of the next 12 months. However, when enforcing mandatory retirement ages, and dealing with requests from employees to remain in employment beyond the mandatory retirement age, employers and HR practitioners must operate within the guidelines set out in the Code, as outlined above. This may require amendments to be made to existing policies and procedures and will require training of managers who receive such requests on a regular basis.

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Aisling Mooney @ 014251035 email amooney@cpaireland.ie

BY
John Trethowan

The Credit Review Office 19th Report

In this article, John Trethowan gives a summary of the 19th Report of the Credit Review Office.

John Trethowan was appointed Credit Reviewer by the Minister of Finance in 2009. This role has two main functions – acting as a credit ombudsman service for small business and farming borrowers (SMEs) refused credit by the banks; and monitoring lending levels to SMEs in the two largest Irish Banks. John is a former bank director and past-president of the Institute of Bankers in Ireland, and has been involved at board level in both public and private enterprises throughout Ireland, in sectors including transport, health and utilities.

The Credit Review Office provides a review mechanism for SME and Farm borrowers who have been declined credit by the four main banks. These reviews provide a picture of developing trends in the SME and Farm lending markets and provide the basis for the report.

The report explores the risks in over reliance on self-funding and also highlights changes in how banks service the SME and Farm lending market, which may be inadvertently suppressing demand for credit.

The risks in over-reliance on self-funding.

The use of SMEs own funds, or funds from investors, to service business investment needs has been cited locally as a reason for the very low demand for bank credit. However, there are risks attached to using internal or own funds which need to be highlighted.

a. Running out of cash.

The availability of adequate working capital is the absolute priority for the survival of any business. Tying up the business's cash in capital investment projects can be risky. The Credit Review Office has helped a few successful businesses which set out to fund expansion and major projects using their own cash, only to find that they have run short of funds prior to completion of the project.

This puts the business's current account under pressure, which in turn can result in banks reluctance to provide facilities to rectify the situation, as they view the business as under pressure.

b. How banks assess past financial performance gives little or no credit for self-financing.

We see many cases, particularly farms, where the borrower has worked hard and has invested time and their own cash in building up the business/farm. When they do ask to borrow, the Credit Review Office has observed that banks are mainly focussed on the last few years profit and loss performance. They may not recognise the improvement in the business resulting from self-investment such as increased value of assets, better health of livestock or better quality of services. The banks may also fail to recognise forward potential earnings from self-investment.

The advice from the Credit Review Office is that, whilst self-funding is the cheapest source of investment funding, SMEs and Farms need to consider a viable funding plan as part of any expansion or major capital project from the outset. More detailed guidance sheets on this subject are available on the Credit Review Office website. http://www.creditreview.ie/news/

How banks service the SME and farm lending market may be inadvertently suppressing demand for credit.

Bank regulators are asking Institutions to pay attention to 'Behavioural Economics' and how this is affecting their customers' decision making. Behavioral economics looks at how suppliers' decisions and offerings influence the market and the mechanisms that drive public choice. Largely this relates to sales incentives but it may also help to explain why demand is depressed.

BY
John Trethowan

There are two elements of banks' behaviour which may be the cause of suppressed demand for credit from SMEs and Farms and they are:

(i) the changes over the past ten years in how banks interact with the SME and Farm sectors,
and
(ii) reducing risk appetite for lending to the SME and Farm sectors.

The changes over the past ten years in how banks interact with the SME and Farm sectors.

Ireland has experienced a closure of between 200 /250 bank branches since the financial crisis. Branch closures and service reductions are unpopular with the public, and have a wider economic impact on many rural towns and villages in reducing regular customer visits - people previously visited the bank and then 'shopped locally'.

Banks need to manage their cost bases and invest in technology to be competitive into the future and can no longer sustain the traditional local bank branch network. Correctly, they also state that the digital transactional platforms they now provide are popular for transactional banking and some simple SME lending. They must also look to the future when non-traditional players emerge offering better customer centred services and threaten their business. Ironically, the best defence against these new entrants may well be the banks' depth and quality of relationships with their customers.

This move from physical channels and local relationship management, may however be a cause of the lower demand for SME lending.

The Credit Review Office has knowledge of the experience of those borrowers who have been refused credit. We decided to widen our market knowledge by carrying out a more a general survey of all SMEs and Farms (not just those refused credit) on their experience on accessing credit.

This survey had a small population however we were able to draw some outline conclusions from the survey and also from the comments supplied by the respondents.

The results suggest that Borrowers are seeking:

1. An improved two-way communication with their bank.
2. A one to one long-term relationship with a business banker as a relationship manager.
3. That the relationship manager should have knowledge of the Borrower's SME/ Farm and of business generally.
4. That the relationship manager should have greater input into the credit decision.

It is unrealistic to expect banks to invest in restoring their physical networks, however there is work to be done by all banks in improving the quality and consistency of relationship management – this is what banks' customers are asking for. The survey indicates a need to have stability in staffing and an improved connection and empathy with the needs of the customers, rather than rigid adherence to banks' procedures.

We believe that in the case of SME and Farm lending the banks could do more to address the issues arising from the closure or re-designation of branch services. For example, the greater use of technology such as Skype or Facetime could help replace the traditional face to face meeting. As part of our process the Credit Reviewers conduct a telephone interview with SMEs and Farmers who lodge appeals and in most cases the same level of relationship building, and information gathering can be accessed over the phone as across a desk.

Overall Bank Lending

The long running contraction in bank lending books is bottoming out, with 'new lending' now at least stabilising the level of bank loan books. The expectation in a strongly growing economy is that bank lending should also be growing. The main issue reported by the banks is the low demand for credit which I have commented on earlier in this report.

The conclusions drawn from the work of the Credit Review Office on Borrowers' appeals is that banks have lowered their appetite for credit risk, which is limiting access to credit for SMEs and Farms and this is having a wider economic impact.

I have received feedback which suggests that some accountants and specialist debt advisers are now more likely to advise clients to consider other alternatives before seeking or increasing bank lending. As a result, SME expansion plans are postponed or phased. When extra cash is available it is more likely to be used to reduce bank borrowings. The banks need to get these professionals back on side to increase their lending but seem to be making little effort to do so.

Banks loan assessment is now dominated by numbers, financial ratios and credit bureau history, with minimal reliance placed on the borrower's track record with the bank or the owners ability to drive and grow a business. Little effort is now made to get to know the business, the sector it operates in and the business's future prospects and both SME and Farm borrowers remain largely unprepared for the levels of financial information which all banks now seek to assess their loan applications.

The SME and Farm sectors core business lending were not the cause of the recent banking crisis. Aside from buy-to-let lending, which banks promoted to SME and Farm borrowers during the tiger years, losses in the SME and Farm lending sectors are not problematic. Indeed, the experience of the Credit Review Office indicates how resilient the SME and Farm sectors are.

Banking regulation is designed to ensure the ongoing health of banks and ensure that taxpayers do not have to bail out banks in future. There are a number of incoming regulatory policies together with changes to accounting standards, which will require banks to recognise and provide for losses at an earlier stage where an SME or Farm loan becomes challenged or does not tick all of the policy boxes.

Loan provisions reduce profits, which are the key source of Banks' capital, at a time when all banks must comply with capital targets by 2019. This could result in a reduction in the banks' appetite for risk to fully support their local SME and Farm sectors, with the consequent economic impacts on localised economies.

BY
Martin McFadden

Practice or Industry: the 'overlooked opportunities' of accountancy in 2018

Martin leads the Accounting & Finance division of Quest Recruitment, a leading Dublin based Financial & Professional Services Recruitment firm. Martin has proven experience working at Mid, Senior & Executive level financial appointments including Partner, Director & Senior Management level roles across leading accounting firms and select finance/audit/risk roles in industry, particularly Financial Services.

Career Change – A Liminal Moment

Our careers are important to us and deserve periodic reflection to ensure we are progressing on the path which offers ongoing opportunities, a sense of fulfilment, appropriate reward and a balance between comfort and challenge. Career moves are moments of liminality and do require appropriate thought and the exercise of due diligence. Some suggest putting time aside annually to list the pros and cons of their current job and once the cons outnumber the pros it's time to make a move. Others consider a gut feeling as the first sign that a change should soon be on the horizon. For most a natural moment is the completion of a training contract or passing their accountancy exams.

Questions which naturally come to mind are: How best to continue my on-going professional development? What types of roles are available to me? What companies or sectors attract me? Who is hiring? Where are the emerging sectors/employment opportunities? Is my skill set transferable? What is the competition like?

Changing jobs can present many challenges irrespective of whether you are at an early or more advanced stage of your career. Accountants in particular can be conservative by nature, are more risk averse than other professionals and have a tendency to stick with tried and tested career options. Particularly for those trained within practice and contemplating their first post-practice move, the marketplace can often seem like a minefield. Between inboxes flooded with messages from recruiters promising 'unique-opportunities', the difficulty of finding the elusive industry role and the multitude of choices and conflicting information, it is easy for a newly qualified accountant to feel overwhelmed. Let's start with a few basics and please do give some credence to what I refer to as the 'overlooked opportunities' of accountancy in 2018.

The Demand for Accountants

The field of Accounting & Finance has increasingly shifted towards a candidate driven market, particularly among recently qualified accountants. Given the solid demand for accounting professionals, employers are offering increased salaries to attract and retain staff—good news for newly qualified CPA's!

What Kind of Job Should I Look for?

Factors to consider when weighing up a potential move include the role itself, opportunities for learning and career progression, company reputation, culture, location, remuneration and work/life balance. At various stages of your career certain aspects will take precedence over others. If early in your career progression learning opportunities will be key, while at a later stage work/life balance may be a greater priority.

It may seem like a cliché, but do choose a job that you will genuinely be interested in and which will position you on your desired career track. Too often, we see candidates with the mind-set that they will do anything to "get out of external audit or practice." Remember, particularly if recently qualified, you are just beginning your career and your first job outside of practice will be important in steering the direction of that career. As such, it is not a decision to be taken lightly.

BY
Martin McFadden

The Myth

Particularly when speaking with recently qualified accountants one could be forgiven for thinking that the high point of an accountant's career is to be the Financial Controller of a SME! It is by far the most common reply to the important question of 'where do you see yourself in 5 or 10 years'. While it is an important role there are many other positions which are of similar and greater importance within SME's, PLC's and larger firms. It is worth taking the FC in a SME off its pedestal and keeping a more open mind of your long-term view.

Remaining in Practice

Staying in practice is a solid option for many. There is certainly a strong demand among professional services firms and a clearly defined career path for those committed to practice. In addition to building on an existing knowledge base and gaining higher levels of exposure on client engagements, progression into management positions brings its own learning and exposure to more senior stakeholders. Newly qualified accountants completing their training contract in 2017 and 2018 are leaving practice in greater numbers than previous years. Looking to the years ahead, we predict a strong demand and a smaller pool of experienced accountants within practice, leading to an increasing number of senior positions that are increasingly difficult to fill, thus pushing salaries higher.

For those considering progressing within practice, change could still be on the cards, whether within departments (transaction advisory progressing to corporate finance, etc.) or moving to a larger or more specialised firm. After 3-3.5 years with your training firm perhaps a change of company and culture can bring fresh learning, client sectors and exposure to different working methods.

If qualified in a firm outside the Top 20, then a transition to a Top 20 firm could be attractive; likewise, if trained in a Top 10 (non-Big 4) firm, gaining experience in the Big 4 would be an excellent addition to your professional career. Many firms will jump at the chance of hiring a good Audit Senior/ Recently Qualified Accountant. This is also true for candidates who have been out of practice for a few years—I have noticed a number of candidates expressing interest in returning to practice from industry after one to two years, with the primary reasons including missing working alongside other professionals and disliking being part of a small and more isolated finance team.

Changing Nature of Professional Services

Don't shy away from professional services. The nature and make up of professional services firms is changing and it is important to put aside outdated notions of what working in practice necessarily means. With double-digit growth in the consultancy space and traditionally non-core or new services growing at a rapid rate, professional services firms are changing rapidly. Akin to other industries, technology is having a positive impact, with the more

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BY
Martin McFadden

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functionalised work increasingly automated. The remaining work is thus more interesting, with a key focus on the 'value-add' aspect of professional services work.

Accounting Trends

In the same manner in which political and economic theory has its beginning in the university, emerging trends in accounting begin within the professional services firms. You can be guaranteed that if a new trend (think cyber security of a few years back, regulatory knowledge, new systems and management practices) is in demand the professional services firms will be hiring and training staff to best serve their clients. Hence, these roles are ones to watch for short and medium-term employment trends.

There is certainly an increased demand among businesses of all sizes for accountancy and related professional services, particularly with regard to the increasing demands of compliance/ regulation and the professionalisation of many aspects of work.

A final note on trends is the ever-increasing importance of soft skills, which is related to the relatively new space of the interface between people and technology. As traditional accountancy roles continue to evolve, there will continue to be a greater expectation for continuous professional development.

Be Ahead of the Curve

Professional Service firms enjoy economies of scale, react to the future needs of clients, benefit from a global network of 'in-tune' experts and tend to be ahead of the curve. Take AIFMD regulations recently enacted: where the most experienced experts are or at least were until recently? In general, the professional services firms. With industry crying out for these skills these candidates are naturally in high demand. Be ahead of the curve, acquire the latest skillsets and you won't have to go searching for your next job; you will find head-hunters knocking on your door!

Overlooked Opportunities - Consulting, Outsourcing & Secondment

The oft overlooked options of Consulting, Outsourcing or Secondment offer experience akin to industry and generally with a greater breadth and depth of experience. It is increasingly possible to gain, often coveted and idealised industry experience in a best practice environment within a professional services firm.

Unsure if financial accounting or financial reporting is really the road for you? Why risk making your CV or career path a 'jumpy' one when you could benefit from a permanent position in a professional services firm offering similar experience. All the leading firms have Outsourcing, Financial Advice & Advisory teams or similar. These positions are a mixture of full secondment to an industry role or a more specific implementation project. Furthermore, you will be exposed to best practice, changing trends and benefit from a strong support network.

With the professional services firms noting an increased demand for consultancy and outsourced services there will be a strong hiring need over the coming years. As they become more involved with client businesses and provide further services on several fronts this confluence allows for a better understanding of the business and better exposure for the staff involved—hence further benefiting your career path.

Making the transition to industry

Naturally the draw to industry is strong among newly qualified accountants who want to move from reviewing (audit) to doing (account preparation, etc.). Many will ask the question: what industry is right for me? It is worth spending a good amount of time thinking about this, looking at the macro trends among sectors and deciding culturally whether a multinational, indigenous SME or Shared Service Sector is the best fit. Keep in mind that it will be easier to secure a job in a sector that you have previous experience auditing. However, many companies will see a newly qualified accountant as very desirable and will be content with the fact that the skills you have learned in practice are, indeed, transferable. The nature of the role (what you will be doing day-to-day) should also be key to your consideration, whether that be financial accounting, financial reporting, internal audit etc.

Benchmarking

While the base salary is often the headline figure, do give consideration to the overall remuneration package; benefits like pension, bonus and health insurance all add up. Also keep in mind the length of time until a salary review, promotion opportunities, your commute to work and the likely amount of overtime expected. An experienced recruitment consultant will be able to give you an overview of the market and can inform you on salary brackets depending on the role. Most recruitment firms and accounting bodies produce annual salary surveys including ourselves at Quest Recruitment, which can be found on our website.

Contract verses Permanency

It is common for many professionals to have a preference for permanent positions over contract. However, a contract is definitely worth considering and has its perks, particularly for a newly qualified accountant leaving a training contract. Contracts will often offer better pay in lieu of a benefits package. They will also give you the choice and flexibility to sample a number of employers in your industry. Conversely, it gives you a trial run of an organisation before you commit to a permanent position.

Conclusion

Given the buoyant market for both professional and financial services firms, now is a better time than ever to reflect on your current role, remuneration and career path. Reach out to your favoured recruiter, who can provide a litmus test of your position in the market and possibly lead to exciting new opportunities for consideration!

BY
Fionn Uibh Eachach

Brexit – Indirect Tax Update

In this article, Fionn provides an indirect tax update based on the ongoing negotiations between the EU and the UK and what businesses need to plan for.

Fionn Uibh Eachach is a VAT, Trade and Customs Director with KPMG Ireland. Fionn has extensive experience advising companies and organisations in a range of different sectors on trade and customs issues from both an Irish and international perspective. Fionn advises clients on international trade and cross border operations, Brexit planning, tariff classification, AEO certification, managing trade compliance and import/export transactions.

With less than a year to go to the March 2019 Brexit deadline, we are still no clearer to understanding what the trading relationship with the UK will look like post-Brexit and how much impact Brexit may have on trade and the economy in Ireland. However, the major update that businesses have welcomed is the political agreement in principle on the terms of a transitional period which would come into effect on 30 March 2019 and continue until 31 December 2020.

This is a significant milestone; however, it does not in itself provide legal certainty for transition. While the UK and EU have reached political agreement on many aspects of withdrawal position, including a transition period, these proposals will only be legally certain once ratified by the UK and European Parliaments and the European Council towards the end of 2018. This will require both sides to agree on a number of difficult and as yet unresolved, issues in the coming months, including the particularly sensitive issue of the North/South border on the island of Ireland.

Where are we now?

The ongoing UK position is that the UK will leave the EU Customs Union and the EU Single Market. Under the terms of the conditional transitional period, the UK would leave the EU but would remain within the Single Market and the Customs Union for 21 months post Brexit.

One of the main reasons the UK wishes to leave the EU Customs Union, is so the UK will be in a position to negotiate their own network of free trade agreements with their major trading partners, which includes a comprehensive agreement with the EU – something remaining in the EU Customs Union would preclude as the EU negotiates its free trade agreements on behalf of all EU Member States. Under the terms of the transitional arrangement, the UK will be able to begin the process of negotiating their own trade agreements from 30 March 2019.

However, the UK leaving the EU Customs Union will create a customs border between the EU and the UK, the only land border being the North/South Irish border. It is this North/South border which is now the frontline issue of Brexit. The UK had given certain assurances in the December Phase 1 Agreement to avoid a hard border between the North and South of Ireland. These assurances were set out by the UK to the EU in the form of customs proposals to deal with the border (such as the "customs partnership" for example). However, if recent reports are to be believed, these proposals were refuted by the EU negotiating team as totally unworkable and would put unwarranted additional pressure and onus on businesses trading in and out of the UK.

This has brought the UK remaining in the EU Customs Union back into focus. Theresa May is now coming under pressure from the EU negotiating team to provide a legally binding guarantee that there will be no return to a hard border between the North and South of Ireland, with the UK remaining in the EU Customs Union touted as being the solution. In addition, Theresa May is also coming under domestic political pressure from both houses of parliament and from within her own Conservative Party to change course and for the UK to remain in the EU Customs Union. Over the coming months there are some UK parliamentary votes which could cause difficulty for the UK's position of exiting the Customs Union.

The dilemma for Theresa May is that she needs to resolve the Irish border question while avoiding ripping her party apart.

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BY
Fionn Uibh Eachach

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One potential solution and an alternative model to the UK remaining in the Customs Union, is a free trade agreement to be negotiated between the EU and the UK. The recent agreement reached between the EU and Canada has been mentioned as a basis for what future relations could look like between the EU and UK, but on a more comprehensive scale. Recent reports suggest this could potentially include the form of a customs union membership or customs cooperation with the EU. The detail on what this membership/cooperation would entail or cover remains to be seen, however, in principle this could politically assist Theresa May.

Whilst a free trade agreement between the UK and the EU may reduce or eliminate tariffs it would not remove the requirement for customs declarations, unless a customs union membership forms part of the agreement. In addition, it would not remove the requirement for VAT controls on goods traded between the UK and EU, as neither a free trade agreement or even a full Customs Union would deal with the issue of VAT on goods traded between the UK and EU.

What next for Brexit?

While the announcement of a deal on a transitional period will bring much relief to some businesses, it would be wise to proceed with some element of caution.

While this milestone in negotiations on a transitional period is indicative that both sides favour a transitional period, it is still subject to overall agreement in relation to the UK's withdrawal from the EU been finalised before 30 March 2019. As set out above, there are a number of matters to agree before the transition period can be agreed.

Uncertainty still remains in relation to the final form Brexit may take and the final shape of the Brexit negotiations will ultimately determine the future customs relationship between Ireland and the UK and importantly whether there are customs duties to be paid on goods traded with the UK, whether there are restrictions on certain goods and what form, if any, of customs import and export procedures will apply.

The next round of negotiations take place at the EU Summit in June and this is now a crucial meeting between the EU and UK teams to try and resolve the North/South Irish border in particular. In the eventuality that the North/South Irish border and other matters cannot be agreed, then the risk of a cliff edge Brexit of March 2019 comes back into focus.

"Frictionless Border" and trusted trader status

As set out above, even with a comprehensive free trade agreement, the question of how the much mooted "frictionless trade" will be achieved if the UK leaves the Customs Union remains unanswered.

The UK Government has stated several times that there could be a "frictionless border" between Ireland and the UK post Brexit with technology being extensively used to manage frontier issues including Customs, along with customs authorisations such as AEO (Authorised Economic Operator) or trust trader status as it is commonly referred to. It should be noted that as of yet there has not been much detail on these UK proposals.

The EU customs regime provides some reliefs which can mitigate the potential burden of customs on international trade and facilitate trade between the EU and its partners. The availability of these reliefs should, to some extent, soften the impact of Brexit for some Irish businesses but their application is limited.

Despite the potential mitigation of customs duties with a free trade agreement it is expected that trade between Ireland and the UK will require import and export clearance – which may be far from "frictionless". The cost of border clearance and other non-tariff costs of operating within the customs regime can quickly become costly.

One often mooted approach to assist businesses with dealing with the non-tariff customs regime and lessen the impact of a Customs border is AEO (trusted trader) status.

The AEO authorisation is an EU wide program designed for "trusted traders" who are able to demonstrate consistent quality, compliance and trustworthiness in their supply chain to Customs authorities. AEO status does not eliminate potential tariffs on importation of goods but it can significantly help mitigate non-tariff costs associated with international trade in particular simplifying the importation and exportation process and bringing faster and more efficient clearance of goods at Customs frontiers. Not only may AEO status be of assistance for businesses who trade heavily with the UK, it can also benefit businesses who currently import from and export to countries outside the EU and who wish to streamline their current import processes and procedures.

In Ireland, the application process involves a detailed internal review and documentation of these processes and controls, followed by a Revenue validation of these. Application for AEO trusted trader status requires investment from stakeholders across the business including IT, Customs and finance but the ongoing benefits flowing from AEO trusted trader status can significantly outweigh the initial investment involved.

It is worth noting that investing in AEO, from both a financial and internal company resource perspective, can be significant and it may be more relevant for companies with larger scale of trading in and out of the UK. Applying for AEO is unlikely to suit a small trader with limited or sporadic trade in and out of the UK or even non-EU.

To date over 140 traders across a wide range of areas from pharmaceutical to retail to logistics and technology have availed of AEO status in Ireland. For businesses who do not have AEO status, then immediate consideration of AEO status should be on the agenda of any businesses who regularly trade with the UK and outside of the EU.

VAT

Whilst the Customs Union has dominated the Brexit conversation in terms of tariffs and custom clearance procedures/ administration, an additional and less discussed feature is that even if the UK remains in the Customs Union, it would not remain as part of the EU VAT area. This would mean that, as things currently stand and unless changes are made, VAT would be payable on goods moving to Ireland from the UK at the point of importation (and vice versa) which could represent a significant VAT cash flow cost for businesses. Some form of checking the movement of goods traded between the two will be required from a VAT perspective also.

It is safe to assume Brexit, in whatever form, will result in significant administrative burdens and challenges for Irish businesses and will necessitate a substantial investment in infrastructure by businesses and Revenue alike.

Planning for post-Brexit

The announcement of a conditional agreement on a transition period will bring some relief to business trading in and out of the UK but it also focuses the minds that Brexit is real and is happening with the UK likely to leave the Single Market and Customs Union at the latest by December 2020.

Irrespective of the political uncertainty, businesses still need to think to the future. It would not be wise for businesses to use the announcement of the conditional transitional period to defer or cease Brexit planning. Even with the addition of an additional 21 months transitional period, this is a challenging timeframe for many businesses to understand the impact of Brexit, prepare and implement a post Brexit trading strategy. Key areas that businesses need to consider include:

- Quantifying the potential imposition of tariffs on their trade in and out of the UK.
- Quantifying the potential negative cashflow difficulties any import VAT may give rise to.
- Mapping their supply chain and manufacturing footprints, in particular where raw materials or other goods from suppliers are supplied from.
- Reviewing the need for potential customs mitigating strategies such as AEO, customs warehousing or other suspension regimes.
- Reviewing IT and accounting systems to ensure they are capable of being upgraded to deal with identifying import VAT and customs duty tariffs.

It is clear that with Brexit looming, businesses need to be preparing and planning now for the potential changes which Brexit will bring.

BY
Leigh Cullen

PAYE Modernisation – Risks, Challenges and Planning

Mary Shelley wrote in Frankenstein that "Nothing is so painful to the human mind as a great and sudden change". Given we are now less than seven months away from PAYE Modernisation going live, with payroll information for employees becoming available in real time under the Real Time Reporting ("RTR") regime, great and sudden change and its consequences are very near for people involved in the payroll process if they are not adequately prepared.

Leigh, an AITI Chartered Tax Adviser, is the Principal of Cullen Tax Advisers, a specialist tax practice that provides tax advisory services mainly to other accountancy and law firms. Leigh provides private client, corporate, VAT, capital tax consulting services in addition to assistance on Revenue Audits and Investigations.

Introduction

Other taxes have moved to a real time basis in the past. However, the change occurring from January 2019 will impact over 2.7 million taxpayers and their employers and the impact of this change will be widely felt across all industries.

The Revenue PAYE Modernisation group have been working closely with all stakeholders, including the various payroll software providers, since the Budget 2017 announcement of the proposed changes to ensure the launch date of 1 January 2019 is achieved.

In the coming months, Revenue will continue to work with stakeholders, reaching out to employers to provide a Register of Employees as Revenue undertake their own data alignment exercise. The requirement to maintain a Register of Employees has existed for many years and to not maintain one can lead to penalties.

Before outlining the expected risks associated with the changeover to the new system and the planning that should be done now to ensure employers are ready, it is useful to outline a short summary of how the new RTR system will operate, which is as follows:

1. Employers will calculate and deduct tax from employees' pay and benefits based on the latest Revenue Payroll Notification ("RPN") from Revenue. Employers will request the most up to date RPN before making payment to that employee.
2. Employers must notify Revenue on or before the making of a payment to an employee in respect of each employee the amount of pay and benefits, date of payment and the taxes deductible (PAYE, USC, PRSI and LPT).
3. After month end, Revenue will issue a monthly statement summarising all "Payroll Submission Requests" made during the previous month. This monthly statement is deemed to be the employer monthly return if no action is taken. If the details are incorrect the employer must amend or correct the underlying payroll data prior to the 14th of the following month.
4. Taxes operated must be paid by the 14th of the following month also (or 23rd for those who pay and file, which is most employers).

As is the current position for filing other tax returns and reporting information, e.g. eRCT system, the Revenue Online Service ("ROS") will allow employers (and their payroll agent) to file the information.

Under the new process, the December monthly statement will be ready in early January and that statement will be deemed as the end of year payroll return if no corrections are made by the return due date which is 14 January 2020. It should therefore follow that Revenue will have complete payroll information from most employers and more importantly for tax advisers, by the end of January following the end of the tax year.

Smaller employers will be able to make payments on a less frequent basis and the direct debit facility will also continue to be available for all employers. However, all employers still must make information submissions on a real time basis and based on the real time information provided to Revenue the risk of interest charges for late payment is likely to increase when payments are not sufficient.

The main benefit of the changeover will be the end of the obligation to have to submit the current range of payroll forms, i.e. forms P30, P45, P46, P60 and P35 and post year end routines around the final filing of the form P35.

Risks and challenges

The new system will give Revenue visibility on payments and tax deductions as they are made, which is a significant departure from the current situation of Revenue receiving the information nearly two months after the end of the tax year. This new system presents both a practical and philosophical change for employers.

The main risk that arises for employers is that due to the nature of the real time information provided, the level of Revenue's oversight and interaction with all RTR submissions will increase. This in turn will increase the likelihood of faster and more meaningful compliance interventions by Revenue, which for an employer means a higher likelihood of interest and penalties.

It is worth mentioning that the existing penalty that applies for failure to operate PAYE correctly is €4,000, although this penalty has historically rarely been imposed. The way in which Revenue will receive information going forward could change this approach. The information will enable Revenue to identify more accurately whether the "right tax is paid at the right time" when reviewing employer RTR submissions during a Revenue audit or compliance intervention.

Similarly, under Section 986A TCA 1997 employers can also be liable to pay the taxes that should have been withheld on a grossed-up basis from 1 January 2018.

The main challenge for employers is moving away from the balancing up at the end of the year approach to a more precise and accurate approach for non-core pay each time a payment is made to employees. Such challenges will include:

1. Globally mobile employees

It is expected that running a shadow payroll for employees under RTR will become more problematic. Revenue have indicated that employers must report and pay shadow payroll taxes within four weeks following the pay period in which duties are performed in Ireland. It will also be mandatory for employers to indicate when employees are on shadow pay arrangements.

Given the many variables that can input into a shadow payroll for an employee, this approach by Revenue will present challenges for such employers and amendments outside any allowable timeframe may give rise to penalties and interest.

2. Benefit in kind and expenses

Given that at times the taxing of benefit in kind and expenses on employees can be complex certain employers would rectify any adjustments and shortfall after the end of the tax year when completing the form P35.

Revenue has stated that it expects employers to have in place processes to ensure real time tracking of benefits and processing of same through payroll. This will be difficult for certain employers who provide complicated benefit structures. Given that Revenue identified during the initial consultation process that certain employers focused on end of year reporting when dealing with certain benefits in kind and not during the year, it is likely this is an area they will keep a watching brief on.

What action and planning should be done?

We would therefore recommend the following action and planning is undertaken by employers (or their payroll agent) prior to (and shortly after) the changeover to RTR:

1. Carry out a data cleansing and matching exercise for all employees to check:

    a. They are registered with Revenue as employer for all employees;
    b. They have the correct PPS number for that employee (a PPS number checker is available on ROS from 12 April 2018);
    c. They have a current "Certificate of Tax Credits and Standard Rate Cut-off Point" (form P2C) for each employee and that certificate is the one currently being used; and
    d. They have issued a form P45 for all former employees.

2. Employers should review their payroll system and overall process, including how benefits in kind, expense reimbursements and shadow payrolls are run and map out how that data will look to Revenue under the RTR system. This review will give a good idea of what action is required to get the RTR payroll system ready.
3. Where payroll bureau agency services are offered to clients your client letter of engagement should be amended for the extended scope of any work required to assist those clients in complying with RTR obligations from 1 January 2019 onwards. As practitioners are currently reviewing their letters of engagement for payroll bureau services offerings under General Data Protection Regulation ("GDPR"), now would be a good time to let those clients know that additional amendments to your terms of business and increased costs may arise under RTR.
4. Communicate with employees to make them aware of changes coming under RTR (e.g. they can view their information in real time, register for MyAccount, they will no longer receive a form P60) particularly those that may have a change to their pay due to the cessation of practices no longer allowed under RTR.
5. Revenue are due to hold regional seminars on RTR from September 2018 onwards, so these should be attended to understand the changeover process, see a dimension of the new technology interface and related issues. Even if the previous seminars have been attended it would be useful to attend any such seminars closer to changeover, given that technological and other implementation issues will arise.
6. Undertake to reach out to Revenue and payroll software providers to obtain any test system available later in the year so all persons involved in the process can get familiar with the new system prior to going live.
7. Deploy adequate recourses in late December 2018 and early January 2019 to ensure the (final) form P35 for 2018 is prepared and the first RTR submissions can be prepared and made in advance of payment. During early January 2019, for practical considerations, it may be worth considering running a couple of paydays for certain employees normally paid monthly for nominal amounts ahead of the main batch, just to ensure those persons using the new RTR system get experience early on.
8. Employers will need to regularise their payroll function to ensure subsequent payrolls are processed in real time, whether dealt with internally or outsourced to a payroll agent.

It is Revenue's view that once the new RTR system has bedded down it should be the position for most employers that the overall time dealing with their PAYE compliance obligations is reduced, even if more time is required to be spent on each payroll due to the accuracy and quality of information required for each pay day. Following the introduction of Real Time Information ("RTI") in the UK during 2014 it was reported that compliance costs increased due to more demanding reporting requirements and dealing with system errors. Only time will tell whether the same position will arise post 1 January 2019 operating RTR.

Given the increased risks of getting the payroll process wrong in the future this is a good opportunity for practitioners to provide support services to employers that are seen to have more value than previously when payroll services can be viewed as ancillary to other sources of work.

In Practice News

Guidance on the Audit of Micro Entities

A Technical Alert has been issued to provide guidance in relation to matters to be considered by an auditor in the circumstances where an auditor is forming an opinion on the financial statements of a micro company adopting the Micro Companies Regime ("MCR") and applying FRS 105. An illustrative auditor report for an audit of the financial statements of a micro company is also provided.

Micro companies usually qualify for audit exemption under the Companies Act 2014; however, a company can lose its audit exemption where the company is late in filing its annual return. In these circumstances and other cases where the directors of a micro company voluntarily decide to subject the financial statements to an audit, the auditor will need to be alert to the particular characteristics of forming an audit opinion in respect of financial statements prepared in accordance with the MCR and FRS 105. This Technical Alert highlights some of the key issues in forming an audit opinion in relation to this compliance framework and also provides an illustrative auditor's report.

The technical alert can be found in the Technical Resource, Auditing section of our website.

Member States' implementation of new EU audit rules

About two years after the implementation deadline, Accountancy Europe presents an updated state of play of the implementation of the new EU audit rules in 31 European countries, including 28 EU Member States as of April 2018. They have further analysed Member States' decisions and visualised the potential outcomes for the key options regarding:

- providing non-audit services
- mandatory audit firm rotation
- organising public oversight

To provide a better overview and make information easier to understand, information on non-audit services and mandatory audit firm rotation is displayed in a more detailed way. This report can be accessed on www.accountancyeurope.eu/wp-content/uploads/Audit-policy-implementation-state-of-play_April-2018-1.pdf.

For more information on the state of play regarding implementation in the different Member States, the European Contact Group has an online database available at http://www.8cld.eu. This website shows how each of the 28 EU Member States and 3 EEA countries have implemented the original Statutory Audit Directive 2006/43/EC as per the most recent Directive 2014/56/EU. The site adopts a questionnaire-based approach that enables assessment of Member State implementation on an article-by-article basis. The questionnaire gives details on specific paragraphs and sub-paragraphs of Articles, as appropriate. This site also details how Member States have adopted or are likely to adopt those options and derogations that exist in the EU Audit Regulation 537/2014.

Source: www.accountancyeurope.eu.

Simplifying auditing standards for small or non-complex entities

Confidence in smaller companies' performance benefits us all. Especially since they contribute more to the EU economy than large enterprises do. An audit of financial statements (hereafter: audit) can instil such trust as auditors check if historical financial information is reliable.

But should auditing a small or non-complex entity with e.g. 20 employees follow the same standards as a large company employing 50,000 people? The current International Standards on Auditing (ISAs) have become too complex for the needs of smaller entities because audit regulators and standard setters focus on protecting capital markets. However, since smaller entities are major contributors to growth, they must not overlook them when dealing with auditing standards.

As the difficulties of applying the ISAs in this environment become more apparent, the status quo is not an option. Accountancy Europe has produced a Cogito publication which explores different solutions to help the IAASB find an efficient way to deal with small or non-complex entity audits. They aim to open the debate, so all stakeholders can work towards a way forward on this strategic issue. You could access the publication on the Accountancy Europe website.

Source: www.accountancyeurope.eu.

BY
Ted Dwyer

The succession story of one family business

Introduction by Ted Dwyer, founder.

In 1820, almost 200 years ago, James Dwyer, my great great grandfather drove his cattle from Tipperary to Cork and sold them at the quayside to be exported by boat to England. With the proceeds, he opened a grocery shop. Over time, his little business developed into one of Cork's major employers employing over 2,000 people in the 1950s as it developed into a major manufacturing and wholesale company known as Dwyer & Co.

My father, John, was the 4th generation of our family to work there and he would have worked there alongside his father, George. My eldest brother, another George, who was the 5th generation, was the last member of my family to work in the business. He took the decision to leave the family firm in 1972 as he could see that a lack of succession planning meant his future and indeed the future of the business was very uncertain. He was proved right and the Dwyer business closed in the early 1980s. A very sad day for our family and for all the wonderful people who worked there.

Around the same time, George founded his business Eurostyle, a clothing company and I started City Life, a financial planning company. Both businesses are now under the direction and ownership of the next generation and going strong almost 50 years later.

City Life was started with a bank loan as there was no family money available. At the beginning, it was all about survival and about trying to pay the rent, the employees and indeed the bank interest at the end of each month. We had no master business plan and were undercapitalised for a company that was now growing quite rapidly.

Verolme Cork Dockyard were major ship builders and repairers in Cork and employed over 1,000 people in their site in Rushbrooke, just west of the town of Cobh. In 1984, the business closed as they could not compete on price with other ship manufactures in far eastern countries. The assistant general manager and finance administrator at Verolme was a friend of mine, Dermot O'Mahoney. He was now redundant and as I had some space in my office in the South Mall, I suggested he rent some space and do some business consultancy from there until he found another suitable job.

Dermot's story

I was a chartered secretary and certified chartered accountant and decided to go into business on my own as a consultant. I worked for the receiver of Verolme and other businesses including Eurostyle. I was also asked by City life to examine their operation and to do a 5-year business plan for the future of the company. One of the first things I suggested strongly was that a proper board should be put in place with a non-executive director and an independent chairman.

Arising out of the proposals in the plan, I ultimately bought a share in City Life and over a three-year period, encouraged by Ted, I dropped my consultancy work and became a fully qualified and full-time financial planner. My accountancy and business backgrounds were a great help.

I always had an interest in strategy and previously had lectured to the motor industry in Cork on strategy. At City Life we always considered a medium term (up to 5 years) and a long term strategic plan and these plans were continuous and changeable. When circumstances in the financial world changed we were able to adapt because we would have looked at different scenarios in the planning process. The core of our plans was for our business to be financially independent and not reliant on long term bank finance.

Ted Dwyer
Ted is the Founder Director of City Life and a director of City Life Galway. He is a Certified Financial Planner™ and graduated from University College Cork with a Diploma in Family Business Management in 2002.

Dermot O'Mahoney
Dermot is a chartered certified accountant and is a director of City Life since 1985. He is also a chartered secretary and received an Honorary Doctorate in Laws (LLD-HC) from the National University of Ireland.

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Eamon Dwyer
Eamon is the Managing Director of City Life and a director of City Life Galway. He is a Certified Financial Planner™ and is the head of the Investment Committee at City Life.

Stephen Barry
Stephen is a chartered certified accountant and Certified Financial Planner™. He is a director at City Life and joined the City Life board in July 2012.

Ted and I also discussed the succession of the business. We agreed that as he had founded the company, the successors to us would either be Ted's family in the first instance or if they were not interested in coming into the business, then my family would look at coming into the business. Happily, Ted's son Eamon has entered the business and is now our managing director and has brought the business to a new level.

The great satisfaction for me is giving people long term financial advice and living to see the fruits of that advice when they are financially independent and not worried about their financial future. I am over 70 years old now but I still enjoy giving people advice. The final succession plan for me at City Life was to plan for my retirement/semi-retirement. We were very fortunate that we were able to recruit Stephen Barry (also a chartered certified accountant) to take over the financial function from me and to work with the customers that I had looked after over the years. This has worked really well.

Stephen's story

As Dermot has outlined, the primary objective for me in joining the company was to facilitate a smooth transition for the business on Dermot' planned retirement. This involved taking over the financial oversight role which Dermot fulfilled within the business, as well as working with Dermot on a day to day basis, meeting with and advising his clients to ensure delivery of an uninterrupted service.

My introduction was somewhat similar to Dermot's, insofar as I was a good friend of our managing director, Eamon, from our time together in UCC. He knew I was looking for a new opportunity but viable financial services opportunities were thin on the ground in Cork at the time – this was early 2012 in recessionary Ireland. Eamon described it as a "you-shaped hole", the need to find someone who could fulfil the financial oversight while at the same time build a lasting rapport with Dermot's clients that would facilitate the succession that was required.

Probably my biggest concern in agreeing to take on the role wasn't the challenge of the succession process itself – it was stepping into a relatively smaller, tightly run family business and I was concerned about the impact it might have on our friendship.

I had worked for a relatively large indigenous company in the financial sector which had, itself, started out as a family business, back around the time that Ireland gained its independence. However, that company had somewhat outgrown that ethos and was very much a professionally managed, multi-disciplinary enterprise at the forefront of the financial world in Ireland. I had studied for my ACCA exams by night while with this company and passed my final exams in December 2005.

However, I needn't have worried as it has generally been a very positive experience. While it was definitely something of a jump into the unknown, the training I received, both on and off the job, including achievement of the Certified Financial Planner™ (or CFP®) designation has been a wonderful adventure.

So, have we met the objective? I think we're getting there. What probably made it easier, in hindsight, was that the transition or succession of Dermot's role was happening in parallel with Eamon doing much the same thing with Ted. Everyone working together to offer a seamless service to the Company's clients. Some 6 years on, Dermot has not yet fully retired but is, by his own admission, edging ever closer. And I would like to think that the business is in a better position to deal with this now that it was some 6 years ago.

Eamon's story

Today we are a larger organisation than ever before. We advise on pension and investment assets of nearly €220M and have a team of 12 financial professionals. We established a sister company under franchise, City Life Galway, in 2011.

With size comes the need for more oversight, more management and more teamwork. I am blessed to have the skills from relatively disparate fields within the office and we manage our business as a team. Financial oversight and strategic experience from Steve and Dermot. Life and industry experience from Ted. Compliance and technical guidance from another co-director, Josephine Cussen. I sit in the middle and try and steer the ship. As well as our board, we have a great team of support staff, blending the know-how of industry experience with fresh ideas from graduates.

I was a relatively green graduate when I joined City Life – one year after I had completed my degree at UCC. Like Ted and Dermot before me and as Steve would do after me, I learned on the job, qualifying early on as a financial advisor but learning the nuances of strategic thinking, people management and marketing as I went along. Nearly 15 years on, I can still say I'm learning but hopefully making fewer mistakes than I did at the start! I took over as managing director from my dad in the height of the financial crisis. A baptism of fire indeed. However, with City Life (then, and even still, a relatively small and agile company) I was lucky that we could make decisions fast and adapt to the market requirements.

Certainly, the strategic plans that Ted and Dermot had put in place for the previous decades stood to us during that global crisis. We had avoided syndicated property investments, avoided entering the mortgage broker business and avoided investing client monies in direct equities such as a bank shares. These things weren't luck. They were part of our then strategy and a strategy which remains to this day, to invest diversely and in predominantly liquid instruments.

We never know what's around the corner, but we try our best to remain nimble and for our clients' portfolios and financial plans to be the same. With Steve and Josephine's help, strategy and business planning are never far from our lips at City Life. The next stage in our journey will be fascinating.

For further information call City Life on (021) 435 8533, email info@citylife.ie or visit www.citylife.ie.

BY
Jason McLaughlin

Jason McLaughlin, Trusted Adviser, Ortus, Managed IT & Cloud

Security & Cloud Computing

Jason McLaughlin looks at some of the misconceptions concerning Cloud Computing and Data Security and what the real security risks are.

Data Security is a concerning factor when using any level of Cloud computing and rightfully so, however there are some misconceptions regarding security threats as well. In this article we will try to filter through the unfounded concerns to help reduce misperceptions so that more focus can be placed on addressing cloud security threats that should be prioritised, ones that are real, rather than fretting over fictitious issues.

Cloud Computing has become a more mature technology and now a way of computing that many are familiar with and even confident with using on a day to day basis. Nevertheless, confusion surrounding cloud security hinders the comprehensive adoption of cloud. By no means should we become complacent towards security in the cloud but we should be knowledgeable enough to understand and differentiate fact from fiction, to make informed cloud decisions based on true concerns rather than on concerns that are no more than mere myth.

Hopefully through clarifying the real security risks and disregarding the misperceptions, the route to a more comprehensive cloud may become clearer, security can be more effectively managed and provider choice made simpler to attain.

Data security, not as secure in the cloud compared with secured on premises?

Some companies question the level of security offered by a cloud vendor. They often incorrectly consider their data to be more secure on their premises behind their own firewalls. However, this is not always the case.

Cloud vendors put all their efforts and resources into ensuring that their data centres are as secure as can be. They conform to strict compliance standards and access to data is strictly controlled. Whereas on premise access to company data from within the company is often very relaxed with servers holding critical data usually not secured. Access to the data is easily achievable by employees hence easily breached, often the result of an inside attack.

Cloud vendors offer numerous data centres, backup, disaster recovery and layers of security. These are frequently audited to keep security up to date.

The truth is that data is likely to be more secure with a reputable cloud vendor than on most businesses own premises. It's becoming exceedingly difficult for businesses to stay on top of security, patches, upgrades and vulnerabilities with the same tenacity and dedication of a reputable cloud vendor.

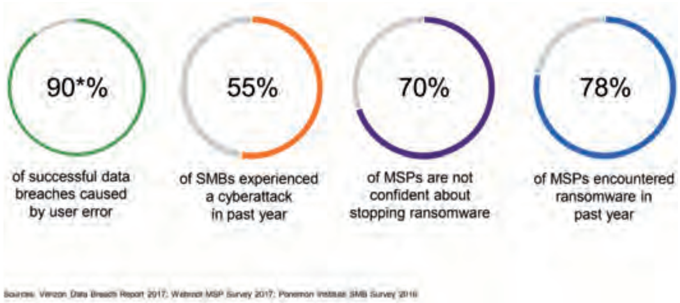
Public Cloud and Security

A common misconception is that if you have your data in and are serviced by a public cloud, others using that cloud can access your data and you will also be more vulnerable to attack from others utilising the same public cloud.

This is not correct. You are sharing the cloud resources with others but you are secure within the multitenant environment if the proper measures to segregate data are in place. Precautionary security measures such as encryption and access control need to be in place to ensure that a breach is not likely to occur.

It comes down to due diligence and making sure the provider you choose has the necessary measures and policies in place to satisfy your security needs.

The High Cost of User Error



Applications in the cloud

There is a misconception that traditional PC or server software undergoes superior vetting compared with that of cloud applications, making traditional software more secure and reliable.
This is not the case.

Cloud applications are continuously monitored, maintained, patched and kept up to date, whereas PC or server software updates are wholly reliable on the end-user doing this. Within a business the likelihood of this being undertaken daily or even weekly is slim but this is commonplace within a cloud environment of a reputable cloud provider.

Outside threats, breaches and the Cloud

Many consider the cloud to be more vulnerable to outside threats than a typical onsite IT environment. This is not true. All environments need to be secured adequately to secure against any potential threats. Firewalls, vulnerability scanning, network security technologies and encryption should be used. This is not unique to cloud environments but necessary for all environments. If the cloud is properly secured it does not have to be more vulnerable to outside threats or pose any heightened security risk.

All clouds are created equal?

The cloud is not generic and all clouds are not the same. Businesses consider one cloud to be equal to the next and providers to offer equal services, with the same levels of security and service options.

This is not the case. Reputable Cloud providers do offer enhanced security compared with the security many businesses are able to achieve in-house. However, this is not a guaranteed service from all cloud providers. Security, reliability and service level agreements will differ from one provider to the next and it is important to ensure due diligence is undertaken to avoid disappointment or risk.

Cyberattacks are making headlines!

Conclusion

One of the biggest barriers to cloud adoption, without a doubt, is security. Yet cloud security continues to evolve as confidence grows and the adoption of cloud technologies expands across the globe.

It's safe to suggest that most businesses will not be able to come anywhere close to handling security better than a large cloud provider with the uninterrupted resources, dedication and the expertise necessary.

Cloud tends to be a great security advancement for many businesses of all sizes. Yes, security risk is present but the risk is present if we choose not to work in the cloud as well. What is important is to be knowledgeable of the actual security risks so that we can place focus where required, thus enabling us to manage security in the most appropriate manner possible.

Reduce Risk

- Improve behaviour
- Share security responsibility
- Reduce business risk

Meet Compliance Requirements

- Implement best practise
- Meet compliance objectives

Make More Money

- Reduce infections and related costs
- Free up resources to improve productivity

Institute News

Pictured L-R: Incoming Vice President John Devaney, Outgoing President Deirdre Kiely, Elected President Cormac Mohan and Vice President Gearõid O'Driscoll.

Cormac Mohan, President, CPA Ireland

Cormac Mohan CPA, has been elected President of CPA Ireland. The election was announced at the Annual General Meeting of Members on April 25th held at the CPA Irelands offices, 17 Harcourt Street, Dublin 2.

He has served as Vice President of the Institute for the past two years supporting past Presidents, Deirdre Kiely and Nano Brennan.

Mr. Mohan is a practising CPA who holds an MBA. He has significant commercial and industry experience with a proven track record in business strategy, financial management and control. He holds a Diploma in Insolvency & Corporate Restructuring from the Law Society of Ireland.

He is currently a Managing Partner in an Accounting & Business Advisory Practice based in Fitzwilliam Square, Dublin city centre - FM Accountants & Business Advisors, providing specialist insolvency and restructuring services, auditing & taxation.

He has previously worked internationally for both Coca Cola and Microsoft at senior management level and has served on the board of various companies in recent years.

Mr. Mohan is a member of the Irish Society of Insolvency Practitioners and is a certified commercial mediator.

Gearõid O'Driscoll, Vice President, CPA Ireland

Gearóid O'Driscoll, FCPA, was re-elected Vice President of CPA Ireland at the Annual General Meeting of Members on April 25th held at the Institute's headquarters. Gearóid is a Partner in ODM Accountants who specialise in strategic business and accountancy services for individuals and businesses across Ireland.

Gearóid became a member of CPA Ireland in 1980. He is also a member of the Irish Taxation Institute and holds a Degree in Commerce. Gearóid has been an active member of the Institute's SMP Committee for many years and he was co-opted to Council on September 2010.

He will support newly elected President Cormac Mohan, alongside fellow Vice-President, Mr. John Devaney, Associate Director, EFM.

John Devaney, Vice President, CPA Ireland

John Devaney, MBA CPA, is the newly elected Vice President of CPA Ireland. Mr. Devaney took office at the Annual General Meeting of Members on April 25th held at the Institute's headquarters.

John was elected to the Council of CPA Ireland in April 2012.

John trained with O'Gorman Brannigan Purtill & Co. in Clonmel for 5 years before heading to London. In the UK John has gained experience in Audit Practice, Animal Pharmaceuticals, the Music Industry, Outsourcing and Natural Gas Distribution.

CPA Ireland – New Brand Identity, Website and Syllabus Review

CPA Ireland is undertaking a series of significant projects in 2018, including the launch of the new CPA Ireland brand, CPA Ireland website and CPA Ireland syllabus review.

We have commissioned a company to work with CPA Ireland on a brand refresh which will communicate the key competitive advantages of CPA Ireland to employers, prospective students, current students and existing members.

Along with the roll out of the new CPA Ireland brand later this year, we are working with a digital agency, to re-develop the new CPA Ireland website, so that the user experience is significantly improved and personalised for our members, students and stakeholders.

At the end of last year, the Council of CPA Ireland approved a review of the CPA syllabus, teaching and learning. CPA Ireland remains committed to and engaged with its key stakeholders, to ensure that the Education and Training process meets the needs and evolution of the market.

We believe that all the above projects will enhance our service delivery to both students and members and ensure that CPA Ireland remains a modern, innovative and forward thinking professional accountancy body.

Irish Accountancy Awards 2018

A great night was had by all at the Accountancy Awards Ireland held at the Ballsbridge Hotel. CPA Ireland would like to congratulate all winners at the awards with special congratulations to CPA Ireland Members, much deserved winners in three categories, Finance Team of the Year, Small Practice of the Year and CSR Initiative of the Year.

Finance Team of the Year – Trinity College Dublin

Aileen Mc Cartney, Associate Director, Morgan McKinley presents the Finance Team of the Year award to Ian Mathews, Trinity College Dublin.

Small Practice of the Year – AG Associates

Marc O'Dwyer, CEO, Big RedCloud presents the Small Practice of the Year Award to Angela O'Leary and Mairead Crowley, AG Associates Accountants.

CSR Initiative of the Year - The Kenyan Child Foundation - John Mc Carrick & Associates

Carl Churchill, Managing Director, NetPay Solutions Group presents the CSR Initiative of the Year Award to Sadbh Mc Carrick, John Mc Carrick and Conn Mc Carrick, John McCarrick & Associates.

CPA Ireland Fast-track to CIMA Qualification

Pictured left to right, Peter Plant, Course Development & Delivery Executive, First Financial Training; Niall Hennessey, CFO, Nudipay Global Limited & CIMA Assessor; Deirdre Kiely, Past President, CPA Ireland; Roger Acton, Associate Director – Management Accounting, Association of International Certified Professional Accountants (AICPA).

The CPA Ireland Gateway route is an accelerated entry route for CPA Ireland members to the CIMA Professional Qualification and the globally recognised Chartered Global Management Accountant (CGMA) designation. This is a unique opportunity for CPA members to further enhance their qualification and to develop career opportunities both locally and globally.

Tailored for CPAs both in industry and practice, the CPA Ireland Gateway route is a study programme which recognises the qualifications and considerable experience of CPAs with 14 study exemptions, available to eligible candidates. Entry to the CIMA professional qualification is by way of two case studies; the CIMA Management Case Study Course and Examination and the CIMA Strategic Case Study and Examination.

Each calendar year CIMA provides four opportunities to sit the case study exams - February, May, August and November. This flexible approach offers CPA members the capacity to fit the exam process into their busy schedules. The next Management case study exam is taking place in August 2018 with the application deadline for the Management Case Study of 31 August at 5pm and the pre-seen material for the exam available from the 29 June 2018.

The Case Study exams are used to test a variety of skills including research and analysis, how to present information, persuasion and communication skills. Case Study exams reflect a real-life business scenario, comprising a series of time bound tasks set for students to complete based on pre-seen material.

Typically, candidates for the Management Case Study will be in a Financial Management position such as Management Accountant; Financial Controller; Financial Analyst; Head of Finance whilst the strategic case study will be that of a Senior Finance Manager such as a Senior Management Accountant, Group Accountant or Financial Director.

Cost is £600/€682 to include first year student subscription fee, 2 Case Study exam fees and 14 exemptions from Certificate level through to Strategic Objective Tests. On successful completion, there will be a membership application fee of £154/€175 and annual subscription payments thereafter.

For more information on the contents of the exam please visit the CPA Ireland CIMA Gateway page

https://www.cimaglobal.com/Starting-CIMA/Starting-CIMA/Entry-Routes/students-or-professional-members/CPAIreland-Members/

For further information about the bespoke tuition package being offered by First Financial Training, please contact Fiona Arnold at Fiona.arnold@aicpa-cima.com

Our experienced CIMA tutors will deliver the course content, as well as study and interview technique support to candidates.

How much does it cost?

- Registration for the CPA Ireland Gateway: £600/€682 one off payment
- Application to membership: £154/€175 one off payment
- Current annual membership subscription: £278/€316

For any queries relating to your study please contact Fiona Arnold at Fiona.Arnold@aicpa-cima.com

(Study materials are required and are not part of the Gateway package).

Launch of the Social Enterprise Report

On 16th April, CPA Ireland officially launched the "Social Enterprise Report – The Irish and International Landscapes" and is delighted to take this opportunity to showcase social enterprise, a sector that has the potential to create up to 40,000 jobs in Ireland and contribute €2billion to the Irish economy.

Social Enterprise is not a new phenomenon in Ireland and has operated successfully here for many decades; the credit union movement and the housing and agricultural cooperatives are excellent examples.

And although prevalent in Irish policy discourse since the 1990s, and as highlighted by many of the contributors to this report, there is still no nationally agreed definition of, or specific legal identity for, social enterprises in Ireland. This circumstance is not unique to Ireland.

The rationale for this report is to educate stakeholders on the relevance, importance and benefits of such an important and much needed economic sector.

As professionals, Accountants are at the forefront of business strategy for clients, the former President of CPA Ireland, Deirdre Kiely, has recommended ways accounting professionals can support social enterprise in their communities.

This could be done by joining a board or committee of a social enterprise, and using specific skills to participate in strategic objectives, such as assistance with development of policy documents or perhaps add value by conducting training with founders or staff of social enterprises.

Deirdre Kiely, also called on the Irish government to develop a coherent policy, approve a nationally agreed definition and to increase funding to the sector, all of which are essential to grow social enterprise in Ireland.

Furthermore, Accountants in Practice may consider taking on social enterprises as clients or offering pro-bono assistance.

Social Enterprise is certainly not unique to Ireland and the sector is much more developed in other jurisdictions in terms of definition and government support. The full Report can be found at:

http://www.cpaireland.ie/media-publications/cpa-publications/entrepreneurship-reports

Please take the time to read the Report and appreciate the potential of social enterprise and the many ways in which the accountancy profession can make a positive contribution.

Pictured at the launch of the CPA Ireland "Social Enterprise Report – The Irish and International Landscapes" on April 16th: Lucy Masterson CEO Charities Institute; Deirdre Mortell CEO Social Innovation Fund; Eamonn Siggins CEO CPA Ireland; Deirdre Kiely Past President CPA Ireland; Alison Cowzer East Coast Bake House.

IITD Awards

Pictured at the IITD Awards: Lorraine O'Flynn, CPA Ireland member, Rôisîn McEntee, CPA Ireland, Jenny Conmy, CPA Ireland, Aisling Mooney, CPA Ireland, Nano Brennan, Past President CPA Ireland, Gillian Peters, CPA Ireland, Patricia O'Neill, CPA Ireland.

CPA Ireland is delighted to announce that CPA Ireland Skillnet was shortlisted for an IITD National Training Awards 2018 in the Best Not for Profit Collaboration or Partnership Category. The purpose of the IITD National Training Awards is to promote excellence, best practice and innovation in Training and Learning & Development, and to highlight the importance of this area in today's business climate.

The CPA Ireland Skillnet network has enabled us to provide our members with a wide range of CPD & Further Learning courses including, Project Management for Accountants, the New Manager Series, Women in Business Events, and the Diplomas in US GAAP, Governance for the Charitable Sector, FRS102 and the Companies Act as well as classroom courses and webinars in all core accountancy topics. The highly successful Advising Beyond Numbers Series that ran in 2018 was very well received by attendees and covered a variety of exciting topics outside of 'crunching the numbers', including strategy, marketing, technology and HR.

Western CPA Society – Seminar and Summer Barbeque Event

Topics: Farm Taxation issues

- Income tax, stock relief, capital allowances management
- Farm partnerships for tax, registered and succession planning
- Agricultural and business relief
- The tax implications of transferring a farm into a company
- The CAT and CGT planning issues of a farm company

Speaker: Kieran Coughlan, Coughlan Accounting & Taxation Services Ltd. Kieran is a registered tax consultant, member of the Institute of Taxation in Ireland and is also a farmer.

Date: Monday 16th July 2018
Time: 5.45pm - Registration
6.00pm - Seminar starts
8.00pm - Summer Barbecue
Location: Lough Rea Hotel & Spa, Loughrea, Galway
CPD Credit: 2 hours
Cost: €35 including BBQ

To book your place, please email westerncpasociety@gmail.com.

Leinster CPA Golf Society – Annual Golf Outing

Golf, Dinner and Prizes!

Date: Friday 22nd June 2018
Time: 1.30pm
Location: Powerscourt Golf Club
Cost: €55 per person

For bookings contact
Richard O'Hanrahan 086-2420987
richardohanrahan@hotmail.com
or Martin Stokes 087-7981399
martinjstokes@eircom.net

CPA Ireland LinkedIn Education Page

We have been liaising with our colleagues in LinkedIn and we are very pleased to announce the creation of the new CPA Ireland LinkedIn Education page.

This LinkedIn Education page, now allows CPA Ireland members to add CPA Ireland as an educational institution to their individual profiles.

Adding CPA Ireland to your educational profile will increase brand awareness of CPA Ireland and assist in progressing our Alumni network in Ireland and internationally.

LinkedIn profiles have numerous benefits and not only act as online versions of CVs but provide an opportunity for others to recommend and endorse your skills and expertise, whilst allowing you to showcase key career achievements and build relationships.

Further details can be found on the CPA Ireland LinkedIn page

https://www.linkedin.com/school/institute-of-certified-public-accountants-in-ireland/

World Congress of Accountants

The future of business lies with the accounting profession. To thrive in the digital era, accountants need to understand and embrace technology like never before. World Congress of Accountants 2018 brings together more than 6000 motivated professionals and the world's leading accounting and finance experts to network, brainstorm and build a road map for the next four years. WCOA will deliver an immersive experience, using the latest technology and learning methods. Further details can be found at www.wcoa2018.sydney

CPA Ireland Membership Changes:

The following members have resigned:

Vincent O'Gorman (003054)
Rachel Reilly (006810)
Martin Nolan (008283)
Paud Black (001390)
Louise Stoodley (015776)
Donal Conway (024128)
John Griffin (015419)
Brendan McLoughlin (011960)
Eamonn Glancy (001612)
Bernard Lawlor (000713)

The following member is recently deceased:

Padraig Fitzgerald (005932)

Masters in Applied Accounting

Margaret Fitzsimons, Head of the School of Accounting and Finance and Deirdre Kiely, Past President of CPA Ireland.

What is the Masters in Applied Accounting?

Progression and development are the goals of any graduate now embarking on a career and in 2017, Dublin Institute of Technology (DIT) worked with CPA Ireland to develop the Masters in Applied Accounting.

This is the first combined accounting masters and qualification of its kind in Ireland and enables students work four days a week and study one day a week in DIT.

The typical student this will suit will have completed a Bachelor of Science in Accounting and Finance and have secured Professional 1 exemptions from CPA Ireland and ideally achieved a 2.1 honours result in their undergraduate degree.

Over the two years the student will sit the four Professional 2 CPA exams, advanced corporate reporting, strategy leadership, advanced taxation and audit practice and assurance services. In addition, they will also take subjects in DIT including communications and professional development, accounting research practice, corporate finance, work based learning, information systems and research in contemporary issues in accounting.

These subjects ensure students are work ready and able to communicate with clients in a professional manner. They secure the practical IT skills that are needed in their role. This masters offers students a unique opportunity to become qualified accountants while obtaining a masters.

The unique collaboration between DIT and CPA Ireland means that the needs of industry and academic rigour have been embedded into this masters. The needs of the professional employers and their clients are being met.

The great news for students is once they pass all the subjects in the DIT masters and complete the third year of their training contract they can apply for membership of CPA Ireland as a qualified accountant without sitting any more professional exams.

Benefits to the Employer and Students:

- The combination of the global recognition of the CPA qualification and DIT's position in the top four percent of universities worldwide frames the masters programme as the perfect opportunity for those wishing to progress or travel with their career.
- DIT's exceptional state of the art facilities and CPA's commitment to the support of its students and members ensures the best student experience possible.
- Research and innovation into the educational offering to ensure it meets the needs and expectations of employers and equips students with the exact skills sought by employers is at the heart of both DIT and CPA's interests.
- Students are not only gaining technical knowledge but also gaining knowledge on Communication and Professional Development.

International News

International Public-Sector Accounting Standards Board (IPSASB) Strategy and Work Plan 2019-2023

Accountancy Europe recently hosted the International Public-Sector Accounting Standards Board (IPSASB) Strategy and Work Plan 2019-2023 stakeholder consultation in Brussels. Pictured at the event were: David FitzGerald, Director – International, CPA Ireland, Mr Vickson Ncube, CEO, Pan African Federation of Accountants (PAFA), and Mrs Assietou Sylla Diouf, Finance Director - African Union.

CPA Ireland IPSAS Advisory Board Responds to Exposure Drafts

The CPA Ireland International Public Sector Accounting Standards (IPSAS) Advisory Board recently responded to Exposure Draft 63 Social Benefits which was issued by the International Public Sector Accounting Standards Board(IPSASB). This Exposure Draft addresses accounting for the delivery of social benefits, such as retirement, unemployment, and disability. The proposed standard aims to improve consistency, transparency, and reporting by public sector entities of social benefit schemes, which account for a large portion of government expenditure in most jurisdictions.

CPA Ireland welcomes the publication of this much-needed exposure draft on accounting for social benefits and supports the broad thrust of the recommendations.

IFAC highlights the impact of fragmented financial regulation

IFAC Member Toolkit: Help #FixTheFracture of Fragmented Global Regulation

New research from IFAC and Business at OECD highlights the massive impact of fragmented financial regulation in material economic costs, financial system risk and barriers to growth.

The report, ***Regulatory Divergence: Costs, Risks, Impacts,*** reveals the more than $780 billion USD cost of divergent regulation to the global economy each year.

Accountants are uniquely placed to articulate the need for greater international collaboration on major regulatory issues critical to building trust, advancing economies and ensuring financial system stability. The issue is global, but the solution requires discussion and advocacy on the regional and local level.

As such, we encourage you to utilize our **Member Toolkit** to share important messages for the profession that advance smart regulation and:

1. **Get Social** - Share key findings and join the conversation using the hashtag: #FixTheFracture
2. **Communicate with Members** - Leverage global messages and local actions to arm members with the information they need to advance smarter regulation
3. **Share your Story** – Provide your perspective on areas of impact in your jurisdiction

We hope you will find this useful as the profession continues to advocate for smart regulation and champion international business.

CPD News & Events

ACCOUNTANT'S UPDATE PATHWAY

Whatever your next career goal, a learning pathway can help you achieve it.

CPA Ireland in conjunction with accountingcpd.net launched the Accountants Update Pathway in May 2018. This Pathway contains material that is specific to Irish tax, financial reporting and regulatory developments and is therefore designed for those working in the Republic of Ireland. This is a 20-week curated programme of one hour of online group learning per week, giving you the flexibility accessing the materials wherever and whenever you want. A facilitator will be on hand to help and guide you through the material and to gently remind you if you are falling behind. Through a combination of webinars, online courses, peer discussion, articles and quizzes, you will find a varied and engaging learning experience that fits around your working life, helping you to balance your personal and professional imperatives with the task of staying up to date and maintaining the currency of your professional knowledge.

We will be launching a 10-week Accelerated Pathway commencing in September 2018 to help complete your CPD on time. This will account for 20 hours of CPD and will cost €380 (+VAT).

This learning pathway provides a wide coverage of updates for every finance professional:

- Taxation
- Financial Reporting
- Audit
- Compliance
- Management Accounting
- Technology
- Finance Function

You can learn more about the Accountant Update Pathway and the indicative syllabus at www.accountingcpd.net/The_Accountants_Update_Pathway_2018_(ROI).

The Excel Club

Brush up on your Excel and Data analysis and Presentation Skills with online CPD training with The Excel Club!

We have teamed up with The Excel Club to bring you a range of high quality Excel Courses including, Online Excel, Excel Power Tools and Power BI.

You can find further details on these courses at www.cpaireland.ie/cpd/cpd-online/cpd-online-courses/online-cpd-excel-club

Improve your Excel Skills now
The Excel Club

CPA Tax and Practice Matters Conferences 2018

The 2018 Tax Conferences in Dublin (The Castleknock Hotel in Blanchardstown) and Cork (The Radisson, Little Island) were extremely well attended with almost 250 attendees covering areas such as the VAT and Customs Implications of Brexit and an update from the Revenue Commissioners on recent developments. Also, over a hundred members attended the Practice Matters Conferences between Dublin and Cork for practical presentations including Professional Standards and an Update on Financial Reporting.

Tax and Audit Updates

Back by popular demand!

CPA has organised a series of regional updates on Tax and Audit that will be happening in Dublin, Cork, Limerick, Kilkenny, Galway and Kerry. These full day courses can be booked as half day events if you just want to get the tax or audit component by contacting the CPA office. Speakers include Colm Divilly, Gary O'Mahony, Umesh Rana and Emer Kelly.

IT Conference

Technology is changing accountancy. Technology is becoming the driving force being today's evolving practice. Cloud computing makes the automation of data instant. Mobile devices are now critical devices. The role of the accountants is moving to that of a consultant expected to provide value and expertise. The event will provide attendees with an opportunity to participate in a stimulating and interesting event on latest IT developments.

Date: 22 June 2018
Castleknock Hotel, Dublin

Industry Matters

A conference designed specifically for the professional accountant working in industry. Topics will address both technical and professional development issues relevant to the industry accountant. It is also an excellent opportunity to network with fellow members.

Dublin: 12/13 October 2018
Crown Plaza Santry, Dublin

Cork: 19 /20 October 2018
Kingsley Hotel, Cork

Webinars coming up

CPA has organised wide range of practical and focussed Webinars over the next few months. Highlights include *Farming Tax Update* which will be presented on the 8th of June by IFAC's Declan Mc Evoy, *'Employment Law - What's New' with Adare HRM on 14th of June and on 26th of June, Patricia Quigley, tax consultant will share her expertise on 'Revenue Audits and Interventions.' Keep an eye on the CPD Calendar for further Webinars on GDPR and Company Secretarial Updates!*

Upcoming courses June - September 2018

Location	Dates	Title	Members Price	NM Price	CPD Credit	Start Time	Finish Time
Athlone	12 September 2018	Company Secretarial Update / Tax Preparation & Planning Workshop	€225.00	€275.00	8 hours	9.30am	5pm
Cork	13 June 2018	Tax & Audit Update	€225.00	€275.00	8 hours	9.30am	5pm
Cork	27 June 2018	Women in Business	€55.00	€55.00	3 hours	5pm	8pm
Cork	13 September 2018	Company Secretarial Update / Tax Preparation & Planning Workshop	€225.00	€275.00	8 hours	9.30am	5pm
Dublin	13 June 2018	Women in Business	€55.00	€55.00	3 hours	5pm	8pm
Dublin	19 June 2018	Tax & Audit Update	€225.00	€275.00	8 hours	9.30am	5pm
Dublin	22 June 2018	IT Conference for Accountants	€105.00	€130.00	3 hours	9pm	12pm
Dublin	11 September 2018	Company Secretarial Update / Tax Preparation & Planning Workshop	€225.00	€275.00	8 hours	9.30am	5pm
Dublin	18 September 2018	Project Management Fundamentals	€225.00	€275.00	8 hours	9.30am	5pm
Dublin	19 September 2018	Anti Money Laundering Seminar	€105.00	€130.00	3 hours	5pm	8pm
Dublin	27 September 2018	Interview Skills	€20.00	€25.00	3.5 hours	5.30pm	9pm
Galway	21 June 2018	Tax & Audit Update	€225.00	€275.00	8 hours	9.30am	5pm
Kerry	15 June 2018	Tax & Audit Update	€225.00	€275.00	8 hours	9.30am	5pm
Kilkenny	26 June 2018	Tax & Audit Update	€225.00	€275.00	8 hours	9.30am	5pm
Limerick	14 June 2018	Tax & Audit Update	€225.00	€275.00	8 hours	9.30am	5pm
Limerick	14 September 2018	Company Secretarial Update / Tax Preparation & Planning Workshop	€225.00	€275.00	8 hours	9.30am	5pm
Webinar	8 June 2018	Farming Tax Update	€29.00	€36.00	1 hour	1pm	2pm
Webinar	14 June 2018	Employment Law – What's new	€29.00	€36.00	1 hour	1pm	2pm
Webinar	20 June 2018	Economic Update Q2	€29.00	€36.00	1 hour	1pm	2pm
Webinar	26 June 2018	Revenue Audits & Interventions	€29.00	€36.00	1 hour	1pm	2pm
Webinar	27 June 2018	eBriefing - 2	€29.00	€36.00	1 hour	1pm	2pm
Webinar	28 June 2018	Employee engagement strategies	€29.00	€36.00	1 hour	1pm	2pm
Webinar	5 July 2018	Data Protection in the Workplace – HR Issues to consider	€29.00	€36.00	1 hour	1pm	2pm
Webinar	9 August 2018	Company Secretarial Webinar 1	€29.00	€36.00	1 hour	1pm	2pm
Webinar	14 August 2018	Company Secretarial Webinar 2	€29.00	€36.00	1 hour	1pm	2pm
Webinar	21 August 2018	Company Secretarial Webinar 3	€29.00	€36.00	1 hour	1pm	2pm
Webinar	23 August 2018	Company Secretarial Webinar 4	€29.00	€36.00	1 hour	1pm	2pm
Webinar	19 September 2018	Economic Update Q3	€29.00	€36.00	1 hour	1pm	2pm
Webinar	20 September 2018	eBriefing - 3	€29.00	€36.00	1 hour	1pm	2pm

Student News

Examination Notice

April 2018

The April 2018 diet of examinations took place in six locations in Ireland in addition to four international locations. The results of this diet of examinations were approved by the Education and Training Committee at its June meeting and released to candidates on Friday 8 June, six weeks after the final examinations.

Formation 1 and Certificate in Business and Accounting

The online Formation 1 and Certificate in Business and Accounting examinations took place in Griffith College Cork on 22 and 24 May and in Griffith College Dublin on 25 May and 1 June 2018.

Formation1 and Certificate in Business and Accountancy examinations also took place in Cork and Athlone ETB's during May.

Results for these examinations were approved by the Education and Training Committee at its June 2018 meeting.

CPA Ireland extends its congratulations to all successful candidates in the 2018 examinations!

August 2018

The Institute's August 2018 diet of examinations will commence from Monday 27 August to Friday 31 August 2018 (both dates inclusive). The examinations timetable and venue details are available to download from the CPA website. In order to be eligible to sit an examination in August, each CPA student must register online for the relevant examination(s) by Wednesday 1 August via their My CPA Profile. Please note that the Exam Registration process will close at midnight on this date and no further applications will be accepted.

For queries regarding examinations, please contact Ciara Tobin at ctobin@cpaireland.ie or 01 425 1058.

Professional 2 Students: Application to Membership Notice

The following information will be of particular interest to all students intending to apply for membership in 2018.

Following the publication of the April examination results in June 2018, the Institute will issue an "Application to Membership Pack" to all students who successfully complete and pass their P2 examinations, as well as to those who passed their P2 examinations in 2015-2017, but who have not yet applied for membership.

A further "Application to Membership Pack" will be issued to students who pass their final exams in the August examination sitting.

The completion or submission (as appropriate) of the following documentation is a mandatory part of the application process. These documents, if not previously submitted to the Institute, should be submitted along with each "Application to Membership Pack".

1. Application Form.
2. Two Employer References on headed paper.
3. Training Records (evidencing 3 years relevant supervised training, if not previously submitted to the Institute).
4. Competency Guide & Return (including Form 2: Four individual Records of In-Depth Competence Statements and Forms 3A, B & C). Please view the Competency Guide & Return section of the CPA website for further information.
5. Admission Fee: €731 (submit cheque, debit card or credit card details).
6. Conferring Invitation Form.
7. Student ID Card.

Please note, that the above Application to Membership fee does not include the Annual Member Subscription for 2019, which, for members, falls due in January 2019. The Annual Member Subscription for 2018 is €587.

This year's Conferring Ceremony is scheduled to take place on Saturday 1 December 2018 in the Hogan Suite, Croke Park, Dublin 3.

Fully completed Application to Membership Packs must be received in the Institute by 3 August 2018, from those students who are invited to apply for membership following the April 2018 examinations. There is no guarantee that any late application will be reviewed and processed.

Fully completed Application to Membership Packs must be received in the Institute by 1 November 2018, from those students who are invited to apply for membership following the August 2018 examinations. Please note that late applications will not be processed.

Students who are eligible to apply for membership are encouraged to begin the process as early as possible. If you have any questions regarding completing the process, particularly in relation to the completing the Competency Guide & Return, the Institute is more than happy to discuss and offer guidance on any aspect with you.

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

Publication Notices

Investigation Committee – Consent Order

Ref: Invest/22/17*

At a meeting of 12 March 2018, the Investigation Committee found prima facie evidence of misconduct where a Member Firm acted in breach of S.I.220 of 2010, in that the Firm acted as an auditor for two years to a Company, in which the principal of the Firm was a director.

The Committee offered, and the Member Firm accepted a Consent Order, the terms of which are:

- Reprimand
- Fine €700
- Contribution towards the Institute's costs €300

Re.: Disciplinary Tribunal

Ref.: Invest/01/16

On 26 March 2018, a Disciplinary Tribunal found the following charges of misconduct proven against a Member in Practice:

- That he failed to satisfy fully a number of judgement debts registered by the Collector General.
- That he failed to disclose the existence of judgement debts in his annual fit and proper declarations for five years.

The Tribunal ordered that the Member:

1. Be reprimanded;
2. Be fined €1,000 (payable within 30 months);
3. Pay €2,000 contribution towards the Institute's costs incurred in this matter – (payable within 30 months);
4. Enter into a payment arrangement with the Revenue Commissioners within 12 months to arrange for payment of the outstanding judgment debts;
5. Provide an interim progress report to the Institute on engagement with the Revenue Commissioners after 6 months and that these findings and orders be published without reference to the Member by name.

INSTITUTE
Information & Disclaimer

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

The Institute of Certified Public Accountants in Ireland, CPA Ireland is one of the main Irish accountancy bodies, with in excess of 5,000 members and students. The CPA designation is the most commonly used designation worldwide for professional accountants and the Institute's qualification enjoys wide international recognition. The Institute's membership operates in public practice, industry, financial services and the public sector and CPAs work in over 40 countries around the world.

The Institute is active in the profession at national and international level, participating in the Consultative Committee of Accountancy Bodies – Ireland – CCAB (I) and together with other leading accountancy bodies, the Institute was a founding member of the International Federation of Accountants (IFAC) – the worldwide body. The Institute is also a member of Accountancy Europe, the representative body for the main accountancy bodies

The Institute's Offices are at 17 Harcourt Street, Dublin 2, D02 W963 and at Unit 3, The Old Gasworks, Kilmorey Street, Newry, BT34 2DH.